
In November, money shifted from bonds to (passive) equities: Morningstar

By Editorial Staff Thu, Dec 22, 2016

For the first time in 2016, active intermediate-term bond funds saw monthly outflows, which totaled \$4.0 billion in November. However, the category is in the black for the year with \$46.8 billion of inflows.

Investors placed an estimated \$41.9 billion into passive funds in November, lifting overall U.S. equity inflows to \$20.7 billion, their highest tally in nearly two years, according to the latest asset flow [report](#) from Morningstar, Inc.

Assets continued to exit active U.S. equity funds for the 32nd consecutive month, with an estimated \$21.2 billion in outflows in November, slightly down from October's \$23.5 billion outflow.

(Morningstar estimates net flow for mutual funds by computing the change in assets not explained by the performance of the fund and net flow for ETFs by computing the change in shares outstanding.)



Highlights from Morningstar's report about U.S. asset flows in November:

- As investors expected that the Federal Reserve would soon raise interest rates, taxable-bond funds experienced \$2.9 billion in outflows during November.
- Municipal bond funds also took a toll, with \$10.5 billion in outflows. This is the highest net redemptions for municipal bond funds since August 2013.
- Investors favored more narrowly focused equity offerings, with \$19.0 billion going into passively managed sector index funds.
- Expecting a Trump administration to ease up on regulation of banks and brokerage firms, financial services passive strategies took in \$9.1 billion.
- For the first time in 2016, active intermediate-term bond funds saw monthly outflows, which totaled \$4.0 billion in November. However, the category is in the black for the year with \$46.8 billion of inflows.
- The top active category with the highest inflows in November was ultra-short bond, which brought in \$2.8 billion.
- Vanguard Group remains the top passive provider with inflows of \$23.7 billion on the passive side, but the firm saw outflows of \$3.3 billion on the active side.
- Among individual funds, the bulk of the month's inflows reflected broad market trends. The SPDR S&P 500 ETF topped passive funds for November with inflows of \$7.5 billion, followed by small-cap iShares Russell 2000 ETF with \$6.2 billion.

- With the big rally in financial services stocks, the Financial Select Sector SPDR Fund is third with inflows of \$6.1 million in November.
- Market trends dominated outflow activity, with emerging markets and gold ETFs taking a hit, reflecting downdrafts in both markets.
- In active fund outflows, Pimco Total Return and Templeton Global Bond Fund are both on the top-five redemptions list, continuing the recent trend of outflows for both strategies.