

December 8, 2000

Monthly Mutual Fund Report

Statistics for October 2000

Sales and Redemptions

Total assets for all funds decreased \$81.9 billion, or 1.1 percent, to \$7.2 trillion in October. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was \$14.2 billion, compared to \$12.7 billion in September. New sales, the purchase of new shares excluding reinvested dividends, were \$118.4 billion in October, up from \$114.4 billion in September. The value of assets depreciated by \$100.5 billion in October, compared with a decrease of \$214.2 billion in September.

Total assets of **equity funds** decreased by \$108.2 billion, or 2.5 percent, to \$4.3 trillion. The net new cash flow was \$19.1 billion during October, compared with the inflow of \$17.3 billion in September. The market value of assets depreciated by \$110.8 billion. Year-to-date cash flows are \$291.4 billion. During the same period in 1999, cash flows were \$144.3 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, decreased 0.3 percent, or \$1.2 billion, to \$353.7 billion. There was a net cash outflow from these funds of \$1.1 billion in October. Year-to-date, their net cash outflow has been \$30.1 billion compared to an outflow of \$5.3 billion during the same period in 1999.

Bond funds experienced a cash outflow of \$3.2 billion in October, as their total assets fell by \$5.1 billion, to \$792.7 billion. The market value of bond funds assets decreased by \$4.7 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds increased by 0.5 percent while the assets of taxable bond funds decreased by 1.2 percent.

Assets of taxable and tax-exempt **money market funds** increased \$32.7 billion, to \$1.8 trillion, an increase of 1.8 percent for taxable money market funds and 2.4 percent for tax-exempt funds.



Liquidity Ratio

The liquidity ratio for bond and hybrid funds decreased to 3.9 from 4.0 percent during October. The ratio for equity funds increased from

5.3 to 6.0 percent, the highest level since September, 1998. (figure 4).

Weekly Flows

In November, cash flowed into equity funds at a rate of 0.3 percent of assets despite their poor performance of -8.9 percent returns. Bond funds had outflows of 0.3 percent and losses of 1.4 percent. During the week ending December 1, however, bond funds had inflows after seven straight weeks of outflows.

Performance and net sales among domestic sector funds moved commensurately with the equity aggregate. Inflows to aggressive growth funds were 0.9 percent while losses were 13.3 percent. There were larger inflows to small-cap funds of 1.1 percent of assets, and losses of 7.8 percent. Index funds had outflows 0.6 percent and losses of 15.5 percent. Technology funds had inflows of 0.7 percent and losses of 18.6 percent.

International funds had outflows of 0.3 percent and losses of 5.8 percent. There was variation among the international sectors with outflows from Latin America funds of 0.4 percent and losses of 7.9 percent. Inflows to Japan funds were 13.0 percent with losses of 3.7 percent. Pacific funds had monthly outflows of 1.6 percent and losses of 3.2 percent of total assets.

Capital Market Returns and Volatility

The S&P 500 ended November at 1314.95, a decrease of 8.0 percent from the beginning of the month. The 12-month return was -1.2 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 21.5 percent.

The 12-month average return on the Salomon Brothers Bond Index was 9.0 percent for November. Volatility increased to 2.8 percent from 2.7 percent during the previous month. (figure 8).

Price-Earnings Ratio

The macro projections for the growth of earnings of the Standard and Poor's 500 index over the next two years has climbed to 11.1 percent, above its historical average annual growth rate. The trailing price-earnings ratio increased to 27.2 for the third quarter from 27.8 in the second quarter. The four-quarter forward price to operating earnings ratio remained at 23.4 during the third quarter.

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Figure 1
Sales of Mutual Funds

