# Global Fund Flows on Pace for $850B in 2010

By Editor Test *Thu, Nov 11, 2010*

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Led by demand for bond funds, the global mutual fund industry is on pace for $850 billion in net inflows to stock and bond mutual funds (including ETFs and variable annuity subaccounts) in calendar 2010, according to Strategic Insight.

More than half of those flows, which are on track to fall short of the $890 net inflows in 2009, are expected to go into U.S.-domiciled funds. Flows in 2009 and 2010 mark a resumption of fund investing after the net outflows of 2008.

Strategic Insight's projections for the full year are based on SI's Simfund databases and projections for November and December (and for October for some international markets).

In the U.S., Strategic Insight expects 2010 full-year flows to stock and bond funds to hit $400 billion, including ETFs and funds underlying VAs. That would be just the second time in history that long-term fund flows topped $400 billion; a record $500 billion flowed into long-term funds in the U.S. in 2009.

Flows into bond funds and bond ETFs are on pace to top $300 billion for 2010, crossing the $300 billion mark for just the second time. In October, U.S. investors put $30 billion into bond and stock funds, including just over $22 billion into bond funds and roughly $7.5 billion into stock funds (including $10 billion into international and global equity funds, and $2.5 billion out of domestic equity funds).

Globally, more than 60% of long-term fund flows are going into bond funds, including short- and intermediate-duration bond funds that appeal to investors seeking higher yields than those available in bank deposits or money-market funds.

Some fund buyers are also seeking out bond funds as a way to participate in financial markets without taking on equity risk, as investors continue to be weighed down by concerns about economic growth, especially in the U.S., and about debt problems, especially in Europe.

"Many of the forces driving investors' choices this year remain in place for 2011 and maybe beyond," said Avi Nachmany, SI's Director of Research. "Financial insecurity, zero cash yields (being extended by the Federal Reserve's recently announced quantitative easing), the depreciating U.S. Dollar, and the expansion of bond fund mandates (to search globally and in the U.S. for higher-yielding securities) all support the continuation of strong bond fund demand."