



10:00 EST 15 September 2021

# IHS Markit Investment Manager Index™ (IMI™)

## US equity investor sentiment slides to lowest for a year amid COVID-19 and policy concerns

- Risk appetite sinks to lowest in 12 months
- Expectations of market returns turn negative
- Pandemic impact seen stretching into 2022, curbing macro environment at same time as policy support perceived to be waning
- Healthcare stocks remain in favor amid COVID concerns, though financials see strongest interest
- Consumer discretionary and industrials see sentiment at lowest for a year

Data have been collected since October 2020, a period over which the US equity market has risen strongly to record highs following the presidential election and initial stimulus and vaccine-fueled economic recovery from the pandemic.

However, recent months have seen the survey indicate a cooling of investor sentiment from peaks recorded earlier this year, with strong risk appetite seen in prior months almost evaporating in September, accompanied by an increasingly bearish near-term outlook for equities.

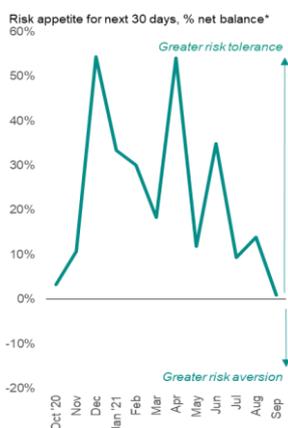
The survey's **Risk Appetite Index fell from +14% in August to +1% in September**, barely above the zero level that separates risk tolerance from risk aversion and registering the lowest degree of risk appetite yet recorded by the survey.

At the same time, the survey's **Expected Returns Index fell from zero in August to -12% in September**, meaning more investors see returns falling in the next 30 days than anticipate a rise. The latest reading is the second lowest since last October, with pessimism exceeded only by that seen back in May, when the survey saw concerns flare up over inflation and central bank policy, as well as rising taxation. These concerns continued to dominate in September, exacerbated by worries about the lingering impact of COVID-19.

**Central bank policy has seen the largest pull back in sentiment as a market driver over the past year**, albeit remaining positive on balance in September amid some easing of investor concerns over inflation since the summer. **The proportion of investors viewing the Fed as being forced into an early taper or making a larger policy error has fallen** since June.

Investor **perceptions of how fiscal policy can help drive the market have also fallen to the lowest since the survey began**. Initial optimism

### Risk appetite



### Expected returns



Source: IHS Markit.

US equity investors' risk appetite has deteriorated to the worst level recorded over the past year as concerns mount over the ongoing pandemic and investors perceive falling equity market support from monetary and fiscal policy.

The darkening picture of market sentiment is signaled by IHS Markit's new [Investment Manager Index™](#) (IMI™) monthly survey, based on data from a panel of 100 institutional investors employed by firms which collectively represent approximately \$845bn assets under management. The latest monthly data were collected between 7<sup>th</sup> and 13<sup>th</sup> September.



earlier this year centered on the new administration's fiscal stimulus plans has given way to worries regarding the funding of that stimulus and the potential for overheating.

The **political climate is now seen as representing an increasing drag on returns**, albeit much less so that a year ago.

**Concerns have also risen over the lingering impact of COVID-19.** The spread of the Delta variant means some 66% of survey respondents now expect COVID-19 to still be having a high or moderate impact on the US economy at the turn of the year, up sharply from 25% back in June.

Most visibly, **the positive effect of global and US macroeconomic drivers is perceived to have diminished** compared to elevated levels seen earlier in the year, due to the Delta wave. As recently as July, the US macro environment was seen as the single-largest driver of US equity returns, having displaced central bank and fiscal policy from the top spots early in the year, but in September **shareholder returns and equity fundamentals are now seen as the biggest positive drivers of the market.**

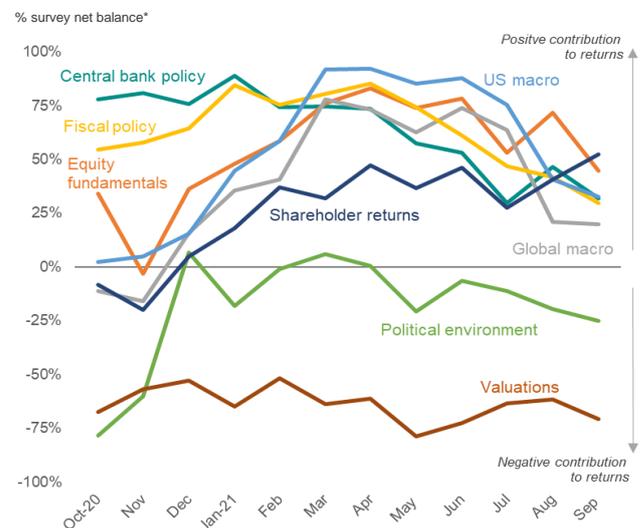
**Valuations remain the biggest drag**, however, serving as a reminder of the elevated market.

