

SHORT & LEVERAGED ETFs/ETPs GLOBAL FLOWS REPORT – \$62BN AUM

Wisdomtree EU
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Boost ETP, A WisdomTree Company has published its latest Global Short & Leverage Flows report, which provides statistics of Global AUM, flows and related measures for short & leveraged ETFs/ETPs.

Short & leveraged ETFs/ETPs are ETFs/ETPs whose leverage factor to the underlying asset class being tracked is currently -1x or lower and +1.5x or higher. ETFs/ETPs which offer a non-leveraged exposure are not included in the analysis. Please find the summary below. The full report is available here: [\[LINK TO REPORT\]](#)

Global AUM

The total global AUM of Short & Leveraged (S&L) ETPs at the end of February 2015 was \$61.7 billion, up 0.5% from the end of January and flat compared to December 2014.

40% of AUM is held in short products with leverage factors ranging between -1x to -3x. 57% of AUM is held in long products with leverage factors ranging between +2x to +3x. The leverage factor with the most assets is +2x, with 38% of AUM.

The largest individual S&L ETPs are short US government debt and leveraged US equities.

Viktor Nossek, Director of Research at WisdomTree Europe, said: “In terms of S&L asset allocation, equity ETPs are the most popular with 69% of AUM, followed by debt with 13% and commodities with 10%. The remainder is allocated between currency and alternative ETPs.”

Global Equities

Currently there is \$42.8 billion of AUM held in S&L equity ETPs, a decrease of 0.9% from January. 69% of equity ETPs globally are held in leveraged (long) ETPs, 31% in short ETPs.

AUM in S&L US equity ETPs (including Size and Style but excluding sectors as objective*) was \$16.5 billion whilst US sector focused equity ETPs had \$6.9 billion in AUM.

Nossek said: “Outflows from S&L equity ETPs globally continued into February, with investors pulling out \$2.6 billion. There was some evidence of investors repositioning bearishly, with short ETPs enjoying inflows of \$1.1 billion, at the expense of long ETPs which suffered \$3.7 billion in outflows. Driving the outflows of equity ETPs globally was Japan, where investors sold \$1.9 billion of long ETPs, suggesting a more bearish stance of S&L investors towards Japanese equities.”

European Equities

Current AUM of S&L equity ETPs tracking Europe (including Size and Style but excluding Sectors as objective**) stands at \$6 billion with \$2.5 billion tracking the European region and \$3.5 billion tracking individual European countries. ETPs tracking European sectors (region and country specific) recorded \$1.4 billion in AUM.

There was less conviction of S&L investors on Europe as a region, with \$117 million flowing into long ETPs and \$84 million flowing into short ETPs.

Nossek added: “European country focused ETPs saw bearish flows, with \$282 million inflows into short ETPs and \$132 million outflows from long ETPs. Likely as a result of downbeat sentiment on bank stocks caused by uncertainty around the extension of Greece’s

bailout program, ETPs tracking Italian equities saw the largest outflows from long positions, followed by Russian, Spanish and Italian equities.”

Global Debt

The AUM of S&L debt ETPs globally is currently \$8 billion, up 5.4% from January but down 5.5% from the end of December. With 93% of AUM held in short ETPs, S&L investors remain overwhelmingly bearishly positioned in debt.

Breaking down the AUM of S&L debt ETPs, \$7 billion is in government debt ETPs and \$0.65 billion in corporate debt and preferred stock ETPs. The remaining \$0.34 billion in AUM is held in a combination of government debt, corporate debt and alternative (sector focused) debt.

\$5.2 billion of S&L ETPs track US focused debt, equivalent to 66% of global S&L debt ETPs. S&L ETPs tracking European debt account for \$1.6 billion in AUM, or 21% of global S&L debt ETPs, most of which is German government bonds. The remaining 13% of AUM in S&L ETPs track debt focused in Asia (predominantly Japanese government bonds) and the Middle East.

Nossek said: “Ever lower yields on core Eurozone government bonds have left investors wondering just how much lower they can go and whether or not European government bonds currently represent fair value. The view of S&L investors towards German bonds, in particular, is that they may be too expensive. Last month, this prompted bearish flows of \$99 million into short German debt ETPs. “In the US, investors have repositioned bullishly by selling \$126 million of short ETPs. Due to subdued inflation, investors may have anticipated a further delay in the first interest rate hike by the Fed.”

Global Commodities

S&L commodity ETPs are dominated by gold, silver, oil and natural gas, representing 94% of total AUM. Oil is currently the largest commodity ETP with \$2.9 billion in AUM, followed by natural gas with AUM of \$961 million. Gold and silver are the 3rd and 4th largest commodity ETPs, with \$903 and \$742 in AUM respectively.

AUM of S&L commodity ETPs have increased sharply by 98% since December 2014. This increase in AUM has been driven almost entirely by oil ETPs with investors keen to position around oil’s future price path.

Nossek said: “Following the slide in oil prices last year, investors have taken up increasingly bullish positions since the turn of the year in anticipation of oil prices rebounding. February inflows into long ETPs tracking crude oil amounted to more than \$566 million in February, following \$851 million inflows in January.”

* Size, Style and Sector are investment objective categories. Size is referred to as the categorization of securities by market capitalisation (large, mid and small-cap). Style is referred to as securities that are classified as capturing a value or growth proposition, or a blend of the two. Sectors are investment objectives focused on securities specific to one sector and which per asset class may have different sector classifications. For instance, equities capture sectors such as technology and energy, while fixed income sectors may include government and corporate.

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All data provided in this report is sourced from calculations by Boost ETP, which are performed on underlying price, return, AUM, currency and market capitalisation data from Bloomberg®. Any fund description data is also obtained from Bloomberg. All data is as of 28th February 2015. All figures are denominated in USD.

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