

## European Fund Manager Survey

## Springtime for bulls

**Rising confidence in a European growth reacceleration**

A net 21% of respondents expect a stronger economy in Europe over the coming twelve months, up from a net 11% that expected a further weakening last month. For the first time in almost two years, participants do not see a recession in Europe on the horizon. The share who thinks US growth will stay robust, helped by resilient consumption, stands at 58%, little changed from last month but up from 28% in January. 62% think a soft landing is the most likely outcome for the global economy, with 23% in the no-landing camp, up from 19% last month and 6% in December.

**Investors expect Goldilocks but sticky inflation is a risk**

A plurality of 39% expect falling inflation against the backdrop of robust growth to be the dominant macro theme over the coming months, up from 27% last month, with a net 57% expecting a decline in global inflation over the coming year. However, risks around the goldilocks scenario are seen as rising, with a plurality of 32% judging higher inflation as the biggest tail risk for markets, up from 21% in January.

**More bullish on European equities after a sharp rally**

Investors think European equities can continue to rise, with 64% of participants expecting further near-term gains for the market (up sharply from 43% last month) and 88% projecting upside over the coming twelve months (up from 78% last month and the highest since January 2022). 45% of respondents think equity upside will be driven by earnings upgrades in response to US growth resilience and China easing, while 42% see a declining discount rate due to dovish central banks as the main catalyst. A net 21% see European equities as undervalued, up from 14% last month.

**European tech in favour amid appetite for quality cyclical**

45% of investors expect further upside for European cyclical relative to defensives in response to easing credit conditions and rebounding PMIs (unchanged from last month), while 70% expect high quality to outperform low quality (up from 57%). Tech is now the biggest sector overweight in Europe, overtaking insurance, while the cyclical sectors chemicals, retail and autos remain the least favourite sectors. 40% of survey participants think AI stocks are in a bubble, while 45% believe they are not. Reducing equity exposure by too much and thus missing out on a continued rally is seen as the main portfolio risk for a plurality of 33%.

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.

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**Refer to important disclosures on page 22 to 23.**

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**Notes to readers**

An overall total of 226 panellists with \$572bn AUM participated in the survey. 198 participants with \$527bn AUM responded to the global FMS questions and 119 participants with \$256bn AUM responded to the regional FMS questions.

Survey period: 8<sup>th</sup> March 2024 to 14<sup>th</sup> March 2024.

**How to join the FMS panel**

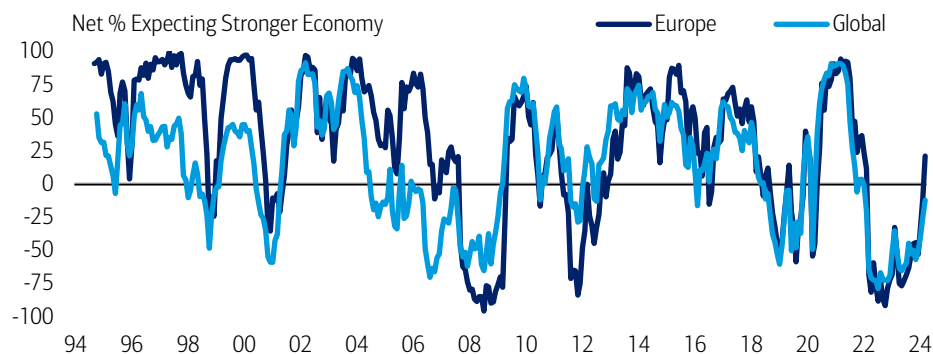
Investors/clients are encouraged to sign up to participate in the Survey. This can be done by contacting [Michael Hartnett](#) or your BofA sales representative.

Participants in the survey receive the full set of results for the months in which they participate.

# European macro overview

**Exhibit 1: A net 21% of European investors think the European economy will improve over the coming twelve months, the first positive reading in nearly two years. A net 12% of global investors think global growth is set to slow in the twelve months ahead, down from 25% last month**

How do you think the region's economy will develop over the next twelve months?

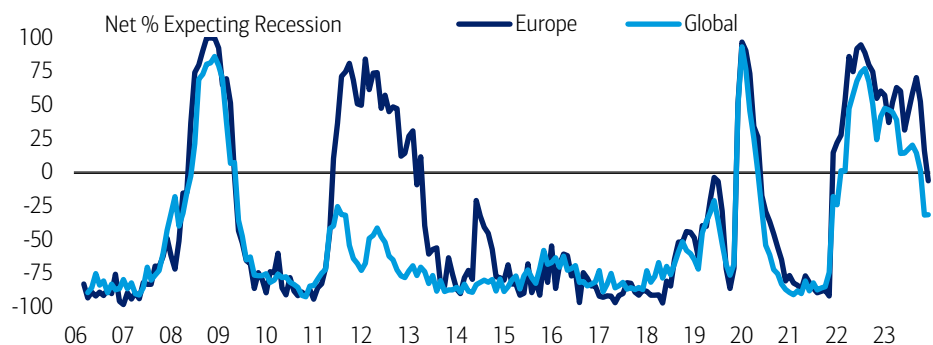


Source: BofA European & Global Fund Manager Survey

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**Exhibit 2: A net 6% of European investors expect Europe to avoid a recession over the next twelve months, the highest in two years. A net 32% of global investors think that the global economy will not see a recession, also a two-year high**

How likely do you think it is that the economy in this region will see a recession over the next 12 months?

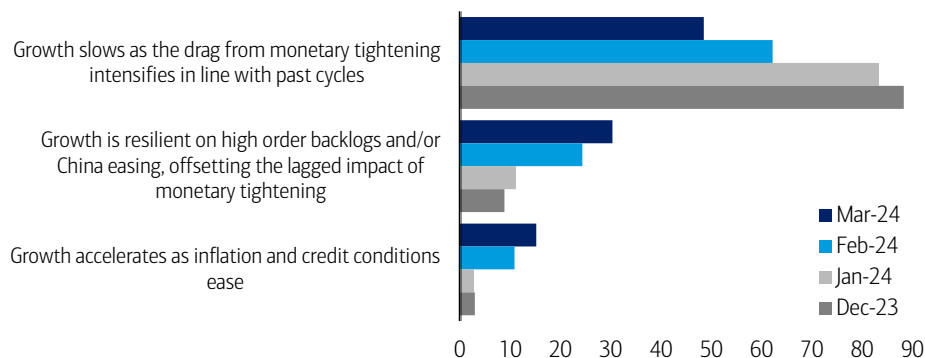


Source: BofA European & Global Fund Manager Survey

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**Exhibit 3: 48% of European investors project a slowdown in European growth over the coming months as the drag from monetary tightening intensifies (down sharply from 62% last month), while 30% expect growth to remain resilient (up from 24%)**

What do you expect to happen to European growth momentum over the coming months?

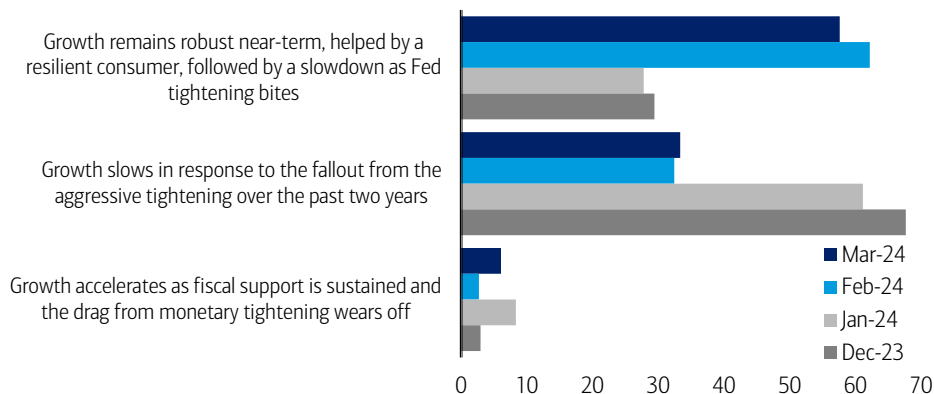


Source: BofA European Fund Manager Survey

BofA GLOBAL RESEARCH

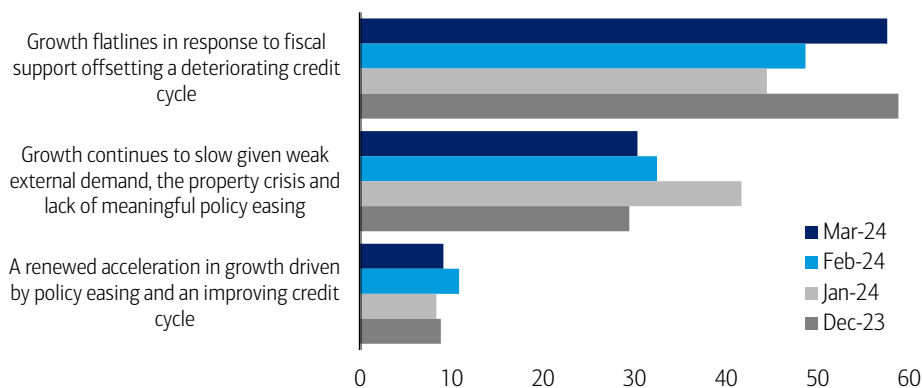
**Exhibit 4: 58% of European investors think US growth will remain robust over the coming months, helped by a resilient consumer (down from 62% last month), while 33% expect an immediate slowdown in growth in response to monetary tightening (up mildly from 32%)**

What is the outlook for the US economy over the coming months?



