ALPINEMACRO
A Unique Mind On The Markets

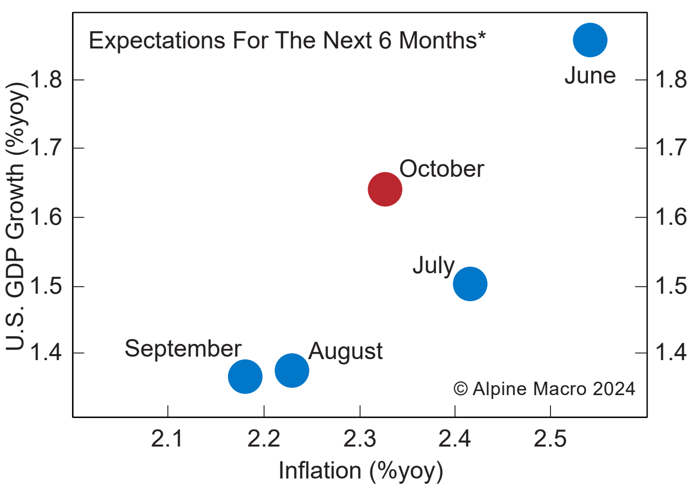
INVESTMENT SURVEY

October 22, 2024

We are thrilled to share the results of the *Alpine Macro Investment Survey* for October. 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, and 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 will be sent in a report *via* email as this one. Below are highlights from the survey conducted between October 14th and 20th:

- The consensus still revolves around a soft landing for the U.S. economy, but the balance of risk is shifting from weakness to a stronger economy. Respondents' expectations for both growth and inflation are increasing.
- Client positioning suggests a growing risk appetite, with clients becoming more overweight in equities at the expense of bonds and cash.
- The U.S. is still the preferred region for investment, though the survey points to a less bearish allocation for EM and APAC.
- The bull-steepener consensus for the yield curve continues to face little challenge.
- For equities, responses suggest improved EPS growth expectations, with no change in views on multiples.
- Views on the effectiveness of Beijing's recent stimulus package are mixed.

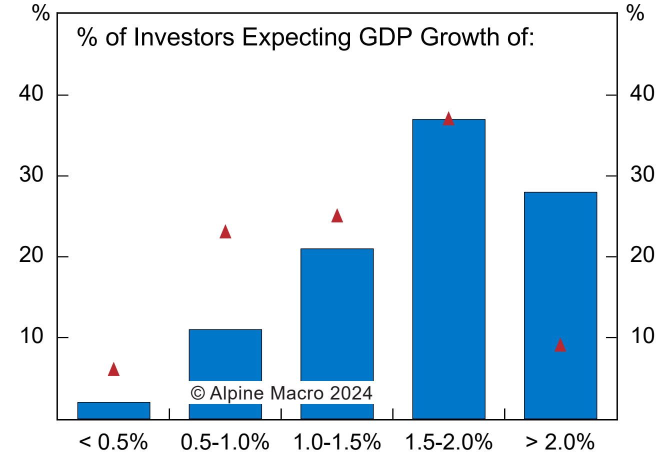


*Based on weighted averages for Q1 and Q2 of the survey

Chart 1 **Expectations For The U.S. Economy Are Stabilizing**

Clients expect the U.S. economy to cool and output to slow. Most respondents foresee growth running below trend, with inflation nearing the 2% target by year-end. However, risks to growth and inflation have become more balanced compared to last month's survey, which tilted more to the downside.

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



Note: Triangles denote last month's values

Chart 2 Improvement In Growth Prospects

Growth expectations from clients improved in the latest survey, with the average value improving from 1.4% to 1.6% over the next six months. The modal response remains within the 1.5%-2.0% range. However, the share of clients expecting growth at or above trend rose to 28% from 10% in September.

