News Release

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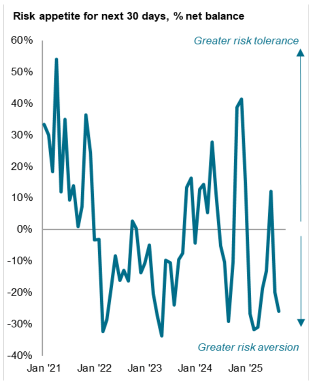
S&P Global Investment Manager Index™ (IMI™)

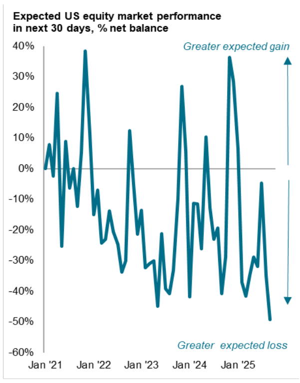
Equity investor risk aversion intensifies amid concerns over political environment and valuations

- Investors grow more risk averse in September.
- Rate cut expectations rise and recession risks ease, but valuation concerns and political uncertainty dominate.
- Sector preferences shift more defensive with tech appetite waning.
- Dollar bearishness moderates.

Risk appetite



Near-term market outlook



Source: S&P Global IMI survey.

Risk aversion has intensified among US equity investors in September, according to S&P Global Investment Manager Index™ (IMI™) survey. Although the survey is seeing a growing conviction that the FOMC will cut interest rates more aggressively, and that the US will increasingly likely avoid recession, concerns over valuations and the political environment continue to dominate, dampening sentiment and ensuring sector preferences remain firmly defensive.

The IMI's Risk Appetite Index has fallen to -26% in September from -20 in August, dropping to its lowest since April to signal increased risk aversion. Bar only July, risk aversion has now been the dominant theme since February, but the degree of risk aversion has been especially marked over the past two months.

The heightened risk aversion is accompanied by a further deterioration in expected equity returns among US equity investors. Near-term expectations regarding US equity market performance are now down to the lowest recorded since survey data were first collected in October 2020, representing a major contrast to the upbeat views on expected returns seen at the start of 2025.

What's driving the market?

The biggest drag on the market is coming from concerns over valuations, worries which are now at an unprecedented level for the survey. However, a further key drag is coming from concerns over the political environment, where worries about the impact on equities have intensified to a degree not seen since June.

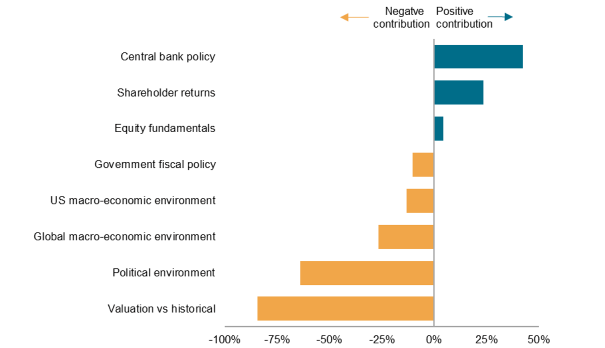
While the global macroeconomic environment is also viewed as an increasingly negative factor for US equities, the perceived drag from the US economy has moderated, as have concerns over fiscal policy. US growth projections have improved among the IMI survey respondents on average, albeit remaining less bullish than seen at the end of last year, with the economic picture having brightened in part by shifting views on central bank policy.

Monetary policy was viewed as having a neutral effect on equities in August, but is now seen as the strongest market driver, and to an extent not recorded since last November. This reflects a growing conviction among survey respondents that the FOMC will act more aggressively in terms of rate cutting over the rest of 2025.

However, lower rate prospects are not seen as helping equity fundamentals. Instead, growing caution in relation to earnings prospects means equity fundamentals are seen as having a reduced positive impact on the equity market, contrasting with improved perceptions toward shareholder returns.

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

% survey net balance*



* The net balance shows the percentage of investors 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.

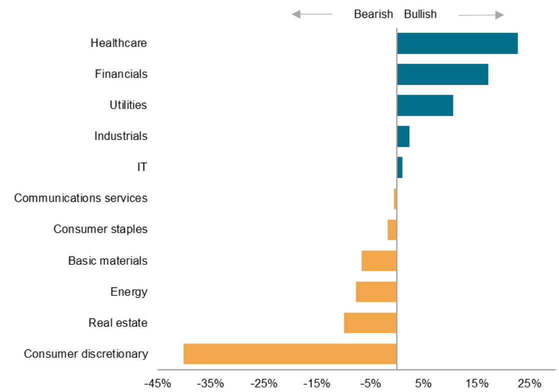
Source: S&P Global IMI survey.

Sector preferences

The risk averse mood is underscored by typically defensive stocks topping the ranking of investor sector preferences in September. Healthcare is in the lead, followed by financials and utilities. Consumer discretionary has meanwhile consolidated its bottom ranking amid growing investor concerns over household spending.

However, hopes for lower interest rates have helped ease negative sentiment toward real estate to its lowest since last November. Aversion toward energy, basic materials and consumer staples has also moderated, reflecting brighter US economic prospects. While tech stocks remain in favor, appetite has waned markedly to its lowest since April amid concerns over valuations.

What is your sector outlook 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

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

"Institutional investors have grown increasingly nervous in relation to US equites in September. Risk aversion has intensified, and investors have grown more convinced of the market losing value of the coming month to a degree not previously seen since survey data were first collected in late 2020.

"Worries are based on concerns that valuations are looking increasingly stretched given the current economic outlook and political environment. While recession risks have eased, and US economic growth prospects have improved among survey respondents compared to earlier in the summer, there is growing concern that earnings potential has deteriorated in the current economic and political landscape. Hence, sector preferences have shifted further to the defensive."

For a copy of the full report and data, please contact economics@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 in assets under management. Data were collected between September 1-5, 2025.

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