

June 2, 2000

# Monthly Mutual Fund Report

## Statistics for April 2000

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### Sales and Redemptions

Total assets for all funds decreased \$262.9 billion, or 3.6 percent, to \$7.0 trillion in April. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was \$25.3 billion, compared to \$25.9 billion in March. New sales, the purchase of new shares excluding reinvested dividends, were \$140.4 billion in April, down from \$179.7 billion in March. The value of assets depreciated by \$291.9 billion in April, compared with an increase of \$200.6 billion in March.

Total assets of **equity funds** decreased by \$190.9 billion, or 4.3 percent, to \$4.3 trillion. The net new cash flow was \$33.8 billion during April, compared with the inflow of \$39.4 billion in March. The market value of assets depreciated by \$156.4 billion. Year-to-date cash flows are \$167.8 billion. During the same period in 1999, cash flows were \$56.4 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, decreased 3.3 percent, or \$12.3 billion, to \$359.3 billion. However, there was a net cash outflow from these funds of \$1.7 billion in April. Year-to-date, their net cash outflow has been \$19.4 billion compared to an outflow of \$1.7 billion during the same period in 1999.

**Bond funds** experienced a cash outflow of \$6.8 billion in April, as their total assets fell \$12.0 billion, to \$781.1 billion. The market value of bond funds' assets decreased by \$2.7 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds decreased 1.3 percent, and the assets of tax-exempt funds fell 1.9 percent.

Assets of taxable and tax-exempt **money market funds** decreased \$47.6 billion, to \$1.6 trillion, a decrease of 2.4 percent for taxable money market funds and 5.6 percent for tax-exempt funds.



### Liquidity Ratio

The liquidity ratio increased for both equity, and bond and hybrid funds during April. The ratio for bond and hybrid funds increased to 4.3 from 3.7 percent, while the ratio for equity funds increased to 4.9 from 4.0 percent (figure 4).

### **Weekly Flows**

In May, there were small inflows to equity funds of 0.4 percent of assets while returns continued to decline until the final week of the month for a monthly return of -5.7 percent. The consistent outflow of capital from bond funds, a trend that began in late October, continued throughout this month for a total monthly outflow of 0.6 percent and return of -1.6 percent of assets.

Index funds had inflows of 1.0 percent and returns of -11.1 percent. There were inflows to small-cap funds of 0.6 percent and returns of -6.7 percent. Commensurate with other domestic sector equity funds, technology funds had small inflows of 0.5 percent and returns of -9.9 percent.

Performance and net sales of the aggregate of international funds was similar to domestic sectors, with inflows of 0.3 percent and returns of -6.6 percent. There was variation among the international sectors with outflows from Latin America funds of 1.9 percent and returns of 6.7 percent. Outflows from Japan funds were 5.7 percent with returns of -8.5 percent. Pacific funds had monthly outflows of 2.7 percent and returns of 9.7 percent of total assets.

### **Capital Market Returns and Volatility**

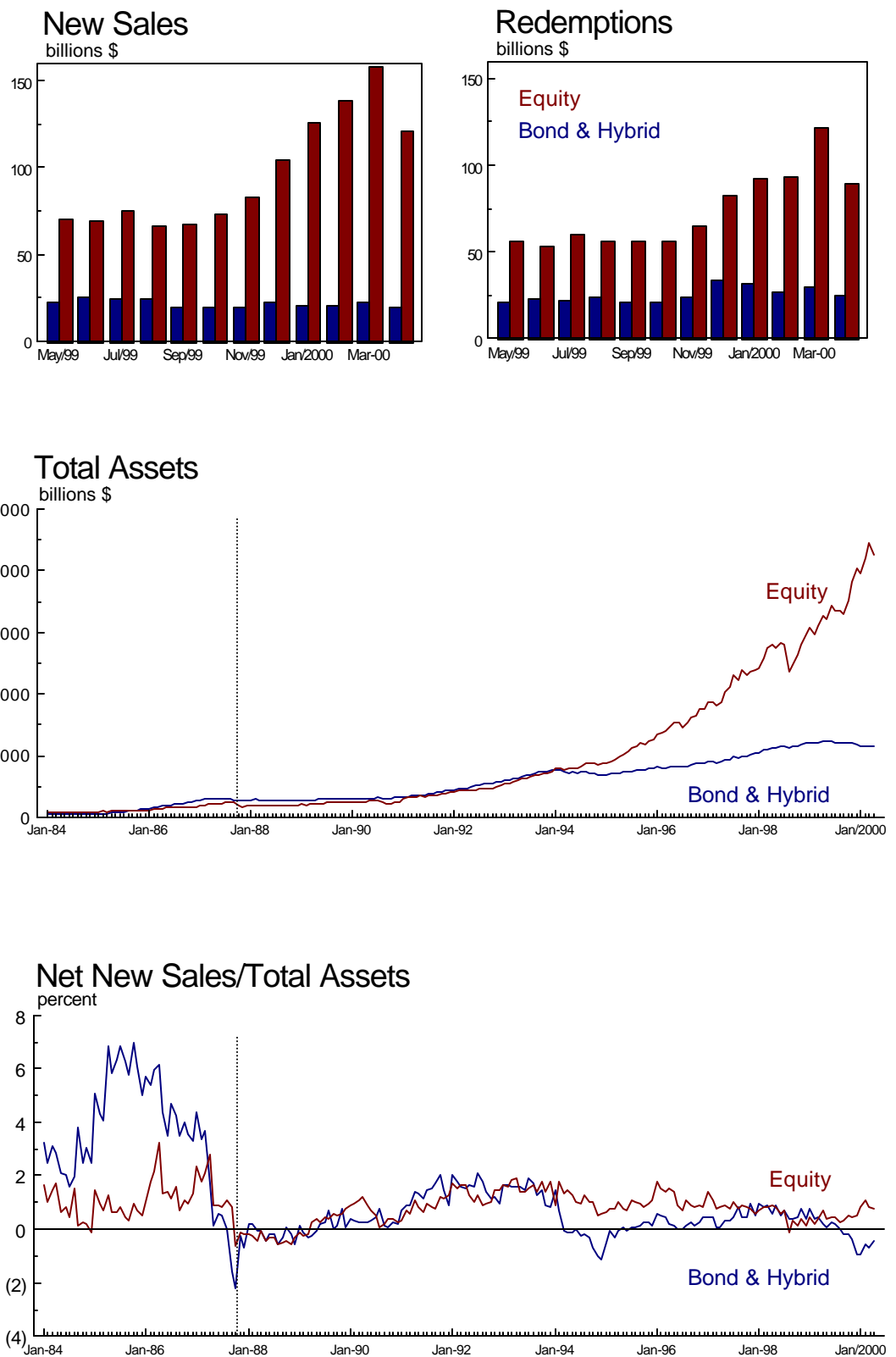
The S&P 500 ended May at 1420.6, a decrease of 3.4 percent from the beginning of the month. The 12-month return was 10.6 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 21.2 percent.

