

Monthly
Mutual
Fund
Report

March 1, 2007

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Statistics for January 2007

Sales and Redemptions

Total assets for all funds increased in January by \$152.8 billion, or 1.5 percent, to \$10.6 trillion. Money market funds had a net cash outflow of \$7.9 billion in compared to an inflow in December of \$41.4 billion. Other funds (equity, hybrid, and bond) had a net cash inflow of \$46.9 billion, compared to an inflow of \$20.4 billion in December. New sales of non-money market funds, the purchase of new shares excluding reinvested dividends, were \$201.7 billion in January, down from \$158.2 billion in December. The value of non-money market assets appreciated by \$101.6 billion in January, following an appreciation of \$14.1 billion in December.

Total assets of **equity funds** increased by \$127.7 billion, or 2.2 percent, to \$6.0 trillion. There was \$28.3 billion net cash inflow into equity funds in January, compared with an inflow of \$10.1 billion in December, and an inflow of 31.5 billion in January 2006. The market value of assets appreciated by \$98.9 billion in January.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased by 1.5 percent, or \$9.7 billion, to \$662.9 billion. In January, there was \$3.4 billion net cash inflow into these funds, compared to an inflow of \$1.8 billion in December, and an outflow of 0.1 billion in January of last year.

Bond funds experienced a cash inflow of \$15.2 billion, while their total assets increased by \$15.2 billion, to \$1.5 trillion. The market value of bond funds assets decreased by \$3.4 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds increased by 1.2 percent and the assets of tax-exempt bond funds increased by 0.4 percent. January's cash inflow of \$15.2 billion was higher than the inflow of \$8.3 billion seen in January 2006.

Assets of taxable and tax-exempt **money market funds** increased \$0.2 billion, to \$2.4 trillion, reflecting a decrease of 0.3 percent for taxable money market funds and an increase of 1.7 percent for tax-exempt funds. Money market funds in January experienced an outflow of \$7.9 billion, compared to an inflow of \$41.4 billion in December, and an outflow of 4.4 billion in January 2006.



Liquidity Ratio

The liquidity ratio for bond and hybrid funds increased to 5.4 percent in January from 5.2 percent in December, while the ratio for equity funds decreased to 4.0 percent in January from 4.7 percent in December (figure 4).

Capital Market Returns and Volatility

The S&P 500 ended February 27 at 1399.0, down 2.7 percent from the previous month, and up 9.2 percent over the previous year. The annualized volatility for the daily return on the S&P 500 was 10.7 percent at the end of February.

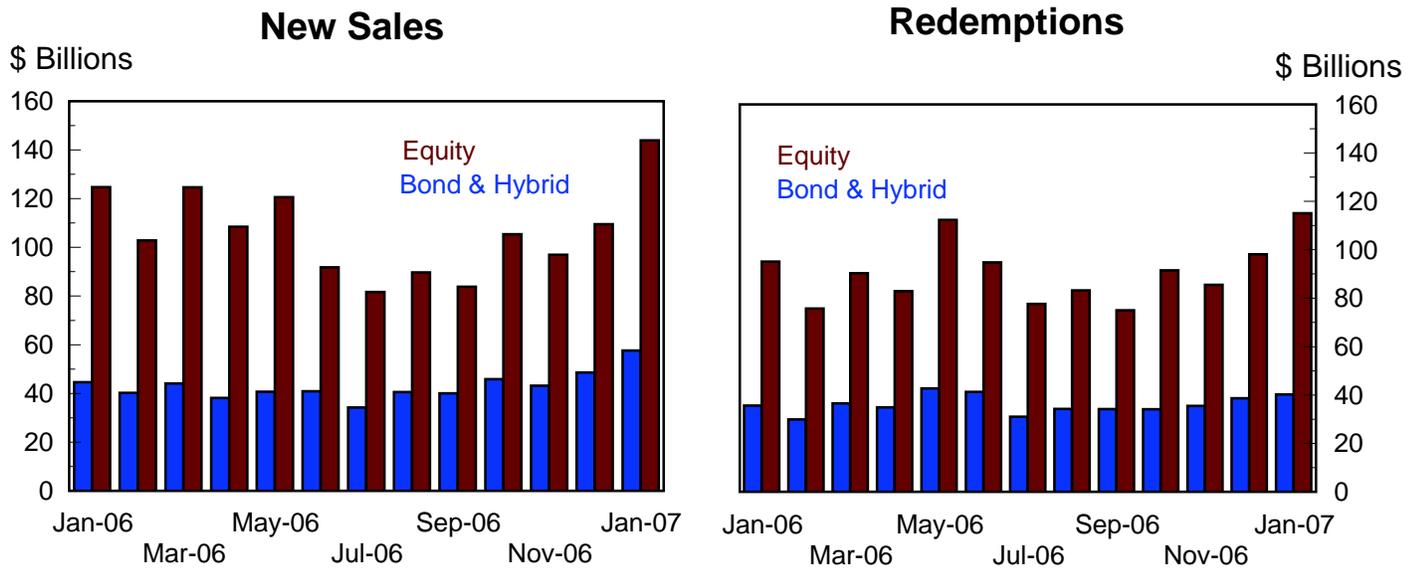
The 12-month average return on the Citigroup Bond Index was 4.3 percent in January, in line with December's average return. Volatility remained at 2.8 percent in January (figure 7).

Price-Earnings Ratio

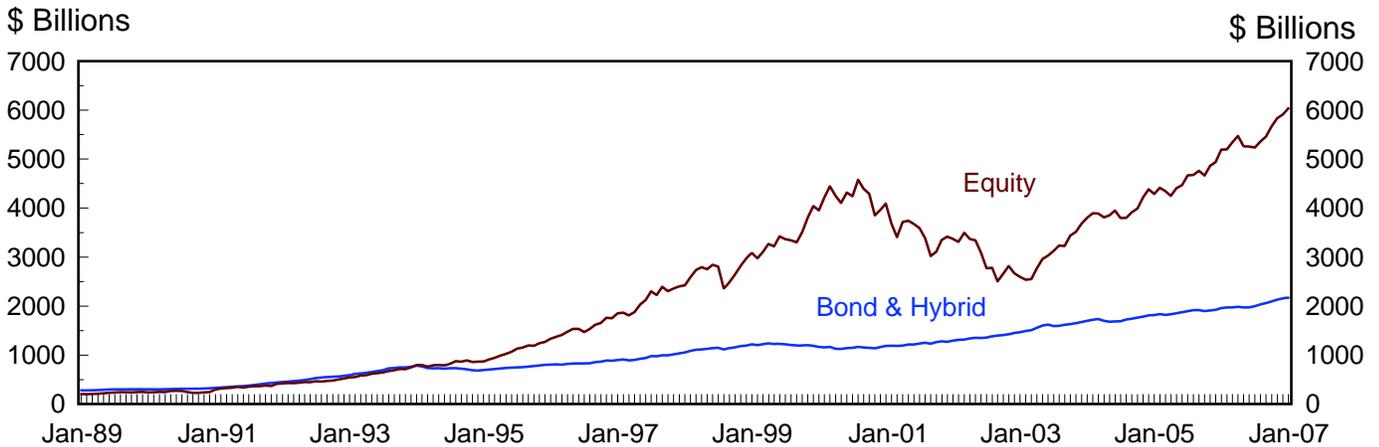
The macro projections for the growth of earnings for the Standard and Poor's 500 Index over the next two years were 6.4 percent. During the fourth quarter of 2006, the price-earnings ratio for the Standard and Poor's 500 Index was at 17.4, up from 17.0 in the third quarter of 2006. The price-earnings ratio for the Small-Cap 600 Index increased to 21.9 in the fourth quarter of 2006, from 20.6 in the third quarter of 2006 (figure 8).

Please contact Delia Sawhney for questions and comments at Delia.R.Sawhney@bos.frb.org, or by phone at (617) 973-3542.

