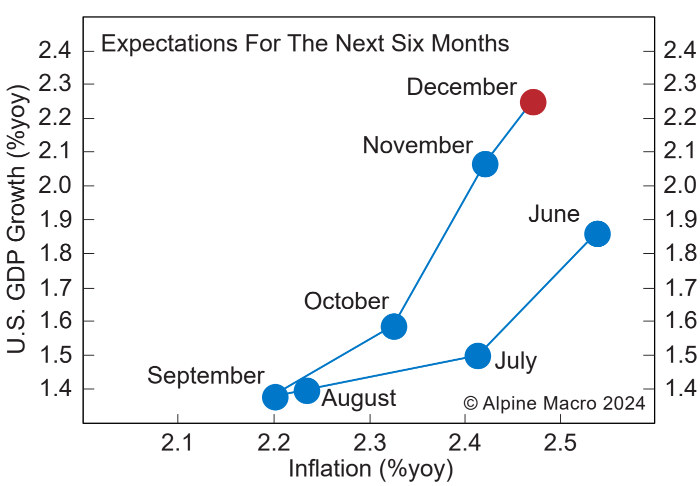
INVESTMENT SURVEY

December 17, 2024

We are thrilled to share the results of the *Alpine Macro Investment Survey* for December. This brief questionnaire gauges investor sentiment, positioning, and views on major macro issues in a timely manner. Please note that the survey was sent exclusively to Alpine Macro clients. Both their identities and answers are kept strictly confidential.

While participating clients could view the survey results immediately after completing their questionnaire (see sample here), the final tallies are sent in a report *via* email, as in this one. Below are highlights from the survey conducted between December 9th and 15th:

- The consensus continues to upgrade growth expectations. Inflation expectations increase marginally.
- Client positioning remains heavily overweight stocks at the expense of bonds, cash and commodities.
- The U.S. is still by far the preferred region for investment, although some clients are allocating more capital to APAC.
- Lower Treasury yields and a steeper curve remain the overwhelming consensus.
- Bullishness on equities somewhat receded. Investors are quite divided when it comes to the multiples expansion and earnings growth outlook.
- Most investors believe 2025 will be the year of deals (trade, ceasefires, M&A).



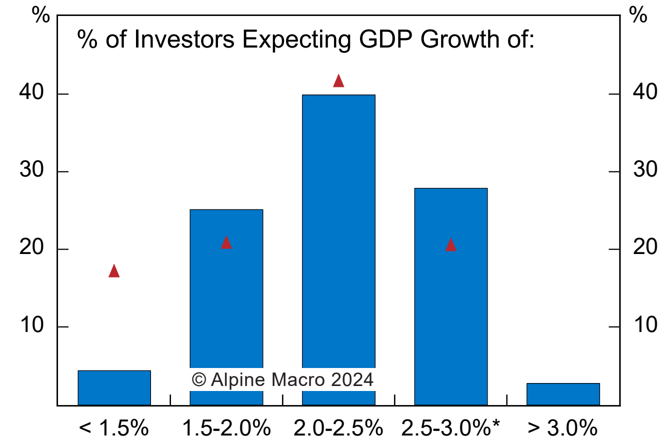
Note: Based on weighted averages for Q1 and Q2 of the survey

Chart 1 **Investors See A Benign Growth And Inflation Trade-off**

Investors continue to upgrade their outlook for the U.S. economy for the first half of 2025 and expect the economy to run hotter. The inflation and growth trade-off has improved significantly since this fall. Clients see output growth climbing to the highest level in seven months without stoking a reacceleration in inflation.

Chart 2 Further Improvements In Growth Prospects

Where do you see annualized real U.S. growth over the next 6 months?

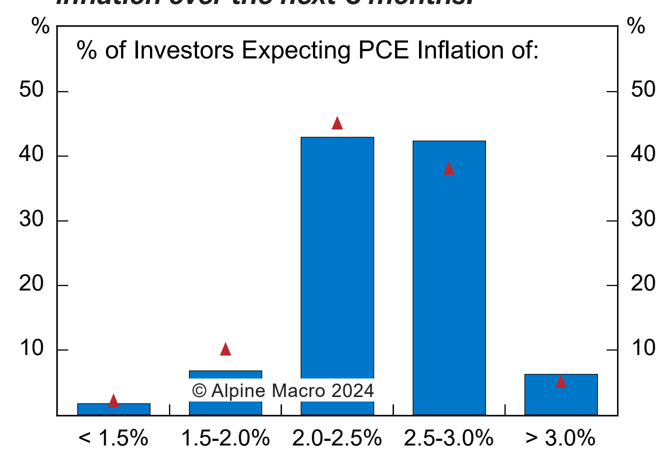


Note: Triangles denote last month's values, newly added choices do not have values for the previous month
*Triangle denotes value for > 2.5%

Growth expectations from clients improved in the latest survey, with the average value rising from 2.1% to 2.2% over the next six months. The modal response remains firmly in the 2.0-2.5% range. More clients expect growth to be above 2.5% than below 2.0%.