The 12-month average return on the Salomon Brothers Bond Index was 2.0 percent for May. Volatility decreased to 2.2 from 2.4 percent in April (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 21.5 percent, well above its historical average of 6.7 percent annual growth. The trailing price-earnings ratio for the first quarter was 31.4, rising from 29.2 in the fourth quarter.

Figure 1  
**Sales of Mutual Funds**



Source: Investment Company Institute

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

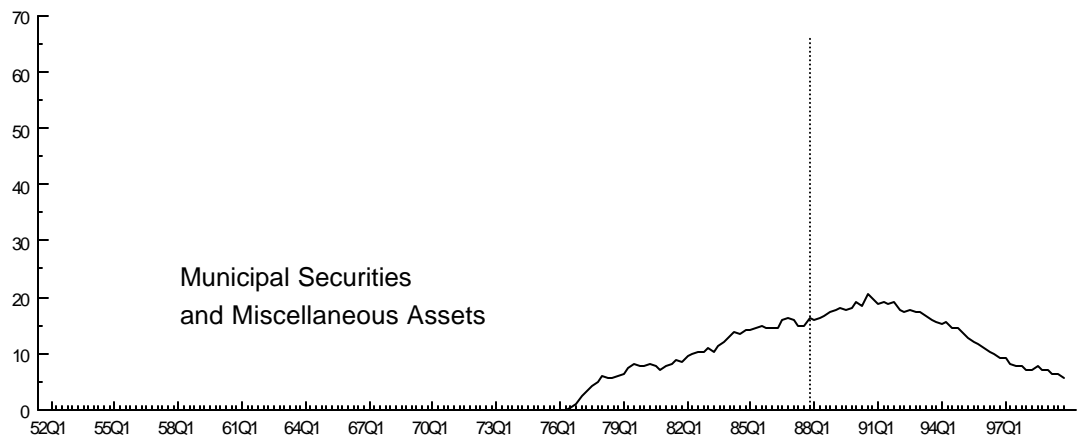
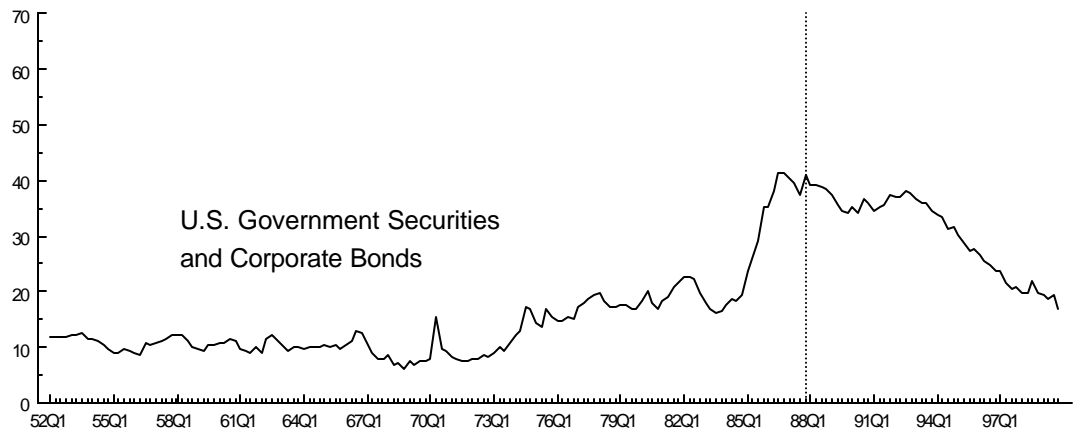
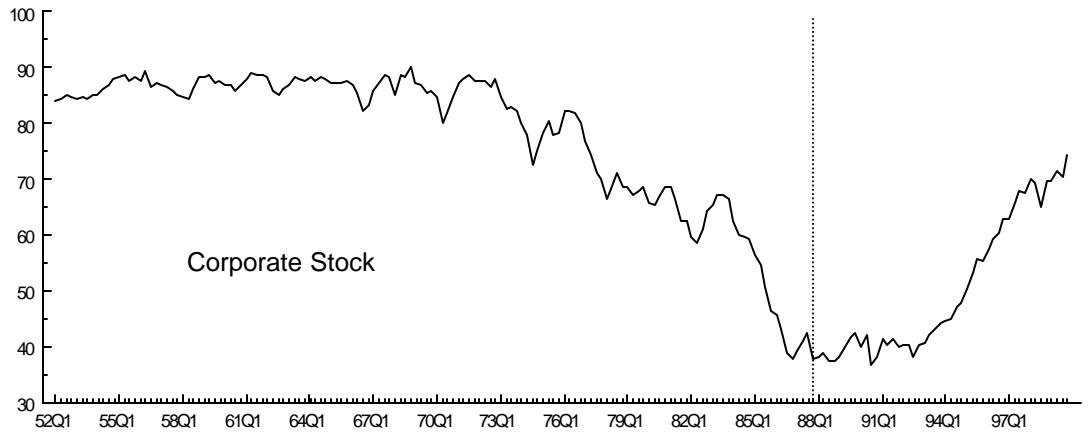


Figure 3  
**Net Portfolio Purchases**  
 (percent of Total Assets)

