January 10, 2002

Monthly Mutual Fund Report

Statistics for November-December 2002

Sales and Redemptions

Total assets for all funds increased in November by $317.9 billion, or 5.1 percent, to $6.56 trillion. Money market funds had a net cash inflow of $127.6 billion compared to an inflow in October of $12.5 billion. Other funds (equity, hybrid, and bond) had a net cash inflow of $15.4 billion, compared to an outflow of $2.1 billion in October. New sales of non-money market funds, the purchase of new shares excluding reinvested dividends, were $103.3 billion in November, down from $118.9 billion in October. The value of non-money market assets appreciated by $170.1 billion in November, following an appreciation of $158.9 billion in October.

Total assets of **equity funds** increased by $159.1 billion, or 6.0 percent, to $2.82 trillion. There was a $6.5 billion net cash inflow to equity funds in November, compared with an outflow of $7.5 billion in October. Through November, equity funds have a net cash outflow of $19.9 billion for the year, compared to a $29.1 billion inflow for the same period in 2001. The market value of assets appreciated by $152.3 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 4.8 percent, or $15.3 billion, to $332.0 billion. In November, there was a $1.2 billion net cash inflow for these funds. There has been an inflow of $8.5 billion so far in 2002, about the same as the inflow at this point in 2001.

Bond funds experienced a cash inflow of $7.7 billion, while their total assets increased by $14.3 billion, to $1.1 trillion. The market value of bond funds assets increased by $3.9 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds increased by 2.0 percent, while the assets of tax-exempt bond funds decreased by 0.3 percent. There has been a net inflow into bond funds of $133.5 billion in 2002, compared to $89.7 billion in the same period in 2001.

Assets of taxable and tax-exempt **money market funds** increased $129.1 billion, to $2.31 trillion, an increase of 6.3 percent for taxable money market funds and 3.4 percent for tax-exempt funds. Compared to a net cash inflow of $400.7 billion through this point in 2001, money market funds have an outflow of $10.1 billion so far in 2002.

Liquidity Ratio

The liquidity ratio for bond and hybrid funds increased from 4.93 to 5.39 percent, while the ratio for equity funds decreased from 5.08 to 5.02 percent (figure 4).

Weekly Flows

In December, there were outflows from equity funds of 0.4 percent of total assets, with losses of 5.8 percent. Bond funds had outflows of 0.1 percent and returns of 0.4 percent for the month.

Index funds had monthly inflows of 0.8 percent and losses of 6.4 percent. Aggressive growth funds had monthly outflows of 0.4 percent and losses of 6.6 percent. Small-cap funds had outflows of 0.1 percent and losses of 6.8 percent.

There were outflows from international funds in December of 0.3 percent of assets and losses of 4.9 percent. Latin America funds had outflows of 0.4 percent and returns of 0.3 percent. Japan funds had outflows of 2.9 percent and returns of 0.2 percent of assets for the month of December. Pacific funds that do not invest in Japan had outflows of 5.1 percent and losses of 7.1 percent of assets.

Capital Market Returns and Volatility

The S&P 500 ended December at 879.82, a decrease of 6.4 percent from the beginning of the month. The 12-month loss was 23.3 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 26.0 percent.

The 12-month average return on the Citigroup Bond Index was 10.1 percent for November. Volatility decreased to 3.6 percent (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 have increased to 23.2 percent, above the 6.3 percent historical average annual growth rate. The trailing price-operating earnings ratio decreased from 20.4 in the fourth quarter to 19.9 for the first quarter of 2003, while the forward price-operating earnings ratio increased from 16.6 in the fourth quarter to 17.2 during the first quarter (figure 9). During the fourth quarter the price-earnings ratio for the Standard and Poor's Small-Cap 600 Index decreased to 26.8 from 30.5.

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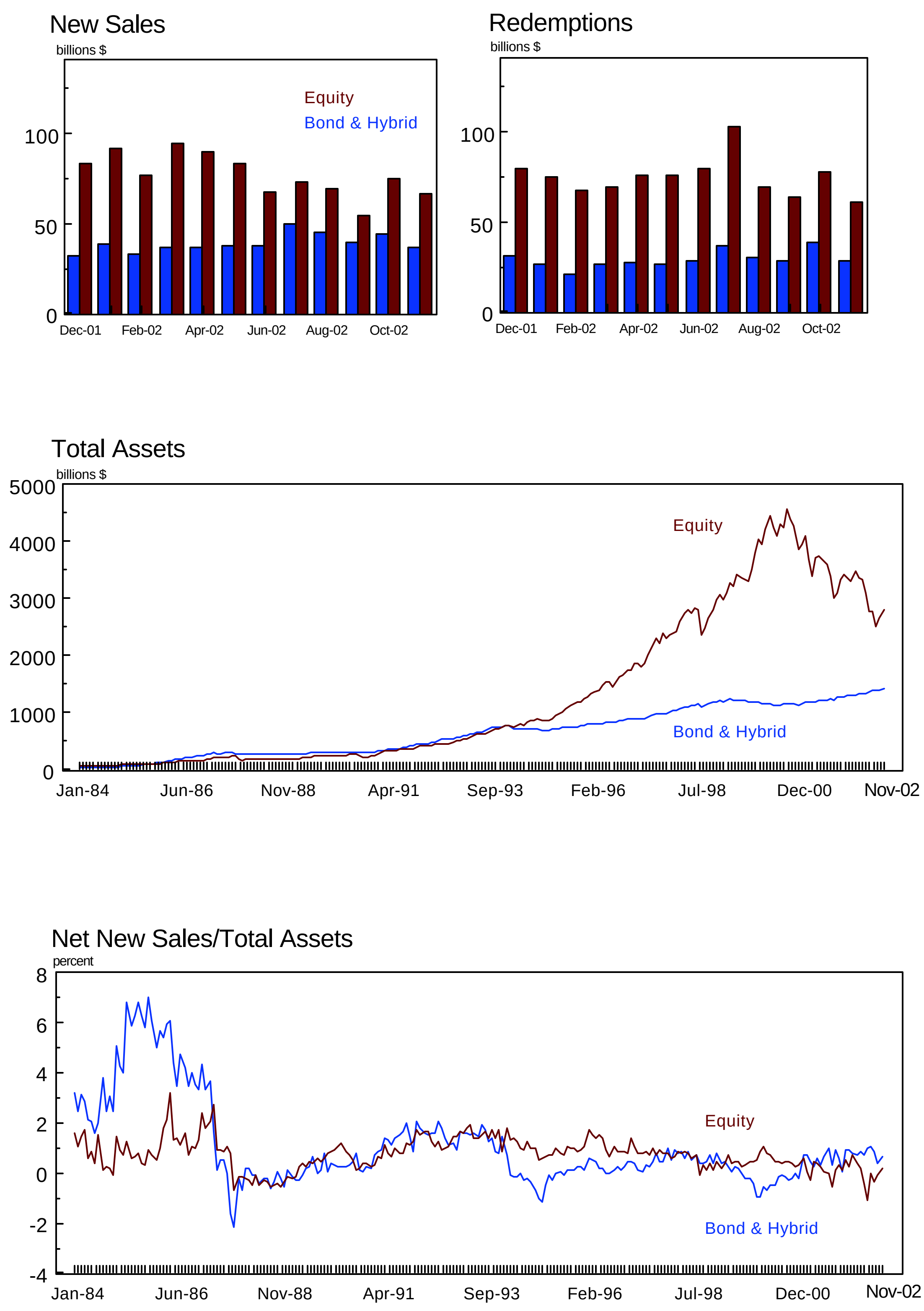
Figure 1

