

## MARKETS

# ETF assets to surge tenfold in 10 years to \$50 trillion, Bank of America predicts

PUBLISHED THU, DEC 12 2019-12:09 PM EST



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## KEY POINTS

- Total ETF assets have been growing at a “fairly consistent” annual rate of 25% from \$770 billion 10 years ago, Bank of America said.
- The market could hit \$5.3 trillion by the end of 2020 at this rate, and a whopping \$50 trillion by 2030, the bank predicted.
- Since the inception of the first ETF — the S&P 500 SPDR — in 1993, the U.S. market has grown rapidly to a \$4.3 trillion juggernaut.



Traders work on the floor at the New York Stock Exchange.

*Brendan McDermid | Reuters*

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It may have been quite the decade for the U.S. exchange-traded fund market, but the next one could see its assets surge tenfold to \$50 trillion, Bank of America predicted.

“The current growth rate points to ETF assets approaching \$50tn over the next decade driven by a continued move to passive and increased awareness of the attractive tax efficiency, cost, liquidity and transparency characteristics of ETFs,” Mary Ann Bartels, investment & ETF Strategist at Bank of America, said in a note on Thursday.

Money has flooded into ETFs during this record-long bull market, while active strategies have suffered. Since the inception of the first ETF — the S&P 500 SPDR — in 1993, the U.S. market has grown rapidly to a \$4.3 trillion juggernaut. Equity passive funds alone, which include index funds, have ballooned to a more than \$3 trillion market in less than 10 years, according to Morningstar.

Total ETF assets have been growing at a “fairly consistent” annual rate of 25% from \$770 billion 10 years ago, Bank of America said, adding the market could hit \$5.3 trillion by the end of 2020 at this rate.

That rate will accelerate beyond as the industry innovates even more and swallows up more assets in places like fixed income, the firm predicts.

Bank of America believes the relatively strong stock market will keep investors in the passive space. The bank expects the S&P 500 to rise 5% next year and sees interest rate remain stable.

“This positive fundamental backdrop is likely to be supportive to net asset values as well as continued inflows of new assets,” Bartels said.

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