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

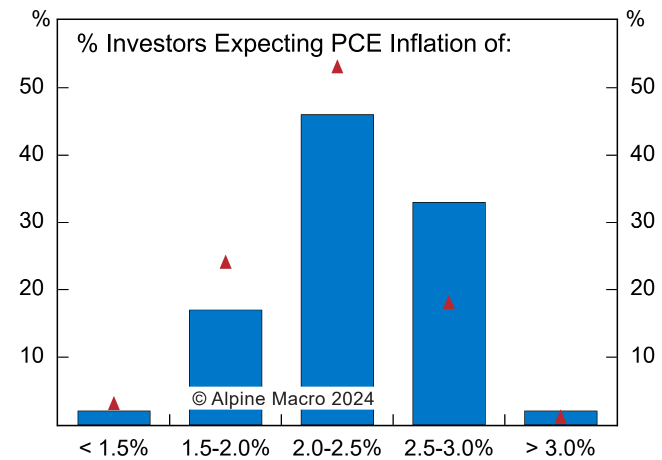


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Chart 3 Less Certainty About Inflation Slowing To Target

Respondents upgraded their inflation expectations, which still center around 2.0%-2.5% over the next two quarters. However, clients are less confident about the Fed hitting the 2% target soon, with the share of responses in the 2.5%-3.0% range rising from 18% to 33%.

How are you positioned for stocks?

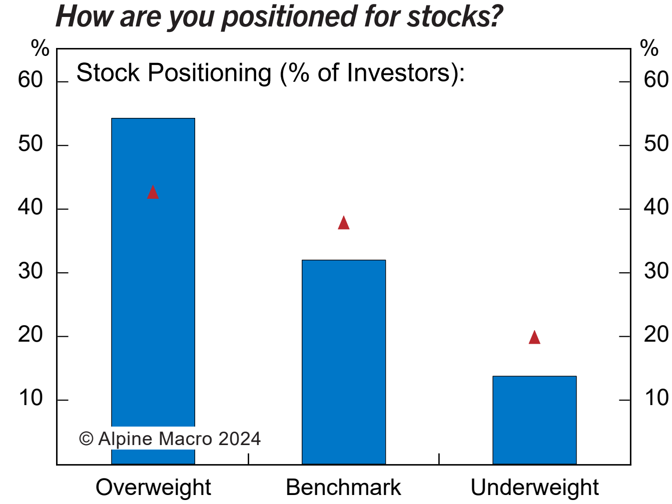

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Chart 4 Asset Positioning – Heavily Overweight Stocks

Equity positioning increased, with 54% of respondents overweight in stocks compared to 43% last month. Only 14% of clients are underweight, while the remaining 32% are at benchmark.

How are you positioned for bonds?

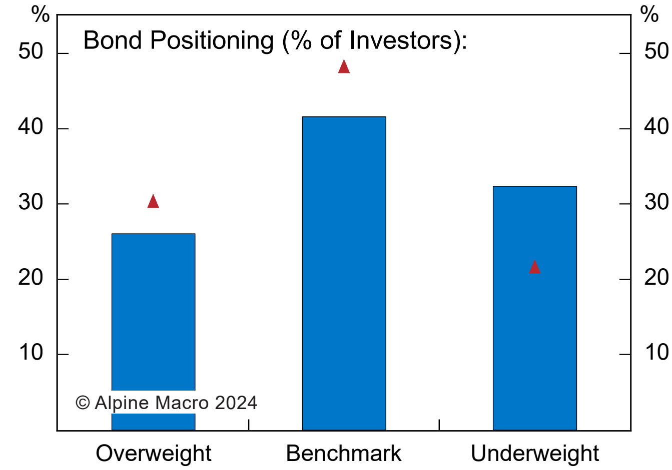

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Chart 5 Asset Positioning – Neutral Bonds

Respondents downgraded their bond positioning in September. The share of overweight and benchmark allocations both fell, while underweight positioning rose from 22% to 32%.

How are you positioned for cash?