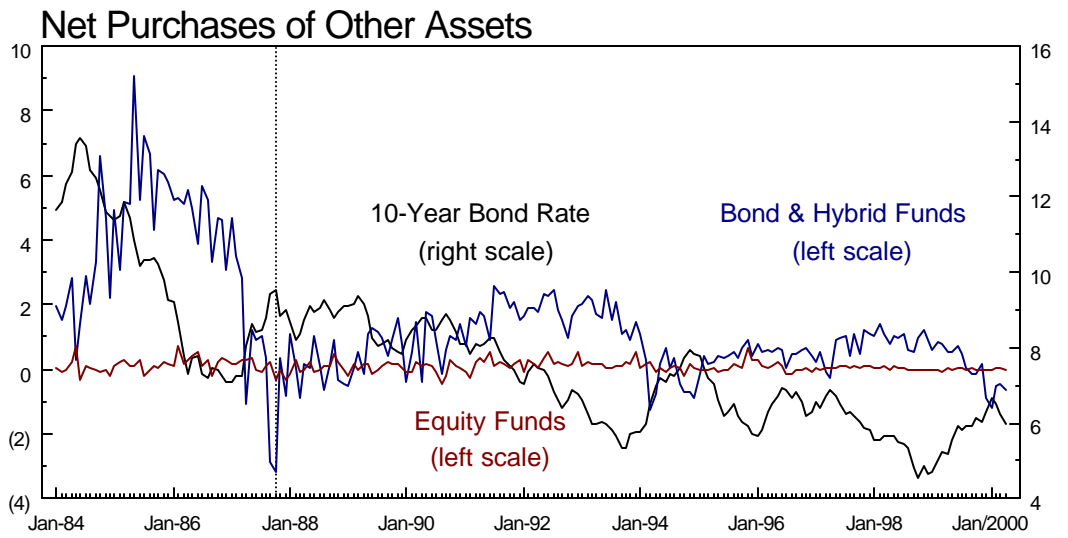
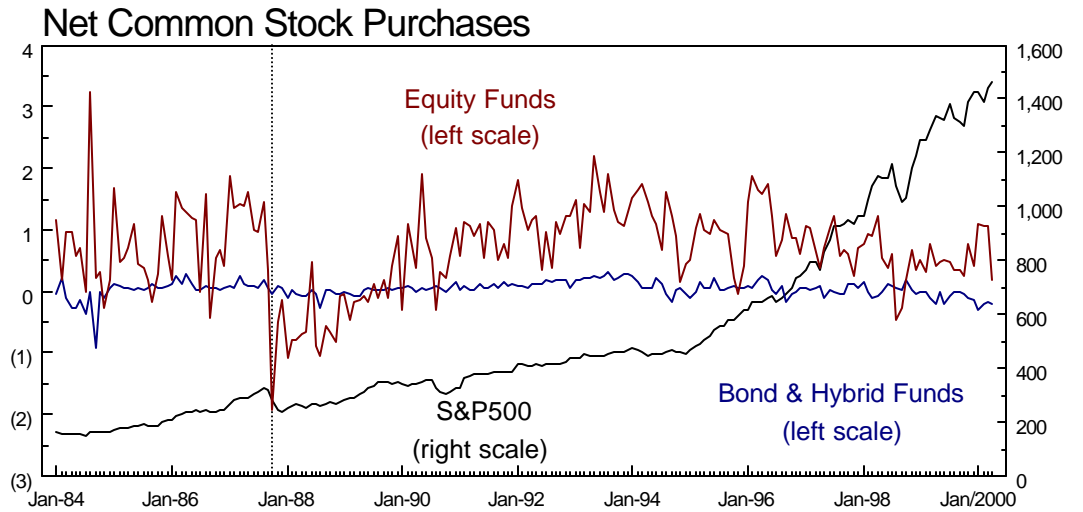
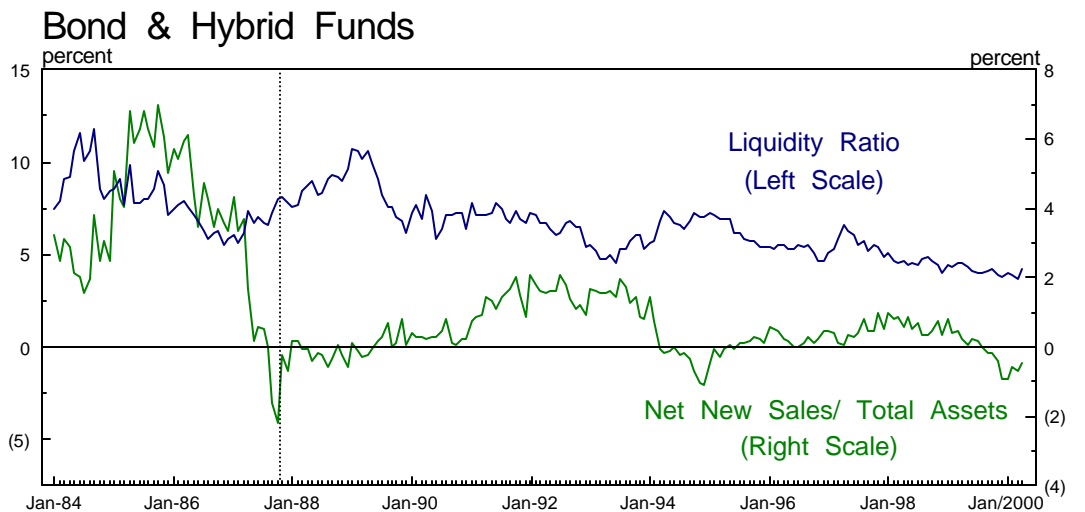
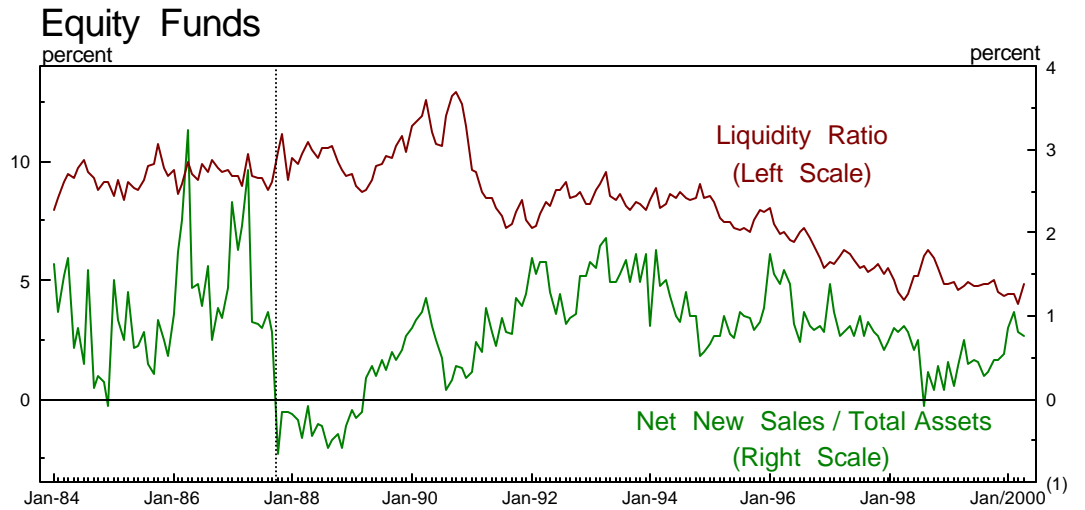
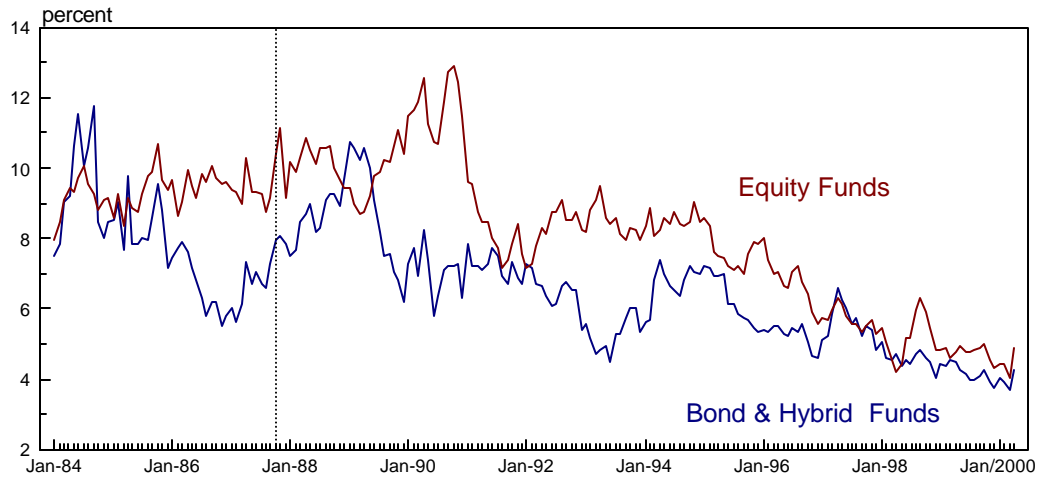


