



# Considering the August 2024 correction using CEIC and EPFR data

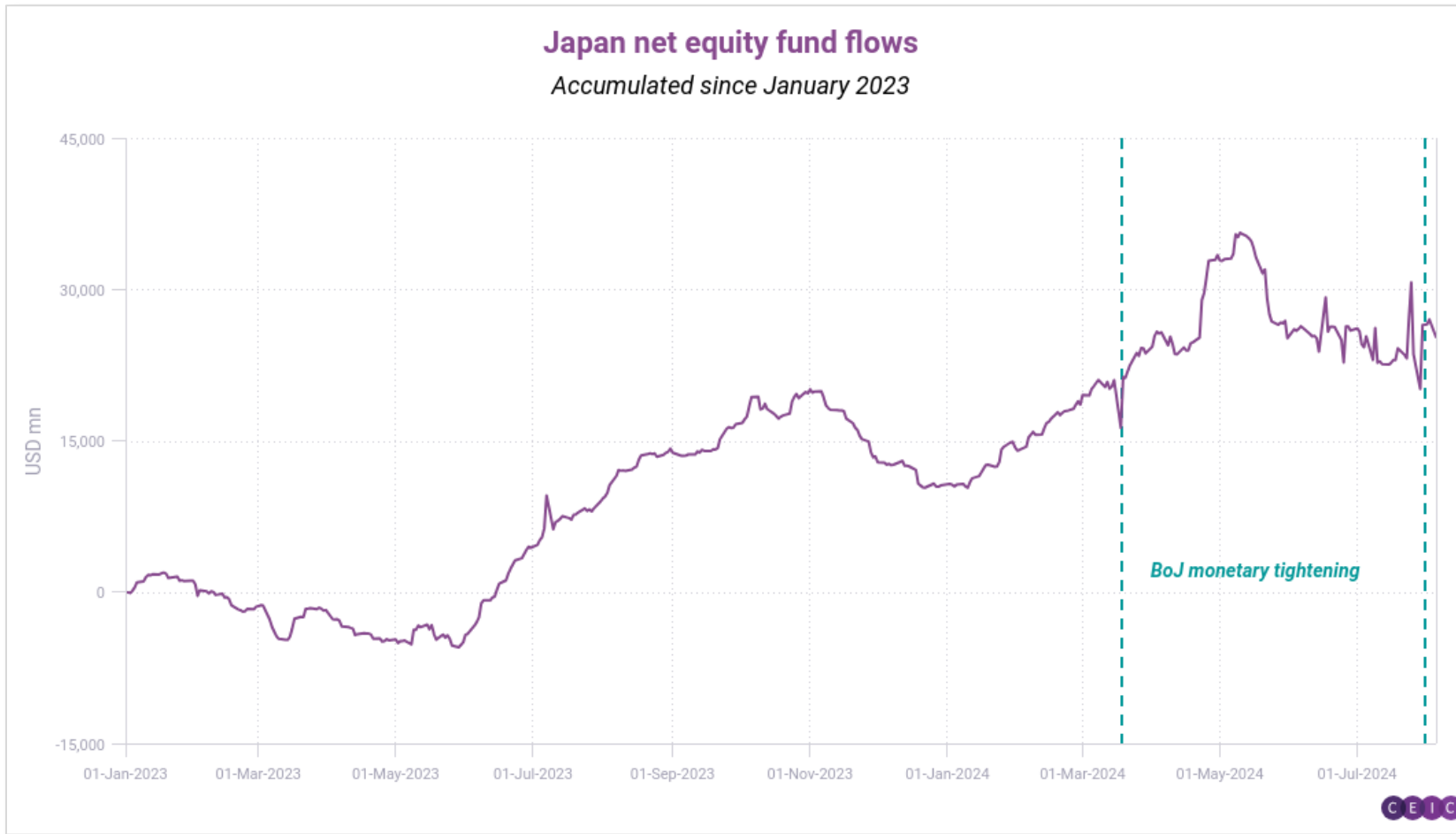
**Background, fund flows and monetary policy implications**

THIS CHART PACK CONTAINS 12 VISUALIZATIONS

# Macro-market links at a time of turmoil

- Financial markets, monetary policy and economic indicators interact in intricate ways.
- The recent selloff was widely thought to be prompted by monetary normalization in Japan; unexpected tightening on July 31 disrupted “carry trades” using cheap yen in global markets. A string of weak data in the US also weighed on sentiment.
- This chart pack examines market positioning before the selloff – using EPFR data to examine Japanese equity inflows, while tapping survey data to show how US active managers had been highly invested.
- We then turn to the consequences: outflows from cryptocurrency funds; expectations for more Fed rate cuts; and weaker readings from our proprietary, machine learning-driven economic nowcasts. We also examine the so-called Magnificent 7 tech stocks: there is evidence investors “bought the dip.”

