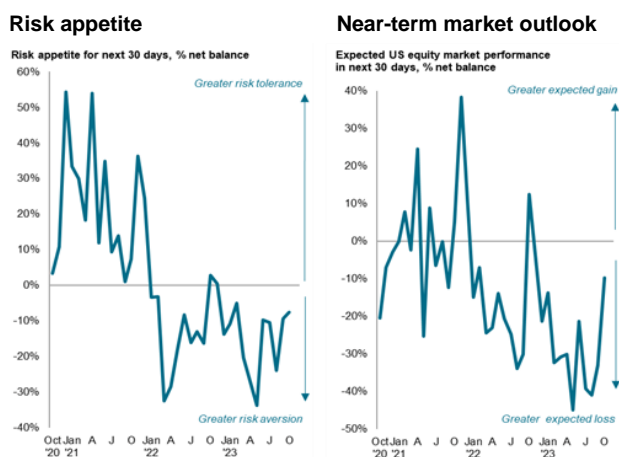


Embargoed until 1000 EDT (1400 UTC) 10 October 2023

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

## Risk aversion persists amid intensifying concerns over rates and politics

- Risk aversion moderates as expectations of market losses cool, but a cautious mood prevails.
- Concerns over US politics combine with fresh worries over economic growth and rates.
- Healthcare and energy most in favor, but modest gain also seen for tech. Sentiment slides sharply further for financials. Real estate in the doldrums.
- Bullish views seen for equities into year-end, but with bearishness intensifying for fixed income.



Source: S&P Global IMI survey.

Risk aversion has moderated among US equity investors for a second month running in October, according to S&P Global's [Investment Manager Index™](#) (IMI™) survey, and near-term market expectations have become less pessimistic. However, these improvements largely reflect lower levels of key US equity indices since the September survey, and perceived drags have intensified for some key fundamentals.

The IMI's headline Risk Appetite Index is up slightly from -9% in September to -8% in October, though remaining in negative territory indicates a prevailing mood of risk aversion. Similarly, survey expectations of the near-term market outlook remain negative, though to a considerably lesser degree than seen in prior months.

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 by S&P Global since October 2020.

### Market drivers

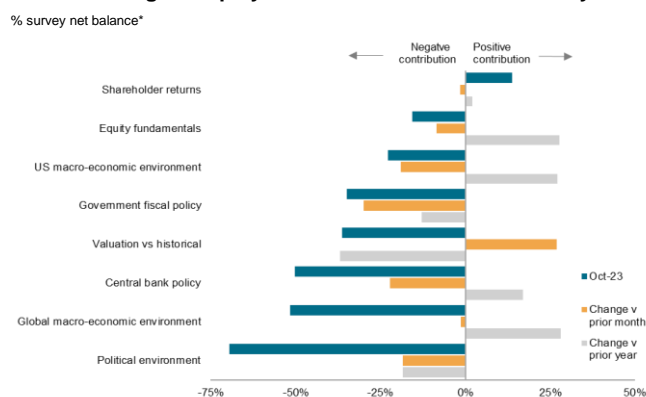
Drill down into what factors investors perceive to be driving the market and the picture becomes even less encouraging. The biggest change in October is evident in how valuations are now seen as a reduced drag on the market, but – excluding shareholder returns, which stand alone in remaining supportive to equities – all other factors are acting as increased drags on the market.

Worries over the US debt ceiling and political stalemate surrounding the removal of the House Speaker mean the political environment and fiscal policy are perceived as particularly greater negative factors in October.

A growing expectation of interest rates remaining higher for longer meanwhile means central bank policy and the US macro environment are now also seen as substantially greater drags on equities. Note that the survey sees the majority of investment appetites increasing if the Fed stabilizes its benchmark rate. At the same time, just over half (52%) of money managers see a recession priced in, albeit in most cases only mild, underscoring a polarized view on the likelihood of a US recession in the months ahead.

The broader global macro environment is likewise viewed as an intensifying drag, linked principally to heightened European recession risks and the subdued Chinese economic recovery.

### What's driving US equity market returns over 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.

# News Release

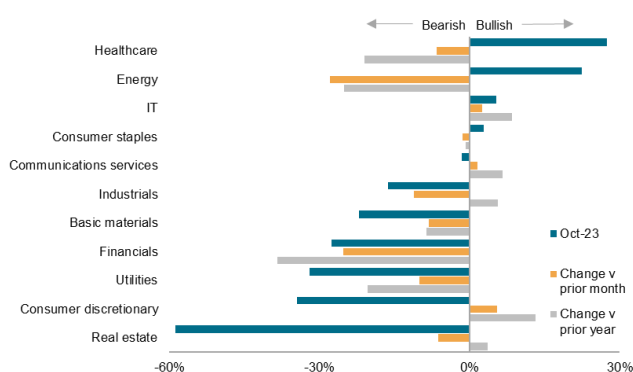
## Sector preferences

Looking at sector preferences, defensives remain key areas of interest. Healthcare and energy remain the two most in favor among investors by some margin, though appetite continues to slowly edge up for IT/tech.

At the other end of the spectrum, although financials saw a further notable marked drop in favor, bearish views remain most widespread for real estate and consumer discretionary stocks amid worries over the impact of persistent high interest rates.

### What is your outlook on the following sectors 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.

## Global perspectives

More encouragingly, views on broader global perspectives put equities as an asset class above commodities, government debt, and corporate debt in investors' year-end forecasts, albeit with bullish views on the US equity market exceeded by those for Japan and the rest of Asia excluding Japan and China. Bearishness

toward mainland China has meanwhile tipped past that relating to the UK, with the EU and Latin America also seeing net-bearish outlooks for the year-end among the panel.

For the broad asset classes, the most bearish outlook globally is seen for corporate credit, thanks mainly to the higher interest rate environment. Though notably among North American-domiciled investors, it is government debt that is seeing the strongest bearish sentiment.

## Commentary

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

*"Investors have become increasingly concerned over various headwinds to equities, with US political developments exacerbating worries over the potential impact of higher-for-longer interest rates. Developments in Israel immediately after the survey results were compiled will have added an additional layer of concern in relation to geopolitical risk, and the potential for even slower global economic growth, worries around which are already acting as a major brake on the market."*

For a copy of the full report and data, please contact [electronics@spglobal.com](mailto:electronics@spglobal.com).

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# News Release

## Note to Editors

This 37<sup>th</sup> edition of the Investment Manager Index™ (IMI™) survey includes data collected between October 3-9, 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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