News Release

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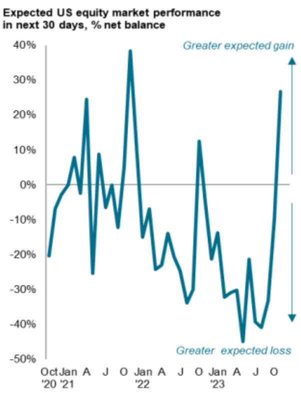
S&P Global Investment Manager Index™ (IMI™)

Risk appetite surges to two-year high amid hopes for peak rates

- Risk appetite revives as expectations of equity market returns hit two-year high in November.
- Concerns over US interest rates and fiscal policy fade, allaying US economic growth worries.
- Sentiment up markedly for rates-sensitive sectors.

Risk appetite

Near-term market outlook



Source: S&P Global IMI survey.

Risk appetite has returned, according to S&P Global's Investment Manager Index™ (IMI™) survey. Overall US equity market sentiment is at its highest for two years, buoyed by expectations that the US will outperform the broader global economy amid easing headwinds from both monetary and fiscal policy, helping calm concerns over equity fundamentals and valuations. Increasingly bullish sentiment is consequently seen for energy and tech, and bearish views have softened markedly for interest-rate sensitive sectors such as financials, real estate, and consumer discretionary.

The IMI's headline **Risk Appetite Index** has jumped from -8% in October to +13% in November, moving into positive territory for the first time since October of last year and registering the highest degree of 'risk-on' sentiment recorded by the survey since December 2021.

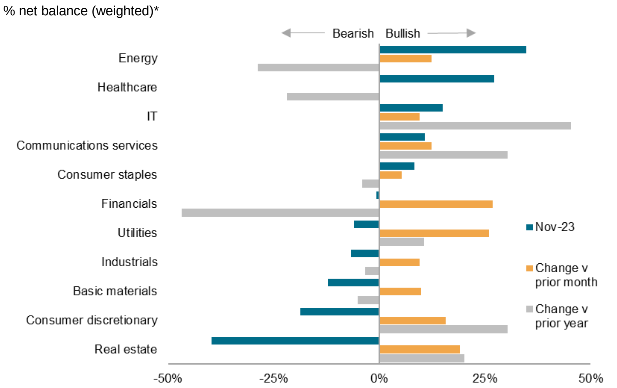
The return of risk appetite was accompanied by a marked improvement in the near-term market outlook. Survey **expectations of US equity market returns** have risen sharply, with net bullish views contrasting with the bearishness recorded over the prior 12 months. The overall degree of market bullishness regarding returns is the highest for two years, and the second highest since the survey began in October 2020.

Sector preferences

Looking in more detail, bullish views prevail for five out of 11 sectors, with energy reclaiming the top spot from healthcare. Sentiment has also continued to improve for IT/tech, communications services, and consumer staples. Tech has notably now seen the biggest improvement in sentiment of all sectors over the past year, leading to the most bullish stance on the sector since August 2022.

Bearish sentiment has meanwhile eased for all other sectors compared to October, in some cases considerably. While financials saw the biggest month-on-month improvement of all sectors in November, followed by utilities, negative sentiment has also moderated significantly for real estate and consumer discretionary, albeit with these remaining the two bottom ranked sectors.

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.

What's driving sentiment?

In terms of the drivers of investor sentiment, the biggest change in November is an easing in the perceived drag from central bank policy, which is now at its weakest for two years amid growing conviction that interest rates have peaked. The degree of negativity around fiscal policy has also moderated, thanks in part to the resolved House Speaker crisis. However, the political environment remains the largest perceived drag, due mainly to concerns over the Israeli-Gaza conflict.

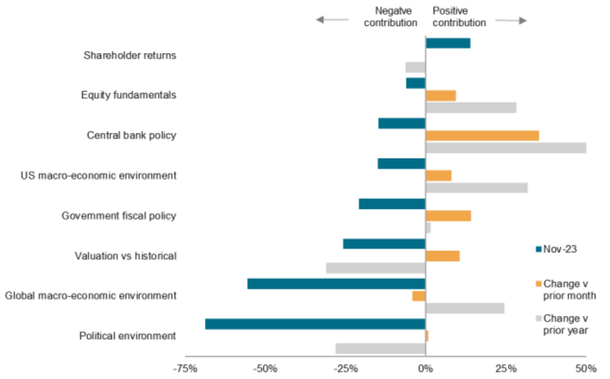
The perceived drag from the US macro economy has meanwhile moderated, contrasting with an intensification of the drag from the broader global economy to the highest for ten months. This divergence hints at investor expectations for a widening relative US economic outperformance.

The perceived drag from equity fundamentals has also continued to moderate, hitting the lowest for nearly one-and-a-half years, though remains negative.

Shareholder returns consequently remain the only factor providing an overall support to expected returns over the coming months.

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

% survey net balance*



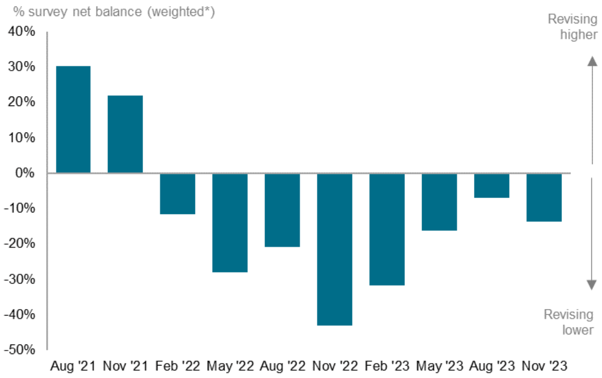
* The net balance shows the percentage of those reporting an expected positive contribution minus those expecting a negative contribution. Those only reporting a 'slight' positive or negative contribution count as half a response, while those reporting a 'strong' positive or negative contribution count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

Source: S&P Global IMI survey.

Earnings estimates

The overall brighter picture presented by the monthly IMI results is tempered, however, by the findings of a special report on earnings. The recent flow of Q3 earnings results has led investors to revise down their earnings forecasts for the next quarter on average, acting as reminder of investor concerns over near-term profits.

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



Data compiled November 2023.
Source: S&P Global Market Intelligence.
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Commentary

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

"A growing conviction that the Fed has reached peak rates, combined with the resolution of the House Speaker impasse, has lifted US equity market investor sentiment to its highest for two years. That said, the market clearly sees various persistent headwinds to earnings, notably from gathering gloom about economic growth outside of the US and the potential intensification of geopolitical tensions. The bottom line is that, while cautious optimism prevails, the market looks like it needs more signs of improved economic prospects before a turning point in sentiment is clearly evident."

Commenting on the results, **Mohammad Hassan, Head of APAC Dividend Forecasting at S&P Global Market Intelligence**, added:

"While the recent Fed speak may have calmed market nerves as the US central bank appears to pause its hiking cycle, there remain considerable uncertainty. Corporate earnings have been a mixed bag in the third quarter and forward-looking guidance has been more measured to reflect the challenging economic climate. In this environment, forward-looking dividend estimates and expectations on share buybacks will likely be tested over the coming months."

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

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Note to Editors

This 38th edition of the Investment Manager Index™ (IMI™) survey includes data collected between November 1-5, 2023, from a panel comprising approximately 300 participants employed by firms that collectively represent approximately $3,500 bn assets under management.

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