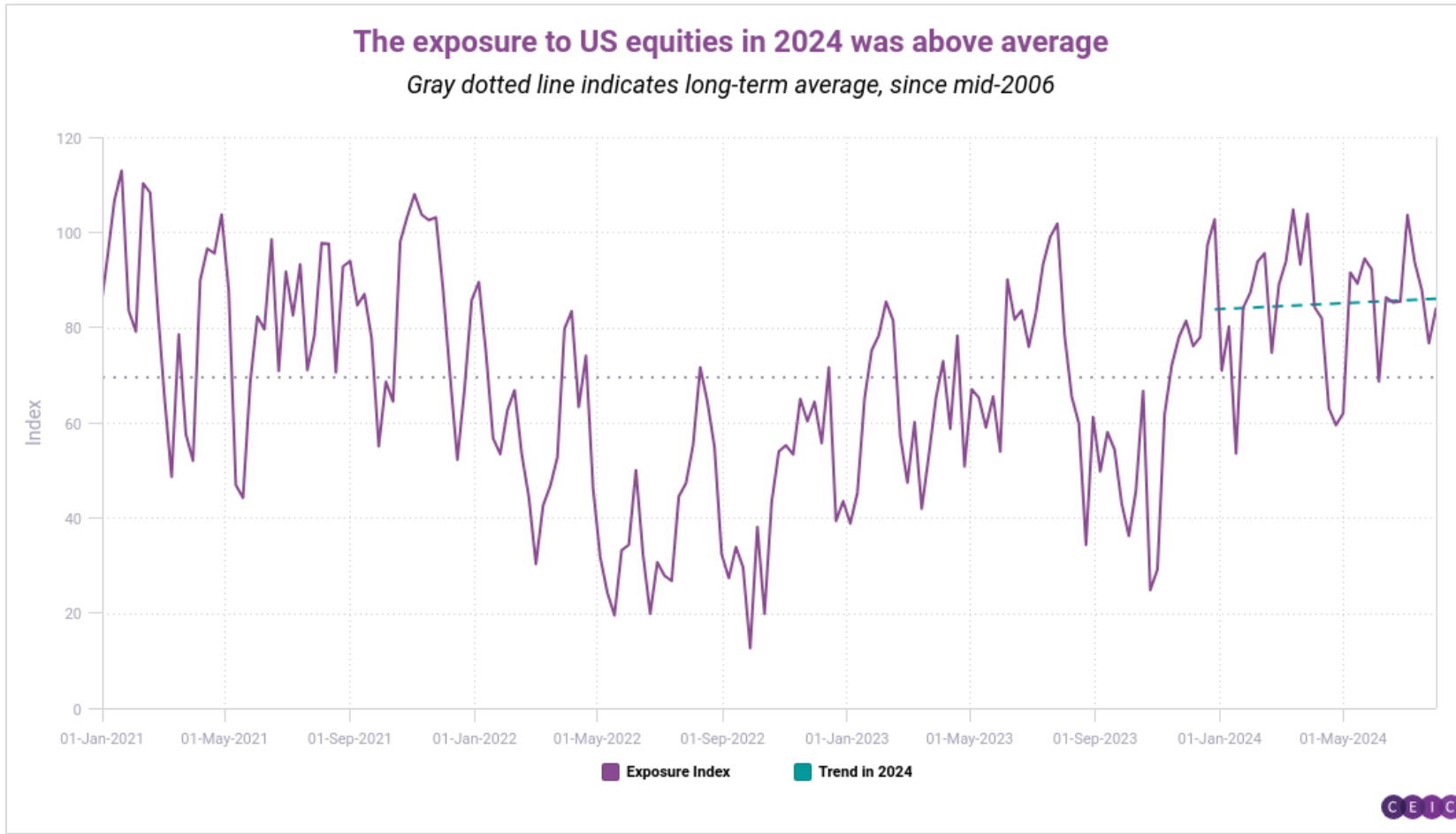
# The backdrop: Japan, monetary normalization and fund flows



- Japanese equity funds had been very popular among international investors for some time. Data from EPFR shows that net fund flows picked up from mid-2023.
- We've added the timing of the Bank of Japan's two rate hikes to the chart, showing the sharp but short-lived immediate selloffs that coincided.
- Longer term, a gradual outflow from the peak had begun in May.

**Read more:** [CDMNext – EPFR Fund Flows and Asset Allocation \(ceicdata.com\)](https://ceicdata.com/CDMNext-EPFR-Fund-Flows-and-Asset-Allocation)

