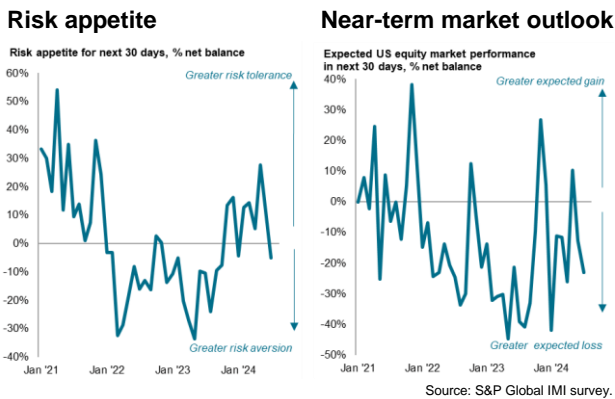


Embargoed until 0001 EDT (0401 UTC) 9 July 2024

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

Equity investors become risk averse in July as sentiment hits nine-month low

- Risk appetite falls to lowest since last October.
- Sentiment marred by US and global economic growth worries, political uncertainty, and valuations, but central bank policy becoming more supportive.
- Tech displaced by healthcare and energy at top of rankings amid risk aversion.



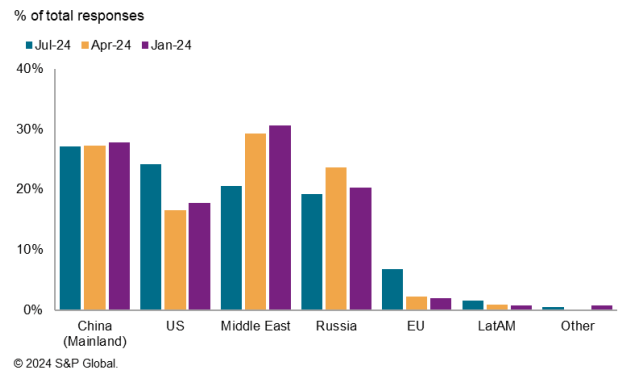
Risk appetite has waned in July, according to S&P Global's [Investment Manager Index™](#) (IMI™) survey. The IMI's headline Risk Appetite Index has fallen further from a two-and-a-half-year high in May, dropping to its lowest since last October – and signaling net risk aversion for the first time since January. The index now sits at -5% from +11% in June.

Investors have also become increasingly pessimistic about near-term returns. The index of expected returns over the next 30 days now sits at a three-month low.

Market drivers

The political environment and valuations continue to be seen as the biggest drags on the US equity market. Geopolitical worries are now the highest since January, dominated by heightened concerns over the presidential election as well as rising worries over political instability in Europe. US-related risks are now second only to those perceived to be emanating from mainland China. Key areas of risk, and therefore drags on the market, also remain the Middle East and Russia, though these regions have seen reduced risk sentiment compared to earlier in the year.

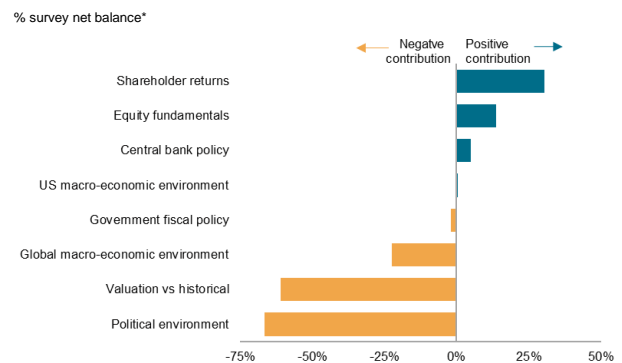
Where do you see the highest source of geopolitical risk to US equities emanating from in 2024?



However, macroeconomic factors are now also viewed as an increasing drag on the market, with investors seeing the global economy in particular as detrimental to equity returns. In contrast to viewing the global economy as being supportive to US equities in June, the global macro environment is now perceived to be acting with the strongest drag since February. Meanwhile, the US economy, which had been seen as being especially strongly supportive to equities earlier in the year, is now seen as having only a neutral impact, representing the lowest degree of support seen so far this year.

At the same time, fiscal policy is now being viewed as a net drag on equities for the first time since February.

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.

News Release

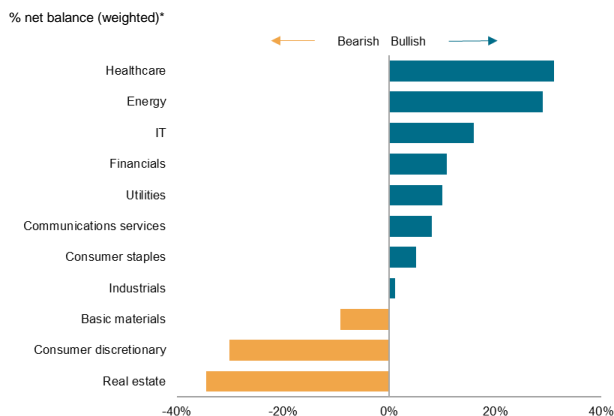
That leaves shareholder returns and equity fundamentals as the two main sustained drivers of equities, though even here the perceived support has waned. More encouragingly, central bank policy is now viewed as supportive to equities for the first time since January, reflecting a growing belief that slower economic growth and lower inflation will open the door for interest rate cuts later in the year.

Sector preferences

This changing risk sentiment is accompanied by shifting sector preferences. Net bullishness is observed for eight of the 11 sectors tracked by the IMI in July, down from nine in June. The healthcare sector has returned to the top spot in July and there is a downshift in sentiment towards tech/IT, which had led the rankings in June but now sits in third place. Energy has meanwhile seen the most pronounced improvement in sentiment among the sectors compared to June, now ranking in second place.

Financials have also moved up the rankings despite a slight cooling of bullish sentiment. Sentiment also moderated for utilities, communication services, consumer staples and industrials, though basic materials is the only sector to see sentiment turn from bullish to bearish in July. However, consumer discretionary and real estate remain bottom-ranked in July, with the latter least favored.

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:

"US equity investors have turned risk averse in July. Risk appetite has cooled for a second month running, according to S&P Global's IMI survey, meaning a risk-off mood now dominates for the first time since January.

"Rising geopolitical risks and high valuations are front of mind for investors, with uncertainty over elections both at home and abroad leading to additional market nervousness alongside worries over ongoing conflicts in the Middle East and Ukraine.

"Higher-for-longer interest rates continue to cause additional weak sentiment, in particular toward real estate, although the July survey was notable in showing some signs that central bank policy is starting to become more supportive to near-term equity performance.

"However, this more supportive rates environment in part reflects growing concerns over weakening economic growth prospects, both in the US and globally. Having been a strong driver of expected market returns earlier in the year, the US economy is now seen as having a neutral impact on equities. The broader global environment is now seen as a substantial drag.

"It is of course very difficult to divorce the impact of economic and political risk on equities, but safe to say that both are acting as increasing headwinds as we head into the second half of the year."

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

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Note to Editors

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