News Release

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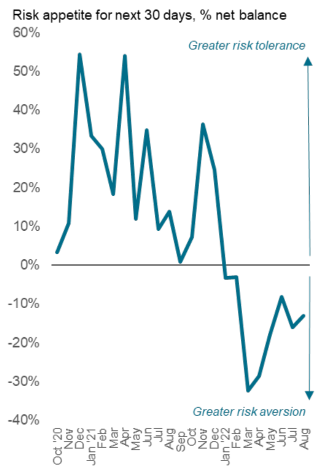
S&P Global Investment Manager Index™ (IMI™)

US equity investors remain risk averse amid inflation and growth fears

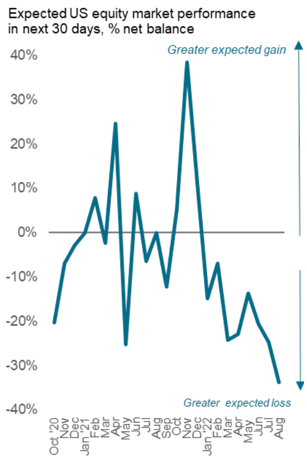
- Risk appetite lifts only slightly from July, as investors' views towards near-term returns slumps to new survey low
- Global macro economy, geopolitics and central bank policy perceived as biggest drags on the market
- Sentiment highest for healthcare stocks and lowest for consumer discretionary
- Firms outside of North America report increased risk aversion

Data collected 3-8 August 2022

Risk appetite



Near-term market performance



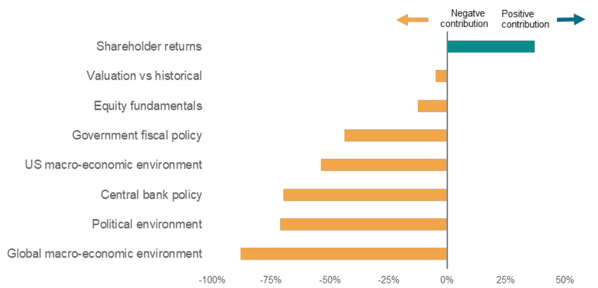
Source: S&P Global.

US equity investors remain risk averse in August due to market headwinds from the increasingly gloomy global macroeconomic outlook, geopolitical tensions with China and the Russia-Ukraine war, as well as high inflation and the subsequent trajectory of policy tightening by the Federal Reserve. The degree of negative sentiment eased from July, however, as the prospect of stronger shareholder returns are encouraging some investors to take more risks. Healthcare remains the most-favored sector for the second month running, while consumer discretionary stocks are the least popular for the sixth successive month.

The Risk Appetite Index from S&P Global's [Investment Manager Index™](#) (IMI™) monthly survey, which is based on data from around 100 institutional investors operating funds with assets under management of around $845bn, rose from -16% in July to -13% in August, its second-highest since February. That said, the latest reading is still indicative of a market mired in risk aversion. As such, expectations of near-term US equity market returns remain largely pessimistic, with overall sentiment hitting the lowest in the survey history.

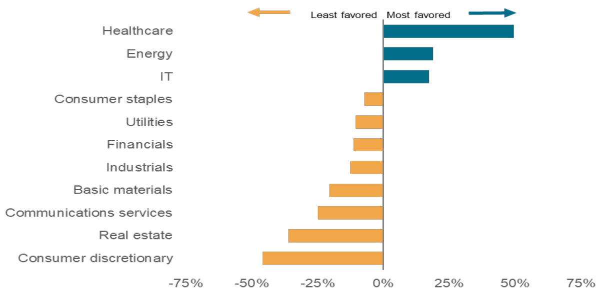
All factors bar shareholder returns are seen as acting as a drag on the market for the third month in a row. The global macroeconomic environment, geopolitics and central bank policy are viewed as the biggest drags on the US equity market, reflecting a weaker economic outlook and high inflation. More positively, the drags on the market coming from the domestic economy and equity fundamentals were the least severe since May and June, respectively. That leaves only shareholder returns as providing any sort of support to the market, though even here sentiment was the second-weakest since July 2021.

What's driving the market in the near term?



Source: S&P Global.

Sector preferences, August 2022



By sector, healthcare stocks were the most favored, with

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energy also seeing an improvement in sentiment. In fact, of the 11 monitored sectors, 10 recorded improving sentiment on a monthly basis with only communications services registering a deterioration since July. That said, 8 of the 11 monitored sectors are reporting a negative outlook, with real estate and consumer discretionary stocks at the bottom of the rankings, the latter being the least-favored sector for the sixth month in succession.

