

# LatAm Fund Manager Survey

## Ibov between 120-130k next year, higher cash, lower risk

Investment Strategy

### Ibov roughly stable amid external pressure

In the October Fund Manager Survey (FMS), Ibov is mostly expected between 120-130k by the end of next year. Last month, survey participants were expecting 130-140k (Exhibit 10). Higher US rates largely remains the biggest tail risk (Exhibit 3). In recent weeks, we saw rate-sensitive names in BZ pressured by the US rates selloff. By the end of this easing cycle in Brazil, participants mostly expect Selic rate between two ranges: 8.75-9.50% and 9.75-10.50% (Exhibit 11). Individuals rotating into equities could be a key driver for equities in 2024 and it's expected to happen when selic reaches 10% (Exhibit 12).

### High cash, low risk, value and quality

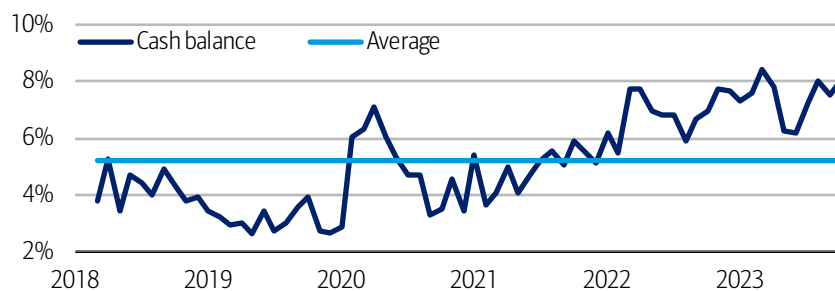
Cash levels remain elevated at 8%, vs 7.5% last month (historical average is 5.1%, Exhibit 1). Risk taking remains below hist (Exhibit 22), and protection levels are close to historical average of the survey (Exhibit 24). High quality and value are now the preferred strategies (Exhibit 6). Investors like Energy, Financials and Utilities (Exhibit 4). C. discretionary is the most underweight sector (Exhibit 5) followed by Materials (yet 65% say stimulus in China will drive commodity prices higher, Exhibit 8).

### 2024: BZ GDP between 1-2%. In MX, cuts to start in 1H24

62% expect Brazil GDP growth >2% in 2023 (down from 81% last month, Exhibit 13). BZ GDP growth expected between 1%-2% in 2024 (Exhibit 14). We expect 3% growth in 2023 and 2.2% in 2024 (see: [Emerging Insight](#)). BRL expected mostly stable between 4.81- 5.10 next year (Exhibit 15). In Mexico, investors expect rate cuts to start in 1H 2024 (Exhibit 18) and Banxico's terminal rate at the end of the easing cycle expected between 7.50-8.25% (Exhibit 19).

#### Exhibit 1: Average cash position (2018-2023)

Cash levels at 8% in Oct-23



Source: LatAm Fund Manager Survey

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Timestamp: 17 October 2023 12:40AM EDT

17 October 2023

Investment Strategy  
Latin America

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### Note to readers

A total of 34 panelists with approx. \$103.5bn AUM participated in the LatAm Fund Manager Survey.

#### How to join the FMS panel

Institutional investors/clients are encouraged to sign up to participate in the Survey. This can be done by contacting the authors of the report.

Participants in the survey will continue to receive the full set of monthly results but only for the relevant month in which they participate.

BZ = Brazil

MX = Mexico

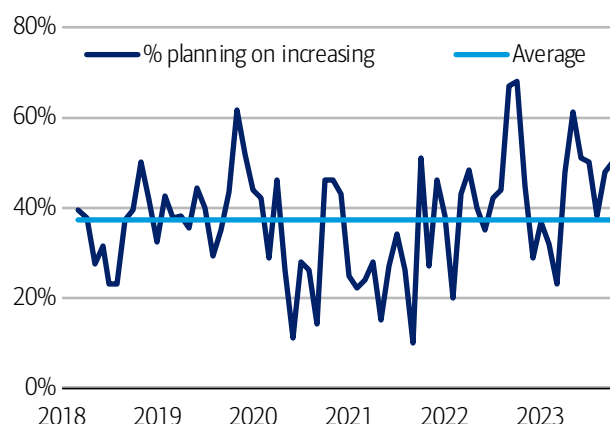
OW = Overweight

UW = Underweight

# LatAm Fund Manager Survey

## Exhibit 2: % of investors planning on increasing their equity allocation in the next 6 months (2018-2023)

50% plan on increasing equity allocation (from 48% last month).

