



UBS ETF Capital Markets
Weekly Flow Update
(29th of April – 3rd of May)

Market Commentary

MSCI World in USD ended the week up 0.83% with the index being driven upwards by Information Technology (1.34%), Consumer Discretionary (1.62%) and Industrials (1.16%) and offset by weakness in Energy (-2.73%).

This week has seen some decent action with the FOMC meeting on Wednesday, US Non-Farm Payrolls for April on Friday and the continuation of results season.

The Fed left rates unchanged at the FOMC meeting. The FOMC statement added a sentence to acknowledge the higher inflation data so far in 2024: "In recent months, there has been a lack of further progress toward the Committee's 2 percent inflation objective." The statement also announced a reduction in the pace of quantitative tightening. From June, the monthly redemption cap on the Fed's Treasury holdings will be cut from USD60bn to USD25bn.

In his post-meeting press conference, Powell mostly reiterated previous comments. He said that the higher-than-expected inflation data so far in 2024 would likely mean that it will take longer for the Fed to gain confidence that inflation is moving sustainably toward their 2% target. This implies a later start to rate cuts. However, Powell maintained the view that it is unlikely that the next rate move will be a hike, and the committee's focus remains on how long to maintain the current restrictive policy.

Powell seemed to largely dismiss the weaker 1Q GDP growth rate of 1.6%, the lowest since 2Q22, saying that economic activity remains strong. He also did not seem overly concerned about the higher-than-expected 1.2% quarter-over-quarter rise in Tuesday's 1Q Employment Cost Index, noting other evidence of better balance in the labour market, including Wednesday's JOLTS data for March, which showed a decline in both job openings and the quits rate.

We are nearly 70-80% through the reporting season and EPS growth y/y is tracking better than expected, at -9% in Europe and 3% in US. Ex- Energy numbers are higher, at -4% and 7% respectively. Overall, EPS growth has been coming in ahead of expectations in both the regions. Sales growth continues to improve for the fourth quarter in a row indicating that top line recovery remains on track. EPS beats are once again above average levels in Europe and in US. Meanwhile, sales surprises have been weaker, with sales beats trending near the lows in Europe and close to average levels in the US. The uptick in EPS beats compared to muted top line surprises indicates that margins have surprised on the upside. Indeed, with Q1 seeing a cyclical recovery in activity, profit margins have been justifiably resilient. Company guidance so far has been largely stable with many firms sticking to existing numbers. Upgrades in Europe have been steady versus 4Q while downgrades have been considerably lower. In the US too, both upgrades and downgrades have fallen considerably vs. 4Q, as most companies hold on to their existing guidance.

Released on Friday, nonfarm payrolls increased by 175,000 in April, below consensus expectations of 240,000. Other aspects of the report were also on the softer side. Average hourly earnings increased by 0.2% m/m, bringing the y/y increase down to 3.9%, the lowest since June 2021. The unemployment rate ticked up to 3.9%.

Average weekly hours worked ticked down to 34.3. Combining this with the smaller rise in hourly earnings, this implies that labour income growth was weak in April. Also released this week, JOLTS data for March showed fewer job openings and the quit rate at a post-pandemic low of 2.1%, which has negative implications for wage growth. With the household savings rate already at historically low levels, it will be hard for consumer spending to continue rising faster than income. The softening trend in labour markets should make it easier for the Fed to cut rates.

Next week, we see potential market-moving events as Senior Loan Officer Opinion Survey and Eurozone PPI released on Monday, various Eurozone countries publishing Industrial Production numbers over the week and the University of Michigan Sentiment survey released on Friday.