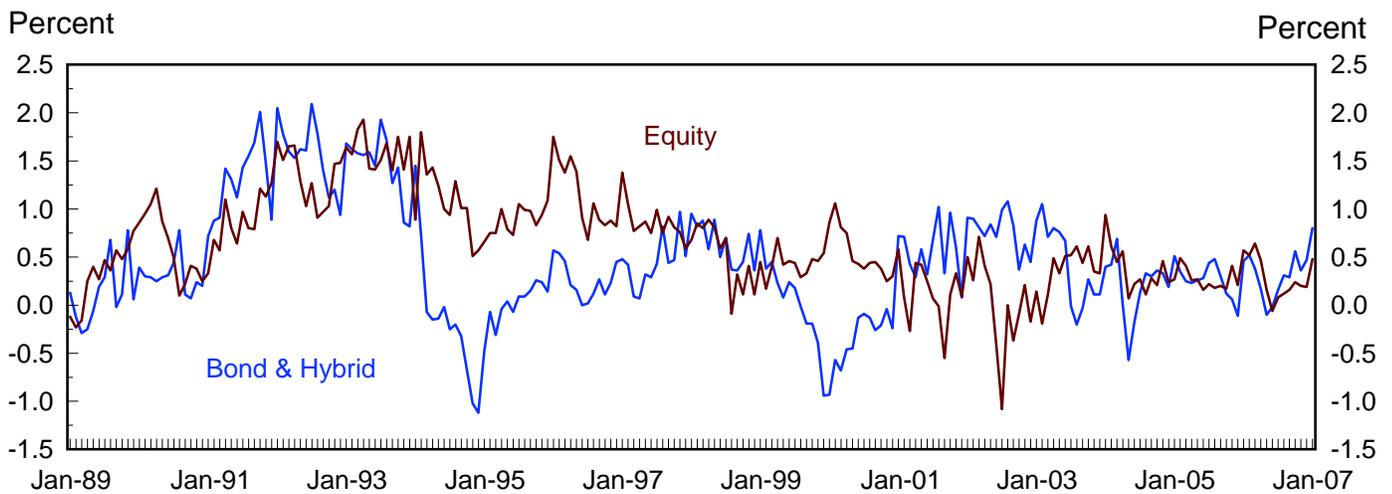
Figure 1
Sales of Mutual Funds



Total Assets

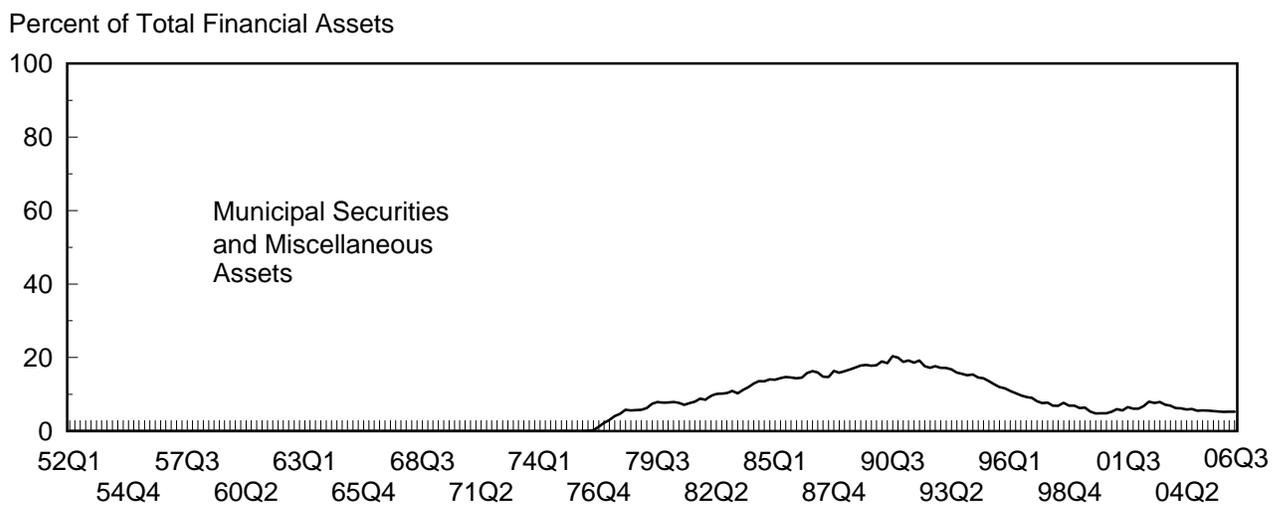
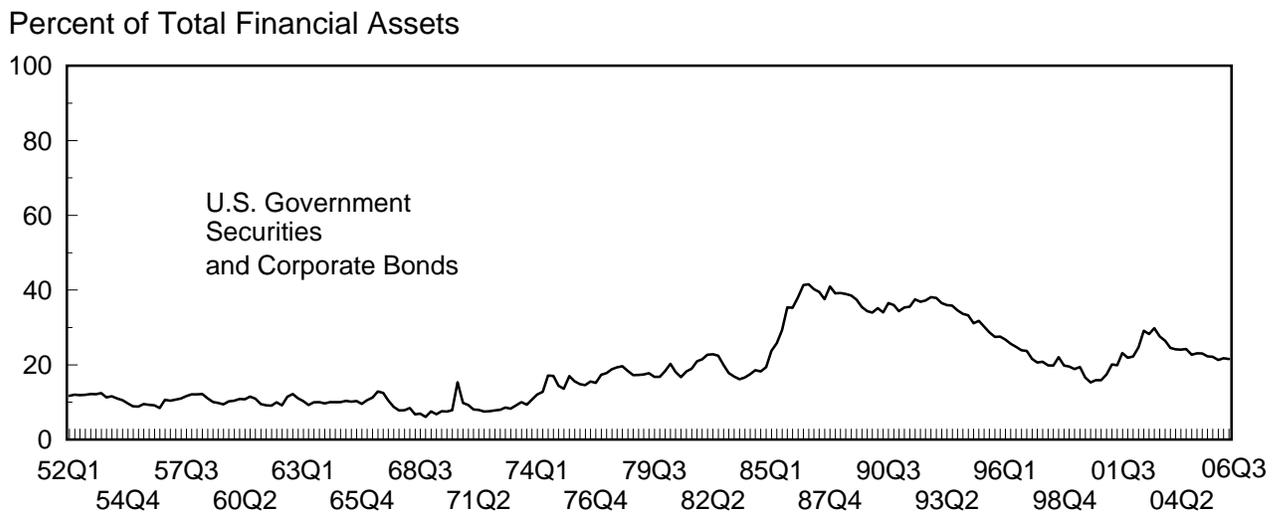
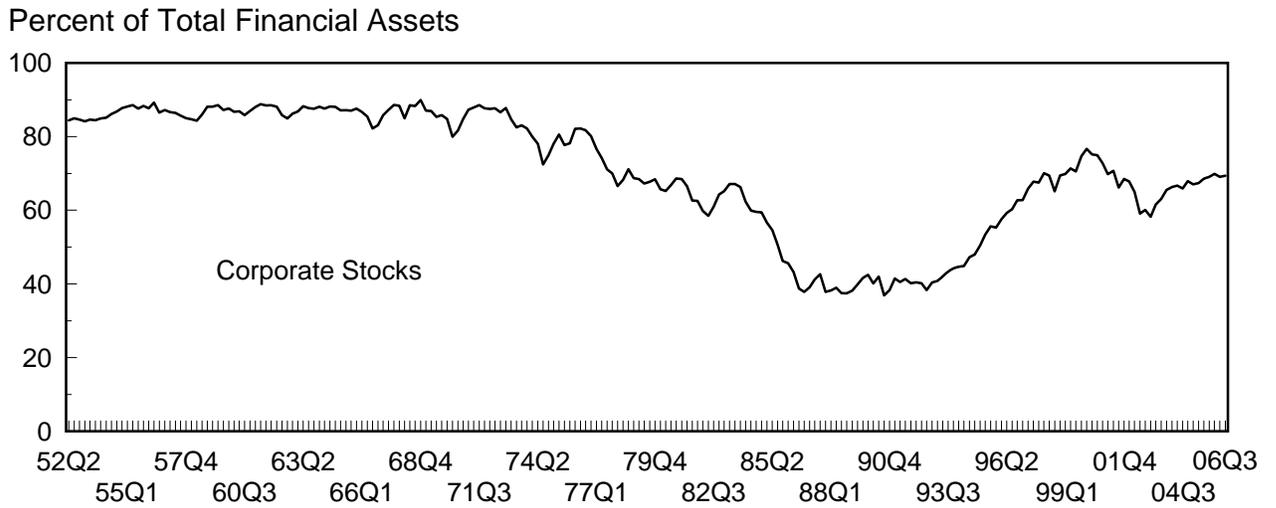


Net New Sales/Total Assets



Source: Investment Company Institute.

