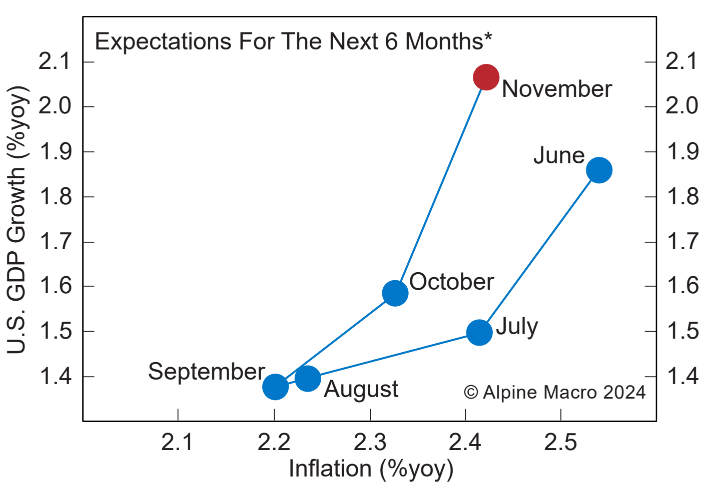
INVESTMENT SURVEY

November 19, 2024

We are thrilled to share the results of the *Alpine Macro Investment Survey* for November. 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 are sent in a report *via* email, as in this one. Below are highlights from the survey conducted between November 11th and 17th:

- The consensus has substantially upgraded growth expectations, and recession fears have abated. Inflation expectations have increased marginally.
- Client positioning suggests a further increase in risk appetite, with respondents becoming more overweight in equities at the expense of bonds and cash.
- Concentration in the U.S. further increased, with investors giving smaller allocations to EMEA, APAC, and EM, perhaps partially driven by recent U.S. election results.
- Lower Treasury yields and a steeper curve remain the consensus, although an increasing group of investors expects a bear steepener.
- Equity investors have turned more bullish, with a plurality anticipating higher multiples and faster EPS growth.
- Most investors believe tariffs and fiscal policy will point to higher yields, although a sizable portion thinks the impact will be neutral.

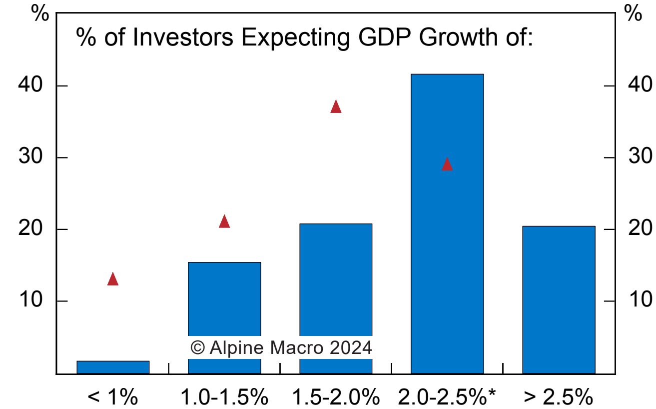


*Based on weighted averages for Q1 and Q2 of the survey

Chart 1 **Investors Upgrade Expectations For The U.S. Economy**

Most investors expect the U.S. economy to slow only marginally from its current pace, with few predicting a slowdown below trend. The upgrade is primarily driven by stronger growth, although inflation expectations have also increased. This aligns with the recent upward shift in Treasury yields, mainly influenced by the real component.

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
*The triangle denotes value for >2%

Chart 2 Slight Improvement In Growth Prospects

Growth expectations from clients improved in the latest survey, with the average value rising from 1.6% to 2.1% over the next six months. The modal response increased to the 2.0-2.5% range. The share of clients predicting a recession has nearly evaporated, while 20% see no growth deceleration at all.