Figure 4  
**Liquidity Ratio\***



Source: Investment Company Institute

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

# Figure 5 Industry Composition

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

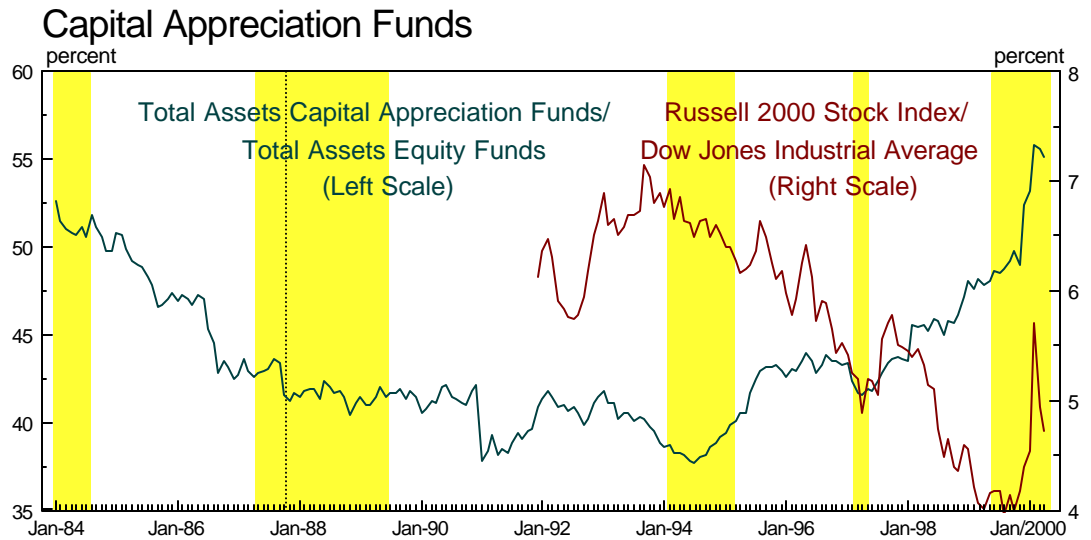
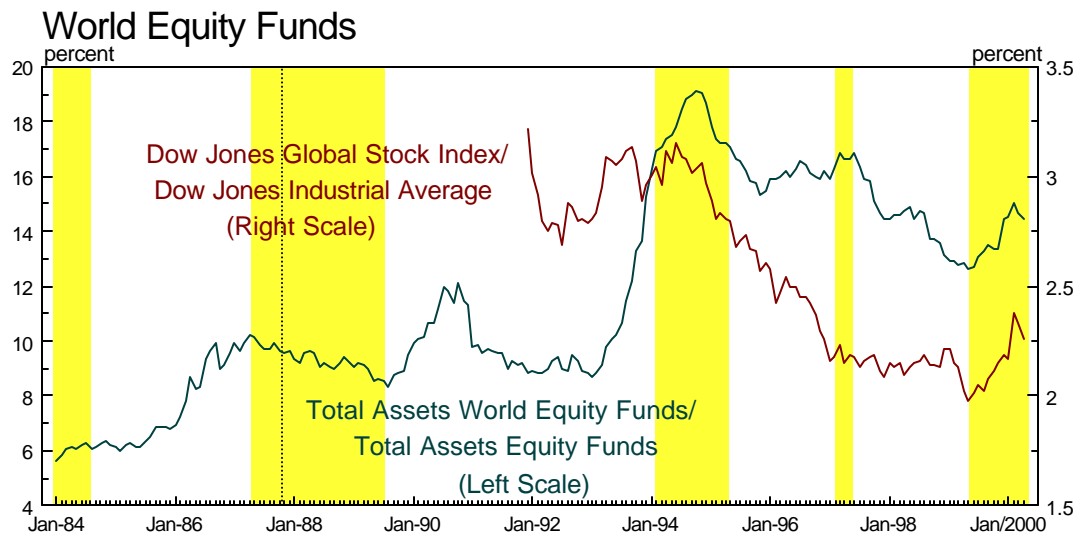
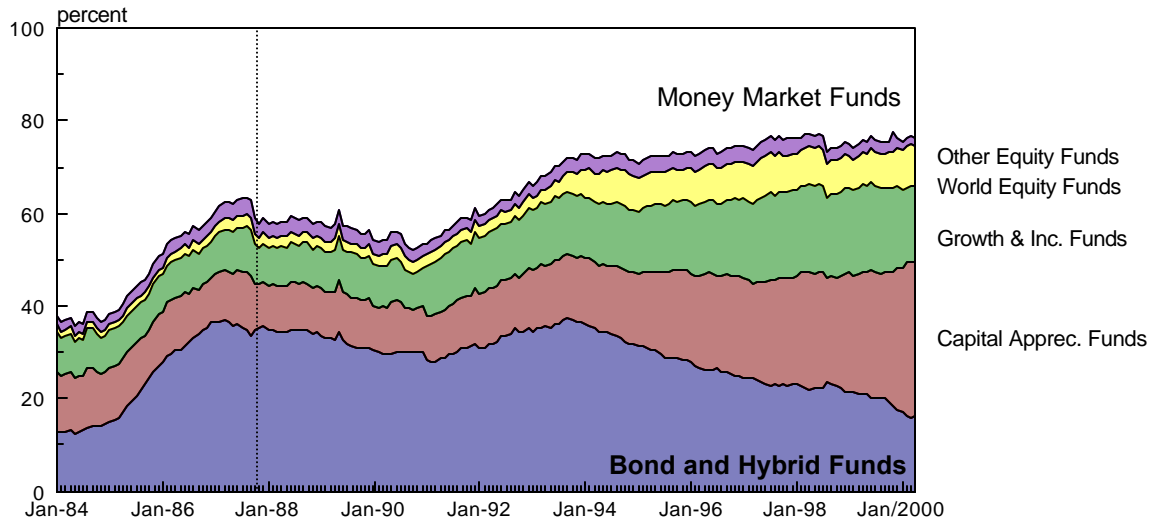
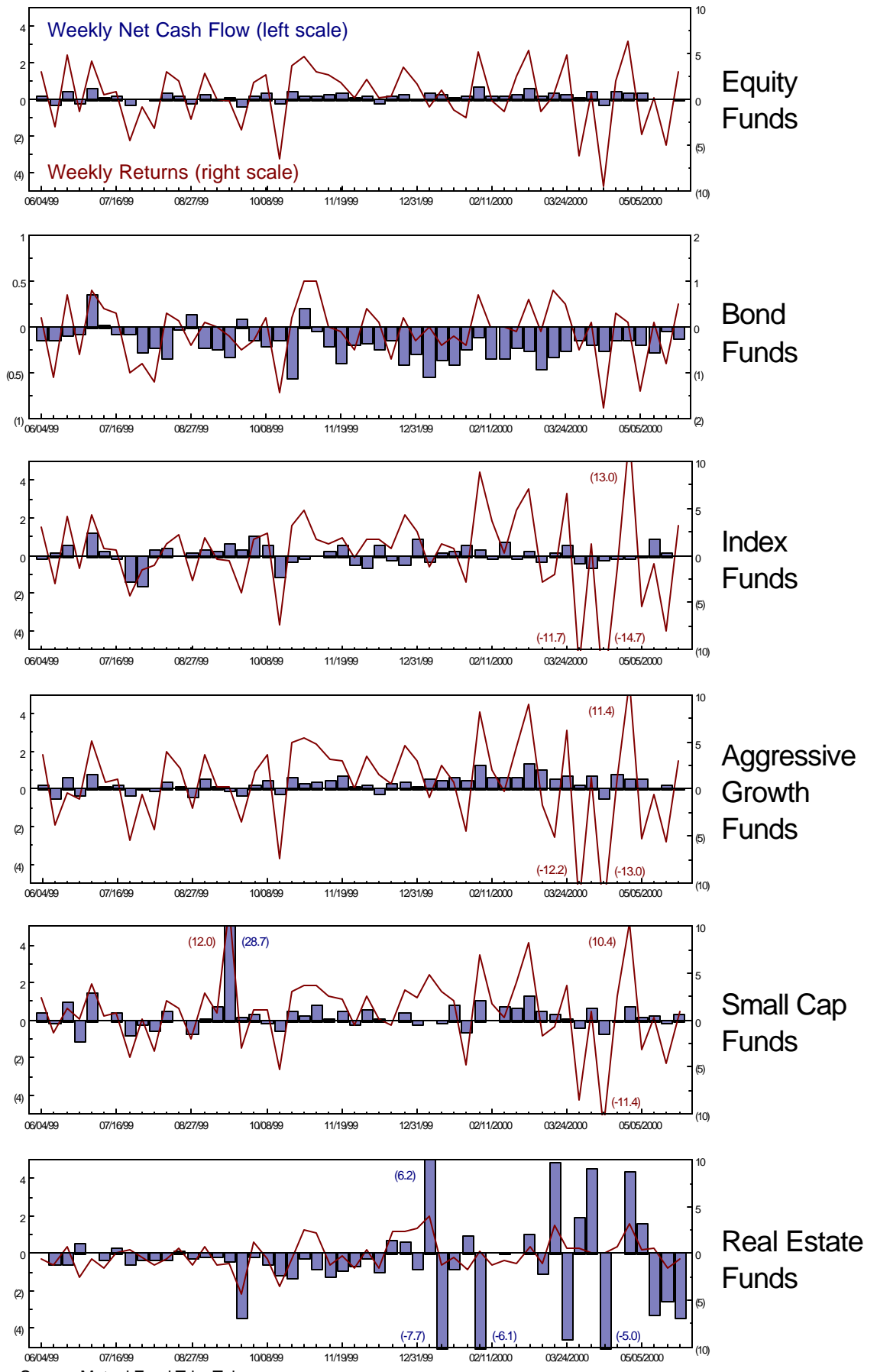