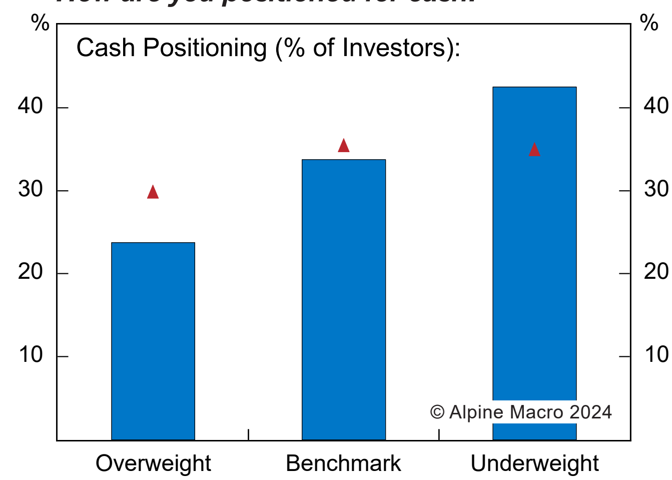

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Chart 6 Asset Positioning – Underweight Cash

Overall client cash allocations fell to underweight from benchmark. The share of clients overweight cash dropped to 24% while those underweight cash rose to 43%.

How are you positioned for commodities?

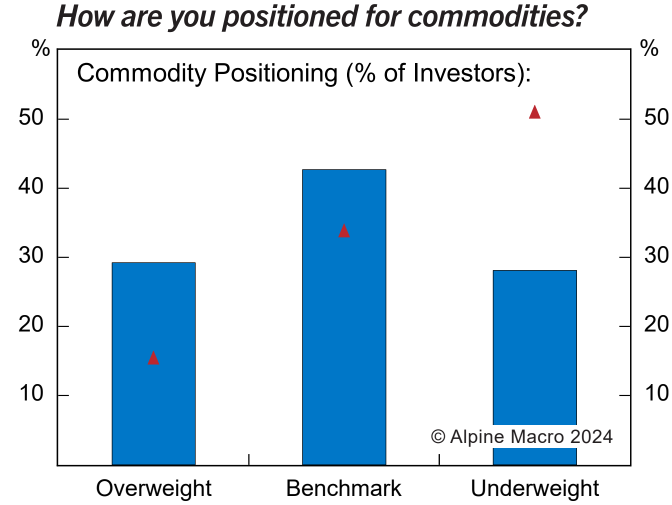

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Chart 7 Asset Positioning – Neutral Commodities

Commodity allocations are now at benchmark on average, compared to a heavy underweight last month. About 43% of respondents are neutral, with equal shares of the remainder overweight and underweight.

How are you positioned across U.S.?

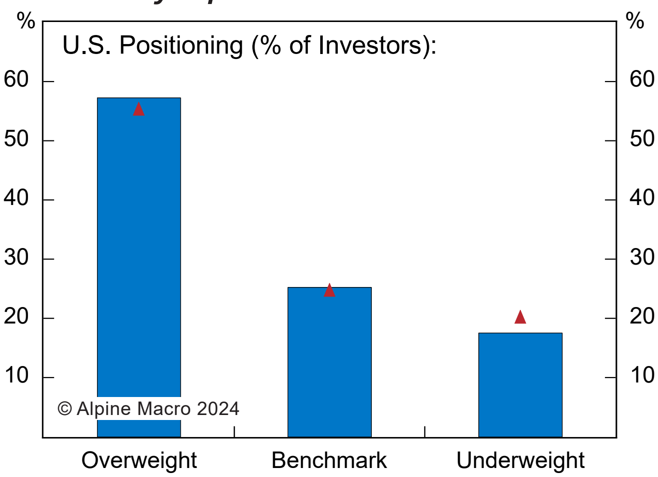

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Chart 8 Asset Positioning – Heavily Overweight U.S.

The U.S. remains by far the preferred region for investment. The survey shows that 57% of respondents are overweight in U.S. assets, a 2-percentage point increase from September. The share of clients at benchmark and underweight allocations are both roughly the same as last month, at 25% and 20%, respectively.

How are you positioned across EMEA?