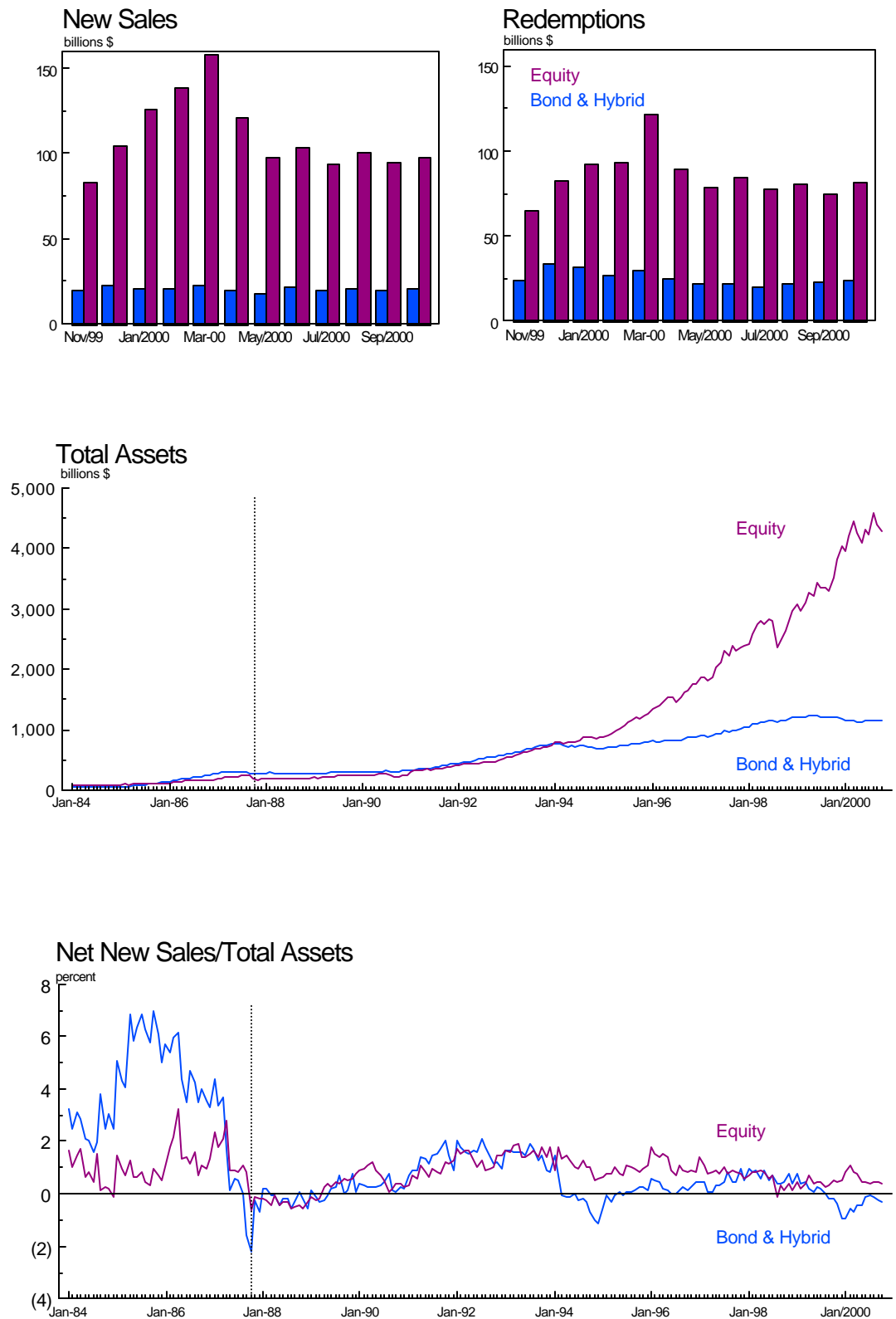


Figure 2

Composition of Mutual Funds' Financial Assets

(percent of Total Financial Assets)

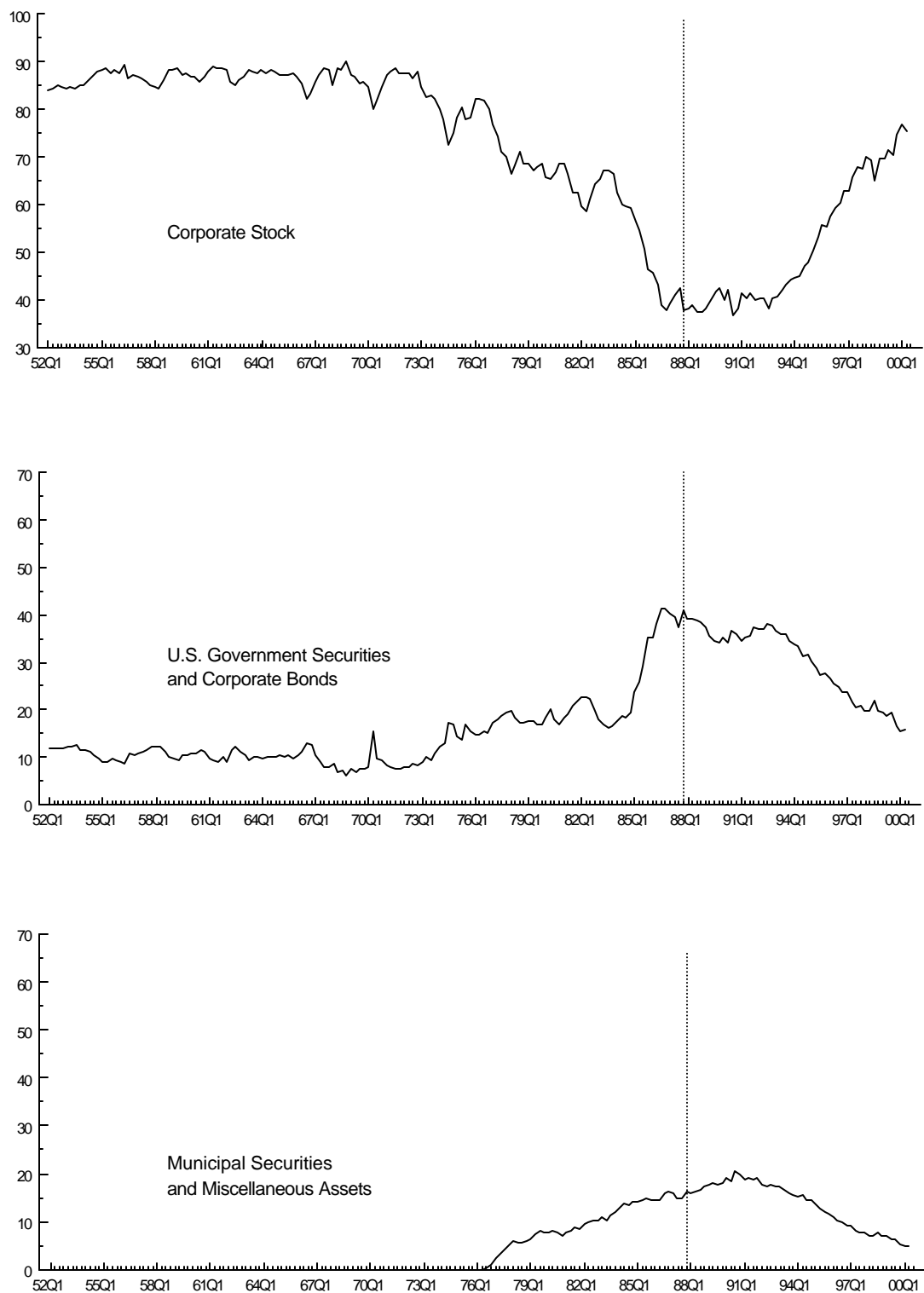


Figure 3

Net Portfolio Purchases

(percent of Total Assets)