**Exhibit 5: 58% of European investors see China growth flatlining over the coming months (up from 49% last month), while 30% think growth will continue to slow, given a deteriorating credit cycle and weak external demand (down slightly from 32%)**

What is your view on the outlook for China's economy over the coming months?

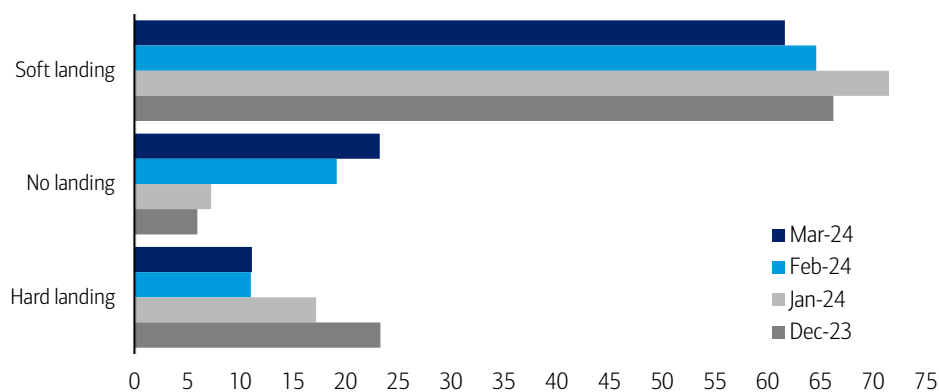


Source: BofA European Fund Manager Survey

BofA GLOBAL RESEARCH

**Exhibit 6: 62% see a soft landing as the most likely outcome for the global economy (down from 65% last month), with 23% in the no-landing camp (up from 19%) and 11% in the hard landing camp (little changed from last month)**

What is the most likely outcome for the global economy in the next 12 months?

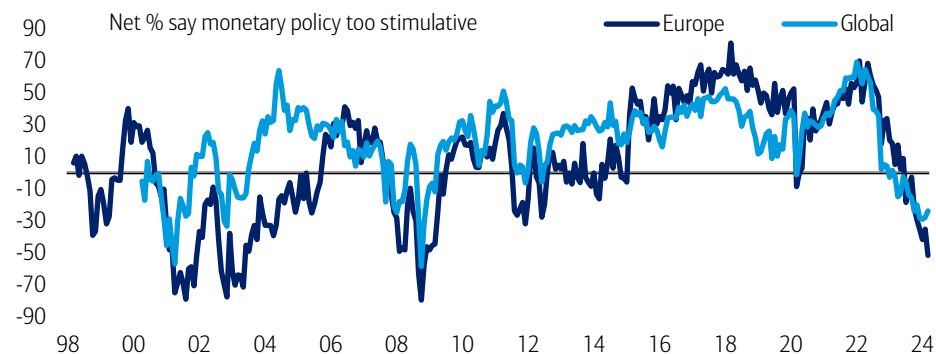


Source: BofA Global Fund Manager Survey

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**Exhibit 7: A net 24% of global investors consider global monetary policy to be too restrictive, down from the 16-year high of 29% last month, while a net 52% of European investors think this is the case in Europe, up from 35% last month a fresh 16-year high**

Do you think monetary policy in this region is currently...?

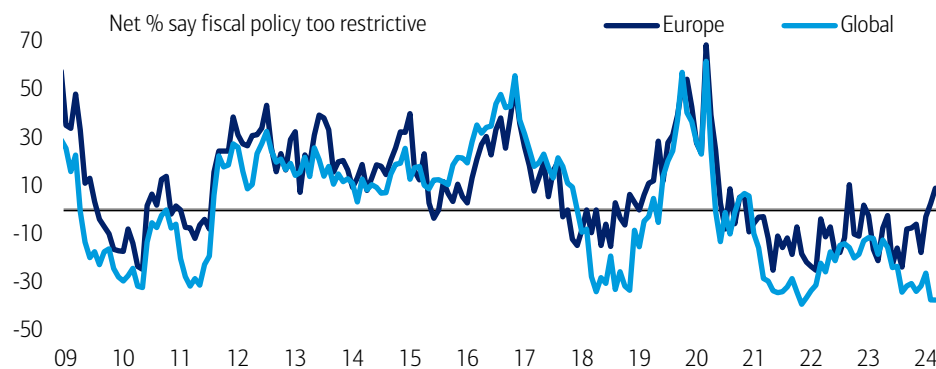


Source: BofA European & Global Fund Manager Survey

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**Exhibit 8: While a net 37% of global investors judge global fiscal policy to be overly supportive, unchanged from last month and close to a record high, a net 9% of European investors think that Europe's fiscal stance is too restrictive (up from 3% last month)**

Given where we are in the business cycle, do you think fiscal policy in your region is currently...?

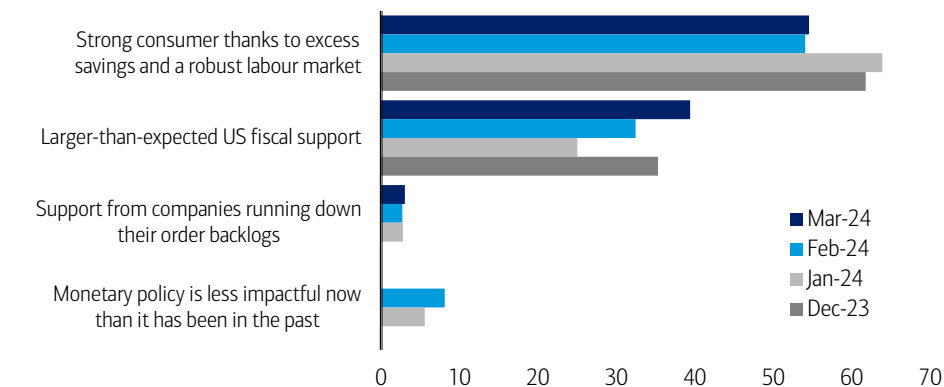


Source: BofA European & Global Fund Manager Survey

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**Exhibit 9: 55% of European investors think a strong consumer, helped by excess savings and a robust labour market, has been the main reason why hard-landing fears have not played out, while 39% think the economic resilience was down to large-than-expected US fiscal support**

What do you think has been the main reason why 'hard landing' fears have not played out?

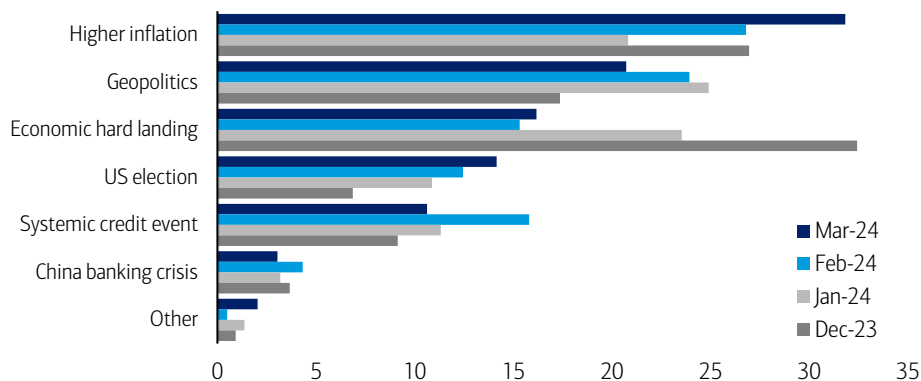


Source: BofA European Fund Manager Survey

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**Exhibit 10: A plurality of 32% of global investors regard high inflation as the biggest tail-risk for markets, up from 27% last month, followed by geopolitics (at 21%) and a hard landing (at 16%)**

What do you consider the biggest 'tail risk'?

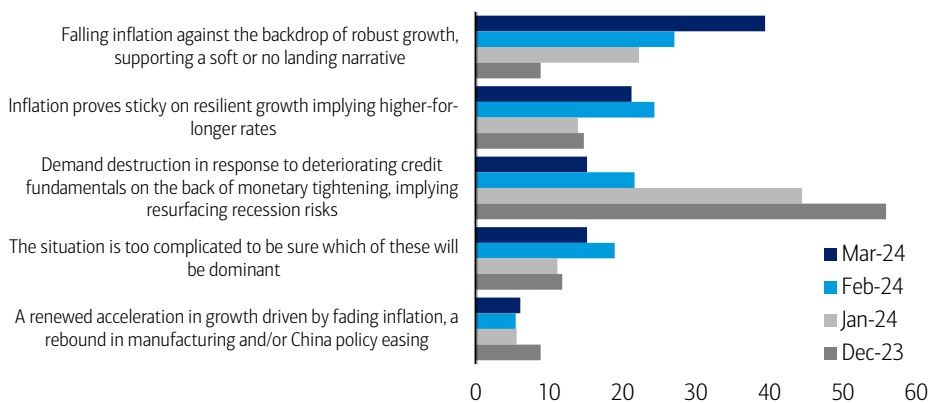


Source: BofA Global Fund Manager Survey

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**Exhibit 11: A plurality of 39% of European investors expect falling inflation against the backdrop of robust growth to be the dominant macro theme over the coming months (up from 27% last month), while 21% think inflation will prove sticky, meaning 'higher for longer' will dominate (down from 24%)**

What do you think will be the dominant macro theme in the months ahead?