Chart 3 Clients See Upside Risks To Inflation

Where do you see annualized U.S. PCE inflation over the next 6 months?

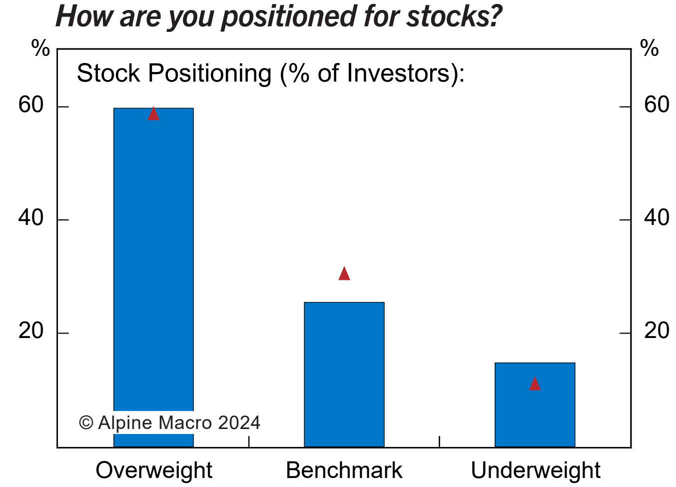


Note: Triangles denote last month's values

Clients are less confident about inflation returning to target in the next two quarters versus November. They are roughly evenly split between those who believe inflation will land within the 2.0-2.5% range and those who think it will land in the 2.5-3.0% range. Few see inflation undershooting the target or reaccelerating from here.

Chart 4 Asset Positioning – Heavily Overweight Stocks

How are you positioned for stocks?



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Equity positioning is largely unchanged, with 60% of respondents overweight in stocks versus 59% last month. Only 15% of clients are underweight, while the remaining 25% are at benchmark.

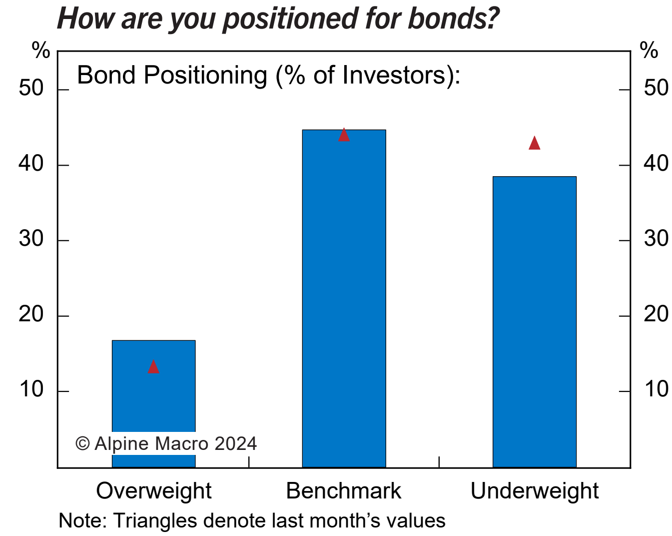


Chart 5 Asset Positioning – Heavily Underweight Bonds

Respondents slightly upgraded their bond exposure. However, the overall net balance of positioning remains heavily underweight bonds. Only 17% of clients are overweight fixed income in December versus 39% underweight.

