$17 billion flows into stock and bond funds in July

By Editor Test *Sat, Aug 11, 2012*

With so much pre-election gloom and doom in the media and so many investors abandoning stocks, contrarians might wonder if it's time to bet on an equities rally.

Ignoring warnings about "a bond bubble," investors put almost $30 billion into bond funds in July, bringing the total flows for the first seven months of 2012 to almost $180 billion. That's 50% higher than the full-year results for 2011, according to Strategic Insight.

Investors' appetite for income and/or safety fueled demand for corporate and U.S. government bond funds, high and low credit quality funds, and Global bond strategies (in open-end and closed-end mutual funds, excluding ETFs and funds underlying variable annuities).

Those flows came at the expense of stock flows. U.S. equity funds registered net redemptions of $13 billion in July, while international equity funds benefitted from small positive inflows of $1 billion.

"Investors continue to dismiss the positive trends reflected in steady gains in the economy, employment, real estate prices, and the potential for capital appreciation through higher allocation to stock funds. Instead, investors stay very focused on capital preservation for the near term," said Avi Nachmany, SI's Director of Research.

"Lingering economic and political uncertainty and expectations of very low interest rates for years to come suggest that fund investors will continue to favor the near-term lower risk of bond funds during 2H'2012," Nachmany said, "yet fund strategies offering balanced investing and exposure to wealth creation through stock allocation remain a common avenue bridging near-term concerns with long-term wealth aspiration."

But money was in fact going into stocks via exchange traded funds, or ETFs. Strategic Insight said US ETFs enjoyed $14 billion in net inflows in July 2012, another very strong month, mostly through stock ETFs. That brought total ETF net inflows (including ETNs) to nearly $90 billion so far in 2012.