Sales of Mutual Funds



Source: Investment Company Institute

Figure 2
Composition of Mutual Funds' Financial Assets
(percent of Total Financial Assets)

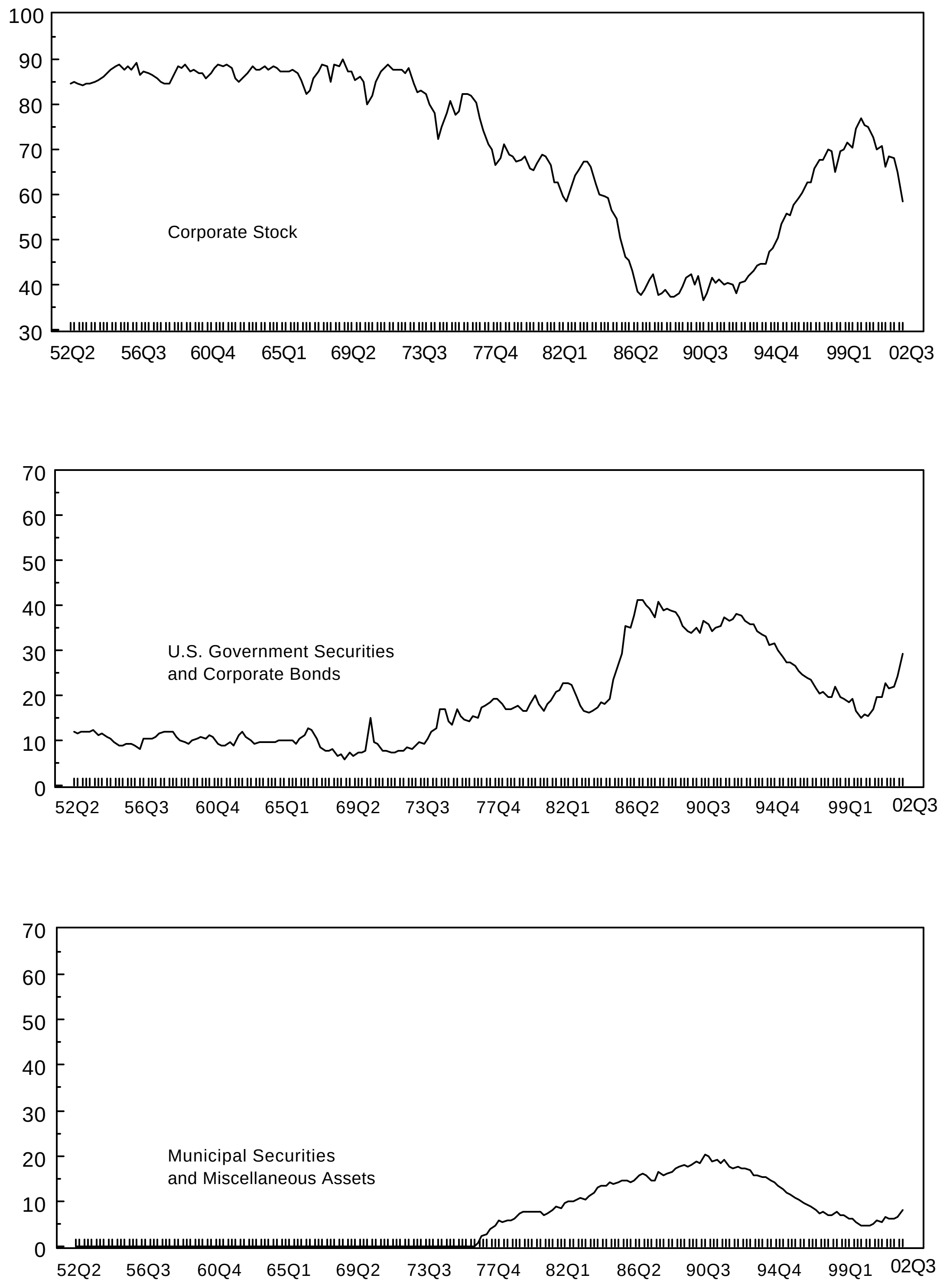
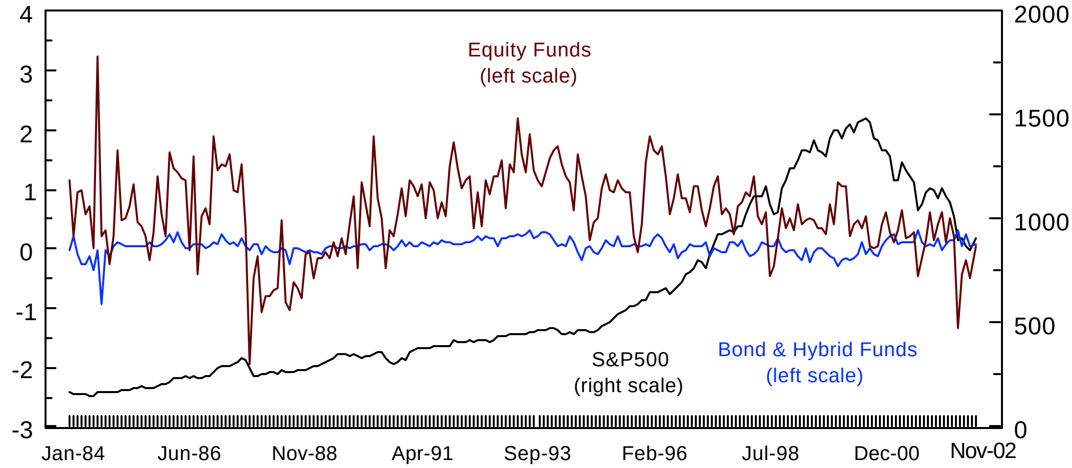


