



UBS ETF Capital Markets
Weekly Flow Update
(May 22nd - 26th)

Market Commentary

MSCI World in USD ended the week down 48bps with weak performances in Materials (-3.51%), Consumer Staples (-2.76%) and Health Care (-2.69%) offset by increases in Information Technology (3.94%).

This past week has seen divergent performances between different geographies. The Nasdaq has rallied hard after chipmaker Nvidia forecast accelerating growth thanks to surging demand for AI processors. The company is now forecasting revenue in the 3 months ending in July of USD 11bn, well above analysts' expectations for USD 7.2bn. The rally in AI-related companies has raised concerns that this segment is now in a bubble. The MSCI ACWI tech sector is trading on a forward P/E of 24x, a 25% premium to the 10-year average. However, this rally may be justified as AI appears to have clear use cases for consumers and enterprises especially as companies rush to build or incorporate AI tools across a wide range of businesses and services. Adoption of generative AI has been setting new records. ChatGPT only launched in November and achieved 100m users in the first 2 months and now has over 200m regular users. Finally, it appears that AI is fuelling growth for a wide range of companies, including semiconductors and cloud computing so some decent spill over effects for the rest of the technology complex.

On the other hand, investors do seem worried by the faltering economic recovery in China. China's reopening has been distinctly two speeded, with strong pent up consumer demand helping propel discretionary stocks, particularly luxury to new highs. Conversely, the investment side, particularly around housing, has remained soft, most obviously showing up in weak commodity prices and the mining sector's poor performance. This weakness is now conversely showing up in falling valuations of European luxury companies and perhaps some profit taking in European equities generally. European equities have been clear beneficiaries of China hope, so disappointment there weakens one of the pillars of YTD outperformance. Exporters with large China exposure like Germany are arguably suffering more, as seen with most recent softening in PMI and IFO.

On Wednesday UK CPI data was released that was significantly above expectations and pointed towards the threat of stagflation. Coupled with low growth and the potential for higher for longer rates this does not bode well for the more domestically focussed FTSE 250 Index. The FTSE 100 is largely disconnected from the domestic economy, with less than 30% of domestic sales. Also, the sector mix is very interesting with large weights in Defensive Growth like Healthcare and Staples and strong Commodity and Financials exposures that should respond well to higher interest rates. Nonetheless the inflation surprise is concerning as perhaps inflation will not recede as quickly as investors expect.

On Friday we had the release of the US personal spending data and the core PCE price index. Personal spending rose 0.8% mom in April, against a consensus forecast of 0.5%. Personal income

was up 0.4%, backed by a solid 0.5% rise in wage income. The PCE price index rose 0.4%, and core PCE was also up 0.4%. Earlier this month, markets were pricing in a near-zero probability of an additional Fed rate hike. This has recently changed with a hike by July now fully priced in. Inflation is not slowing as quickly as the FED would have hoped for. Consumer demand has proven to be resilient in the face of Fed tightening, supported by the savings built up during the pandemic. With the unemployment rate at its lowest since the late 1960s, one would not be surprised if there was a rate hike at the next FOMC meeting on the 14th of June. However, given the pricing in the swaps market it is likely that the Fed waits till the meeting after next on the 26th of July and makes an assessment then of the strength of the economy.

Over the weekend President Biden and House Speaker McCarthy announced an agreement in principle to raise the debt ceiling for 2 years, while capping spending on most items other than military and veterans. Permits for pipelines and other fossil fuel projects could also be sped up, and some unused COVID funds will be clawed back. Assuming this compromise deal passes through Congress, it removes a downside risk from equities, however, it may encourage the Fed to keep on hiking. The key economic data will be JOLTS job openings published on the 31st of May and the jobs report released on the 2nd of June.