Figure 6a

# Weekly Flows into Mutual Funds

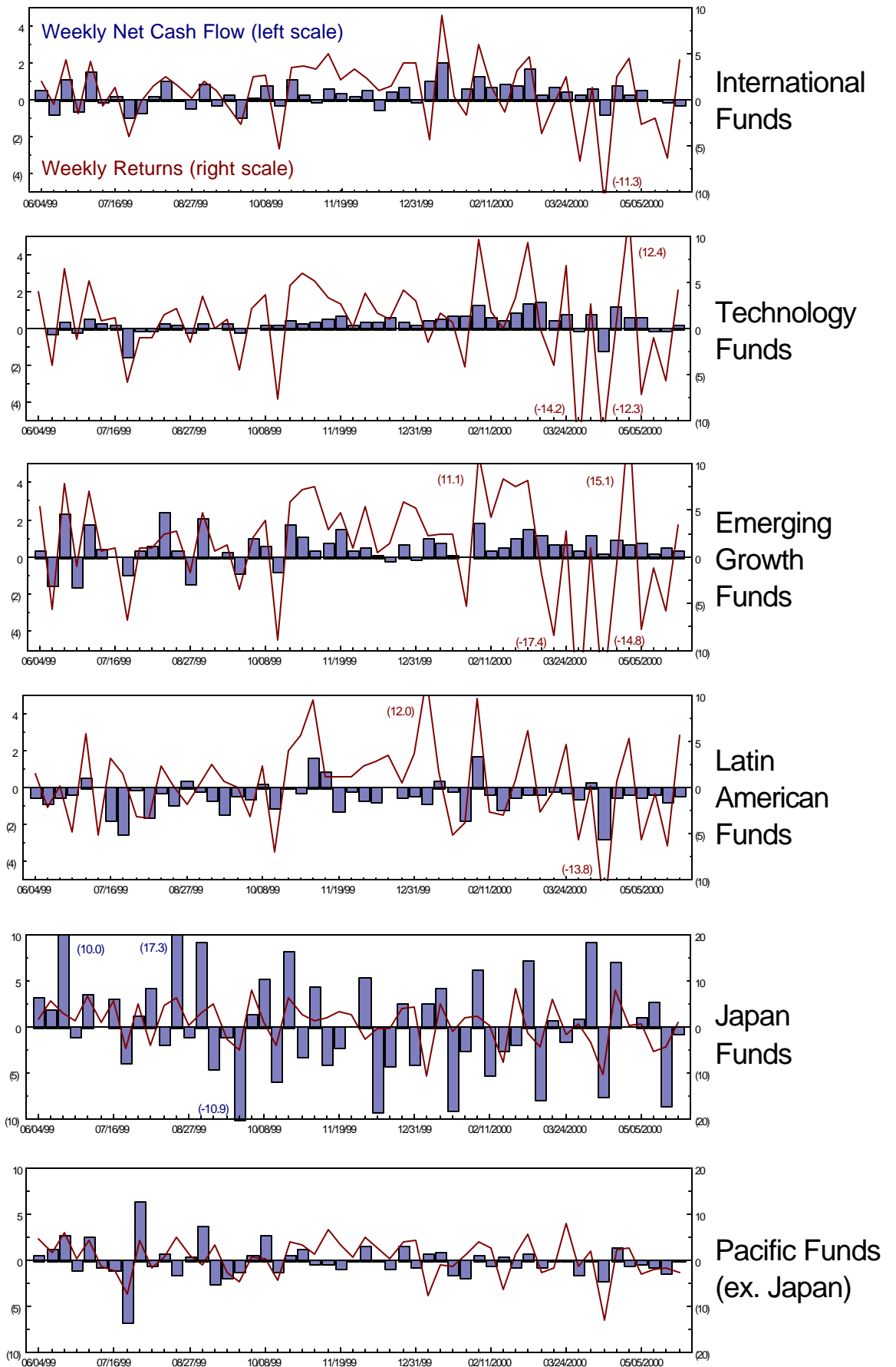
(percent of Total Assets)



