INVESTMENT SURVEY

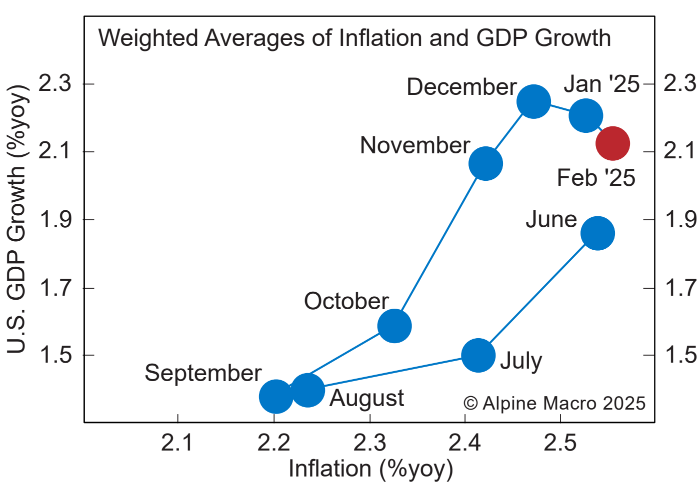
February 25, 2025

We are pleased to share the results of the Alpine Macro *Investment Survey* for February. 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 February 17th and 23rd:

- Respondents remain constructive on growth but see higher risks of reaccelerating inflation.
- Client positioning tilts risk-on, with a slight upgrade in equity allocation.
- Although regional preferences remain U.S.-favored, respondent portfolios have noticeably upgraded EM and EMEA.
- On rates, clients expect the yield curve to steepen without major parallel moves.
- Investors agree on multiples compression but remain divided on the direction of earnings growth.
- Following the recent breakthrough by DeepSeek, investors expect a tighter tech embargo on China and continue to see strong AI demand.

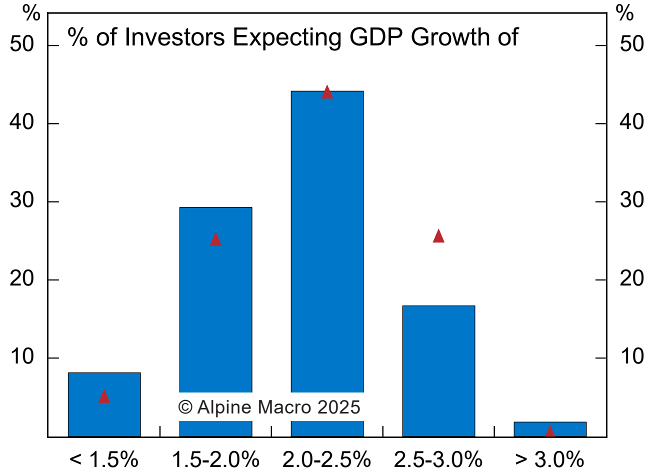
## Looking For Overheating



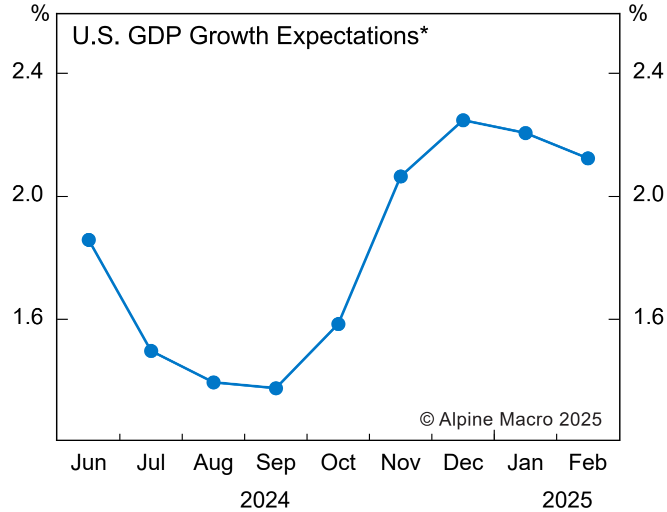

The inflation-versus-growth trade-off is deteriorating. Investors' expectations for GDP growth hold above 2%. However, they have been gradually increasing their inflation projections. In short, investors see the economy running hot.

## Solid Growth For H1 2025

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




Note: Triangles denote last month's values

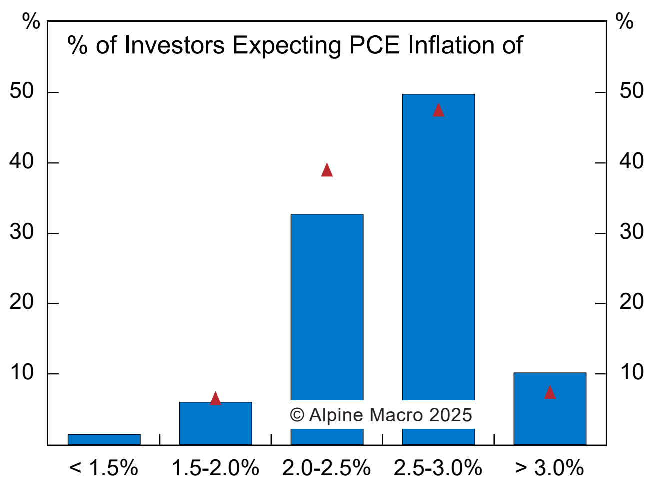



*Weighted average

Growth expectations from clients have remained largely stable since December. The mean, mode, and median responses all firmly lie in the 2.0–2.5% range, although the distribution shows a slight tilt toward lower growth.

