

Global Fund Manager Survey

The Reopening Trade

BofA December Global FMS top takeaways

Dec FMS: investor sentiment bullish as vaccine hopes induce strong “buy the reopening” trade; bulls adding exposure in consumer, commodities, EM (60% say EM best performer in '21); equity “barbell” strategies all the rage; bears note cash levels fall to 4.0%, triggering an FMS Cash Rule “sell signal”; BofA Bull & Bear Indicator up to 6.7.

On vaccine: asked when COVID-19 vaccine will start positively impacting economy, 42% of investors replied Q2'21, 28% said Q1'21, 19% said Q3'21.

On cash & risk: asset allocators underweight cash first time since May'13; cash level down to 4.0% triggering FMS Cash Rule “sell signal” (back-tested 1-month S&P500 return = -3.2% - see *Global Investment Strategy: Rules & Tools, 12 Nov 2020*); COVID-19 as #1 tail risk down from 41% to 30%, but fears of inflation (24%) & fiscal policy drag (18%) rising.

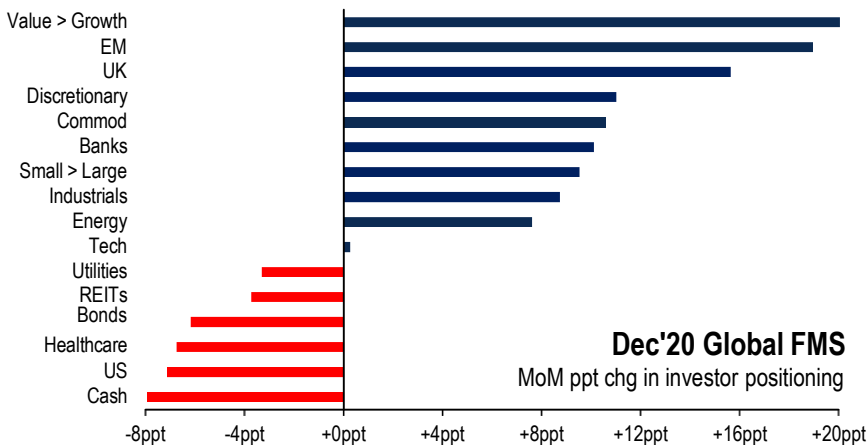
On macro & AA: net 89% expect stronger growth in '21; record 87% expect higher long-term yields; asked what corporations should do with cash investors split between improve balance sheet (44%) & increase capex (42%) as recession fear ends; bullish macro outlook... allocation to equity & commodity net overweight highest since Feb'11.

On equities: highest allocation to EM since Nov'10... but investors still OW US & EU; jump in allocation to consumer discretionary, industrials (highest since Apr'14), banks (first OW since Jan'20)... but tech remains largest OW; reopening rotation zeal best expressed via record 31% of investors long small cap vs large cap.

On crowded trades: #1 long tech (52%), #2 short US\$ (17%), #3 long Bitcoin (15%).

Dec FMS contrarian trades: we say sell the vaccine 1Q21; contrarian AA trades are long cash-short stocks, long US\$-short EM; contrarian equity trades are long energy/staples-short tech/industrials.

Chart 1: FMS investors rotate to value & EM and out of cash & US this month



Source: BofA Global Fund Manager Survey

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15 December 2020

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Notes to Readers

Source for all tables and charts:
BofA Fund Manager Survey,
DataStream

Survey period 4th to 10th December
2020

An overall total of 217 panellists with
\$576bn AUM participated in the
survey.

190 participants with \$534bn AUM
responded to the Global FMS
questions and 89 participants with
\$159bn AUM responded to the
Regional FMS questions.

How to join the FMS panel

Investors/clients are encouraged to
sign up to participate in the Survey.
This can be done by contacting

[Michael Hartnett](#)

or your BofA sales representative.

Participants in the survey will
continue to receive the full set of
monthly results but only for the
relevant month in which they
participate.