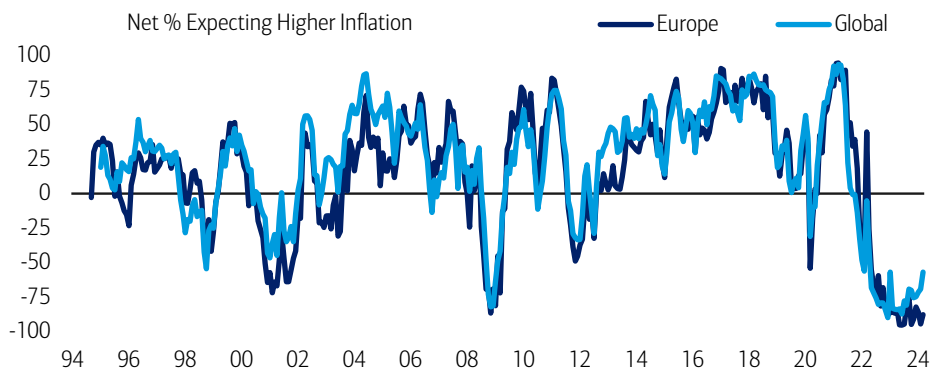


Source: BofA European Fund Manager Survey

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**Exhibit 12: A net 57% of global investors expect core inflation globally to decline over the coming year, down from 69% last month, while a near-record net 88% of European investors project lower European core inflation**

In twelve months' time, do you think core consumer price inflation rate (in y-o-y terms) will be...?



Source: BofA European & Global Fund Manager Survey

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**Exhibit 13: A net 78% of global investors expect lower short-term rates over the coming twelve months, down from 87% last month**

In twelve months' time, do you think global short-term interest rates (i.e. 3-month rates) will be...?

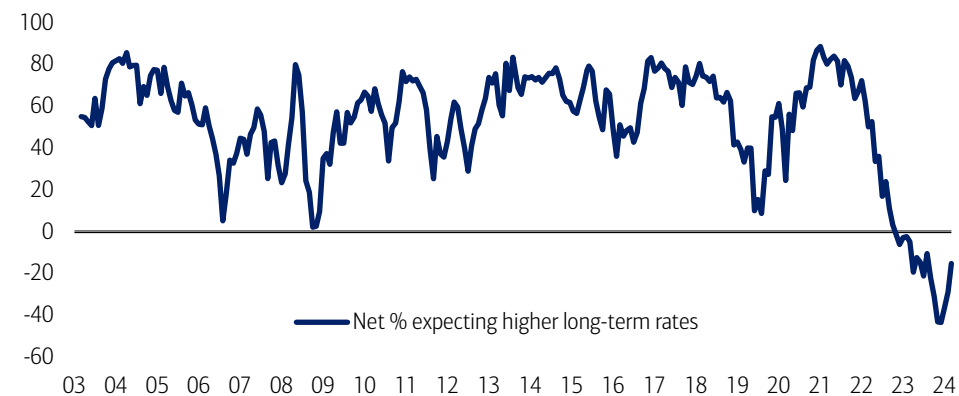


Source: BofA Global Fund Manager Survey

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**Exhibit 14: A net 15% of global investors expect lower 10-year bond yields over the coming twelve months, down from 29% last month**

In twelve months' time, do you think global long-term interest rates (i.e. 10-year rates) will be...?



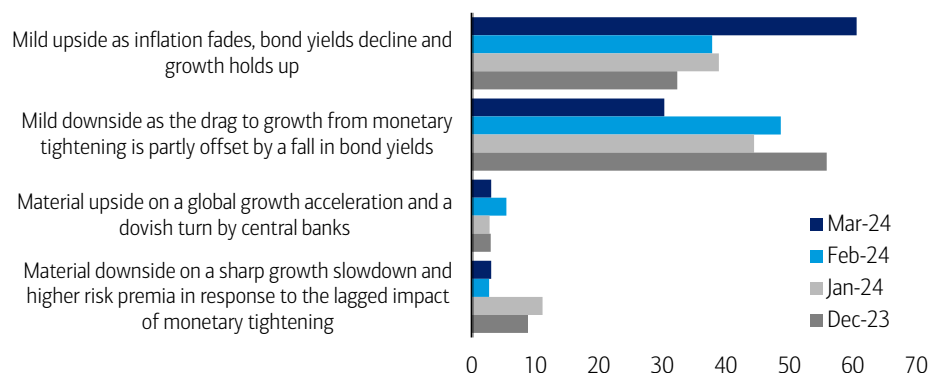
Source: BofA Global Fund Manager Survey

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# European equities

## Exhibit 15: 64% of European investors expect near-term upside for European equities, up sharply from 43% last month, with the share that sees downside after the rally down from 51% to 33%

What is the outlook for European equities over the coming months?

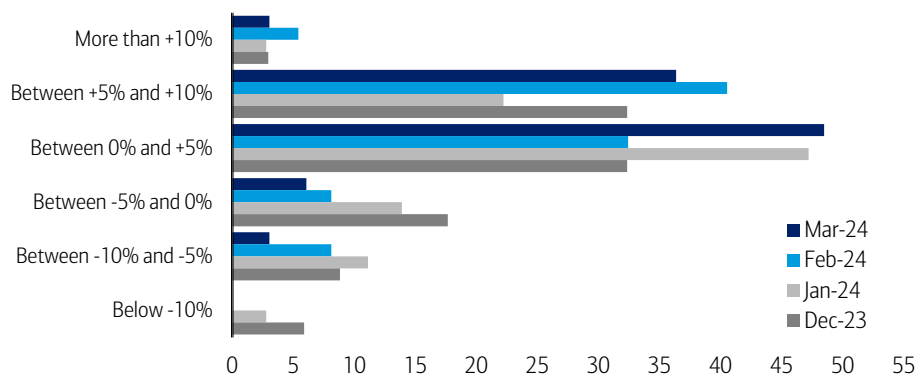


Source: BofA European Fund Manager Survey

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## Exhibit 16: 88% of European investors see upside for European equities over the coming twelve months (up from 78% last month and the highest since January 2022), with 48% looking for a gains of up to 5%

How much upside do you expect for European equities over the coming twelve months?

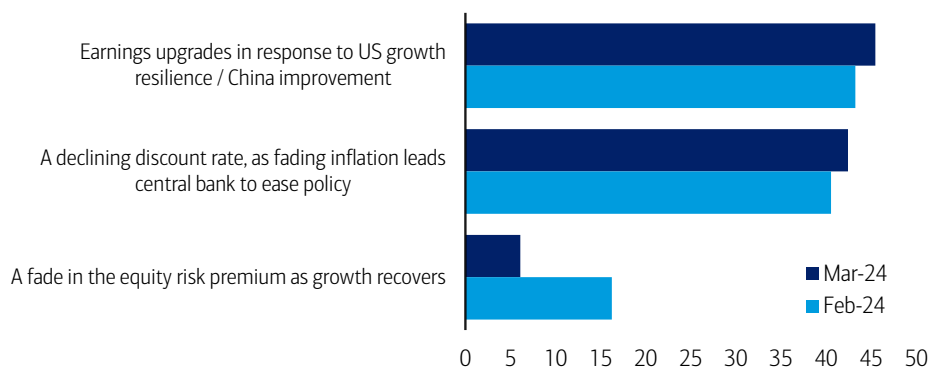


Source: BofA European Fund Manager Survey

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## Exhibit 17: A plurality of 45% of European investors see earnings upgrades in response to US growth resilience or China easing as the most likely reason for European equities to move higher, slightly ahead of a declining discount rate in response to central bank easing, at 42%

What would be the most likely reason for European equities to move higher?

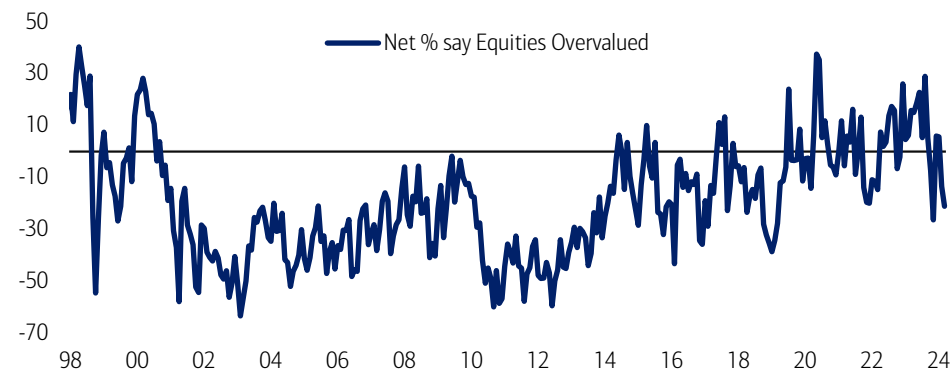


Source: BofA Global Fund Manager Survey

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**Exhibit 18: A net 21% of European investors see European equities as undervalued, up from 14% last month**

Do you think that the European equity market is currently overvalued, fairly valued or undervalued?

