



UBS ETF Capital Markets
Weekly Flow Update
(13th of May – 17th of May)

Market Commentary

MSCI World in USD ended the week up 1.61% with the index being driven upwards by Information Technology (2.87%), Financials (1.70%) and Healthcare (1.91%) and offset by weakness in Industrials (-0.13%).

The main event of the past week has undoubtedly been the US CPI for April. The report showed monthly headline and core (ex-food and energy) CPI both gained 0.3% from March, versus expectations for a 0.4% m/m rise in the headline number, and a 0.3% increase in core. Food prices were relatively flat and energy prices increased 1.1%. Core goods prices continued their deflationary trend (-0.1% m/m) while core services inflation added the most pressure (0.4% m/m). On a y/y basis, core CPI increased 3.6%, the smallest rise in three years. Inflation is being driven entirely by services, with shelter accounting for about 60% of overall inflation. Data on new rental leases suggests that shelter inflation will continue to slow in the months ahead, helping to bring down overall inflation. Another significant driver is auto insurance (up 22.6% y/y), and markets expect this to cool off as well. In addition, the Fed's latest Beige Book suggested greater consumer resistance to price hikes, while fewer businesses plan to raise prices, according to the National Federation of Independent Business's (NFIB) Small Business Optimism Index. With a historically low savings rate in the US and the Fed maintaining restrictive monetary policy, strong consumption cannot continue indefinitely.

April US retail sales were weaker than expected (flat compared to expectations for 0.4% growth) on top of downward revisions to prior months, supporting the view for a soft landing. The control group (excludes autos, gas, building materials, office supplies, mobile homes, and tobacco) was below economists' estimates as well. This group feeds directly into GDP-based estimates of consumption and thus triggered a downward revision in the GDPNow reading from the Atlanta Fed, a running estimate of growth based on the latest data. The GDPNow reading currently points to an annualized expansion of 3.8% in the second quarter, down from the prior reading of 4.2%, and markets expect further downgrades as additional data is released. Last week, the University of Michigan survey showed US consumers have become less confident in a strengthening US economy, with the headline figure for May falling to the lowest level since November. The NFIB survey also highlighted persistent pessimism among small business owners, and the ISM services PMI for April dropped into contraction territory for the first time since December 2022.

Combining US CPI data with PPI data suggests that core Personal Consumption Expenditures (PCE), which is the Fed's preferred inflation measure, should rise by around 0.24% in April. That would be the smallest increase so far in 2024, but perhaps still slightly too high to support a Fed rate cut.

Chinese property developer shares rallied on Thursday following a Bloomberg report that Beijing is considering a new nationwide policy framework that would see local governments purchase unsold

housing stock at a substantial discount from distressed developers. Bloomberg reports the policy is still under debate, and that it may take months before it can go ahead. The Hang Seng mainland property index and the CSI 300 real estate index gained 5.7% and 3.6%, respectively, with outsized double-digit gains for select distressed names. The multiyear slump in property prices has been an ongoing drag on consumer confidence and consumption. Following a Politburo meeting at the end of April calling for more support to clear languishing inventory, several cities eased back on sales restrictions, and the Hangzhou local government detailed its first-in-the-nation plans to buy homes at “prevailing” prices and rent them out at affordable rates under the provisions of a social housing scheme. The stabilization of property sales volumes and a recovery in broad-based consumption could lead to a positive revaluation of Chinese equities.

Next week, we see potential market-moving events as UK CPI for April and US existing home sales for April on Wednesday, US Preliminary PMIs for May on Thursday and University of Michigan sentiment for May on Friday.

