

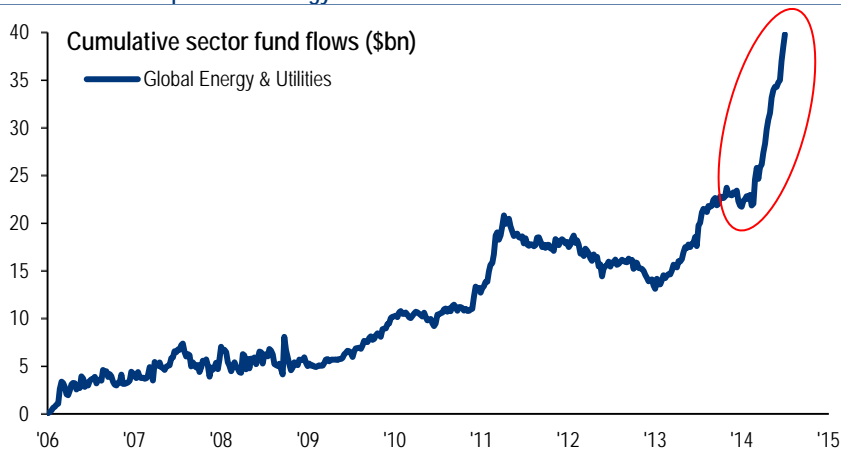
Chasing the Leaders

Talking Points

Weekly flows show outflows from **money-markets** to fund purchase of risk assets - **Equity funds** (+\$1.4bn), **Bond funds** (+\$4.9bn) and **Commodity funds** (+\$0.7bn)

Chasing the leaders as retail investors stampede into the best performing global sectors YTD **Utilities** (+15%) and **Energy** (+13%) (Chart 1)

Chart 1: Retail stampede into Energy and Utilities sector funds



Source: BofA Merrill Lynch Global Investment Strategy, EPFR Global

Asset class flows

Equities: \$1.4bn inflows (divergence between \$2.3bn outflows from LO funds and \$3.7bn into ETFs)

Bonds: \$4.9bn inflows (inflows in 16 out of past 17 weeks) (Table 1)

Precious metals: \$0.7bn inflows (largest in 4 months)

Equity flows

EM: \$0.5bn inflows (4 straight weeks); 4-week inflows as % of AUM = 0.6% (threshold for contrarian “sell” is 1.5% - Chart 2)

US: \$3.7bn outflows (all via LO funds)

Europe: \$1.0bn inflows; **Japan:** flat (Table 2)

By sector, another big week of inflows to both **Utilities** (\$0.7bn) and **Energy** funds (\$0.6bn) – the best performing sectors YTD



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Table 1: Global asset class flows, \$mn

	Wk % AUM	YTD	YTD %AUM
Equities	0.0%	69,777	1.0%
ETFs	0.2%	59,190	2.9%
LO	0.0%	10,587	0.2%
Bonds	0.1%	104,998	3.2%
Commodities	0.5%	-1,454	-1.0%
Money-market	-0.1%	-122,184	-3.5%

* week of 7/02/14

Source: BAML Global Investment Strategy, EPFR Global

Table 2: Net fund flows to global equities, \$mn

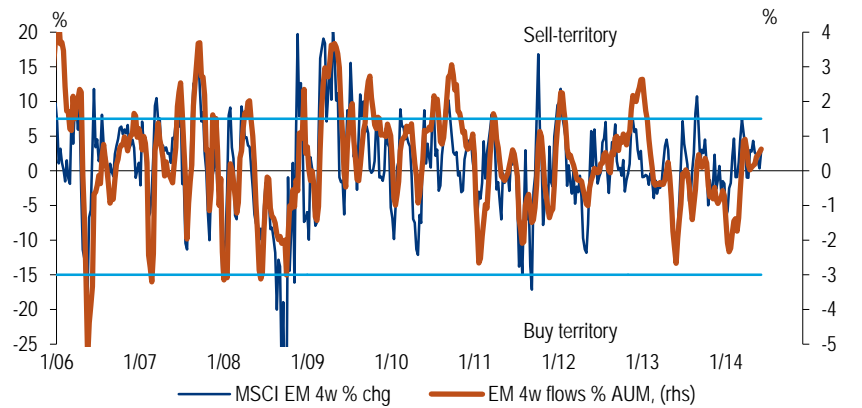
	Wk % AUM	YTD
Total Equities	0.0%	69,777
long-only funds	0.0%	10,587
ETF's	0.2%	59,190
Total EM	0.1%	-22,229
Global EM Funds	0.1%	-4,866
Asia	0.2%	-11,878
EMEA	-0.1%	-2,053
LatAm	-1.3%	-3,432
Total DM	0.0%	92,006
US	-0.1%	10,075
Europe	0.1%	43,301
Japan	0.0%	12,573