Figure 2
Composition of Mutual Funds' Financial Assets

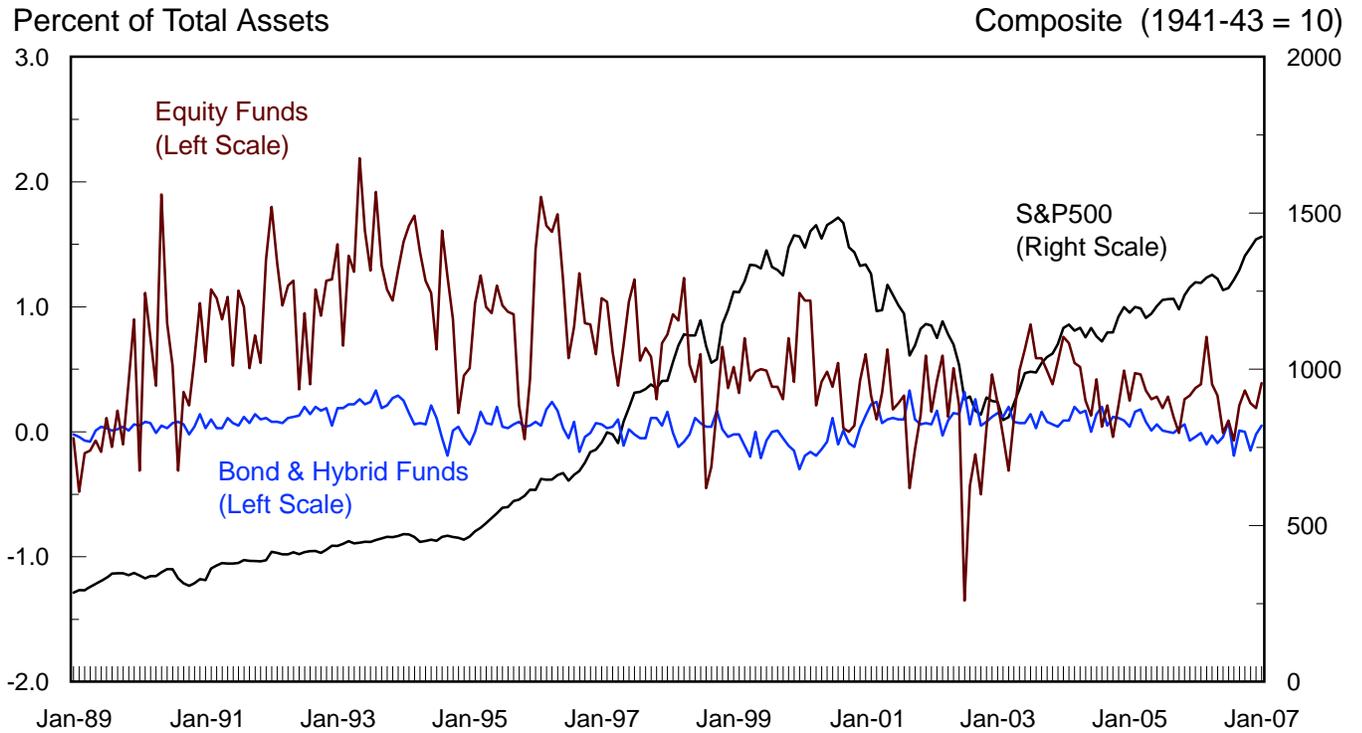


Source: Flow of Funds/Haver Analytics.