Figure 3

Net Portfolio Purchases

(percent of Total Assets)

Net Common Stock Purchases



Net Purchases of Other Assets

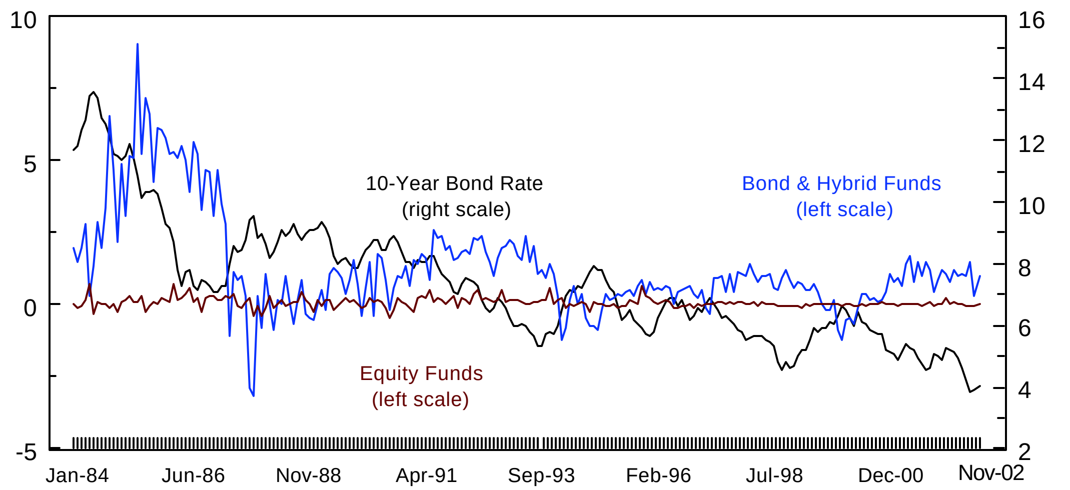
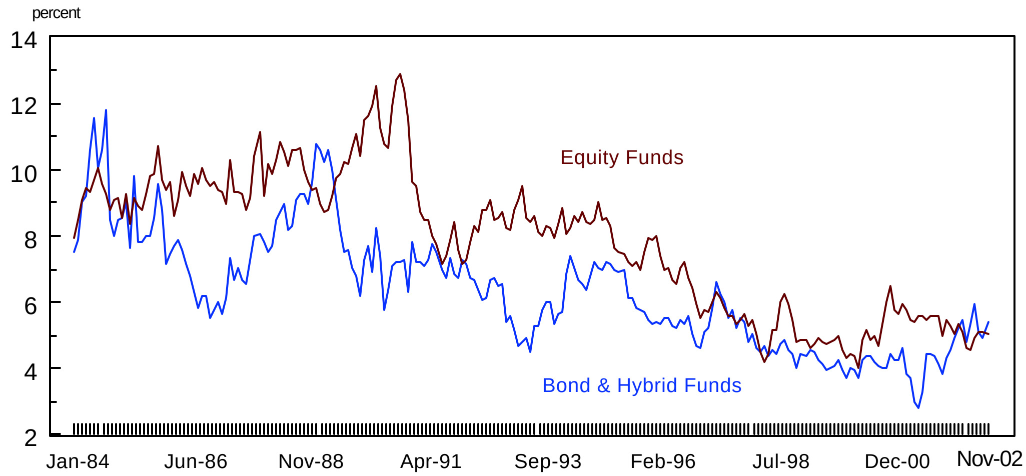
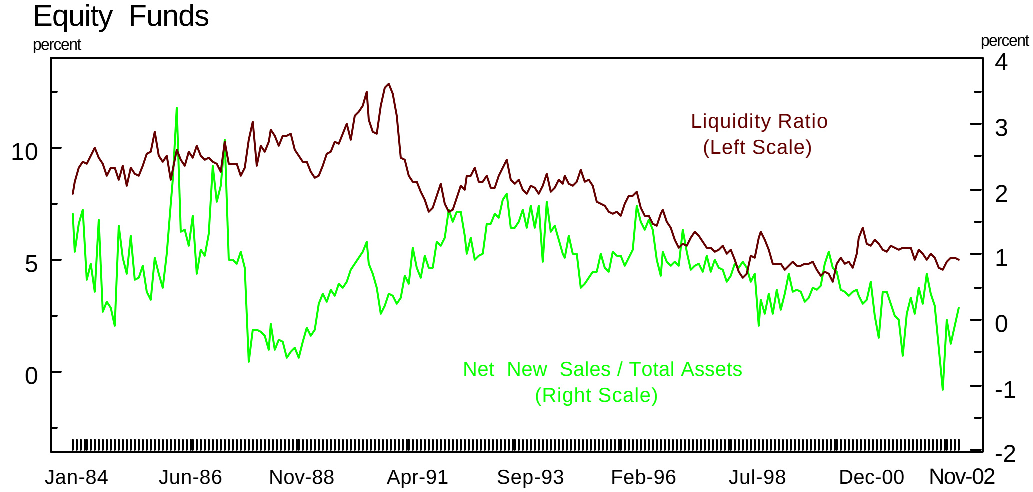