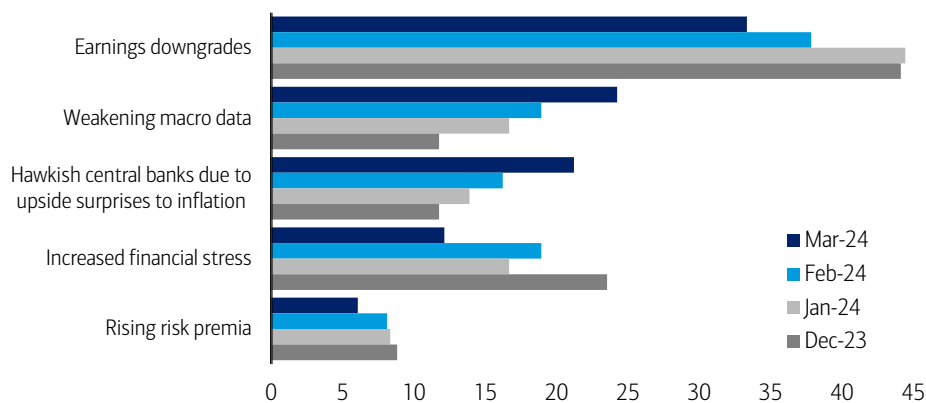


Source: BofA European Fund Manager Survey

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**Exhibit 19: A plurality of 33% of European investors see earnings downgrades as the most likely cause for a market correction (down from 38% last month), followed by weakening macro data, at 24% (up from 19%)**

What is the most likely catalyst for a correction?

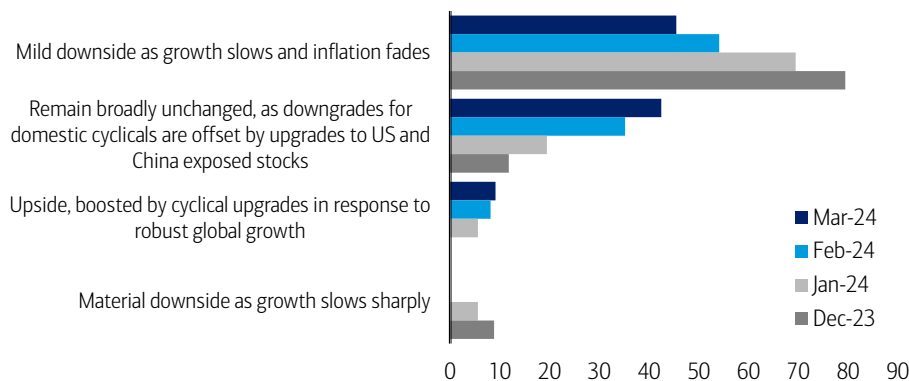


Source: BofA European Fund Manager Survey

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**Exhibit 20: 45% of European investors see downside for 12-month forward EPS expectations for Europe over the coming months, down from 54% last month, while 42% expect earnings to flatline, up from 35%**

How do think 12-month forward EPS expectations for Europe will develop over the coming months?



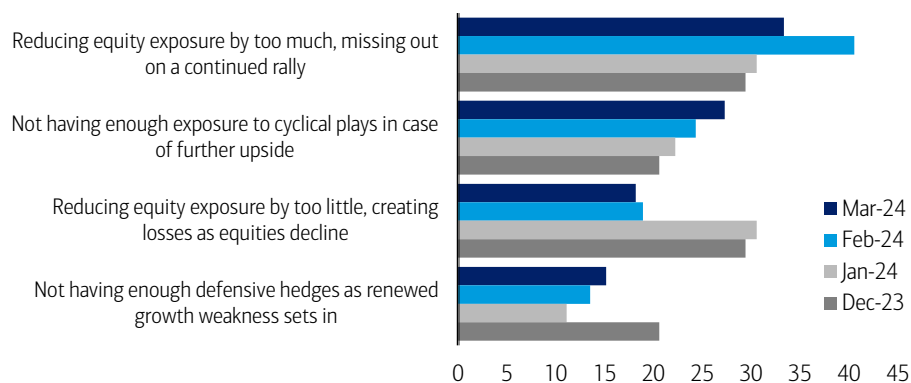
Source: BofA European Fund Manager Survey

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**Exhibit 21: A plurality of 33% of European investors judge reducing equity exposure by too much and thus missing out on a continued rally as the key risk to portfolios, down from 40% last month**

Which of the following risks are you most worried about when making portfolio decisions?



Source: BofA European Fund Manager Survey

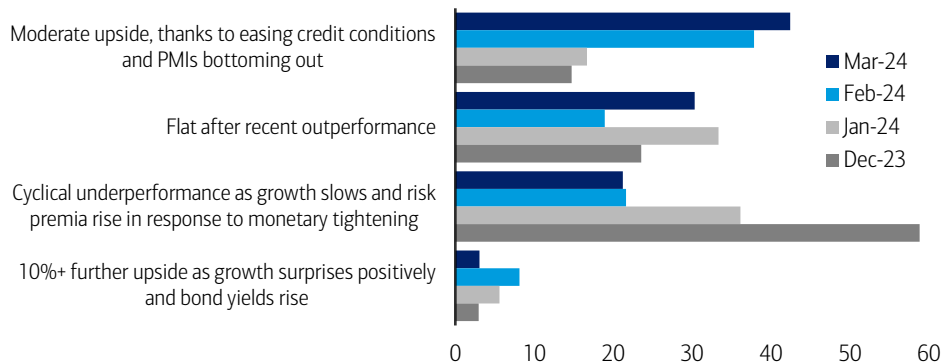
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# European styles, sectors and countries

## European styles

**Exhibit 22: 45% of European investors expect further upside for European cyclicals relative to defensives thanks to easing credit conditions and rebounding PMIs (down marginally from 46% last month), while 30% look for flat performance after the recent rally (up from 19%)**

What is the likely next move for European cyclicals versus defensives?

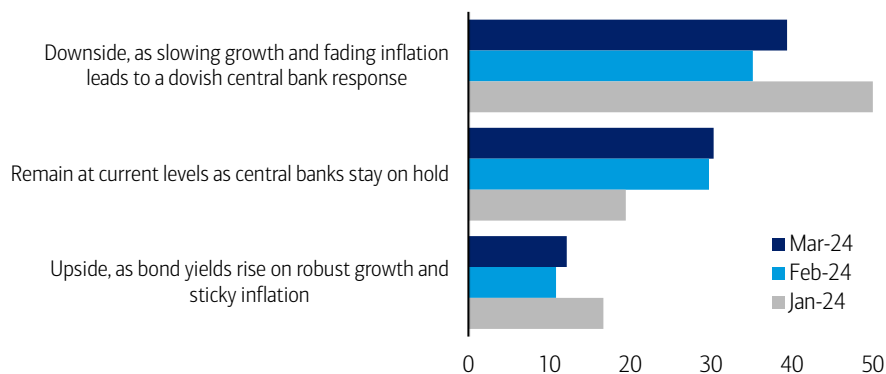


Source: BofA European Fund Manager Survey

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**Exhibit 23: A plurality of 39% of European investors expect further downside for European value versus growth stocks on dovish central banks, up from 35% last month**

What is your view on value versus growth outperformance?

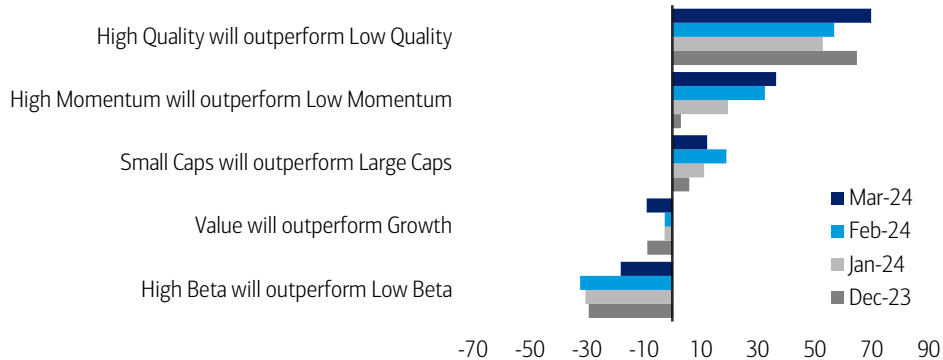


Source: BofA European Fund Manager Survey

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**Exhibit 24: The share of European investors expecting high-quality to outperform low quality stocks over the coming year is at 70% (up from 57% last month), whereas the share projecting high beta to underperform low beta is at 18% (down from 32%)**

How do you see investment style performance in Europe over the next twelve months?

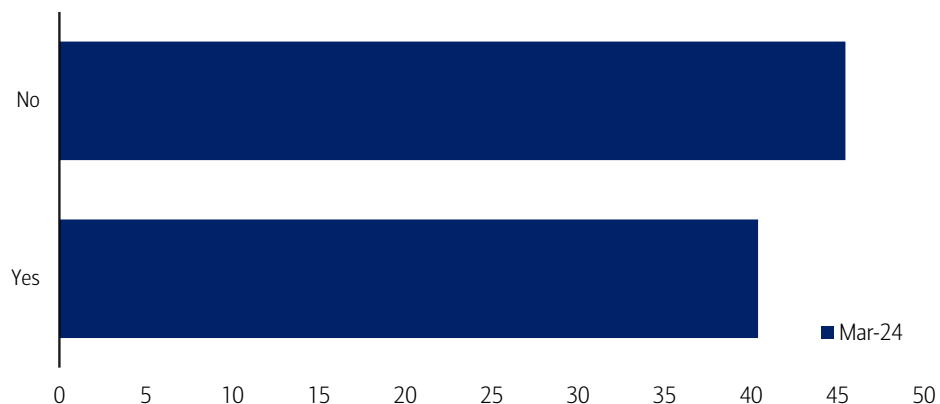


Source: BofA European Fund Manager Survey

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**Exhibit 25: 40% of global investors think AI stocks are in a bubble, while 45% think they are not**

Do you think that AI stocks are in a bubble?



