

# Brexit, equities, bonds and global risk appetite

The unpredictability surrounding Brexit means EMEA’s immediate and long-term economic outlook continues to hang in the balance. But that’s not the only issue affecting EMEA risk appetite.

## Equity vs bond fund flows

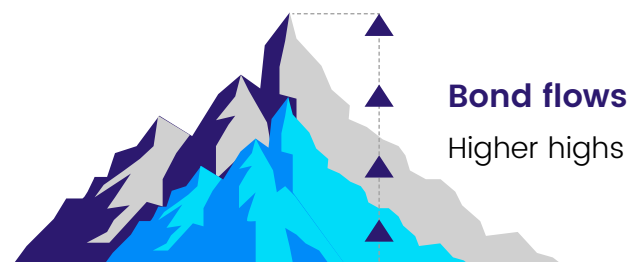
The flow of funds into equities appears to have peaked in Q2 2018. Since then, it’s been all outflows.



**Funds into equities**

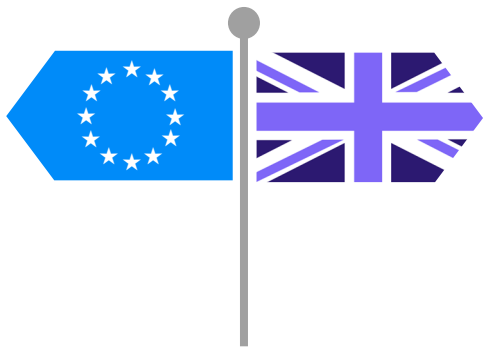
Peaked in Q2 2018

However, bond flows have moved into “higher highs”, indicating a **risk-off** appetite.



## UK bond flows in post-Brexit UK

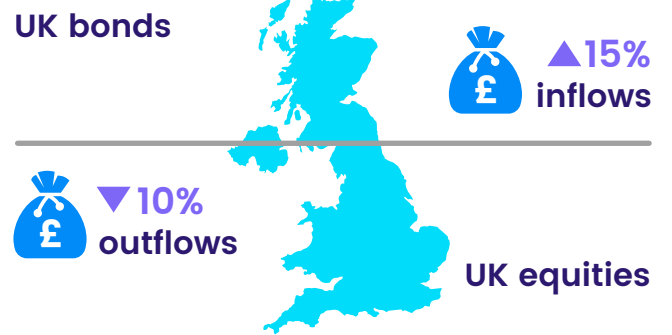
Bond flows in post-Brexit UK mirror these universal flows.



**Change in bond flow**

In post-Brexit UK

UK equities market have had 10% outflows, versus 15% inflows to the UK bond market.

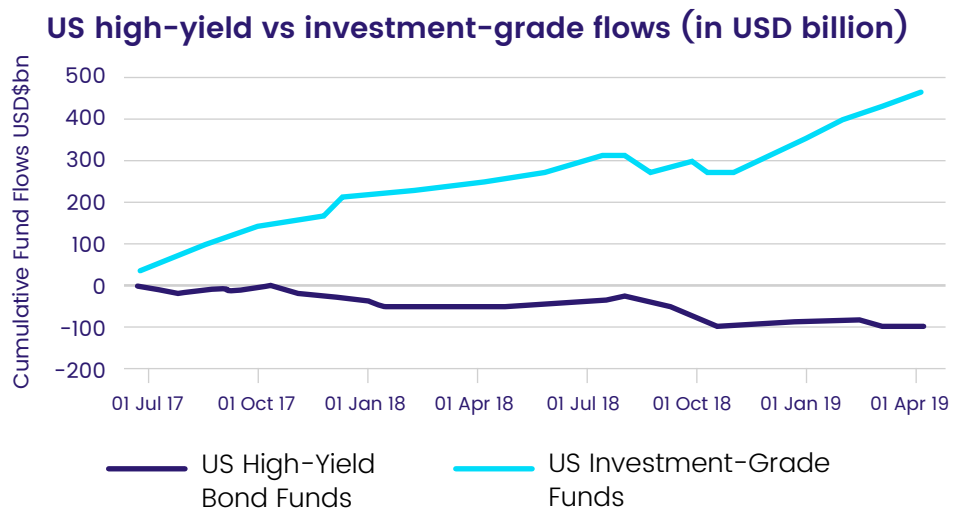
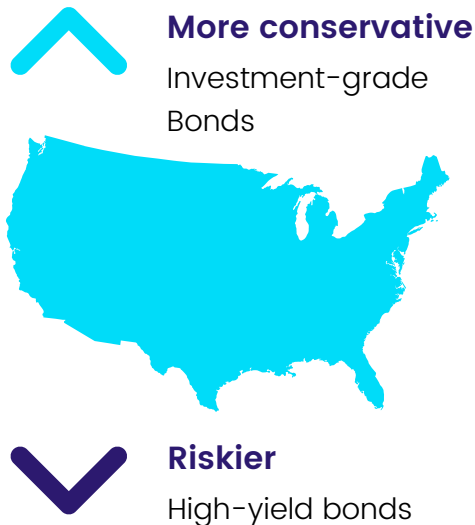


June 2016 – June 2019 Source: EPFR data

## US bond flow changes

US bond flows also indicated a **risk-off** environment.