Figure 4

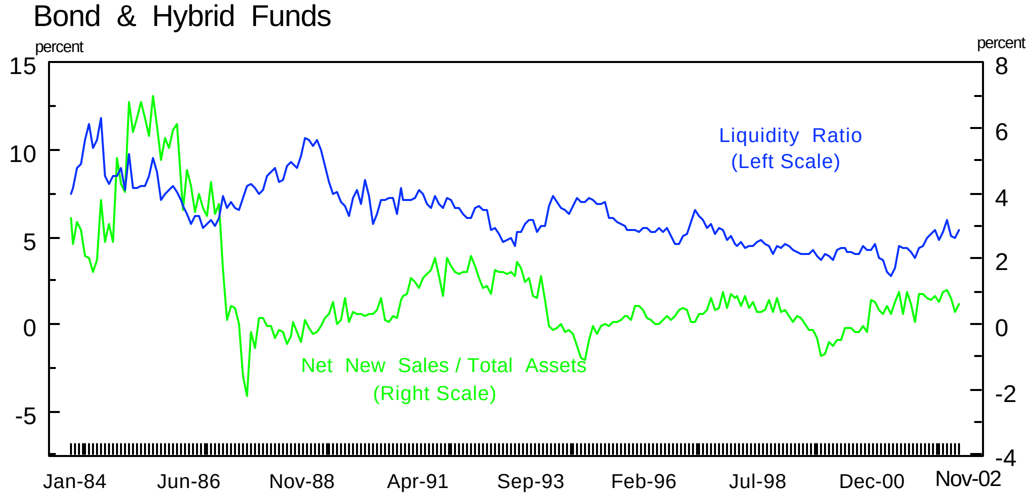
Liquidity Ratio*



Equity Funds



Bond & Hybrid Funds



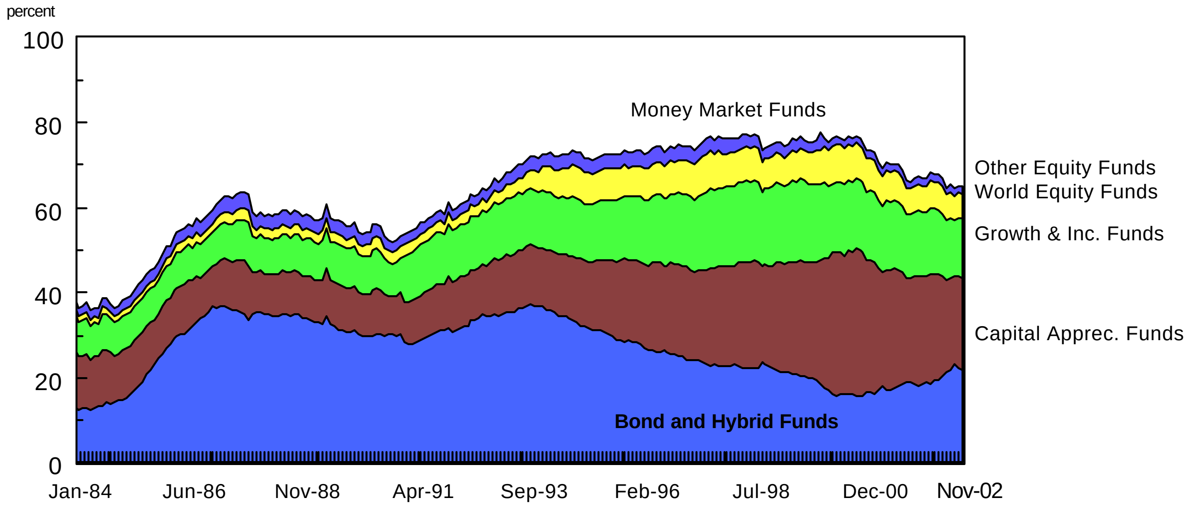
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

Source: Investment Company Institute

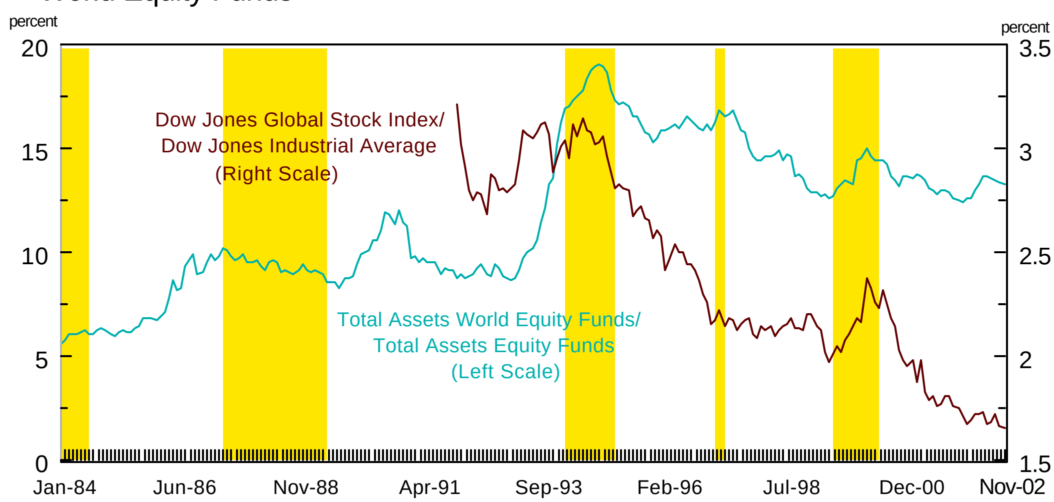
Figure 5

Industry Composition

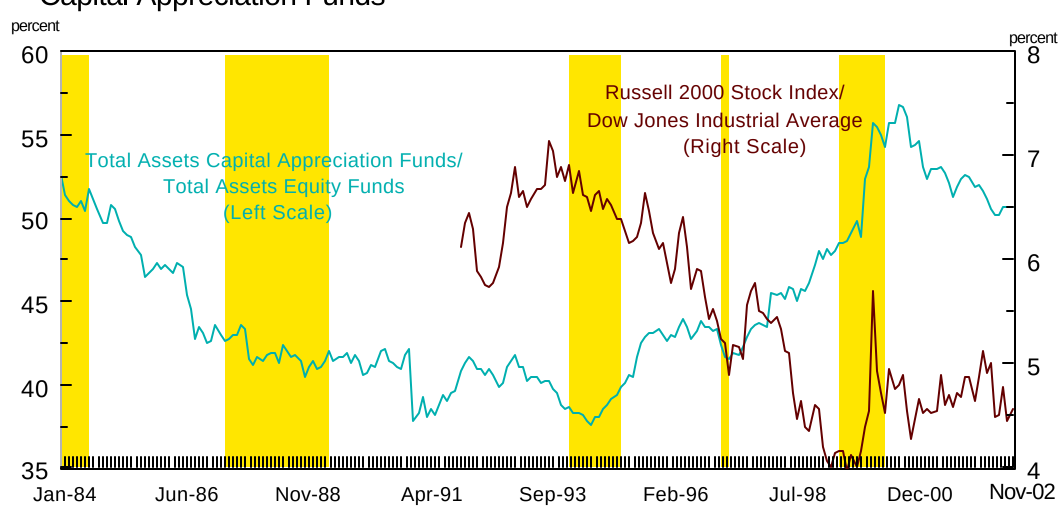
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