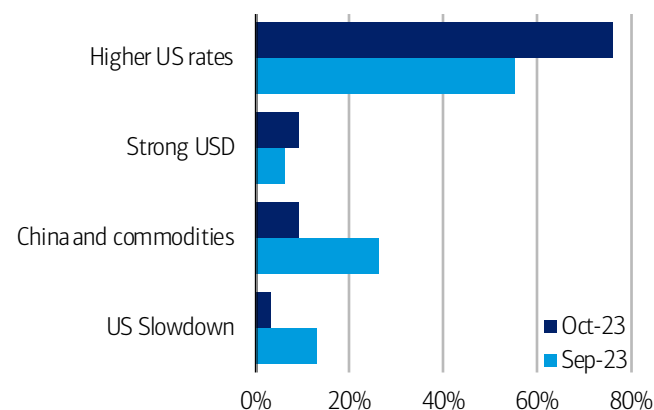


Source: LatAm Fund Manager Survey

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## Exhibit 3: What do you consider the biggest tail risk for LatAm markets?

Higher US rates is considered the biggest tail risk for the region.

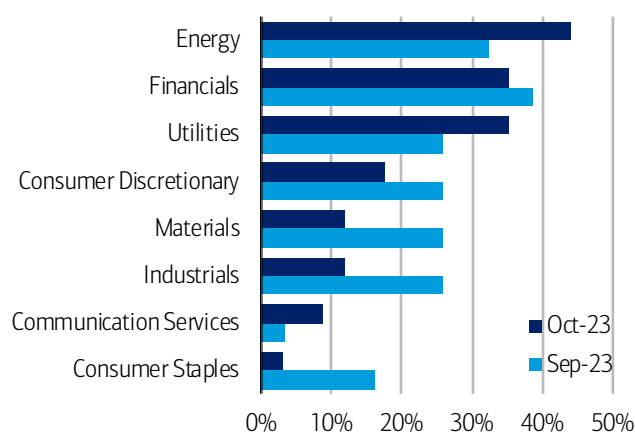


Source: LatAm Fund Manager Survey

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## Exhibit 4: Which sectors within equities are you most overweight?

Participants are most overweight Energy, followed by Financials and Utilities

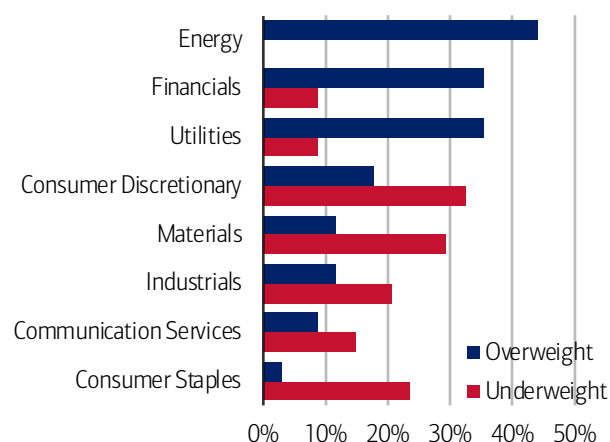


Source: LatAm Fund Manager Survey

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## Exhibit 5: Which sectors among equities are you most underweight?

Participants are more underweight C. Discretionary, C. Staples, Materials, Industrials and Communication than they are overweight.



Source: LatAm Fund Manager Survey

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### Exhibit 6: Which strategies do you believe could outperform over the next 6 months?

Participants like high quality and value

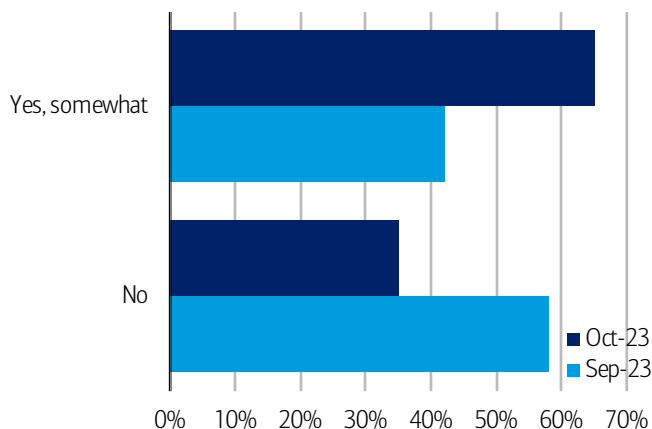


Source: LatAm Fund Manager Survey

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### Exhibit 8: Do you believe that stimulus in China will be enough to drive commodity prices higher in the next 6 months?

