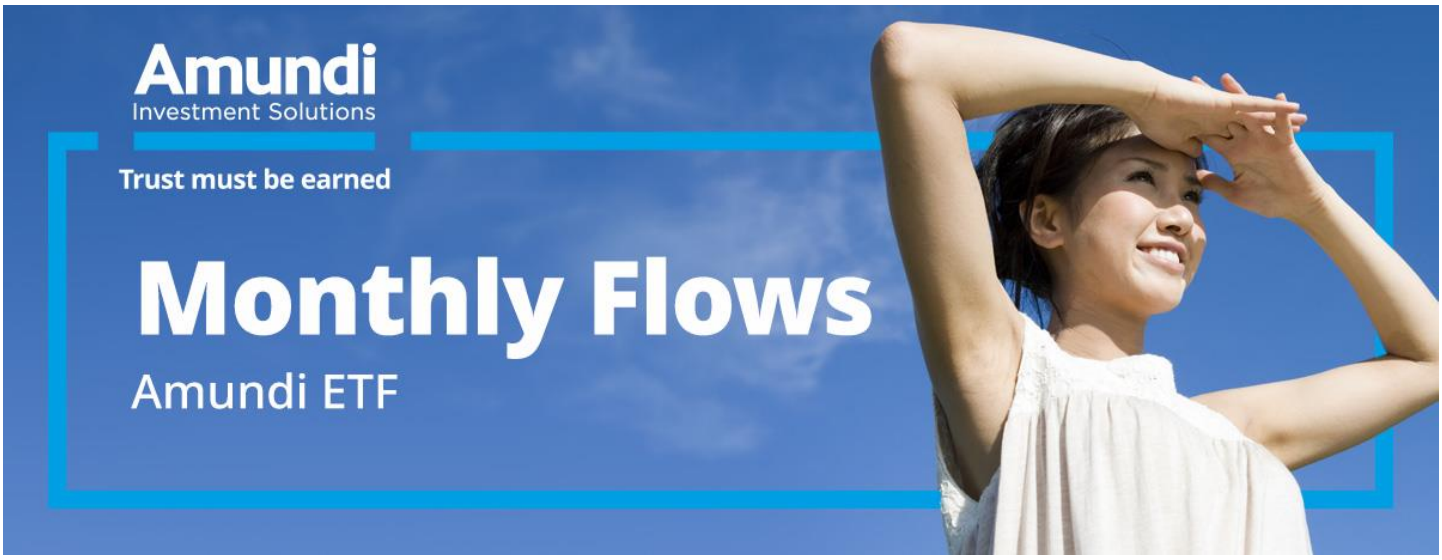


ETF investors in Europe rotate to European equities from US

Monthly flows analysis

Data as at 28 February 2025

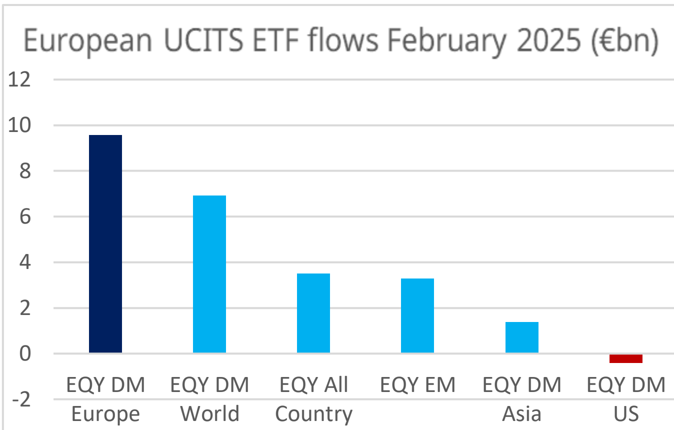
- Concerns over US stock over-valuation and Trump's policies drove a significant reallocation.
- European equities accounted for almost one-third of overall inflows in the month of February.
- Total inflows in February 2025 were more than double those of the same month in 2024.
- Fixed income contributed a quarter of inflows, with investors favouring IG corporate debt.

Overview

In a reversal of recent trends, investors allocated almost €10bn to European equity UCITS ETFs in February and withdrew €400m from US strategies.

This represents a shift from 2024, during which US equties accounted for more than half of the total net new assets. Overall European UCITS ETFs gained €33.5bn in February, a 16% increase on January 2025, and more than double the NNA recorded in February 2024.

Equities remained the preferred asset class last month, adding €24.3bn while fixed income gained €8.5bn.



Source: Amundi ETF, Morningstar. Data as at 28 February 2025

Global inflows into ETFs were €148.9bn in February with investors adding €92.6bn to equities and €50bn to fixed income strategies. The top-performing global strategy was large blend – US-based US indices – which gained €30.6bn last month. Ultrashort bonds were the second most popular product at €13.8bn, reflecting investor concerns over inflation.

Equities: Europe on the rise

The European UCITS ETF equity reallocation into Europe was driven by concerns that US stocks are looking over-valued along with investor jitters about the potential impact of US President Donald Trump's unconventional policies.

European equities emerged as the most popular strategy in the month, its €9.6bn allocation accounting for almost one-third of total inflows, followed by the €6.9bn to world indices.

Financial sector ETFs gained €1.7bn last month with IT strategies adding €0.9bn despite valuation concerns. Industrials added €500m with around €200m being added to materials strategies as investors looked to capitalise on the European Union's commitment to boost defence sector investment.

After many months of popularity, investors withdrew €400m from equal-weighted strategies. Minimum volatility strategies gained €400m – a strategy that has performed well in the US market in recent months. Investors also allocated €500m to income strategies.

ESG ETF inflows were under €1bn – with investors withdrawing €3.2bn from US strategies while adding €2bn to European and €1.2bn to world indices. This strong rotation out of US strategies reflects the broader reallocation and might also reflect concerns about Trump's antipathy towards ESG.

Fixed income: Investors favour quality

European UCITS fixed income ETFs gained €8.5bn with investors favouring investment-grade corporate bonds, adding €3.4bn to this asset class.

Government bonds attracted inflows of €2.8bn and high-yield indices also proved popular with €800m of inflows last month. Appetite for this product is more pronounced in the US than it is in Europe. The relative popularity of this higher risk asset class could reflect their undervaluation relative to investment-grade debt.

In government bonds, investor interest between euro- and US dollar-denominated debt was almost equally split with the first gaining €1.4bn and the second adding €1.1bn.

But within US-dollar-denominated debt investors sold €100m of long-dated bonds while buying €900m of short-dated debt, mirroring global trends. This could reflect investor worries about the potential inflationary impact of Trump's tariffs.

Fixed income ESG ETFs added only €400m last month with investors allocating €200m to both government debt and investment grade credit.

DISCLAIMER

Source: Bloomberg Finance LP - Amundi ETF
Net flows calculations presented in this document are based on European primary market data, over the latest business week. Amundi ETF Internal Database - each of the database is allocated by Amundi AM to a classification based on its underlying exposure

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Information reputed exact as of 7 March 2025 with data as at the end of February 2025.

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