- Monday: Chile GDP; China loan prime rates; Hong Kong jobless rate; Japan tertiary industry index; Malaysia trade; Philippines balance of payments; Spain trade; Taiwan export orders and Thailand GDP.
- Tuesday: Argentina trade; Australia Westpac consumer confidence; Canada CPI; Colombia trade; Mexico international reserves and Nigeria rate decision.
- Wednesday: Eurozone new car registrations; Indonesia rate decision; Japan core machinery orders, trade; New Zealand rate decision; South Africa CPI; Taiwan jobless rate; UK CPI and US existing home sales.
- Thursday: Chile rate decision; Eurozone S&P Global Services PMI, S&P Global Manufacturing PMI, consumer confidence; France S&P Global Manufacturing PMI; Germany S&P Global / BME Manufacturing PMI; Hong Kong CPI; India S&P Global Manufacturing & Services PMI; Mexico GDP; Singapore CPI, GDP; South Korea rate decision; Taiwan industrial production; Turkey rate decision; UK S&P Global / CIPS Manufacturing PMI and US new home sales, initial jobless claims.
- Friday: Canada retail sales; Germany GDP; Japan CPI; Macau GDP; Malaysia CPI; Mexico trade; New Zealand trade; Nigeria GDP; Singapore industrial production and US durable goods, University of Michigan consumer sentiment.

UBS ETF - Top 5 Net Inflows	USD
APAC Equity	779,465,933
EMEA Equity	293,955,834
EMU Corporate Bonds	23,933,436
Global Equity	23,320,638
North-American Equity	22,862,014
UBS ETF - Top 5 Net Outflows	USD
US Corporate Bonds	-149,711,291
Global Govies	-34,499,415
EM Debt	-15,334,022
US Inflation-Linked	-12,925,887
EMU Inflation-Linked	-2,274,567
UBS ETF - Top 5 Primary Market Creations	USD
UBS (Lux) Fund Solutions – MSCI Japan UCITS ETF (JPY) A-acc	265,882,541
UBS (Lux) Fund Solutions – MSCI Japan UCITS ETF (JPY) A-acc	249,768,448
UBS (Lux) Fund Solutions – MSCI Japan UCITS ETF (JPY) A-acc	163,286,304
UBS (Lux) Fund Solutions – MSCI United Kingdom UCITS ETF (hedged to USD) A-acc	157,437,000
UBS (Lux) Fund Solutions – MSCI United Kingdom UCITS ETF (GBP) A-acc	138,756,920
UBS ETF - Top 5 Primary Market Redemptions	USD
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (EUR) A-acc	-154,973,937
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (hedged to USD) A-acc	-128,795,800
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (hedged to USD) A-acc	-120,291,600
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (EUR) A-acc	-82,742,776
UBS (Lux) Fund Solutions – Bloomberg US Liquid Corporates 1-5 Year UCITS ETF (USD) A-acc	-71,651,160

UBS ETF - Top 10 Secondary Market Trades	USD
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (EUR) A-acc <i>NAV – Systematic Internaliser</i>	154,330,000
UBS (Lux) Fund Solutions – MSCI United Kingdom UCITS ETF (GBP) A-acc <i>NAV – Systematic Internaliser</i>	138,050,000
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (hedged to USD) A-acc <i>NAV – Systematic Internaliser</i>	129,610,000
UBS (Lux) Fund Solutions – MSCI United Kingdom UCITS ETF (hedged to USD) A-acc <i>NAV – Systematic Internaliser</i>	125,300,000
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (hedged to USD) A-acc <i>NAV – Systematic Internaliser</i>	119,990,000
UBS (Lux) Fund Solutions – MSCI United Kingdom UCITS ETF (hedged to USD) A-acc <i>NAV – Systematic Internaliser</i>	119,000,000
UBS ETF (CH) – Gold (USD) A-dis <i>Risk - Tradeweb</i>	105,220,000
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (EUR) A-acc <i>NAV – Systematic Internaliser</i>	83,630,000
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (EUR) A-acc <i>NAV – Systematic Internaliser</i>	58,680,000
UBS (Lux) Fund Solutions – Bloomberg US Liquid Corporates 1-5 Year UCITS ETF (USD) A-acc <i>Risk – Systematic Internaliser</i>	55,420,000

UBS ETF Capital Markets

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