65% of participants believe China will somewhat drive commodities prices higher in the next 6M

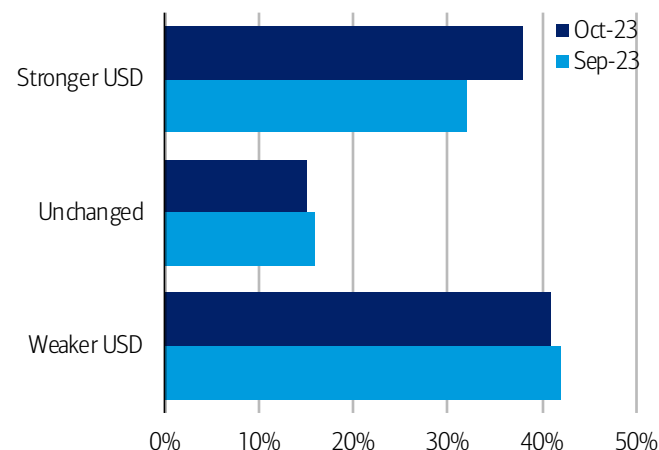


Source: LatAm Fund Manager Survey

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### Exhibit 7: What are your expectations for the USD in 2024?

41% of participants expect weaker USD in 2024.

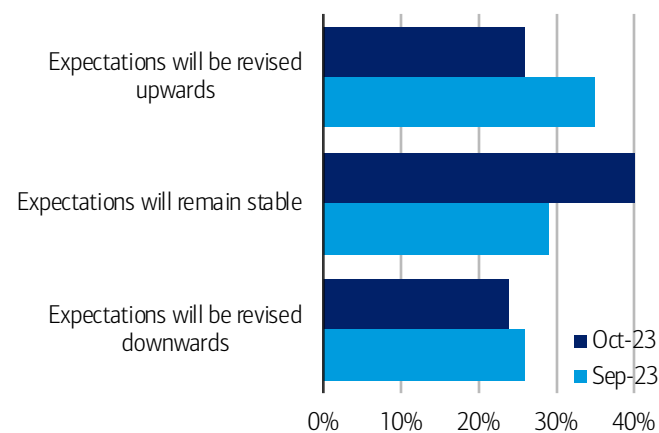


Source: LatAm Fund Manager Survey

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### Exhibit 9: For domestic industries in Brazil, how do you see earnings revisions in 2024?

Participants are divided on how they see earnings revisions in 2024.

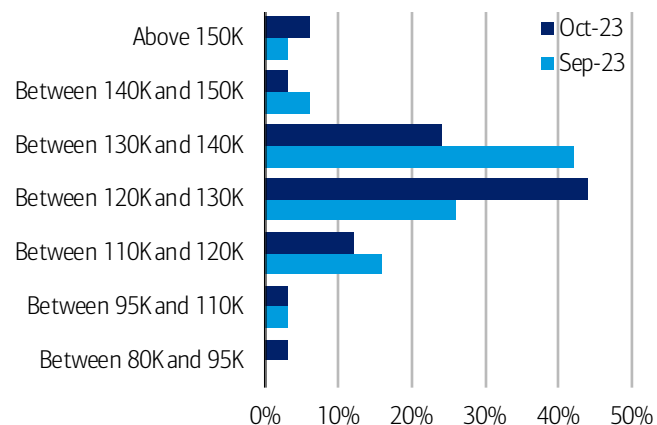


Source: LatAm Fund Manager Survey

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**Exhibit 10: Where do you see the Ibovespa at the end of 2024?**

