US equities

Investors slash US equity holdings by most ever, BofA survey shows

Threat to global growth from Trump's trade tariffs sparks 'bull crash' in fund manager sentiment

According to the BofA survey, nearly 70% of investors say the 'US exceptionalism' theme has peaked © Angela Weiss/AFP/Getty Images

Mari Novik, **Ian Smith** and **Emily Herbert** in London

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Investors made the "biggest ever" cut to their US equity allocations in March, as President Donald Trump's erratic trade war sparked fears over the American economy and prompted a heavy Wall Street sell-off.

Allocations to US equities plunged 40 percentage points, from 17 per cent overweight in February to net underweight 23 per cent in March, according to Bank of America's closely watched survey of fund managers.

Stagflation fears, the global trade war and an end of US exceptionalism were cited as drivers of a "bull crash" in sentiment. The month-on-month decline in investor sentiment is the survey's largest since the Covid-19 drop in March 2020.

“At the beginning of the year investors were all raging bulls, but . . . they are ending the winter as bears for sure,” said Elyas Galou, senior investment strategist at BofA.

“What has changed is that everyone was bullish on the US and this has faded significantly,” he added.

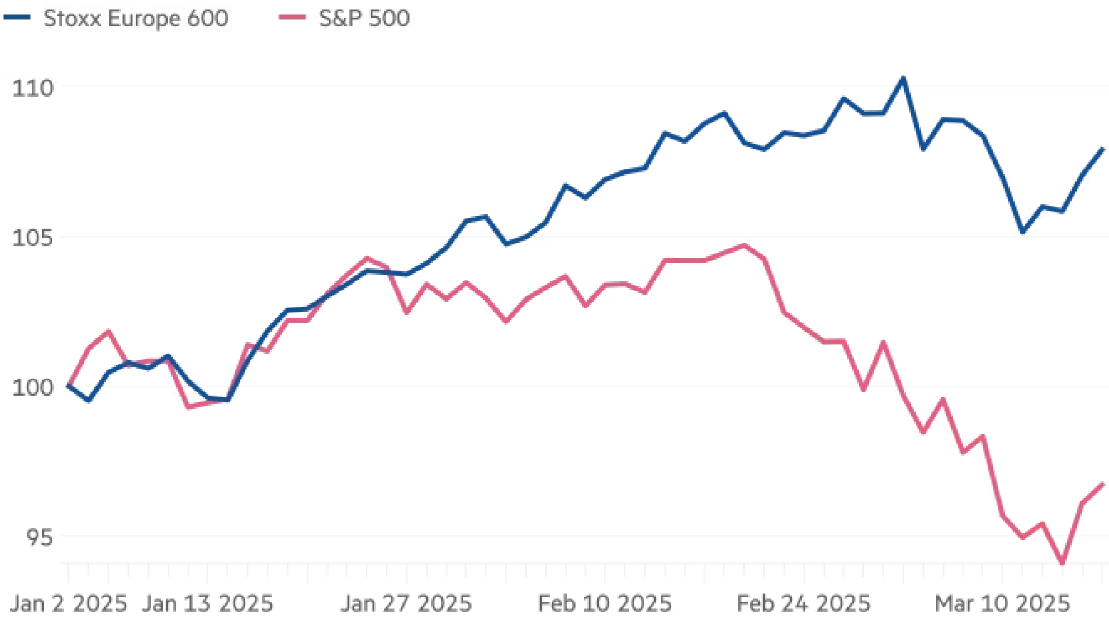
European equities have benefited. Allocations to Eurozone stocks leapt 27 percentage points in the same month, to the highest level since July 2021. This was also the sharpest shift out of the US and into Europe since 1999, when BofA’s records began.

“It’s not surprising to see fund managers moving away from the US market,” said Trevor Greetham, head of multi-asset at Royal London Asset Management. “It’s priced for perfection and the policy coming out of the White House ain’t that.”

Nearly 70 per cent of investors say the “US exceptionalism” theme, which pushed the S&P and Nasdaq indices to record highs in the weeks after Trump’s election win in November, has peaked.

European stocks have outperformed Wall Street so far this year

Indices rebased in $ terms



Source: LSEG via markets.ft.com

Investors surveyed were especially negative about technology stocks, moving to a net 12 per cent underweight position, the lowest allocation for more than two years.

Fund managers were more upbeat about utilities and banking stocks, while adding to their UK equities proportions.

While investor cash levels rose slightly to 4.1 per cent, government bonds did not benefit from the move out of equities; bond allocations dropped slightly and most investors remain underweight.

“It’s not a classic risk-off where you sell everything,” said Michael Metcalfe, head of macro strategy at State Street Global Markets, who described the shift as “more rebalancing than risk aversion”.

“It doesn’t look like investors are preparing for a multimonth bear market here. What we’re seeing is a very quick rebalancing out of high concentration trades at the start of the year,” he added.

He pointed out that "the unwind had been quite uneven". State Street's equity market positioning data now shows a bigger holding in European banks than in US tech. Metcalfe described it as "a remarkable shift in concentration risk since the beginning of the year".

The BofA survey was carried out in the week to March 13, covering 171 participants with $477bn of assets under management.

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