## Not Going Back To 2% Soon

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

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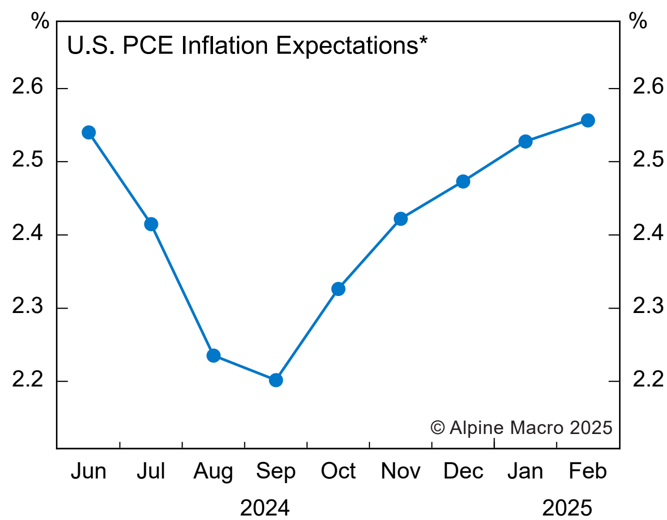
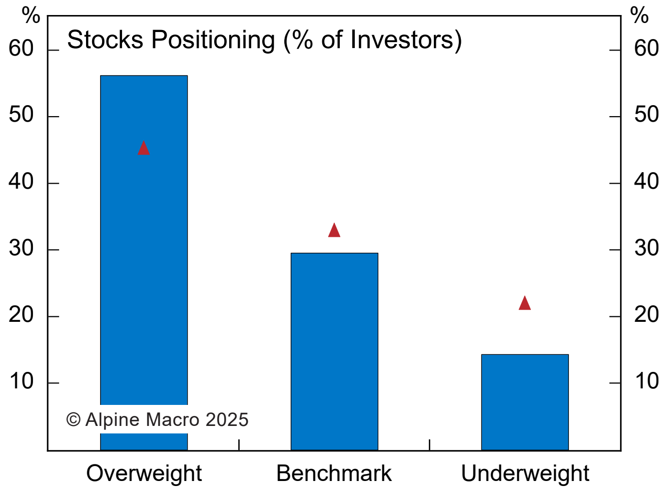



*Weighted average

Clients expect inflation to remain near current levels over the next six months. Compared to January's responses, clients see slightly higher inflationary risks. For reference, the latest annualized headline PCE inflation was 2.6%. Tails are slim, with few expecting a breakout beyond 3.0% or below 2.0%.

## Stocks: Heavily Overweight

***How are you positioned for stocks?***

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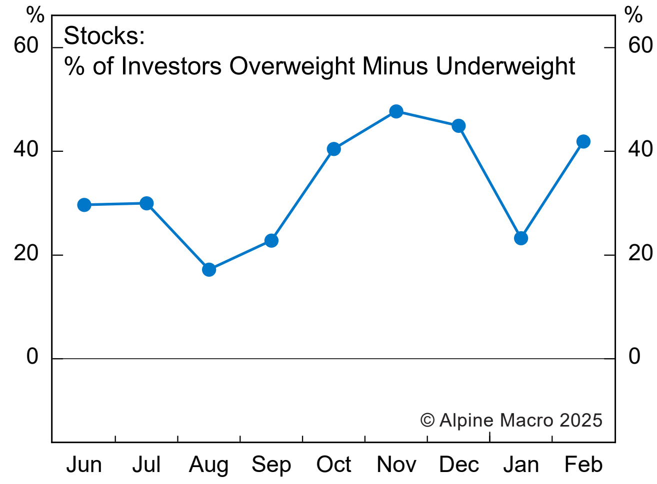
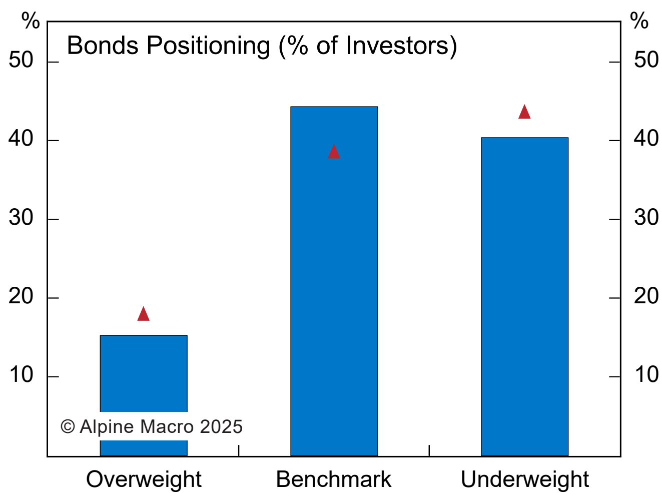



Investors upgraded equity allocations following a slight pullback in January, and positioning remains strongly risk-on. 56% of investors are overweight, up from 45% last month. The share of clients at benchmark allocation remained relatively stable at 30%, while less than 20% are underweight stocks.