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

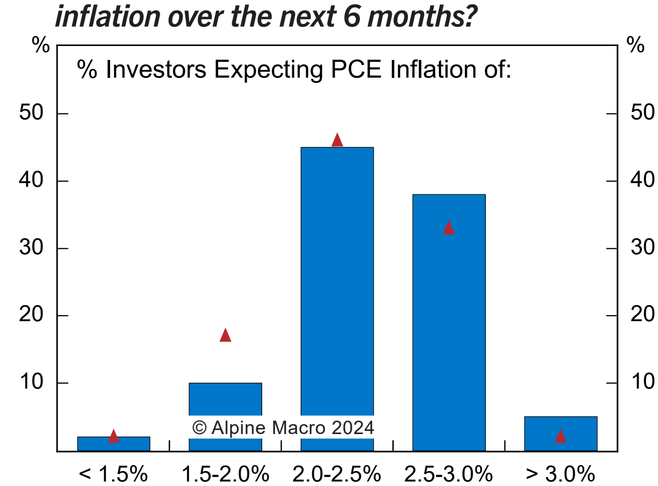


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Chart 3 Clients See Upside Risks To Inflation

Respondents upgraded their inflation expectations, which still center around 2.0-2.5% over the next two quarters. However, the distribution of responses suggests risks are tilted towards the upside. Over a third of clients expect PCE inflation to reaccelerate above an annualized rate of 2.5%.

How are you positioned for stocks?

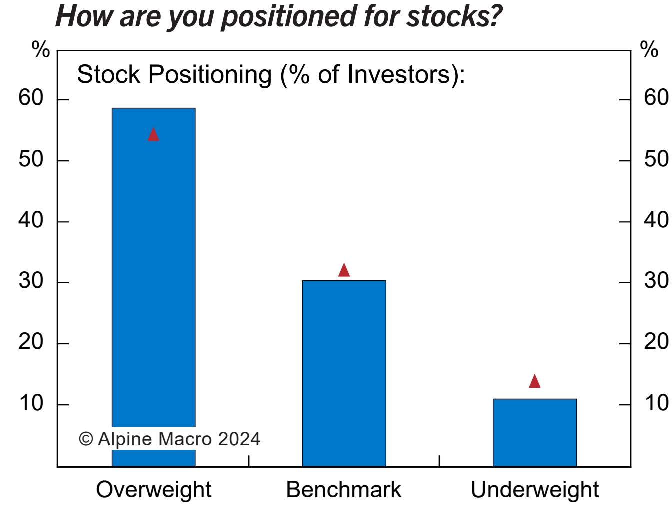

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Chart 4 Asset Positioning – Heavily Overweight Stocks

Equity positioning increased, with 59% of respondents overweight in stocks, a 4 percentage points increase versus last month. Only 11% of clients are underweight, while the remaining 30% are at benchmark.

How are you positioned for bonds?

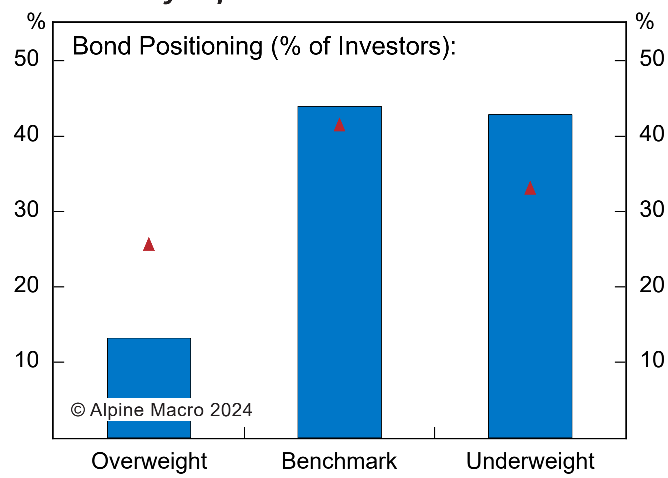

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Chart 5 Asset Positioning – Heavily Underweight Bonds

Respondents significantly downgraded their bond positioning in November. The share of overweight allocations dropped to 13%, while underweight positioning rose from 33% to 43%.

How are you positioned for cash?

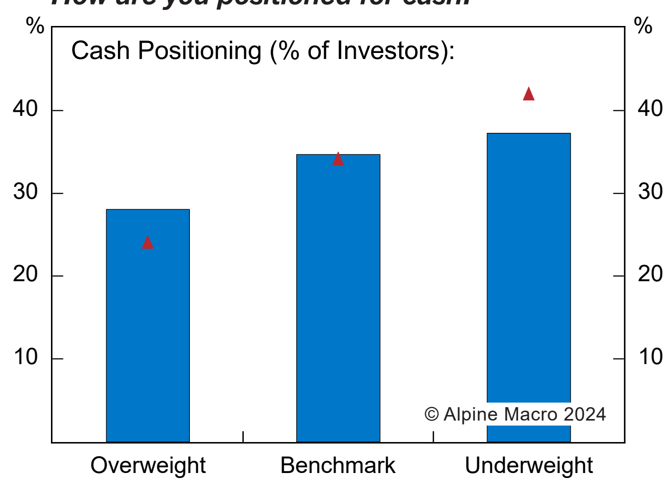

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Chart 6 Asset Positioning – Underweight Cash

Overall client cash allocations slightly increased. The net balance of positioning (overweight minus underweight) is -9%. The share of respondents at benchmark cash allocation is slightly more than one-third.

