



America's ETF Market Is Bigger Than Ever as Traders Dump Mutuals

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by Claire Ballentine

Assets in U.S. exchange-traded funds have climbed to a record, bouncing back from a sharp drop in the first half of the year as investors abandon mutual funds for securities they perceive as cheaper and easier to trade.

Holdings across all categories reached \$4.66 trillion Tuesday, according to data compiled by Bloomberg. The previous high occurred Feb. 19, before the coronavirus pandemic sent global markets swooning.

The rise in ETF holdings is being driven by more than just price appreciation. The assets are back to a record at a time when the market value of S&P 500 constituents, at \$27.25 trillion, is still about 3% away from the high it hit in February. The funds have recorded \$248 billion in net inflows in 2020, up about 5% from this time last year, the Bloomberg data show.

"People continue to view the ETF vehicle as being very efficient," said Nick Kalivas, senior equity ETF strategist at Invesco. "The liquidity, the different return-risk exposures which are present in the marketplace, the ability to diversify -- I think all of those things are a great way to invest when you're in a time of trouble or uncertainty."

Although ETFs began trading in the U.S. more than 25 years ago, they've soared in popularity in recent years, rising alongside the longest bull market in history. Assets have more than doubled since 2016.

Vanguard's S&P 500 ETF, known by the ticker VOO, and State Street's SPDR Gold Shares (GLD) have led inflows this year, with \$21.2 billion and \$19.8 billion respectively.

At the same time, mutual funds that track popular indexes had \$34 billion in outflows in the first half of the year, the first-ever drawdown for a semi-annual period, losing to ETFs by the widest margin ever, according to Bloomberg Intelligence.

"You've seen ETFs again as the beneficiary on the back of this recent bout of market volatility and investors continuing to rotate out of mutual funds and into the ETF wrapper," said Ben Slavin, head of ETFs for BNY Mellon Asset Servicing.

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