Similarly, September has seen a further shift in investor sentiment towards different sectors amid the Delta wave. **Healthcare remains close to the top of favored sectors, beaten only by financials** in terms of having the best outlook for the next 30 days.

**COVID-19 worries have kept consumer staples in favor but have knocked sentiment towards consumer discretionary and industrials** to the lowest yet recorded by the survey, the latter likely hit by additional concerns over supply chain disruptions.

Sentiment towards IT/tech, real estate, and communications services have also fallen compared to August, though only utilities and real estate are seeing overall net bearish sentiment.

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

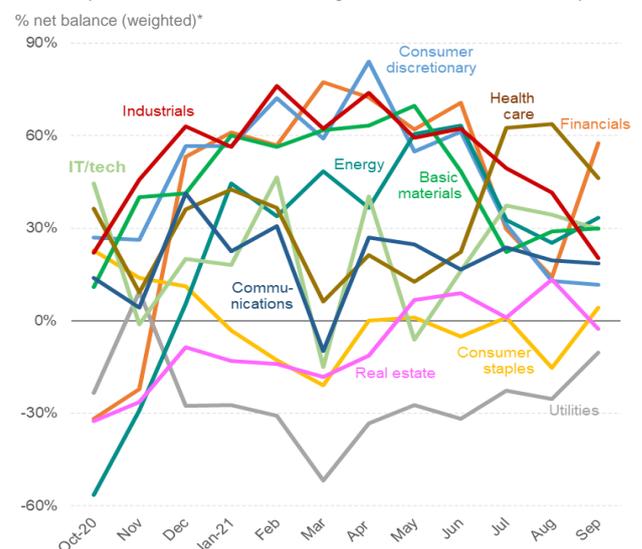


\* The net balance shows the percentage of those reporting an expected positive contribution minus those expecting a negative contribution. Those only reporting a 'slight' positive or negative contribution count as half a response, while those reporting a 'strong' positive or negative contribution count as one-and-a-half responses.

Source: IHS Markit

## Changing sentiment by sector

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



Source: IHS Markit

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

\* The net balances shown in the charts are calculated as the percentage of those bullish/risk tolerant minus those bearish/risk averse, with weights used to allow for the degree of sentiment expressed.



## Comments

Commenting on the survey, **Chris Williamson, Executive Director at IHS Markit** and report author, said:

*“Launched today, the IMI is an exciting new monthly survey from the producers of the worldwide PMI business surveys. The IMI not only provides insights into what investment managers are anticipating for the US equity market but also reveals what’s driving the movements in asset prices.*

*“The September survey shows risk appetite to have all but evaporated since the buoyant optimism seen earlier in the year, eroded by heightened concerns over the lingering impact of COVID-19 amid the spread of the Delta variant. At the same time, an anticipated boost to the markets from fiscal stimulus seen earlier in the year is being replaced by concerns over fiscal policy and the political environment, all of which is exacerbated by an all-important perceived waning of any positive effects on the elevated equity market from monetary policy.*

*“In all, September is seeing investors more cautious and worried about returns that at any time over the past year.”*

Also commenting on how the survey results compare to trade settlement data, **Kevin Roy, VP of IHS Markit’s Global Issuer Solutions**, said:

*“The IMI survey results align with the equity trade settlement data we analyze on behalf of our 850 US-listed clients, representing \$22T in market capitalization. During the first week of September, institutional investors reduced exposure to nine out of ten macro sectors with the consumer discretionary and industrial sectors experiencing their fifth consecutive week of outflows. We also witnessed the reversal in sentiment in healthcare as the sector experienced outflows for the first time in five weeks.*

*“Looking ahead, while utilities remain one of only two sectors seeing overall net bearish sentiment, the sector has experienced net inflows during the past four weeks. It remains to be seen if this is a precursor to growing inflation concerns despite some easing during the September survey.”*

---

### For further information, please contact:

Katherine Smith, Public Relations

Telephone +1 781 301 9311

E-mail [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)



## Note to Editors:

This twelfth edition of the Investment Manager Index™ (IMI™) survey includes responses from 98 participants collected between 7-13 September 2021.

If you would like to receive this report on a regular basis, please email [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com) or visit <https://ihsmarkit.com/Info/0920/imi-survey-request.html> to participate in the survey and be placed on the distribution list.

For more information on our products, including economic forecasting and industry research, please visit [www.ihsmarkit.com](http://www.ihsmarkit.com).

IHS Markit shall not have any liability, duty or obligation for or relating to the content or information (“data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data.

It is expressly prohibited to use any data from the IMI press release or report as reference in financial contracts, financial instruments, financial products, indices or as a benchmark (as defined in the Regulatory Framework).

## About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

**The intellectual property rights to the IMI provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information (“data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data.**

*If you prefer not to receive news releases from IHS Markit, please email [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com). To read our privacy policy, [click here](#).*