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)

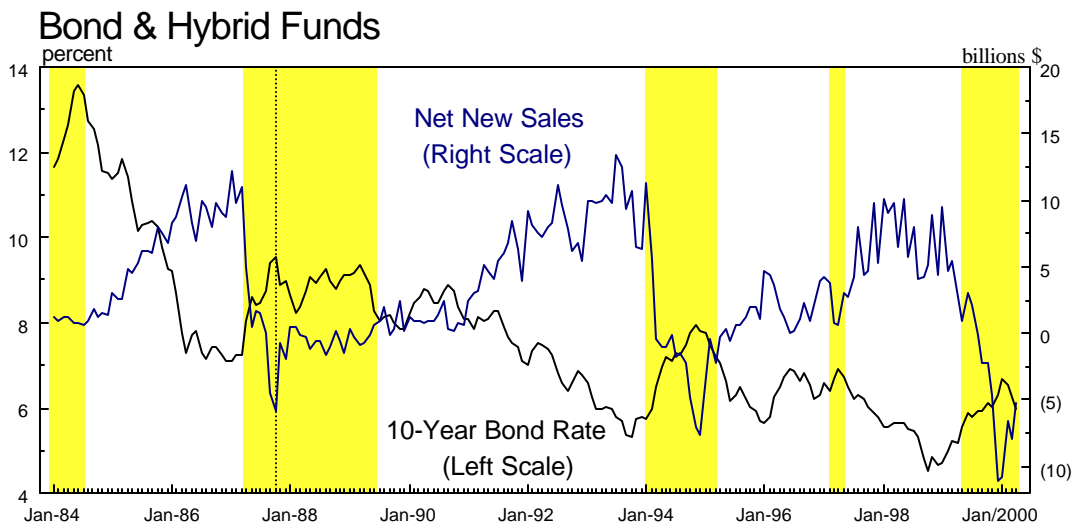
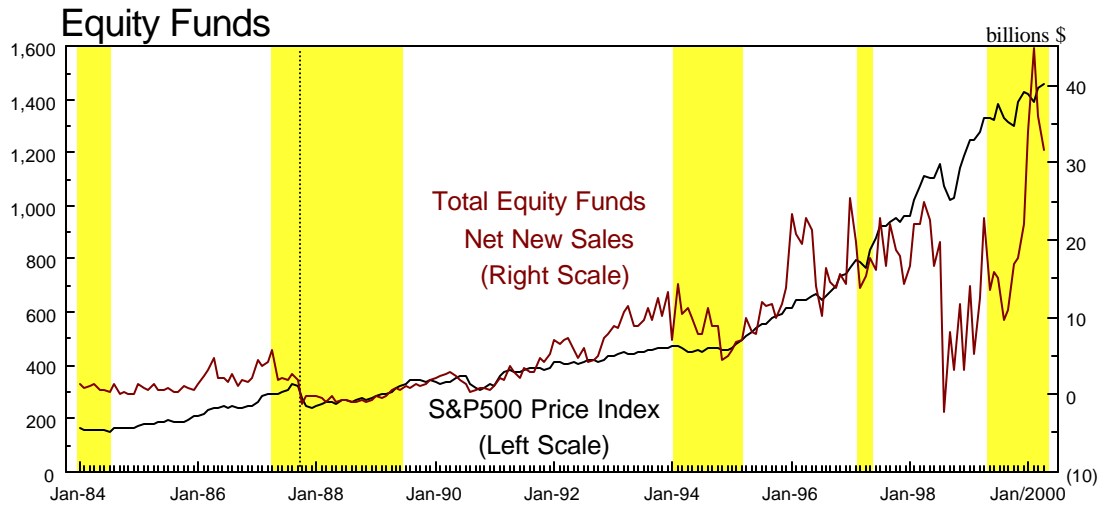