## Bonds: Heavily Underweight

***How are you positioned for bonds?***

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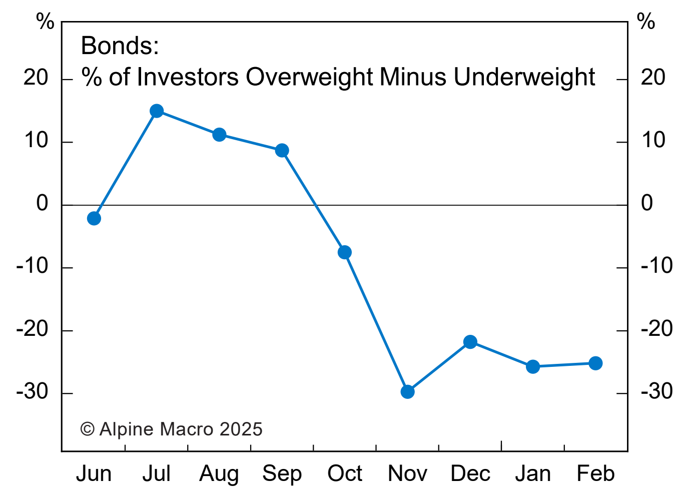
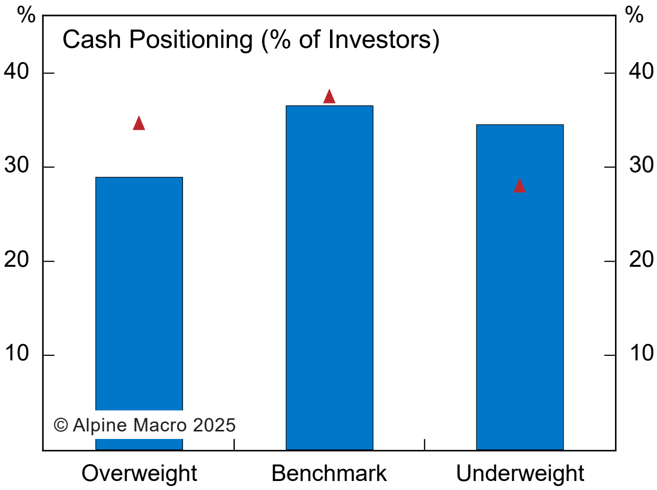



Bond positioning saw little change last month, with approximately 40% of clients underweight and another 45% at benchmark. Around 15% of respondents are overweight bonds.

## Cash: Neutral

***How are you positioned for cash?***

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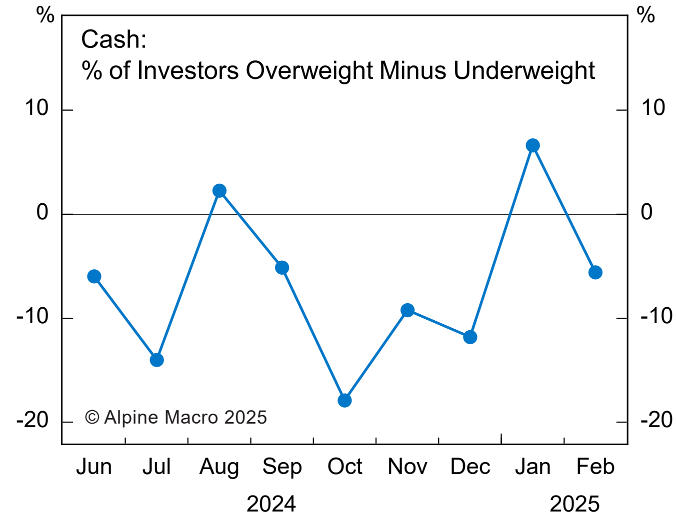
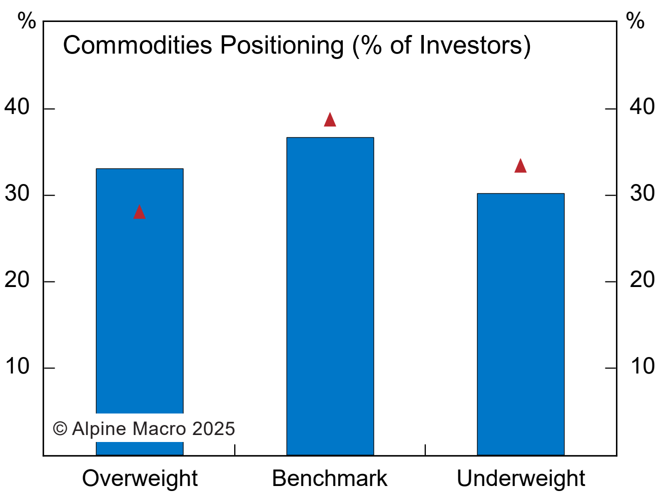



Cash allocation stays neutral, with slightly over a third at benchmark. Underweight positioning rose to 34%, offset by a decline in the share of clients overweight cash.

## Commodities: Neutral

***How are you positioned for commodities?***

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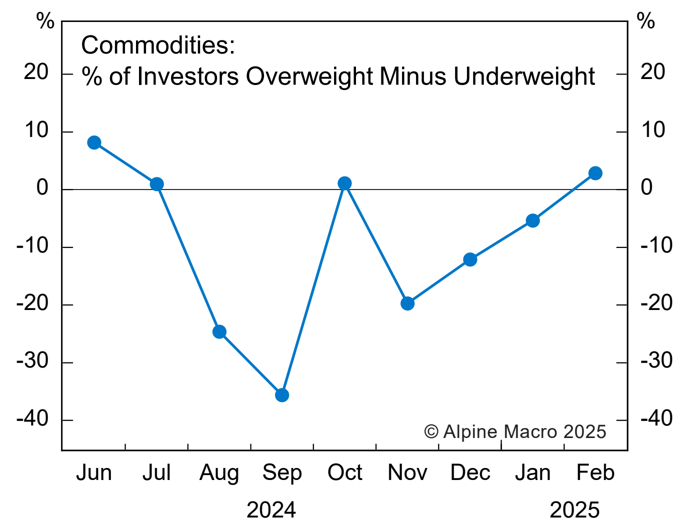
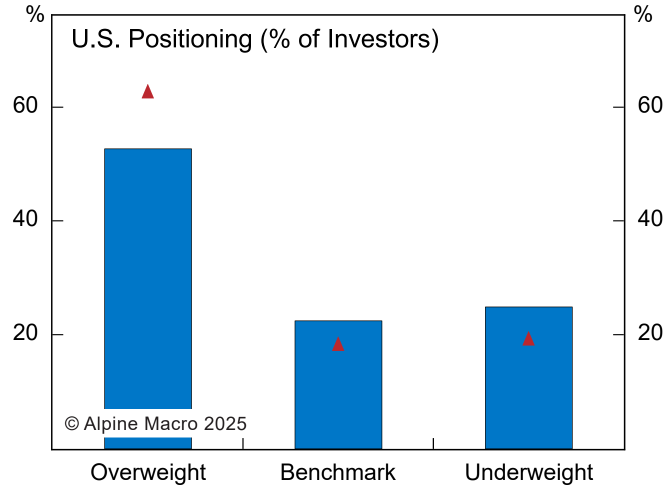