How are you positioned for commodities?

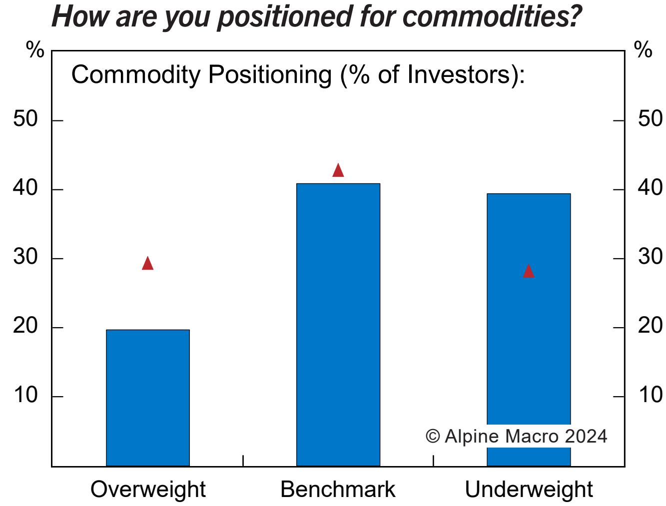

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Chart 7 Asset Positioning – Underweight Commodities

Clients reduced their commodities allocations in November. The share of respondents at benchmark and underweight are roughly equal, at around 40%. Only 20% of respondents are overweight commodities, down from 29% last month.

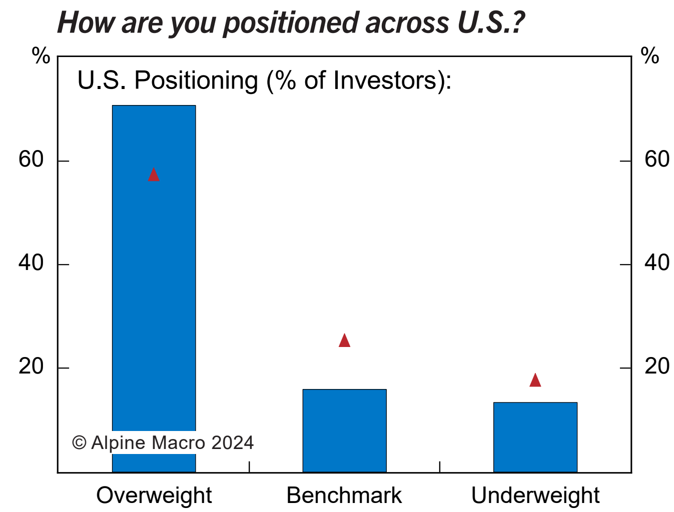

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Chart 8 Asset Positioning – Heavily Overweight U.S.

The U.S. remains by far the preferred region for investment, and the concentration in U.S. allocation increased further. The survey shows 71% of respondents are overweight U.S. assets, a 13 percentage points increase from October. Clients at benchmark and underweight allocations both decreased, to 16% and 13%, respectively.

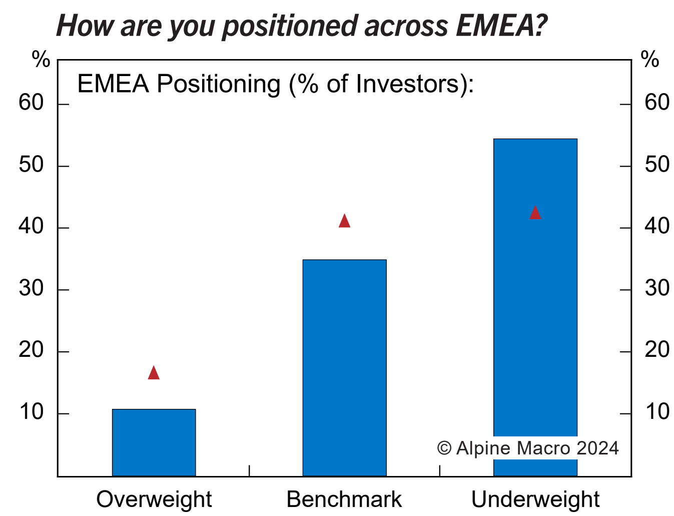

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Chart 9 Asset Positioning – Heavily Underweight EMEA

Investors turned more bearish on EMEA. Over half of investors are underweight this region, versus 42% in October. The net balance of allocation (overweight minus underweight) is -44%. The share of clients at benchmark allocation also fell to 35%.