Figure 8  
**Capital Market Returns and Volatility**

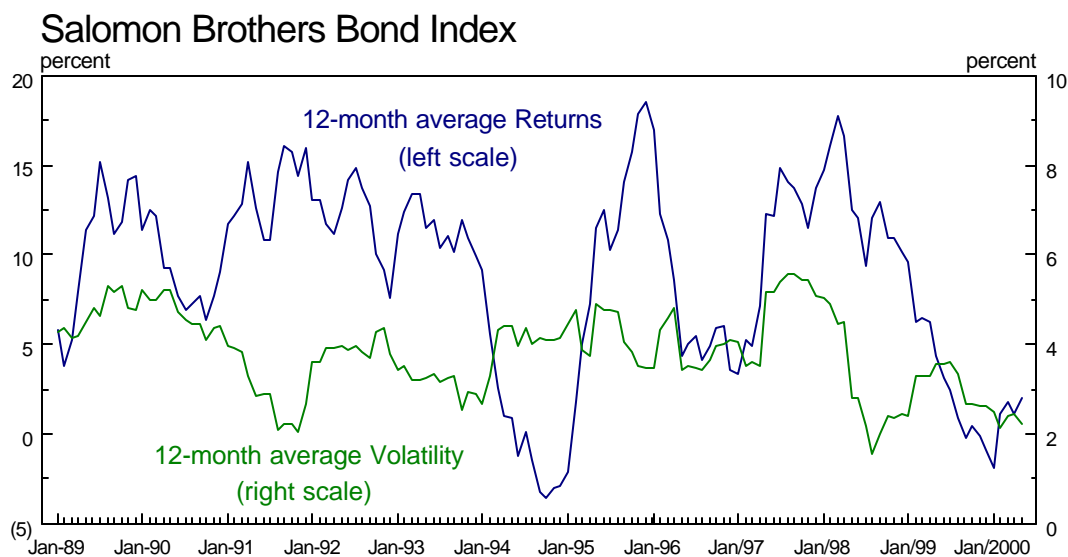
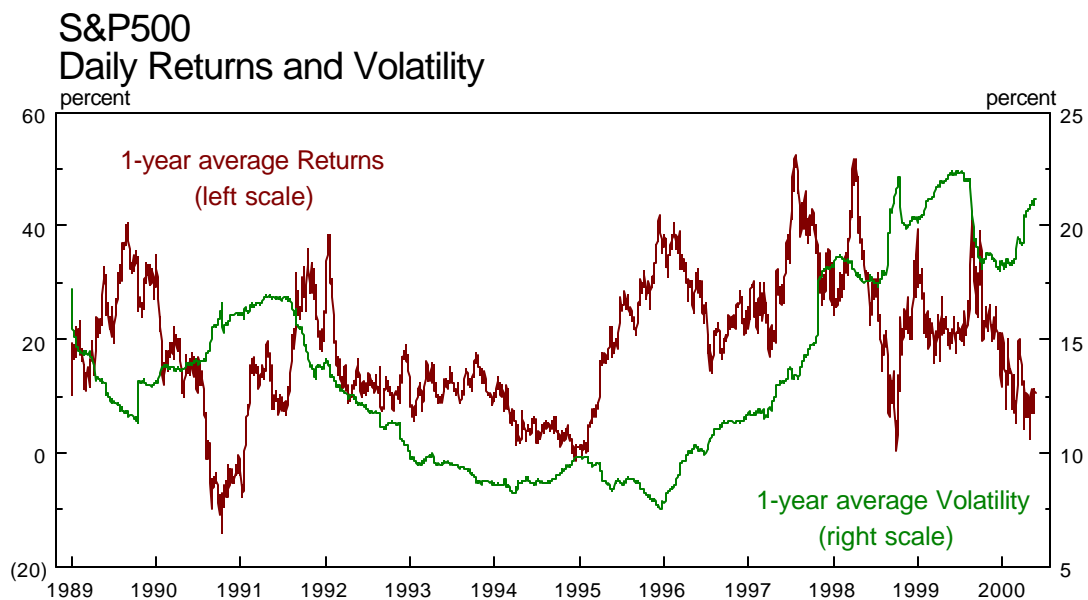
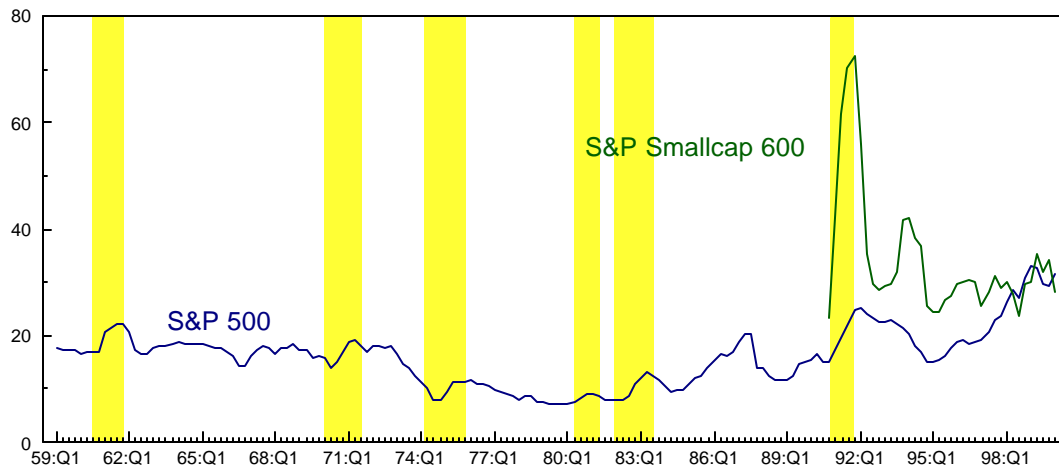
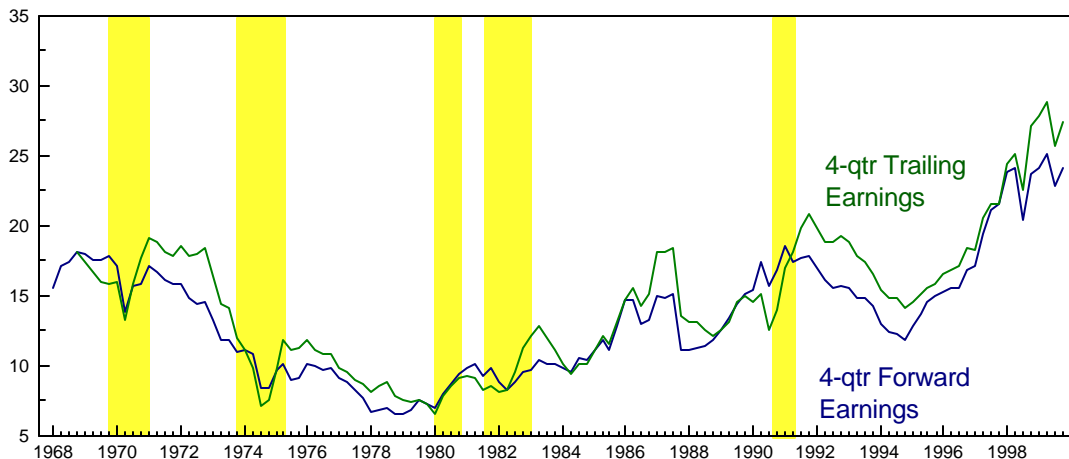