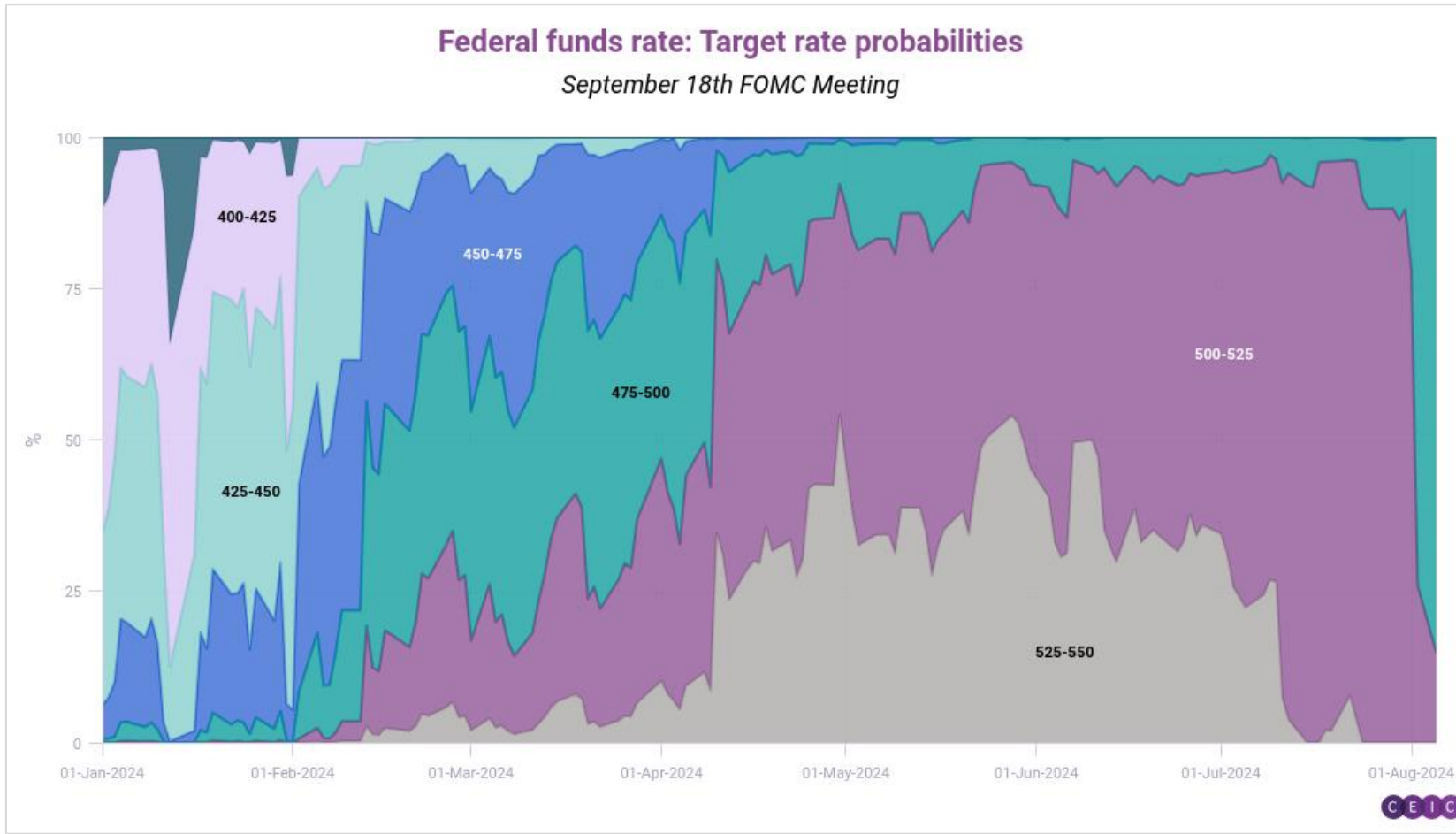
## The backdrop: Sentiment was very optimistic before the sell-off



- Active investment managers were very optimistic and heavily invested in US equities, according to this survey measure released by the Association of Active Investment Managers (NAAIM).
- As of July 31, the Exposure Index had been significantly higher than the long-term average throughout most of 2024.

**Read more:** [CDMNext – United States Business Surveys \(ceicdata.com\)](https://ceicdata.com/CDMNext-United-States-Business-Surveys)

## The consequences: Markets now expect deeper rate cuts



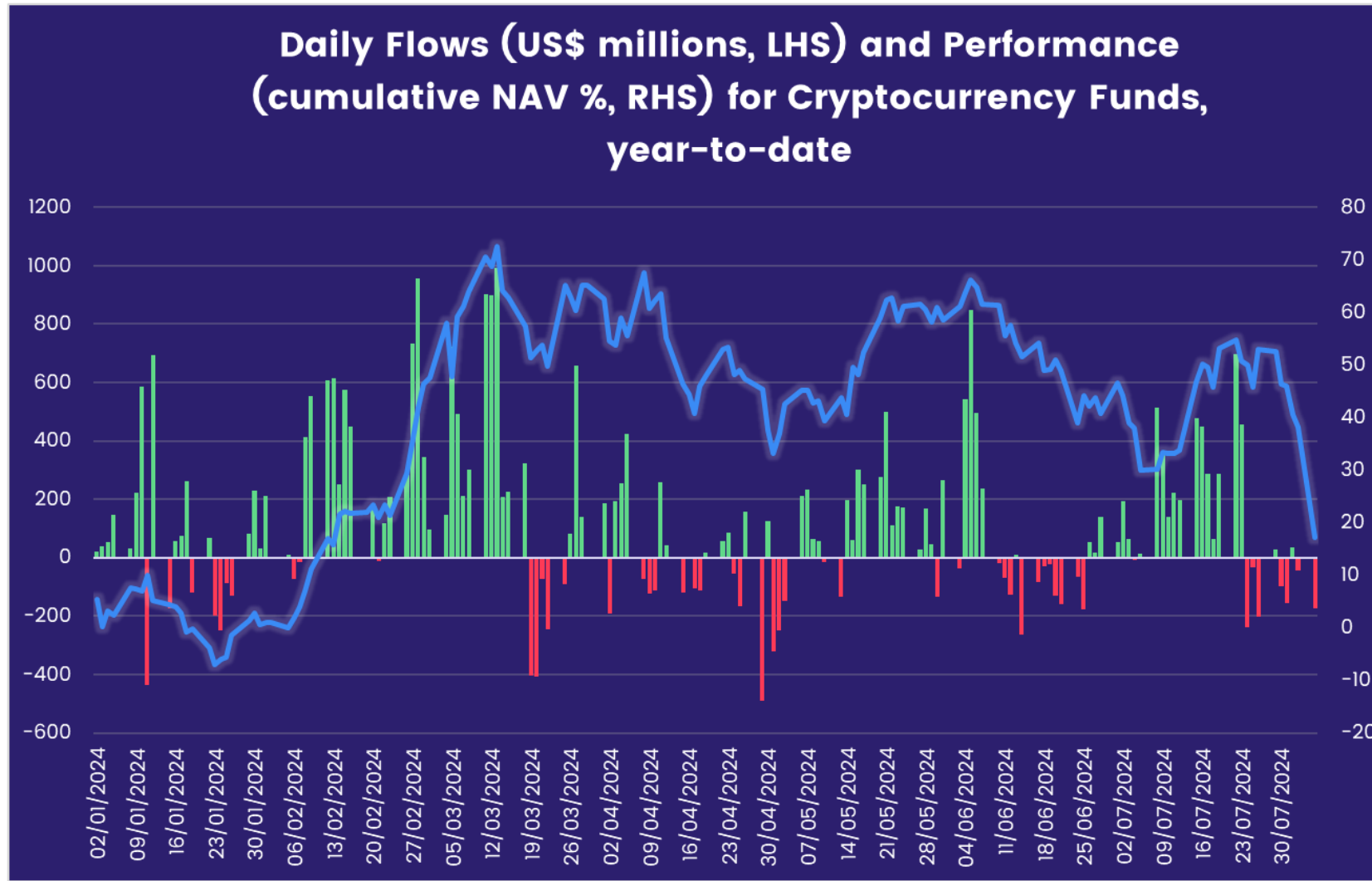
- This chart tracks expectations for Federal Reserve policy.
- Conventional wisdom had expected a quarter-point cut on Sept. 18. But in the wake of the stock selloff and a weak jobs report for July, that shifted.
- The spike in green on the right edge of the chart shows that the probability of a 50-basis-point Fed cut on Sept. 18 is now seen at 85% – up from 22% just four days earlier.

