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

Tech sector leads pull-back in equity investor risk appetite

- Risk appetite cools amid concerns over near-market performance, notably for tech.
- Macro environment seen as a major market driver, but valuations and geopolitics weigh on sentiment.
- Energy vaults to head investor rankings.
- Year-end global equity market prospects have nevertheless brightened, with the US market outlook beaten only by Japan.

Risk appetite



Near-term market outlook



Source: S&P Global IMI survey.

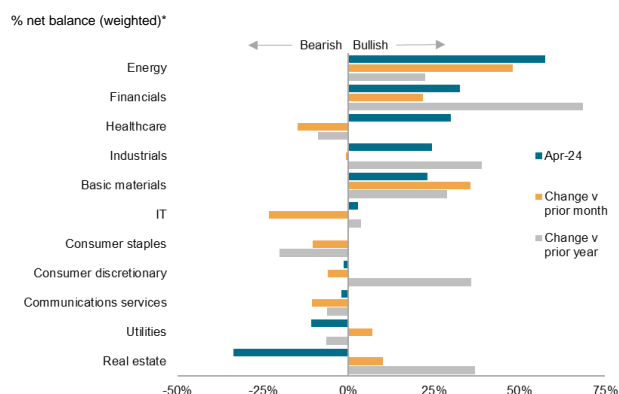
Risk appetite has cooled in April, according to S&P Global's [Investment Manager Index™](#) (IMI™) survey. The IMI's headline Risk Appetite Index remains in positive territory after the risk-averse mood seen at the start of the year, but the upbeat mood has cooled somewhat with the latest reading of +5% representing a three-month low, down from +14% in March.

Investors have also pulled back on their expectations of equity performance over the coming month, with near-term sentiment down to -26% from -12% in March, which is also a three-month low.

Sector preferences

Near-term expectations vary with some notable risers and fallers. Energy has surged to head up investor preferences, superseding healthcare. Financials have also seen renewed investor sentiment, rising to the second-highest ranked. Industrials and basic materials are likewise seeing notably stronger investor appetite. At the other end of the scale, real estate and utilities remain bottom-ranked, while tech stocks have suffered the largest monthly deterioration in investor sentiment.

What is your sector outlook for the next 30 days?



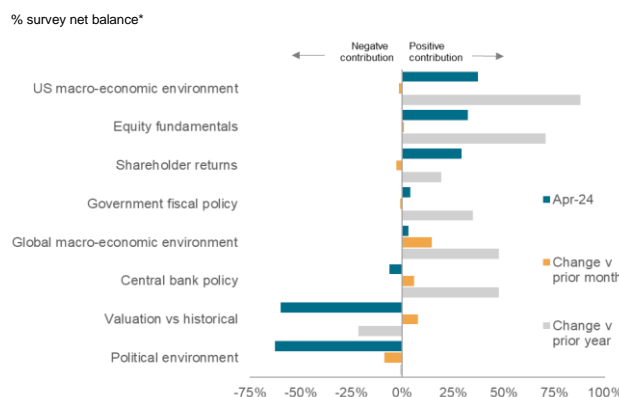
* The net balance shows the percentage of those bullish minus those bearish. Those only reporting a 'slight' bullish or bearish outlook count as half a response, while those reporting a 'strong' bullish or bearish outlook count as one-and-a-half responses.

Source: S&P Global IMI survey.

Market drivers

These shifting sector preferences reflect the perceived drivers of equity returns over the coming month. The US macro environment is seen as the strongest driver of returns for a third straight month, in turn, linked to growing optimism about the US economy.

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.

