

# Global Fund Manager Survey

## As Boom as it Gets

### BofA April Global FMS takeaways

**Bottom line:** macro & market optimism among global investors remains very high (taper tantrum, inflation, higher taxation seen as bigger risks than COVID-19, long stocks at 10-year high, long banks at 3-year high); FMS says low wage growth = Q2 bullish risk, disappointing tech/cyclical EPS = Q2 bearish risk.

**On macro:** past year expectations for “V” recovery up from 10% to 50% (vs down from 75% to 37% for “U” or “W”); global GDP/EPS/CPI optimism “as boom as it gets” (though EPS forecasts rolled over a bit); infrastructure package “priced-in” at \$1.9tn; CIOs want CEOs to boost capex (highest since Jan’18) rather than boost buybacks or cut debt.

**On rates:** 6/10 investors say short rate rise next 12 months (highest since Jan’19); FMS cash level up to 4.1% (was 3.8% in Feb), BofA Bull & Bear Indicator down to 7.1 from 7.2; but clients say >10% pullback in stocks needs 10-year Treasury yield >2.1%.

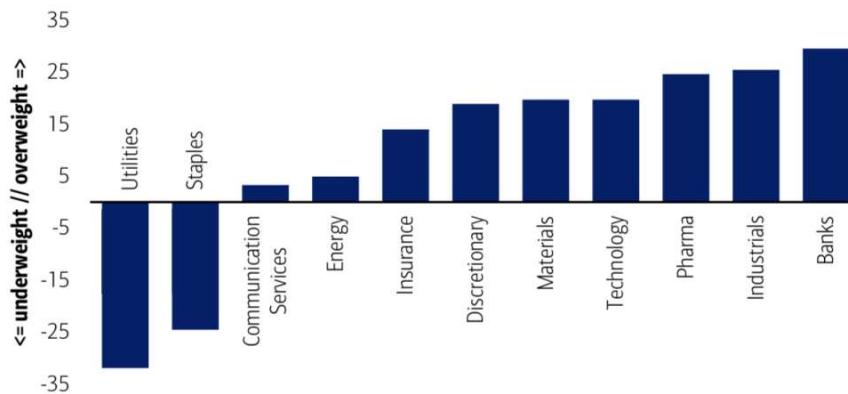
**On risks & crowds:** tail risks...bond tantrum 32%, inflation 27%, higher taxes 15%, COVID 15%, i.e. risks now associated with boom not recession; most crowded trade = long tech; asked if Bitcoin a bubble “yes” = 74%, asked are equities a bubble “yes” = 7%.

**On AA:** April FMS shows modest rotation to tech, healthcare, REITs, out of EM & staples; more broadly investors positioned for boom via long equity, commodity, cyclical allocations (note bank OW and record expectation value beats growth); optimism on EM cut...investors now think S&P500 = best performing asset in 2021, no longer EM.

**Our view & contrarian trades:** April FMS uber-bullish but no more bullish than Q1; we say positioning is peaking = cautious risk asset returns; bearish contrarians playing “peak EPS” should sell commodities, banks & tech (Chart 1); bullish contrarians playing “peak yields” should buy EM, staples & utilities.

**Chart 1: Banks most overweight sector for 1<sup>st</sup> time since May’18**

Net 30% of FMS investors now overweight banks



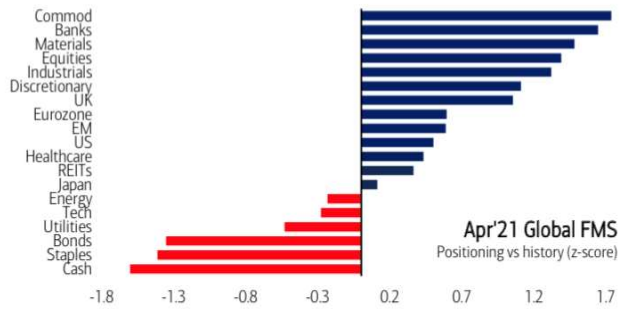
Source: BofA Global Fund Manager Survey

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# Charts of the Month

## Exhibit 1: FMS shows cyclical consensus is still "cyclical"...

BofA FMS positioning vs history z-scores



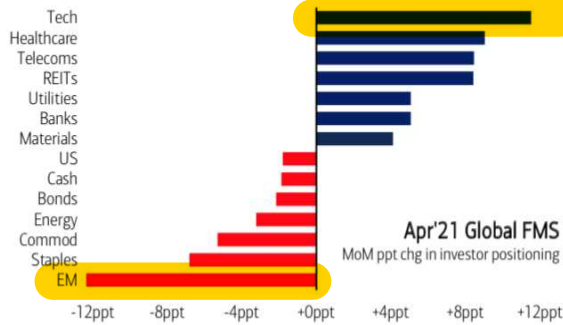
Source: BofA Global Fund Manager Survey

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FMS shows cyclical consensus is "cyclical" with high exposure to commodities, banks, materials, equities, industrials, UK, EM relative to the past 10 years....

## Exhibit 2: ...but investors are back into tech and out of EM this month

Month on Month change in FMS investor positioning



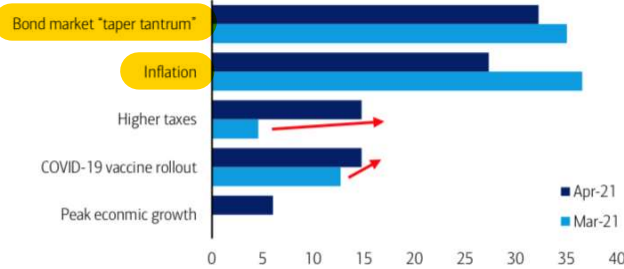
Source: BofA Global Fund Manager Survey

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The Apr FMS shows that investors have now reverted back to the barbell of tech and cyclicals, but have modestly trimmed EM and commodities.

## Exhibit 3: COVID-19 is no longer the biggest 'tail risk'

What do you consider the biggest 'tail risk'?



Source: BofA Global Fund Manager Survey

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A year ago, COVID-19 was named a global pandemic on March 11th. Now in April 2021, a mere 15% cite COVID-19 risk as the biggest tail risk, lower than even "higher taxes" at 15%. Taper Tantrum is now first at 32%, followed by inflation at 27%.