**Read more:** [CDMNext – CME FedWatch Tool: Target Rate Probabilities \(ceicdata.com\)](https://ceicdata.com/CDMNext-CME-FedWatch-Tool-Target-Rate-Probabilities)



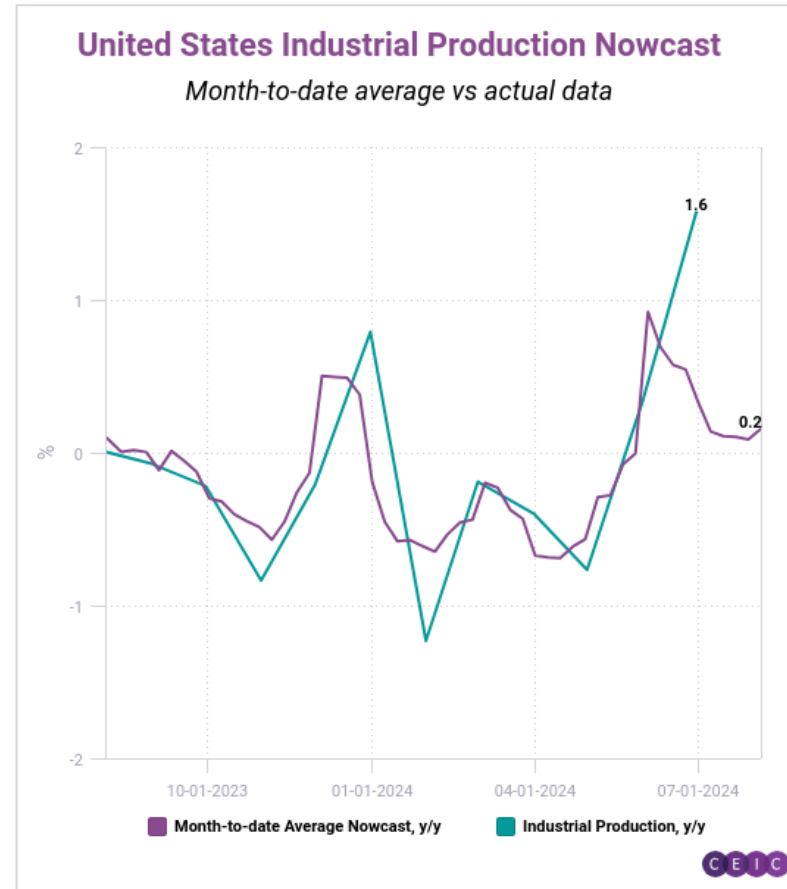
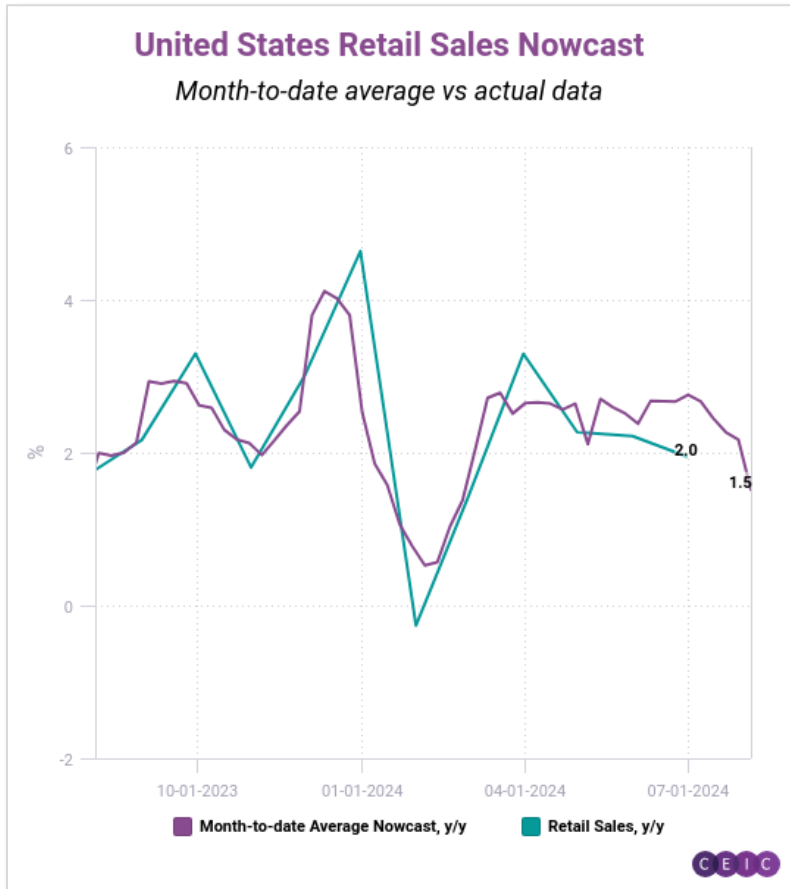