Charts of the Month

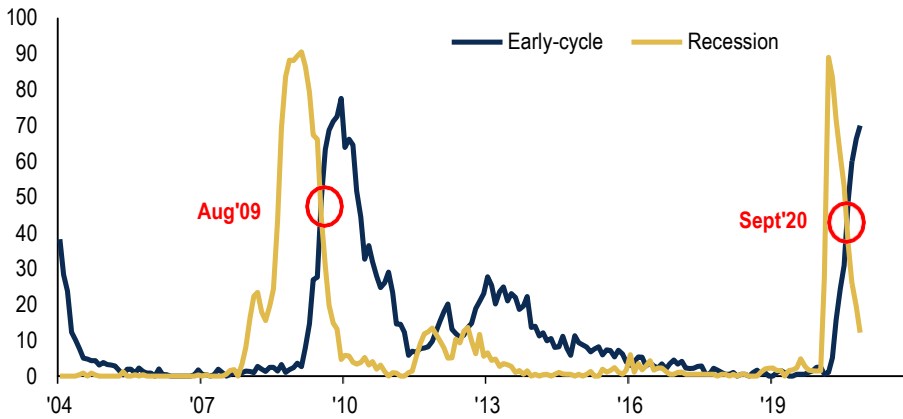
Exhibit 1: Fastest “V-shaped” recovery in recession expectations



Source: BofA Global Fund Manager Survey

2020 was a year utterly dominated by COVID-19 which caused the quickest economic and financial market collapse of all time. However, just half a year later, recovery expectations have also surpassed prior recessions in both speed and magnitude.

Exhibit 2: FMS investors think early-cycle rather than recession



Source: BofA Global Fund Manager Survey

Many more investors say the global economy is in an early-cycle phase (70%, highest since January 2010) as opposed to recession (12%), which as seen in 2009 & 2012 is a key recovery milestone.

Exhibit 3: Optimism (above-trend growth & low inflation) surpasses GFC recovery but below '18 peak



Source: BofA Global Fund Manager Survey

Optimism (on above-trend growth and low inflation) surpasses GFC recovery but below '18 peak... consistent with an uber-Goldilocks view.



Exhibit 4: Profit expectations at an all-time high



Net 78% of FMS investors expect corporate earnings will improve, at an all-time high.

Source: BofA Global Fund Manager Survey

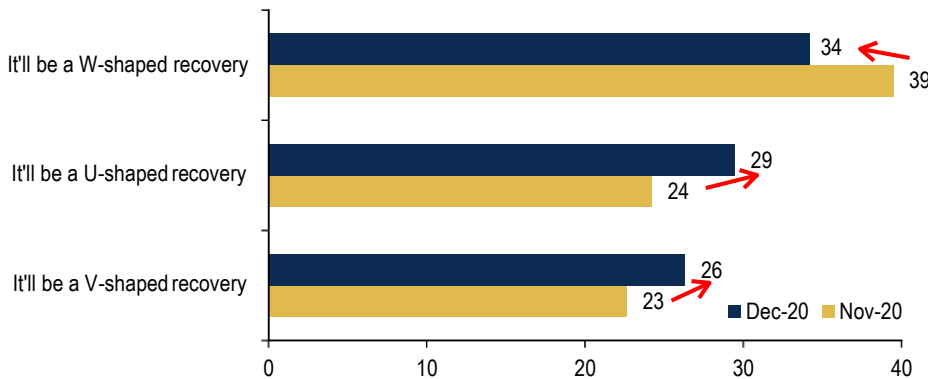
Exhibit 5: What would you most like to see companies do with cash flow?



The Dec FMS indicates that CIOs want CEOs to increase capex (now 42%, +4% MoM), but the majority still want to improve balance sheets (44%); note “escape velocity” would be signaled by FMS capex intentions surpassing “improve balance sheets”.

Source: BofA Global Fund Manager Survey

Exhibit 6: What path do you think the global economic recovery will take?