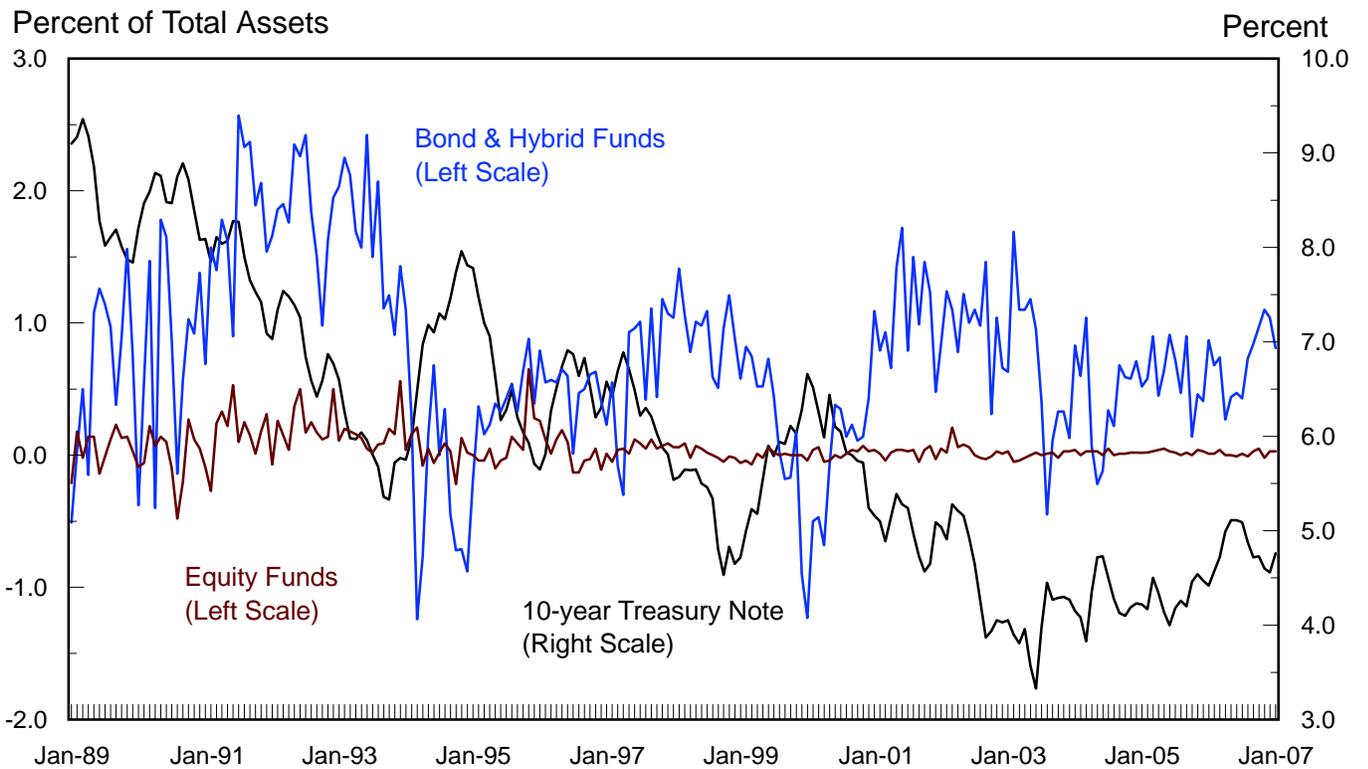
Figure 3

Net Portfolio Purchases

Net Common Stock Purchases



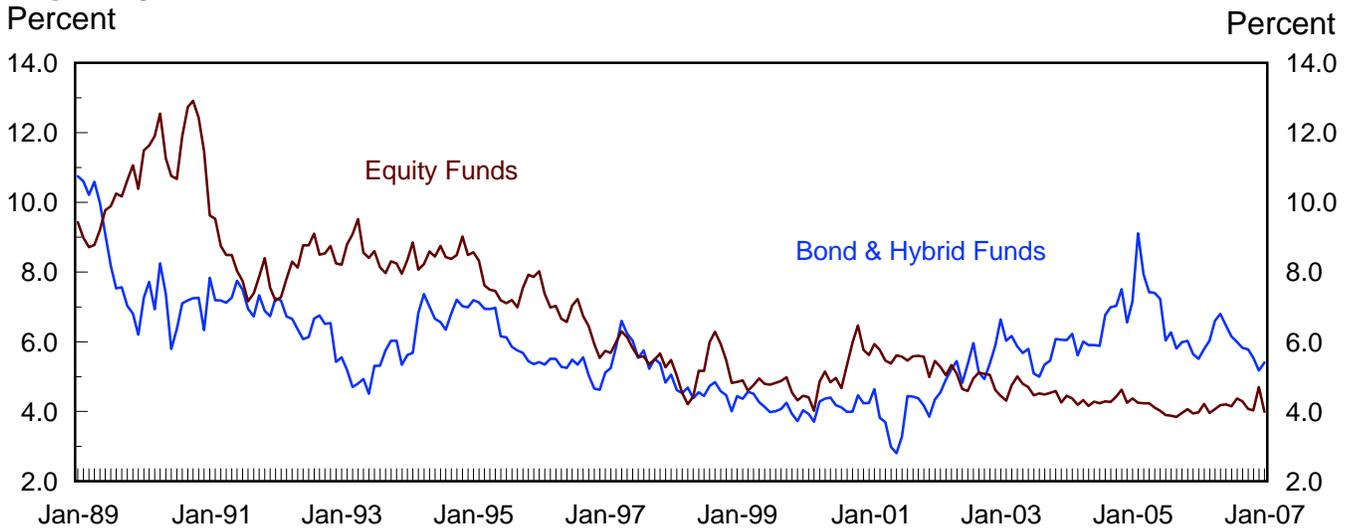
Net Purchases of Other Assets



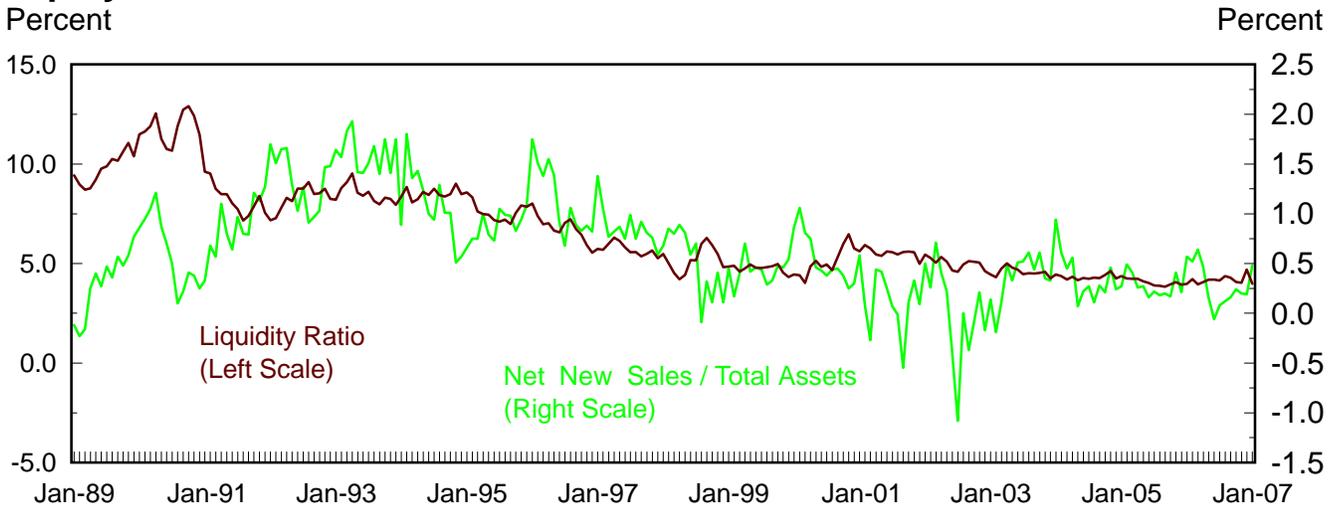
Source: Investment Company Institute.