## The consequences: Crypto fund outflow



- Funds dedicated to one of the newest asset classes were among those taking the biggest hit from the recent market volatility.
- EPFR's daily fund flow data showed cryptocurrency funds posted another collective outflow on August 5.
- On a performance basis, cryptocurrency funds are down 35% since July 24, and nearly 50% since July 6.

# Nowcasts now predict more subdued US retail and industrial data

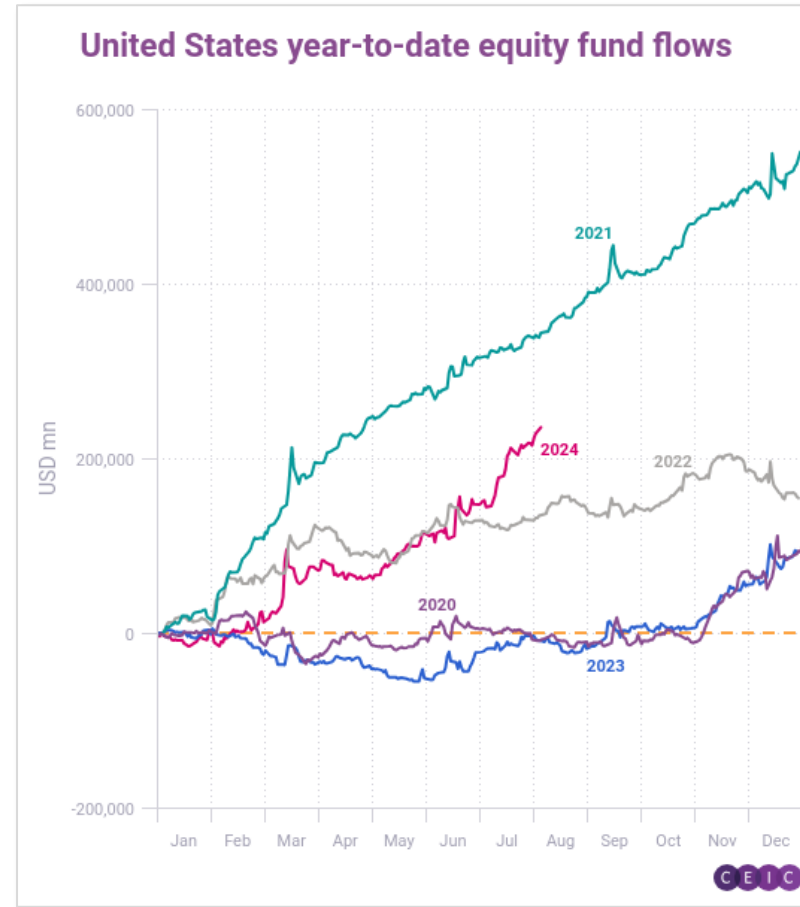
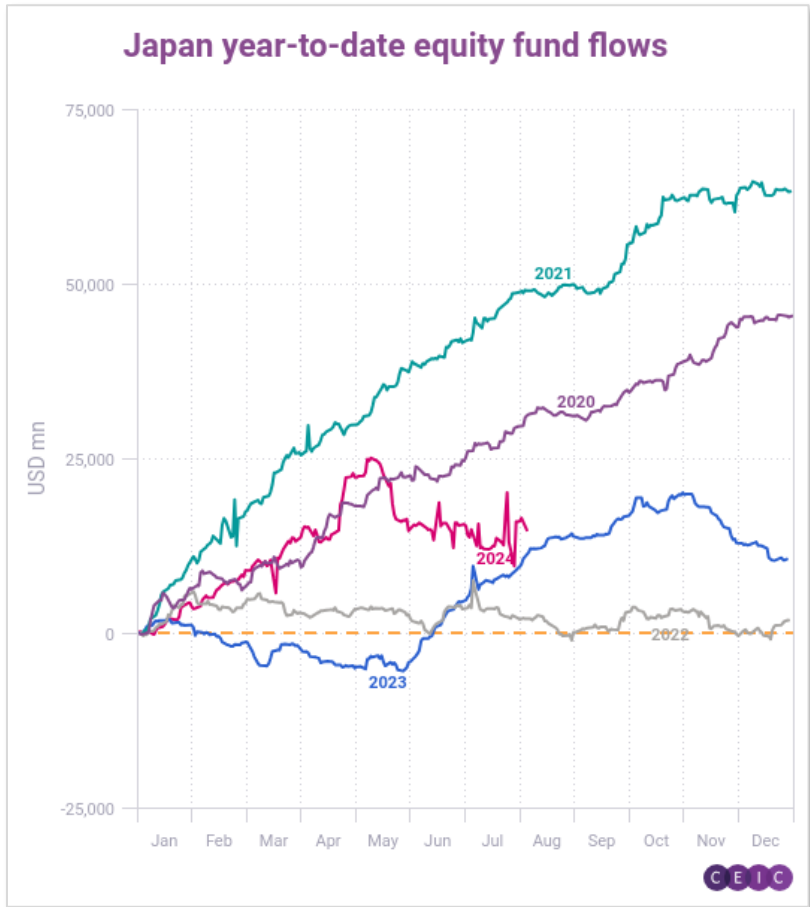


- CEIC's nowcasts use high-frequency data to "predict the present." The month-to-date nowcast average for July US retail sales has been ticking down in real time.
- Our Industrial production nowcast also ticked down, and now expects July growth slowed to 0.2% year-on-year from the 1.6% pace in June.