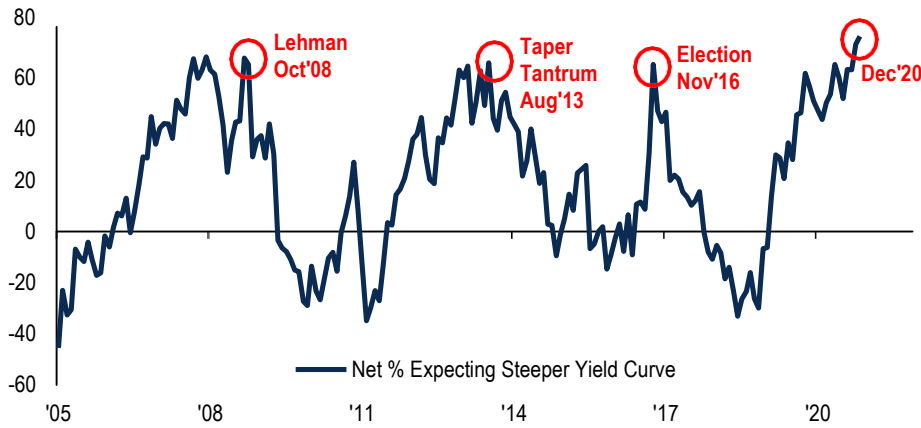


FMS investors believe in W-shaped recovery (34%), then U-shaped (29%), then V-shaped (26%).

Source: BofA Global Fund Manager Survey



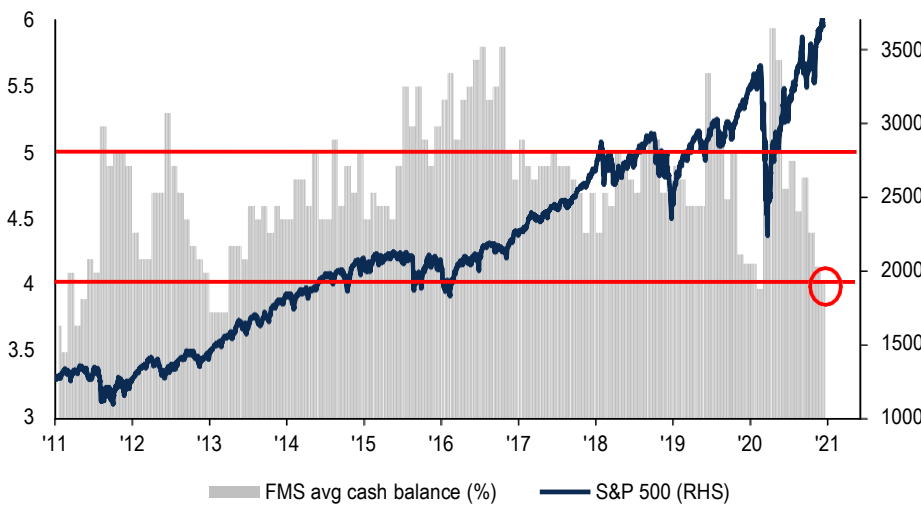
Exhibit 7: Yield curve expectations continue to trend higher, new all-time high



Source: BofA Global Fund Manager Survey

Record net 76% of investors expecting steeper yield curve; higher than 2008 Lehman bankruptcy, 2013 Fed Taper Tantrum & 2016 US Election.