Figure 4
Liquidity Ratios

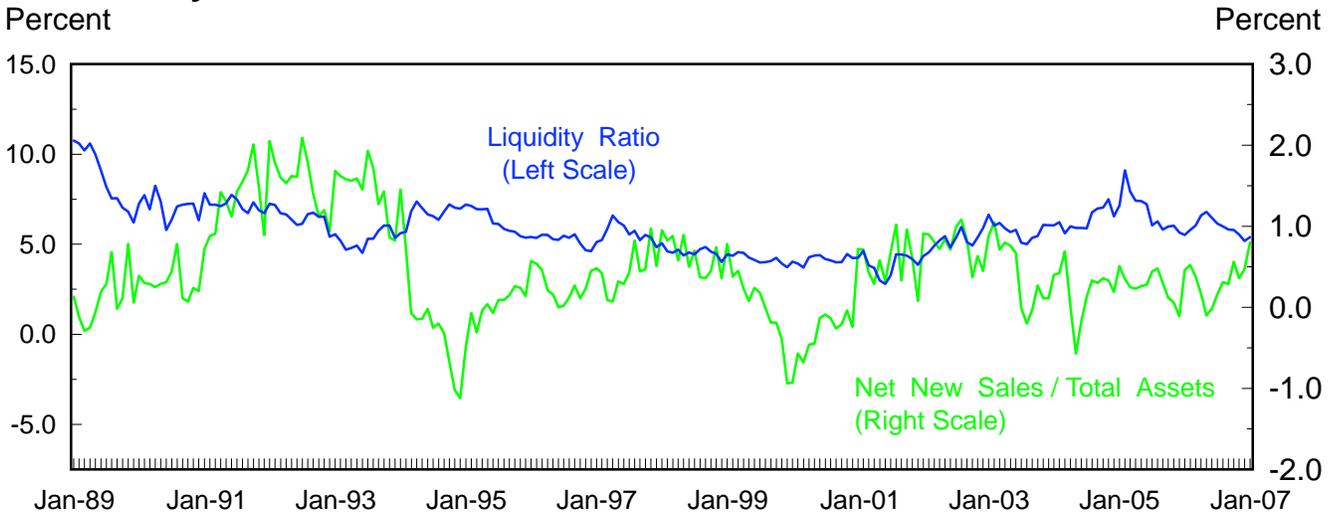
Liquidity Ratios*



Equity Funds



Bond & Hybrid Funds

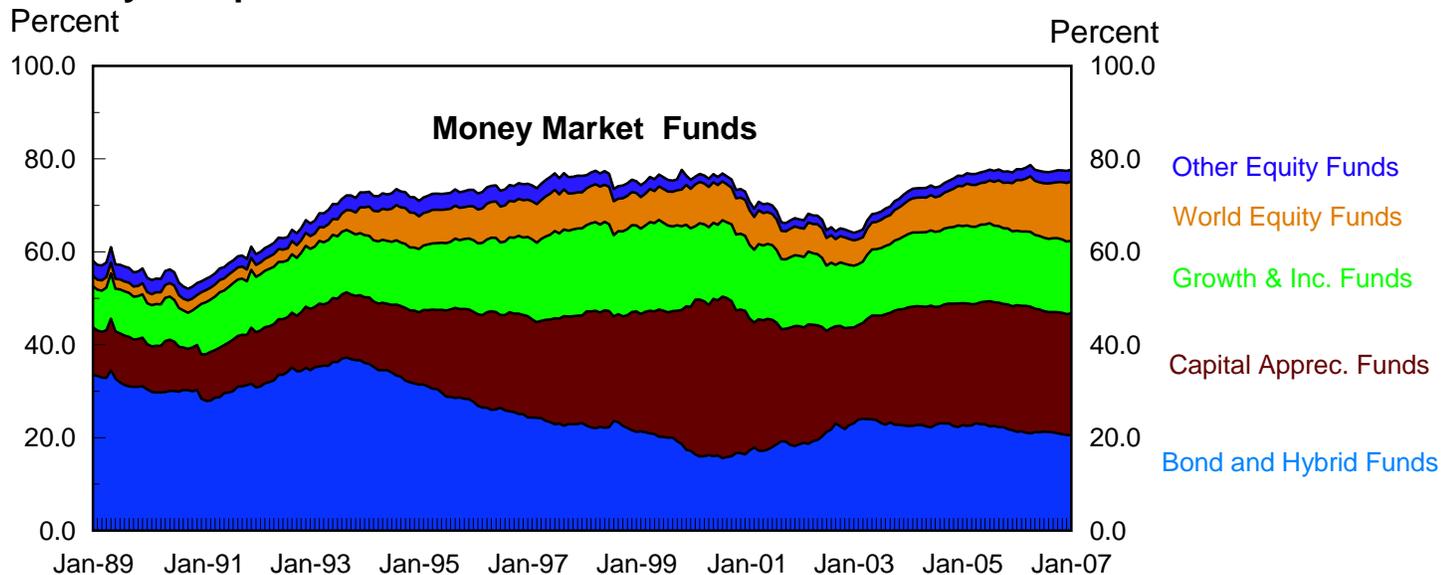


*Liquidity ratios are the percent of total assets held in cash and short-term securities.

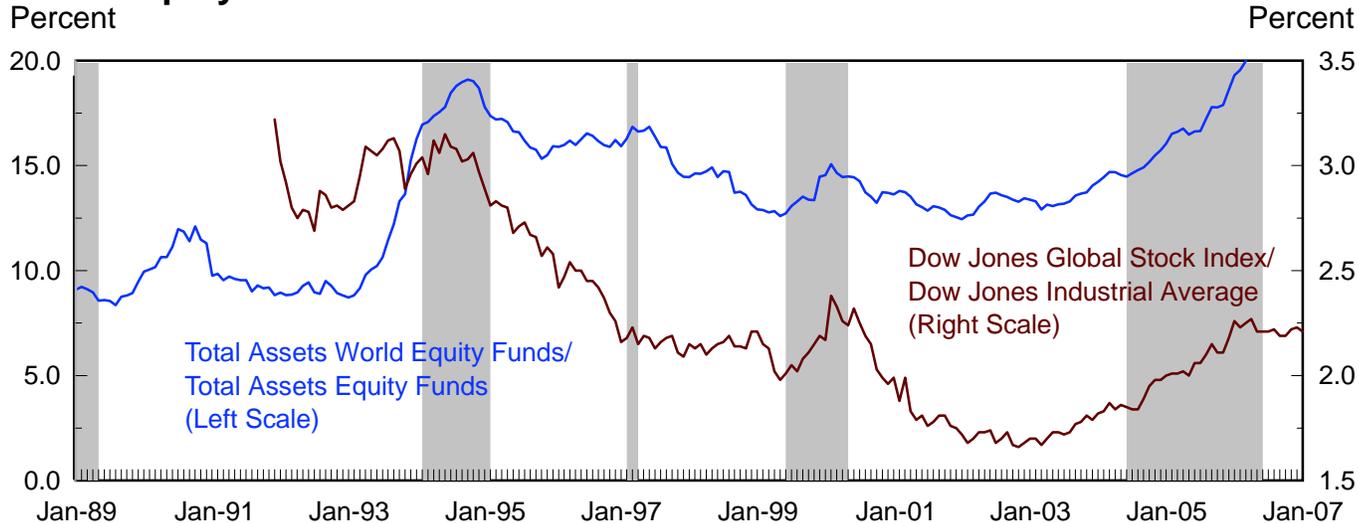
Source: Investment Company Institute.

Figure 5

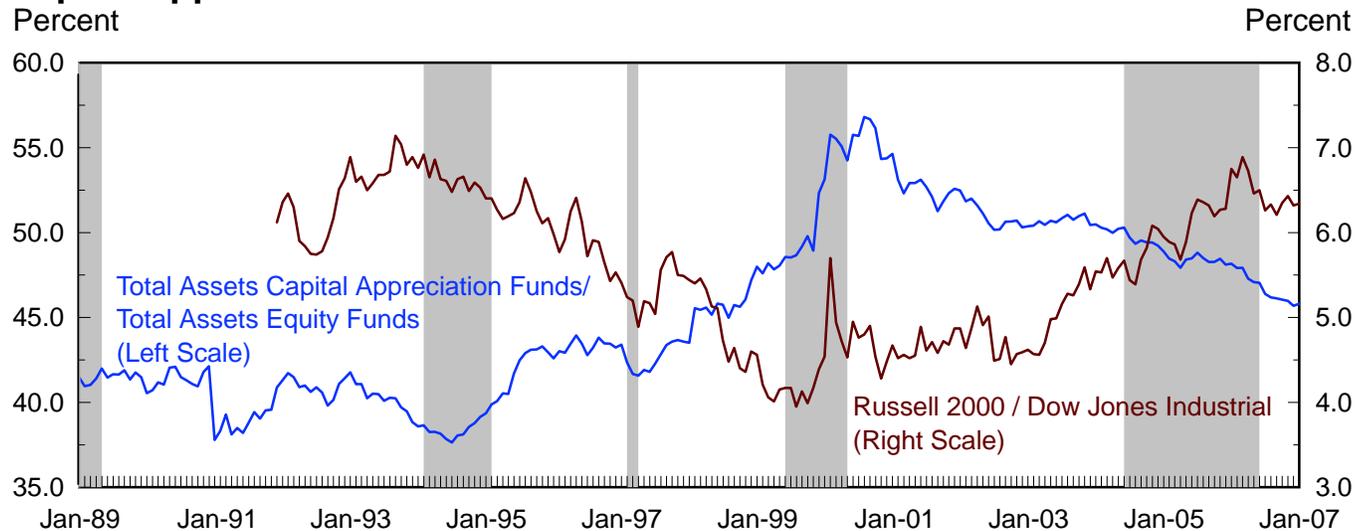
Industry Composition



World Equity Funds



Capital Appreciation Funds



Note: Shaded regions indicate periods of rising fed funds rate.

Source: Investment Company Institute.

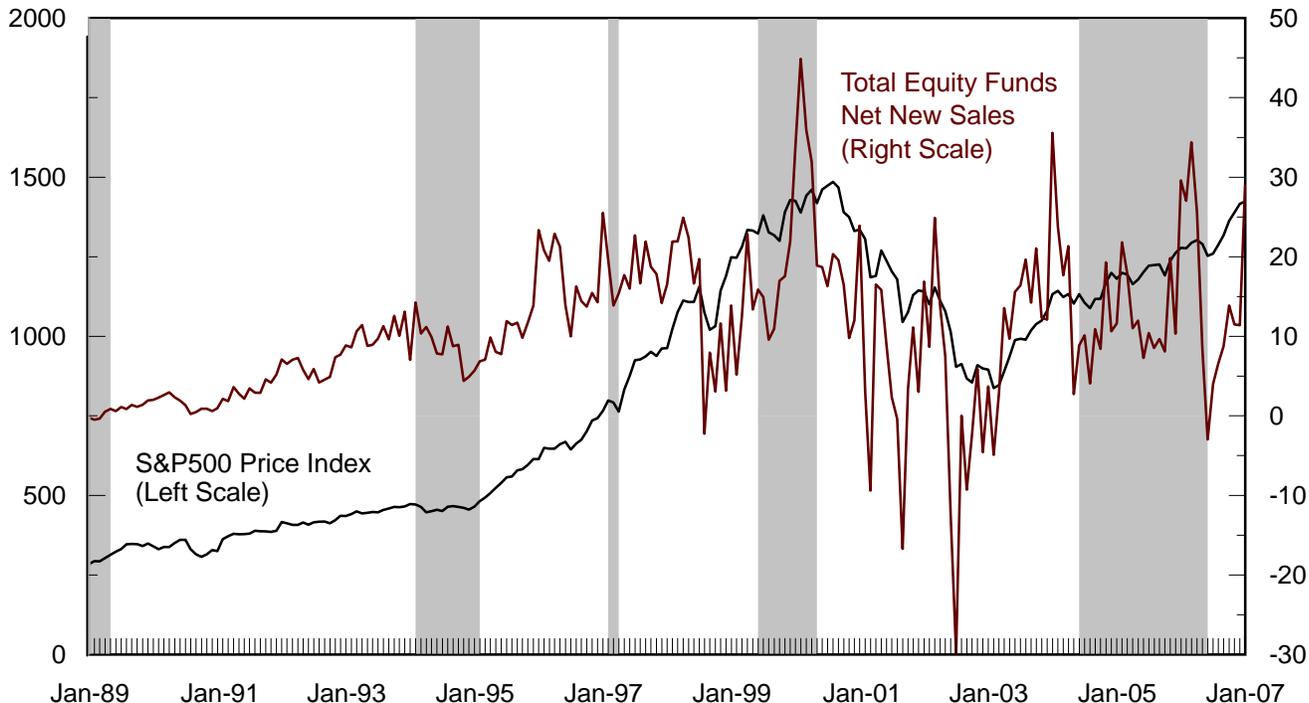
Figure 6

Net New Sales By Investment Objective

Equity Funds

Index (1941 - 43 = 10)

