
As equity funds enjoy record inflow, veteran market-watchers fret

By Editor Test Thu, Feb 7, 2013

“The Federal Reserve is creating about \$4 billion in new money every business day, and even a few Fed officials are concerned that this money printing is blowing up asset bubbles,” said David Santschi, TrimTabs' CEO.

An all-time record \$77.4 billion flowed into all U.S.-listed equity mutual funds and exchange-traded funds in January, according to TrimTabs Investment Research.

“The inflow in January smashed the previous record of \$53.7 billion in February 2000, which was just before the technology stock bubble burst,” said David Santschi, CEO of TrimTabs, in a statement.

Of the \$77.4 billion, \$39.3 billion flowed into U.S. equity mutual funds and exchange-traded funds, while \$38.1 billion flowed into global equity mutual funds and exchange-traded funds, TrimTabs reported in a research note to clients.

Both were record amounts. The previous record for U.S. equity funds was \$34.6 billion in February 2000. The previous record for global equity funds was \$27.1 billion in January 2006.

“These record inflows should make contrarians very nervous,” said Santschi. “Big inflows from fund investors have historically coincided with market tops. Note that four of the top ten biggest inflows were in early 2000.”

Inflows did not slow late last month, suggesting the buying was driven by optimism about the markets as much as by investments of bonus money or reinvestments after tax-related stock sales late last year, TrimTabs speculated.

“The Federal Reserve is creating about \$4 billion in new money every business day, and even a few Fed officials are concerned that this money printing is blowing up asset bubbles,” said Santschi. “Investors need look no further than the equity markets to find lots of froth.”