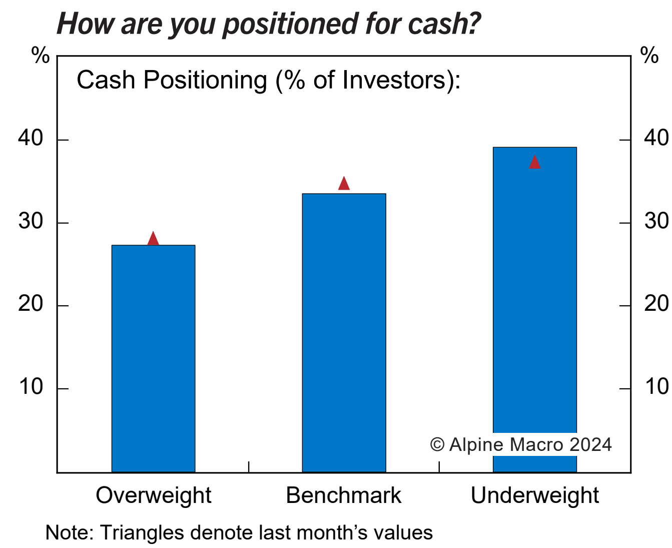


Chart 6 Asset Positioning – Underweight Cash

Overall client cash allocations remain relatively unchanged. The net balance of positioning (overweight minus underweight) is -12%. The share of respondents at benchmark cash allocation is close to one-third.

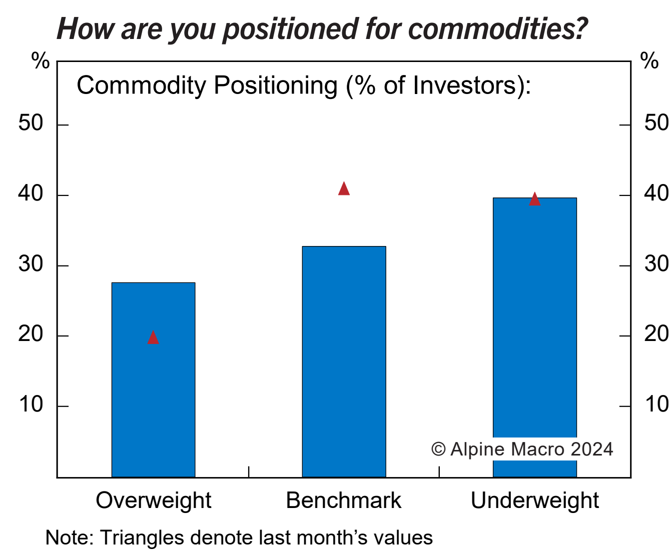
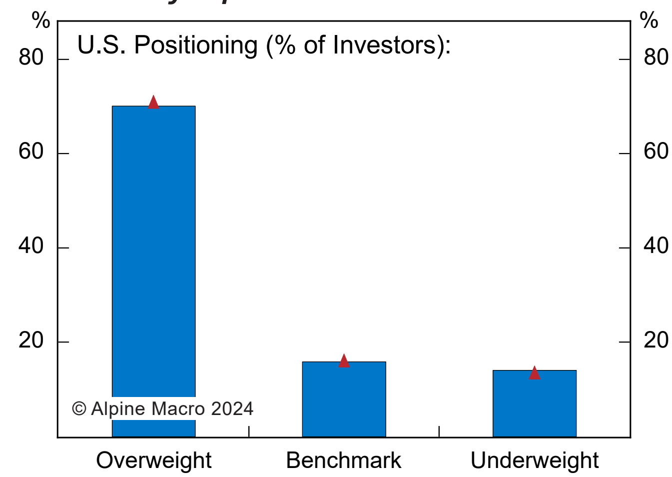


Chart 7 Asset Positioning – Underweight Commodities

Clients are more polarized in their view on commodities this month. The share of underweight answers stayed elevated at 40% but the share of respondents overweight commodities rose from 20% to 28%. The number of clients at benchmark allocation fell to compensate.

How are you positioned across U.S.?



Note: Triangles denote last month's values

Chart 8 Asset Positioning – Heavily Overweight U.S.

The U.S. remains by far the favorite region for investment. The survey shows 70% of respondents are overweight U.S. assets, similar to November. Clients at benchmark and underweight allocations only represent 16% and 14% of responses, respectively.

How are you positioned across EMEA?

