



UBS ETF Capital Markets
Weekly Flow Update
(15th of July – 19th of July)

Market Commentary

MSCI World in USD ended the week down 2.02% with the index being driven downwards by Information Technology (-5.27%) and Consumer Discretionary (-2.94%) offset by Financials (0.39%).

The week began with China's GDP release which was weaker than expected. China's 2Q24 GDP growth of 4.7% y/y was well below market expectation (consensus: 5.1%). Among the key activity data, 2Q24 retail sales growth slowed the most to 2.7% y/y, down from 4.7% y/y in 1Q24; investment growth also moderated to 3.6% y/y, from 4.4% y/y in 1Q24, while export growth rose to 4.5% y/y from -1.7% y/y in 1Q24. The biggest driver of the poor retail sales number was auto sales (c.10% of total sales), dipping further to -6.2% y/y from -4.4% y/y in May as consumers await more price cuts and details of the implementation of subsidies at local level. Sales in other discretionary items also decelerated. Sales of housing-related goods like furniture and construction materials stayed sluggish. Property FAI growth stayed unchanged, showing a sharp decline of -10.1% y/y. On the other hand, manufacturing FAI growth stayed robust at 9.5% y/y, reflecting continued export recovery and domestic industrial upgrade support; and infrastructure FAI growth held relatively stable at 5.4% y/y, albeit partly impacted by adverse weather in southern China.

There were no major positive or negative surprises from the Communist Party's long-awaited Third Plenum which ended on Thursday, with the initial communiqué vowing to prioritize "high-quality economic development." In addition to focusing on long-term objectives like promoting new growth drivers, achieving tech self-sufficiency, and deepening supply-side reforms, China's policymakers also pledged to achieve economic growth targets this year and proactively expand domestic demand. Near-term attention now turns to the release of the third plenum's full statement in the coming days, which will provide more details on reforms ahead of the late July Politburo meeting to decide on economic policies for the second half of the year.

On Tuesday, US retail sales beat consensus estimates in June. Retail sales were flat m/m in June from May, beating consensus estimates of a 0.3% decline. May's retail sales figure was revised higher to 0.3% from 0.1%. June sales, excluding auto and gas, rose by 0.8%, surpassing the 0.2% forecast. The retail sales control group, which excludes volatile categories and is pertinent for GDP calculations, increased by 0.9%, beating consensus estimates of 0.2%. Meanwhile, sales at gas stations and auto dealers weighed down the figure, because of falling gas prices and a cyberattack on auto dealers. The market rotation that has taken shape following the lower-than-expected June CPI data continued following Tuesday's data. Year-to-date laggards, such as cyclical sectors and small-caps, outperformed technology stocks on the prospects of potential Fed cuts, which are now fully priced in to begin in September, alongside still resilient economic growth.

On Wednesday, UK inflation remained at the BoE's target rate. UK CPI remained at 2% in the 12 months to June, matching the rate in May and marginally above consensus forecasts for 1.9%. The

CPI print means that UK inflation is in line with the BoE inflation target for the second consecutive month. Services inflation, however, remained stubbornly high at 5.7% and core inflation, which excludes volatile prices like energy and food, remained at 3.5%. The latest CPI data show inflation is normalizing, which supports the idea that the BoE will start cutting rates soon. Markets maintain the view that the BoE is on track to cut rates in August and expect two 25bps cuts in total this year, which should help boost equity valuations and earnings.

On Thursday, The ECB left its main policy rates unchanged at its July meeting, as was widely expected. It did not give any guidance about the timing of the next rate cut. The Governing Council is likely waiting to accumulate more evidence that inflation is returning to target on a sustainable basis before implementing the next cut. The euro was little changed against the US dollar. Economic activity in the Eurozone remains weak with decelerating core inflation. Eurozone GDP growth was just 0.3% in the first quarter of 2024. While that is better than the 0.1% contraction in the last quarter of 2023, it follows five quarters of economic stagnation. Weak economic activity and decelerating core inflation should allow the ECB to cut rates again this year. Markets are now pricing in a September rate cut with 65% probability. With the Fed also likely to start policy easing in September, and the BoE potentially in August, the global rate-cutting cycle remains on track despite inflation jitters in some parts of the world.

Next week, we see potential market-moving events as: US existing home sales for June & Eurozone consumer confidence for July on Tuesday; US new home sales for June & Eurozone Preliminary PMIs for July on Wednesday; German IFO business survey for July on Thursday and University of Michigan sentiment for July on Friday.