Respondent portfolios are at benchmark allocation for commodities. Clients have been gradually increasing their commodities allocation over the past few months, with net positioning at 3% this month, compared to -5% in January and -12% in December.

## U.S.: Heavily Overweight

***How are you positioned across U.S.?***

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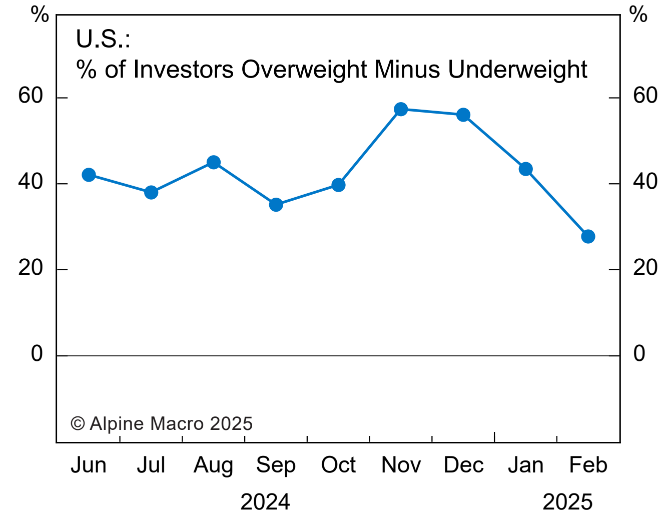
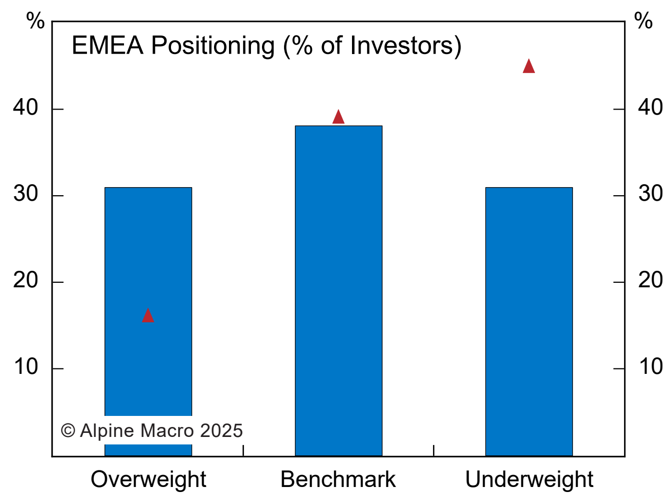


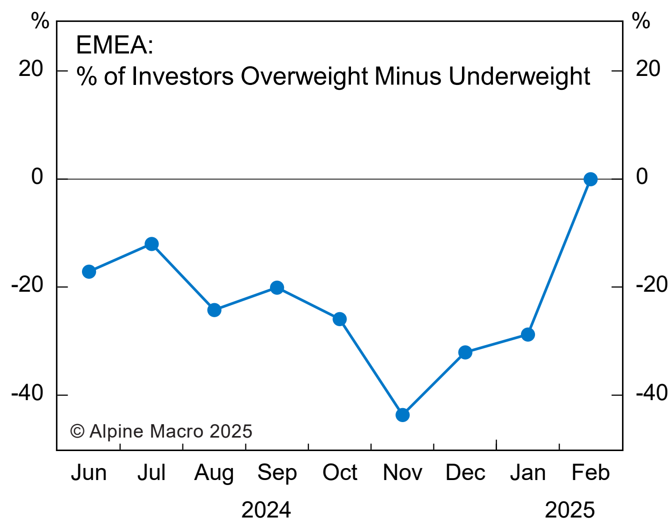

The U.S. remains the preferred region for investors, though net positioning has declined over the past three months. 53% of clients are overweight U.S. this month, compared to 62% in January. Clients at benchmark and underweight allocations represent 22% and 25% of responses, respectively.

## EMEA: Neutral

***How are you positioned across EMEA?***



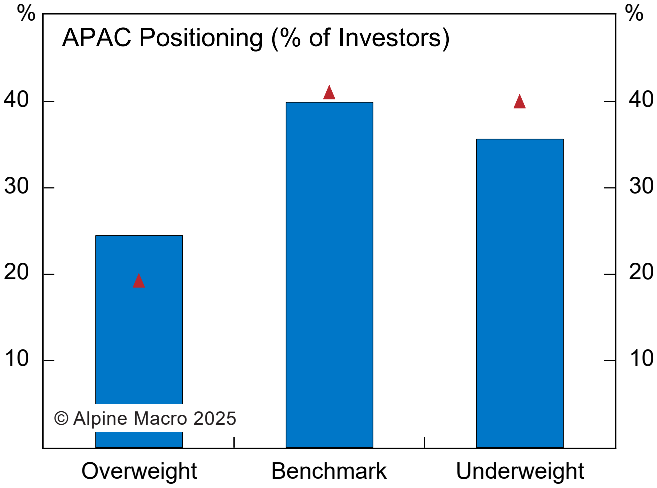

Note: Triangles denote last month's values




Investors materially upgraded EMEA allocations, which have been rising since December. Although a plurality of clients (38%) remain at benchmark, net positioning has shifted from -28% in January to 0% this month.

