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

Equity investor risk appetite slides amid concerns over geopolitics and valuations

- Risk appetite slumps from two-year high back into negative territory at start of 2024.
- Geopolitics and valuation seen as biggest drags on the market, offsetting boost from central bank policy and US macro environment.
- Tech stock sentiment hit hardest, followed by consumer discretionary.
- Longer-term sentiment remains bullish for equities, alongside sovereign debt.

Risk appetite



Near-term market outlook



Source: S&P Global IMI survey.

Risk appetite has taken a knock at the start of 2024, according to S&P Global’s [Investment Manager Index™ \(IMI™\)](#), with near-term market expectations falling sharply into negative territory. The IMI’s headline Risk Appetite Index has slumped from a two-year high of +16% in December to a three-month low of -4% in January, pointing to a faltering of the ‘risk-on’ mood that dominated the closing two months of 2023.

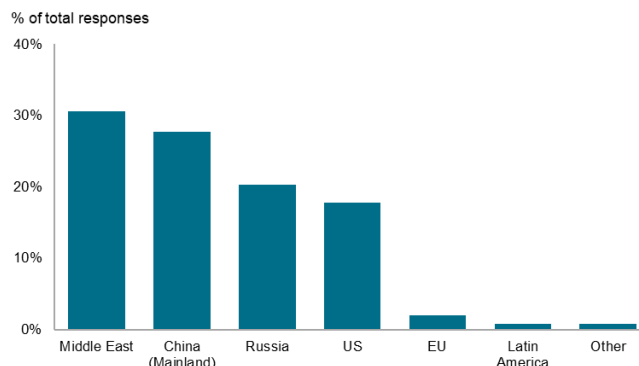
The IMI survey is based on monthly responses from a panel of just under 300 participants employed by firms that collectively represent approximately \$3,500 bn assets under management. Latest data were collected between 3-7 January 2024.

Expectations of near-term market returns have also turned sharply lower. After the buoyant mood late last year, which saw expectations peak at a two-year high in November, the near-term outlook is now the gloomiest in the survey’s history barring only the low seen last May (data were first collected in October 2020).

What’s driving sentiment?

The biggest change in terms of factors seen to be driving the market is recorded in terms of valuations, with market gains last year now pushing investors into considering valuations to be a net drag on investor sentiment. However, the biggest overall drag remained the political environment, with the events in the Middle East adding to investor concerns. Looking over 2024, the Middle East is viewed as the region to which investors assign the highest degree of equity market risk, followed by mainland China and then Russia. The US is also seen as a key source of risk, mainly reflecting the upcoming Presidential election.

Where do you see the highest source of geopolitical risk to US equities emanating from in 2024?



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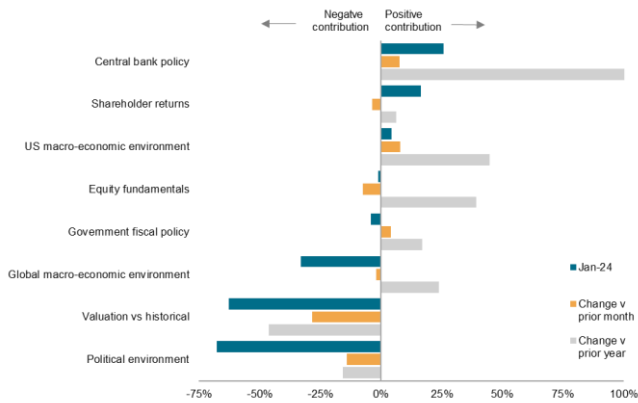
Alongside the political environment, the global macro economy is also viewed as a key drag on US equities, though the US macro economy is now viewed as a positive driver of equities for the first time since April 2022. Expected US economic conditions therefore remain more positive than for the global economy.

However, the factor seen as most supportive to equities is central bank policy, linked to expectations for central banks, notably including the US FOMC, to lower rates in 2024. The tailwind to equities from central bank policy is now seen as its strongest since September 2021. Fiscal policy is meanwhile seen as exerting the smallest drag on equities for two years amid hopes of near-term fiscal support to the economy in the run-up to the election.