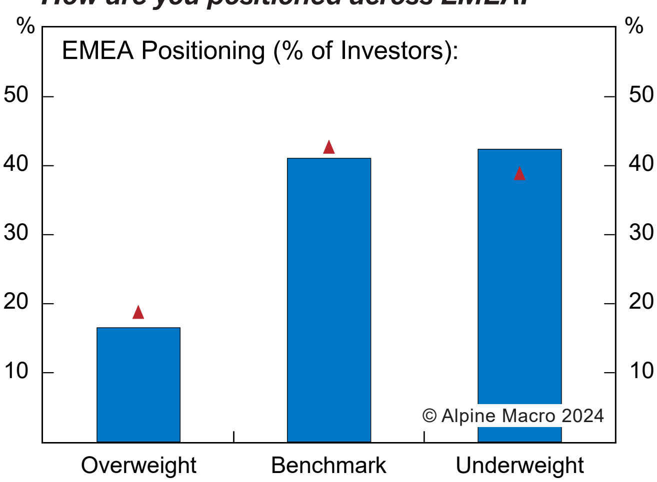

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Chart 9 Asset Positioning – Underweight EMEA

Investors remain cautious about EMEA. Allocations are largely unchanged from September, with around 40% of clients underweight in this region. An almost equal number of respondents are at benchmark allocation.

How are you positioned across Asia-Pacific?

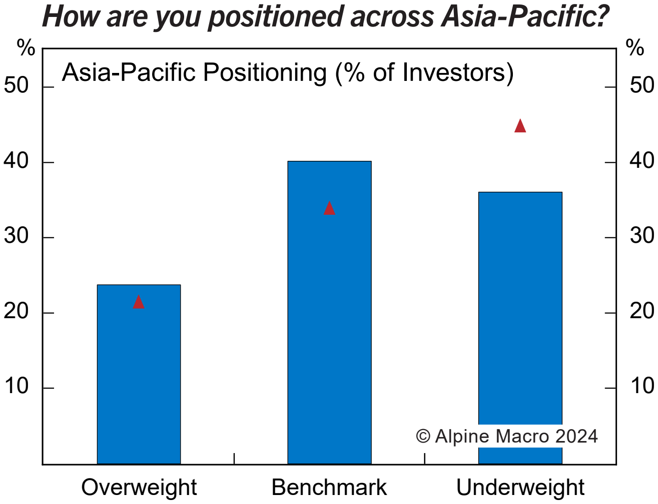

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Chart 10 Asset Positioning – Underweight APAC

The allocation to APAC assets increased in October, though the share of clients underweight is still 12% higher than those overweight. 40% of clients are at benchmark.

How are you positioned across Emerging Markets?

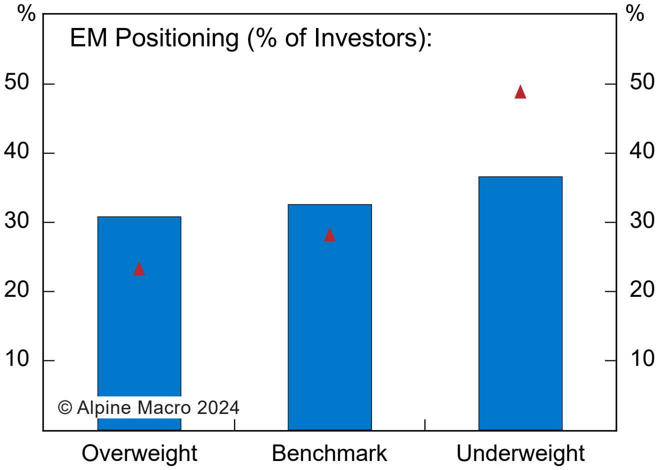

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Chart 11 Asset Positioning – Neutral Emerging Markets

Investors diverted assets to EM in October. Positioning is roughly at benchmark, with equal shares of respondents overweight, at benchmark, and underweight. This is in stark contrast to last month when half of clients were underweight.

Rank the following asset performances for next 6 months

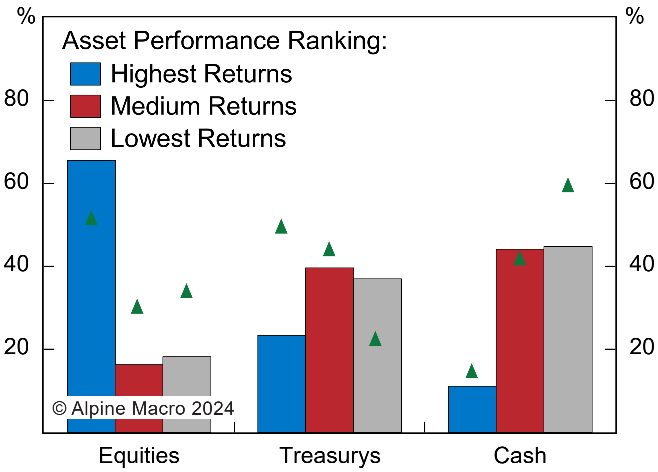

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Chart 12 Risk-On

When asked to rank asset classes by performance, investors significantly increased their bullishness on stocks over the next six months. The share of clients expecting Treasurys to outperform fell significantly, from 43% to 23%. Respondents continue to expect cash to generate worse returns than stocks or bonds.