However, the global macro environment is now also seen as a positive driver for the first time since January 2022 amid brighter outlooks in Europe in particular. The

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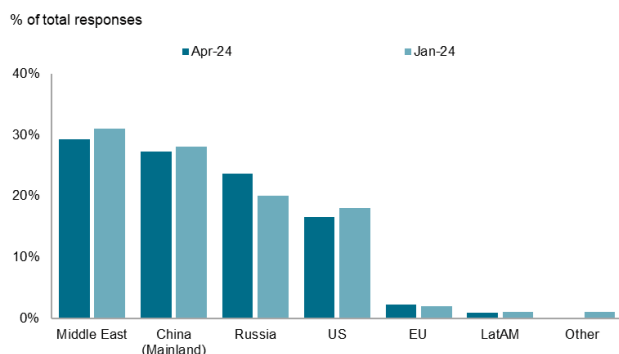
better macro prospects have buoyed investor perceptions regarding equity fundamentals and shareholder returns, which are also seen as major market drivers.

Conversely, central bank policy continues to act as a negative on the near-term market trend, though the political environment and valuations are seen as the strongest drags.

Geopolitical risks

Political worries hang first and foremost on the Middle East, followed by mainland China, although in both cases the perceived risk has cooled slightly since the start of the year. Geopolitical risk worries have meanwhile intensified around Russia since the start of the year, and political risk from the US remains elevated in the lead-up to the Presidential Elections, albeit slightly less so than in January.

Where do you see the highest source of geopolitical risk to US equities emanating from in 2024?



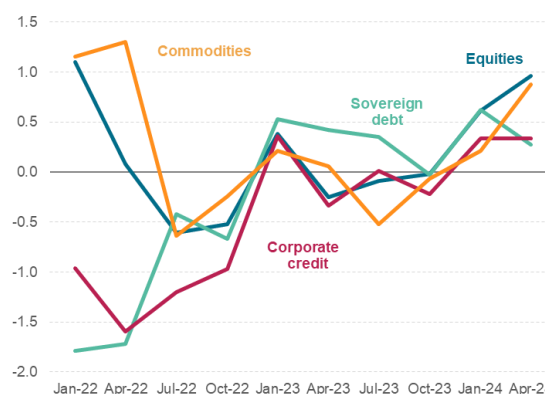
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Source: S&P Global IMI survey.

Global market outlook

Looking at broader investor year-end expectations, sentiment has improved with both global equities and commodities to the highest levels seen since early 2022, with equities leading the pack in terms of worldwide preferences. Sentiment toward corporate credit has meanwhile held steady since the start of the year, having improved since late last year, but bullish views toward sovereign debt have moderated from January's recent high.

What is your outlook for the following broad asset classes for year-end 2024?

Score based on % of respondents reporting bullish/bearish views on a scale of -5 to +5.



Source: S&P Global

Looking more specifically at year-end equity market forecasts, investors are most optimistic about Japan for the fourth quarter in a row, where sentiment is now the most bullish since at least 2021, followed by the US, where sentiment is the highest in two-and-a-half years. Asia (excluding Japan and China) follows closely behind.

The EU lags but has seen the biggest increase in equity sentiment since the start of the year among all the regions polled, pushing the region ahead of Latin America. Investors are even less bullish about the UK, albeit with sentiment climbing to the highest since early 2022, leaving mainland China as the only major market to see bearish year-end sentiment on average.

Commentary

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

“Risk appetite has cooled to a three-month low amid heightened concerns over near-term market performance, in turn, linked to valuations, geopolitical worries, and central bank policy. Tech sentiment has been hit especially hard.

“Rate cut expectations have been pared back, but it’s encouraging to see that investors still see equities as their preferred asset class in terms of year-end performance, linked in turn to the brightened macro environment. Investors cite the improving US economy as the biggest market driver, accompanied by improving broader global macro prospects, which have buoyed sentiment around equity fundamentals and shareholder value. What’s more, the anticipated gain of the US equity market is exceeded only by the forecast for Japan.

“Sentiment has surged higher for energy, with healthcare, financials, industrials, and basic materials also strongly in favor.”

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

For further information, please contact:

Katherine Smith, Public Relations
Telephone +1 781 301 9311
E-mail katherine.smith@spglobal.com

Note to Editors

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