News Release

What's driving US equity 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.

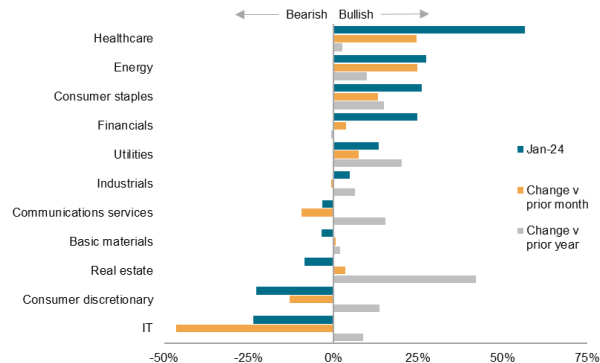
Sector preferences

Real estate has been buoyed by the hopes for lower interest rates in 2024, with the degree of negative sentiment now running at the lowest since September 2021. Lower rate expectations have also pushed sentiment toward financial stocks to the strongest in a year. Sentiment toward energy has been buoyed by the possibility of price hikes amid geopolitical concerns.

On the other hand, concerns over valuations were cited as having caused investor attitudes toward IT/tech stocks to collapse to the greatest degree of all sectors, pushing IT to the foot of the rankings. Jitters over valuations also led to a broader move toward defensives. The top-ranked sector at the start of 2024, by a wide margin, is consequently healthcare. Appetite for utilities and consumer staple stocks has meanwhile risen to their highest in the history of the survey, whereas consumer discretionary has seen sentiment slide sharply lower.

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.

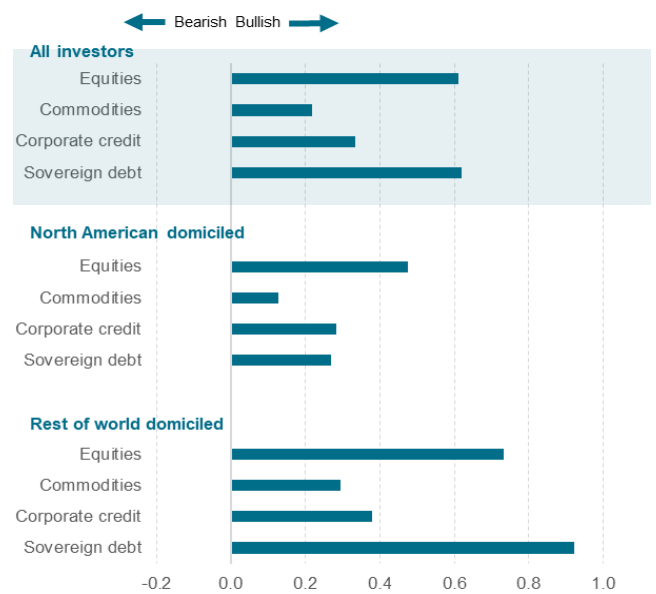
Broader perspectives

Taking a longer-term and broader perspective, investors are most bullish about sovereign debt and equities in 2024, the latter led by bullishness toward Japanese stocks, followed by Asia excluding Japan and China. Mainland China equities receive the least bullish views, followed by the UK, though all markets have seen improved sentiment compared to late last year.

Likewise, views have turned most bullish toward both corporate debt and commodities, albeit the latter remaining least preferred of the main asset classes.

What is your outlook for the following broad asset classes for year-end 2024?

Score based on % of respondents reporting bullish/bearish views on a scale of +5 to -5



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 appetite has taken a knock at the start of 2024, with near-term market expectations falling sharply into negative territory as investors worry about valuations and geopolitics. Sentiment toward tech has seen an especially steep deterioration in investor appeal, but on the other hand, financials and real estate have been buoyed by hopes of lower interest rates in 2024, and a more defensive mood has benefited sentiment toward healthcare, utilities, and consumer staples."

"Despite the setback to sentiment regarding the near-term outlook for stocks, the longer-term perspective is one of bullish sentiment for the full year."

News Release

For a copy of the full report and data,
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Note to Editors

This 40th 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 assets under management. Data were collected between 3-7 January 2024.

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