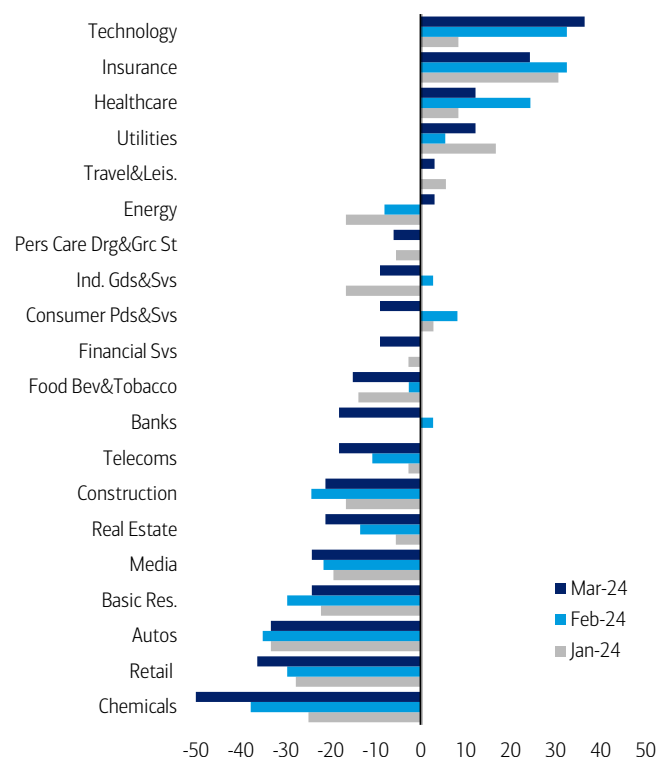
Source: BofA Global Fund Manager Survey

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## European sectors

### Exhibit 26: European tech, insurance and healthcare are the largest sector overweights, while chemicals, retail and autos are the largest underweights

European sector positioning (% saying overweight-% saying underweight)

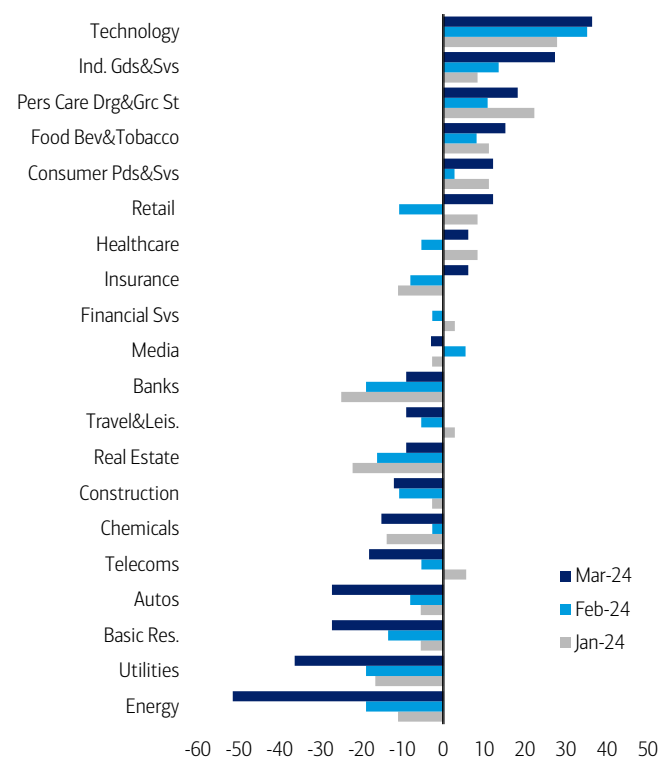


Source: BofA European Fund Manager Survey

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### Exhibit 27: European tech, industrials and personal care are seen as the most overvalued sectors, while energy, utilities and basic resources are seen as the most undervalued

European sector valuation (% saying overvalued-% saying undervalued)

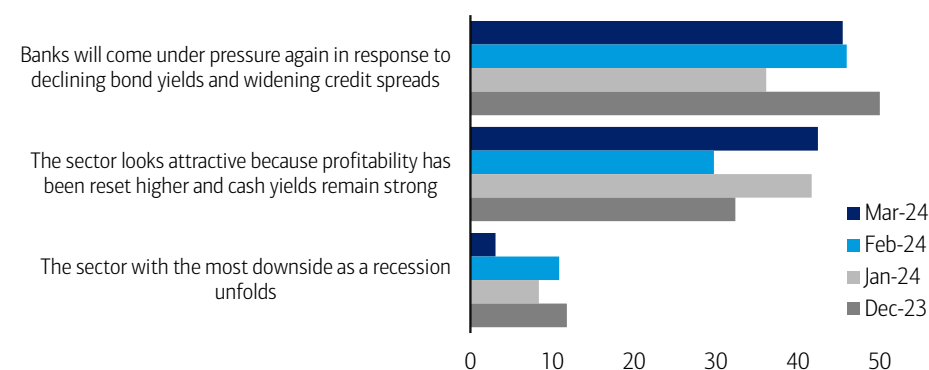


Source: BofA European Fund Manager Survey

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### Exhibit 28: 45% of European investors expect banks to come under pressure in response to lower rates and widening credit spreads (down mildly from 46% last month), while 42% see the sector as attractive, given that profitability has been reset higher and cash yields remain strong (up sharply from 30%)

What is your view on European banks?

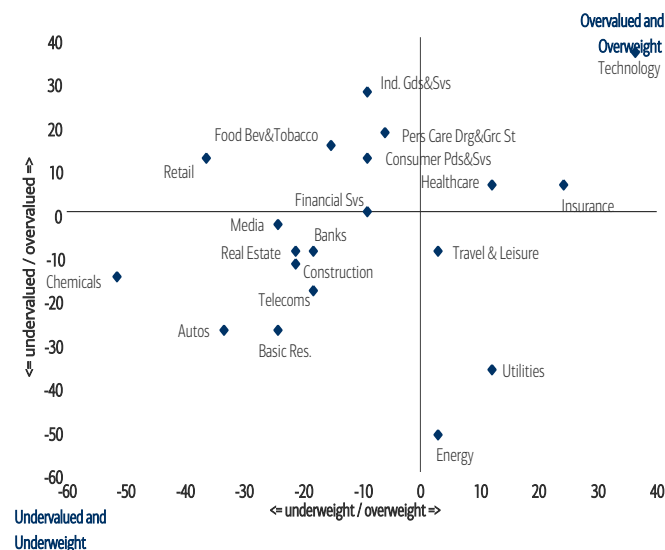


Source: BofA European Fund Manager Survey

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### Exhibit 29: European utilities, energy and travel & leisure are the sectors most overweight and undervalued, according to European survey respondents

European sectors net valuation versus net positioning



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### Exhibit 30: Positioning for energy, utilities and basic resources has improved the most from last month, while that of banks, consumer products & services and chemicals has dropped the most

Month-on-month change in net positioning and valuation

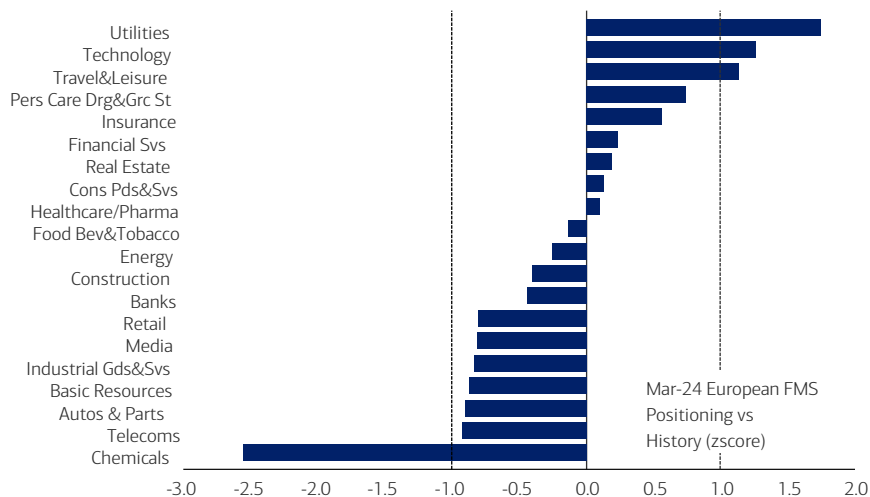
	Positioning	Valuation
Energy	11	-33
Utilities	7	-17
Basic Res.	5	-14
Technology	4	1
Construction	3	-1
Travel&Leis.	3	-4
Autos	2	-19
Media	-3	-8
Pers Care Drg&Grc St	-6	7
Retail	-7	23
Telecoms	-7	-13
Real Estate	-8	7
Insurance	-8	14
Financial Svs	-9	3
Ind. Gds&Svs	-12	14
Healthcare	-12	11
Food Bev&Tobacco	-12	7
Chemicals	-14	-12
Consumer Pds&Svs	-17	9
Banks	-21	10

