

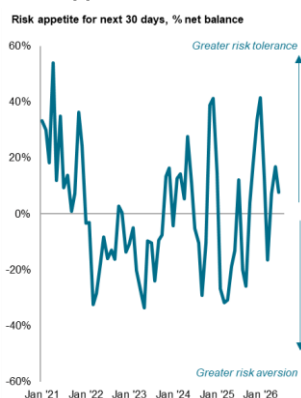
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S&P Global Investment Manager Index™ (IMI™)

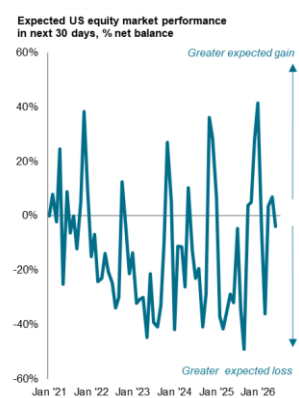
Fund manager risk appetite cools in June as war in the Middle East extends into fourth month

- Investor risk appetite remains positive but has moderated, with expectations of the market losing value in June and expected to achieve only modest gains over the rest of the year.
- Concerns hinge on geopolitics and the impact of higher prices from the war, with growth outlook dampened and interest rates expected to rise.
- Investors pivot further from consumer-focused and real estate sectors to basic materials and energy.

Risk appetite



Near-term market outlook



Source: S&P Global IMI survey.

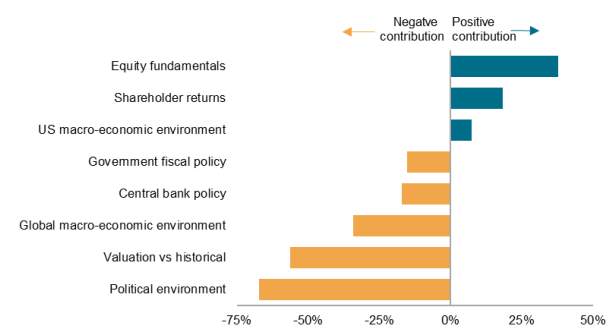
Investor risk appetite has cooled in June, according to S&P Global’s Investment Manager Index™ (IMI™), as the political environment and high valuations continue to weigh on market sentiment, combined with worries over higher interest rates and recession risks. The war in the Middle East has meanwhile led to further sector rotation toward stocks benefiting from war-related pricing power and away from those where affordability issues persist.

The IMI’s Risk Appetite Index, the headline indicator from a monthly survey of nearly 300 institutional investors managing funds in excess of \$3,500bn, has fallen from +17% in May to +8% in June. While still in positive territory to indicate that more fund managers are prepared to take on risk than have become risk averse, the reading is notably down on May and levels seen prior to the outbreak of the war.

The principal drag on expected equity returns remains the political environment, as has been the case since

February, reflecting the outbreak of war and ensuing supply chain and energy market disruptions.

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



Data compiled June 2026.
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 Investment Manager Index survey.
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High market valuations remain the second greatest drag on the market. The survey data indicates that investors only expect a modest (3%) gain for the S&P 500 over the rest of 2026 after the strong start to the year, which has so far seen the S&P500 rise around 11%, with a potential pullback signalled for June. Investor expectations of market returns over the coming month have deteriorated, with a net decline indicated for the first time since March.

This more subdued performance in the second half of the year also reflects a major change in investor expectations of interest rates from the US Fed. Back in March, the most common expectation among fund managers was for the Fed to remain on hold in 2026, with bias toward cutting, but the June survey has seen this shift towards a more hawkish average expectation of up to 50 basis points of hikes. Central bank policy is consequently now considered to be acting as the biggest drag on equity returns since February of last year, contrasting with the strong positive impetus from policy seen at the start of the year.

A further key drag on equity returns is the global economic environment, perceptions of which turned strongly negative on the outbreak of the war and have remained bearish into June.

Perceived US recession risks have also risen, though investor perceptions regarding the US economy

News Release

remain positive on balance for a second successive month in June. The percentage of respondents expecting a recession over the next 6-12 months has risen from 11% in March to 17% in June, resulting in an overall less bullish outlook for the US economy compared to earlier in the year and a reduced expected boost to equities than anticipated in May.

A notable change also comes from deteriorating views on fiscal policy, which is seen as dragging on equities to the greatest extent for a year. This represents a further deterioration in views on the fiscal side, which had been seen as a major driver of equities at the start of the year.

That leaves equity fundamentals and shareholder returns as the major positive contributors to expected market returns in the coming month. Though even here, the June survey sees a reduction in anticipated impetus compared to May in response to some softening of profitability and earnings expectations as the war and its related economic disruptions extend into a fourth month.

War drives sector rotation

While tech remains in favor, though to a lesser degree than May, the survey reveals an ongoing dichotomy between those stocks expected to benefit from the conflict in the Middle East and those expected to be impacted by higher inflation resulting from the war.

Besides IT, sectors most in favor in June are basic materials, industrials and energy, reflecting strong pricing power in these sectors amid concerns over war-related shortages. Basic materials in fact tops the rankings for the second time in three months, having previously been most favored only back in 2021.

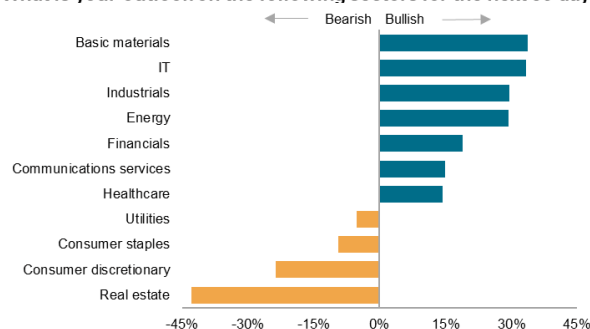
Only basic materials and energy saw any improvement in investor sentiment in June.

While financials, communication services and healthcare are also in favor, all see diminished investor interest compared to May.

Investors remain heavily averse to inflation and interest rate-sensitive stocks, however, often reflecting concerns over affordability and higher interest rates resulting from the spike in prices caused by the war. Real estate is hence most out of favor for the seventh time in the past eight months, with sentiment hitting the lowest since March 2024.

Consumer discretionary is second-most out of favor, followed by consumer staples, with both hit by affordability concerns. Utilities have meanwhile slipped out of favor for the first time since February 2025.

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



Data compiled June 2026.
* 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 Investment Manager Index survey.
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Commentary

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

"While May had seen investors become more bullish amid growing hopes for a resolution to the conflict in the Middle East, June has seen some of the optimism fade, causing fund managers to ratchet in their risk appetite somewhat and reassess expectations for the market over both June and the rest of the year. Only a modest 3% gain is now expected by the survey respondents for the S&P500 up to the year end.

"Sector preferences remain heavily skewed to those enjoying pricing power from the war. Energy is the obvious candidate here, but with growing signs of companies seeking to build stocks amid rising supply and price concerns, as indicated by recent global PMI surveys, basic materials and industrials are also enjoying buying interest.

"Growing affordability concerns stemming from the extended conflict meanwhile continue to hit demand for consumer-oriented stocks, though most out of favor is real estate, reflecting a marked change in rate expectations. Whereas IMI surveyed investors had previously expected Fed policymakers to sit on their hands through to the end of the year, the average expectation is now for modest rate hikes."

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

Continued ...

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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 June 1-3, 2026.

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