News Release

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

Monetary policy and geopolitical concerns cause US equity investors to remain risk averse in June

- Investors remain risk averse in June as market expected to decline in the near term, but risk appetite lifts further from March's survey low
- Monetary policy, geopolitics and macro economy seen as biggest drags on the market, with consumer discretionary, real estate and tech hit hardest
- Energy stocks in favor as shareholder returns viewed as the only pillar of support to equities
- Almost half of investors see FOMC needing to take a more aggressive stance

Data collected 7-10 June 2022

Risk appetite

Risk appetite for next 30 days, % net balance

Expected returns

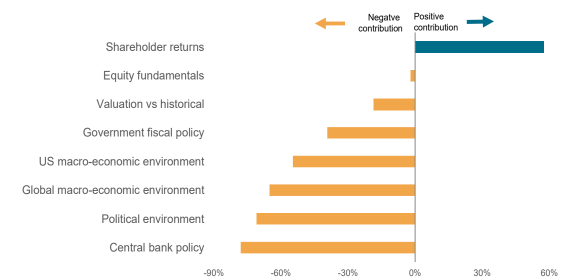
Expected US equity market performance in next 30 days, % net balance

Source: S&P Global

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 -18% in May to -8% in June, its highest since February but still in negative territory to signal persistent net risk aversion. Expectations of near-term US equity market returns fared worse, deteriorating further in June despite the easing in pessimism, hinting that the market has yet to bottom out.

What's driving the market, next 30 days?

% net balance (weighted)*



* The net balance of 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

The biggest drags on the market are again seen to be central bank policy and the political environment, representing the twin headwinds of rising interest rates and the Russia-Ukraine war. Both the US and global macroeconomic environments are viewed as exerting increased downward forces in equities, to degrees not seen since IMI data were first collected in October 2020. The drag from fiscal policy has likewise risen to the second highest yet recorded.

With the economic growth picture deteriorating and cost of living rising at a 40-year high, consumer discretionary remains the sector most out of favor with investors for a fourth consecutive month in May, with a further loss of favor in June, taking sentiment to the lowest yet recorded by the IMI. Sentiment meanwhile descended to a new survey low for real estate and failed to improve on May's survey low for tech & IT stocks.

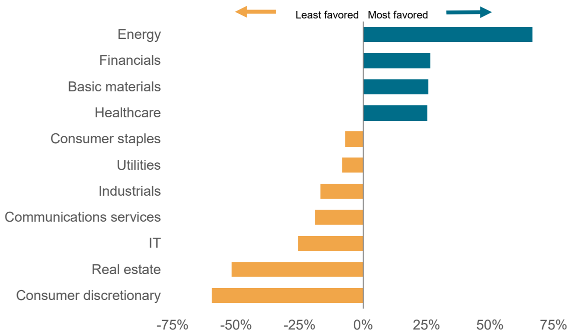
The only factor providing any support to the market is shareholder returns, a development reflected in the dividend-friendly energy sector being by far the most-favored market segment.

However, while valuations against historical levels also remain a perceived drag on the market, recent price falls have meant the negative pull is the lowest recorded by the survey to date, which has helped moderate overall market risk aversion to the lowest since February.

S&P Global

Sector preferences, June 2022

% net balance (weighted)*



* The net balance of 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

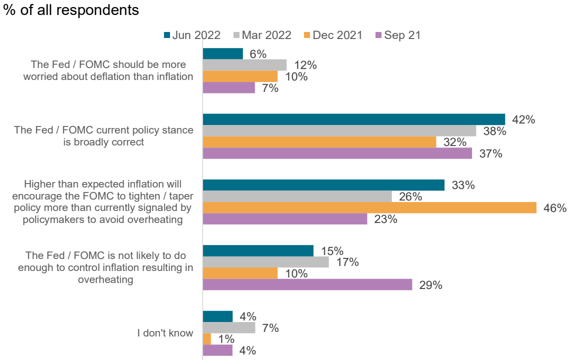
Source: S&P Global

More rate hikes signaled amid worsening supply and inflation outlooks

Looking into more detail at investor views on Fed policy, the most commonly held view is that the Fed's policy stance is broadly correct – which is a marked improvement on late last year, when the most widely held view was one of the Fed underestimating inflation. However, one-in-six investors still see the FOMC as behind the curve on inflation, and a further one-in-three think the Fed will have to take a more aggressive stance, which means the current stance is still seen as too dovish by almost half of all investors surveyed.

Thinking about inflation, please pick one of the following that you feel best reflects the current outlook

% of all respondents



Source: S&P Global.

The survey also found worsening views on the global supply chain crisis, with survey respondents generally less optimistic compared to three months ago in terms of expecting the US supply chain situation to ease before the end of 2022, meaning more supply-driven inflationary pressures are anticipated into the first half of 2023.

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

Commentary

Commenting on the survey, **Chris Williamson, Executive Director at S&P Global Market Intelligence** and report author, said:

"US equity investors remain risk averse and are anticipating a further fall in the market in June, citing headwinds of geopolitical uncertainty linked to the Ukraine war alongside a worsening supply chain picture arising from China's lockdowns and, most importantly, the Fed's increasingly hawkish interest rate stance. Around half of all survey respondents see the Fed as either having to do more than currently signaled to tame inflation or see inflation as increasingly getting out of the Fed's control. Hence, we are now seeing the macroeconomy – both at home in the US and globally – exerting the biggest drag on equites yet recorded by the survey.

"One ray of light is that lower valuations have helped moderate the overall degree of risk aversion to the lowest since February, suggesting that more investors are considering opportunities to buy the dip."

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Note to Editors

This 21st edition of the Investment Manager Index™ (IMI™) survey includes data collected between 7-10 June 2022 from a panel comprising approximately 100 participants employed by firms that collectively represent approximately $845 bn assets under management.

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