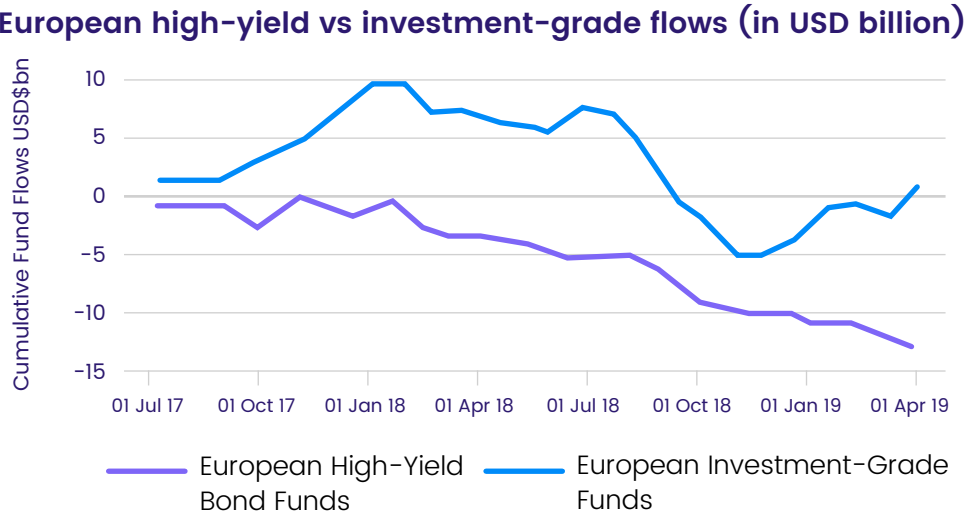
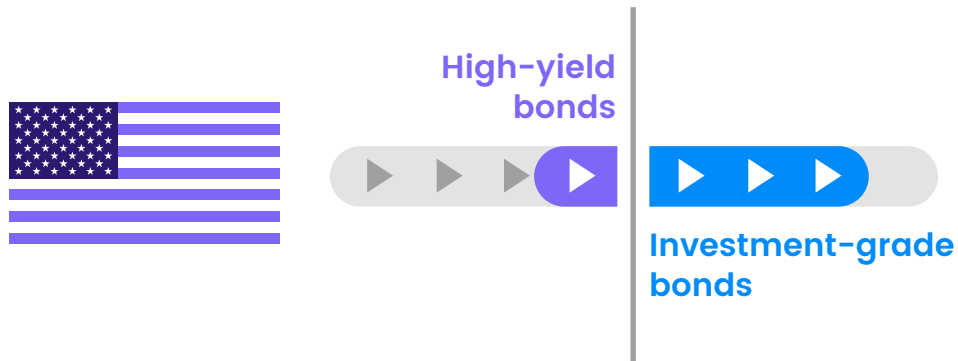
US flows have moved from riskier high-yield to more conservative investment-grade bonds.



Source: EPFR data

## European bond market mirroring US

European bond market investors are mirroring US sentiment, with outflows from **high-yield** to **investment-grade** bonds.

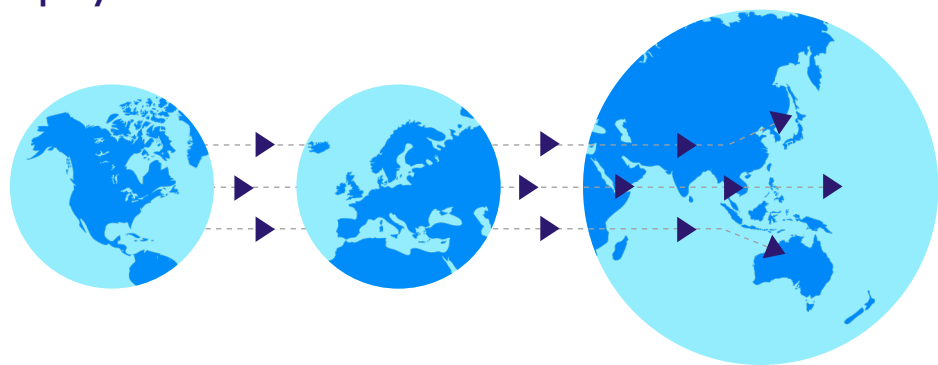


Source: EPFR data

## Equity flows from West to East

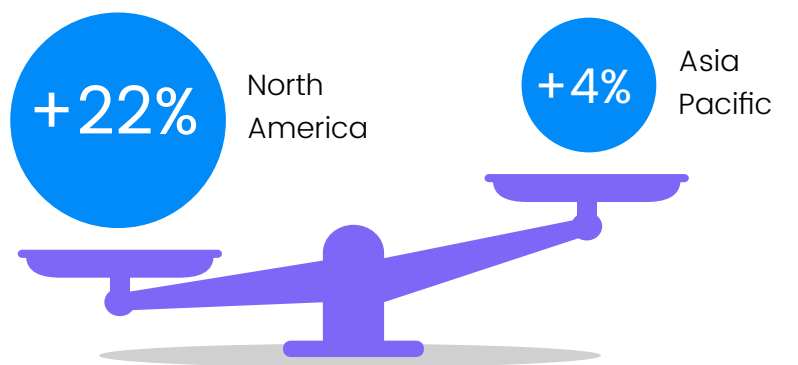
In response to Brexit, equity flows have moved steadily from Western Europe and North America to the Asia Pacific region.

**Equity flow**



Investors were putting their emphasis on Asia Pacific to hopefully mitigate the Brexit impact. However, fund performance shows that this strategy wasn’t sound.

**NAV % change**



July 2017 – April 2019 Source: EPFR data