Bull run

By Editor Test *Wed, Nov 21, 2012*

Equity and fixed income funds appreciated by $1 trillion through October, according to the latest report from Strategic Insight.

Stock and bond funds appreciated by more than $1 trillion the first ten months of 2012, as stock funds averaged a total return of more than 12% and, despite interest rate suppression, bond funds averaged almost 8%, according to Strategic Insight.

That appreciation, combined with projected net inflow to bond and stock funds (including ETF flows) of $400 billion for the entire year, could make 2012 second only to 2009 (when asset levels rebounded by $2 trillion after the 2008 crash) in AUM growth.

“Next year, assuming meaningful progress is accomplished in Washington, could similarly surprise many of the doomsayers,” said Avi Nachmany, SI’s director of research, in a release.

Money-market funds saw net redemptions of $8 billion in October, bringing redemptions in such funds to nearly $144 billion so far in 2012.

“In 2013 most investors would continue to focus on income and stability. Yet, as economic life across America slowly improves, investment in stock funds will increase too. With 80-90% of all stock fund balances dedicated to retirement savings, thus having accumulation and withdrawals’ time-horizons of 20, 30, or 40 years for most investors, once Americans become more confident about the future, investing for retirement in that more optimistic future through stock mutual funds will expand,” Nachmany said.

In October, net inflows to bond funds reached $30 billion. Bond funds are projected to amass over $300 billion in net inflows for the full year, exceeding the 2010 and 2011 pace, according to Strategic Insight. (Flow data pertains to open-end mutual funds, excluding ETFs and funds underlying variable annuities.)

Equity fund net redemption was $15 billion in October, as stock fund investors waited for election results.

ETFs investing in stocks experienced modest redemptions of $2 billion in October, following inflows of $38 billion during September, their highest monthly take in four years.

Exchange-traded products benefitted from $3 billion of October net intake, bringing total ETF net inflows (including ETNs) to nearly $140 billion for the first ten months of 2012, more than in any of the three previous calendar years. Outside the U.S., ETFs gained $45 billion so far in 2012.

Globally, ETF net flows in 2012 should exceed $200 billion. Gold, emerging markets, diversified international and corporate bond funds were among the many objectives gaining inflows, while a number of domestic growth-oriented funds faced monthly net redemptions.

Target date funds attracted $5 billion in net flows during October, increasing YTD net intake to $45 billion.

“This year target date products are on track to rival the annual net flows record set in 2007 of $58 billion,” said Bridget Bearden, head of Strategic Insight’s defined contribution and target date funds practice.