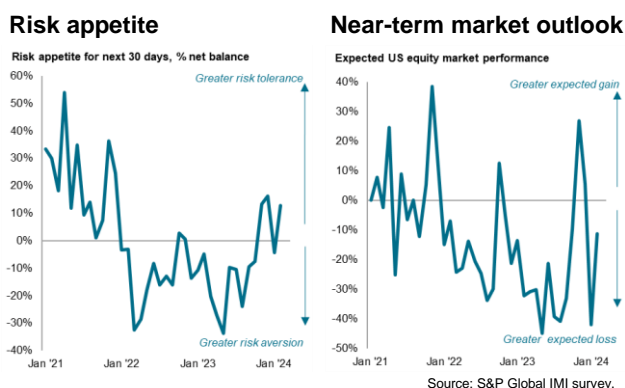


Embargoed until 1000 EST (1500 UTC) 13 February 2024

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

Equity investor risk appetite rebounds on brighter economic outlook

- Risk appetite rebounds in February after gloomy start to 2024.
- Earnings estimates revised higher.
- Support to equities from improving macro environment, rising shareholder value and equity fundamentals offset central bank policy concerns.
- Tech stock sentiment revives, exceeded only by healthcare.
- High valuations nevertheless dent near-term market return expectations.



Risk appetite has rebounded in February, according to S&P Global's [Investment Manager Index™](#) (IMI™) survey. The survey's headline Risk Appetite Index has moved back into positive territory, rising from -4% in January to +13% in February. The rise means a 'risk-on' mood has now dominated in three of the past four months, representing the best period for risk appetite seen for just over two years.

The IMI survey is based on monthly responses from a panel of just under 300 participants employed by firms that collectively represent approximately \$3,500 bn assets under management. Latest data were collected between 5-8 February 2024.

Expectations of near-term market returns have also turned sharply lower. After the buoyant mood late last year, which saw expectations peak at a two-year high in November, the near-term outlook is now the gloomiest in the survey's history barring only the low seen last May (data were first collected in October 2020).

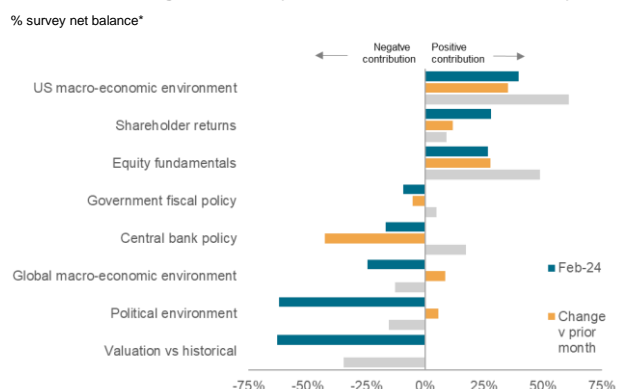
Brightening economic outlook

The improvement in risk appetite was accompanied by investors perceiving the US macroeconomic environment as now being the most supportive to equities than at any time since December 2021. The represents a marked turnaround from the end of last year, when the US economy was seen as a net drag on equities. While the broader global economy is seen perceived as negative for US equities, even here the drag has moderated to the lowest for nearly a year, reflecting reduced recession risks, notably in Europe.

The improvement in risk sentiment has taken place in spite of central bank policy now being perceived as a drag on equity returns for the first time in three months. By contrast, monetary policy was seen as the biggest driver of returns in January. The change reflects a pull-back in expectations of the timing and degree to which interest rates are expected to be reduced in 2024, with fewer cuts now anticipated to occur later in the year.

Despite the lower than expected monetary stimulus later in the year, investors are anticipating greatly improved contributions to equity performance in the near term from shareholder value and equity fundamentals, hinting strongly that corporate performance will improve thanks in part to the strengthening economic environment.