## APAC: Underweight

***How are you positioned across Asia-Pacific?***

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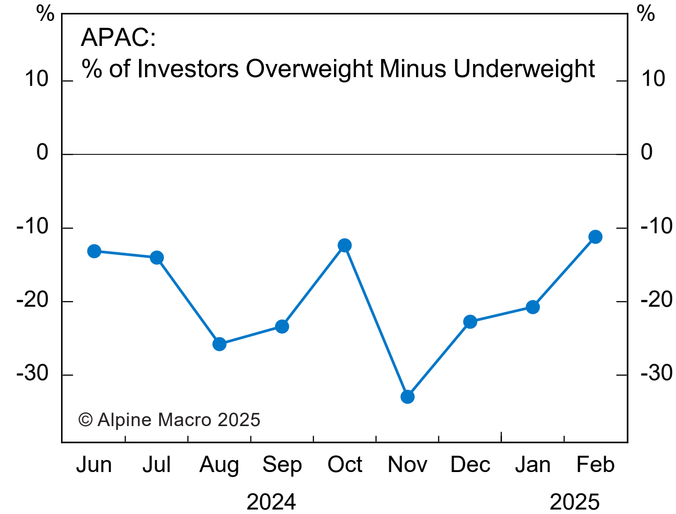
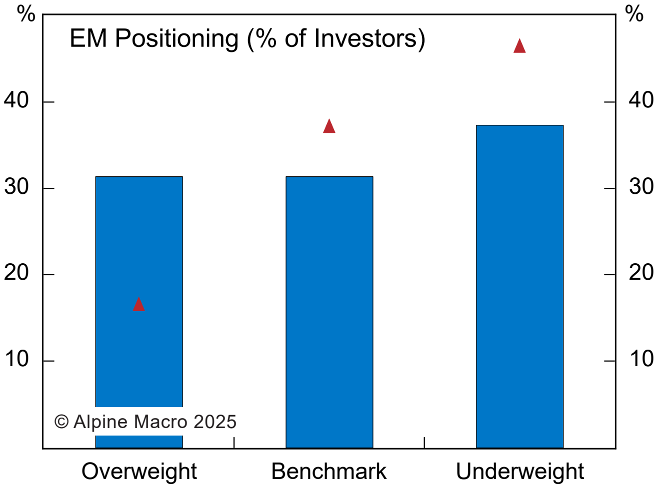



Allocations to APAC assets saw an upgrade in February but remains within the range of recent months. Few investors are constructive on the region, with only 24% choosing the overweight response. Clients at benchmark and underweight allocations represent 40% and 36% of responses, respectively.

## Emerging Markets: Neutral

***How are you positioned across Emerging Markets?***

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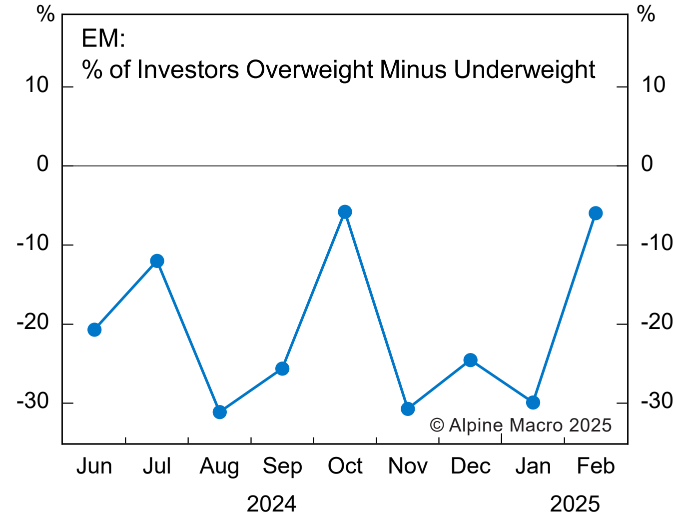
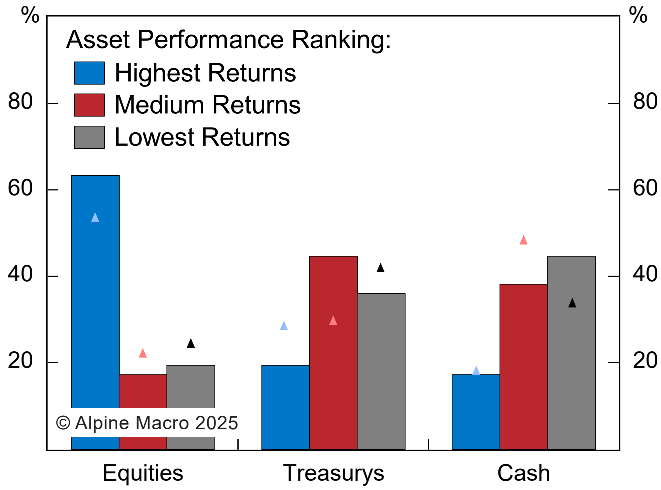



Respondents significantly upgraded their EM allocations, which was the most shunned market in January. Positioning is now near neutral. The share of clients overweight rose to 31%, up from 16% in January. 31% of responses are at benchmark, while 37% are underweight.