- Monday: China loan prime rates; Hong Kong CPI; Israel industrial production; Mexico retail sales; New Zealand trade and Taiwan jobless rate, export orders.
- Tuesday: Eurozone consumer confidence; Mexico international reserves; Nigeria rate decision; Singapore CPI; Taiwan industrial production; Turkey rate decision and US existing home sales.
- Wednesday: Canada rate decision; Eurozone HCOB PMI; France HCOB PMI; Germany HCOB PMI; India HSBC PMI; Malaysia CPI; Russia industrial production; South Africa CPI; Sri Lanka rate decision; UK S&P Global PMI and US new home sales, S&P Global PMI.
- Thursday: Germany IFO business climate; Hong Kong trade; South Korea GDP; US GDP, initial jobless claims, durable goods, merchandise trade and Ukraine rate decision.
- Friday: Japan Tokyo CPI; Mexico trade; Russia rate decision; Singapore industrial production, home prices and US personal income, PCE price index, University of Michigan consumer sentiment.

UBS ETF - Top 5 Net Inflows	USD
European Equities Sustainable	23,142,894
Euro Treasury Bonds	20,160,396
US Corporate Bonds Sustainable	18,199,560
US Corporate Bonds	9,042,280
Global Equities Sustainable	8,423,018
UBS ETF - Top 4 Net Outflows	USD
US Equities SmartBeta (Quality)	-95,561,419
Asian Equities Sustainable	-30,611,241
US Equities	-23,838,370
US Equities (hedged)	-22,381,024
US Equities Sustainable	-10,584,111
UBS ETF - Top 5 Primary Market Creations	USD
UBS (Lux) Fund Solutions – Bloomberg EUR Treasury 1-10 UCITS ETF (EUR) A-dis	25,519,488
UBS (Lux) Fund Solutions – Bloomberg MSCI US Liquid Corporates Sustainable UCITS ETF (USD) A-dis	18,199,560
UBS (Lux) Fund Solutions – EURO STOXX 50 ESG UCITS ETF (EUR) A-dis	16,774,909
UBS (Lux) Fund Solutions – Bloomberg US Liquid Corporates 1-5 Year UCITS ETF (USD) A-acc	9,042,280
UBS ETF (CH) – Gold (USD) A-dis	7,116,102
UBS ETF - Top 5 Primary Market Redemptions	USD
UBS (Irl) ETF plc – Factor MSCI USA Quality ESG UCITS ETF (USD) A-dis	-54,238,611
UBS (Irl) ETF plc – Factor MSCI USA Quality ESG UCITS ETF (USD) A-dis	-40,678,958
UBS (Lux) Fund Solutions – MSCI China ESG Universal Low Carbon Select UCITS ETF (USD) A-dis	-30,611,241
UBS (Irl) ETF plc – MSCI USA hedged to EUR UCITS ETF (EUR) A-acc	-22,381,024
UBS (Irl) ETF plc – MSCI USA UCITS ETF (USD) A-dis	-17,518,930

UBS ETF - Top 10 Secondary Market Trades	USD
UBS (Lux) Fund Solutions – MSCI USA UCITS ETF (USD) A-dis <i>Tradeweb</i>	57,430,000
UBS (Irl) ETF plc – Factor MSCI USA Quality ESG UCITS ETF (USD) A-dis <i>Tradeweb</i>	56,250,000
UBS (Lux) Fund Solutions – Bloomberg MSCI Euro Area Liquid Corporates Sustainable UCITS ETF (EUR) A-acc <i>Bloomberg RFQE</i>	51,630,000
UBS (Lux) Fund Solutions – MSCI USA UCITS ETF (USD) A-dis <i>Tradeweb</i>	47,340,000
UBS (Irl) ETF plc – Factor MSCI USA Quality ESG UCITS ETF (USD) A-dis <i>Tradeweb</i>	46,170,000
UBS (Irl) ETF plc – MSCI USA UCITS ETF (USD) A-dis <i>Systematic Internaliser</i>	41,000,000
UBS (Lux) Fund Solutions – EURO STOXX 50 ESG UCITS ETF (EUR) A-dis <i>Tradeweb</i>	31,780,000
UBS (Irl) ETF plc – MSCI USA Socially Responsible UCITS ETF (hedged to GBP) A-dis <i>Bloomberg RFQE</i>	30,540,000
UBS (Lux) Fund Solutions – Bloomberg USD Emerging Markets Sovereign UCITS ETF (hedged to GBP) A-dis <i>Bloomberg RFQE</i>	30,480,000
UBS (Lux) Fund Solutions – MSCI China ESG Universal Low Carbon Select UCITS ETF (USD) A-dis <i>Tradeweb</i>	30,000,000

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