News Release

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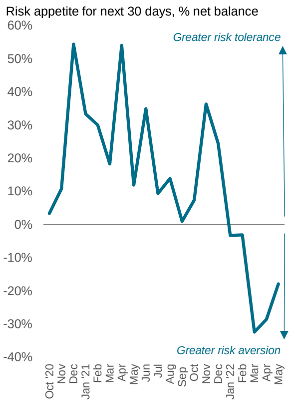
S&P Global Investment Manager Index™ (IMI™)

US equity investor risk aversion eases in May as valuations cool, but headwinds drive earnings expectations lower

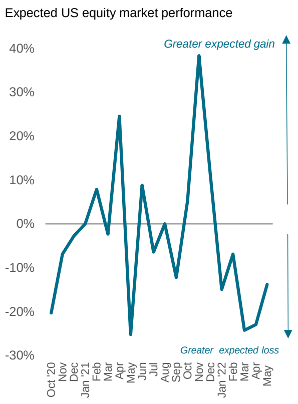
- Risk appetite lifts further from March's survey low in May but investors remain risk averse
- Monetary policy and geopolitics perceived as biggest drags on the market, macro economy seen as increased pull on returns
- Cash dividends rise in importance as shareholder returns seen as biggest market driver
- Sentiment stays highest for energy stocks, lowest for consumer discretionary
- Earnings expectations revised down

Data collected 3-6 May 2022

Risk appetite



Expected returns



Source: S&P Global.

US equity investors remain risk averse in May due to market headwinds from the Russia-Ukraine war, inflation, supply chain worries and rising interest rates, though the degree of negative sentiment has eased further from March's survey high as lower valuations are encouraging some investors to take more risks. Energy remains the most favored sector, with consumer discretionary the least popular

The Risk Appetite Index from S&P Global's [Investment Manager Index™] (IMI™) monthly survey, which is based on data from around 100 institutional investors operating funds with assets under management of around $845bn, rose from -29% in April to -18% in May, its highest since February but still in negative territory to signal a market mired in risk aversion. Similarly, expectations of near-term US equity market returns remain strongly pessimistic, albeit showing a further recovery from March's recent low.

Expectations of near-term US equity market returns likewise remain strongly pessimistic, picking up only slightly from March to register the third-lowest degree of sentiment in the history of the survey.

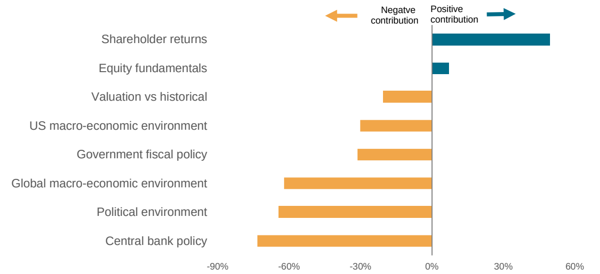
What's driving US equity market returns over the next 30 days?

The pull-back in risk aversion could be largely traced simply to recent markets falls, with valuations now being considered as less of a drag on the market than at any time since survey data were first collected in October 2020, therefore providing scope for more risk taking, notably among survey participants domiciled in North America (in contrast, risk sentiment elsewhere hit a survey low).

However, only shareholder returns and, to a far lesser extent, equity fundamentals, are seen as acting as any support to the maket in the near term.

What's driving the market, next 30 days?

% net balance (weighted)*



* The net balance of 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.

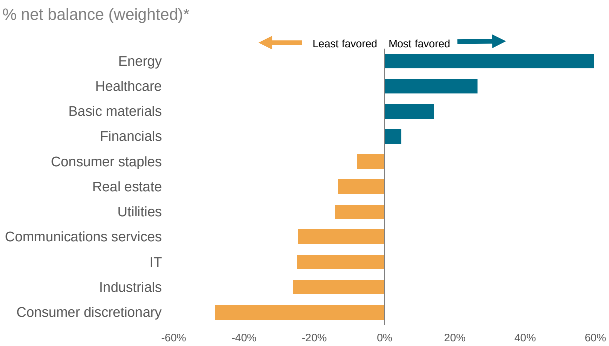
The biggest drags on the market were meanwhile considered to be central bank policy, amid ongoing concerns over the future path of Fed policy, and the political environment, reflecting the war in Ukraine. The rising economic headwinds of inflation, higher interest rates and supply constraints linked to China's lockdowns meanwhile meant the global macro environment was seen as detrimental to equities for a third straight month, with the US economy itself now also seen as a drag for the first time in the survey's history.

Sector preferences for the next 30 days

Russian sanctions resulting from the invasion of Ukraine meanwhile meant energy stocks retain the most-favored sector spot for a third month running. Only healthcare, basic materials and financials were also in favor among the panel, and even these saw diminished sentiment compared to April.

The lowest appetite was again recorded for consumer discretionary stocks, reflecting the cost of living crunch and anticipated economic slowdown, but survey-low appetite was also recorded for tech, communication services and industrials, often linked to concerns over supply shortages, soaring prices and a likely slowing in demand.

Sector preferences, May 2022



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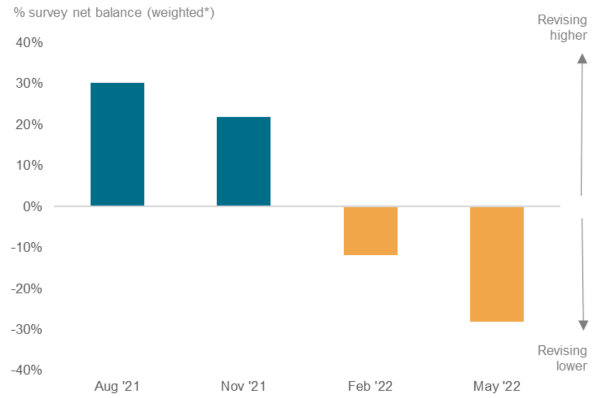
Source: S&P Global.

Earnings expectations revised lower

The sustained risk averse mood is also reflected in a net downgrade to corporate earnings expectations for the second quarter, with the survey indicating that negative earnings sentiment continued to gather momentum in May.

Only 12% of US equity investors have raised their earnings expectations for Q2 2022 amid the results from the latest reporting season, greatly outnumbered by the 40% that have cut their earnings expectations. The resulting net balance of minus 28% is the lowest seen over the past four surveys, contrasting with net upgrades to expectations in the second half of 2021 and suggesting that negative earnings sentiment has gained momentum since the February survey.

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



Source: S&P Global.

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

Comments

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

"US equity market investors remain highly risk averse on average in May. Although the recent pull pack in the market has opened the door for some investors to take a less cautious stance than in March and April, the overall picture is one of equities being buffeted by concerns over Fed rate hikes amid soaring inflation, geopolitical risks, lingering supply chain woes and slower economic growth both in the US and globally."

Ian VanderHorn, US Dividend Research Lead **at S&P Global Market Intelligence** and report co-author, said:

"Dividends have reasserted themselves as an inflation hedge amidst a market pullback that has dented portfolio values across the board. Payments have outpaced inflation by a large margin and shifted investor preference towards reliable yielding securities."

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Note to Editors

This 20th edition of the Investment Manager Index™ (IMI™) survey includes data collected between 3-6 May 2022 from a panel comprising approximately 100 participants employed by firms that collectively represent approximately $845 bn assets under management.

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