## Stocks Continue To Reign

***Rank the following asset performances over the next 6 months***

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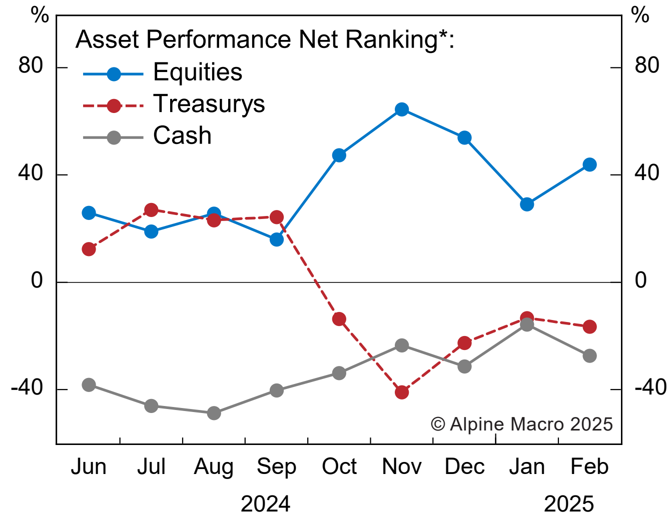
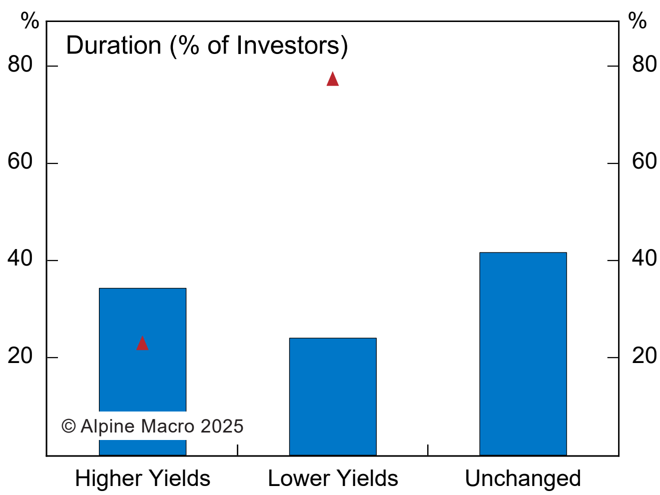



*% of investors expecting highest minus lowest returns

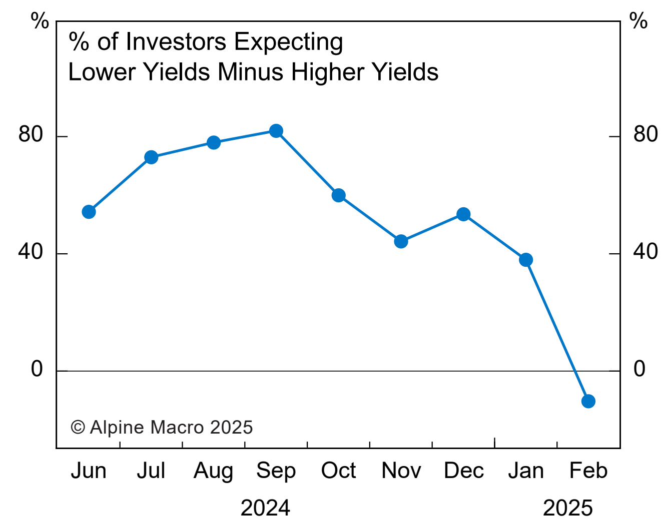
When asked to rank asset classes by performance, the majority of clients expect stocks to outperform over the next six months. Expectations for equities rebounded after a small pullback in January. Cash narrowly edged out bonds as the worst-performing asset class.

## Bond Yields Expected To Remain Stable

***How do you expect the duration to behave over the next 6 months?***



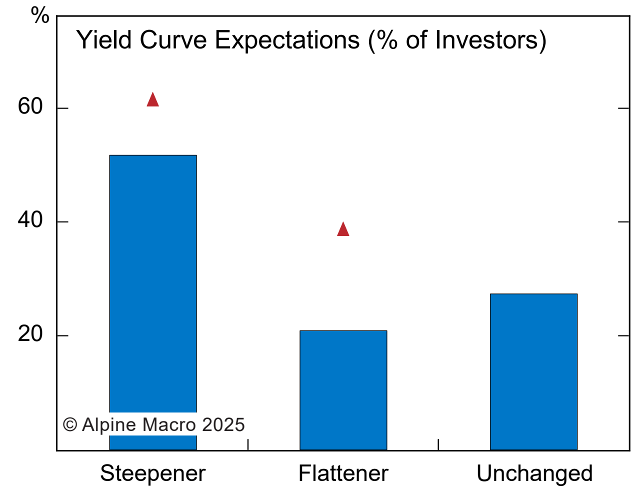

Note: Triangles denote last month's values; newly added choices do not have values for the previous month




Clients are divided on the duration outlook. Over 40% expect yields to remain unchanged. The share of investors expecting lower yields is about 10% lower than those anticipating higher yields.