Ibovespa is expected between 120k–130k in 2024

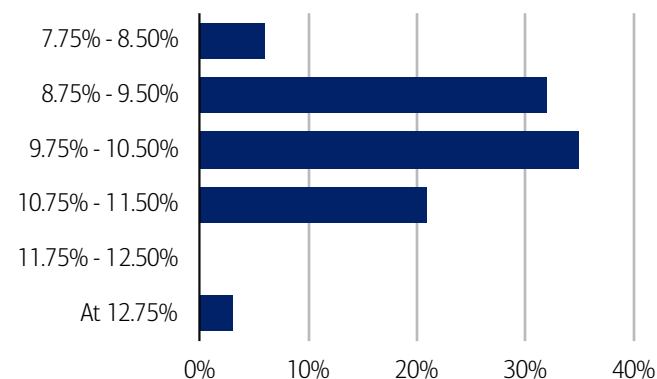


Source: LatAm Fund Manager Survey

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**Exhibit 11: Where do you see Brazil's terminal Selic by the end of this easing cycle?**

Participants mostly expect Selic rate between two ranges: 8.75%-9.50% and 9.75%-10.50%

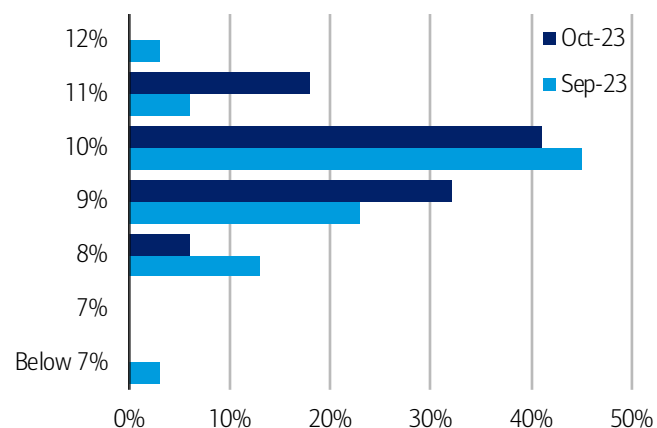


Source: LatAm Fund Manager Survey

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**Exhibit 12: At what Selic level do you expect individuals to rotate back into equities?**

41% say individuals will rotate into equities when selic reaches 10%.

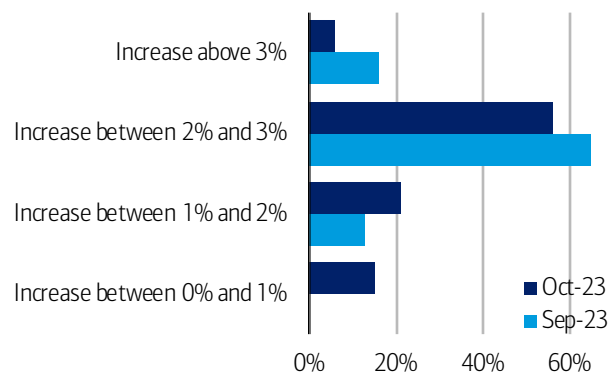


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**Exhibit 13: In Brazil, what do you expect for real GDP growth in 2023?**

62% expect GDP growth above 2% in 2023 (vs 81% last month)

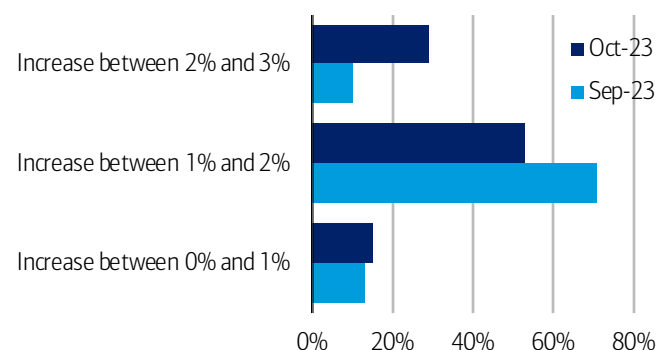


Source: LatAm Fund Manager Survey

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**Exhibit 14: And what do you expect for Brazil's real GDP growth in 2024?**

