News Release

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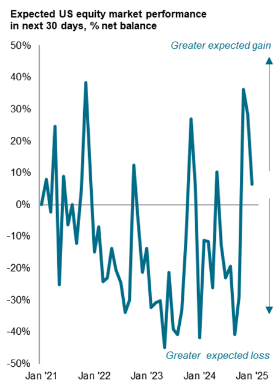
S&P Global Investment Manager Index™ (IMI™)

New year sees risk appetite fall from recent highs amid policy concerns

- Risk appetite remains positive but slides from recent highs, favoring financials and tech.
- Optimism cools over the macroeconomic outlook amid concerns over interest rates and geopolitics.
- US equities are seen outperforming other regions.

Risk appetite

Near-term market outlook



Source: S&P Global IMI survey.

Risk appetite among US equity investors has deteriorated in January, according to the latest S&P Global's Investment Manager Index™ (IMI™) survey. The IMI's headline Risk Appetite Index has fallen to +15% from +41% in December. While still in solid positive territory, and well above the long-run average, the latest survey signals a marked pullback in investor optimism from the elevated readings seen in the closing months of 2024. December's reading had been a 44-month high.

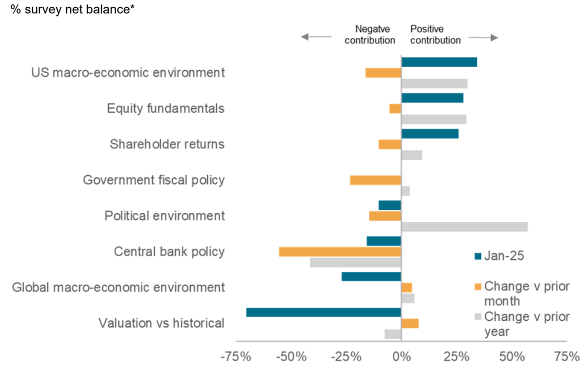
January has likewise seen a marked moderation of investor expectations of US equity returns over the coming month, albeit also remaining in positive territory despite sliding sharply from recent highs to sit at a three-month low.

Policy worries

While investors still see the US macro environment as being highly supportive to future equity returns, January has seen a pullback in the anticipated boost compared to the three-year high recorded at the end of last year. This has coincided with a further marked revision to investor views on the degree to which monetary policy might support equities. Having been viewed as the most supportive driver of equities in the four months to November, central bank policy is now seen as a net drag on equities for the first time since last June.

What's driving US equity returns over the 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.

The changing perspectives reflect increased concerns over the potential negative impact of tariffs and immigration curbs proposed by the incoming administration, notably in relation to inflation, as well as revised thoughts on the scope of the incoming administration to pursue pro-growth policies to the extent previously anticipated. Fiscal policy is now also seen as a drag on equities alongside monetary policy, contrasting with the three-year high boost perceived in December.

The political environment has now also become a net drag on equities in January, having been viewed as positive for the first time in 44 months during December, reflecting concerns over international reactions to the policies mooted by the incoming administration, especially in relation to trade.

The global macro environment, meanwhile, remains a major drag on the US equity market, according to investors, amid concerns over the impact of a shift to protectionism at a time of already sluggish economic performances in economies such as mainland China and Europe. However, the biggest drag remains that of worries over equity valuations, albeit to a lesser degree than in December, with improved earnings expectations helping allay valuation worries somewhat.

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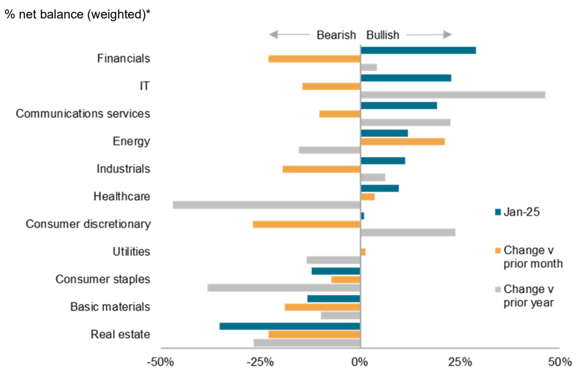
Changing sector preferences

By sector, investors continue to favor financials, tech, and communication services thanks to hopes of looser regulation and pro-growth policies from the new government, with energy, industrials, and healthcare also finding support. However, concern over the rates outlook has pushed real estate further out of favor, with consumer staples and discretionary both likewise out of favor. Basic materials also continues to see shunned investor sentiment amid global macro worries.

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.

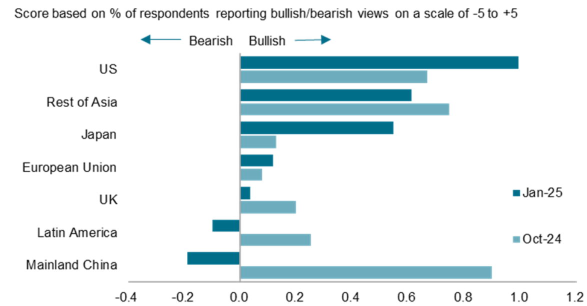
Source: S&P Global IMI survey.

Broader market outlook

Looking at a broader perspective over 2025, US equities are seeing a more bullish investor view than other regions, replacing mainland China equities as the most favored, as per the prior (October 2024) poll. The latter has seen sentiment turn sharply bearish thanks to tariff worries, with bearish equity market views also seen toward Latin American markets. While the mood has turned more bullish toward Japanese and EU equities, it has soured toward the UK.

In terms of broad asset classes, equities hold the most bullish view for 2025, followed by commodities, while investors turn bearish toward sovereign and corporate debt.

What is your outlook for the following equity markets for year-end 2025?



Source: S&P Global.

Commentary

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

"Risk appetite has fallen in January as investors take stock of a revised outlook for interest rates and pare back their optimism on the macro and political environments, according to the latest S&P Global investment manager survey. However, although down sharply from late last year, the risk mood remains positive on balance, notably favoring financials and tech stocks at the expense of real estate and consumer sectors.

"The US equity market is also viewed more positively in terms of 2025 performance relative to other regions, with equities and commodities also seeing bullish stances contrast with bearish views for both corporate and sovereign debt."

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 in assets under management. Data were collected between 6-9 January 2025.

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