News Release

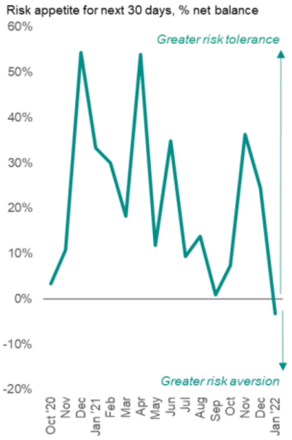
10:00 EST 18 January 2022

IHS Markit Investment Manager Index™ (IMI™)

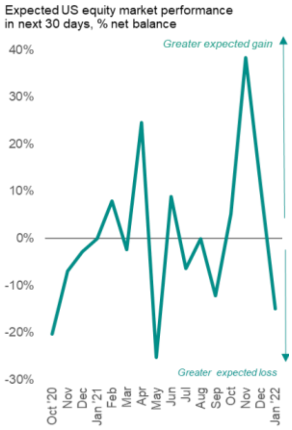
US investors turn risk averse amid Omicron, policy and political concerns

- Risk appetite and expectations of near-term returns turn negative in January
- Monetary and fiscal policy seen as increasing large drags on the market, with the political environment also deteriorating
- Consumer discretionary and tech stocks see biggest downgrades to investor preferences, as financials and energy lead the rankings

Risk appetite



Expected returns



Source: IHS Markit.

US equity investor risk appetite turned negative in January for the first time in over a year. Sentiment toward near-term returns also moved sharply negative amid growing concerns over Omicron and the impact of central bank and fiscal policy – as well as the political environment – at a time of elevated valuations. Tech stocks and consumer discretionary names saw the biggest downgrades.

The Risk Appetite Index from IHS Markit's [Investment Manager Index™](#) (IMI™) monthly survey, which is based on data from around 100 institutional investors each month, fell for a second month in January, dropping into negative territory – signaling net risk aversion among investors, notably in larger firms – for the first time since survey data were first available in October 2020.

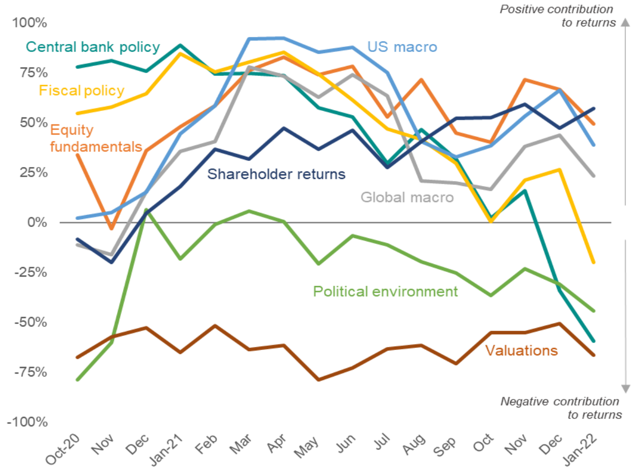
The risk averse mood was joined by a marked deterioration in investors' views towards near-term returns, which showed the greatest degree of pessimism for the US equity market since last May.

While high valuations remained the biggest perceived drag on the market over the coming month, central bank and fiscal policy are also now seen as bigger drags than at any time previously in the survey history. This contrasts with monetary and fiscal policy both having been viewed as strongly supportive of the market in late-2020 and early-2021. Similarly, the political environment has shifted from being a positive driver of the market in early-2021 to now being perceived as exerting the biggest drag since November 2020.

Only shareholder returns were seen as exerting an increasingly positive impact on the equities over the coming month, though equity fundamentals and the macroeconomic environment – both US and global – were also seen as supportive to the market, albeit to lesser extents than December.

What's driving US equity market?

% 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.

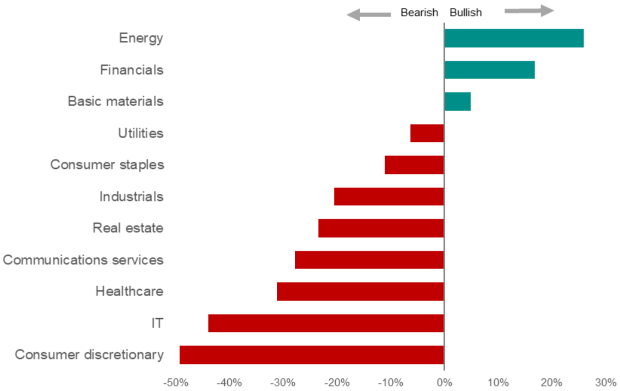
Source: IHS Markit

In terms of sector preferences, consumer discretionary and tech stocks suffered the biggest down-gradings of investor sentiment of the 10 sectors covered by the IMI in January, and are both now seeing the most negative ratings since the survey began. Favor towards communications services has also slumped close to a survey low. However, the strongest degrees of negative sentiment were again seen for utilities and real estate, the latter now also down to a survey low.

Financials have retained the most-favored spot for a fifth successive month, followed by energy – the latter having seen the biggest monthly uplift in investor sentiment compared to the December survey.

Change in near-term sentiment since December

Change in survey % net balance (weighted)* for outlook for the next 30 days



Source: IHS Markit.

* 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.

Source: IHS Markit

Comments

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

"The spread of the Omicron variant, a deteriorating political environment, and policy concerns – both in terms of rising interest rates and diminshing fiscal stimulus – have all conspired to push US equity investors into a risk averse mood in January. Sentiment is at its lowest since the survey began over a year ago, shifting most prominently away from consumer distretionary and tech stocks."

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

""Equity market influences over the first two weeks of January were primarily driven by the Omicron surge as well as rising interest rates. Although the Omicron variant is understood to be less severe, the dramatic surge has resulted in broader Institutional outflows, while Hedge Funds and Trade Desks were net buyers.

On a sector-specific level, the positive sentiment shift towards Energy saw notable inflows by Institutional investors, while Financials benefited from an aggressive increase in exposure by Hedge Funds."

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

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Note to Editors:

This 16th edition of the Investment Manager Index™ (IMI™) survey includes data collected between 11-14 January 2022 from a panel comprising approximately 100 participants employed by firms that collectively represent approximately $845 bn assets under management.

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