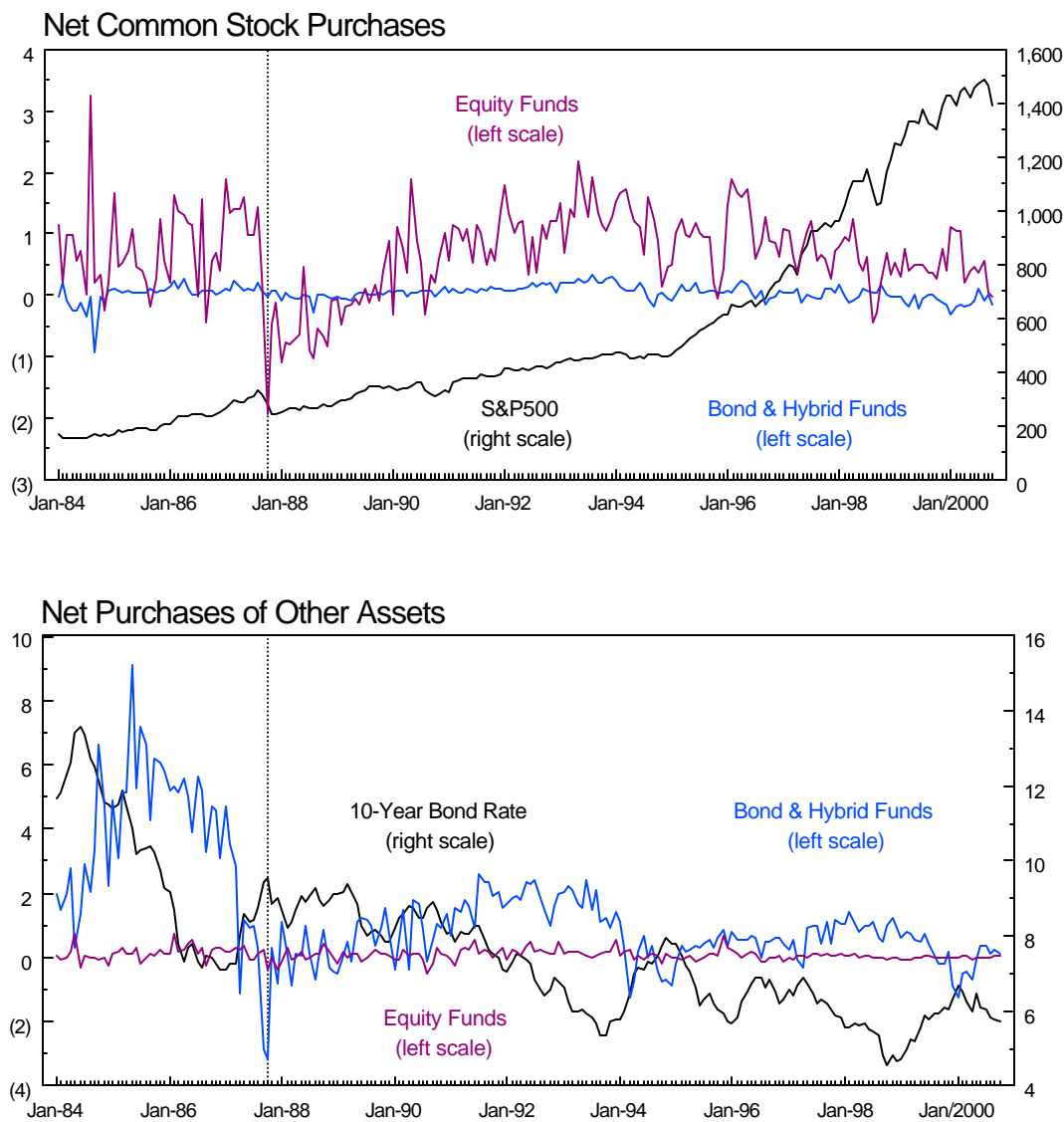
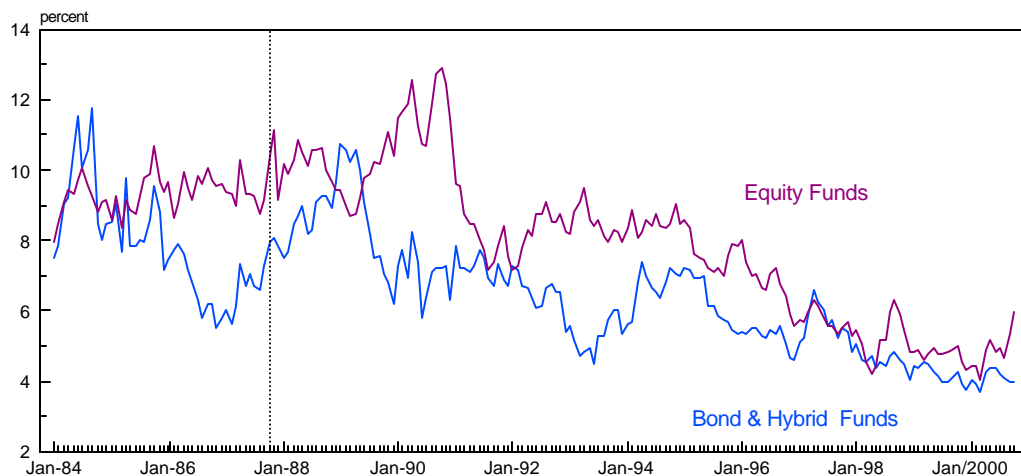
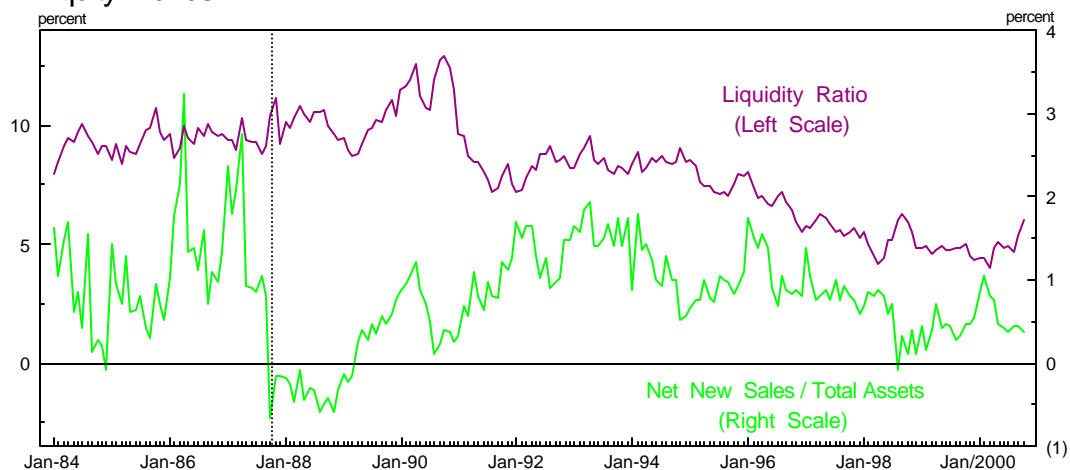