**Read more:** [CDMNext – United States Industrial Production Nowcast \(ceicdata.com\)](https://ceicdata.com/CDMNext-United-States-Industrial-Production-Nowcast)

[CDMNext – United States Retail Sales Nowcast \(ceicdata.com\)](https://ceicdata.com/CDMNext-United-States-Retail-Sales-Nowcast)

## EPFR data: watching whether US investors will "buy the dip"



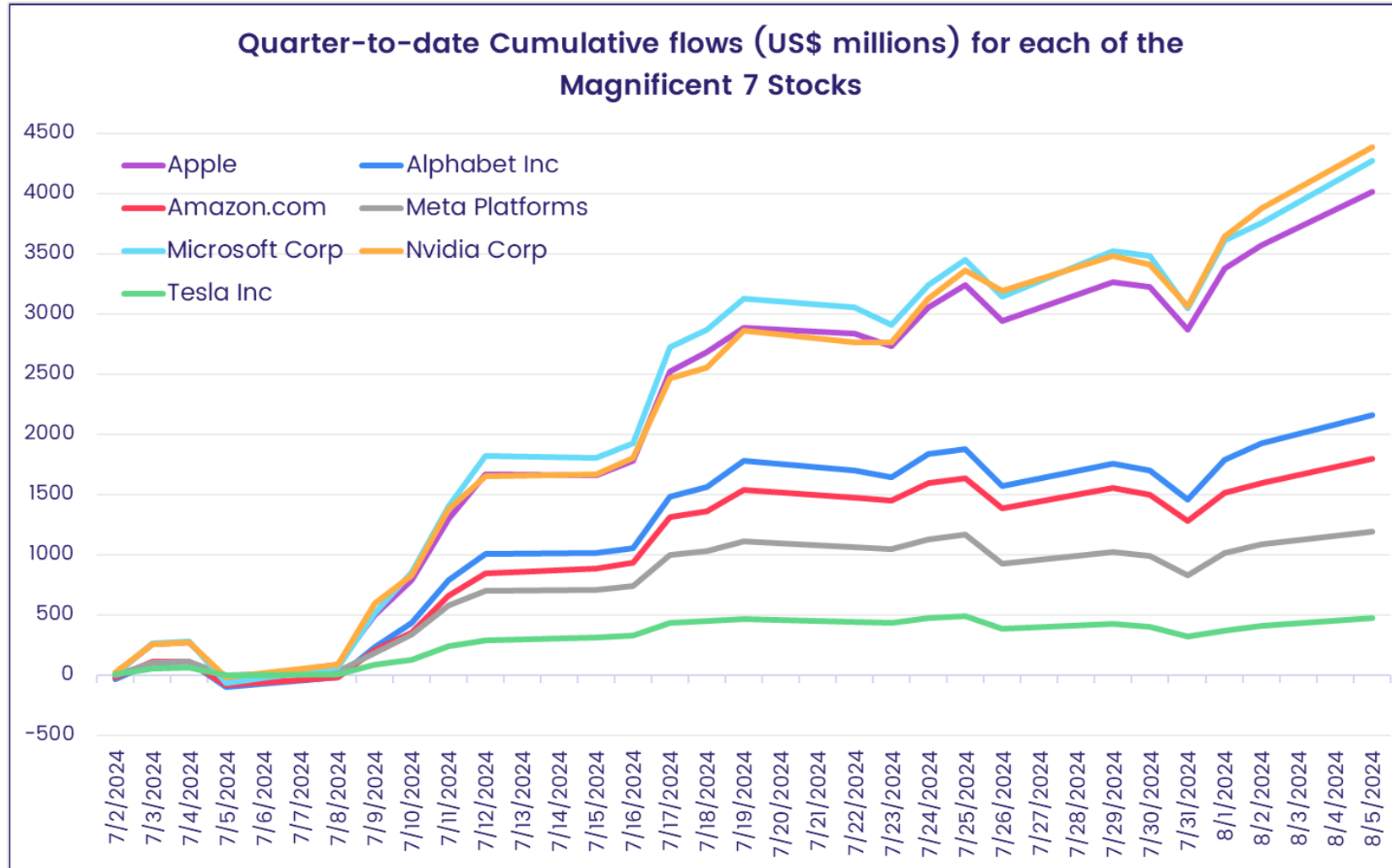
- EPFR data lets CEIC users track fund flows almost in real time.
- As of Monday, Aug. 5, when the stock selloff gathered pace, US equity funds continued to see net inflows. (As we will see in a subsequent slide, this appears to be tech-driven.)
- We've compared the pattern of US inflows to Japan, which has been much more volatile in 2024.

**Read more:** [CDMNext – EPFR Fund Flows and Asset Allocation \(ceicdata.com\)](https://ceicdata.com/CDMNext-EPFR-Fund-Flows-and-Asset-Allocation)





## 'Magnificent 7': Did tech selloff create an attractive entry point?



- These stocks have been the main beneficiaries of enthusiasm for tech investment, especially artificial intelligence.
- Quarter-to-date inflows suggest that investors "bought the dip," especially for Apple, Nvidia and Microsoft. Inflows rebounded strongly after a sharp outflow at the end of July.
- The "flat" period in July is also notable; these stocks were selling off from their peak well before the most recent correction, and inflows leveled off during this time.