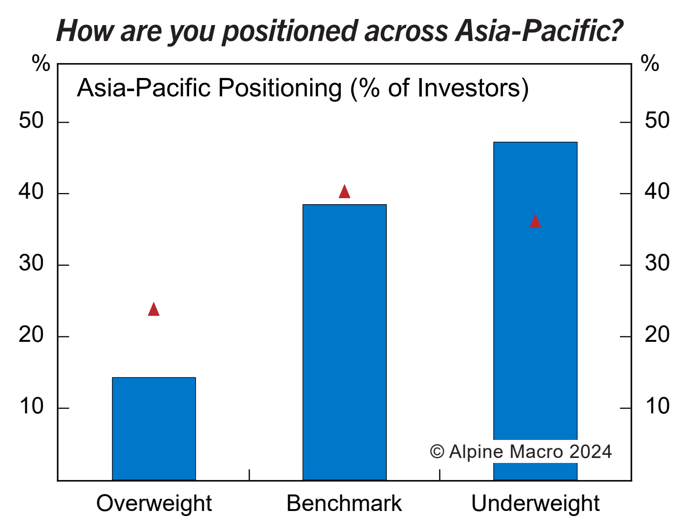

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Chart 10 Asset Positioning – Heavily Underweight APAC

APAC assets also received smaller allocations in November. 47% of respondents are underweight, an 11 percentage points increase from last month. The share of clients at benchmark and overweight APAC fell to 38% and 14%, respectively.

How are you positioned across Emerging Markets?

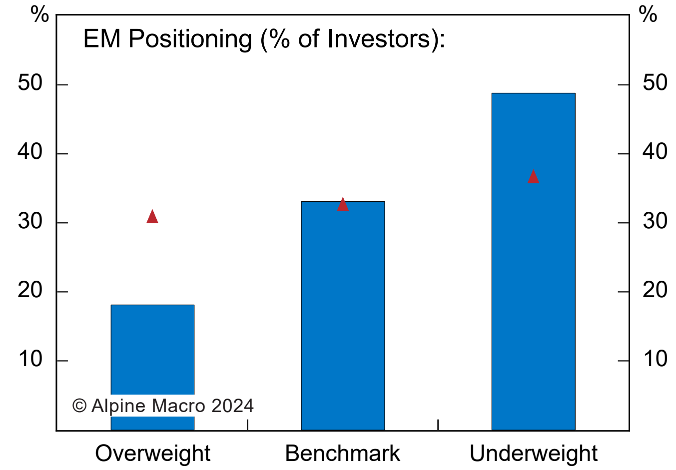

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Chart 11 Asset Positioning – Heavily Underweight Emerging Markets

Investors quickly upgraded EM allocations in October but reversed that upgrade in November as Chinese stimulus has disappointed. In contrast to last month's neutral allocation, where investors were evenly divided among underweight, overweight, and benchmark positions, 49% of clients are now underweight EM. The share of overweight and benchmark allocations are 18% and 33%, respectively.

Rank the following asset performances over the next 6 months

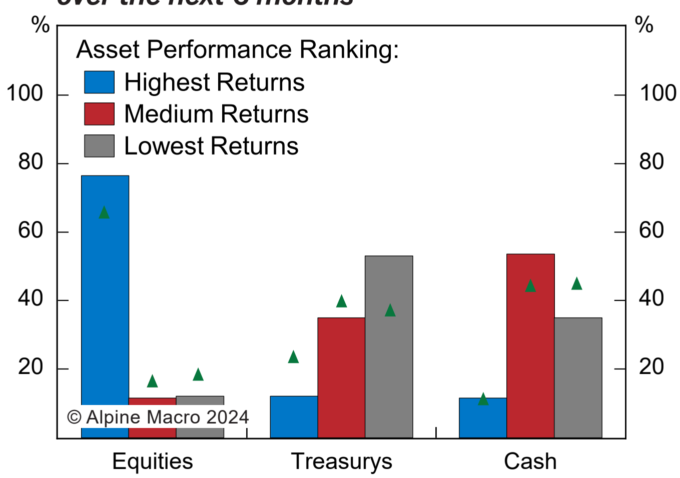

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Chart 12 Stocks To Outperform Bonds

