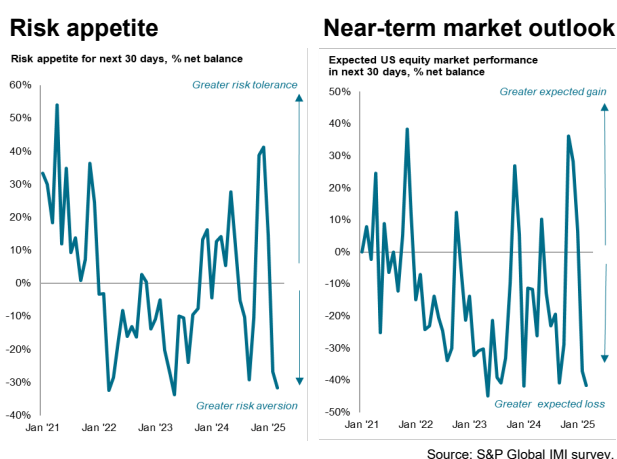


Embargoed until 1000 EDT (1400 UTC) 11 March 2025

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

Risk appetite slides further in March on deteriorating economic outlook

- Investor risk appetite falls to near-survey low with near-term market outlook also deteriorating further.
- Concerns grow regarding the US economic outlook, fiscal policy, political environment, and equity fundamentals, with central bank policy also negative for stocks.
- Sector preferences move further defensive.
- US dollar outlook turns bearish.
- S&P 500 year-end expectations revised lower.



Risk appetite among US equity investors has fallen further in March, dropping to one of the lowest levels recorded by S&P Global Investment Manager Index™ (IMI™) survey to date. The latest survey results also show heightened risk aversion principally reflecting growing concern among investors regarding policies implemented by the US administration and the economic outlook.

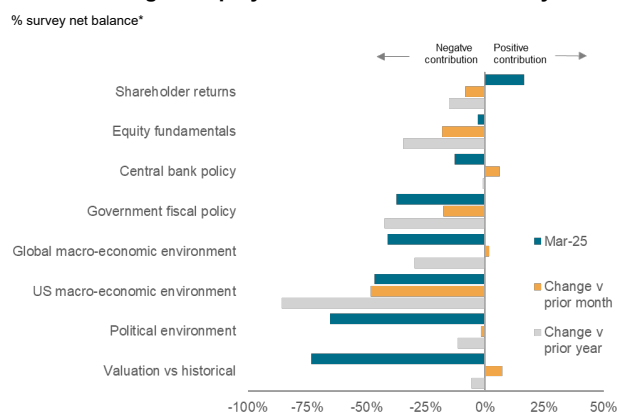
The IMI's Risk Appetite Index has fallen from -27% in February to -32% in March, its lowest since data were first collected in October 2020 but only that seen in May 2023. The intensifying risk aversion over the past two months represents a marked contrast to near-record bullishness late last year, when risk appetite hit a three-and-a-half-year high.

Economy worries

Driving risk aversion has been a growing concern about the US economic outlook. The proportion of investors expecting the US to slip into recession this year has more than doubled since December, rising from 15% to 33% in March. The US economy is consequently now perceived as a drag on equities to a degree not seen since May 2023. In contrast, the US economy was seen as exerting its most positive influence on stocks for three years back in December.

Furthermore, the drag on US equities from the domestic economy now exceeds that from the broader global economy, in a marked reversal of a perceived US outperformance in prior months.

What's driving US equity returns over the next 30 days?



* The net balance shows the percentage of those reporting an expected positive contribution minus those expecting a negative contribution. Those only reporting a 'slight' positive or negative contribution count as half a response, while those reporting a 'strong' positive or negative contribution count as one-and-a-half responses.

Source: S&P Global IMI survey.

Similarly, having been seen as a strong driver of future equity returns late last year amid the prospect of lower taxes, fiscal policy is now perceived as dampening returns to the greatest extent for nearly two years, reflecting worries over the impact of federal budget cuts.

Concerns about the new administration are further reflected in the political environment being now perceived as the biggest factor dragging on equities but only that of high valuations. The political environment had been viewed as positive for stocks back in December.

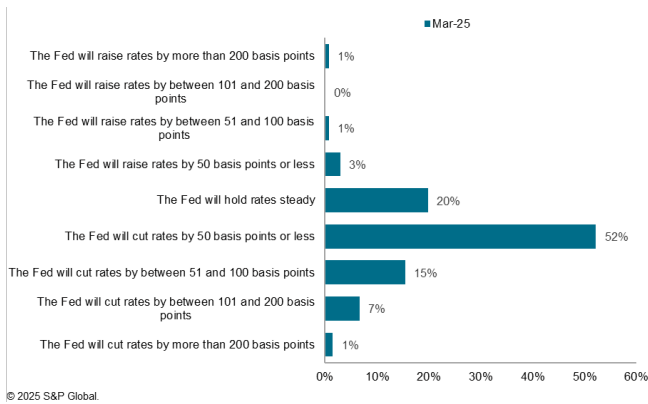
Gloomier earnings prospects meanwhile mean that views on equity fundamentals have now turned negative for the

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first time since last August, representing a stark contrast to the buoyant picture for equity fundamentals seen late last year.