Participants expect GDP growth between 1-2% in 2024

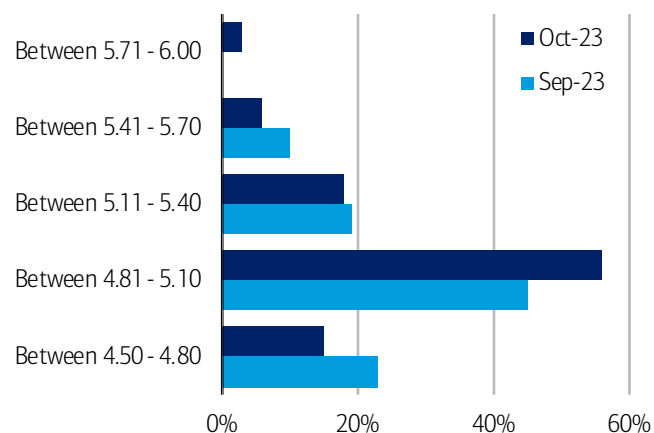


Source: LatAm Fund Manager Survey

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**Exhibit 15: Where do you see the BRL at the end of 2024?**

Most participants expect the BRL between 4.81-5.10 next year

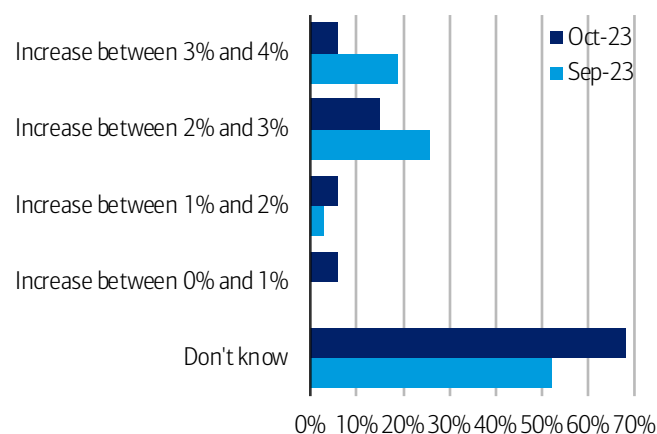


Source: LatAm Fund Manager Survey

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**Exhibit 16: Where do you see Mexico's real GDP growth in 2023?**

Mexico GDP expected between 2%-3% in 2023.

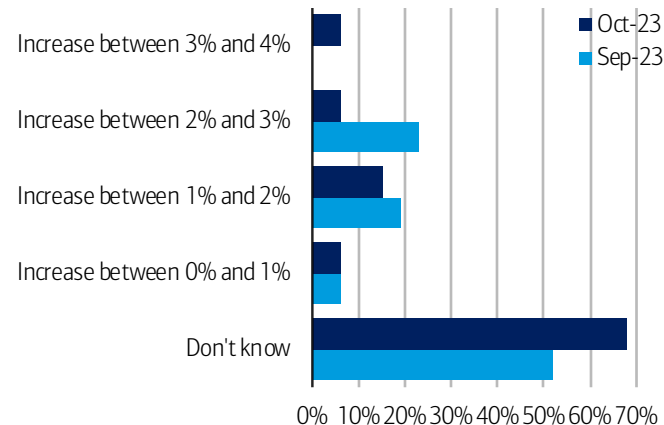


Source: LatAm Fund Manager Survey

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**Exhibit 17: And where do you see Mexico's real GDP growth in 2024?**

15% expect Mexico GDP growth between 1%-2%.

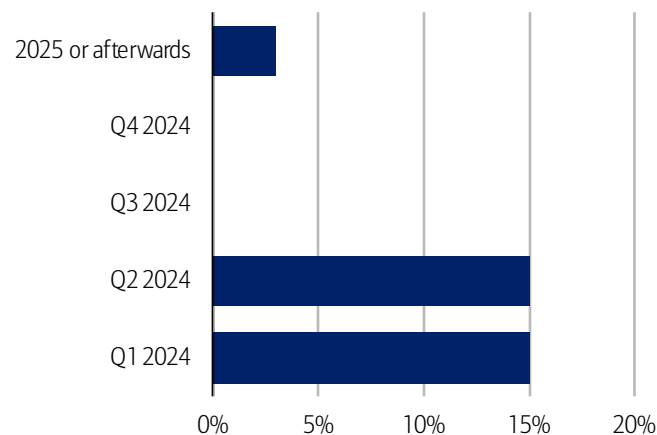


Source: LatAm Fund Manager Survey

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**Exhibit 18: When do you expect Banxico to deliver the first rate cut?**

Participants expect the first cut in 1H 2024.