Exhibit 8: December FMS cash levels fell to 4.0%, triggering a "sell" signal

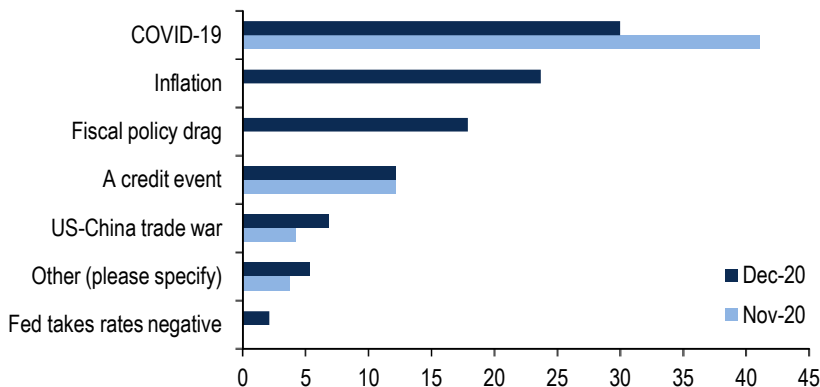


Source: BofA Global Fund Manager Survey

FMS cash drops to 4.0% from 4.1%, triggering FMS Cash Rule "sell signal" (back-tested 1-month S&P500 return = -3.2% – see *Global Investment Strategy: Rules & Tools*, 12 Nov 2020).

BofA Bull & Bear Indicator continues its climb, now at 6.7.

Exhibit 9: What do you consider the biggest 'tail risk'?

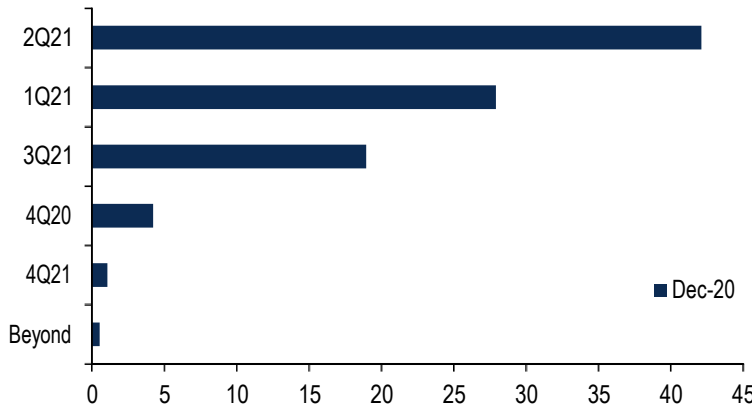


Source: BofA Global Fund Manager Survey

COVID-19 (30%) remains the biggest tail risk this month, down 11ppt from November on vaccine expectations.



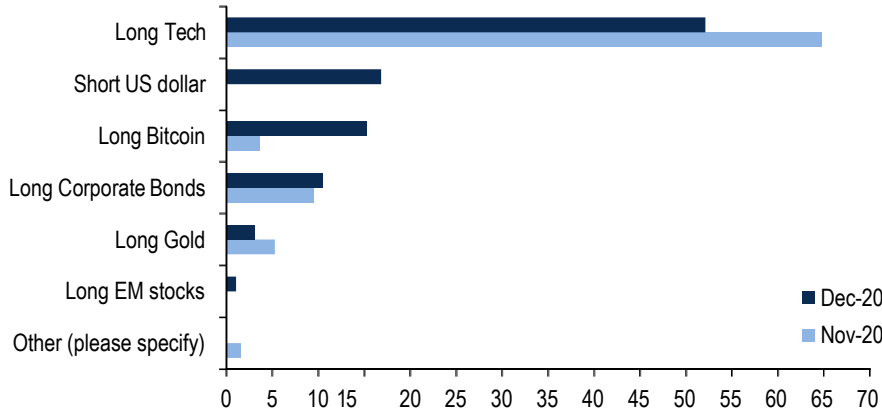
Exhibit 10: When do you think a COVID-19 vaccine will start positively impacting economic activity?



Source: BofA Global Fund Manager Survey

When asked when they think the COVID-19 vaccine starts positively impacting the economy, 42% of investors replied Q2'21, 28% said Q1'21, 19% said Q3'21. FMS investors on average expect the vaccine to positively impact the economy by May 2021.

