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International equity investing slows in lead up to US election

Sydney, 08 November 2016 – During the past month Australian investors are preferring to invest in Australian equity ETPs and defensive asset classes such as cash, fixed income and gold over international equity ETPs.

Total inflows into Australian equity ETPs was almost double (\$191 million) the investment in international equity ETPs (\$101 million) in October¹. Year-to-date Australian equity ETPs inflows (\$959 million) surpassed international equity ETPs inflows (\$891 million), reversing the trend of the last few years.

Arian Neiron, Managing Director, VanEck Australia said, “Australia’s ETP sector is a barometer of investor appetite. October inflows reflects Australian investors’ uncertainty in international equity markets and a strong home country bias, particularly in the lead up to the US election outcome this week and with continued speculation about a possible Fed rate hike at the end of the year.”

The total value of Australia’s total ETP industry declined slightly this month compared to the previous month, reaching a total of \$23.9 billion in October. The industry attracted modest monthly inflows of \$451 million, according to October’s ASX Funds Monthly Update.

Gold bullion and gold miners ETPs attracted just over \$12 million in October and \$73 million year-to-date indicating that gold is still attracting positive net flows.

“Gold ETPs are on a positive trajectory. No matter what the outcome of the US election is this week, market uncertainty bodes well for gold. Should the price of gold bullion rally after the election it will be positive for gold mining stocks as they have traditionally outperformed gold bullion when the bullion price rises.

“We believe gold bullion hasn’t yet reached its peak price and we expect to see gold continue to rally. This should be reflected in gold ETP investment as we move into 2017,” Mr Neiron said.

According to Neiron, investors are investing in sectors and strategies where they see pockets of opportunities or are seeking to improve the robustness of their portfolios. For example, investors are increasingly investing in smart beta ETPs to access investment strategies that offer targeted exposures.

“Smart beta strategies enable investors to achieve a targeted outcome by actively identifying a factor, or investment approach they want in their portfolio while enjoying index-like features. We expect this trend to continue into 2017 as advisers and investors gain greater understanding of and access to smart beta ETPs,” Mr Neiron said.

¹ VanEck: Includes broad-based, sectors and strategy ETP flows

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