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UBS Asset Management Switzerland AG | June 2024

UBS ETF Capital Markets
Weekly Flow Update
(17th of June – 21st of June)

Market Commentary

MSCI World in USD ended the week up 0.47% with the index being driven upwards by Financials (1.32%) and Consumer Discretionary (1.66%) offset by Information Technology (-0.58%).

Early in the week Chinese retail sales came in above expectations, rebounding to +3.7% y/y in May (+2.3% y/y previously) and benefiting from extended holiday spending. Catering and leisure goods sales picked up from April. The biggest-weighted item—Auto sales (about 10% of total sales) edged up to -4.4% y/y from -5.6% y/y in April yet remained in contraction amid a higher base. Most other discretionary goods improved, led by cosmetics, communication devices and home appliances. Meanwhile, sales of housing-related goods like furniture and construction materials were relatively sluggish. Gold and jewellery sales dipped to but notably, online goods sales accelerated thanks to an earlier "6.18 Festival" promotion.

Industrial production eased to a still-robust +5.6% y/y pace in May (+6.7% y/y previously), while fixed asset investment came in at +4% y/y for the January-May period. Property investment fell 10.1% y/y for the January-May period, while separate data showed new homes sales remained under pressure despite new stimulus, falling 0.7% m/m and 3.9% y/y. The mixed picture in May indicates that more time is needed for the effects of recent policy support to be reflected in the data, which we think could be as soon as from June. High-frequency home sales started to show a marginal improvement in the last few weeks of May. More housing easing measures, such as the relaxation of home purchase restrictions in top-tier cities and scaled-up funding support on inventory buy-backs, may be rolled out in the coming months if sales decline again. Auto sales may pick up in 2H as trade-in subsidies announced on the 24th of April play out. Markets expect a reserve requirement ratio cut of 50-100bps, and medium-term lending facility/loan prime rate cuts of 10-20bps by year-end, alongside stronger fiscal support amid faster government bond issuances and targeted consumer goods trade-in subsidies. 2Q GDP growth could stay at around 5.3% y/y on a low base, despite a softer sequential momentum.

The RBA on Tuesday held rates steady at 4.35% while suggesting mixed data have "reinforced the need to remain vigilant to upside surprises to inflation." Australian wage growth has trended lower and GDP effectively paused last quarter at 0.1% q/q, but the inflation reading for April hit a five-month high of 3.6% y/y. The central bank reiterated its determination to bring inflation back to target, while adding a hawkish warning that it "will do what is necessary to achieve that outcome." Its comments on labour and growth were more subdued, though the statement did highlight continued signs of "excess demand" in the economy.

Also announced Tuesday US retail sales rose 0.1% m/m in May, weaker than the consensus forecast for 0.3%. The headline print was dragged down by soft spending in gas stations and food services. There were downside revisions to the preceding two months. The retail sales control group, which excludes volatile categories and feeds into GDP calculations, rose by 0.4% m/m in May, marginally below market consensus forecast for 0.5% growth. These figures are consistent with the view that the US economy is headed for a soft landing, with moderating demand bringing inflation back toward the Fed's 2% target.

The decision was particularly uncertain but on Thursday the SNB lowered its policy rate by 25bps to 1.25% following its June quarterly monetary assessment. Somewhat surprisingly, the SNB acknowledged an increase in inflation driven by prices for domestic services while indicating a decline in underlying inflationary pressure compared to the previous quarter. The SNB left its conditional inflation forecast broadly unchanged and slightly lowered its longer-term forecast by 0.1–0.2%. On economic growth, the SNB maintained its forecast of moderate growth for the Swiss economy, projecting a GDP growth rate of “around” 1% for 2024, which is unchanged from its previous forecast. Markets expect the SNB to lower its policy rate by 25bps in September to 1.00%. This forecast is conditional on a deceleration in inflation over the summer 2024, moderate appreciation pressure on the Swiss franc, and the beginning of the easing cycle in the US.

The BoE’s decision to keep interest rates on hold at its June gathering came as no surprise to investors. Headline inflation falling back to the BoE's 2% target was never really that relevant going into the meeting. More important for the policy outlook are price pressures in the services sector and measures of wage growth. In both cases, policymakers need more convincing that these are easing before they will embark on the journey to loosening monetary policy.

However, a cursory glance at the minutes from the June meeting suggests this pivot may not be too far off—a modestly dovish surprise for some. Services inflation is still running high at 5.7% y/y through to the end of May, but this was slower than in April. Moreover, looking at the details of what is keeping price pressures elevated, seems to be regulated and indexed prices (e.g., mobile phone contracts) a point not lost on policymakers. As for wage settlements surveys watched closely by policymakers suggest pressures will likely ease further in the second half of the year. For these reasons, a growing number of BoE policymakers highlighted that their decision to remain on hold was finely balanced.

