



Asset Allocators Fearful of Fed Pivot

Lowest Probability that Stocks will Beat Bonds in Survey's History

AUTHOR:

David Bowers

+44(0) 7073 0733

david.bowers@absolute-strategy.com

Charles Cara

+44(0) 7073 0738

charles.cara@absolute-strategy.com

Declining Inflation Expectations Have Hurt USD but Helped EM

Major declines in US and eurozone inflation expectations have prompted investors to downgrade their probabilities for higher Fed Funds, higher US Bond yields, and importantly a higher USD ... to the benefit of Emerging Market assets.

But Asset Allocators Think Bonds, Not Equities, May Benefit More

Asset Allocators have reduced their implied probability that Stocks will beat Bonds by 11% percentage points, to the lowest level seen in the Survey's history, amid increased worries about recession, corporate earnings, and higher unemployment.

Bears now in the Majority: Survey's Portfolio now Overweight Bonds

For the first time, the Bears form the largest group as found by our Machine Learning clusters analysis. This reflects the pessimistic stance of this survey while expectations of lower yields makes the Survey Portfolio overweight Fixed Income.

RELATED RESEARCH:

[2022 Q3 Survey: Asset Allocators Remain](#)

[Defensive](#), 15th Sept 2022

[2022 Q2 Survey: Never mind Inflation; Focus on Recession](#), 30th June 2022

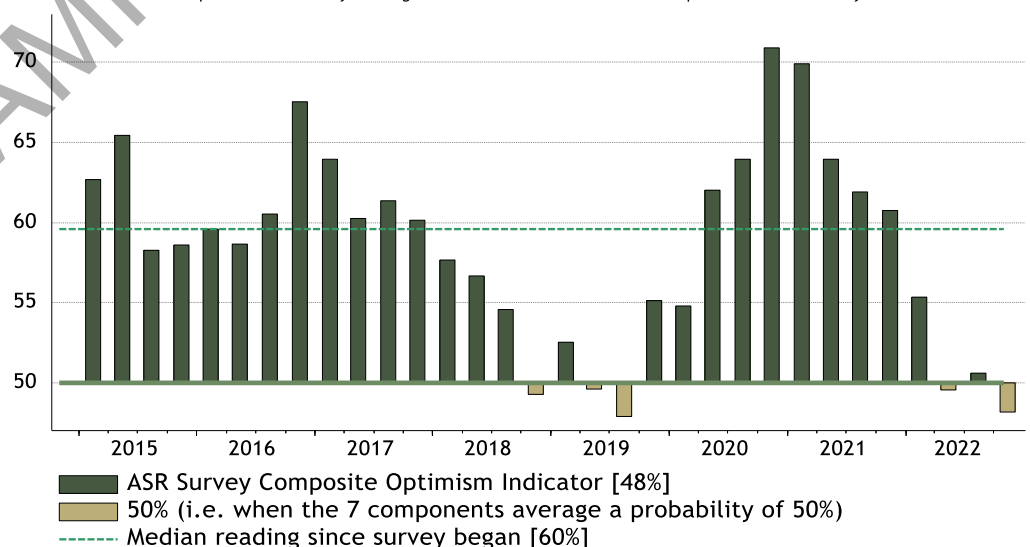
[2022 Q1 Survey: Investors Detect a Whiff of Stagflation](#), 24th Mar 2022

[2021 Q4 Survey: Investors Not Spooked by Fed Tightening](#), 10th Dec 2021

Key Chart: ASR's "Composite Optimism Indicator" Near Record Lows

ASR Asset Allocation Survey: Composite Optimism Indicator

7 Components: Business Cycle / Higher US Yields / IG>UST / TIPS>UST / Equities / Stks>Bonds / Cyc>Def



Source: ASR Ltd.

Based on 254 respondents managing over \$6.3trn AUM (Fieldwork: 24th Nov - 8th Dec 2022)