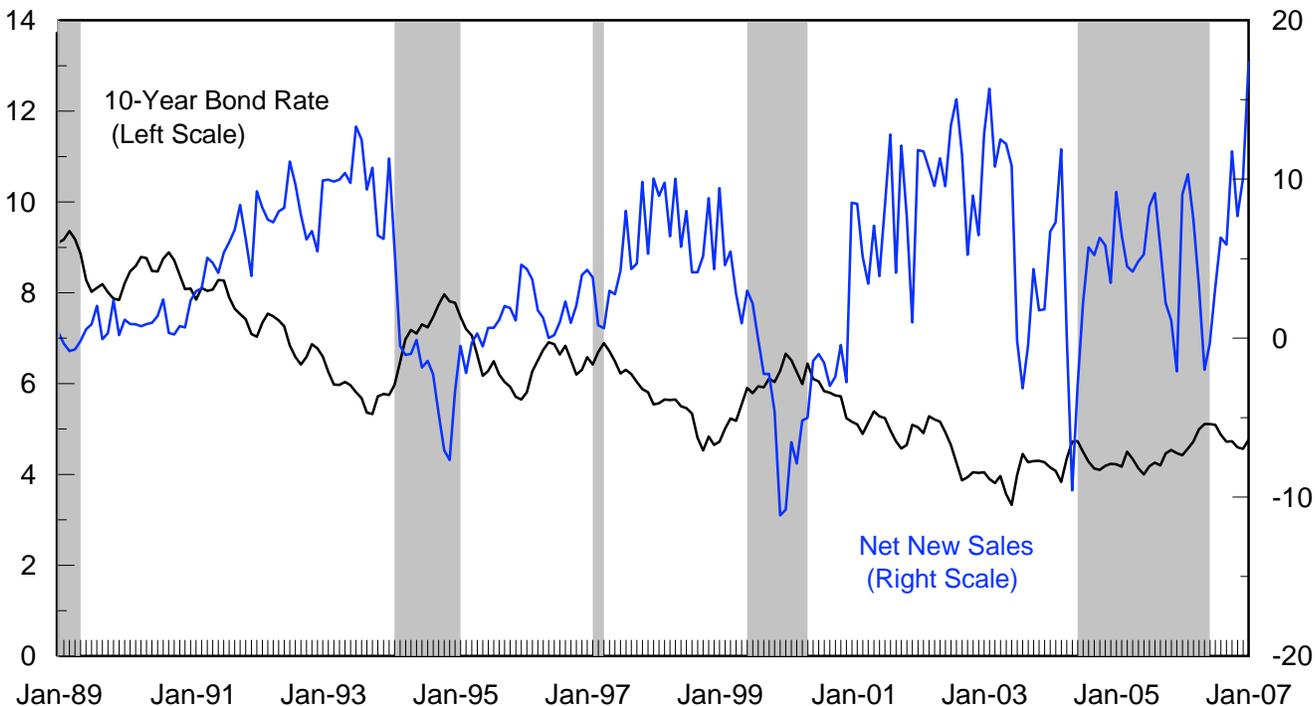
\$ Billions



Bond & Hybrid Funds

Percent

\$ Billions



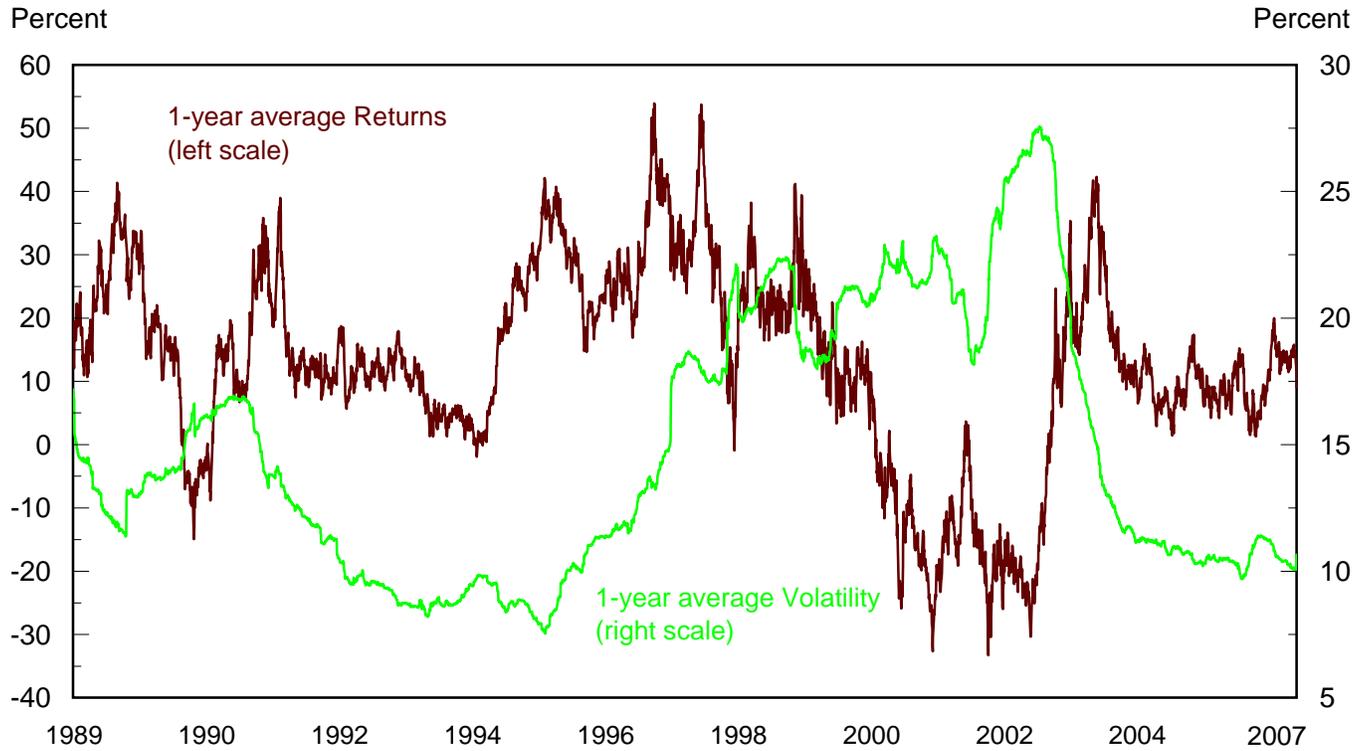
Note: Shaded regions indicate periods of rising fed funds rate.

Source: Investment Company Institute.

