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

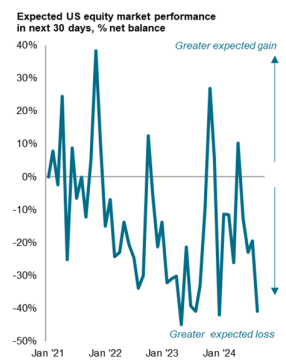
Risk aversion highest since May 2023 as investors weigh gathering market headwinds

- Risk aversion and near-term market expectations deteriorate sharply.
- Political uncertainty and economic growth worries partially offset by anticipated central bank support, the latter to help equity market rise by year-end.
- Sector preferences rotate further defensive.

Risk appetite



Near-term market outlook



Source: S&P Global IMI survey.

Risk appetite has deteriorated sharply in September to its lowest for nearly two-and-a-half years, according to S&P Global's [Investment Manager Index™](#) (IMI™) survey. The IMI's headline Risk Appetite Index has deteriorated further from the recent high seen back in May, slumping to its lowest since May 2023. The index has fallen from -10% in August to -29% in September, signaling increasing risk aversion over the past three months.

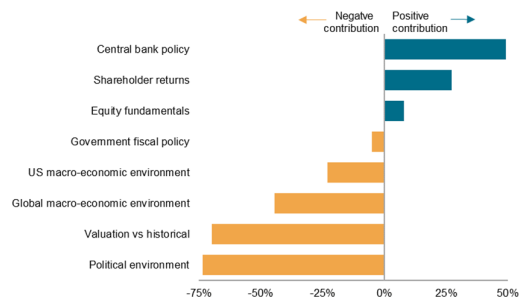
Similarly, investors have scaled back their expectations of market returns for the coming month, which are now at their gloomiest since January and among the most pessimistic recorded since the survey began in late 2020.

Market drivers

Sentiment has been hit by concerns over valuations amid economic growth worries and political uncertainty. Valuations are now seen as exerting the largest drag on US equities for three years, though the biggest drag is now the political environment, as uncertainty builds ahead of the Presidential Election and worries persist regarding conflicts in the Middle East and Ukraine. Political risk is now seen as exerting its strongest drag since May 2023.

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

% survey net balance*



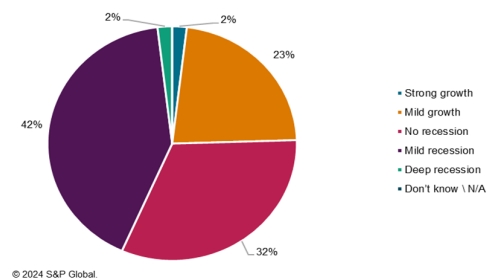
* The net balance shows the percentage of those reporting an expected positive contribution minus those expecting a negative contribution. Those only reporting a 'slight' positive or negative contribution count as half a response, while those reporting a 'strong' positive or negative contribution count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

Source: S&P Global IMI survey.

Adding to the downturn in market sentiment are persistent worries over economic growth, both in the US and more broadly at a global level. While both global and US recession risks were indicated to have eased compared to August, September's readings were the second lowest since late last year, with concerns especially widespread regarding global economic risks.

The survey indicates that, while a majority of almost 57% of investors expect the US to avoid a recession in the near term, the near-44% proportion of those expecting a recession is running at its highest since last December. Although only 2% expect a deep recession, only 2% also expect to see strong economic growth.

Thinking about the US economy in the next 12 months, which of the following do you feel best reflects the outlook?



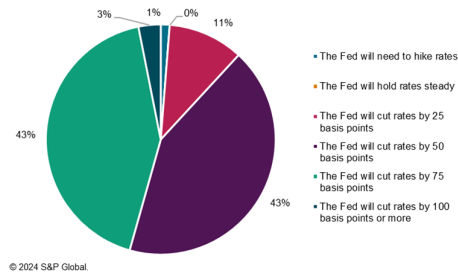
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Helping soothe recession risks is the expectation of central bank support via lower interest rates, which is now

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providing the strongest lift to the markets since June 2020. The majority of investors now expect the Fed funds rate to be cut by 50-75 basis points in 2024. However, only 3% of respondents forecast rate cuts of 100 bps or more. These lower interest rate expectations have meanwhile pushed investors to lower their anticipated US dollar index forecasts. The September survey signals the most bearish view for the dollar since December 2022.

Which of the following best describes your anticipated path for the Fed funds rate in the remainder of 2024?

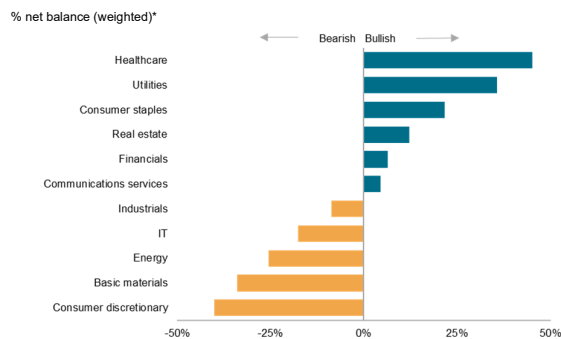


Sector preferences

In this environment, sector preferences have shifted further to the defensive. Most in favor are healthcare, utilities, and, to a more modest degree, consumer staples. The prospect of lower interest rates has also helped push investor appetite for real estate to its highest since August 2021 and also encouraged more interest in financials.

At the other end of the scale, worries about slower economic growth have pushed investor sentiment toward consumer discretionary sharply lower, with basic materials also suffering the worst investor favor for two years. However, the sharpest negative swing in investor sentiment has been seen for energy, as economic growth worries push sentiment to its lowest since November 2020. Negative views toward industrials are meanwhile at their lowest since last October and tech sentiment is at its lowest ebb since January.

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

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

"Risk appetite has slumped in September, according to S&P Global's Investment Manager Index. Investors are fretting about valuations amid intensifying political uncertainty and recession risks. Risk aversion is now at its highest since May of last year as investors see the chances of a near-term market fall at their highest since January.

"Sector preferences have accordingly rotated toward defensives, led by healthcare and utilities. Growth worries have meanwhile pushed sentiment for energy stocks to its lowest since late 2020 and also driven favor away from basic materials, industrials, consumer discretionary, and tech.

"Encouragingly, some recovery for the S&P 500 is signaled for the year-end, fueled by lower interest rates. Importantly, the majority of investors surveyed only see the Fed having to cut by 50-75 basis points in 2024, achieving a soft landing by avoiding recession. However, the risk of recession is now deemed greater than at any time since last December, pointing to heightened uncertainty about the economic outlook compared to earlier in the year.

"While the prospect of lower interest rates has pushed investor favor for real estate to its highest for three years, it has also hit the outlook for the US dollar, for which bearish news is now their most prevalent since December 2022."

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

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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 assets under management. Data were collected between 3-6 September 2024.

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