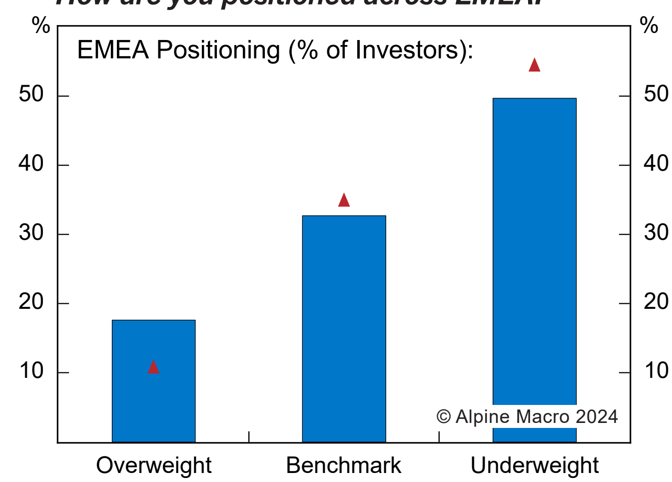


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Chart 9 Asset Positioning – Heavily Underweight EMEA

Investor allocations to EMEA assets increased marginally, but the net balance of allocation remains heavily underweight. 50% of investors are underweight this region versus 54% in November. Less than 20% of investors are overweight this region, with those sitting at benchmark allocation representing 33% of answers.

How are you positioned across Asia-Pacific?

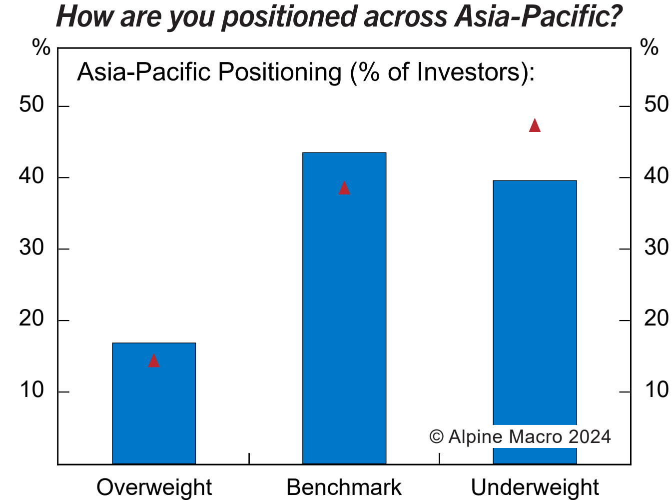

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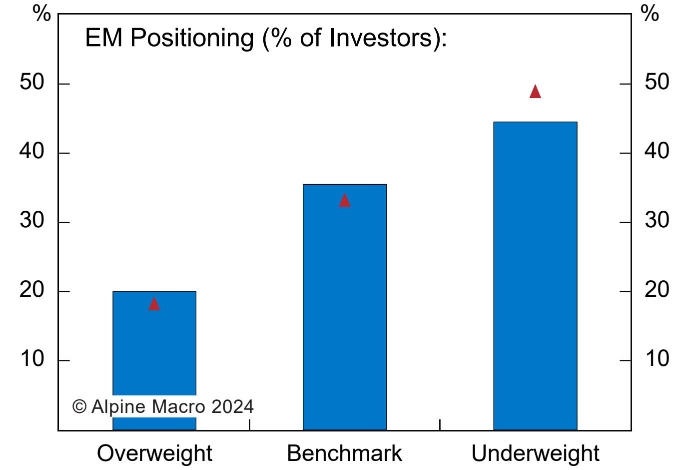
Chart 10 Asset Positioning – Underweight APAC

Positioning in APAC assets also improved this month. The share of underweight responses fell by 7 percentage points to 40%. The plurality of investors are at benchmark allocation for this region. However, only 17% of investors are willing to risk an overweight allocation to APAC.

How are you positioned across Emerging Markets?

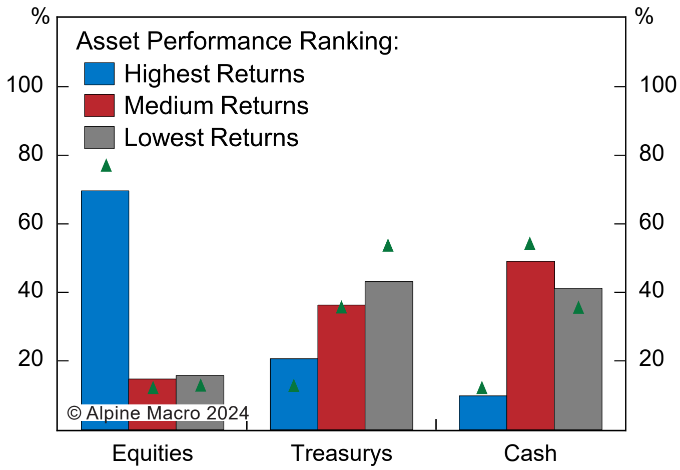


Note: Triangles denote last month's values

Chart 11 Asset Positioning – Heavily Underweight Emerging Markets

Investors remain downbeat on EM assets. Although the share of clients at an underweight allocation decreased to 45% from 49% in November, the net balance of positioning is still -25%. About a third of clients prefer benchmark allocation.

