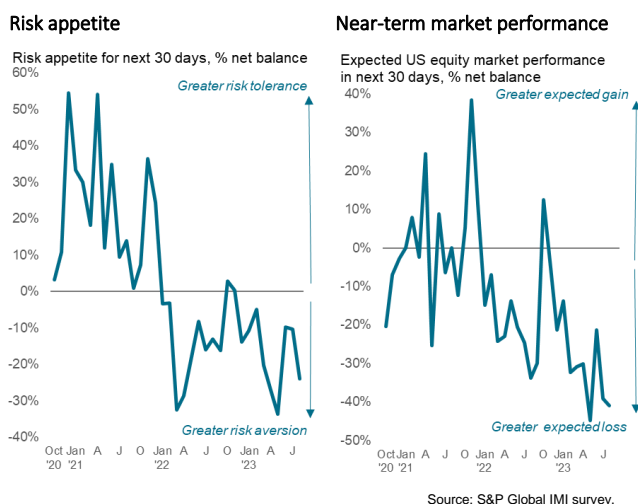


Embargoed until 1000 EDT (1400 UTC) 08 August 2023

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

### Risk aversion heightens in August amid worries over valuation

- Increased bearishness recorded across both risk appetite and expected return gauges.
- Concerns over rising interest rates eased markedly in August, but intensified around valuations.
- Energy and financials gain favor in August while IT experience a sharp decline in ranking.
- Investor sentiment on earnings improved from three months ago.



US equity investors remain risk averse on average in August, according to S&P Global's Investment Manager Index™ (IMI™) survey, the headline Risk Appetite Index registering a reading of -24%, down from -10% in June. While the index held above the survey record low of -34% back in May, it was nevertheless amongst the lowest in the survey's near three years history. Moreover, the expected equity market performance gauge also declined to the lowest level since May, reflecting a heightening of bearish sentiment.

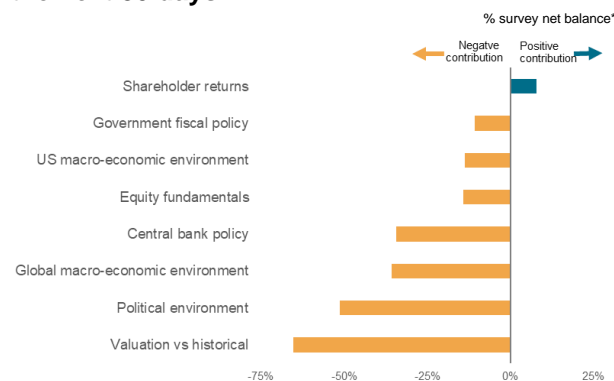
The IMI survey is based on data from around 300 US institutional investors operating funds with assets under management of around \$3.5 trillion and has been conducted monthly since October 2020.

### Market forces

Underpinning the deterioration of investors' sentiment in August has been a re-intensification of concerns over valuation after the Q2 earnings season.

August saw worries over the drag from higher interest rates recede significantly, while jitters over the macroeconomic environments remained rather relatively steady from July. Despite these positive changes, the latest downturn in views regarding valuations suggest that US equity investors are still seeing prices being elevated. This was even as US equity indices such as the broad S&P 500 index registered declines into the start of August. Overall, shareholders return remain the only supportive factor to the market, again 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.

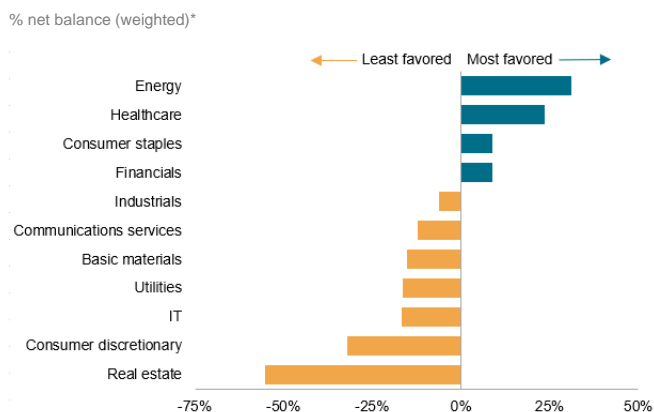
### Sector preferences

Examining the sector outlooks, the number of sectors in favor among the 11 surveyed doubled to four from July. Joining healthcare and consumer staples are energy and financials, with the energy sector seeing the biggest positive shift in sentiment among investors compared to last month. While most other sectors experienced little to no-change in rankings, the decline in IT/tech was prominent. The IT sector fell five spots to be among the lowest ranked in August. This outlined the deterioration

# News Release

in enthusiasm, which stemmed from interests in the AI theme, around the sector. Compared to a year ago, the IT sector also saw the biggest dip in sentiment.

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



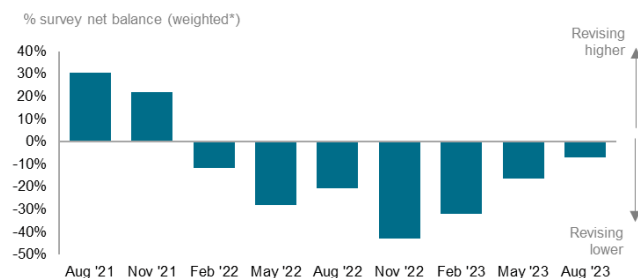
\* The net balance shows the percentage of those bullish minus those bearish. Those only reporting a 'slight' bullish or bearish outlook count as half a response, while those reporting a 'strong' bullish or bearish outlook count as one-and-a-half responses.

Source: S&P Global IMI survey.

## Earnings perspectives

While overall US equity market bearishness intensified in August, it is worth noting that investor sentiment on earnings expectations improved again from the last quarter and have edged closer towards neutral. This was largely driven by North America investors as those outside of the North America stayed relatively more cautious.

## Given the recent US earnings results, will you be revising your overall expectations for next quarter?



Data compiled August 2023.  
Source: S&P Global Market Intelligence.  
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## Commentary

Commenting on the results, **Jingyi Pan, Associate Director at S&P Global Market Intelligence and co-author of the report**, said:

*“While worries over further rate hikes eased significantly and concerns over a US recession remained muted, it is valuations that have now taken over to weigh on investors’ sentiment and their outlook with regards to near-term returns.*

*“In particular, this had affected views regarding certain sectors such as technology stocks where valuations are viewed to be lofty after the latest earnings season, even though some air appear to have been let out with the latest declines in tech share prices.*

*“The decline of the IMI’s Equity Returns Index to be amongst the lowest in three years suggest that the market is not done with adjustments towards the downside.”*

Commenting on the results, **Mohammad Hassan, Head of APAC S&P Global MI Dividend Forecasting team and co-author of the report**, added:

*“Forward looking dividend estimates and predictions of share buybacks are likely to be tested over the coming months. With energy prices still in a flux and wage pull inflation lurking around the corner, the Fed’s interest rate hikes may be far from over and the ‘higher-for-longer’ interest rates could strain corporate balance sheets. Meanwhile the AI driven equity market rally will also require higher CAPEX spending over the near future to sustain its promise. These developments could challenge the ability of corporates to sustain and grow dividends and sponsor the generous share buybacks.”*

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

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## Note to Editors

This 35<sup>th</sup> edition of the Investment Manager Index™ (IMI™) survey includes data collected between 1-6 August 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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