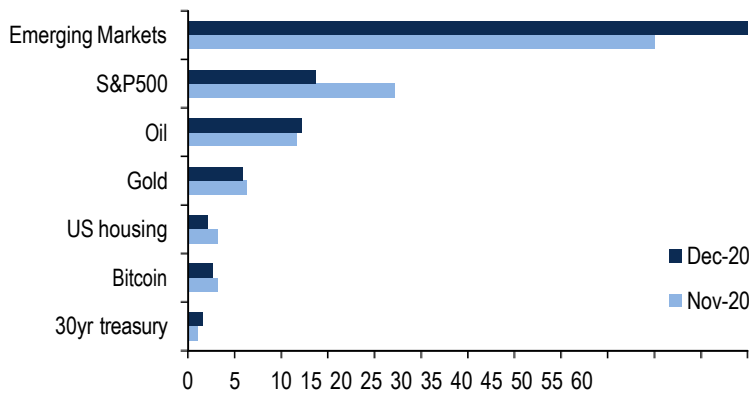
Exhibit 11: What do you think is currently the most crowded trade?



Source: BofA Global Fund Manager Survey

Long tech still deemed #1 "crowded trade" by big margin, now at 52% of investors but down from high of 80% back in September 2020.

Exhibit 12: What asset class do you think will outperform in 2021?

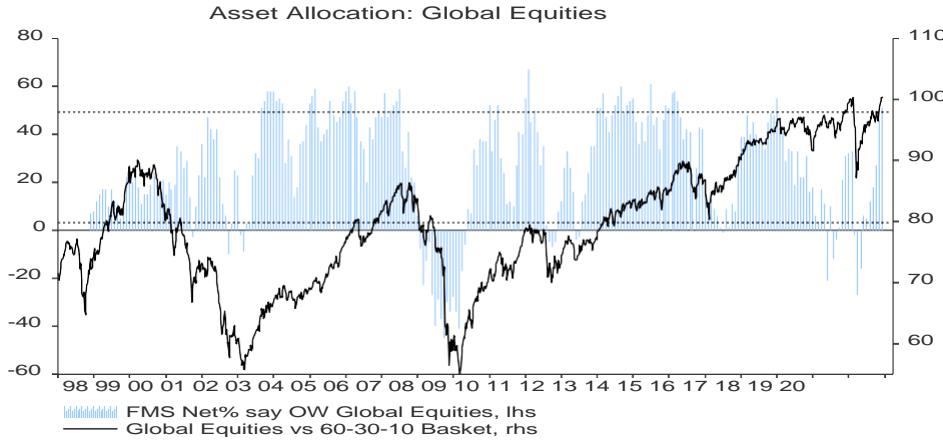


Source: BofA Global Fund Manager Survey

FMS investors continue to think Emerging Markets will outperform in 2021 by a big margin, now at 60% (+10% MoM).



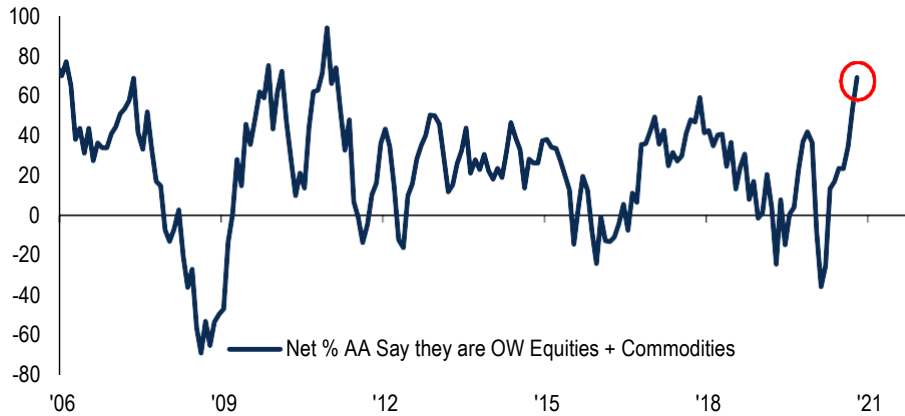
Exhibit 13: December survey shows FMS investor optimism on stocks skyrocketed



FMS investor optimism on stocks increases to highest level since Jan'18 (net 51%) as topping process gets underway (extremely bullish >50%); hedge funds' equity exposure remains high (43%).