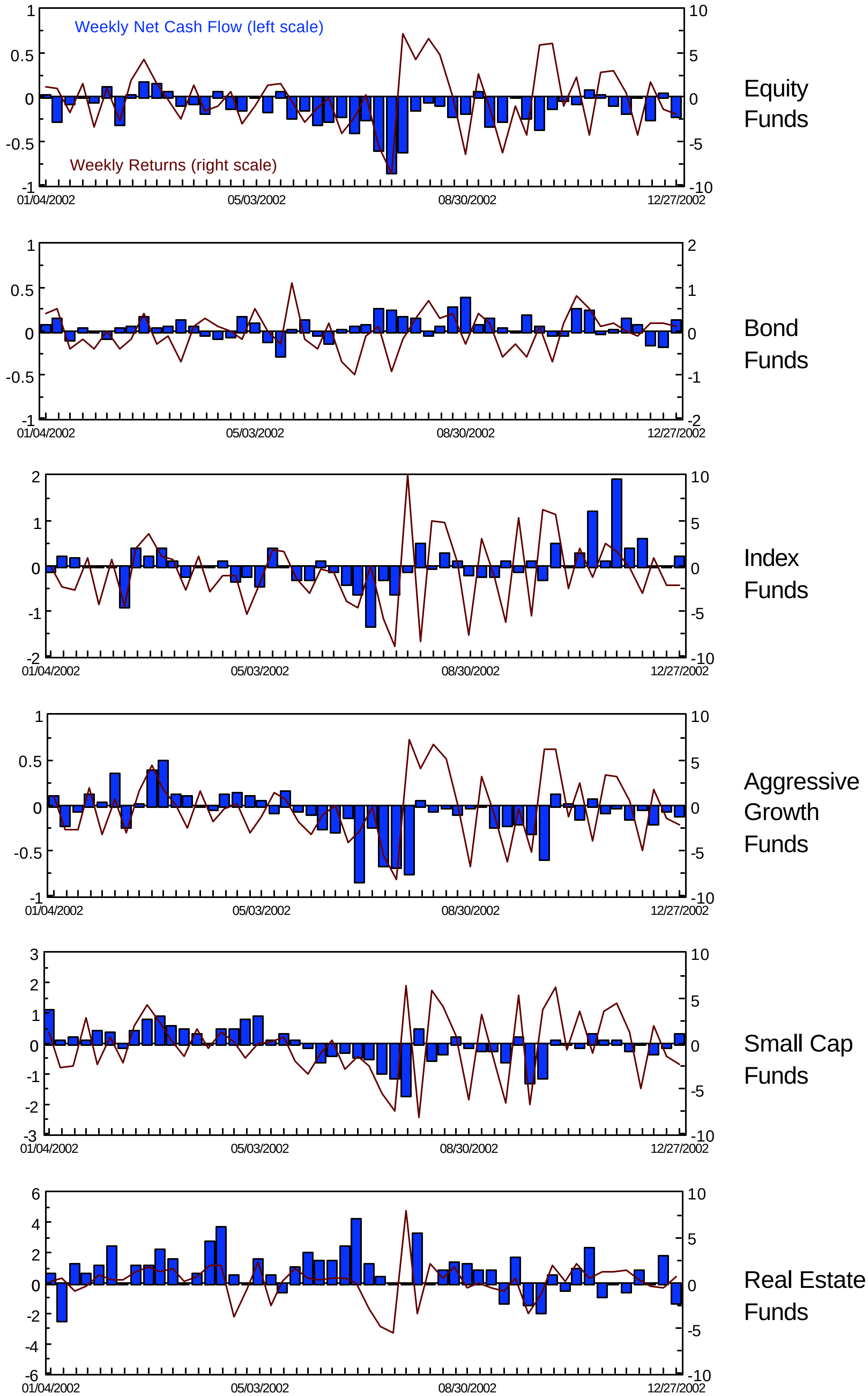


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

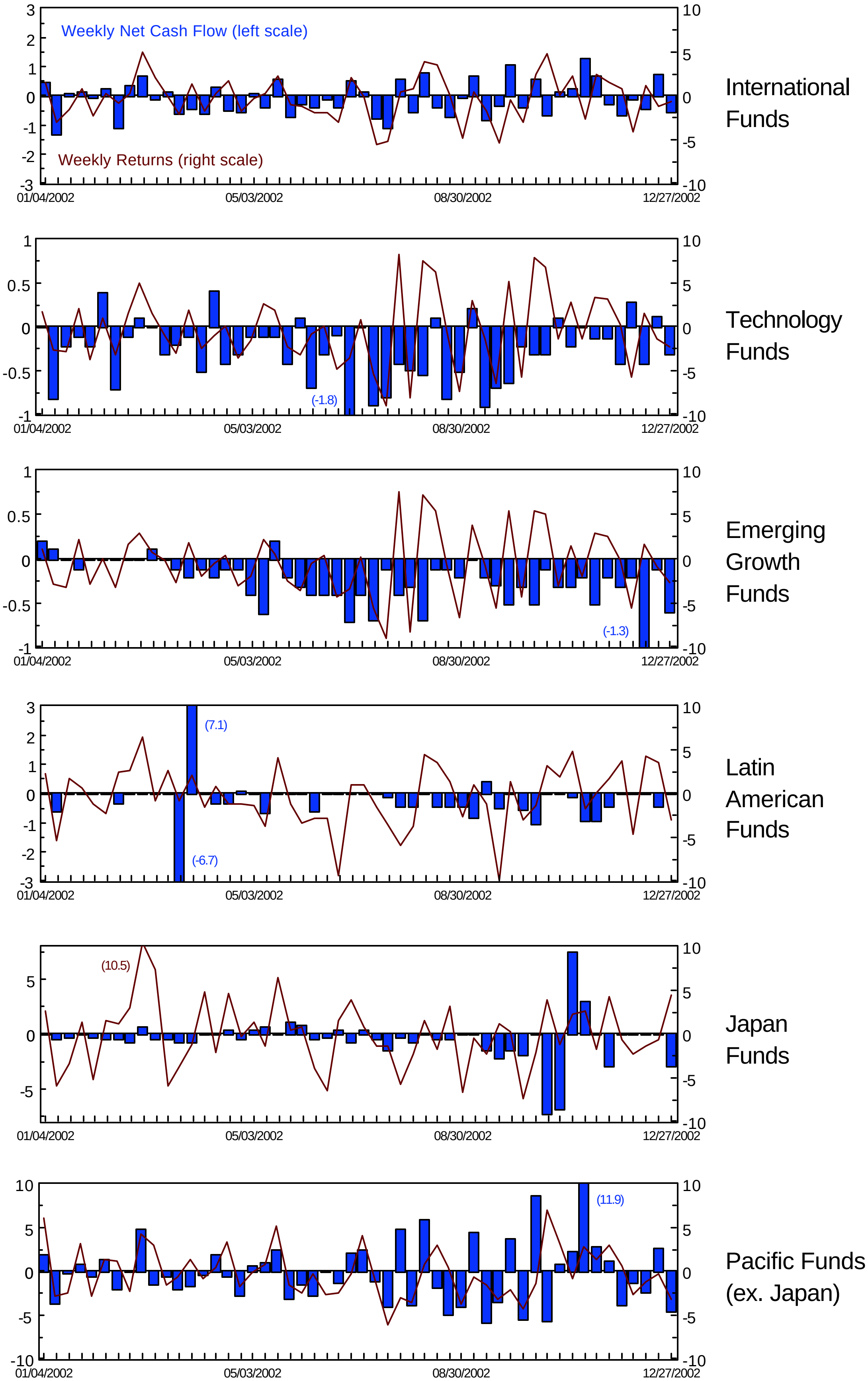


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

