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

Equity investor risk appetite at two-year high in December

- Risk appetite at a two-year high in December.
- Further market gains are anticipated for December and for 2024 as a whole.
- Improving sentiment recorded among a broadening spectrum of sectors.
- Fed rate cuts anticipated for 2024 by survey respondents amid expectations of a mild recession.
- US dollar is expected to come under pressure.

Risk appetite



Near-term market outlook



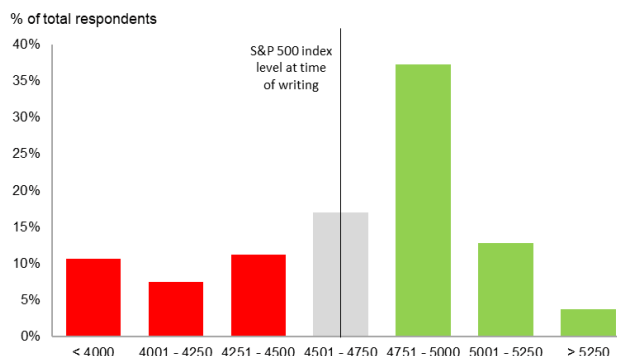
Source: S&P Global IMI survey.

Risk appetite has hit a fresh two-year high, according to S&P Global's [Investment Manager Index™](#) (IMI™). The IMI's headline Risk Appetite Index has risen from +13% in November to +16% in December, registering the highest degree of 'risk-on' sentiment seen since December 2021 and contrasting with the risk-averse mood that had dominated most of the prior two years.

The further revival of risk appetite is accompanied by a second month of improved near-term market expectations. Although failing to match the two-year high seen in November, the sustained optimism reported by survey respondents hints at further market gains to close off the 2023 calendar year. The past two months have consequently seen the best back-to-back trend in near-term expectations for two years.

The overall expectation is for the S&P 500 to continue to gain ground through to the end of 2024, albeit with the survey's median expectation of 4800 representing a modest 4.3% gain on the 4600-level seen at the time of polling).

What level do you expect the S&P 500 to end 2024?

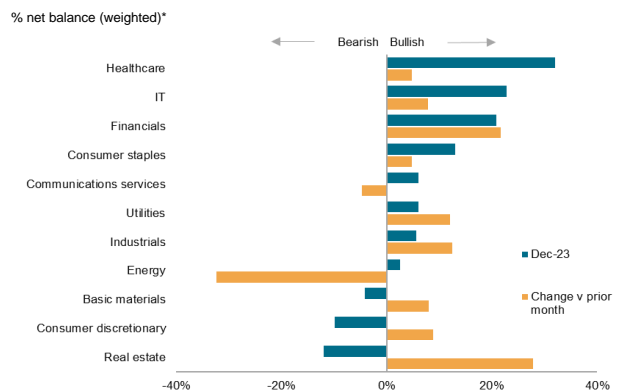


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Sector preferences

Encouragingly, the improvement in sentiment has become more broad-based. Although healthcare is seen as the most preferred sector, appetite has increased notably for tech and financials (hitting 24- and 10-month highs, respectively), as well as for industrials and utilities. The mood has also become considerably less bearish even for recent laggards real estate and consumer discretionary. A notable exception was energy, which has seen investor sentiment slump in December, though remaining mildly positive. In all, sentiment is now positive for 8 of the 11 sectors monitored by the IMI, the highest proportion recorded by the IMI for 2 years.

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.

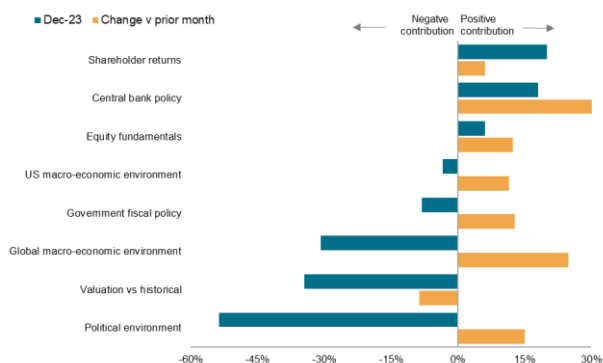
News Release

What's driving sentiment?

The main drivers of the improvement in market sentiment and risk appetite over the past two months have been changing views on central bank policy and the macroeconomic environment. However, perceived drags have also eased from the political environment and fiscal policy, helping to shore up views surrounding positive contributions from shareholder returns and equity fundamentals.

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

% survey net balance*

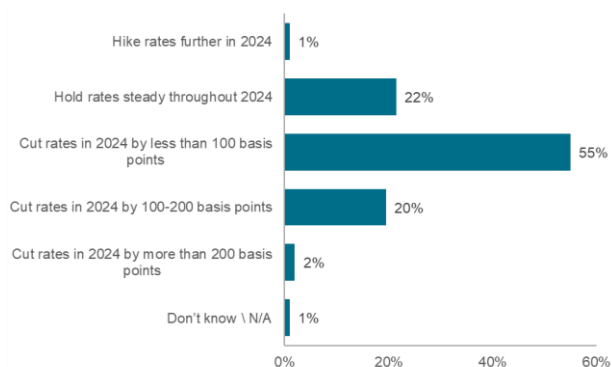


* The net balance shows the percentage of those reporting an expected positive contribution minus those expecting a negative contribution. Those only reporting a 'slight' positive or negative contribution count as half a response, while those reporting a 'strong' positive or negative contribution count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

Source: S&P Global IMI survey.

In terms of monetary policy, for the first time since November 2021, investors now see central bank policy as supportive to equities. In fact, 55% of the IMI respondents see the FOMC cutting rates by up to 100 basis points in 2024, with a further 22% anticipating even more aggressive rate cutting. That leaves just 23% of survey respondents not expecting to see rate cuts in 2024.

Which of the following best describes your anticipated path for the Fed Funds Rate in 2024?



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The anticipation of rate cutting in 2024 is supported by the majority view of the survey panel that the most likely scenario for the US economy in 2024 is one of mild recession. More encouragingly, the percentage of

respondents anticipating recession has continued to moderate, down from 82% a year ago and 61% in September to just 56% in December, helping to explain why the macro economy is now being perceived as less of a drag on equities.

Recession expectations

Total % share of IMI survey panel expecting either mild or deep recession



Source: S&P Global IMI survey.

Finally, rate cuts and mild recession risk in the US are seen as taking a toll on the US dollar in the next 6-to-12 months, with the panel of respondents growing bearish in the dollar index in contrast to the dominating bullish mood recorded by the survey back in September.

Commentary

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

“The further improvement in risk appetite in December, accompanied by another month of rising near-term market expectations, indicates that US equity investors are in their most optimistic mood for two years. Further market gains are seen for 2024, though the median expectation is merely one of a modest rise in the S&P 500 to 4800.

“Perhaps more encouragingly, sector appeal has broadened out, as investors see a wider spectrum of equities being supported by falling interest rates and reduced macroeconomic drags as we head into the new year. Although a mild recession continues to be signaled as the survey panel’s most likely scenario for 2024, the risk of recession has moderated over the course of the past year, reflecting rising hopes of a soft landing.”

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

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News Release

Note to Editors

This 39th edition of the Investment Manager Index™ (IMI™) survey includes data collected between December 4-10, 2023, from a panel comprising approximately 300 participants employed by firms that collectively represent approximately \$3,500 bn assets under management.

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