Source: BofA Global Fund Manager Survey

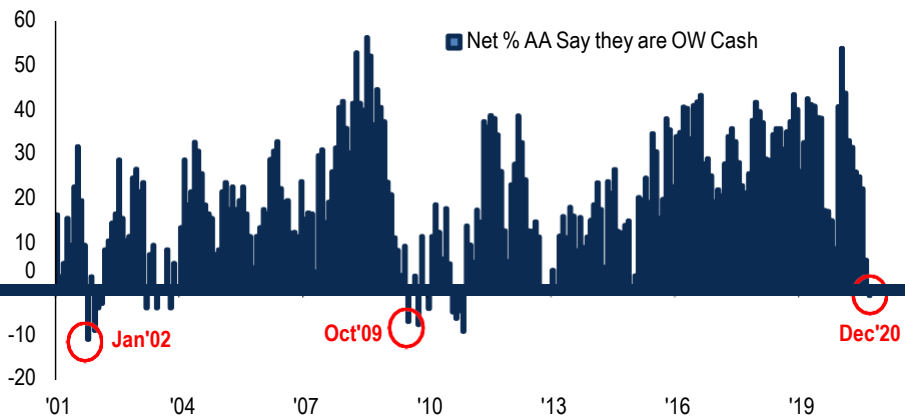
Exhibit 14: December survey shows FMS investor optimism on "risk-on" assets skyrocketed



FMS investor optimism on "risk-on" assets (equities + commodities) overall has increased sharply to the highest level since Feb'11 (net 69%).

Source: BofA Global Fund Manager Survey

Exhibit 15: Net % of investors underweight cash for the first time since May 2013

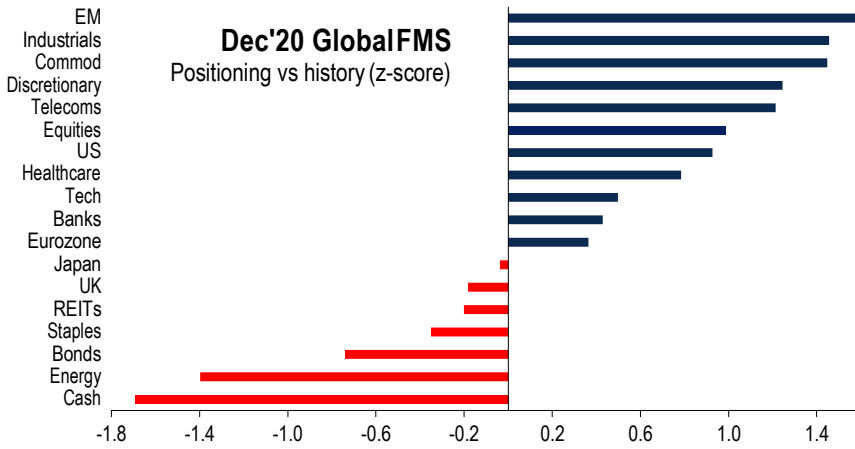


A net % of FMS investors are underweight cash for the first time since May 2013, indicative of an early-stage recovery similar to recoveries after the GFC (Oct'09) and the dotcom bubble (Jan'02).