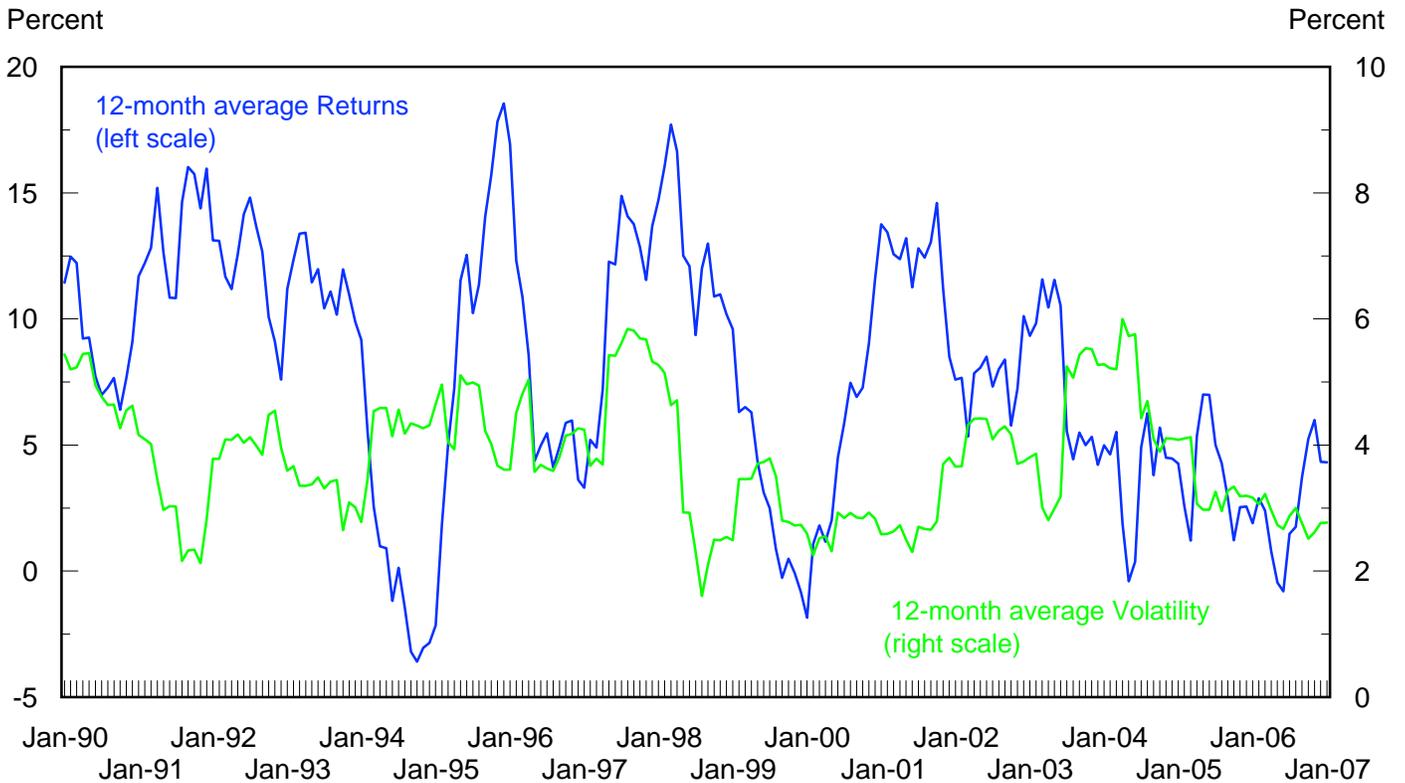
Figure 7

Capital Market Returns and Volatility

S&P500, Daily Returns and Volatility



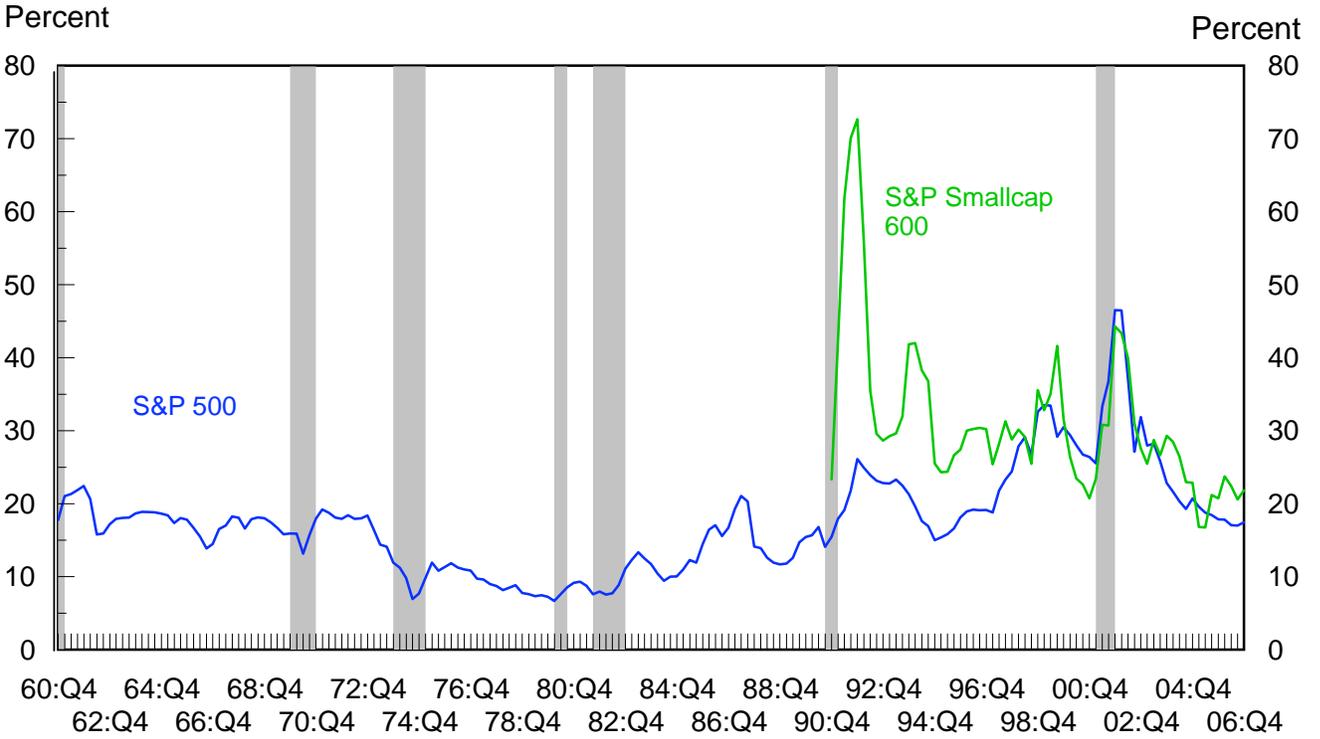
Citigroup Bond Index



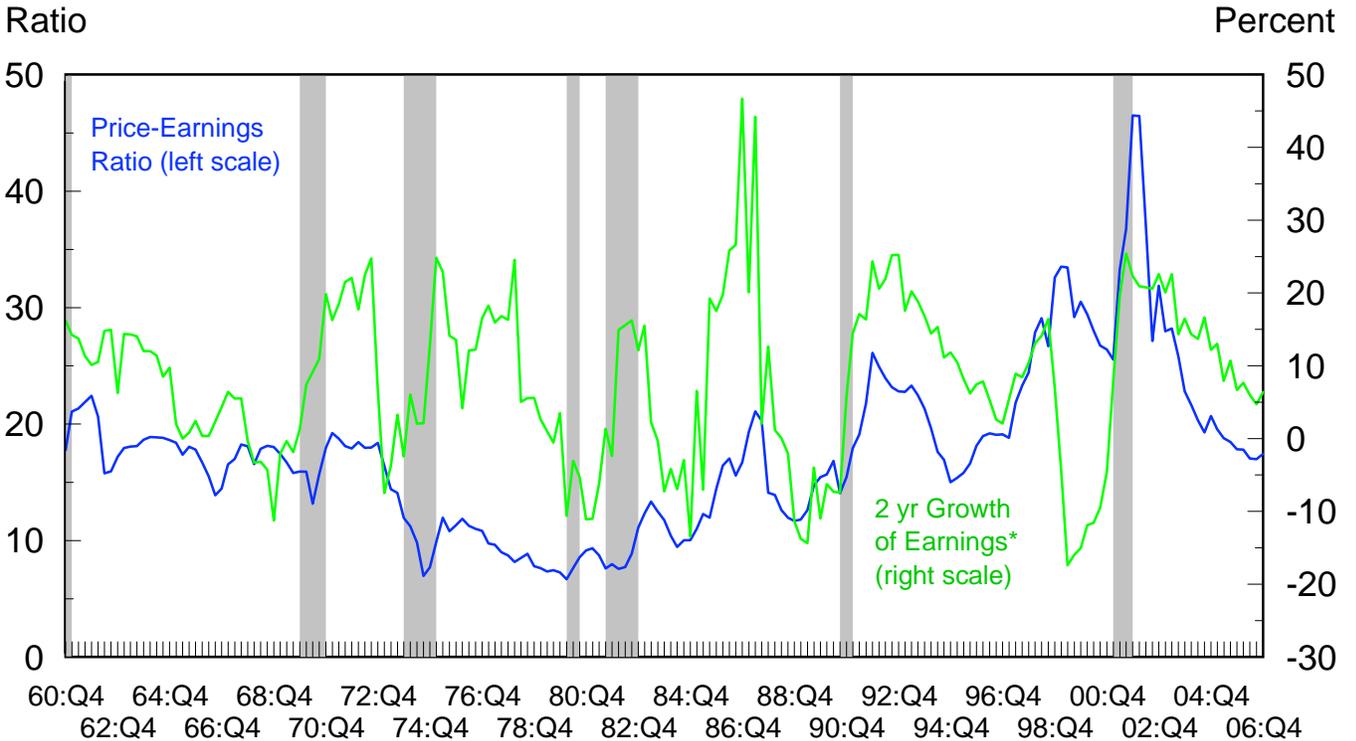
Source: FAME Database, Citigroup.

Figure 8

S&P Price-Earnings Ratios



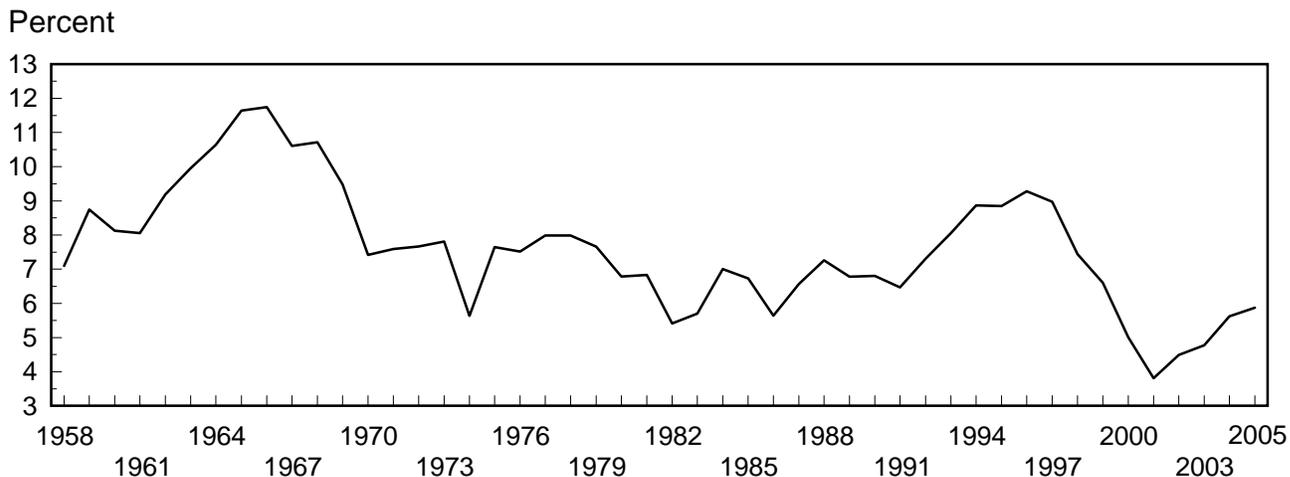
S&P500 Price Earnings Ratio and the Growth of Earnings



