News Release

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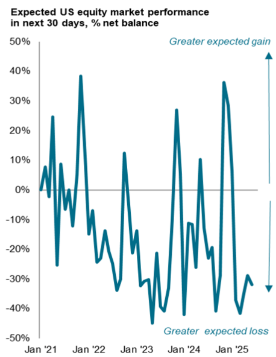
S&P Global Investment Manager Index™ (IMI™)

Risk aversion eases further, but investors see little scope for market gains

- Investor risk appetite remains negative, but bearishness eases for the second month.
- Year-end equity expectations remain subdued.
- Political environment remains the most important drag, but macro factors plus fiscal and monetary policy are also seen as pulls on the market.
- Inventors favor tech most, while shunning real estate and consumer discretionary.

Risk appetite

Near-term market outlook



Source: S&P Global IMI survey.

US equity investors remain highly risk averse in June on average, according to the S&P Global Investment Manager Index™ (IMI™) survey, though the degree of pessimism has eased for a second successive month to its lowest so far this year.

The IMI's Risk Appetite Index rose to -13% from -19% in May. While the latest reading is the highest since January to signal a further easing in the level of bearishness from March's recent low, the index is still firmly in negative territory to indicate that risk-averse investors are in the majority.

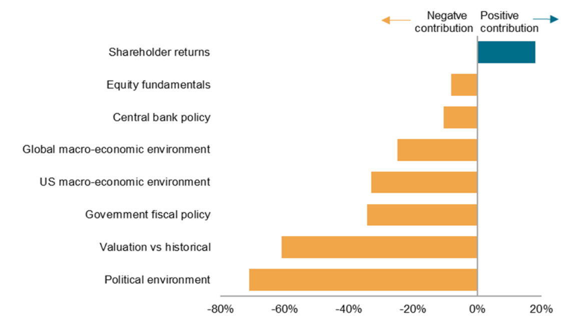
Furthermore, despite the moderation of risk appetite, **expectations of US equity returns over the coming month have meanwhile become less optimistic** than in May. This paring back of expectations has followed recent market gains and is reflective of investor skepticism over this market strength. At 6,000, the median expectation among IMI-surveyed investors is for the year-end S&P 500 to be just 2% up on 2024's year-end. That compares with a 24% gain in 2023 and a 23% rise in 2024.

What's driving the market?

For a third successive month, **the political environment is perceived as exerting the biggest drag on equities** of all factors tracked by the IMI, followed this month by valuations, concerns over which have revived following the market recovery from April's lows. **Fiscal policy concerns also remain highly elevated**, largely attributable to worries over the budget deficit.

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

% survey net balance*



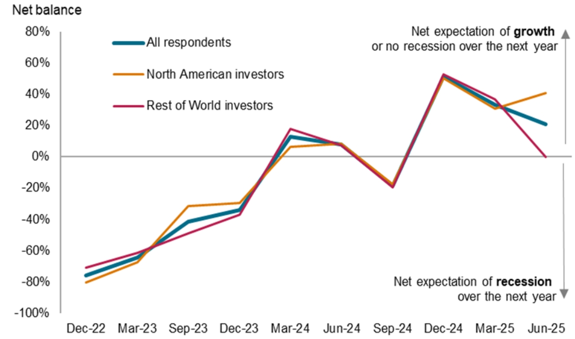
* The net balance shows the percentage of investors reporting an expected positive contribution minus those expecting a negative contribution. Those only reporting a 'slight' positive or negative contribution count as half a response, while those reporting a 'strong' positive or negative contribution count as one-and-a-half responses.

Source: S&P Global IMI survey.

The **US macroeconomic environment is also again cited as a major drag on equities, as is the broader global macro environment**, though to a lesser degree. Non-US investors have become increasingly concerned about the possibility of US recession, and on balance, investors see reduced US growth prospects compared to earlier in the year, yet with recession still avoided.

IMI survey US economy projections for next 12 months

Net balance



While recession is expected to be avoided, the corollary is that **central bank policy is seen as exerting its strongest drag on equities since March**, reflecting views that the FOMC has become more limited in scope to lower interest rates amid economic resilience and tariff-linked inflation.

However, whereas the majority (54%) of investors see the FOMC as cutting the fed funds rate by up to 50 basis points in the second half of 2025, 20% anticipate the need for more aggressive action, while just 2% see a hike as the next policy change, hinting that investors see the **policy risk skewed toward more aggressive easing**.

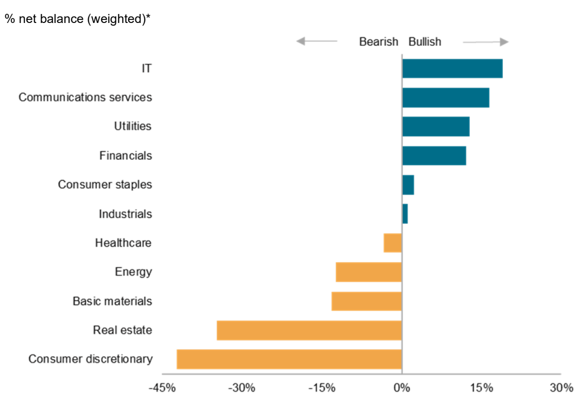
The gloomier economic outlook, tied to a loosening FOMC bias, has contributed to the **most bearish view toward the US dollar recorded since comparable data were first collected in late 2022**, exacerbated by political instability and deficit concerns.

Equity fundamentals continue to be seen as a net drag on equities due to the denting of earnings potential caused by weaker economic growth, higher costs, and broader tariff-related uncertainty, albeit to a reduced degree compared to April and May, reflecting the moderating concerns over tariffs. That once again **left shareholder returns as the only factor seen as supportive to equities in June**, in part reflecting anticipated support from buybacks.

Sector preferences skewed by tariffs and policy changes

Net bullishness is observed for 6 of the 11 sectors tracked by the IMI in June. **Interest in tech/IT and communications services has risen especially sharply** to push these to the most heavily favored spots in June.

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.

While some defensive positioning has ensured utilities and consumer staples also remain in favor alongside financials, **reduced concerns over tariffs have helped push industrials back into favor,** albeit only marginally, and have led to reduced bearishness toward basic materials.

Concerns over higher interest rates have, however, helped keep real estate and consumer discretionary firmly out of favor, and forecasts of weak economic growth have deterred investment toward energy. Worries over Medicare have meanwhile helped push **healthcare out of favor for the first time since data were first available in 2020**.

Commentary

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

"Investor sentiment has improved for a second successive month in June, but it remains heavily skewed toward risk aversion, with very limited gains being penciled in for the rest of the year. Surveyed asset managers are expecting just a 2% gain for the S&P 500 for the year-end, which pales in comparison to the 20% plus gains seen in the past two years.

"While the survey has seen some calming of worries over tariffs, the political environment remains the biggest drag on equity performance. Fiscal worries surrounding the deficit and cuts in spending in areas such as Medicare are also driving risk aversion, with little scope for any boost to equities meanwhile seen from Fed rate cuts. Instead, investors see only limited scope for looser monetary policy amid a combination of resilient economic growth and employment, accompanied by inflation worries.

"Recession worries have nonetheless risen compared to earlier in the year, meaning that, despite some renewed appetite for tech stocks, investors are reporting ongoing defensive positioning in terms of sectors and a shunning of real estate and consumer discretionary, reflecting concerns over inflation, higher interest rates, and weak consumer confidence."

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 June 2-5, 2025.

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