When asked to rank asset classes by performance, investors significantly increased their bullishness on stocks over the next six months, an upgrade from October. Nearly 80% of clients expect equities to be the best-performing asset over the next two quarters, while about half of clients see Treasurys as the worst performer.

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

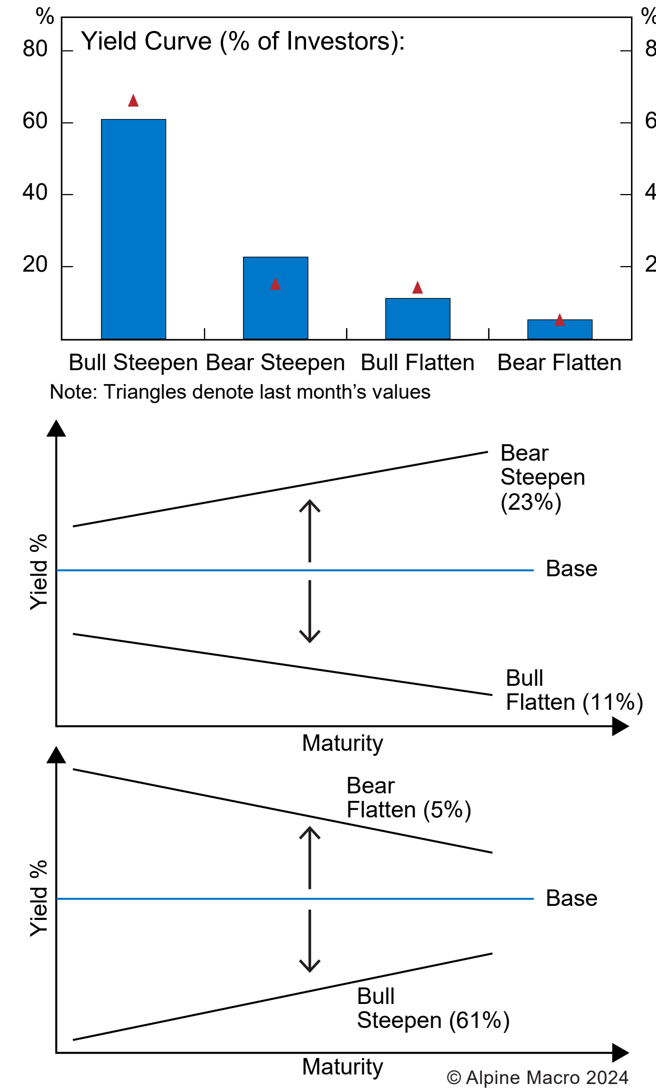

Chart 13 Challenging The Bull-Steepener Consensus

A bull-steepener remains the consensus, garnering 61% of responses, a drop from 66% last month. However, 23% of clients expect the yield curve to bear steepen, a noticeable increase from October. It is worth noting that most clients expect both a bull steepener and for cash to outperform Treasurys, which seems difficult to reconcile. 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?

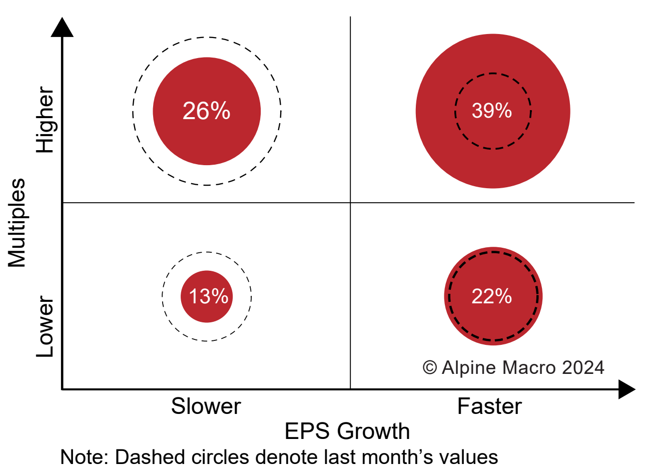

Chart 14 Higher Multiples And Faster EPS Growth

The share of clients expecting faster EPS growth rose from 42% to 61%. Impressively, the share of clients expecting multiple expansion also increased to 65%, compared to 54% last month. Clients expecting both earnings and P/E expansion to support stocks account for the plurality of responses.