- Monday: China Caixin services PMI; Eurozone S&P Global Services PMI, PPI and Indonesia GDP.
- Tuesday: Australia rate decision; Brazil trade; Chile copper exports, trade; China forex reserves; Eurozone retail sales; France trade; Germany factory orders; Mexico international reserves; Philippines CPI; Taiwan CPI and Thailand CPI.
- Wednesday: Argentina industrial production; Brazil rate decision; Chile CPI; Colombia CPI; Germany industrial production; Philippines trade; Sweden rate decision; Taiwan trade and US wholesale inventories.
- Thursday: China trade; Malaysia rate decision; Mexico CPI, rate decision; Peru rate decision; Philippines GDP; Poland rate decision; South Africa manufacturing production; UK BOE rate decision and US initial jobless claims.
- Friday: Brazil CPI; Canada unemployment; India industrial production; Italy industrial production; Japan household spending; Malaysia industrial production; Mexico industrial production; New Zealand home sales, PMI; Turkey industrial production; UK industrial production, GDP and US University of Michigan consumer sentiment.

UBS ETF - Top 5 Net Inflows	USD
EMEA Equity	308,106,877
US Inflation-Linked	212,310,520
Commodity	135,515,727
APAC Equity	40,334,544
Global Equity	19,165,709
UBS ETF - Top 5 Net Outflows	USD
EM Equity	-303,983,519
North-American Equity	-116,339,868
US Corporate Bonds	-88,662,027
APAC Govies	-18,087,933
EM Debt	-10,406,377
UBS ETF - Top 5 Primary Market Creations	USD
UBS (Irl) Fund Solutions plc – CMCI ex-Agriculture SF UCITS ETF (hedged to CHF) A-acc	241,825,120
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (EUR) A-acc	204,432,965
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (hedged to USD) A-acc	107,067,000
UBS (Lux) Fund Solutions – Bloomberg TIPS 1-10 UCITS ETF (USD) A-acc	83,118,661
UBS (Lux) Fund Solutions – Bloomberg TIPS 1-10 UCITS ETF (USD) A-acc	70,774,528
UBS ETF - Top 5 Primary Market Redemptions	USD
UBS ETF (CH) – MSCI Switzerland (CHF) A-dis	-191,724,845
UBS ETF (CH) – SPI® ESG (CHF) A-acc	-185,221,596
UBS (Lux) Fund Solutions – MSCI Emerging Markets UCITS ETF (USD) A-acc	-179,208,587
UBS (Irl) Fund Solutions plc – Bloomberg Commodity CMCI SF UCITS ETF (hedged to CHF) A-acc	-164,638,465
UBS (Irl) ETF plc – MSCI USA Socially Responsible UCITS ETF (USD) A-acc	-141,759,891

UBS ETF - Top 10 Secondary Market Trades	USD
UBS (Irl) Fund Solutions plc – CMCI ex-Agriculture SF UCITS ETF (hedged to CHF) A-acc <i>NAV – Systematic Internaliser</i>	233,290,000
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (EUR) A-acc <i>NAV – Systematic Internaliser</i>	192,720,000
UBS (Irl) Fund Solutions plc – Bloomberg Commodity CMCI SF UCITS ETF (hedged to CHF) A-acc <i>NAV – Systematic Internaliser</i>	-157,440,000
UBS (Irl) ETF plc – MSCI USA Socially Responsible UCITS ETF (USD) A-acc <i>NAV – Systematic Internaliser</i>	-143,050,000
UBS (Lux) Fund Solutions – Bloomberg TIPS 1-10 UCITS ETF (USD) A-acc <i>NAV – Systematic Internaliser</i>	82,940,000
UBS (Lux) Fund Solutions – Bloomberg TIPS 1-10 UCITS ETF (USD) A-acc <i>NAV – Tradeweb</i>	69,860,000
UBS (Lux) Fund Solutions – MSCI United Kingdom UCITS ETF (hedged to CHF) A-acc <i>NAV – Systematic Internaliser</i>	61,240,000
UBS (Lux) Fund Solutions – MSCI United Kingdom UCITS ETF (hedged to USD) A-acc <i>NAV – Systematic Internaliser</i>	57,910,000
UBS (Lux) Fund Solutions – MSCI United Kingdom UCITS ETF (hedged to USD) A-acc <i>NAV – Tradeweb</i>	53,170,000
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (hedged to USD) A-acc <i>NAV – Tradeweb</i>	48,700,000

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