Rank the following asset performances over the next 6 months



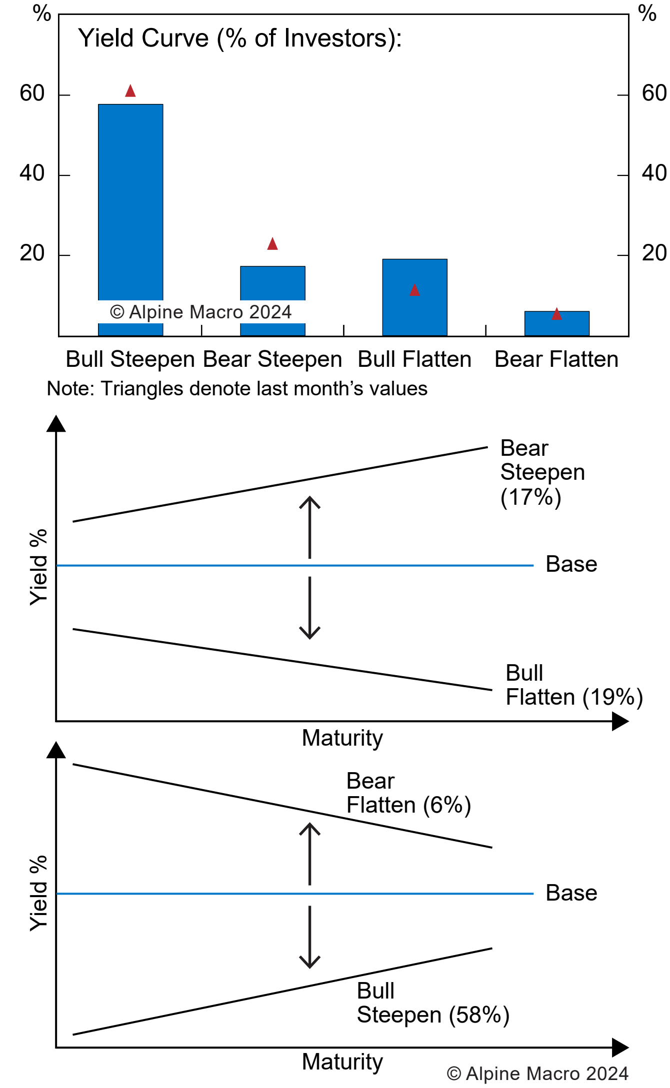
Note: Triangles denote last month's values

Chart 12 Stocks Are Expect To Outperform

When asked to rank asset classes by performance, the majority of clients believe stocks will outperform over the next six months. Most clients believe the worst performing asset class will be bonds. About 50% of clients see cash generating returns lower than stocks but higher than bonds.

Chart 13 Bull-Steepener Consensus

How do you expect the yield curve to behave over the next 6 months?

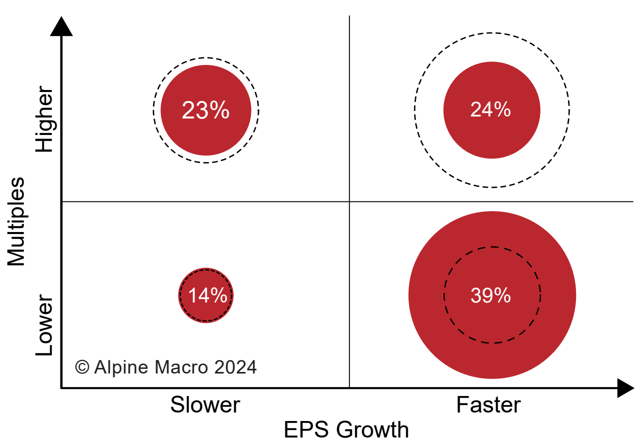


Note: Triangles denote last month's values

A bull-steepener remains the consensus, garnering 58% of responses, similar to last month. This is somewhat difficult to square with clients expecting cash to outperform bonds. The share of respondents expecting a bear steepening of the yield curve declined slightly, to 17%. On the other hand, those that selected a bull flattener account for 19% of responses, an 8-percentage point increase from November. The bottom panels help visualize the yield curve and provide the same information.