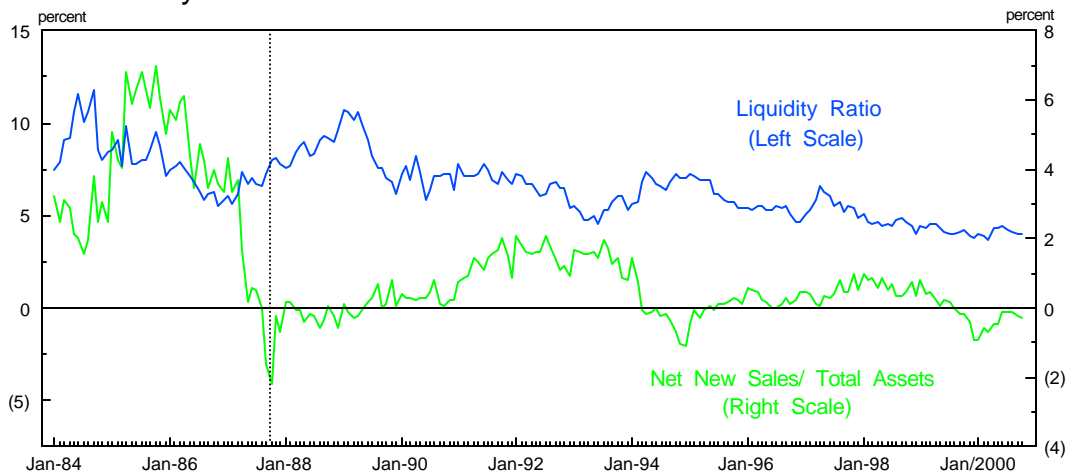
Figure 4
Liquidity Ratio*



Equity Funds



Bond & Hybrid Funds



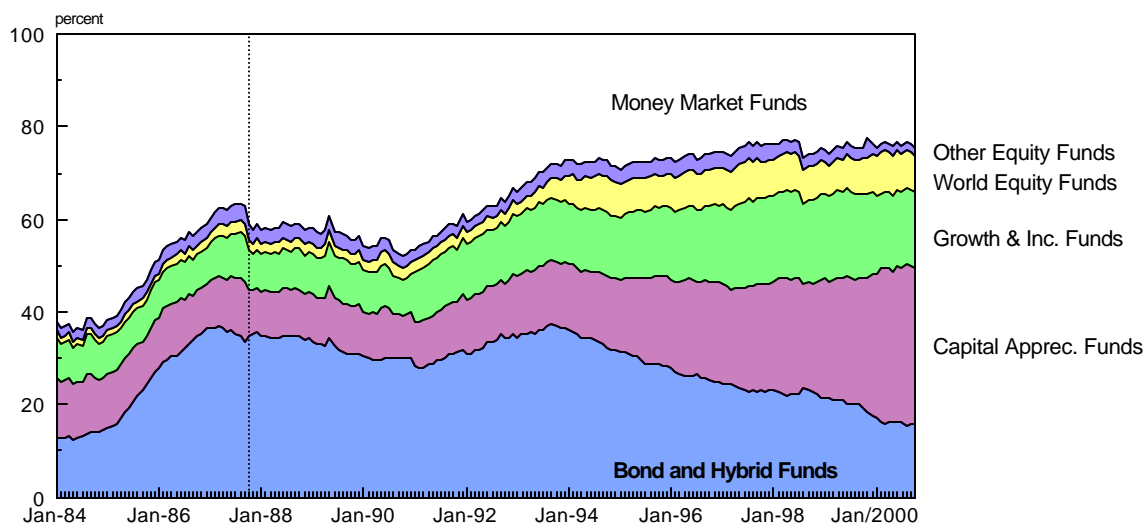
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

