

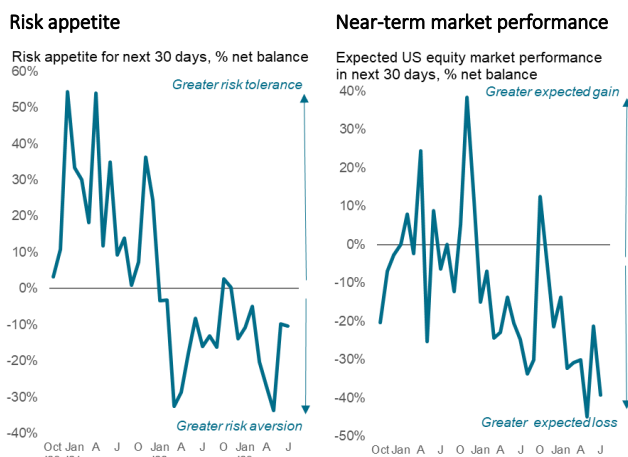
Embargoed until 1000 EDT (1400 UTC) 11 July 2023

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

Risk aversion dominates in July as rate worries intensify

- Risk aversion continues to dominate in July amid increased concerns over potential market losses.
- Greater drag on equities perceived from higher interest rates, but concerns ease over fiscal policy, the political environment and recession risks.
- Only healthcare and consumer staples are in favor as sentiment dips towards tech and energy.
- Sovereign credit retains the best year-end outlook as concerns grow over commodities, while Japan is expected to be the best-performing equity market.

Data collected 3-9 July 2023



Source: S&P Global IMI survey.

US equity investors remain risk averse on average in July, according to S&P Global's Investment Manager Index™ (IMI™) survey, with the headline Risk Appetite Index registering -10%, unchanged on June. Some encouragement comes from the index holding well above the survey low of -34% recorded back in May, but the survey gauge of expected equity market performance also remains in negative territory, reflecting a lack of factors perceived to be currently driving the market.

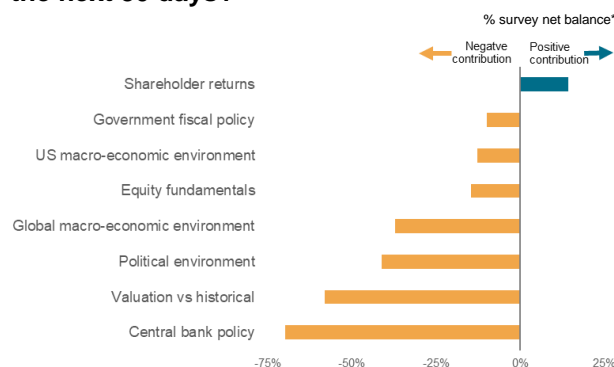
The IMI survey is based on data from around 300 US institutional investors operating funds with assets under management of around \$3.5 trillion and has been conducted monthly since October 2020.

Market forces

A key development in July has been the re-intensification of concerns over the impact of higher interest rates, with central bank policy now seen as the biggest drag on US equities of all factors covered by the survey. With markets also hitting new highs in recent sessions, concerns over valuations have likewise intensified. On the other hand, the perceived drags from fiscal policy and the political environment have eased, in part reflecting the resolution of the US debt ceiling.

The US macro environment, and to a lesser extent the global macro scene, are also viewed as lesser drags, reflecting a cooling of recession fears. Compared to April, far fewer investors see a recession as priced in to the market despite the threat of further rate hikes. However, once again, only shareholder returns are viewed as supportive to the market, underscoring the dearth of market drivers.

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 IMI survey.

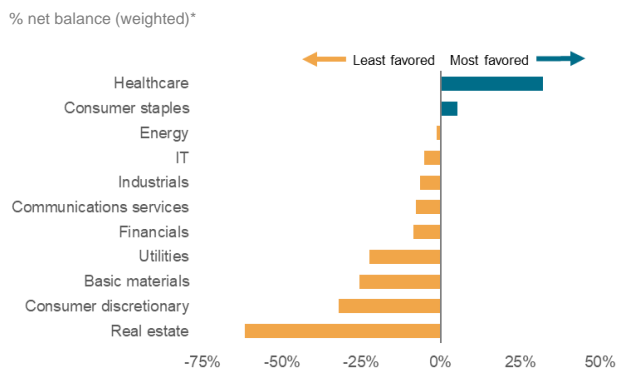
Sector preferences

Looking at sector outlooks, preferences consequently remain heavily defensive. Only healthcare and consumer staples are in favor as having positive outlooks in the coming month, as both IT/tech and energy fell out of favor compared to June. Increasingly bearish sentiment is also recorded towards consumer discretionary, basic

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materials, communications services, utilities and industrials, as well as real estate, the latter remaining firmly at the foot of the rankings for a tenth straight month.

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



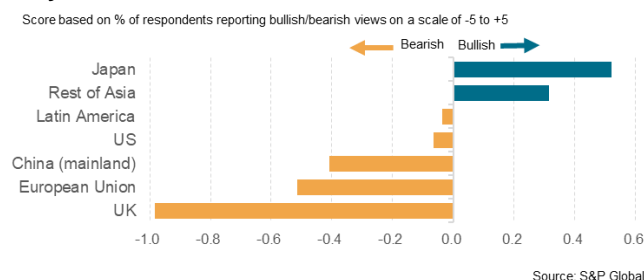
* The net balance shows the percentage of those bullish minus those bearish. Those only reporting a 'slight' bullish or bearish outlook count as half a response, while those reporting a 'strong' bullish or bearish outlook count as one-and-a-half responses.

Source: S&P Global IMI survey.

Global perspectives

Looking at the broader investment picture, sovereign debt is expected to reap the greatest gains by the year end amid higher rates, though a marginal gain is also seen for corporate credit. Expectations for commodities have soured sharply since the April survey. Year-end outlooks meanwhile vary markedly for equity markets. Japan is expected to see the strongest gain, while the UK is set to suffer the steepest loss. A modest loss is seen for the US.

What is your outlook for the following equity markets for year-end 2023?



Source: S&P Global.

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Commentary

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

“Worries about further rate hikes by the world’s major central banks, and notably the Fed, have added to fears over earnings and valuations in the US equity market. Fortunately, worries over fiscal paralysis have eased with the US debt ceiling impasse resolved, leaving overall risk appetite unchanged on June and up on the spring – albeit still dominated by risk aversion.

“Sector preferences consequently remain focused on defensive stocks such as healthcare and consumer staples. Rate-sensitive sectors such as real estate and consumer discretionary remain the most out of favor, though tech and energy have also slipped into the red zones as far as outlooks for the month ahead are concerned. Disappointing growth figures out of China and a broader manufacturing gloom have also hit industrials and basic materials.

“These manufacturing worries have also hit the year end outlook for commodities, leaving sovereign debt as the only major market expected to see any significant gains by the year end.”

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

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Note to Editors

This 34th edition of the Investment Manager Index™ (IMI™) survey includes data collected between 3-9 July 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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