Source: BofA European Fund Manager Survey

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### Exhibit 31: European utilities, technology and travel & leisure are the most over-owned sectors relative to history, while chemicals, telecoms and autos are most under-owned

Current European sectors positioning relative to history (z-scores)



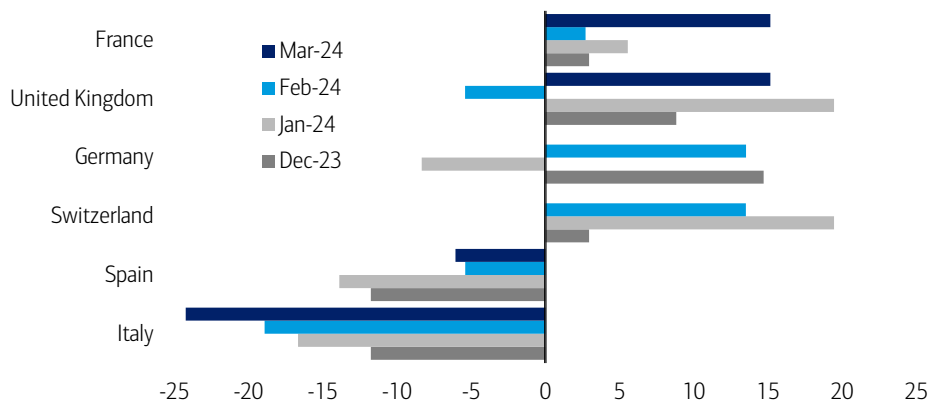
Source: BofA European Fund Manager Survey. Note: z-score based on full time series. Sector history since 2003, except: Consumer Gds & Svs (Personal& HH Gds), Chemicals, Construction, Financial Svs, Travel & Leisure since 2006, Real estate since 2008, Personal care, drug & grocery stores since Oct 2020

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## European countries

### Exhibit 32: Country preferences among European investors remain volatile, with France and the UK the favourite equity markets in Europe currently, while Italy is the least preferred, followed by Spain

Which equity markets would you overweight or underweight over the coming twelve months?



Source: BofA European Fund Manager Survey

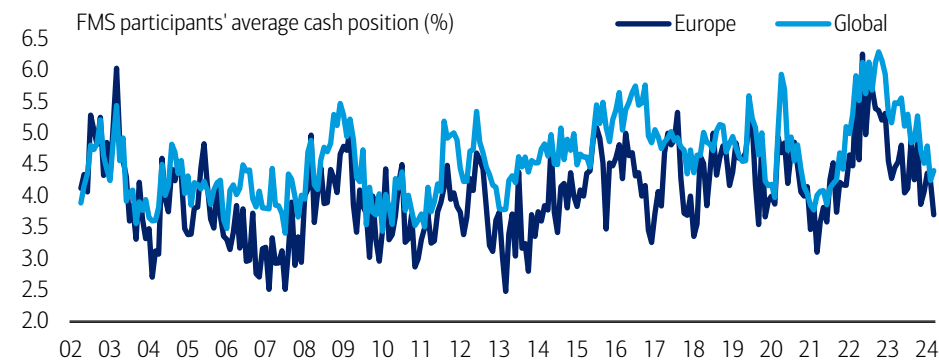
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# Appendix

## Cash levels

**Exhibit 33: The average cash position among European investors stands at 3.7% (down from 4.2% last month), while cash levels among global investors are at 4.4% (up from 4.2%)**

What comes closest to your current cash position in your portfolio?



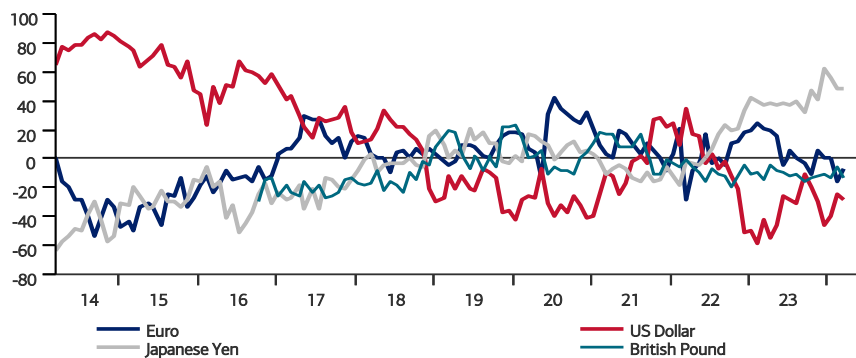
Source: BofA European & Global Fund Manager Survey

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## USD sentiment

**Exhibit 34: Bearish USD sentiment remains, with a net 28% of global investors expecting the USD to weaken over the coming year, up from 24% last month**

Over the next twelve months, which FX do you expect to appreciate / depreciate the most on a TWI basis?



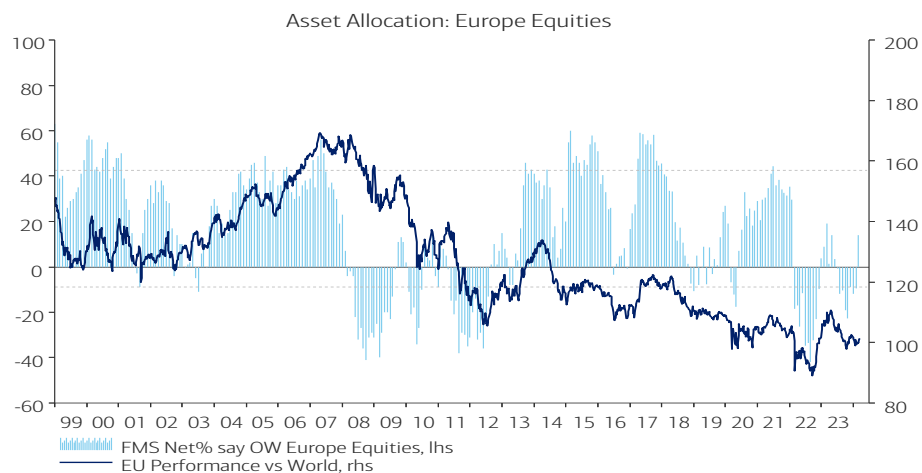
Source: BofA Global Fund Manager Survey

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## Europe in the global context

### Exhibit 35: A net 14% of global investors say they are overweight European equities, the highest since May last year

Please indicate for each of the following equity markets, how overweight or underweight you consider your position to be relative to your internal benchmark

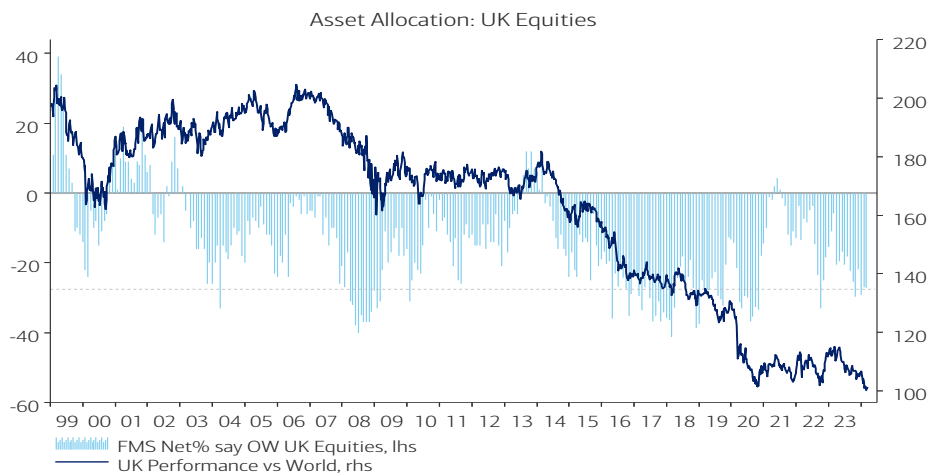


Source: BofA Global Fund Manager Survey

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### Exhibit 36: A net 27% of global investors say they are underweight UK equities, unchanged from last month

Please indicate for each of the following equity markets, how overweight or underweight you consider your position to be relative to your internal benchmark



Source: BofA Global Fund Manager Survey

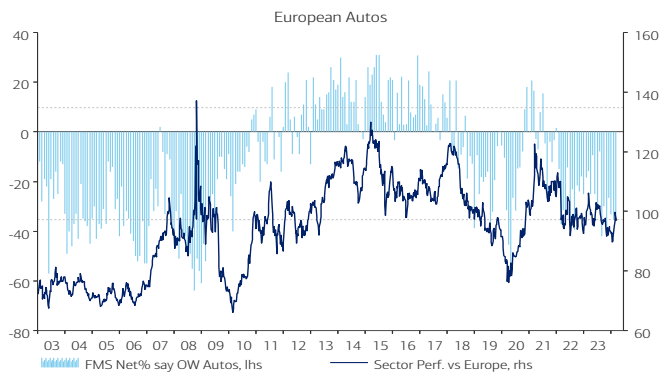
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## European sector details

### Exhibit 37: European autos & parts

Net 33% of European participants say they are underweight the sector

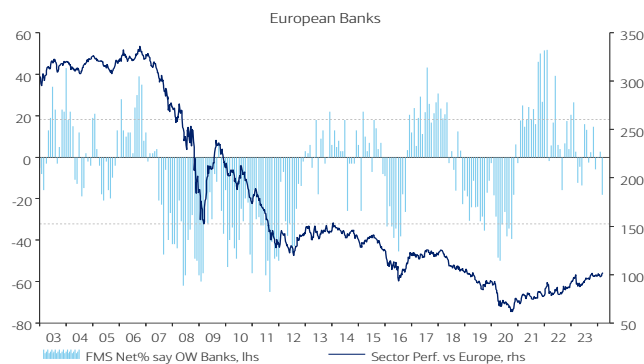


Source: BofA European Fund Manager Survey, Datastream

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### Exhibit 38: European banks

