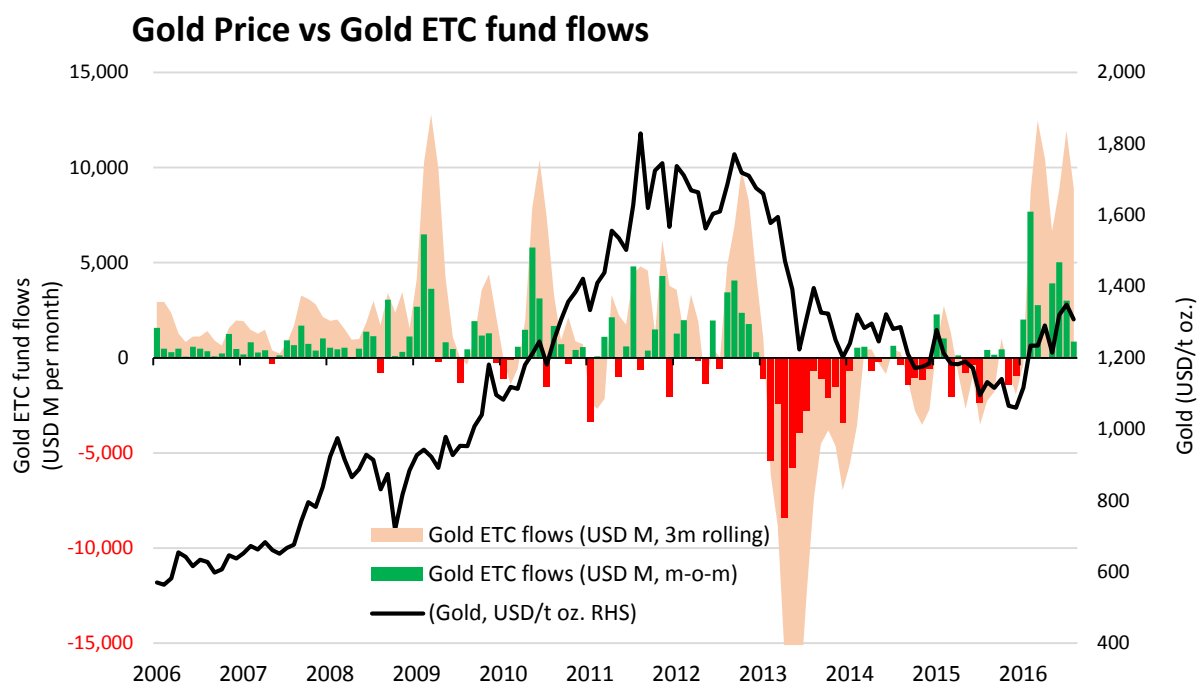


## Precious metal flows set to rebound as Fed rate hike fears fade

We summarise how short and leveraged (S&L) ETPs have performed for August across a range of asset classes:

- Investor appetite for safe haven metals and US Treasuries eased on the back of rising Fed rate hike expectations, as improving risk sentiment boosted European equities.
- Allocations into unleveraged Gold ETCs slowed globally with net inflows of \$859mn in August representing the lowest level since April.
- Leveraged short ETPs tracking precious metals were standout performers in the commodities space: 3x leveraged short silver ETPs offered returns of up to 28% as silver prices crashed by 9%.
- However, precious metals flows could be set for a September reversal with the case for looming Fed tightening fading.

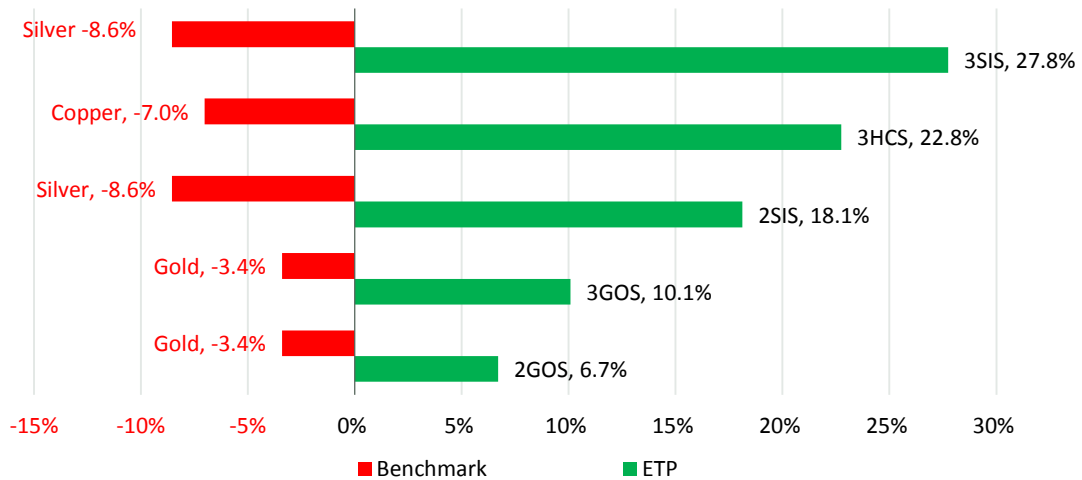


Source: WisdomTree, Bloomberg. Data from 29 July 2016 to 31 August 2016. Past performance is not indicative of future returns.

