

Talking Heads with Daniel Dornel

Daniel Morris: Hello and welcome to the BNP Paribas Asset Management Talking Heads podcast. Every week, Talking Heads will bring you in-depth insights and analysis on the topics that really matter to investors. In this episode, we'll be discussing ETFs. I'm Daniel Morris, Chief Market Strategist, and I'm joined today by Daniel Dornel, Head of ETF Research. Welcome, Daniel, and thanks for joining me.

Daniel Dornel: Thank you for the invitation. Very happy to be here today.

DM: This is our quarterly update on ETF flows, and it's been a good quarter. I think it's safe to say we probably thought we had seen everything there was to see in February, with all the volatility around AI themes, big rallies for hardware stocks, sell-off for software stocks, and then, of course, in March we had the outbreak of the war. Can you talk to us about what the response has been for ETF flows in the first quarter

DD: Indeed, the first quarter of 2026, in absolute terms, was the strongest quarter ever recorded for European ETFs, with net inflows exceeding 100 billion euro for the first time. However, we need to have a more nuanced analysis about what happened: it was shaped by the geopolitical climate. And we basically observed two distinct periods. In January and February, we had unprecedented positive flows. We broke previous monthly records, attracting between 45 to 50 billion of net new cash, which were record levels. March, by contrast, marked a clear slowdown with net flows falling to less than 10 billion for the first time since early 2023.

DM: Can you elaborate on equities, Daniel?

DD: During the quarter, equity focused ETFs accounted for roughly 80% of the total inflows. The most striking trend was the strong demand for global equities products. They collectively attracted 37 billion. This is a continuation of the momentum observed throughout the whole 2025 year. This kept on going during March. We had continued interest from investors for global core exposures, as well as emerging markets and European core focused ETFs. In terms of style, the defensive thematic continued to raise investor interest, especially with the current geopolitical environment.

DM: That's interesting to hear that despite the volatility and the concerns we had in the quarter, you still had such strong flows for equity ETFs. How did it look on the fixed income side? Did you see notable interest in inflation-linked ETFs?

DD: We still had roughly 20 billion new cash for the quarter on fixed income ETF. The flow patterns were skewed towards the higher-quality segment, mostly ultra-short duration and sovereign bonds. During March, we had different trends: overall, the ultra-short and growth kept on going. We had outflows from yield exposures. We also saw some outflows from CLOs, covered bonds, etc. At the end of the month, we had a new

positive trend on inflation-linked bonds, which started on US inflation-linked products, and this moved to eurozone-inflation linked products.

DM: I think everyone appreciates there's likely to be plenty more surprises and volatility coming out of the Middle East. Related to that, many would have anticipated gold prices to have rallied. If you look at historical episodes of oil shocks from the Middle East, gold prices go up. That didn't happen this time. What did you see in terms of flows for gold-linked ETFs?

DD: Overall, during the quarter, the flows on the gold ETPs were negative: we had strong outflows throughout the end of January and early February, with roughly four billion of outflows. In March, it was quite volatile. The first two weeks were positive, with roughly five hundred million for each of those weeks in terms of inflows, but collectively almost two billion outflows during the third and fourth week of the month.

DM: If I can summarize some of the points you shared with us, notable change in the pattern in the quarter, very strong inflows in January and February, and then a slowdown in March, but still inflows. If we look at that by asset class, for equities, demand was primarily for global diversified equity funds. Defence was popular as a theme. Within fixed income, the focus was on high-quality short duration. And by contrast, you saw outflows from high-yield ETFs, which is a change from the pattern over previous years. And finally, following outbreak of the war, you did see reductions from gold ETPs. Well, Daniel, thank you very much for joining me.

DD: Thank you very much again for the invitation.

DM: That's it for this week's episode of Talking Heads. If you would like more information about our capabilities in ETFs, please reach out to your asset management contact or check out Viewpoint, our website for investment insights at viewpoint.bnpparibas.am.com. We recommend subscribing to Talking Heads on your favourite podcast channel such as YouTube or Spotify. You will receive your podcast episodes every week. If you like Talking Heads, leave us a positive review and a nice rating. You've been listening to the BNP Paribas Asset Management Talking Heads podcast with me, Daniel Morris, and Daniel Dornel, Head of ETF Research. Please do join me next week. Until then, take care.