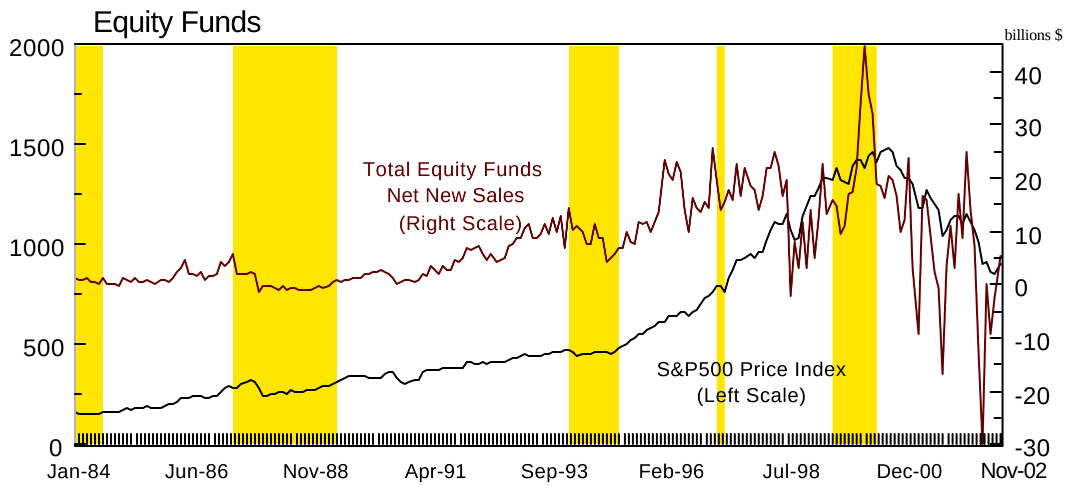


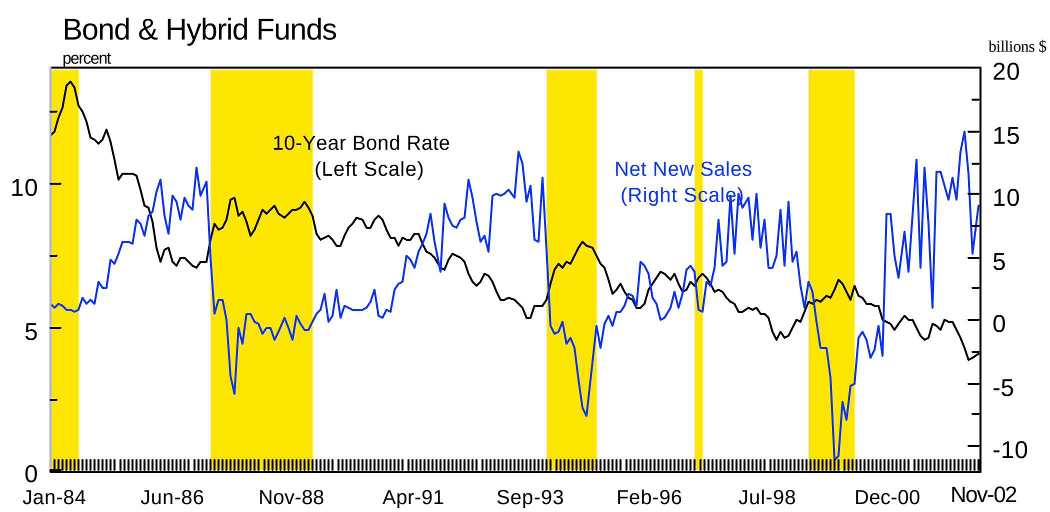
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)