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

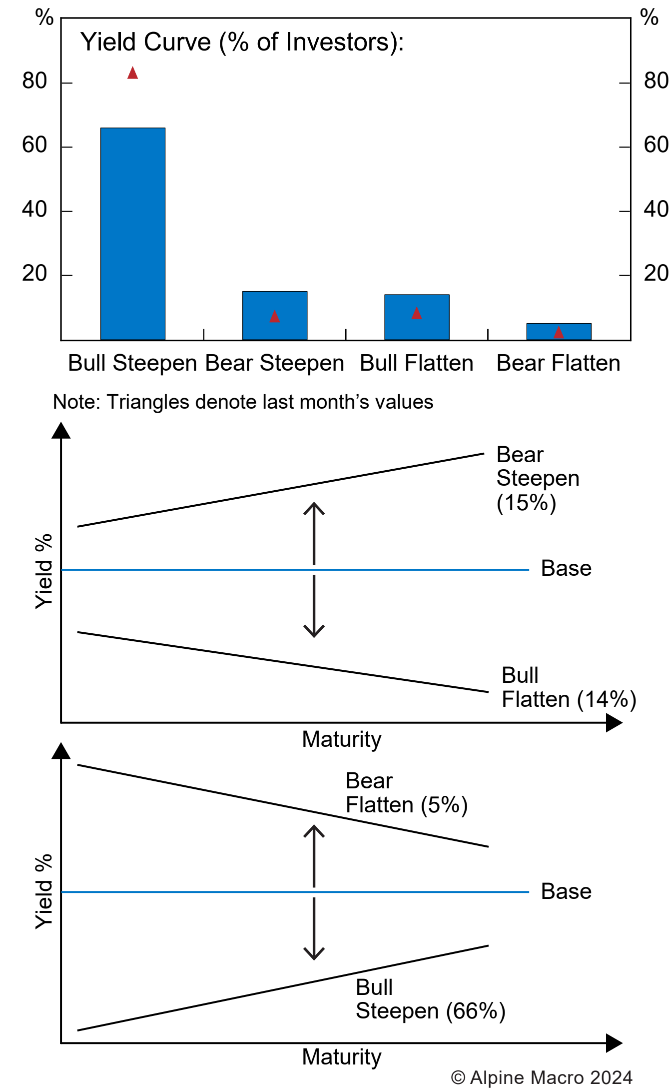

Chart 13 Overwhelming Consensus Bull-Steepener

The consensus around a bull-steepener remains dominant. 66% of respondents expect the yield curve to behave this way in the next six months, down from 83% last month. The bottom panels help visualize the yield curve and provide the same information.

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

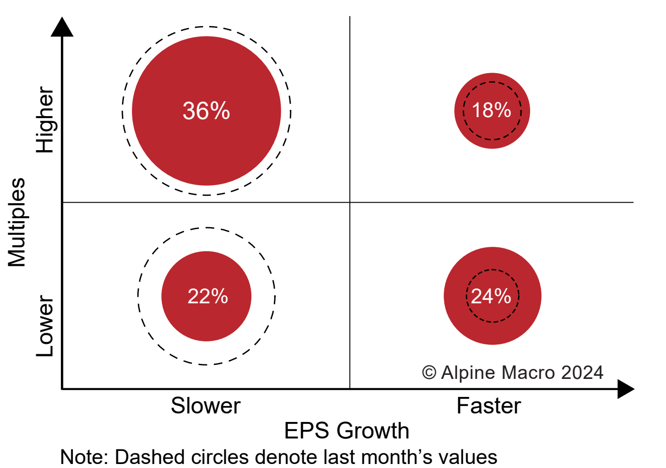

Chart 14 Client Expectations For Earnings Growth Are Improving

The share of clients expecting faster EPS growth increased from 23% to 42%. The view on multiples is roughly unchanged, with 18% of responses seeing P/E expansion. Equity performance drivers remain largely unchanged. Slower EPS growth but higher multiples account for a plurality of responses.

