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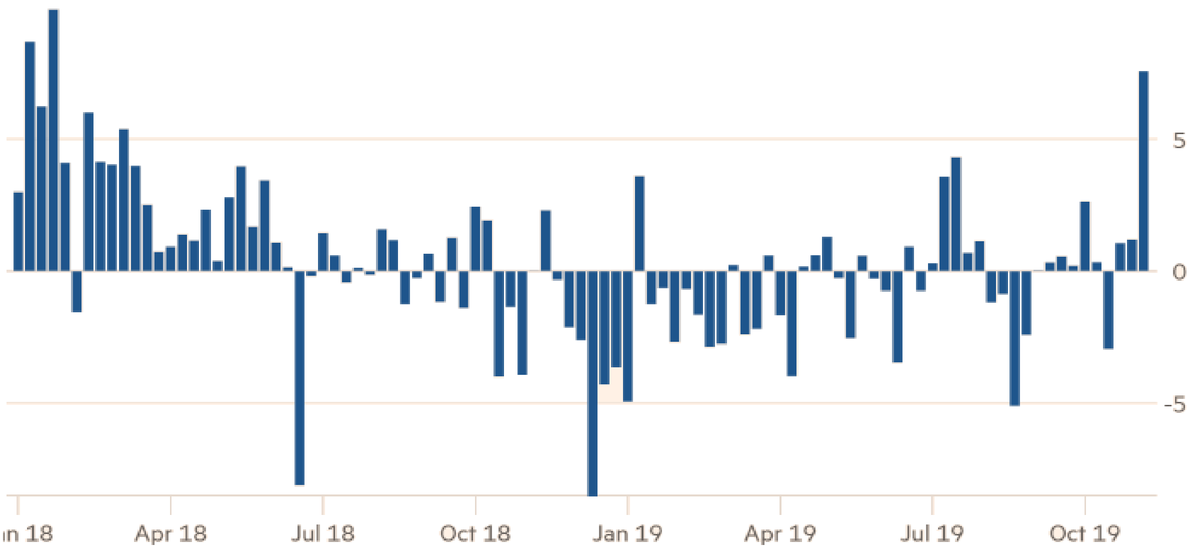
Money rushes into equity funds as trade war fears ease

Weekly inflows are largest in nearly two years

Richard Henderson and **Colby Smith** in New York November 8 2019

Investors flock to global stocks

Weekly asset flows into global equity mutual and exchange traded funds ($bn)



Source: EPFR Global
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Investors ploughed money into global equity funds at the fastest rate in almost two years as optimism on trade negotiations and low interest rates renewed appetite for risk.

Mutual funds and exchange traded funds that invest in global equities attracted $7.5bn for the week ended Wednesday, according to EPFR Global.

The inflows help explain a surge in equity markets that led the US S&P 500 index to new highs this week and the FTSE All World back near its 2018 record. Investors responded favourably to reports that the US and China could remove some tariffs in a partial trade deal currently under discussion.

And while easing worries over trade have dominated the headlines, positive economic data — like last week's US jobs report that have underscored the health of the US economy — have also driven the shift toward risk assets, said Jim Paulsen, chief investment strategist of the Leuthold Group.

"The primary catalyst is that the data got better," he said. "There is a pretty concerted message in the markets across asset classes that activity is picking up. If you think what was leading much of this year — gold, bonds, defensive sectors — that has really changed."

EPFR said the latest weekly inflow to equity funds was the biggest since the last week of January 2018. The February that followed was marked by a jump in volatility resulting in the worst month for the FTSE All-World in two years.

Global stocks near 2018 record high

FTSE All-World index

Source: Bloomberg
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A synchronised easing of monetary policy had increased the likelihood of an enduring period of low interest rates helping solidify investors' appetite for risk assets such as equities, said Nela Richardson, investment strategist for Edward Jones.

The Federal Reserve cut interest rates by 25 basis points last week, its third cut in as many meetings. Jay Powell, Fed chair, signalled the central bank was considering a pause in its easing cycle but stressed the threshold for rate rises in the future would be high.

And the European Central Bank has committed to aggressive stimulus measures, including buying €20bn of bonds per month from November.

"We've seen many developed countries cut rates," Ms Richardson said. "We are going to see the effects of that stimulus on those economies."