Central bank policy also continues to be seen as negative for stocks, in contrast to the positive sentiment around Fed policy reported late last year, reflecting more dovish policy expectations. The majority of IMI respondents now expect 50 basis points of Fed rate cuts or less over the coming year, with responses evenly spread in terms of more hawkish or more dovish expectations, reflecting heightened uncertainty about the outlooks for growth and inflation.

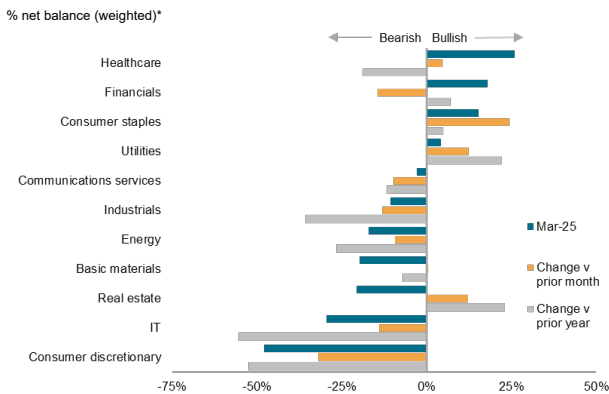
Which of the following best describes your anticipated path for the Fed funds rate during 2025?



Sector preferences move defensive

From a sector perspective, sentiment has shifted further to the defensive. The greatest bearish turn has been seen for consumer discretionary, which has fallen out of favor to a degree not seen since November 2022 and are now the least-favored stocks. Sentiment has also fallen sharply toward tech, which – having seen investor sentiment hit the lowest for just over two years – is now the second-least-favored sector.

What is your sector outlook for the next 30 days?



* The net balance shows the percentage of those bullish minus those bearish. Those only reporting a 'slight' bullish or bearish outlook count as half a response, while those reporting a 'strong' bullish or bearish outlook count as one-and-a-half responses.

Source: S&P Global IMI survey.

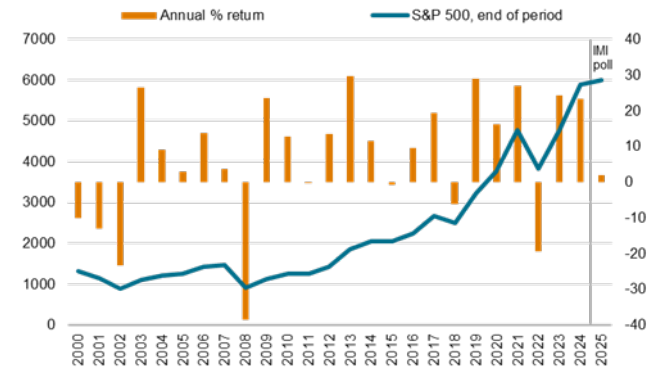
Sentiment has also worsened for industrials, energy, communication services and financials, albeit the latter still seeing investor support amid hopes of looser regulation. Financials have nonetheless been knocked off the top of the investor rankings by healthcare, which has seen increased investor appetite in March alongside greater bullishness toward consumer staples and utilities.

Modest year-end equity returns expected

Looking further ahead, investors on average expect the S&P 500 index to rise a mere 2% in 2025, down from a 5% expectation back in December and representing a big pullback from the 23% gain seen in 2024.

IMI respondents also expect the US dollar to head lower in the coming months, reversing the strong dollar view from the end of 2024, indicating the most bearish dollar outlook seen since the question was first asked in 2022.

IMI survey: S&P 500 expectations



As of March, 2025.
2025 forecasts based on IMI survey respondents.
Source: S&P Global Market Intelligence.
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Commentary

Chris Williamson, Executive Director at S&P Global Market Intelligence and author of the report, said:

“Investors have become increasingly gloomy regarding US equities in March, with heightened risk aversion reported amid growing concerns over the economic outlook. Worries over the impact of new policies from the administration, ranging from tariffs to fiscal policy, have pushed equity market sentiment to one of the lowest levels recorded over the past five years, representing an increasingly marked reversal of the buoyant mood seen at the turn of the year.”

“Expectations of the US economy’s sustained outperformance have withered such that the domestic economy is now viewed as an even bigger drag on US stocks than the broader global economy. Economic forecasts have been revised lower, recession risks have increased, the scope for rate cuts has fallen, and the earnings outlook has deteriorated.”

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“Investors have also turned bearish against the US dollar, contrasting with a bullish mood seen late last year, capping a broad darkening of sentiment toward the US market.”

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

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Note to Editors

This edition of the Investment Manager Index survey includes monthly responses from a panel of just under 300 participants employed by firms that collectively represent approximately \$3,500 bn in assets under management. Data were collected between 3-6 March 2025.

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