## Reassessing The Steepener Consensus

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

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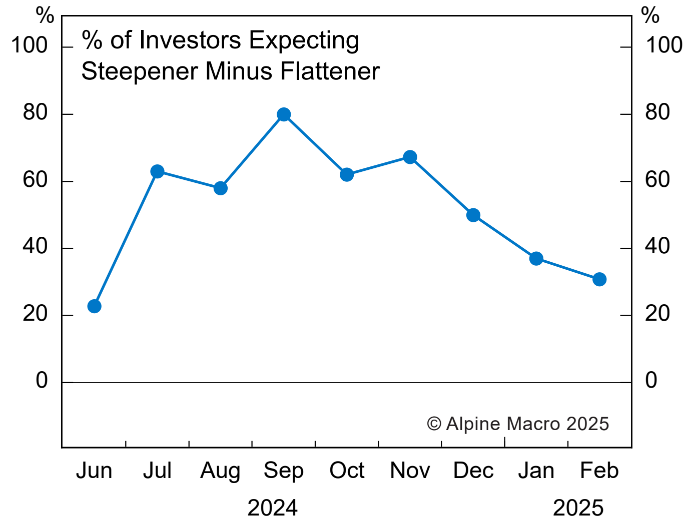
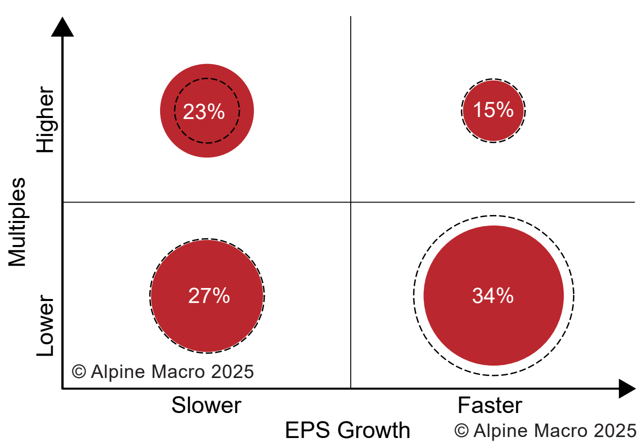


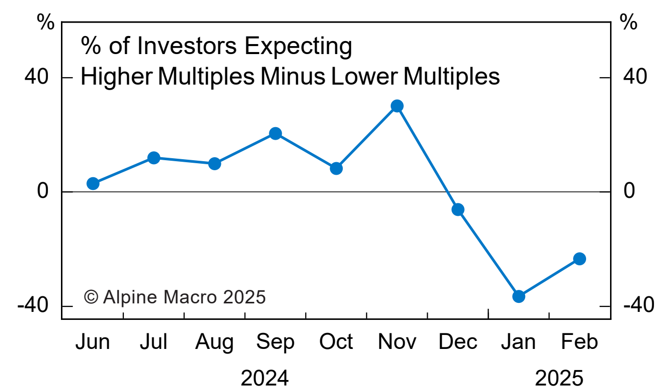

The consensus remains biased toward a steeper curve, but a growing share of clients are wavering. About half of clients expect a steepener, down from 61% in January. A quarter of investors anticipate the curve will remain unchanged, while the remaining 20% expect a flattener.

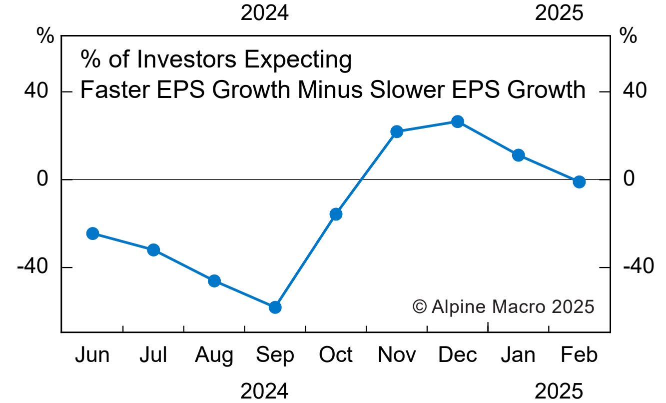
## Peaking Multiples

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




Note: Dashed circles denote last month's values

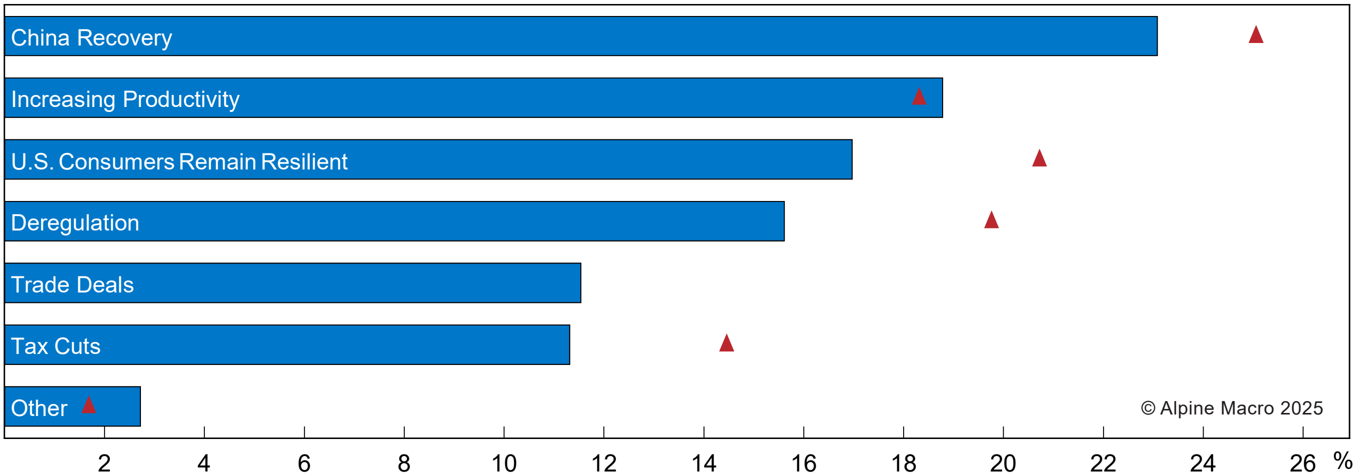



The share of clients seeing lower multiples remained relatively stable around 61%. Clients are evenly divided on EPS growth. Overall, the most likely outcome chosen by clients remains faster EPS growth but lower multiples.

