News Release

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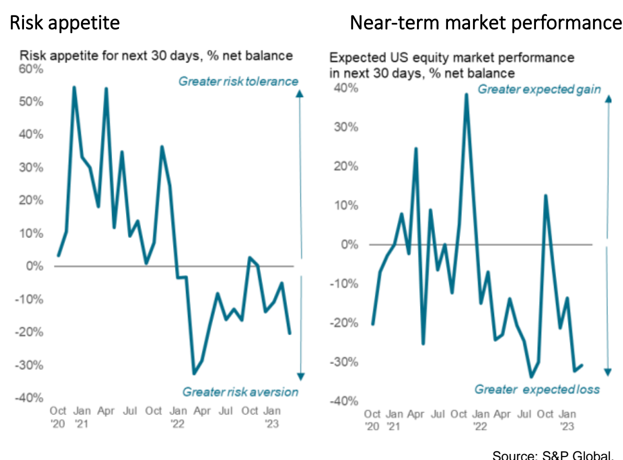
S&P Global Investment Manager Index™ (IMI™)

Rate worries and recession risks drive heightened risk aversion in March

- Risk appetite falls further into negative territory in March, led by heightened concerns among investors in North America
- Expectations mount of near-term market losses.
- Sector preferences move defensive. Real estate sees greatest investor pull-back in sentiment.
- Concerns intensify over impact of interest rates on equity returns amid persistent recession risk.

Data collected 8-13 March 2023



Source: S&P Global.

At -20% in March, down from -5% in February, the Risk Appetite Index from S&P Global's Investment Manager Index™ (IMI™) monthly survey, which is based on data from around 300 US equity market institutional investors operating funds with assets under management of around $3.5 trillion, has fallen further into negative territory.

Only in March and April of last year has the survey signalled a more risk averse mood since data were first collected two and a half years ago. Investors based in North America have become especially cautious, with risk aversion hitting a new survey high, though investors based elsewhere also remain risk averse on average.

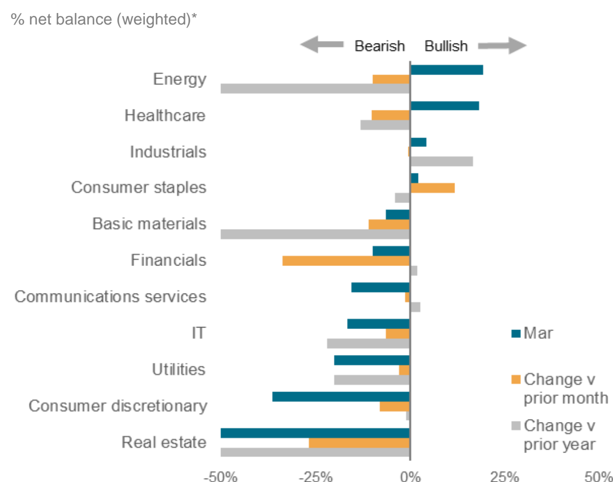
Expectations of near term returns also remain heavily negative, likewise running at one of the lowest levels seen in the history of the survey. Around half of all investors expect the US market to lose value in the coming month. Less than one-in-five expect it to gain.

Sector preferences

Sector preferences have followed the 'risk off' trend, with typical defensive energy and healthcare stocks leading the rankings, and sentiment shifting from consumer discretionary to consumer staples. In fact, only consumer staples have seen an improvement in sentiment since February.

Only real estate remains more out of favor than consumer discretionary, sentiment toward the former having been hit hard again in March to sit at a new survey low. An especially sharp deterioration in sentiment is also evident for financials, where bullish views over the prior five months have switched sharply to signal the most bearish stance since last August.

What is your outlook on the following sectors 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

What's driving the market?

Looking at what's driving the market, perceived drags have worsened for all factors bar shareholder returns, which remain the only supportive factor to equities for a fourth straight month.

The biggest drag is now coming from central bank policy, which has also seen its negative pull intensify to

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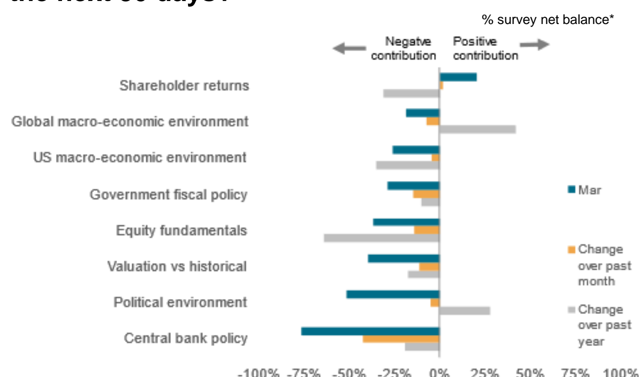
the greatest extent of all factors since February. This coincides with hawkish rhetoric from the FOMC and other central banks, in turn linked to news of stickier-than-anticipated inflation and a greater-than-expected resilience of economic growth in recent weeks. The latter helps explain why the macro environments both in the US and globally remain relatively modest perceived drags on the market.

However, it's clear that macro remains a drag: when asked about recession risks, survey respondents are signalling a mild recession as the most probably outlook for the US economy. Almost three-quarters of all survey respondents anticipate a recession of some degree, though only one-in-ten expect that recession to be deep

What's driving US equity market 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

Commentary

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

"Risk aversion has intensified with the IMI survey signaling the strongest risk-off stance since April of last year amid mounting expectations of near-term US equity market losses. US investors are especially concerned, expressing the strongest risk aversion since data were first available two and a half years ago.

"Sector preferences have accordingly grown more defensive, with energy and healthcare in most favor while sentiment has soured particularly sharply for financials and real estate.

"Fueling the darker mood is a stronger perceived drag from monetary policy in response to more hawkish central bank rhetoric. However, the macro environment, fiscal policy, the political environment, equity fundamentals and valuations are all also seen as increased drags, leaving shareholder returns as the only supportive factor to equities in March."

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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