

Focus on Funds: Amid Volatile Markets, Fund Investors Stay the Course

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Despite ups and downs in the global financial markets, the data show US mutual funds have seen only small outflows. In the March 13, 2020, edition of *Focus on Funds*, ICI Chief Economist Sean Collins details the latest numbers from the markets.

Transcript

Stephanie Ortals-Tibbs, ICI director of media relations: There's been volatility in the US and global financial markets recently. And whenever that happens, people wonder: what are fund investors doing? Well, Sean Collins, our chief economist, is going to give us some historical perspective. And also, we'll look at what's going on right now that we can see in the data. Sean, start with a look at some other periods we've had where there have been some real ructions in the market and what investors have done.

Sean Collins: ICI chief economist: Sure, so we've spent a lot of time looking back over periods of history where markets have been very volatile. Typically, what you see investors do is make modest changes, so we may see modest outflows from funds. They tend to be very small percentage of fund assets, though. And also, investors may adjust their portfolios. But again, it tends to be fairly modest.

Ortals-Tibbs: You now have data through what we call the week ending March 4.

Collins: Correct.

Ortals-Tibbs: When you look at that, what do you see there?

Collins: We do see some outflows for the week ending March 4—which, as you pointed out, was a volatile week in the stock markets. The bond market was up a lot. The stock market was down, suggesting that, you know, there's some concern about what's going on.

The data that we have to date suggests that investors are probably behaving pretty much as they have in the past—so, small changes. They may look big to people in absolute dollar terms, but as a percent of fund assets, they're pretty small. So on bond funds, we've seen outflows of about half a percent of bond fund assets. On the stock fund side, [it's] even smaller—about a tenth of a percent of stock fund assets have flown out.

Ortals-Tibbs: It's so hard to keep track of those small percentages because, given the stock market rise of recent years, those

numbers—the dollar numbers—do look big. So it's helpful I think, again, to put that into perspective for people. You're saying these percentage numbers are really pretty small.

Collins: Yeah, they're pretty small. If we were to see outflows of several percentage points, that would even be large in historical terms. So during periods of financial unrest, you may see periods where outflows grow to a couple percentage points of fund assets. But that tends to be about it.

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