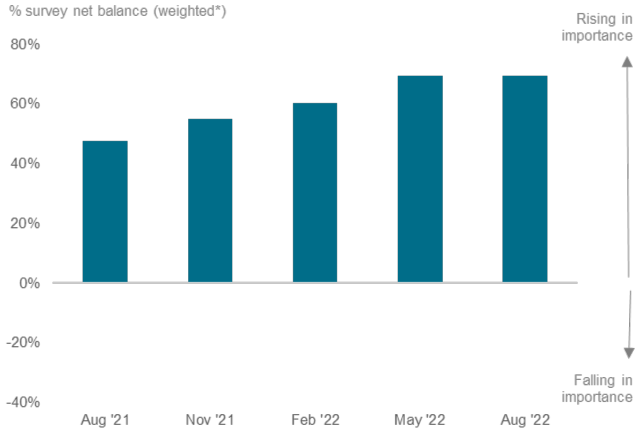
Given the downside risks faced by US equity investors, just over a fifth of investors were likely to be revising their expectations for earnings over the next quarter lower for the third consecutive month. By category, only mutual funds were displaying positive sentiment towards earnings over Q3.

Shareholder returns, dividend risks and earnings expectations

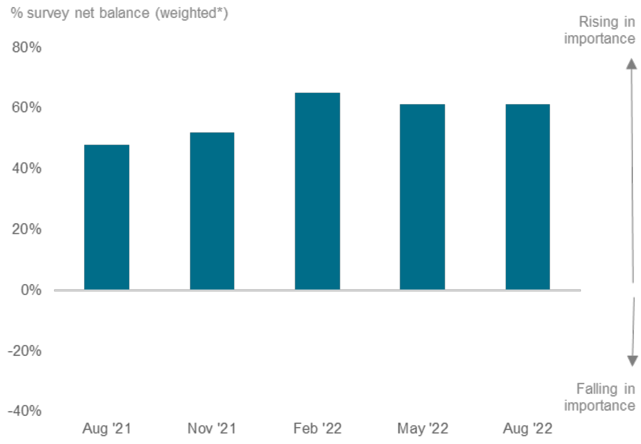
Cash dividends made a leap in importance for investors from a 69% net balance in May to 77% in August. This marks the fourth quarter in a row of growing importance and is 22% higher than the year-ago value of 55%. Meanwhile, buybacks also popped from 61% to reach a survey-high of 68%. Major markets are still down double-digit percentages year to date despite a rebound in July. With capital appreciation hard to come by, it is understandable that investors continue to look more closely at both forms of shareholder renumeration.

With that said, the rebound of buyback importance is somewhat surprising considering companies usually trim repurchase spending first in times of uncertainty. We believe the affinity may be driven by sectors that are still repurchasing shares avidly, such as the energy industry and some key names in banking and technology, which are also the sectors driving dividend spending.

Cash dividends*



Share buybacks*

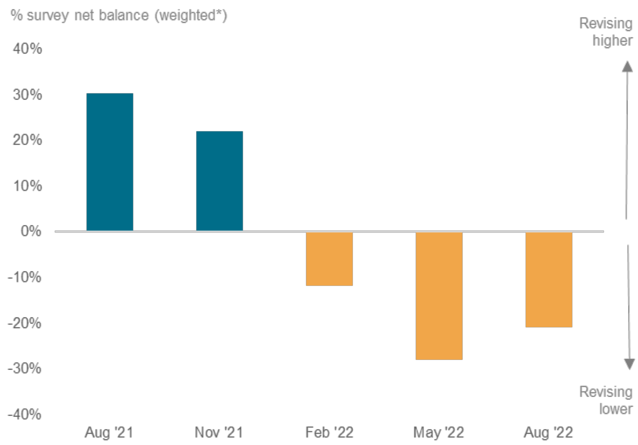


* Charts show % of all respondents reporting an increase in important minus those reporting a decrease, applying weights for the degree of importance stated by each respondent.

Source: S&P Global

Only 15% of US equity investors have raised their earnings expectations for Q3 2022, according to the latest IMI poll, a slight improvement to the 12% recorded in May. Similarly, 36% of respondents revised earnings downward versus 40% a quarter ago. The resulting net balance in Q3 of -21% marks the third straight quarter of net downward revisions. Prior to that, upgrades heavily outweighed the downside.

Given the recent US earnings results, will you be revising your overall expectations for next quarter?



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Commentary

Commenting on the results, **Ian VanderHorn, AMER Dividend Research Lead at S&P Global Market Intelligence**, said:

"Dividends remain a key consideration as investors continue the shift into value. With capital appreciation hard to come by, yield-seeking investors are finding some relief in low-debt, cash-flowing businesses that have shareholder-focused capital plans."

For a copy of the full report and data, please contact economics@spglobal.com.

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Note to Editors

This 21st edition of the Investment Manager Index™ (IMI™) survey includes data collected between 3-8 August 2022 from a panel comprising approximately 100 participants employed by firms that collectively represent approximately $845 bn assets under management.

If you would like to receive this report on a regular basis, please email economics@spglobal.com or visit https://ihsmarkit.com/Info/0920/imi-survey-request.html to participate in the survey and be placed on the distribution list.

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