

# Monthly Travel Market Report

September 2023

## HANetf & TRYP Index Providers

### The Travel UCITS ETF

TRYP

69bps

IE00BMFNW783

Product Inception Date: 04/06/2021

For Professional Clients Only. Capital at risk.

All data as of 31/08/2023

This report was written by, and is the opinion of, the TRYP index providers.



## Travel ETF Key Takeaways

The four TRYP sub-themes continue their recovery as of early September 2023. We recently revised our earlier travel projections somewhat in the light of developing macroeconomic and industry trends. All four sub-themes are now expected to rival or exceed their pre-pandemic (2019) performance by the end of 2024 and continue growing strongly thereafter through 2026.

Second-quarter 2023 earnings data and future guidance from selected TRYP holdings support this optimistic forecast. Most companies' revenues increased in 2Q2023 compared to the previous quarter, while also surpassing their performance in the last full quarter before the pandemic (4Q2019).

Management is generally optimistic about the travel market's future growth potential, at least in the short term. Most of the airlines expect significant operating revenue increases over the next six months. Hotel companies' financial guidance, while expressed in terms of a slightly different metric (revenues per available room) is likewise generally positive. Cruise lines are projecting increased bookings and higher yields over the rest of the year.

The travel recovery has been largely consumer driven. Despite lingering fears of a recession, the U.S. Consumer Confidence Index (CCI) reached a two-year high in July 2023. Reflecting this confidence, 74% of U.S. consumers plan to travel the same amount or more 2023 than in 2022, and 58% expect to either maintain or increase their overall travel spending in 2023. Consumer confidence has also been improving in Europe, with more than a third of consumers surveyed indicating they plan to splurge on travel.

The recent slowdown in inflation rates is helping to sustain the travel recovery. The overall US Travel Price Index (TPI) declined by -0.7% from the previous month in July 2023, marking the fourth straight month of price declines. Declining airfares were a major driver of the price decline, dropping -8.1% since June. Lower price pressures were at least partly responsible for a 4.7% increase in US travel spending in the first six months of 2023. Data on European travel prices are limited, but the available data indicate that high travel prices have been more persistent in Europe than the U.S.

Travel and tourism stocks have generally outperformed the market this year. For example, the Dow Jones US Travel and Tourism Index gained over 57.3% in the first eight months of 2023, while the broader Dow Jones Industrial Average was picking up about 5.1%.

While the overall travel outlook is thus positive, a number of developments could jeopardize its recovery in the near-to mid-term, as described below under the Macro Outlook.

Sources available upon request. **All performance figures are showing net data.** Past performance is not indicative of future performance and when you invest in ETFs your capital is at risk.

## Macro Outlook

A number of developments, alone or in combination, have the potential to impact our travel forecast, as described below.

The prospects for business travel, which has lagged behind consumer travel, are improving due to more favourable economic conditions. The Global Business Travel Association recently said it expects global business travel to recover to its pre-pandemic level of \$1.4 trillion in 2024, or two years earlier than the GBTA projected a year ago. However, the U.S. Travel Association is a little more conservative regarding the recovery of business travel, which it does not expect to occur before 2025.

China's reopening from its COVID-19 lockdown was not expected to have a major impact on the worldwide travel industry before late in the second quarter or early 3Q2023, but the early impacts have been even less than anticipated. The softer-than-expected recovery of the Chinese economy has lowered Chinese consumer confidence, as reflected in the number of outbound air trips, which has been nearly 60% lower YTD than projected earlier. Comparable data on inbound trips to China are not available, but the number of China-bound flights has been effectively limited by international flight capacity, which is still less than half of its pre-COVID level.

There continues to be a risk that monetary policies being implemented by the US Federal Reserve and other central banks in order to curb inflation will cause a recession that reduces travel demand as consumers and businesses cut back on spending. While economists have been predicting a recession for the past year, the US and other advanced economies have proved unexpectedly resilient in the face of interest rate increases and the recession has not yet materialized. A majority of US economists now estimate the probability of a recession at less than 50%, vs. 60% of more 6 months ago. The EU was technically in a recession in 4Q2022-1Q2023, but there are indications that the recession is already over in most markets.

The worst-case scenario is probably a moderate recession in the US, UK, and the Eurozone, starting in late 2023 and lasting less than a year, with slower job growth and decelerating inflation. If this recession materializes, the travel industry could experience softer demand and continued high operating costs. These developments could set back the recovery of the travel industry by 2–3 years, i.e., to 2025 or 2026.

## Travel ETF Performance

As of 31.08.2023

	1M	3M	6M	YTD	12M	2Y	SI
<b>The Travel UCITS ETF</b>	<b>-8.92%</b>	<b>8.89%</b>	<b>4.68%</b>	<b>21.78%</b>	<b>23.44%</b>	<b>-4.76%</b>	<b>-15.25%</b>
<i>Solactive Travel Index</i>	<i>-8.90%</i>	<i>9.07%</i>	<i>5.21%</i>	<i>22.56%</i>	<i>24.40%</i>	<i>-3.36%</i>	<i>-13.89%</i>

**Please note that all performance figures are showing net data.** Source: Bloomberg / HANetf. Data as of 31/08/2023

Performance before inception is based on back tested data. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. Past performance for the index is in USD. Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product. Investors should read the prospectus of the Issuer ("Prospectus") before investing and should refer to the section of the Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in this product. When you invest in ETFs and ETCs your capital is at risk.

## Product Details

The Travel UCITS ETF (TRYP) seeks to offer exposure to the travel industry as it tracks global airline companies, hotel businesses, cruise line operators, and online booking companies.

The TRYP travel industry ETF tracks the Solactive Travel Index which is focused on companies that derive significant revenue from the travel and tourism sector including companies engaged in the airlines, hotels, cruise lines, and travel agency businesses.

Visit the [TRYP Fund Page](#) for more information.

Exchange	Ticker	RIC	SEDOL	ISIN	Valoren	WKN	CCY	Listing Date
LSE	TRYP LN	TRYP.L	BMTR180	IE00BMFNW783	-	-	USD	09/06/2021
BMV	TRYPN MF		BMZQG86	IE00BMFNW783			USD	15/03/2022
LSE	TRIP LN	HATRIPL	BMTR1G8	IE00BMFNW783	-	-	GBP	09/06/2021
Borsa Italiana	TRYP IM	TRYP.MI	BL6KDP6	IE00BMFNW783	-	-	EUR	21/06/2021
Xetra	7RIP.GY	7RIP.DE	BL6KDQ7	IE00BMFNW783	-	A3CPGE	EUR	17/06/2021
SIX	TRYP SW	TRYP.S	BMX8D61	IE00BMFNW783	111372791	-	CHF	01/03/2022
Euronext Paris	TRYP FP	HATRI.PA	BPG9N28	IE00BMFNW783	-	-	EUR	09/12/2021

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