News Release

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

Equity investor risk appetite improves further on brighter economic prospects

- Risk appetite builds further amid improved economic prospects and higher year-end market forecasts.
- Rate cut expectations moderate as recession fears fade.
- Bullish views spread to highest number of sectors since 2021, led by healthcare and tech.
- Near-term market outlook remains constrained by concerns over political environment and valuations.
- Views grow more bullish toward US dollar.

Risk appetite

Near-term market outlook

Source: S&P Global IMI survey.

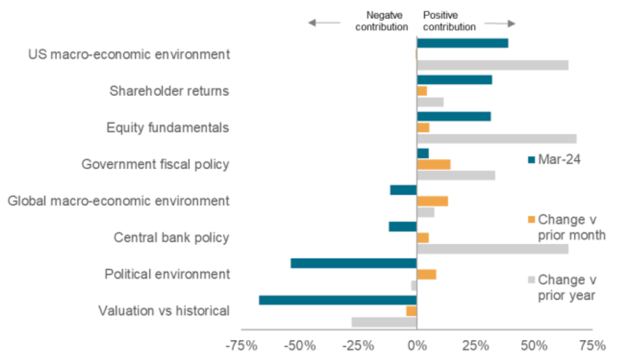
Risk appetite has risen further in March, according to S&P Global's [Investment Manager Index™](#) (IMI™) survey. The IMI's headline Risk Appetite Index has moved further into positive territory after the risk averse mood seen at the start of the year, rising from +13% in February to +14% in March. The latest reading is among the highest recorded since 2021.

Investors are on average forecasting the S&P 500 to end 2024 at 5,250 against an average of 5,100 around the time of data collection, representing a gain of 2.9%.

Investors remain skeptical of nearer-term returns, however, expecting on balance for the US equity market to lose value over the coming month. Concerns over valuations persist as the biggest perceived constraint on returns in March, alongside the political environment. Inventors cite worries over uncertainty relating to the presidential elections as well as the impact of conflicts in Ukraine and the Middle East.

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.

Central bank policy also remains a modest drag on the market, with investors having pared back expectations on the timing and degree of rate cuts during 2024. Back in December, 22% of investors were anticipating the Fed to cut rate by over 100 basis points in 2024. This has now fallen to 10%, though the majority still expect cuts of up to 100 basis points.

Encouragingly, these reduced rate cut expectations are linked to a better than anticipated performance of the US economy. Whereas the dominant view among the panel of investors had been an impending recession back in December, the prevailing outlook is now one of growth, in turn driven by faster than expected growth in late 2023 and signs of a resilient start of the year, as well as waning recession worries in other economies.

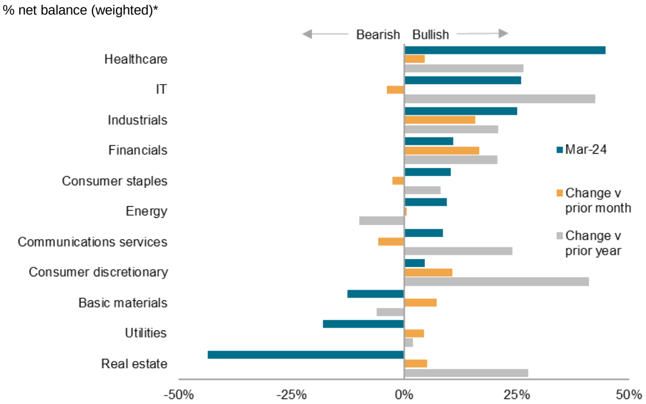
The proportion of investors anticipating the US economy to potentially slide into recession over the coming year has fallen from 74% a year ago and 56% back in December to just 31% in March. Economic growth is now expected by 44% of survey respondents, up from just 10% a year ago and 22% in December.

As a result of the improved economic outlook, the strongest driver of expected returns is again the US macroeconomy in March, while the drag from the broader global economy has moderated to the lowest since the start of 2022. Strong contributions to market returns are also anticipated from shareholder returns and equity fundamentals. Furthermore, while central bank policy remains a drag amid pivot concerns, fiscal policy is now seen as supportive to the market for the first time in two years.

Sector preferences

By sector, investors' bullish sentiment has spread to eight of the 11 sectors tracked by the IMI, the joint-highest proportion since 2021. Healthcare tops the rankings, and tech sentiment remains particularly bullish (albeit pulling back slightly from February). Industrials meanwhile notably enjoy the best sentiment since January 2022 and a bullish stance is now seen for consumer discretionary for the first time since 2021. Sentiment has also moved from bearish to bullish for financials. Real estate remains least favored.

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.

US dollar

Finally, the outlook for the US dollar over the next 6-12 months has improved, according to survey respondents. The net balance of those expecting the dollar index to push higher minus those expecting the DXY to head lower has risen to +3% from -15% in December signaling a renewed bullish views towards dollar appreciation.

Commentary

Commenting on the results:

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

"The risk-on mood has been further buoyed in early March by improved economic growth projections. The economic outlook among the surveyed investors is now the brightest snice the start of 2022, reflecting better growth prospects for the US economy combined with easing recession risks in the broader global economy.

"The better growth prospects have raised expectations for corporate performance and led to an upgrading of year-end equity market forecasts.

"Positive sentiment has also become more broad-based by sector, with sentiment notably lifting higher for financials and industrials amid the brightening economic outlook.

"A paring-back of rate cut expectations on the back of stronger economic growth means, however, that real estate remains least favored. The higher rates outlook has also propped up the outlook for the dollar."

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

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Note to Editors

This 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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