Net 18% of European participants say they are underweight the sector

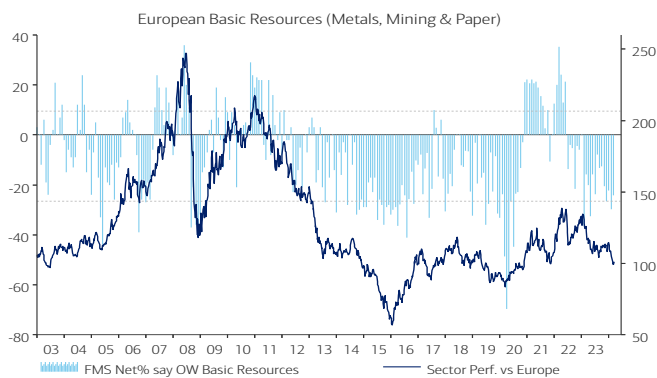


Source: BofA European Fund Manager Survey, Datastream

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### Exhibit 39: European basic resources

Net 24% of European participants say they are underweight the sector

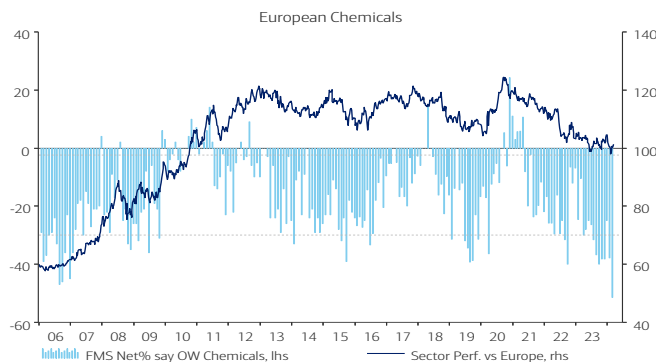


Source: BofA European Fund Manager Survey, Datastream

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### Exhibit 40: European chemicals

Net 52% of European participants say they are underweight the sector

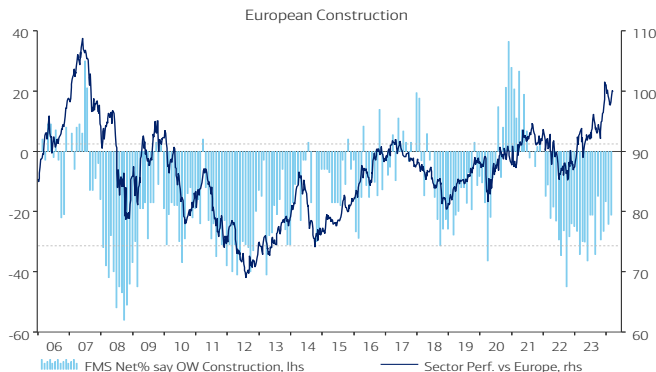


Source: BofA European Fund Manager Survey, Datastream

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### Exhibit 41: European construction

Net 21% of European participants say they are underweight the sector

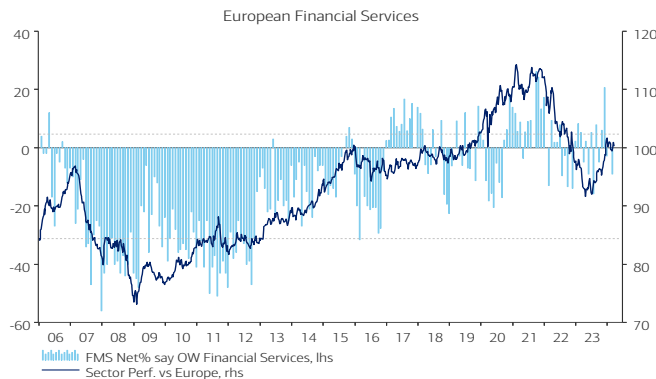


Source: BofA European Fund Manager Survey, Datastream

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### Exhibit 42: European financial services

Net 9% of European participants say they are underweight the sector

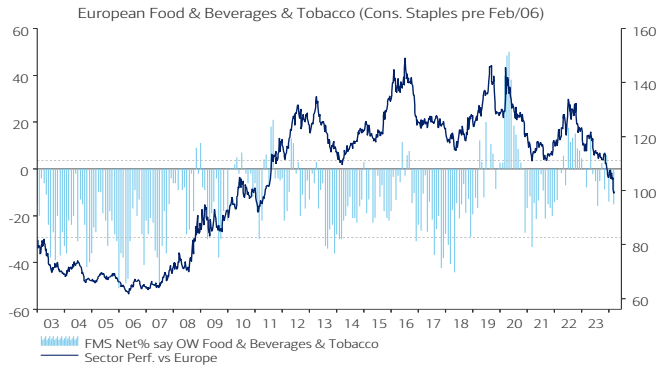


Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 43: European food & beverages & tobacco**

Net 15% of European participants say they are underweight the sector

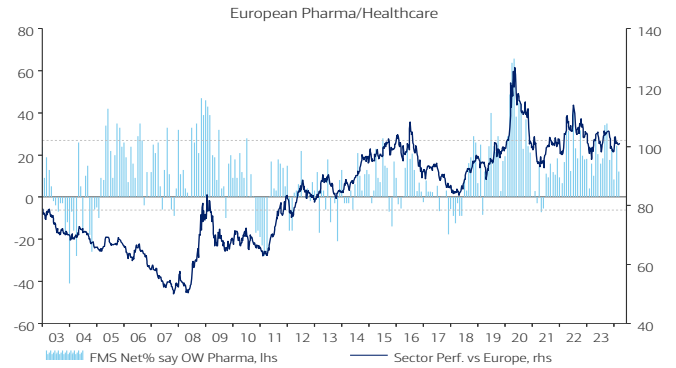


Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 44: European healthcare**

Net 12% of European participants say they are overweight the sector

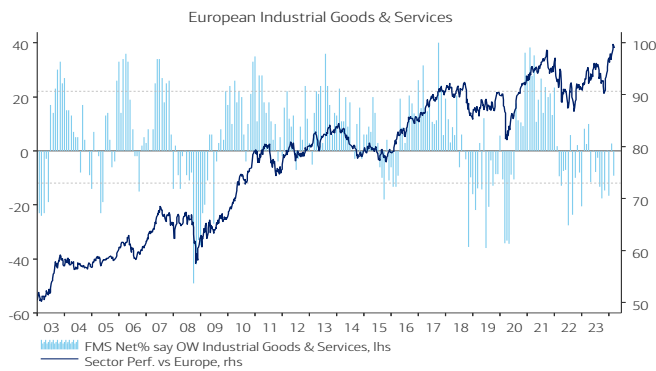


Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 45: European industrial goods & services**