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

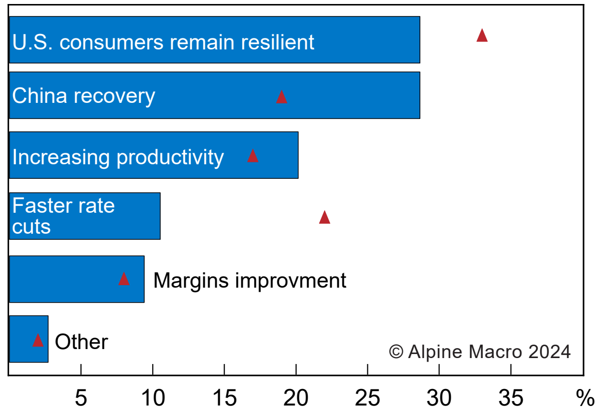

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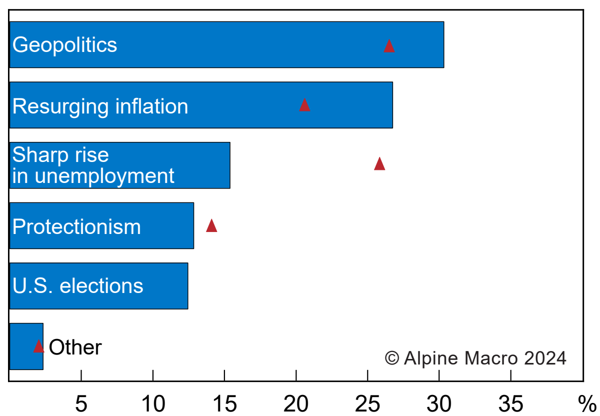
Chart 15 Twin Cylinders Of Hope: China Recovery And The U.S. Consumer

A recovery in China joins a resilient U.S. consumer as the main upside tail risks. Increasing productivity comes in third, while fewer clients expect support from faster rate cuts.

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



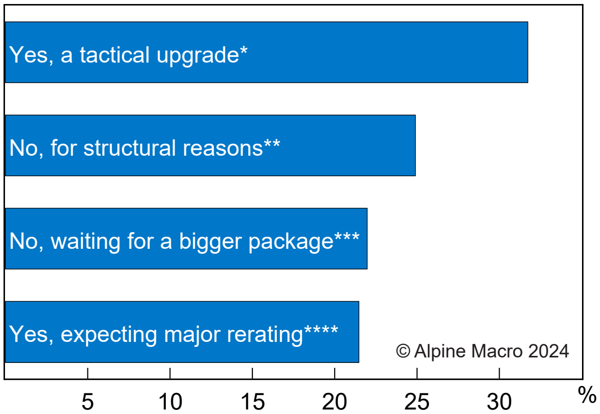
Note: Triangles denote last month's values; newly added choices do not have values for the previous month

Chart 16 Concerns About Geopolitics And Inflation

On the downside, respondents are primarily concerned about geopolitics. Investors are more worried about the economy running too hot than too cold. Resurgent inflation replaces weakness in the labor market as the second most important risk.

Chart 17 Beijing Has Yet To Convince Investors

Did you overweight/buy Chinese stocks based on Beijing's latest policy changes?



*Yes, but only for a short-term rally, as Beijing's "bazooka" will provide only a temporary boost
**No, the Chinese economy faces deep structural issues unresolvable by countercyclical policies
***No, policy measures will be insufficient, and growth will continue to stagnate
****Yes, Beijing is correcting its policy mistakes, leading to a significant rerating of Chinese assets

Clients are divided on recent Chinese policy changes. Slightly more than half of the respondents became overweight or bought Chinese stocks due to the changes. However, the increased allocation is mostly tactical. 25% of respondents remain unconvinced of Chinese asset outperformance for structural reasons, while 22% want to see a larger package before increasing their allocation.

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