Source: BofA Global Fund Manager Survey



Exhibit 16: FMS positioning vs history

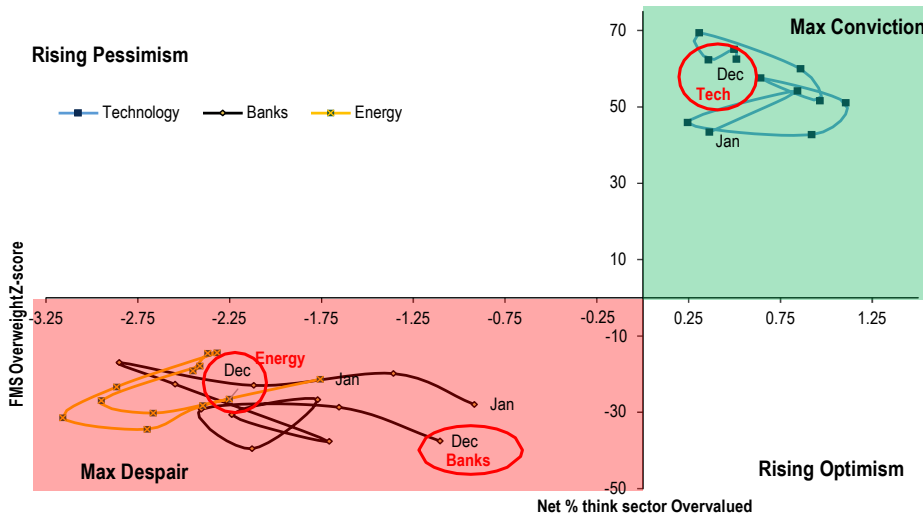


Source: BofA Global Fund Manager Survey

In terms of how FMS investors are positioned relative to their historic weighting in assets, regions, sectors...

Emerging market equities now the #1 preferred sector (1.6 stdev above its long-term average), and cash is now the largest underweight relative to history (1.7 stdev below its long term average).

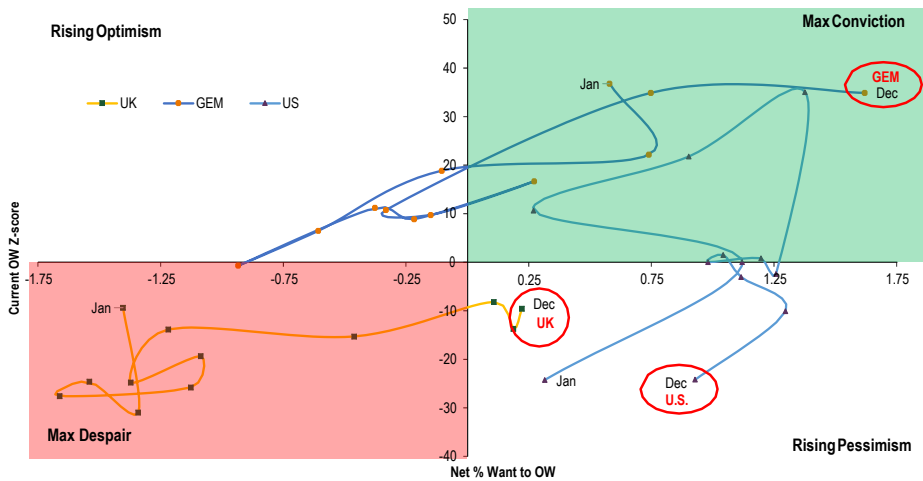
Exhibit 17: Sector positioning shows "cyclical rotation"



Source: BofA Global Fund Manager Survey

FMS "cyclical rotation" continued in December ... with buyers in rally laggards; however, "sellers strike" in technology remains as equity "barbell" strategies all the rage.