Chart 14 Faster EPS Growth But Lower Multiples

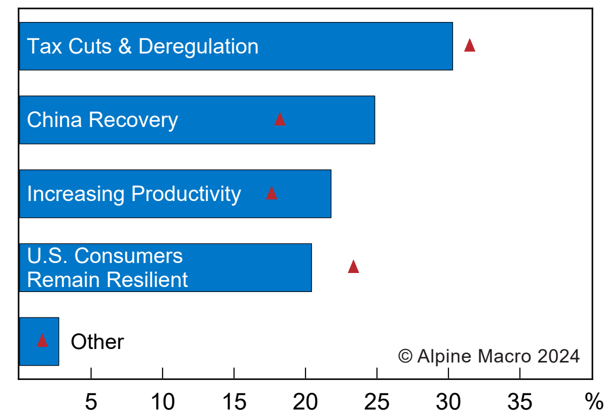
What are your expectations for U.S. equities over the next 6 months?



Note: Dashed circles denote last month's values

The share of clients expecting faster EPS growth rose slightly from 61% to 63%. However, the share of clients seeing higher multiples declined by 18 percentage points to 47%. Clients expecting faster earnings growth and lower P/E ratios account for the plurality.

What is the biggest upside tail risk? (you can choose more than one)

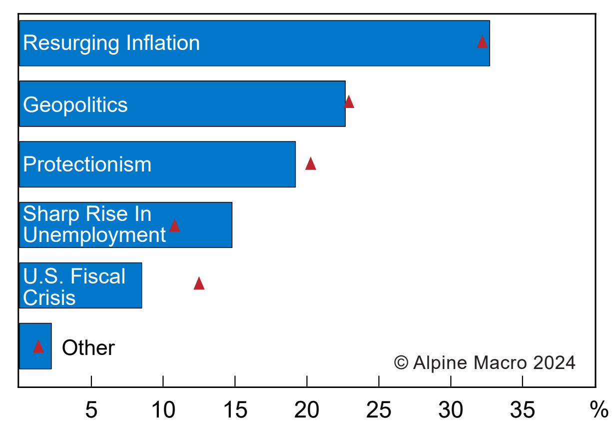


Note: Triangles denote last month's values

Chart 15 Supply-Side Boost

Tax cuts and deregulation are the number one upside risk for clients. About a quarter of respondents continue to see a recovery in China as a potential source of tailwind. Clients are less likely to see a resilient U.S. consumer as a key upside risk versus November. Clients also mention that alternative potential upside risks are if Europe recovers or if Trump waters down his trade policies.

What is the biggest downside tail risk? (you can choose more than one)

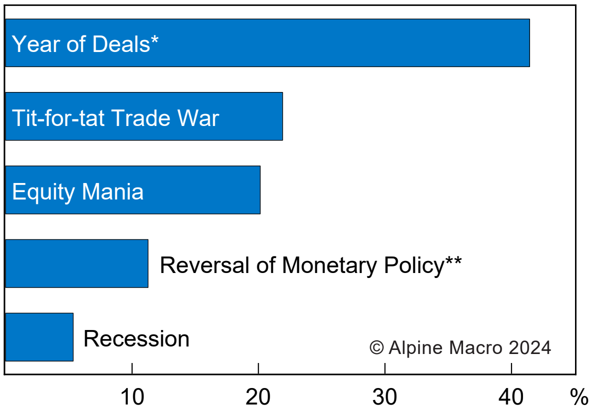


Note: Triangles denote last month's values

Chart 16 Inflation Fears Linger

On the downside, respondents remain primarily concerned about resurging inflation. Geopolitics and protectionism come second and third, similar to last month. However, concerns about a U.S. fiscal crisis have abated.

What do you think will be the main story for 2025? (example: 2022 - inflation and supply chain, 2023 - disinflation, 2024 - soft landing)



*Trade Deals, Ceasefires, M&As
**Due to economic overheating

Chart 17 A Year Of Deals

When asked about the main story for next year, 41% of clients believe 2025 will be the year of deals, with trade agreements, ceasefires, and M&As. About 22% are less constructive, expecting a tit-for-tat trade war. A mania in stock markets is the third most popular choice. Only 11% of clients expect the Fed to re-tighten policy to rein in an overheated economy, and almost no one expects a recession.

Henry Wu
Chief Quantitative Strategist

ALPINEMACRO

A Unique Mind On The Markets