Total Equities = Total EM + Total DM

Source: BofAML Global Research, EPFR Global

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Chart 2: BofA-ML EM flow trading rule



Source: BofAML calculations, Bloomberg, EPFR Global

FICC flows

\$1.1bn inflows to **HY bond funds** (inflows in 20 out of past 21 weeks)

28 straight weeks of inflows to **IG bond funds** (\$5.1bn)

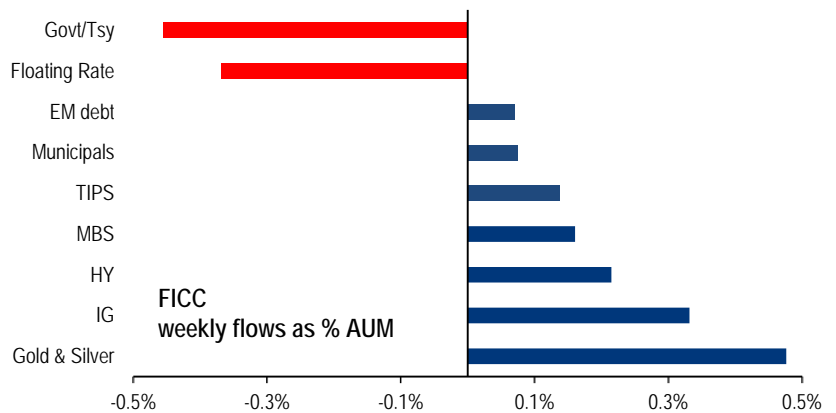
14 straight weeks of inflows to **EM debt funds** (\$0.2bn)

2nd straight week of inflows to **TIPS** (\$0.1bn)

12 straight weeks of redemptions from **floating-rate debt** (\$0.5bn)

\$1.5bn outflows from **Govt/Tsy funds** (6 straight weeks) (Chart 3)

Chart 3: Weekly global FICC flows as % of AUM



Source: BofAML Global Research, EPFR Global

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Market takeaways

Table 3: MSCI ACWI performance and valuations

	Market cap, \$bn	Price performance				Valuation			IBES EPS growth estimates		
		MTD	YTD	% Dev 200dma*	Beta**	12m fwd P/E	P/BV	Div yield	2013	2014	2015
ACWI	38,020	0.8	5.8	6.2	1.0	14.7	2.1	2.4	8.3	11.5	10.2
Developed	33,875	0.8	5.8	6.2	1.0	15.4	2.2	2.4	8.2	11.5	10.2
US	18,563	0.7	6.8	7.1	0.9	16.1	2.8	1.9	8.2	11.4	11.1
Canada	1,461	0.3	10.7	9.2	1.0	15.2	2.1	2.7	15.1	10.3	8.4
Europe	9,287	0.8	4.3	4.6	1.2	14.6	1.9	3.2	7.7	12.8	9.6
UK	2,985	1.5	4.6	5.6	1.1	13.9	2.0	3.4	3.7	8.5	8.0
Japan	2,807	1.1	0.8	4.7	0.7	14.1	1.3	1.9	23.0	9.9	9.3
Australia	1,072	1.1	7.7	4.4	1.2	14.4	2.0	4.4	2.4	6.7	6.2
Hong Kong	397	2.1	4.8	5.7	0.9	14.8	1.4	2.6	7.8	9.4	-
Emerging	4,145	0.9	5.8	5.9	1.1	11.0	1.5	2.7	8.7	11.3	10.3
China	763	1.2	-1.4	2.5	1.1	8.8	1.5	3.3	7.8	10.4	10.8
Korea	644	0.8	4.0	5.4	1.2	9.6	1.1	1.0	19.8	13.1	8.8
Taiwan	508	1.7	13.2	11.2	0.8	14.6	1.9	2.7	14.6	9.7	8.9
India	287	2.2	23.6	16.3	1.0	16.9	3.0	1.3	15.1	15.3	16.8
South Africa	310	0.5	8.5	7.4	1.3	14.6	2.8	2.8	13.8	13.6	10.7
Russia	225	1.6	-4.5	2.8	1.6	5.0	0.7	4.2	-3.3	-1.2	3.4
Brazil	443	-0.8	6.9	4.7	1.4	10.3	1.4	4.7	8.5	13.5	10.6

* how much the index is trading away from its closing average over a period of 200 consecutive days

** weekly price change of market vs. MSCI ACWI over 3 years

All price data as of 7/2/2014, BV as of 6/30/2014, Forward E as of 6/26/2014, EPS as of 6/26/2014

All price returns expressed in \$ terms

Source: MSCI / Datastream

Link to Definitions

Macro

Click [here](#) for definitions of commonly used terms.

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