Net 9% of European participants say they are underweight the sector

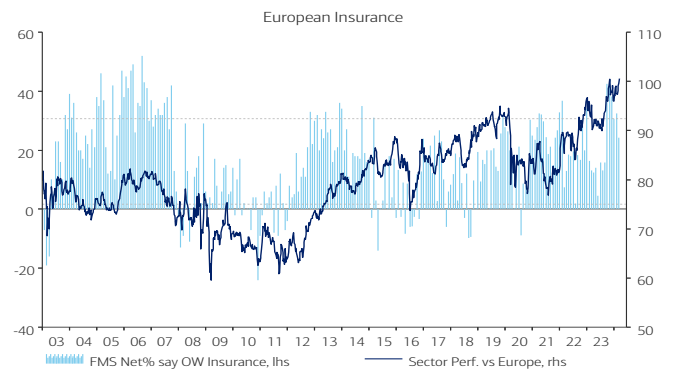


Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 46: European insurance**

Net 24% of European participants say they are overweight the sector

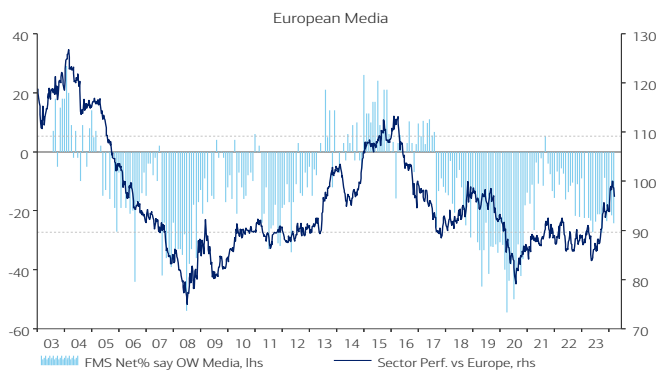


Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 47: European media**

Net 24% of European participants say they are underweight the sector

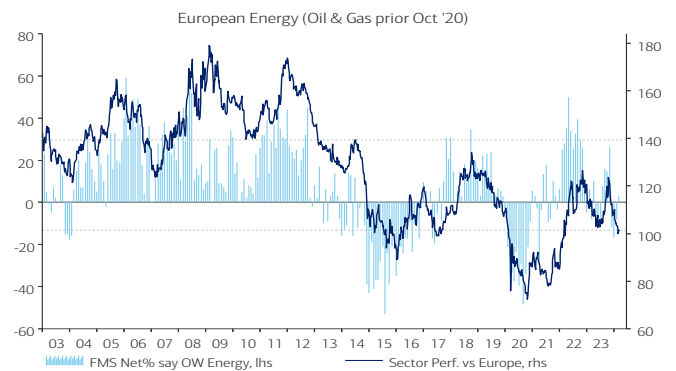


Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 48: European energy**

Net 3% of European participants say they are overweight the sector

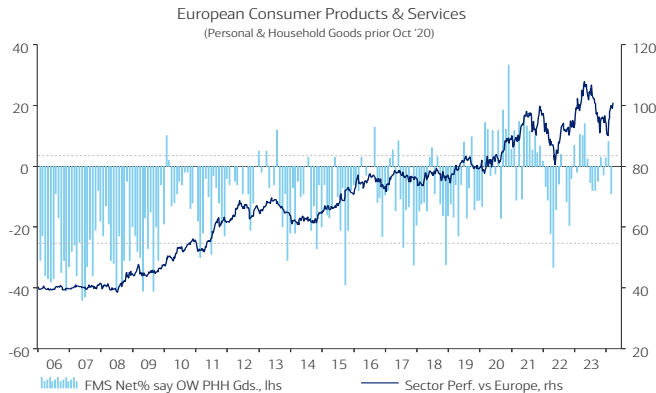


Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 49: European consumer products & services**

Net 9% of European participants say they are underweight the sector

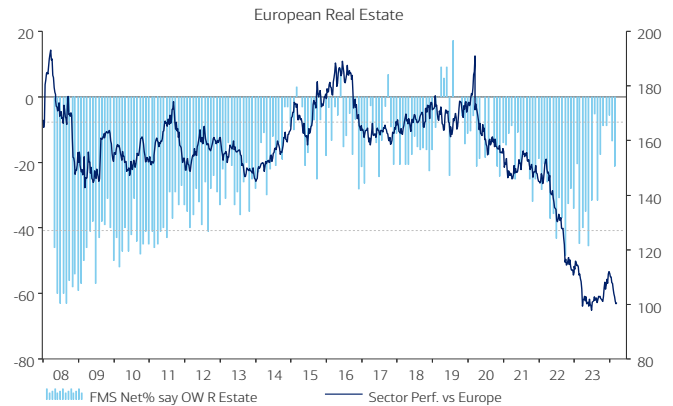


Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 50: European real estate**

Net 21% of European participants say they are underweight the sector

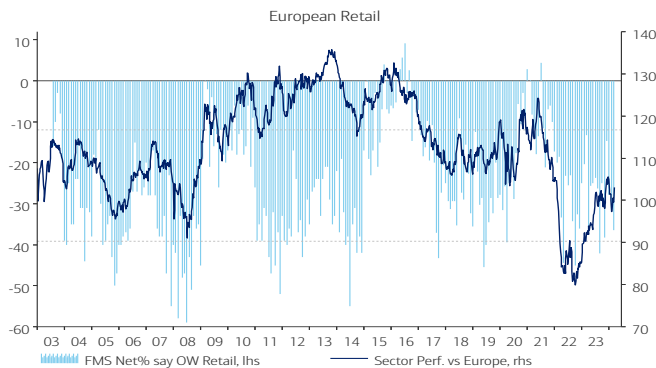


Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 51: European retail**

Net 36% of European participants say they are underweight the sector

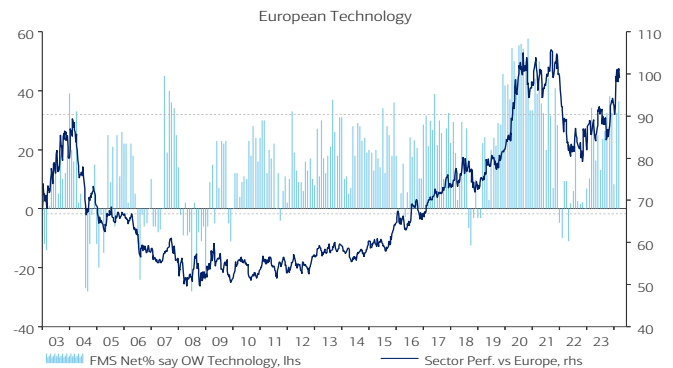


Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 52: European technology**

Net 36% of European participants say they are overweight the sector

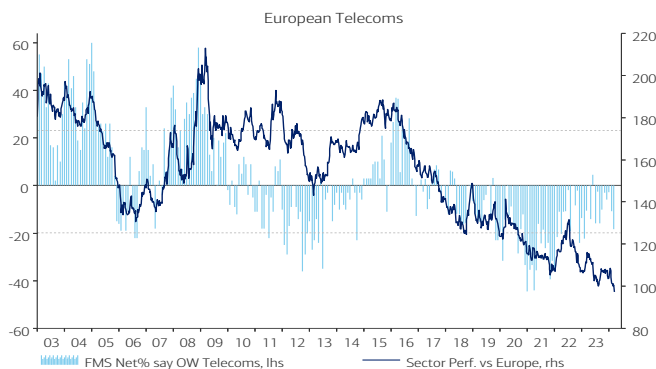


Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 53: European telecoms**

Net 18% of European participants say they are underweight the sector

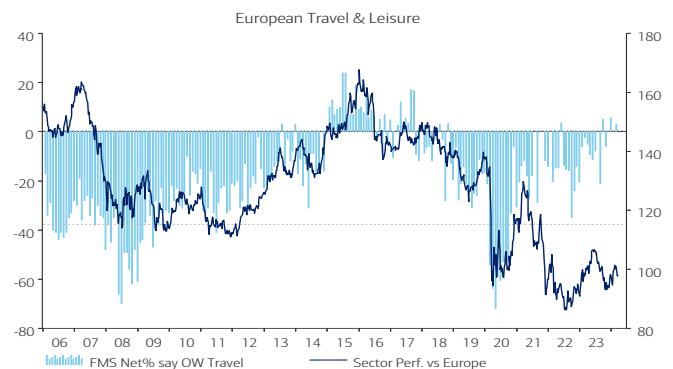


Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 54: European travel & leisure**

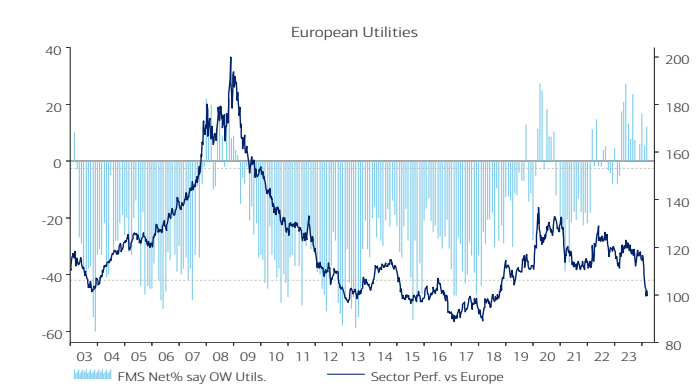
Net 3% of European participants say they are overweight the sector



Source: BofA European Fund Manager Survey, Datastream

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**Exhibit 55: European utilities**  
Net 12% of European participants say they are overweight the sector



**Source:** BofA European Fund Manager Survey, Datastream  
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# Regional survey demographics data/

## Exhibit 56: Position / institution / approach of participants in the regional survey

Demographics details for regional Fund Manager Survey participants

	Mar-24	Feb-24	Jan-24
<b>Structure of the panel - by position</b>			
Chief Investment Officer	10	14	14
Asset Allocator / Strategist / Economist	21	33	28
Portfolio Manager	76	87	89
Other	12	11	15
<b>Structure of the panel - by expertise</b>			
Regional specialists + EM specialists only	28	40	35
Regional specialists with a global view	91	105	111
<b>Total # of respondents to regional questions</b>	<b>119</b>	<b>145</b>	<b>146</b>
<b>Which of the following best describes the type of money you are running?</b>			
Institutional funds (e.g. pension funds / insurance companies)	39	50	44
Hedge funds / proprietary trading desks	20	23	25
Mutual funds / unit trusts / investment trusts	46	63	64
None of the above	14	9	13
<b>What do you estimate to be the total current value of assets under your direct control?</b>			
Up to \$250mn	25	29	30
Around \$500mn	17	22	17
Around \$1bn	21	23	28
Around \$2.5bn	23	25	29
Around \$5bn	7	8	10
Around \$7.5bn	5	5	3
Around \$10bn or more	9	15	13
No funds under my direct control	12	18	16
<b>Total (USD bn)</b>	<b>256</b>	<b>331</b>	<b>319</b>
<b>What best describes your investment time horizon at this moment?</b>			
3 months or less	33	37	36
6 months	33	38	50
9 months	18	15	13
12 months or more	34	52	43
<b>Weighted average</b>	<b>7.3</b>	<b>7.7</b>	<b>7.3</b>
Don't know	1	3	4
<b>Which region do you specialise in?</b>			
US / North America	30	35	40
Europe / Continental Europe / Eurozone / UK	33	37	36
Asia Pacific / Asia Pacific ex Japan / Japan	39	48	49
South Africa	15	16	14
MENA (Middle East and North Africa)	1	6	4
None of the above	1	3	3

Source: BofA European Fund Manager Survey

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