

Embargoed until 1000 EST (1500 UTC) 14 February 2023

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

Risk aversion cools amid growing hopes of a ‘soft landing’

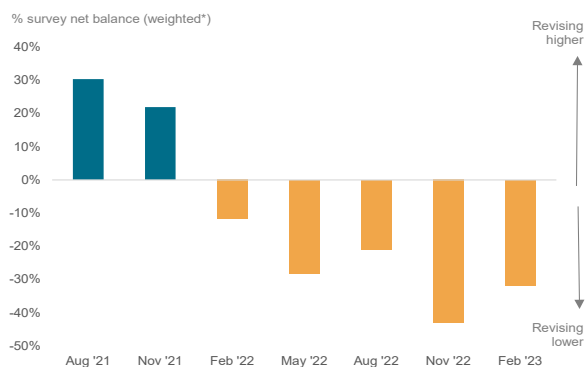
- Risk appetite remains negative amid expectations of further market losses and lower earnings expectations.
- But overall degree of risk aversion moderates as market headwinds from macro environment and higher interest rates show signs of fading.
- Energy, healthcare, and financials ranked as most favored sectors, while real estate is least favored. Tech stock sentiment lifts from lows.

Data collected 8-12 February 2023

The Risk Appetite Index from S&P Global’s [Investment Manager Index™](#) (IMI™) monthly survey, which is based on data from around 300 US equity market institutional investors operating funds with assets under management of around \$3.5 trillion, remained in negative territory at -5% in February. The persistent risk aversion is in part linked to the near-term outlook for returns being the second-lowest recorded since survey data were first available in October 2020. The survey’s Expected Returns Index fell sharply from -14% in January to -32% in February; a low that has only been exceeded back in August of last year.

Investors have also revised down their earnings expectations sharply in the light of the latest results season. Given the latest earnings season, some 37% of investors have revised lower their expectations for next quarter’s earnings..

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



Source: S&P Global

Just 5% have revised them higher. The resulting net balance of -32% indicates a downbeat view of a degree that has only been beaten once, by the reading of -43% recorded back in November 2022.

More encouragingly, although negative, the overall degree of risk aversion has fallen to the lowest since November, reflecting a perceived easing of many market headwinds.

Risk appetite



Near-term market performance



Source: S&P Global.

In terms of what’s driving the market, shareholder returns remain the only supportive factor to equities, with dividends and share buybacks rising in importance compared to prior surveys. Over two-thirds of respondents indicate an increased emphasis on cash dividends in their investment decisions in the coming quarter.

However, the perceived drags have moderated from all other factors bar valuations. In particular, February is seeing a substantial easing in concerns over the macroeconomic environments in the US and abroad, as well as over central bank policy, to hint at a growing anticipation of a potential ‘soft landing’ for the economy.

Looking at sector preferences over the next 30 days, bearish sentiment remains strongest for real estate, while energy and healthcare remain the most-favored sectors, followed by financials. Both industrials and basic materials sectors saw renewed bullish sentiment.

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Sentiment meanwhile shows further signs of shifting from consumer staples to consumer discretionary, hinting at reduced recession fears, and sentiment towards tech has lifted sharply from the survey low seen in January.

Commentary

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

“A risk-averse mood persists among US equity investors, according to the latest IMI survey, with further market losses anticipated in February and the recent earnings season leading to a further downward reappraisal of the earnings outlook. However, the overall degree of risk aversion is showing signs of moderating, linked to a perceived calming of the headings facing equities. In particular, concerns have lessened over the macro environment and central bank policy, reflecting a growing view that the economy may see a ‘soft landing’ whereby a recession can be avoided despite higher interest rates. Cyclical sectors such as consumer discretionary, industrials, and basic materials are also showing signs of gaining favor.”

Mohammad Hassan, Associate Director in the S&P Global Dividend Forecasting team, added:

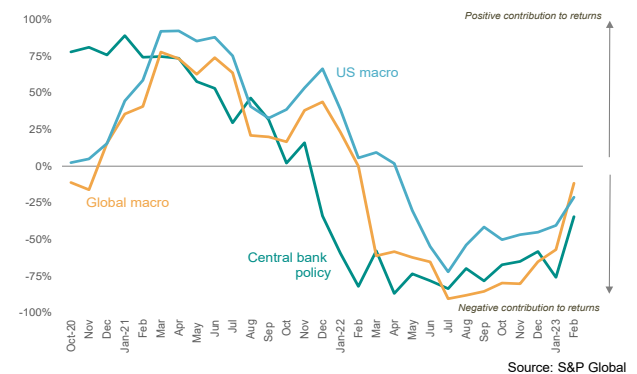
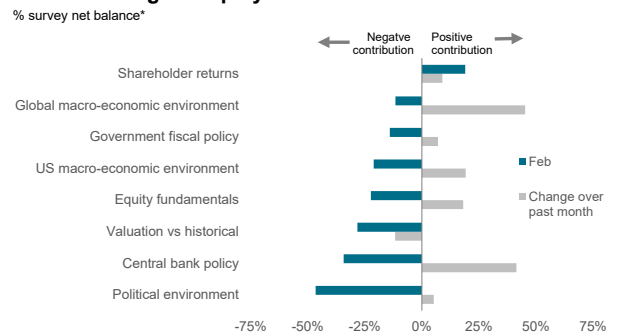
“An increasing interest in cash dividends recorded by the survey would suggest that large institutional investors are seeking the margin of safety that high yield dividend stocks can offer during period of market uncertainty. Furthermore, assuming the most aggressive of Fed interest rate hikes are behind us, this should provide sufficient upside for high yield and dividend growth stocks as well – in addition to the dividend income over the short-to-medium run.”

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

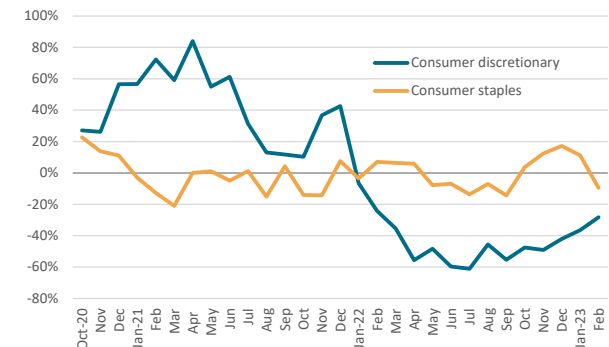
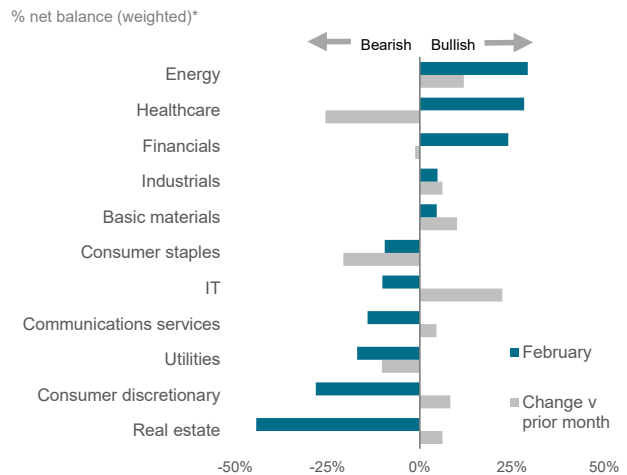
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What's driving US equity market returns?



What is your outlook on the following sectors 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

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Note to Editors

This 29th edition of the Investment Manager Index™ (IMI™) survey includes data collected between 8-12 February 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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