
Flood into foreign equities bodes ill: TrimTabs

By Editor Test *Tue, Mar 5, 2013*

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An estimated \$55.1 billion poured into global equity mutual funds and exchange-traded funds in January and February, the biggest two-month inflow on record, according to TrimTabs Investment Research.

“Bulls should be concerned” that in-flows into foreign stock funds have been so heavy this year, said David Santschi, TrimTabs CEO. “Big inflows from fund investors often occur near market tops.”

Global equity mutual funds and exchange-traded funds received an all-time record \$34.4 billion in January, according to TrimTabs note to clients. While inflows subsided to \$20.1 billion in February, last month’s inflow was still the second-highest since October 2007.

“It’s remarkable that U.S. investors are convinced the grass is greener offshore even though global equities have been underperforming,” said Santschi. “The average U.S. equity fund is up 6.2% so far this year, more than double the average global equity fund’s 2.4% gain.”

TrimTabs reported that U.S. equity mutual funds and exchange-traded funds issued \$5.9 billion in February, down from \$32.0 billion in January. Bond mutual funds and exchange-traded funds issued \$17.2 billion in February, down from \$33.5 billion in January.

“Inflows into U.S. stocks slumped dramatically last month,” said Santschi. “But global equity funds raked in more than \$1 billion daily in fresh cash, and inflows didn’t slow much as the month progressed.”

The previous two-month record for inflows into global equity mutual funds and ETFs was \$49.1 billion in January and February of 2006 amid growing enthusiasm over investments in emerging markets and China, in particular, TrimTabs said.

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