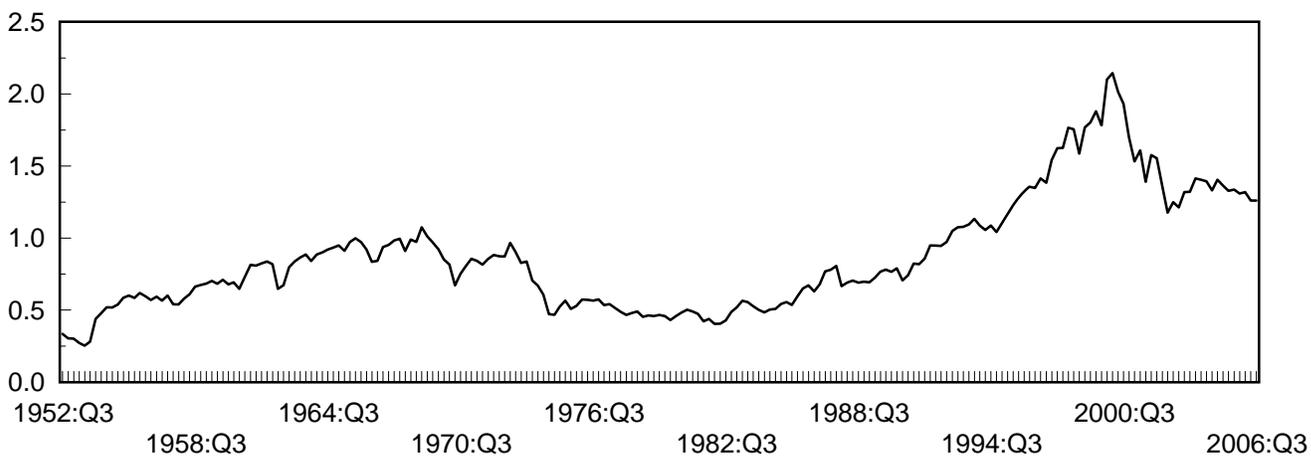
* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

Figure 9

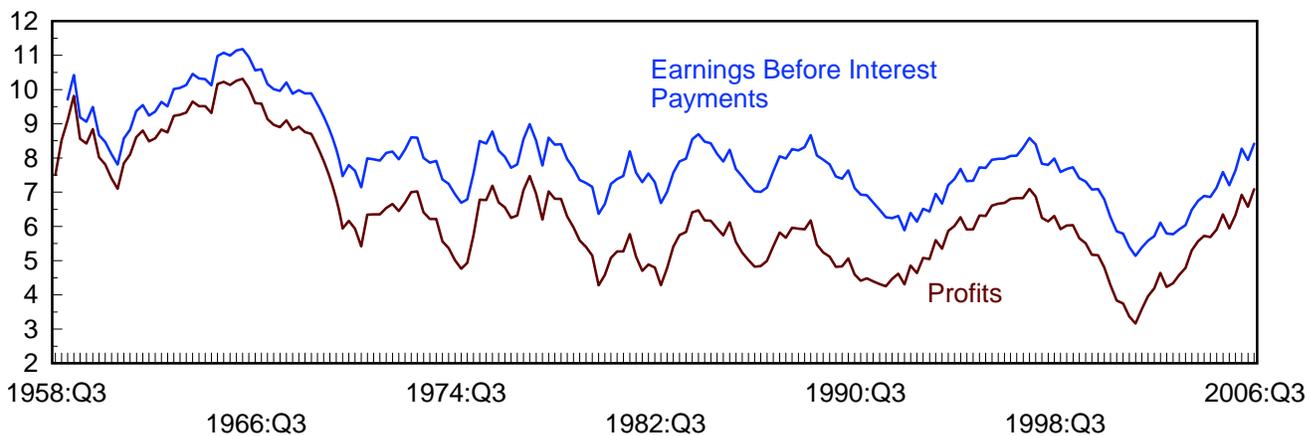
Real Rate of Return on Nonfinancial Corporate Equity



Tobin's Q*



Profits of Nonfinancial Corporations as a percent of GDP



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

Source: National Income and Flow of Funds/Haver Analytics.