News Release

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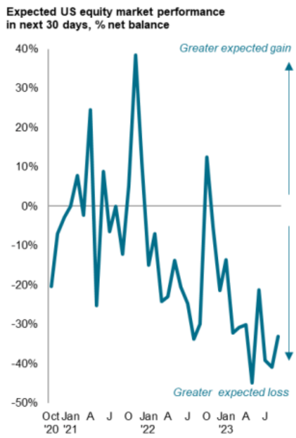
S&P Global Investment Manager Index™ (IMI™)

Risk aversion cools in September thanks to easing US recession risk

- Risk aversion prevails but moderates in September after worries intensified in August.
- Concerns over the US economy and interest rates ease further as recession risks soften.
- Broader global economic worries intensify, adding support to US dollar outlook.
- Energy and healthcare most in favor, but tech sees revived interest. Sentiment slides for financials.

Risk appetite

Near-term market outlook



Source: S&P Global IMI survey.

Risk aversion prevails among US equity investors this month, according to S&P Global's Investment Manager Index™ (IMI™) survey, with the headline Risk Appetite Index continuing to run in negative territory at -9%. However, the index has risen from -24% in August to signal a reduced degree of risk aversion. Having intensified in August, risk aversion is now at its lowest since February.

Similarly, the survey's gauge of expected equity market performance over the coming month continues to signal falling market expectations, though the degree of bearish sentiment has now moderated to the lowest since June.

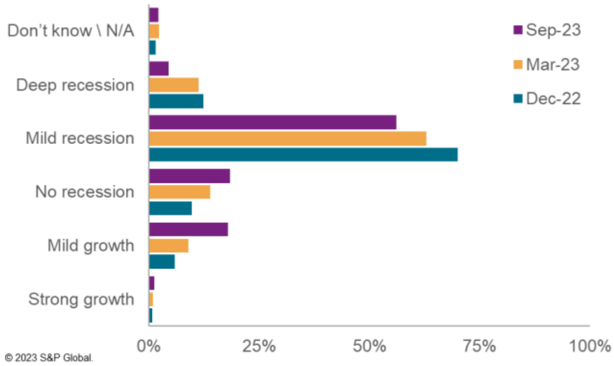
The IMI survey is based on data from around 300 US institutional investors, operating funds with assets under management of around $3.5 trillion, and has been conducted monthly by S&P Global since October 2020.

What's driving the market?

In addition to monitoring marketing sentiment with respect to risk appetite and near-term returns, the survey also tracks investor views of various factors driving returns. In this respect, a key development in September has been a reduction of investor concerns regarding the US economy and interest rates.

The perceived drag on equities from the US macro environment has calmed, especially markedly over the past four months, to now sit at the lowest for nearly one and a half years. This in part reflects a pullback in perceived recession risks since earlier in the year. Although at 60%, the majority of investors still see a recession over the coming year as the most likely scenario, this is down from 74% back in March and 82% at the end of last year. Moreover, only 4% of investors anticipate a deep recession.

Which of the following that you feel best reflects the current 12-month outlook for the US economy?



The past two months have seen a concomitant cooling of concerns over the impact of higher interest rates on US equities. The perceived drag from central bank policy is now running at its lowest for almost two years albeit, like the US macro environment, still seen on balance as a negative force on the market. At the same time, the perceived drag from fiscal policy has softened to exert the weakest pull on the market since December 2021, linked to fewer budget concerns and stimulus from the IRA and CHIPS acts.

In contrast to the moderating concerns over the US macroeconomy, the survey is seeing heightened worries

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about the broader global economy. These fears are linked to recent signs of slower growth and deflation in mainland China and rising recession risks in Europe. The perceived drag from the wider global economy on US equities has hence intensified in September to its highest since January.

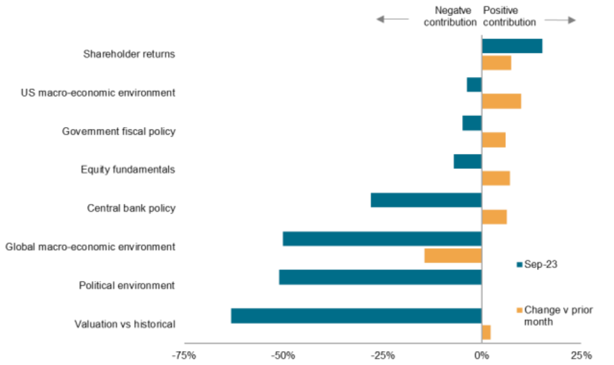
This anticipated outperformance of the US economy against major trading partners, notably in Europe, has helped add to investor bearishness over the dollar. Expectations of a strengthening of the Dollar index have picked up since data were last collected in March. Some 36% of investors now see the DYX pushing higher in 2023 compared to 25% expecting a decline.

Valuations remain the strongest drag on the market for a second successive month, followed by the political environment. While the perceived drag from valuations has eased slightly on August, it remains the second highest for just over one and a half years.

That leaves shareholder returns as once again the only factor perceived to be supporting market returns in September.

What's driving US equity market 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.

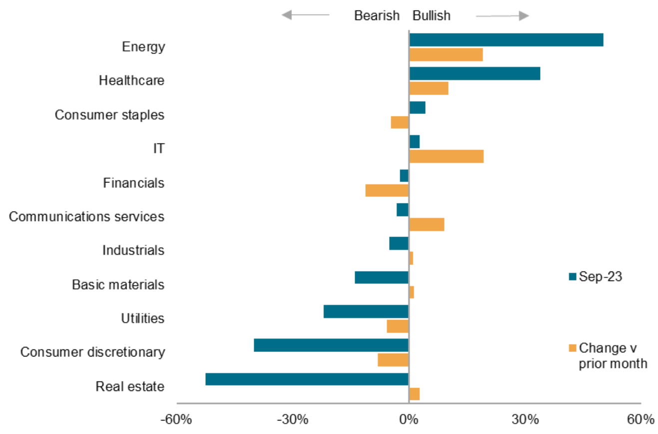
Source: S&P Global IMI survey.

Sector preferences

Looking at sector preferences, IT/tech and energy saw the largest improvements to investor sentiment, followed by healthcare and communications services. Energy consequently retained its top spot in the rankings for the second month. Financials saw the largest drop in favor, though bearish views remained most widespread for real estate and consumer discretionary.

What is your outlook on the following sectors for the next 30 days?

% net balance (weighted)*



* 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 caution and risk aversion prevails, with sentiment remaining gloomy about near-term market prospects, especially amid current valuations.

"September is nevertheless seeing some further moderation in the risk-off mood, fueled in particular by reduced concerns about the US economy and the impact of higher interest rates. That said, the majority of investors polled by the survey seem to doubt the 'soft landing' scenario, albeit with US recession risks cooling compared to earlier in the year to hint at only a modest downturn.

"In contrast, worries have intensified about economic performance outside of the US, linked to concerns about recessions in Europe and China's faltering recovery. The outperformance of the US economy, and search for safe havens amid the darkening global economic outlook, have consequently buoyed prospects for the dollar amongst the survey panel."

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

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Note to Editors

This 36th edition of the Investment Manager Index™ (IMI™) survey includes data collected between September 1-8, 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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