Source: Investment Company Institute

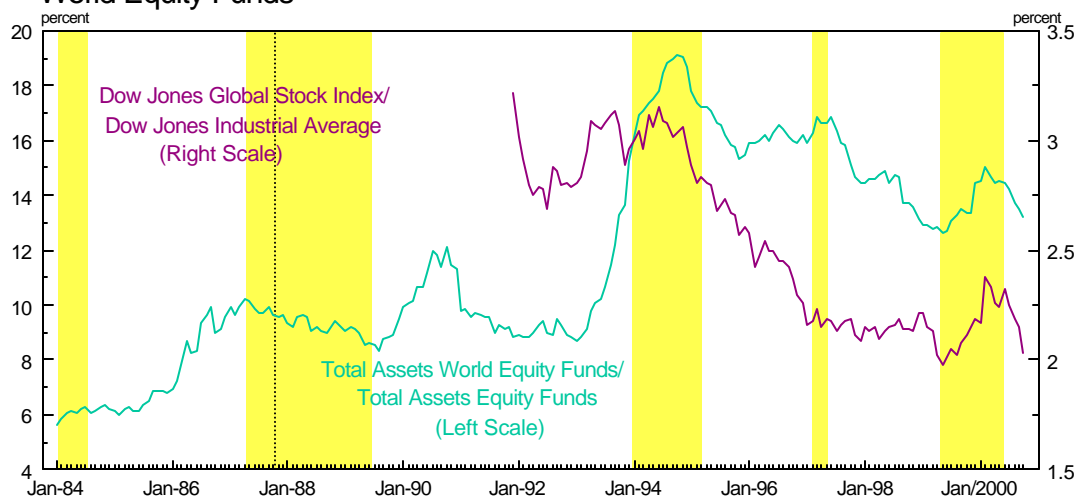
Figure 5

Industry Composition

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

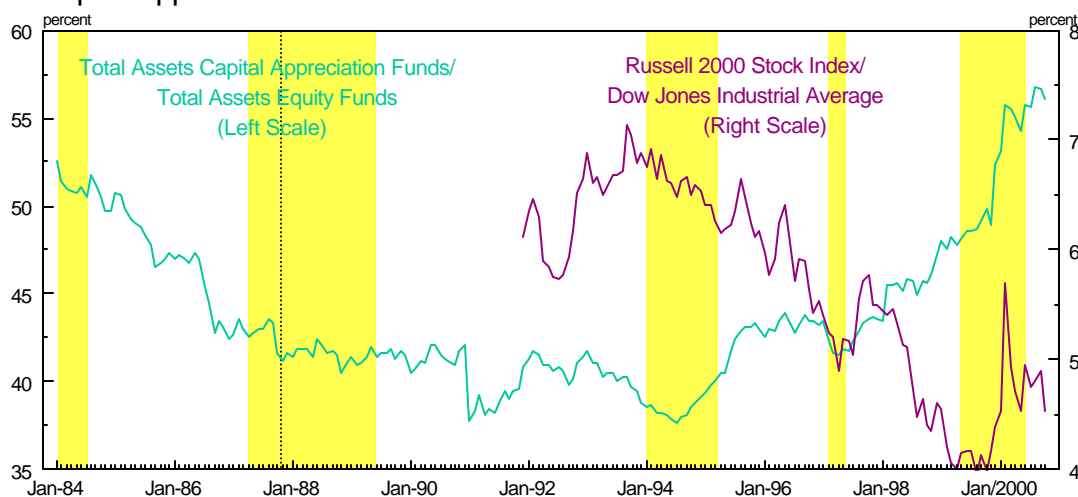


Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

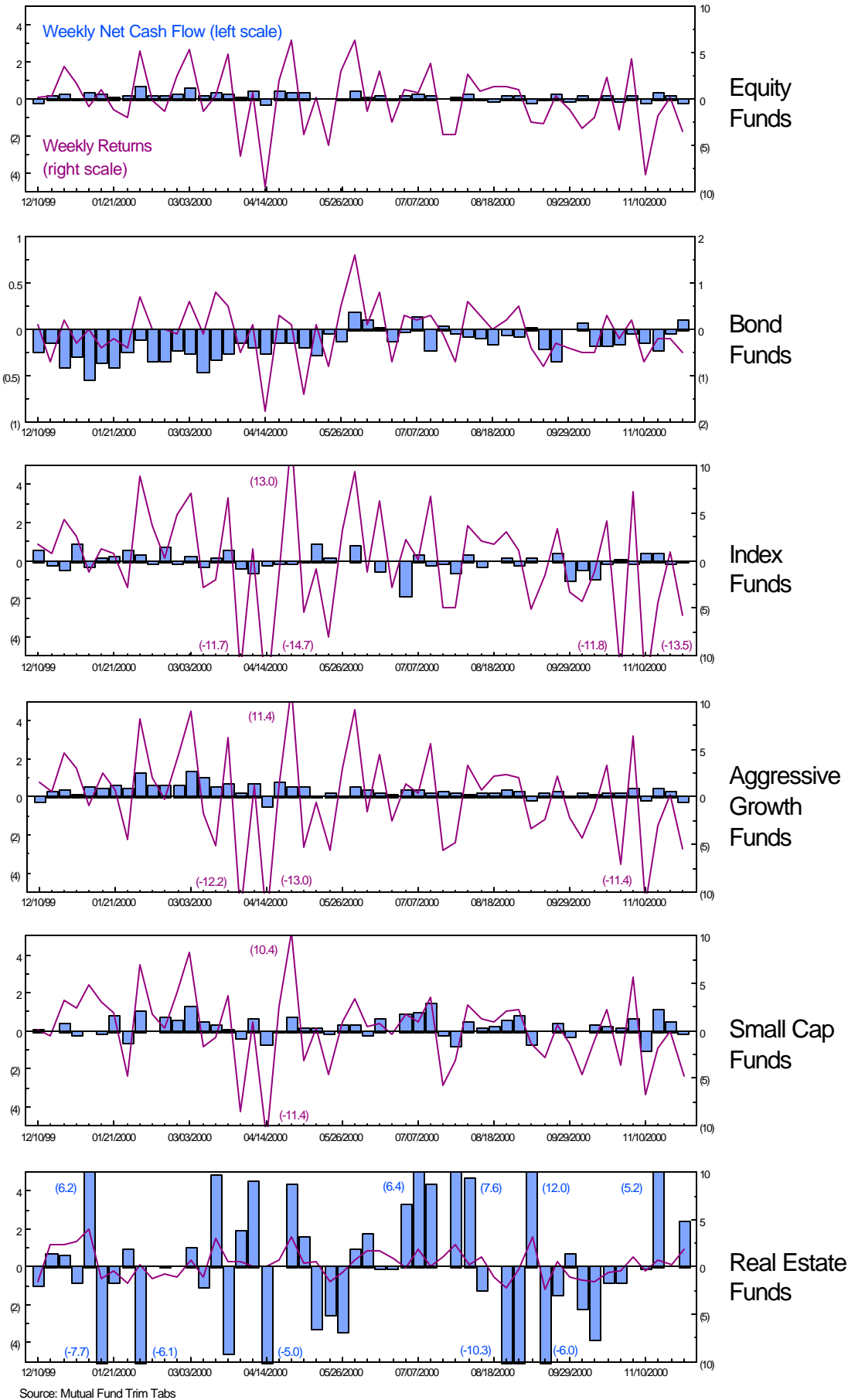
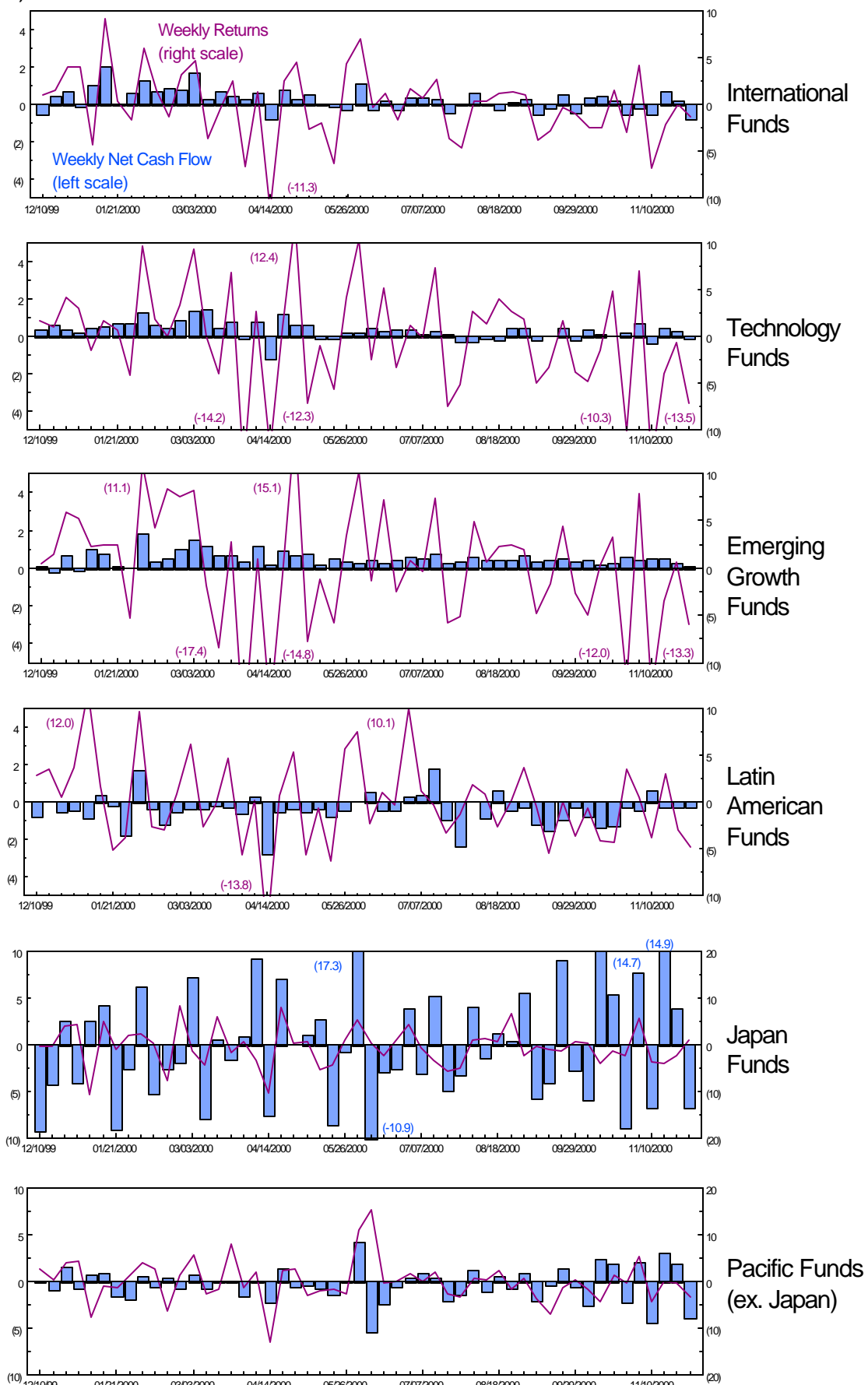


Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)



Source: Mutual Fund Trim Tabs

Figure 7
Net New Sales By Investment Objective
 (Shaded Regions Indicate Periods of Rising Fed Funds Rate)

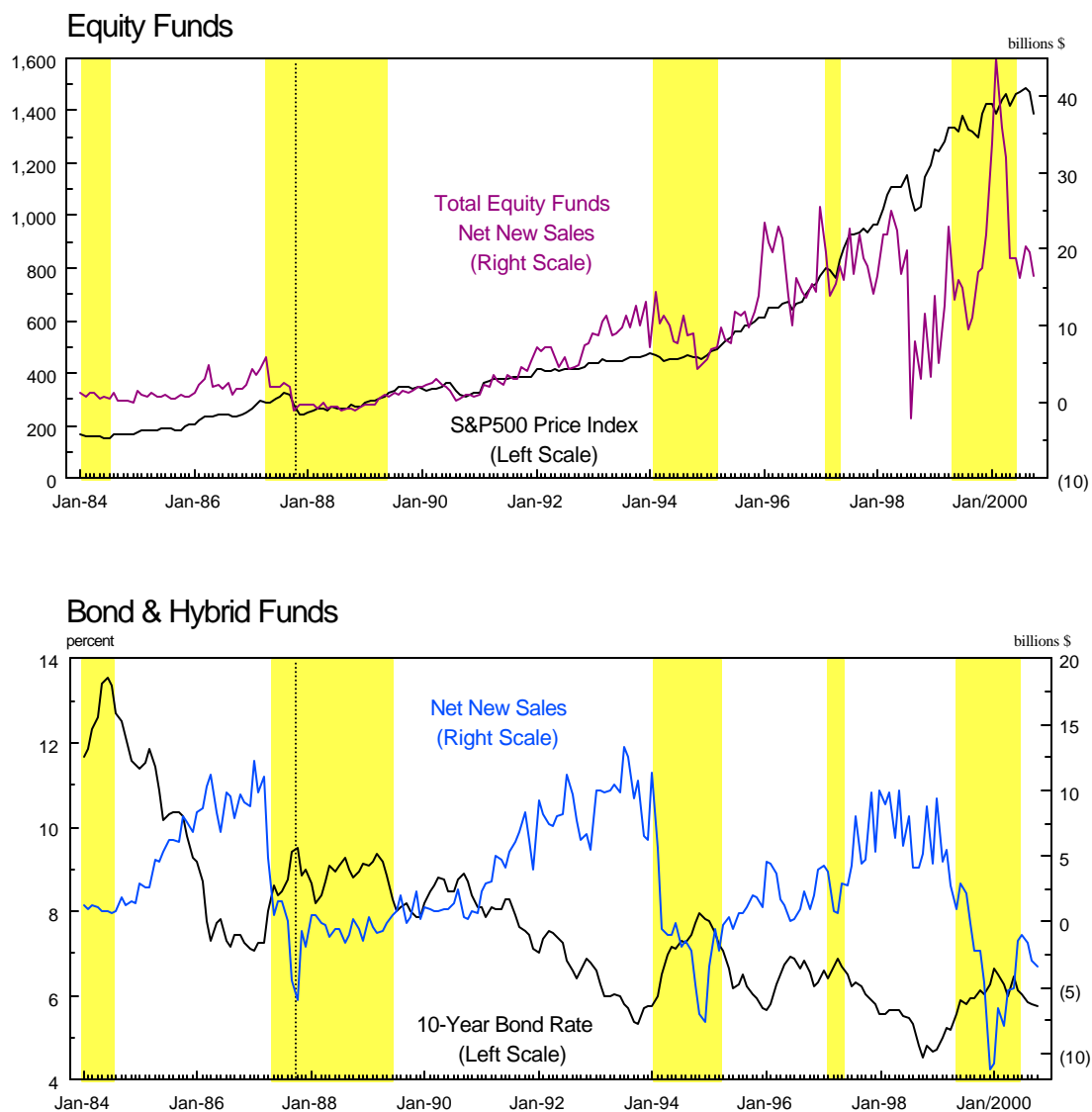


Figure 8