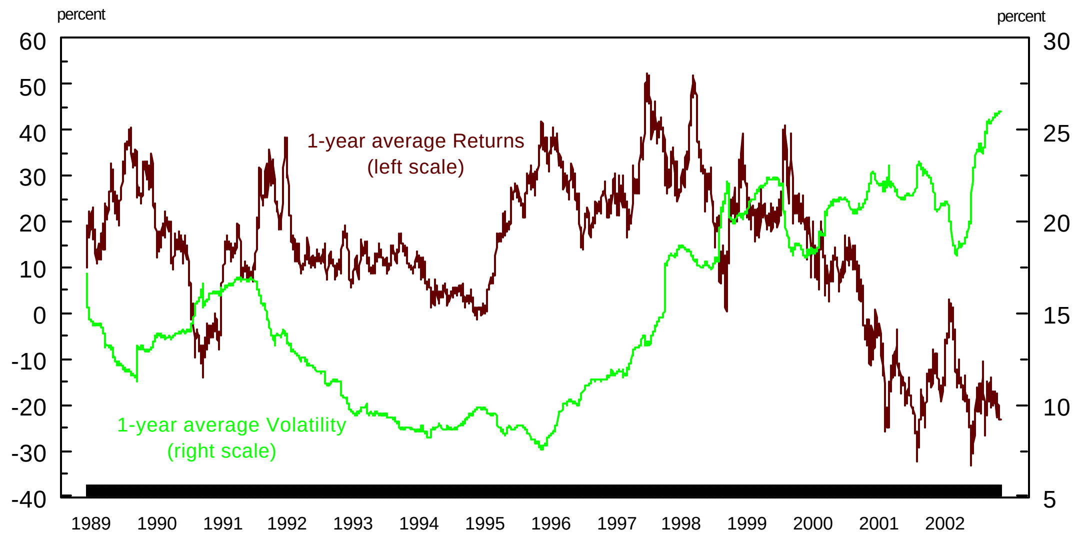
Source: Investment Company Institute

Figure 8

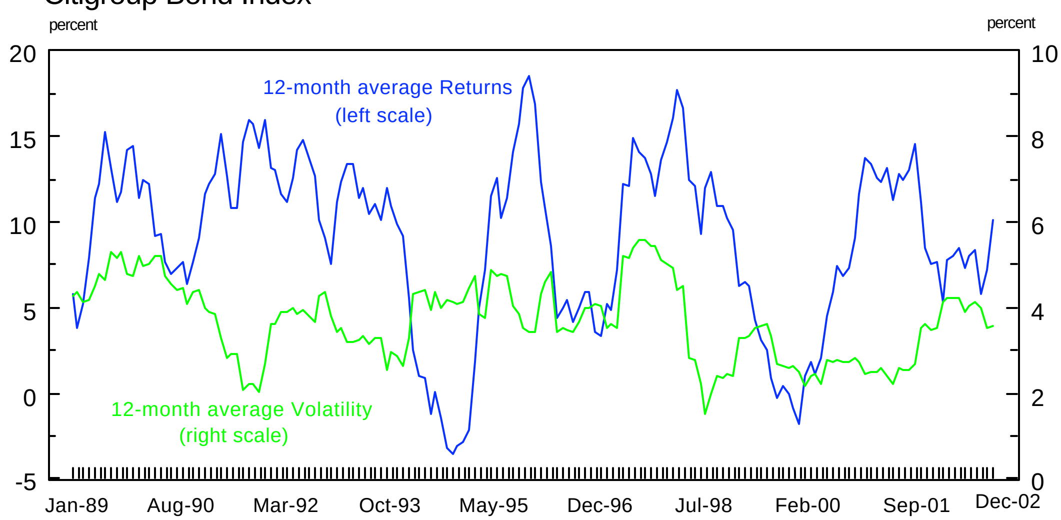
Capital Market Returns and Volatility

S&P500

Daily Returns and Volatility

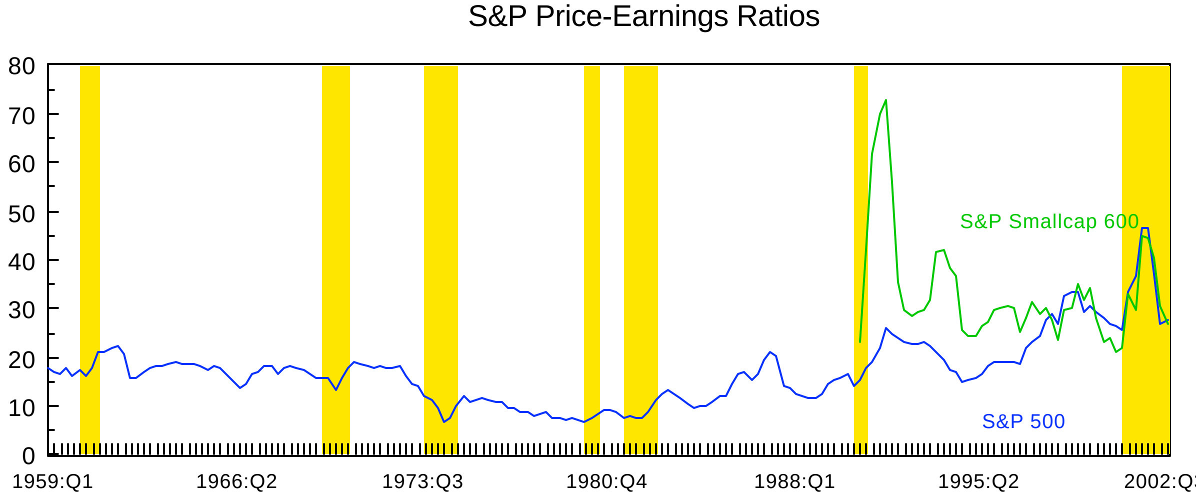


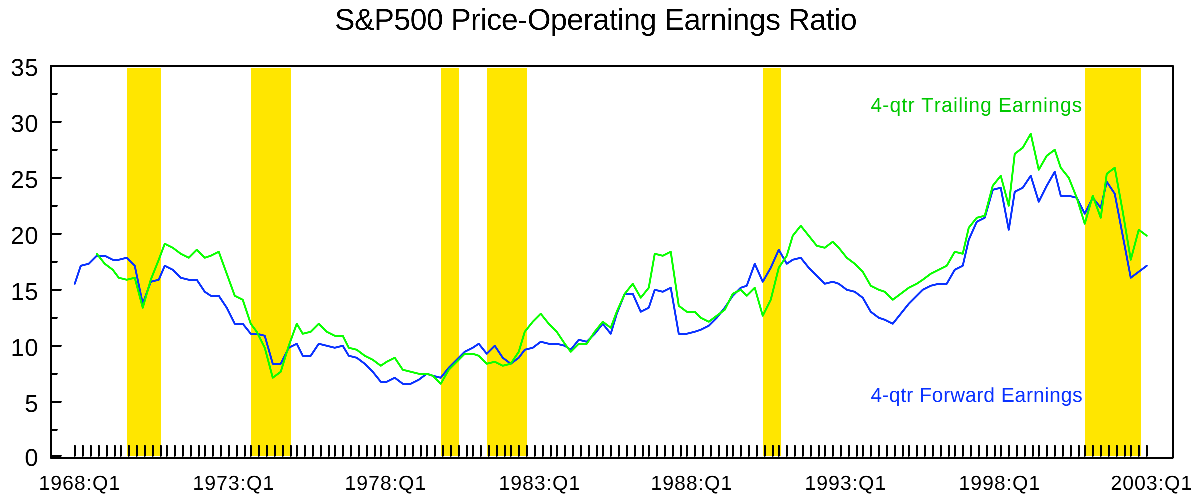
Citigroup Bond Index

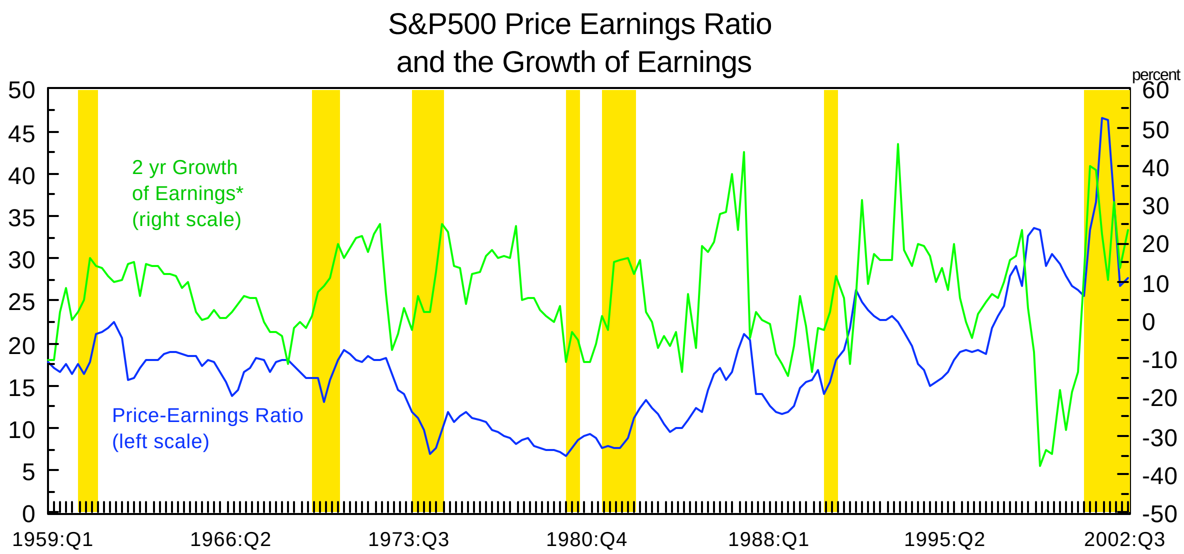


Source: FAME Database, Citigroup

Figure 9







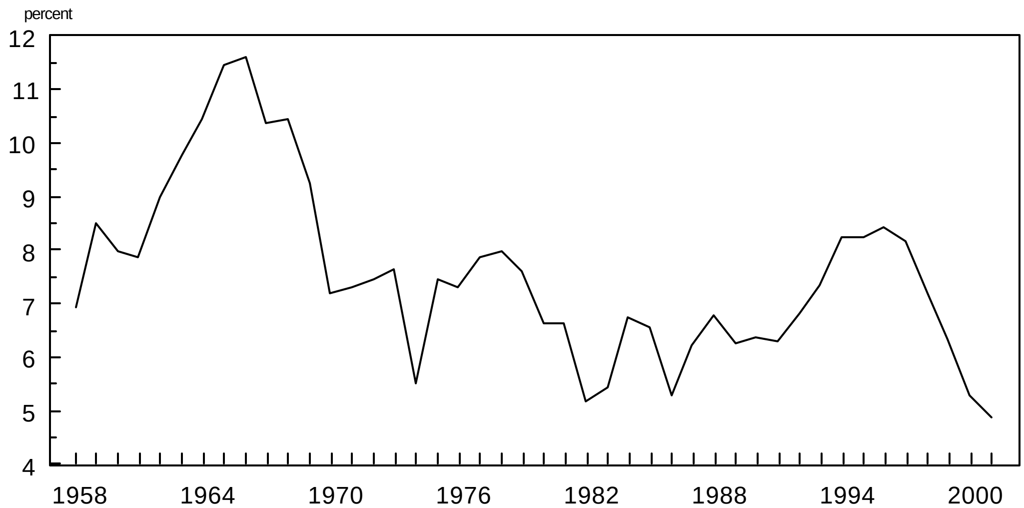
* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, Global Exchange (formerly DRI), Bloomberg

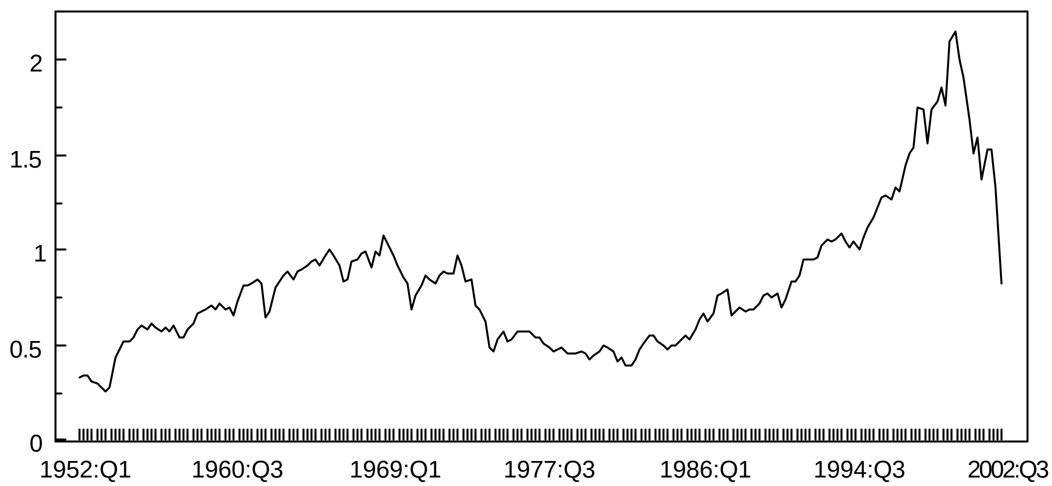
Figure 10

Real Rate of Return on Nonfinancial Corporate Equity

(from National Income and Flow of Funds Accounts)

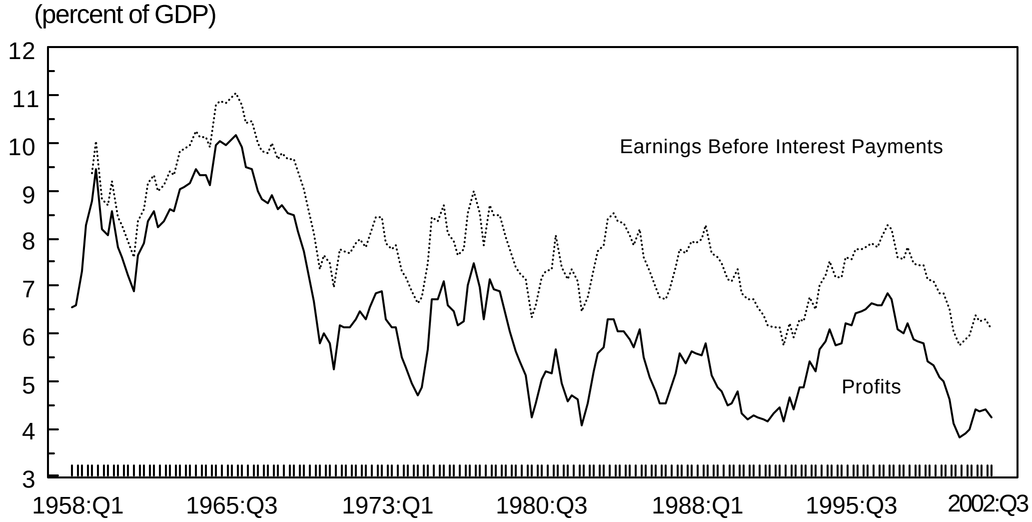


Tobin's Q*



Profits of Nonfinancial Corporations

(percent of GDP)



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