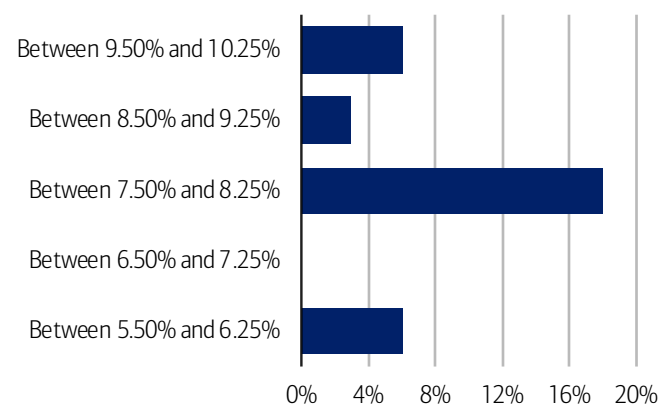


Source: LatAm Fund Manager Survey

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**Exhibit 19: After Banxico starts cutting, where do you see Banxico's terminal rate at the end of the easing cycle?**

Banxico terminal rate expected between 7.50% - 8.25%



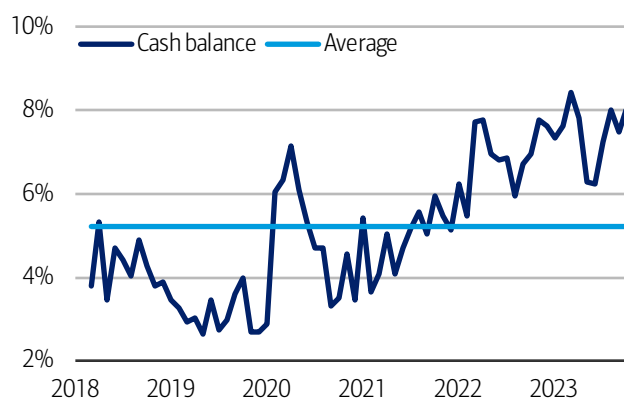
Source: LatAm Fund Manager Survey

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# Portfolio allocation

## Exhibit 20: Average cash position (2018-2023)

Cash levels at 8% in Oct-23

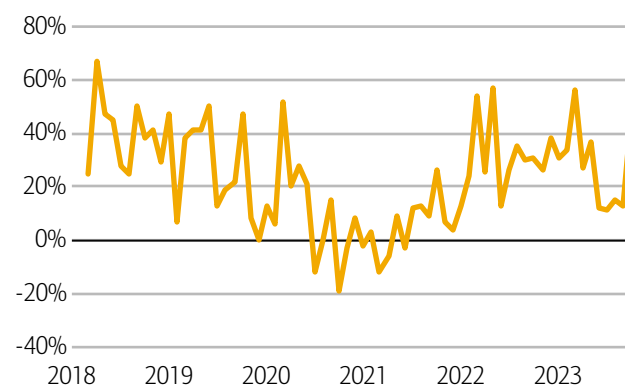


Source: LatAm Fund Manager Survey

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## Exhibit 21: Net % say they are overweight Cash

Cash alloc. is net positive in October, close to 2023 highs in March (56%)

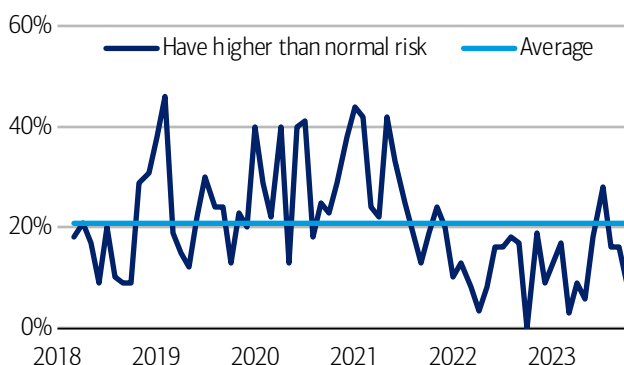


Source: LatAm Fund Manager Survey

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## Exhibit 22: % of investors with higher than normal risk in their portfolio (2018-2023)

9% of investors are taking higher risk than the normal, below historical avg (21%).