## Upside Tail Risk Candidates

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

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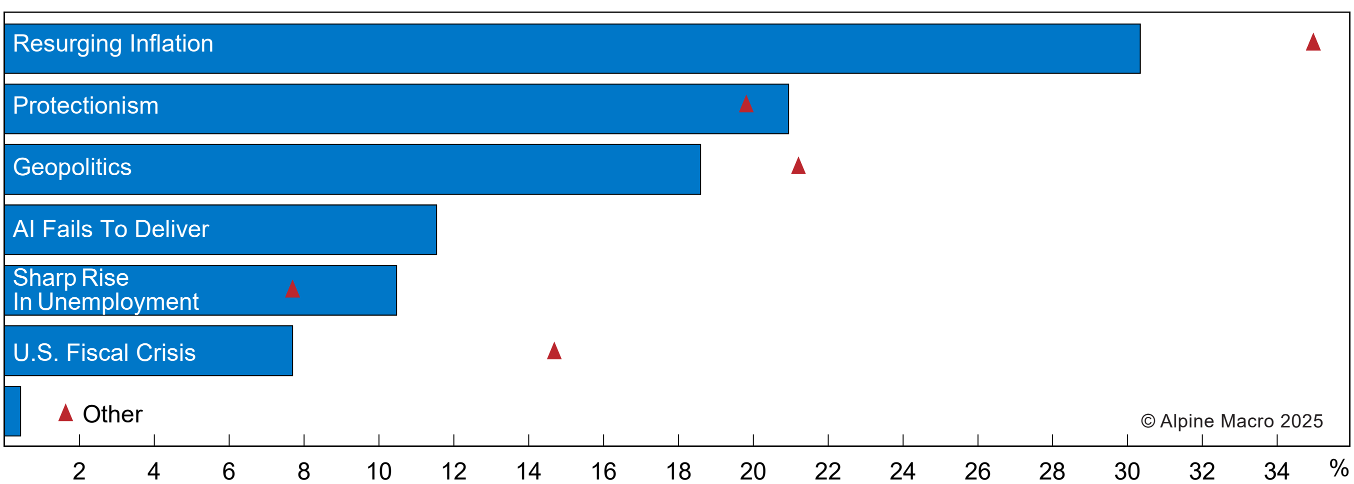
A China recovery remains the top upside tail risk for the second consecutive month, followed by increasing productivity, a resilient U.S. consumer, and deregulation. Some clients have also cited unexpected disinflation as a potential upside tail risk.

## Will Inflation Come Back?

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

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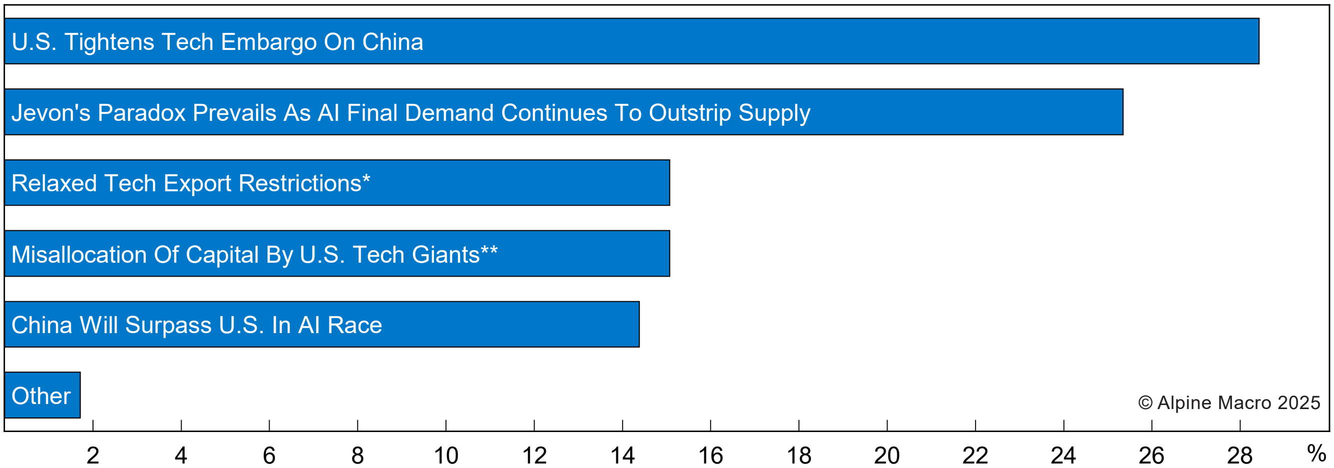
On the downside, inflation is the main risk preoccupying investors. Protectionism and geopolitics rank second and third, consistent with last month. Only a small portion of clients view disappointments in AI as a major risk. Worries of a U.S. fiscal crisis have also receded.

## U.S.-China Tech Race Outlook

***How would you characterize the AI race between U.S. and China in light of DeepSeek's breakthroughs?***




*Since they have proven counter-productive in limiting China's growth
**Doubling down of U.S. tech companies on AI Capex is misallocation of capital

Despite the DeepSeek breakthrough, clients believe U.S. tech export policy has been more effective than counterproductive toward China. Clients also think AI demand far exceeds supply, justifying current high levels of CapEx. Few clients (14%) believe China will lead the AI race.

**Henry Wu**
*Chief Quantitative Strategist*

A Unique Mind On The Markets