- Monday: Hong Kong trade and Vietnam industrial production, CPI, trade.
- Tuesday: Australia building approvals, Chile unemployment, Czech Republic GDP, Eurozone economic confidence, consumer confidence, Japan unemployment, Mexico international reserves, New Zealand building permits, Spain CPI, Sweden GDP, Switzerland GDP and US consumer confidence.
- Wednesday: Brazil unemployment, Canada GDP, Chile industrial production, China manufacturing PMI, non-manufacturing PMI, Colombia unemployment, Finland GDP, France GDP, CPI, Germany CPI, unemployment, India GDP, Italy GDP, CPI, Japan industrial production, retail sales, Poland CPI, Russia unemployment, industrial production, Serbia GDP, South Africa trade balance, South Korea industrial production, Sri Lanka CPI, trade, Thailand trade, rate decision, Turkey GDP, and US job openings.
- Thursday: Brazil trade, GDP, China Caixin manufacturing PMI, Eurozone HCOB Eurozone Manufacturing PMI, CPI, unemployment, France HCOB France Manufacturing PMI, Germany HCOB Germany Manufacturing PMI, Hong Kong retail sales, Hungary GDP, India S&P Global India Manufacturing PMI, Italy unemployment, Japan capital spending, Macau casino revenue, Pakistan trade, CPI, South Korea trade, Sri Lanka rate decision, UK S&P Global / CIPS UK Manufacturing PMI and US construction spending, initial jobless claims, ISM Manufacturing, light vehicle sales.
- Friday: Brazil industrial production, France industrial production, Mexico unemployment, South Korea CPI, GDP, Spain unemployment and US unemployment, nonfarm payrolls.

UBS ETF - Top 5 Net Inflows	USD
US Equities Sustainable (hedged)	38,533,085
Swiss Fixed Income	36,889,382
Global Government Bonds Sustainable (hedged)	28,747,046
Japanese Equities	22,612,694
UK Equities Sustainable	14,459,846
UBS ETF - Top 5 Net Outflows	USD
Canadian Equities	-143,789,426
US Equities SmartBeta (Value)	-125,826,323
Global Equities Sustainable	-110,989,400
US Inflation-linked	-66,764,641
Global Equities Sustainable (hedged)	-19,575,207
UBS ETF - Top 5 Primary Market Creations	USD
UBS (Lux) Fund Solutions – SBI® Foreign AAA-BBB 5-10 ESG UCITS ETF (CHF) A-dis	62,518,549
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (hedged to EUR) A-acc	41,746,514
UBS (Lux) Fund Solutions – SBI® Foreign AAA-BBB 5-10 ESG UCITS ETF (CHF) A-dis	29,667,422
UBS (Lux) Fund Solutions – J.P. Morgan Global Government ESG Liquid Bond UCITS ETF (hedged to EUR) A-acc	28,747,046
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (USD) A-acc	21,487,824
UBS ETF - Top 5 Primary Market Redemptions	USD
UBS (Lux) Fund Solutions – MSCI Canada UCITS ETF (CAD) A-dis	-136,043,975
UBS (Irl) ETF plc – MSCI ACWI Socially Responsible UCITS ETF (USD) A-acc	-115,633,789
UBS (Irl) ETF plc – MSCI USA Value UCITS ETF (USD) A-dis	-57,742,400
UBS (Irl) ETF plc – MSCI USA Value UCITS ETF (USD) A-dis	-46,453,160
UBS (Lux) Fund Solutions – Bloomberg TIPS 1-10 UCITS ETF (USD) A-acc	-34,231,200
UBS ETF - Top 10 Secondary Market Trades	USD

UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (hedged to EUR) A-acc <i>Tradeweb – Risk</i>	39,780,000
UBS (Lux) Fund Solutions – SBI® Foreign AAA-BBB 5-10 ESG UCITS ETF (CHF) A-dis <i>Systematic Internaliser – Risk</i>	38,120,000
UBS (Lux) Fund Solutions – SBI® Foreign AAA-BBB 5-10 ESG UCITS ETF (CHF) A-dis <i>Tradeweb – Risk</i>	29,410,000
UBS (Lux) Fund Solutions – Bloomberg TIPS 1-10 UCITS ETF (USD) A-acc <i>Tradeweb – Risk</i>	-28,700,000
UBS (Lux) Fund Solutions – MSCI EMU Socially Responsible UCITS ETF (EUR) A-dis <i>Bloomberg RFQE – Risk</i>	-27,750,000
UBS (Lux) Fund Solutions – Bloomberg TIPS 1-10 UCITS ETF (USD) A-acc <i>Tradeweb – Risk</i>	-27,230,000
UBS (Lux) Fund Solutions – SBI® Foreign AAA-BBB 5-10 ESG UCITS ETF (CHF) A-dis <i>Tradeweb – Risk</i>	23,610,000
UBS (Lux) Fund Solutions – MSCI Japan UCITS ETF (JPY) A-acc <i>Tradeweb – Risk</i>	21,950,000
UBS (Lux) Fund Solutions – SBI® Foreign AAA-BBB 1-5 ESG UCITS ETF (CHF) A-dis <i>Tradeweb – Risk</i>	-20,520,000
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (USD) A-acc <i>Bloomberg RFQE – Risk</i>	-19,880,000

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