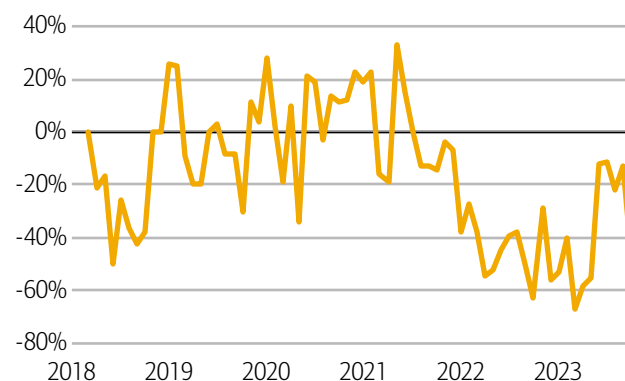


Source: LatAm Fund Manager Survey

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## Exhibit 23: Net % say they have higher than normal risk in their portfolio

Risk taking is close to 2023 lows but still below normal

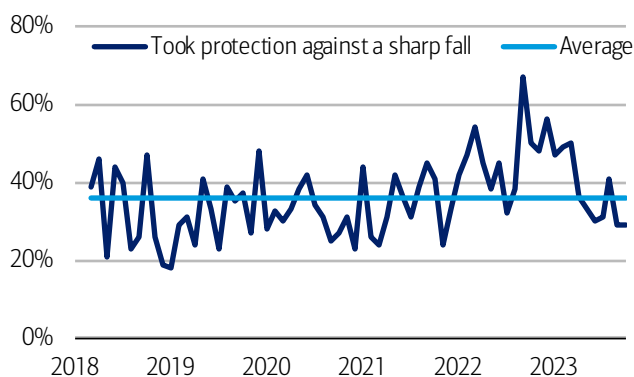


Source: LatAm Fund Manager Survey

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## Exhibit 24: % of investors that took protection against a sharp fall in equity markets in the next three months

29% of investors are taking protections against a sharp fall in equity markets, below historical average.

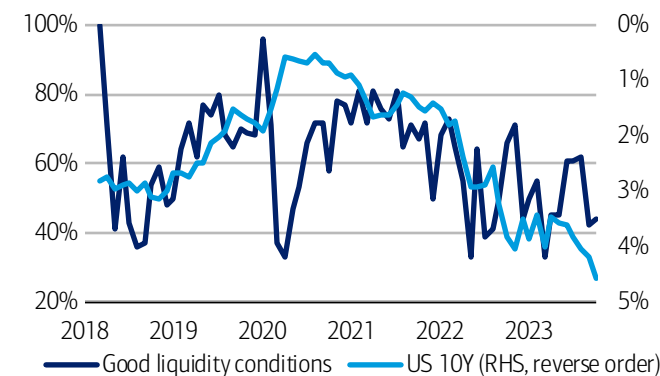


Source: LatAm Fund Manager Survey

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## Exhibit 25: % that rate liquidity conditions as good and US 10Y rates

44% of investors surveyed rate liquidity conditions as good or very good.



Source: LatAm Fund Manager Survey

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# LatAm survey demographics data

## Exhibit 26: LatAm survey demographics data

34 panelists with approx. \$103.5bn AUM participated in the LatAm Fund Manager Survey in Oct-23.

### LatAm survey demographics data

Month	Sep-23	Oct-23
Participants	31	34

### Structure of panel - by position

Chief Investment Officer	16%	12%
Asset Allocator / Strategist / Economist	13%	6%
Portfolio Manager	52%	62%
Other	19%	21%

### Are you involved in global asset allocation?

Yes	45%	38%
No	55%	62%

### Which one of the following best describes the type of money you are running?

Institutional funds (e.g. pension funds / insurance companies)	13%	26%
Hedge funds / proprietary trading desks	45%	29%
Mutual funds / unit trusts / investment trusts	39%	38%
None of the above	3%	6%

### What do you estimate to be the total current value of assets under your direct control (US\$)?

No funds under my direct control	0%	6%
Up to \$250mn	23%	12%
Around \$500mn	19%	24%
Around \$1bn	26%	18%
Around \$2.5bn	10%	12%
Around \$5bn	3%	3%
Around \$7.5bn	6%	15%
Around \$10bn or more	13%	12%

### What best describes your investment time horizon at this moment?

3 months or less	26%	35%
6 months	23%	24%
9 months	6%	6%
12 months or more	45%	35%
Don't know	0%	0%

Source: LatAm Fund Manager Survey

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R1</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R1</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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