Americans take a vacation from U.S. stocks

By Melvin Backman [@CNNMoneyInvest]

Summer abroad? Investors sure seem to think so. They're leaving the U.S. stock market for other pastures.

The Investment Company Institute reported Wednesday that investors have pulled money from American mutual funds for 11 consecutive weeks. There was an especially big dip of $8.9 billion the first week in July when the Dow hit 17,000.

Investors aren't just taking their money out and holding it in cash. They are putting into foreign stocks and corporate debt.

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Phil Camporeale, a client portfolio manager for JP Morgan Asset Managment's Global Multi-Assets Group, is surprised that his clients are choosing to pursue cheaper valuations in Europe and emerging markets.

"People were wildly, wildly afraid of the asset class," he said, referring to last year's Federal Reserve-driven "taper tantrum" that sparked a flight from risky emerging markets.

"Coming into this year, you had a lot of people underrating that asset class, and now they've had to run to cover it," he said.

He still thinks the U.S. is a good place for investors. The S&P 500 index is still beating both MSCI's World Index and Emerging Markets indexes for the year.

CNNMoney's recent survey of investment strategists echoed that sentiment. Most of the 22 experts surveyed are still bullish on American stocks.

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But the ICI data is just one way to look at things. Research firm EPFR's fund flow data, which also includes exchange-traded fund (ETF) flows, displays a much cloudier picture. American stocks are still seeing negative flows for the past few weeks, but the shift isn't as dramatic.

"What you're seeing is a continuation of a trend that you've been seeing for a couple years now," said Sean Collins, ICI's senior director of industry and financial analysis. Actively managed mutual funds are getting replaced with index funds and ETFs.

Corporate debt is also having a good year thanks to persistently low interest rates. The difference in yields between the bonds of America's companies and Treasury debt are the smallest they've been in almost seven years. Anyone looking for yield is buying "high yield" or even emerging market debt.

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Mike Chadwick, CEO of Chadwick Financial, said that while his clients in the 30s and 40s have faith that everything from stocks to bonds will continue to ride higher, his other investors are less sure.

"The older, more sophisticated client is far more concerned about where we go from here."