Next week is light on macro events. US Conference Board consumer confidence for June on Tuesday; US new home sales for May on Wednesday; US personal income for May on Friday and ECB M3 money supply on Thursday.

- Monday: Argentina unemployment, GDP; Germany IFO business climate; New Zealand trade; Singapore CPI and Taiwan jobless rate, industrial production.
- Tuesday: Australia consumer confidence; Canada CPI; Hong Kong trade; Malaysia CPI; Mexico international reserves; Spain GDP and US Conference Board consumer confidence.
- Wednesday: Australia CPI; Russia industrial production; Singapore industrial production and US new home sales.
- Thursday: China industrial profits; Eurozone economic confidence, consumer confidence; Israel industrial production; Japan retail sales; Mexico unemployment, trade, rate decision; Philippines rate decision; Sweden rate decision; Turkey rate decision and US durable goods, initial jobless claims, GDP, wholesale inventories.
- Friday: Brazil unemployment; Chile industrial production, unemployment; Colombia unemployment, rate decision; Czech Republic GDP; France CPI; Germany unemployment; Italy CPI; Japan Tokyo CPI, unemployment, industrial production; Poland CPI; South Africa trade balance; South Korea industrial production; Spain CPI; Thailand trade; UK GDP and US PCE inflation, spending and income, University of Michigan consumer sentiment.

UBS ETF - Top 5 Net Inflows	USD
Gold	164,803,869
US Equities Sustainable	120,303,197
EM Equities Sustainable	45,549,200
Japanese Equities	19,280,100
Euro Treasury Bonds	11,570,077
UBS ETF - Top 4 Net Outflows	**USD**
Swiss Equities Sustainable	-140,707,355
US Equities	-68,526,500
Sustainable Development Bank Bonds (hedged)	-53,036,593
US Equities Sustainable (hedged)	-51,545,380
US Equities SmartBeta (Value)	-29,412,132
UBS ETF - Top 5 Primary Market Creations	**USD**
UBS ETF (CH) – Gold (USD) A-dis	117,749,112
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (USD) A-dis	81,330,480
UBS (Irl) ETF plc – Factor MSCI USA Quality ESG UCITS ETF (USD) A-dis	47,276,302
UBS (Irl) ETF plc – MSCI Emerging Markets Climate Paris Aligned UCITS ETF (USD) A-acc	45,549,200
UBS ETF (CH) – Gold (USD) A-dis	20,142,999
UBS ETF - Top 5 Primary Market Redemptions	**USD**
UBS (Irl) ETF plc – MSCI USA UCITS ETF (USD) A-dis	-65,951,177
UBS (Irl) ETF plc – MSCI USA Value UCITS ETF (USD) A-dis	-55,030,768
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (hedged to EUR) A-acc	-54,489,777
UBS ETF (CH) – MSCI Switzerland IMI Socially Responsible (CHF) A-acc	-46,962,898
UBS ETF (CH) – SPI® ESG (CHF) A-acc	-44,844,545

UBS ETF - Top 10 Secondary Market Trades	USD
UBS (Irl) ETF plc – MSCI USA UCITS ETF (USD) A-dis *Risk – Systematic Internaliser*	-66,830,000
UBS (Irl) ETF plc – MSCI USA Value UCITS ETF (USD) A-dis *Risk – Tradeweb*	-40,700,000
UBS (Irl) ETF plc – Factor MSCI USA Quality ESG UCITS ETF (USD) A-dis *Risk – Tradeweb*	38,810,000
UBS (Irl) Fund Solutions plc – MSCI ACWI SF UCITS ETF (USD) A-acc *Risk – Tradeweb*	-27,520,000
UBS (Irl) ETF plc – MSCI ACWI ESG Universal Low Carbon Select UCITS ETF (USD) A-dis *Risk – Systematic Internaliser*	-26,870,000
UBS (Lux) Fund Solutions – Sustainable Development Bank Bonds UCITS ETF (hedged to EUR) A-acc *Risk – Tradeweb*	-24,930,000
UBS (Lux) Fund Solutions – Sustainable Development Bank Bonds UCITS ETF (hedged to EUR) A-acc *Risk – Tradeweb*	-24,880,000
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (USD) A-acc *Risk – Tradeweb*	21,750,000
UBS ETF (CH) – SPI® ESG (CHF) A-acc *Risk – Systematic Internaliser*	-18,720,000
UBS (Lux) Fund Solutions – MSCI EMU Value UCITS ETF (EUR) A-acc *Risk – Systematic Internaliser*	-18,160,000

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