Capital Market Returns and Volatility

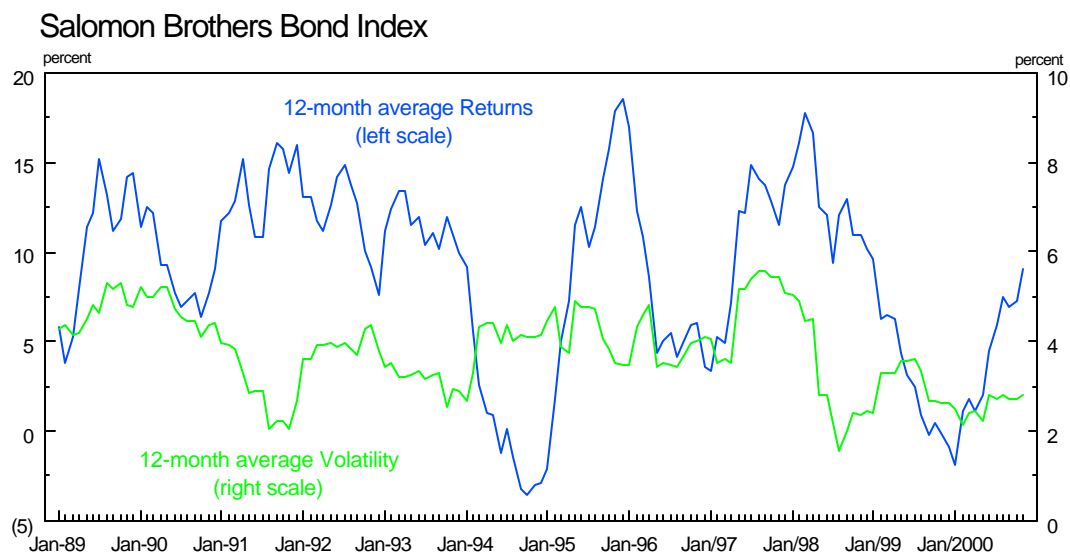
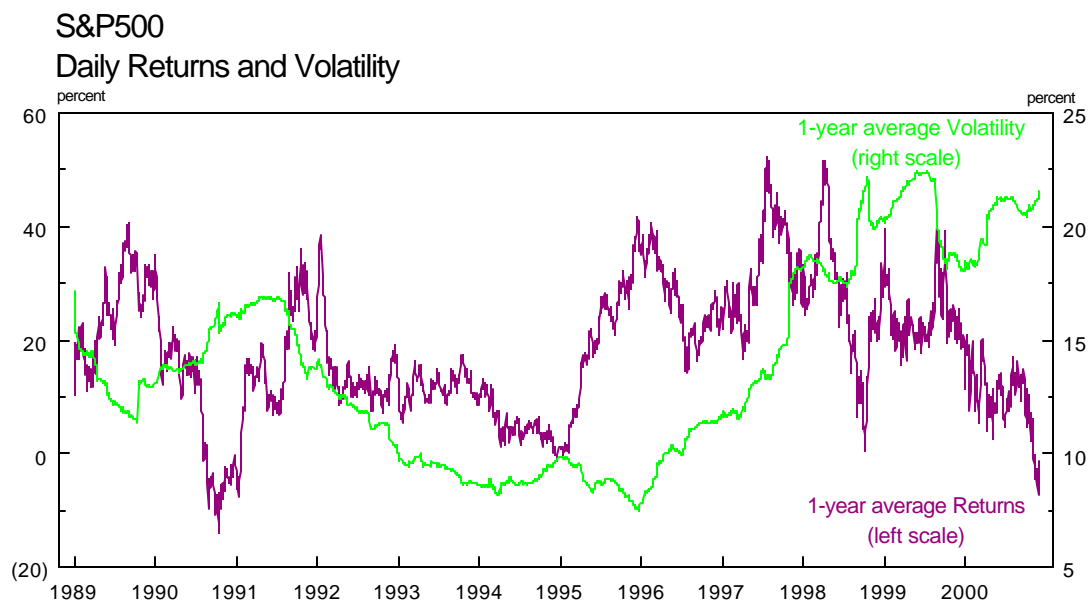
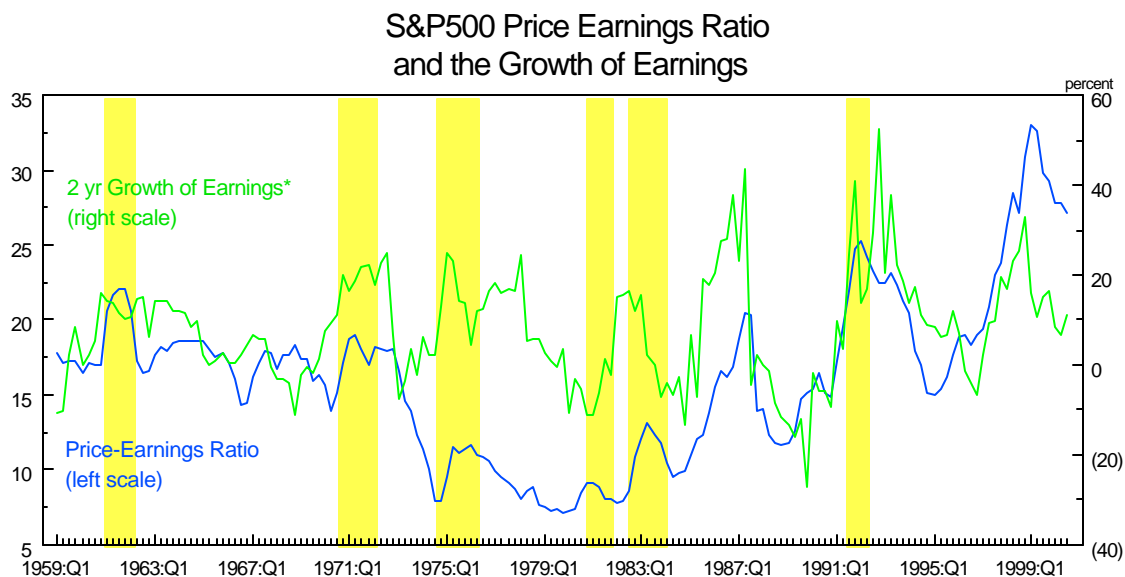
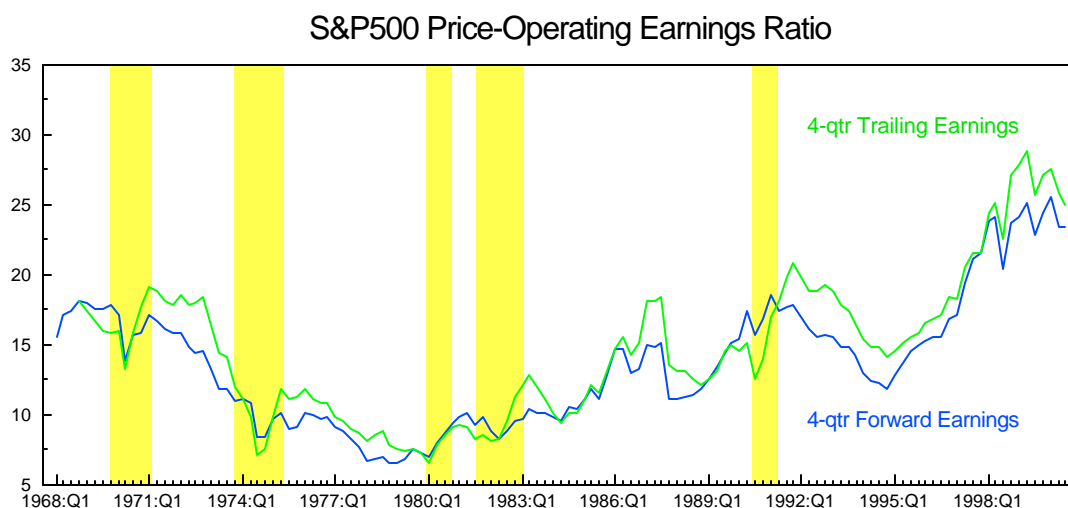
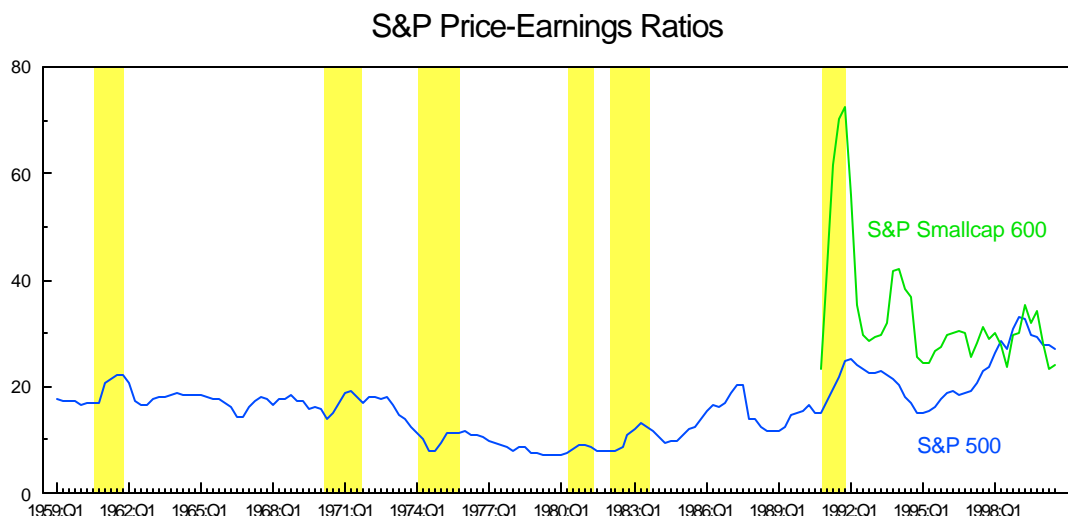