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

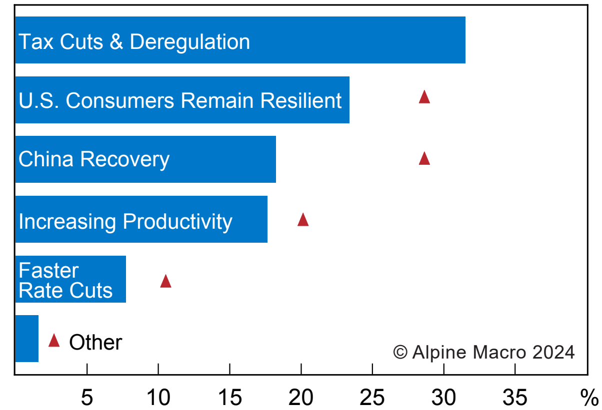

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Chart 15 Twin Cylinders Of Hope: China Recovery And The U.S. Consumer

Clients see tax cuts and deregulation as the main upside risk. About a quarter of respondents continue to view a resilient U.S. consumer as a source of optimism. However, a recovery in China is no longer high on clients' list of upside surprises.

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

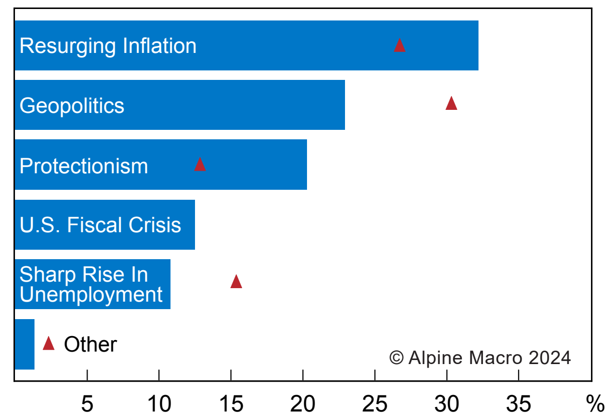

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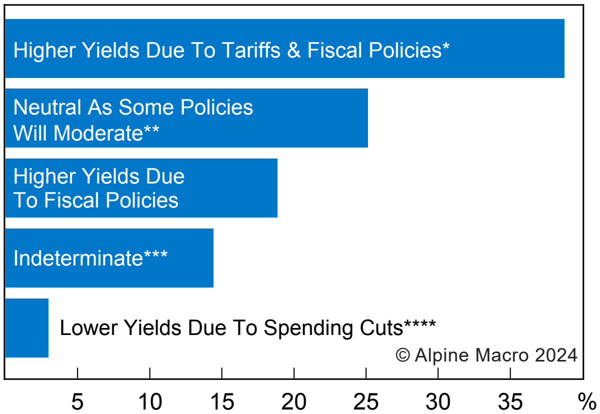
Chart 16 Concerns About Geopolitics And Inflation

On the downside, respondents are primarily concerned about resurging inflation, which has overtaken geopolitics as the main worry. Protectionism remains a risk, although few investors are concerned about a fiscal crisis in the U.S. or a sharp rise in unemployment.

Given the U.S. election results, what is the impact of politics on the longer-dated U.S. Treasurys?



*Higher yields due to Trump administration's tariffs and fiscal policies
**Neutral, as Trump will likely moderate some of his policy proposals
***Indeterminate, the political factor will be hard to isolate from economic and financial ones
****Lower yields, as the Trump administration will take some meaningful steps to rein in spending

Chart 17 A Trump Administration Means Higher Yields

A plurality of 39% of clients believe that the Trump administration's tariffs and fiscal policies will lead to higher yields. A smaller 19% of clients do not think tariffs will drive yields higher but foresee headwinds for Treasurys from the administration's fiscal plans. About a quarter of clients expect Trump to moderate his policies leading to limited impact on yields. A very small portion of clients see the Trump administration making sufficient spending cuts to push yields lower.

Henry Wu

Chief Quantitative Strategist

ALPINEMACRO

A Unique Mind On The Markets