Investor appetite for safe haven precious metals waned in August on the back of rising Fed rate hike expectations for 2016 and improving risk sentiment. This was reflected in weaker global net inflows into unleveraged Gold ETCs which, at just \$859mn in August, represents the lowest level since April and far below the \$4bn average monthly net inflows over the past three months. However, the downwards flows momentum could be set for a reversal in September as the case for imminent Fed tightening eases.

## Top Commodity ETP Performers

Performance in August

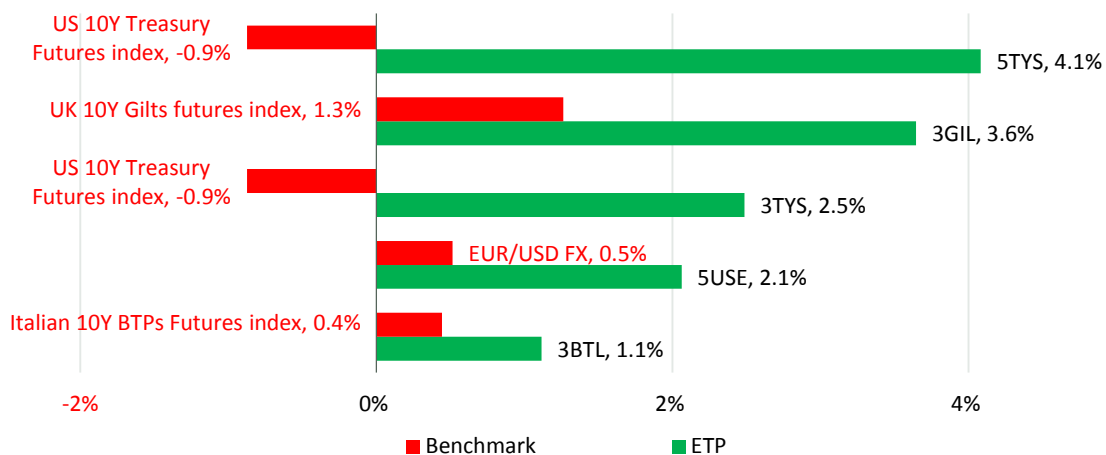


Source: WisdomTree, Bloomberg. Data from 29 July 2016 to 31 August 2016.  
Past performance is not indicative of future returns.

Within the short and leveraged commodity ETP space, leveraged short ETPs tracking precious metals were the standout performers with 3SIS (Boost Silver 3x Short Daily ETP), for example, returning 27.8% as silver futures prices fell 9%. Similarly, 3x leveraged short gold ETPs also offered double digit returns.

## Top Fixed Income and FX ETP Performers

Performance in August

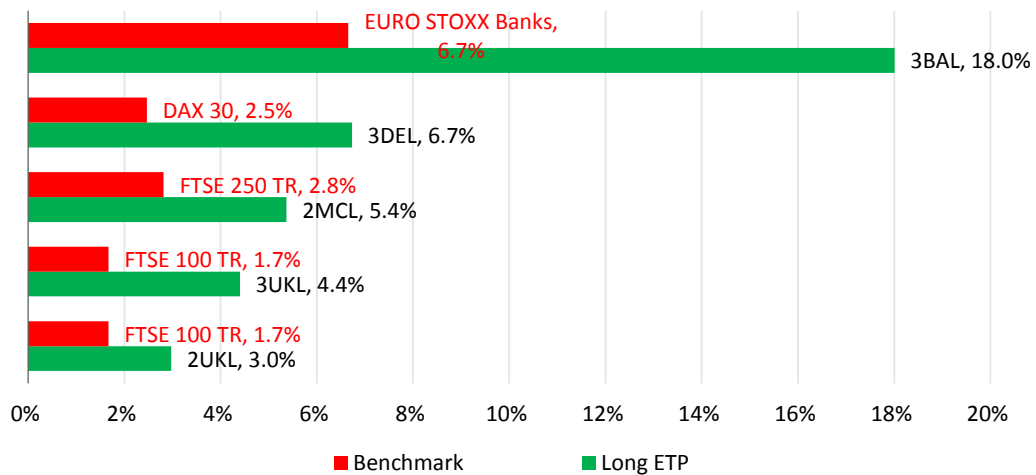


Source: WisdomTree, Bloomberg. Data from 29 July 2016 to 31 August 2016.  
Past performance is not indicative of future returns.

Renewed rate hike expectations also weighed on US Treasuries in August, as leveraged short ETPs tracking 10Y US Treasuries offered returns of over 4%. Meanwhile, long-dated European government debt continued to strengthen, underpinned by BoE and ECB quantitative easing. This uptrend is expected to persist in the near term with QE programmes in place until 2017 at the earliest.

## Top Long Equity ETP Performers

Performance in August



Source: WisdomTree, Bloomberg. Data from 29 July 2016 to 31 August 2016.  
Past performance is not indicative of future returns.

European broad equity benchmarks continued their post-Brexit recovery, with improving risk sentiment most pronounced towards Eurozone bank stocks. Returns on 3x leveraged ETPs tracking the EURO STOXX banks index of 18% far exceeded that of leveraged ETPs tracking other broad equity benchmarks.

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