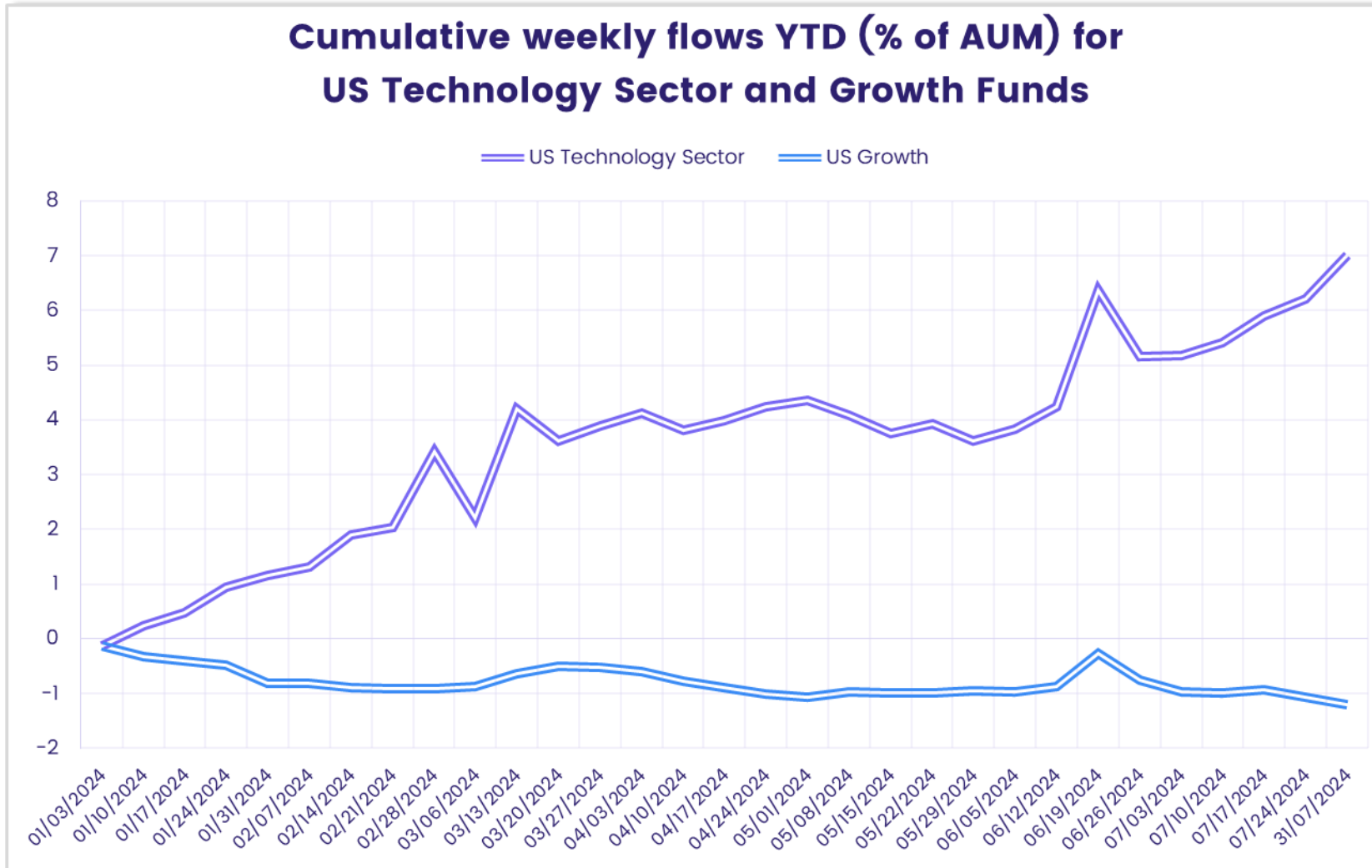
## 'Magnificent 7': Daily flows in and out of key tech stocks

Daily Flows (US\$ millions) for each of the Magnificent 7 Stocks, Quarter-to-Date							
Day	Nvidia Corp	Microsoft Corp	Apple	Alphabet Inc	Amazon.com	Meta Platforms	Tesla Inc
2-Jul	20	4	11	-38	-17	-3	2
3-Jul	235	261	243	144	123	106	56
4-Jul	14	16	17	8	2	4	1
5-Jul	-285	-350	-305	-214	-193	-106	-65
8-Jul	102	133	118	79	67	31	8
9-Jul	504	450	415	250	227	155	83
10-Jul	237	335	286	207	142	150	42
11-Jul	545	555	507	355	304	240	112
12-Jul	277	414	370	213	191	121	49
15-Jul	20	-14	-7	9	41	12	27
16-Jul	135	117	127	39	47	29	14
17-Jul	663	800	740	427	377	262	101
18-Jul	87	150	155	84	52	27	22
19-Jul	304	251	203	216	173	82	17
22-Jul	-97	-71	-48	-80	-60	-51	-27
23-Jul	0	-140	-105	-55	-31	-16	-9
24-Jul	363	330	325	189	145	83	40
25-Jul	232	210	184	41	44	37	14
26-Jul	-167	-310	-296	-308	-246	-236	-102
29-Jul	291	381	322	191	165	93	39
30-Jul	-72	-42	-36	-60	-53	-34	-26
31-Jul	-346	-432	-359	-239	-220	-157	-79
1-Aug	577	561	505	330	232	185	49
2-Aug	235	145	199	136	82	73	41
5-Aug	507	519	441	234	198	100	66
QTD TOTAL	4382	4273	4012	2157	1793	1188	475

- EPFR data lets users break down flows stock by stock.
- On July 31, most 'Magnificent 7' stocks posted their heaviest outflows in over a month.