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



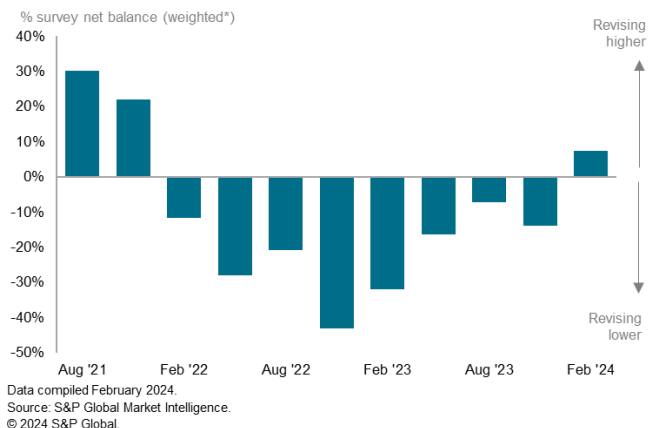
* The net balance shows the percentage of those reporting an expected positive contribution minus those expecting a negative contribution. Those only reporting a 'slight' positive or negative contribution count as half a response, while those reporting a 'strong' positive or negative contribution count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

Source: S&P Global IMI survey.

The survey shows earnings estimates for the coming quarter have been revised higher for the first time in over two years.

News Release

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

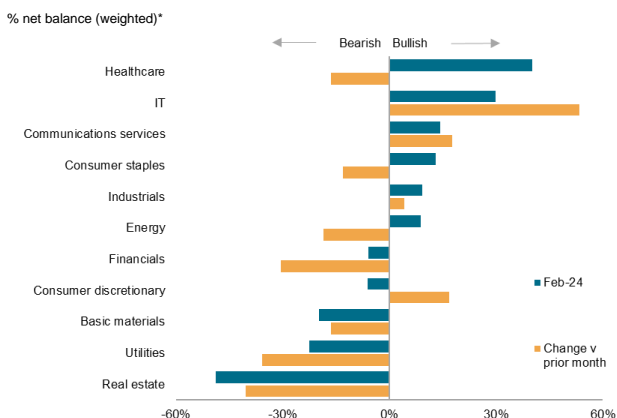


Sector preferences

These changing drivers of the market led to some significant changes in sector preferences. Leading the pack in terms of investor favor was once again healthcare, which leads the rankings for a third straight month, but the month's biggest riser is tech/IT, which has seen investor sentiment switch from negative in January to now sit at the highest since November 2021. Sentiment has also improved markedly for communications services and, to a lesser degree, industrials. While consumer staples remain in favor and consumer discretionary out of favor, sentiment is showing signs of shifting toward the latter.

The pull-back in rate cut expectations meanwhile means the worst performing sector in terms of the level of investor negative sentiment is now real estate, while financials also saw a large negative shift in sentiment.

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.

Commentary

Commenting on the results:

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

"Investor concerns over a reduced stimulus to equities from fewer central bank rate cuts have been trumped by expectations of improving corporate performance on the back of brighter economic prospects. The tech sector in particular has regained investor favor. However, as equity markets test new highs, concerns over valuations have limited investor expectations of further near-term market gains, and the possibility of rates staying higher for longer has dented appetite for real estate and financials."

Mohammad Hassan, Equities Dividend Forecasting Director at S&P Global Market Intelligence and co-author of the report, added:

"Investor sentiment on US earnings has rebounded, marking a positive shift following eight consecutive negative quarters. Share buybacks are being favored whilst some concern is being expressed around future dividend growth for US corporates."

"Despite these challenges, the latest data from S&P Global Market Intelligence Dividend Forecasting indicates nearly 151 of the S&P500 Index constituents have increased their Q1 dividends, with almost one-fifth of these companies raising their quarterly dividends by over US\$ 10 cents, a substantial uptick in the face of a difficult operating environment."

"The looming question now is whether this dividend growth endures or whether firms lean more towards share buybacks as the Federal Reserve deliberates over its much-anticipated interest rate cuts."

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

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News Release

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 assets under management. Data were collected between 3-7 January 2024.

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