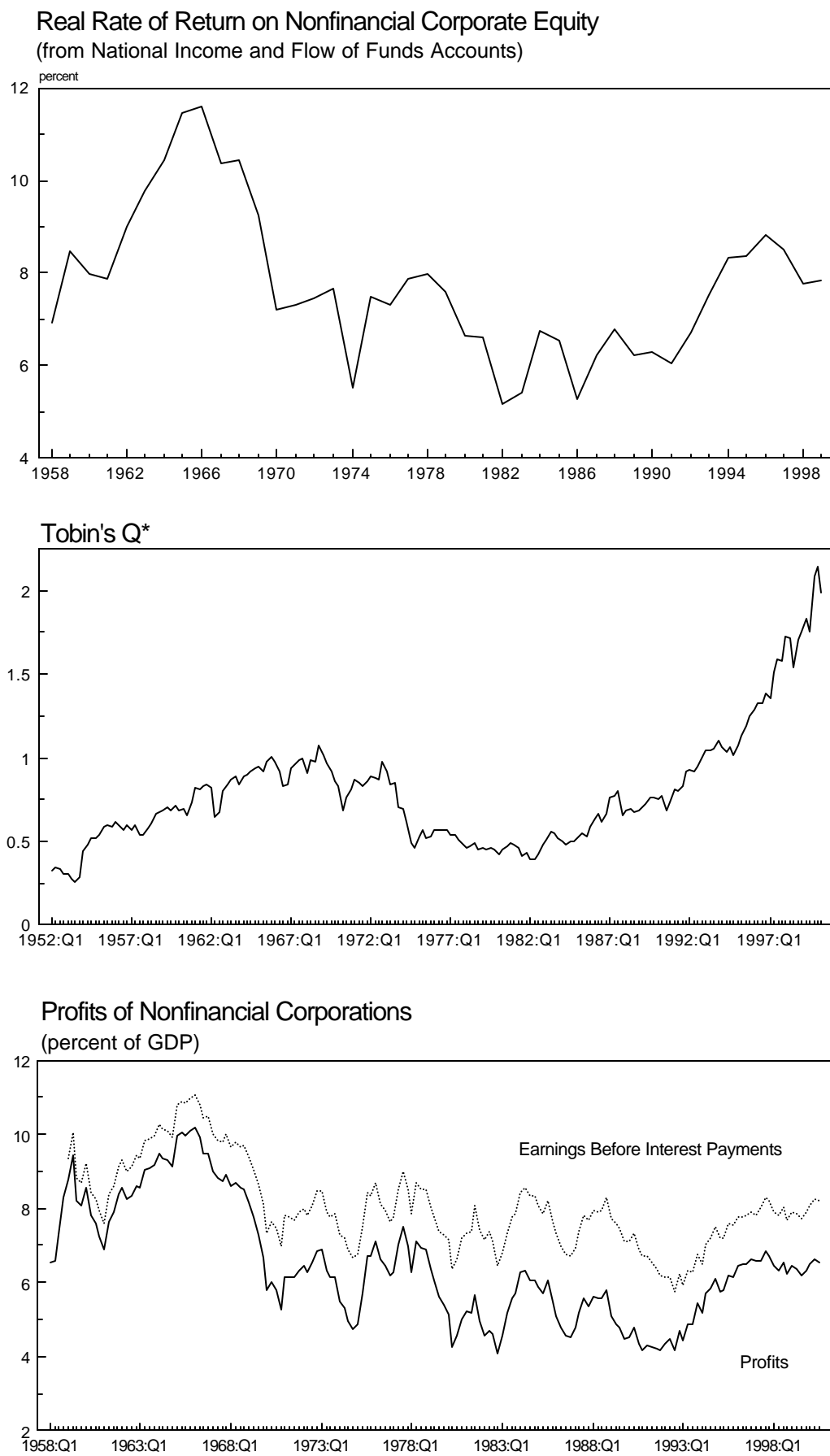
Figure 9



* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, DRI, Bloomberg

Figure 10



* Market Value of Equity plus Net Interest Bearing Debt/ Current value of Land, Inventories, Equipment, and Structures