Figure 9

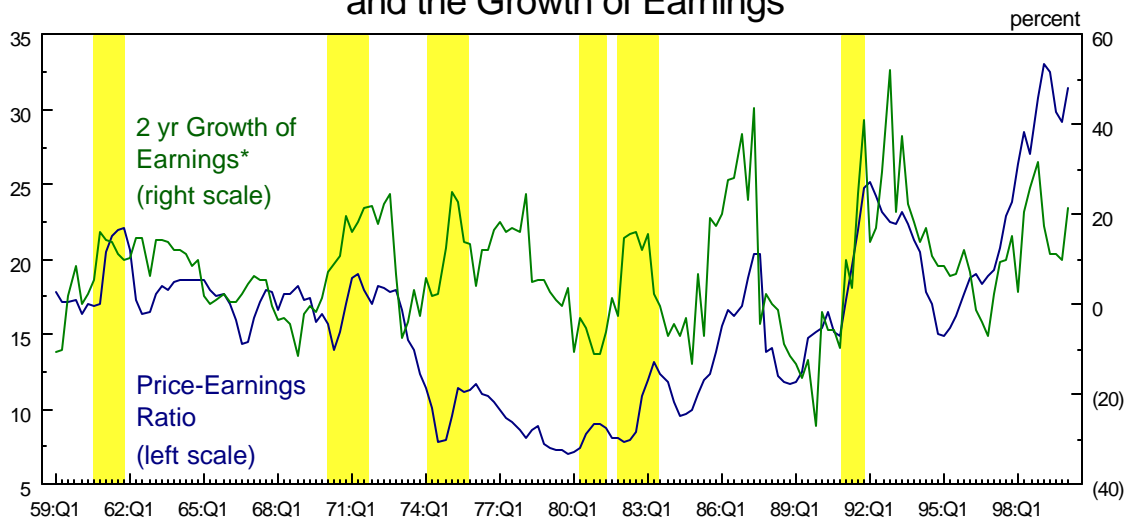
### S&P Price-Earnings Ratios



### S&P500 Price-Operating Earnings Ratio



### S&P500 Price Earnings Ratio and the Growth of Earnings



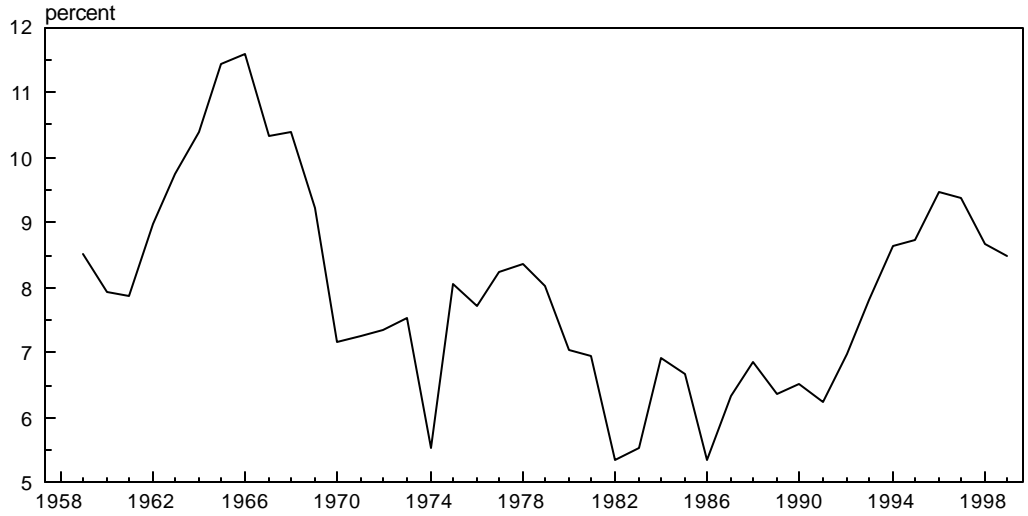
\* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, DRI, Bloomberg

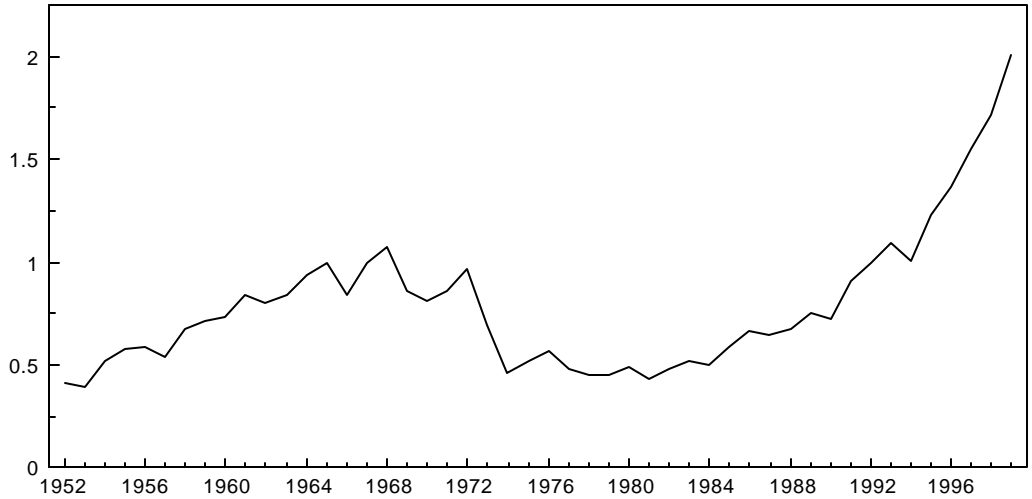
Figure 10

### Real Rate of Return on Nonfinancial Corporate Equity

(from National Income and Flow of Funds Accounts)

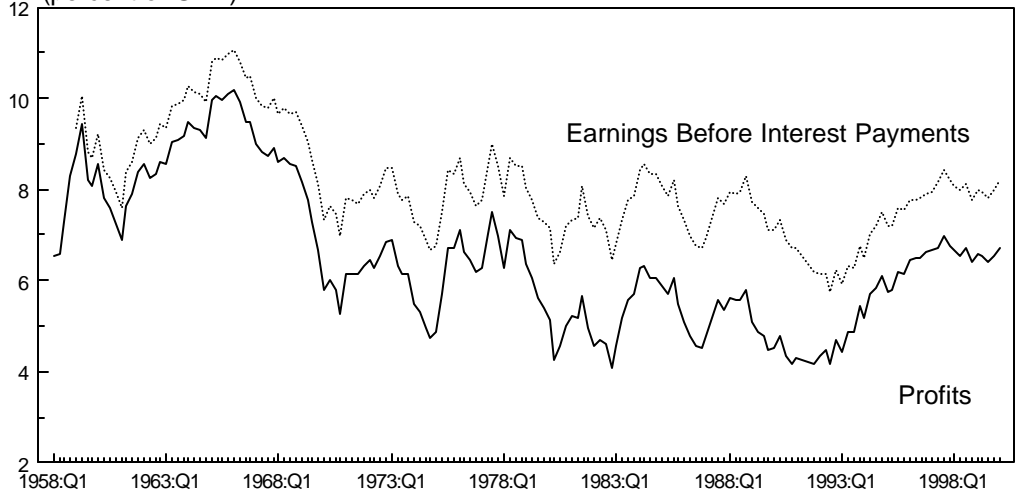


### Tobin's Q\*



### Profits of Nonfinancial Corporations

(percent of GDP)



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