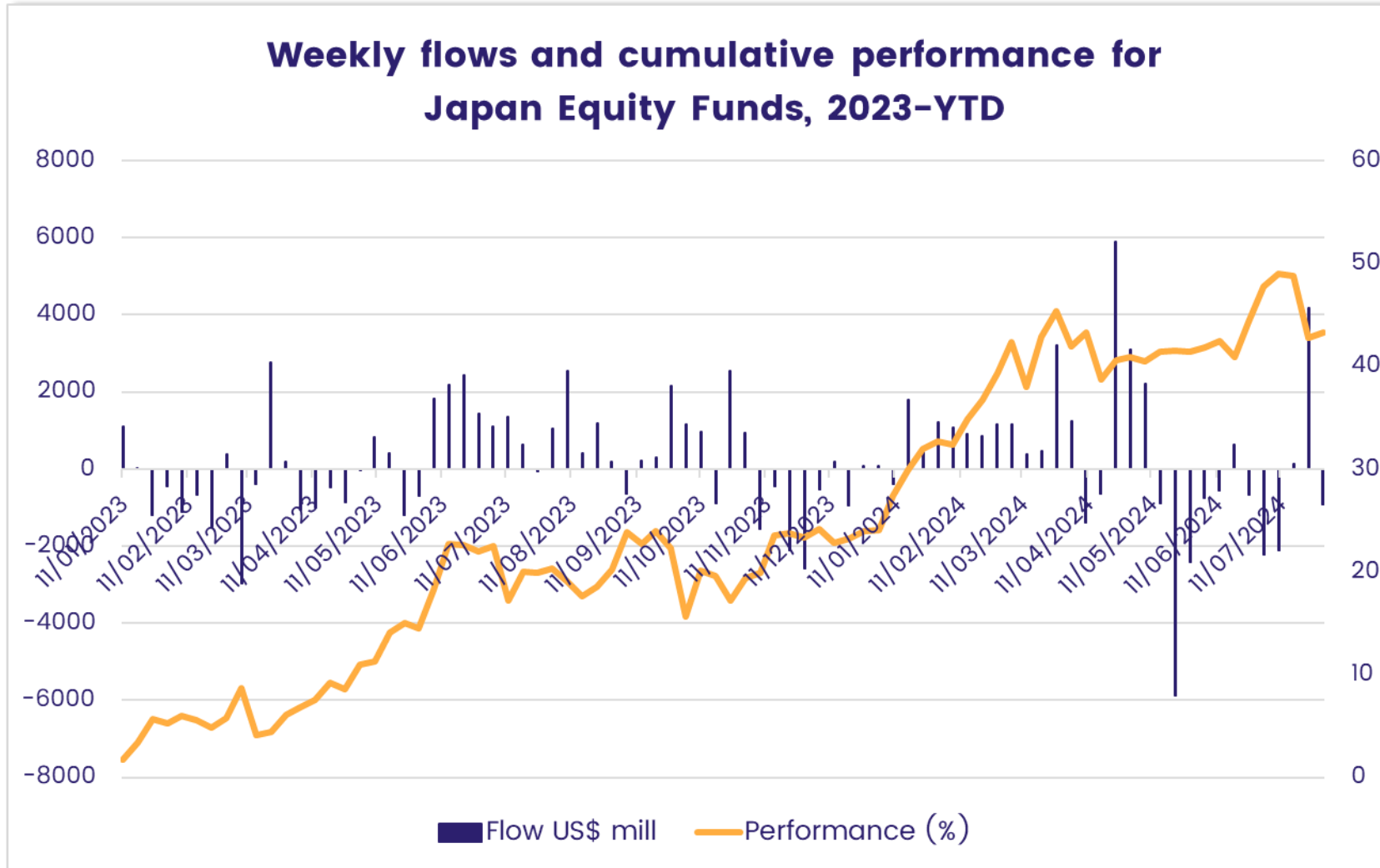
## In AI we trust, growth not so much....



- The conviction that artificial intelligence (AI) is the wave of the future emerged largely intact from the final week of July, but investors showed less conviction about the outlook for economic growth, according to different fund classes.
- Flows into US technology sector funds hit a six-week high. But US equity growth funds posted their biggest outflow in five weeks.



## Headwinds already building for Japanese equities



- Flows into Japan equity funds had already taken hits from rising trade tensions around electric vehicles and the import-cost-push nature of Japan's current inflation.
- The initial response to the latest correction hit foreign-domiciled Japan equity funds, which posted their biggest collective outflow during the final week of July since late 3Q23 – a harder impact than their domestically-based counterparts experienced.



## ABOUT EPFR

EPFR is 'the intelligence behind intelligent decisions'. Our fund flows and asset allocation data track over 151,000 traditional and alternative fund shares classes with more than \$55 trillion in total assets, delivering a complete picture of institutional and retail investor flows and fund manager allocations driving global markets.

EPFR's market-moving data services include equity and fixed income fund flows on a daily, weekly and monthly basis and monthly fund allocations by country, sector and industry, providing financial institutions around the world with an unparalleled understanding of where money is moving.

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