Exhibit 18: FMS conviction in Emerging Markets on the rise

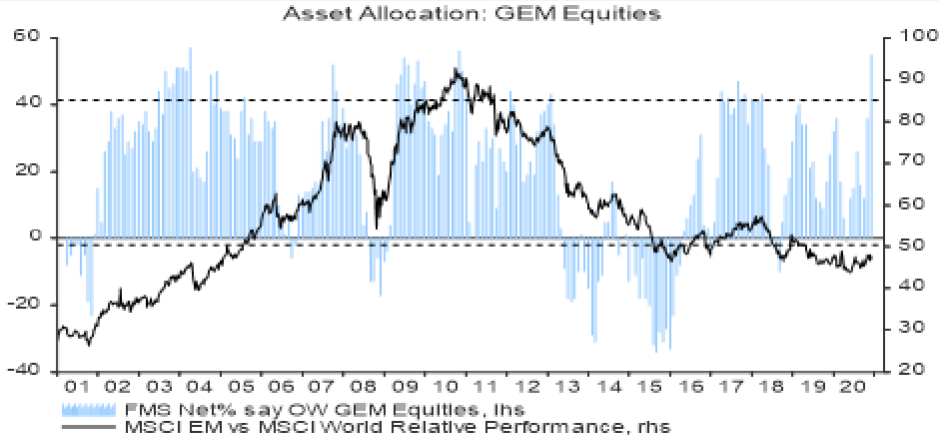


Source: BofA Global Fund Manager Survey

FMS conviction in Emerging Markets on the rise... while pessimism increases for the U.S.



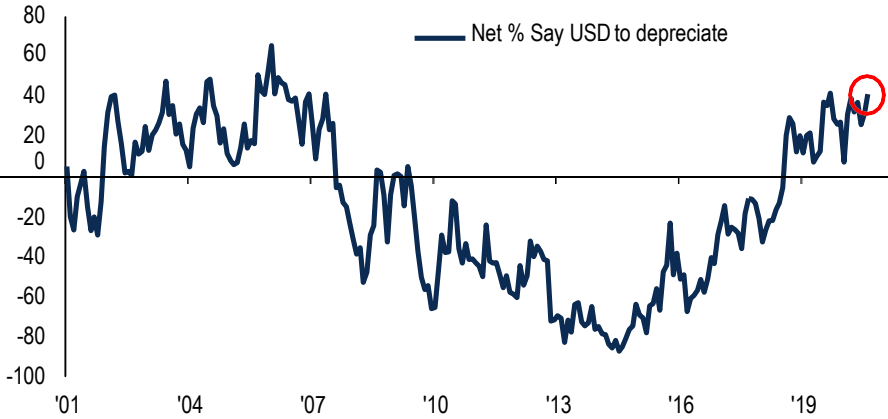
Exhibit 19: Net % say they are OW GEM Equities



Net % of FMS investors say they are overweight GEM equities jumps to net 55%, the highest since November 2010...

Source: BofA Global Fund Manager Survey

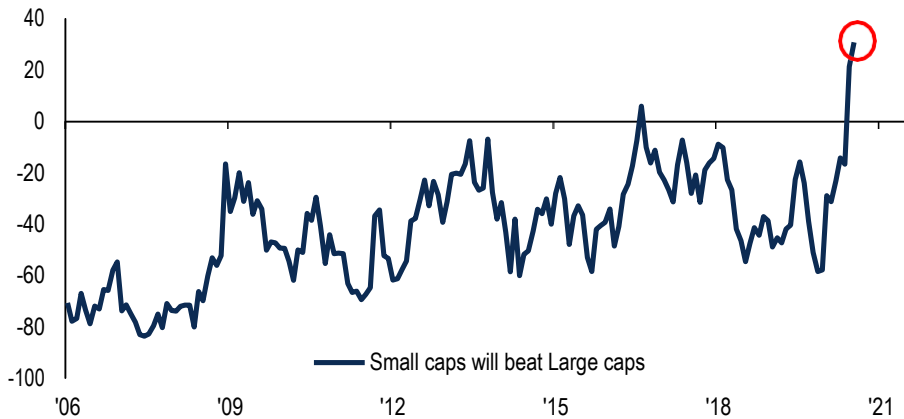
Exhibit 20: Net % say USD to depreciate



... while consensus on USD becomes extremely bearish, most since January 2020 (prior September 2007).

Source: BofA Global Fund Manager Survey

Exhibit 21: Net % Think Small Cap will Outperform Large Caps

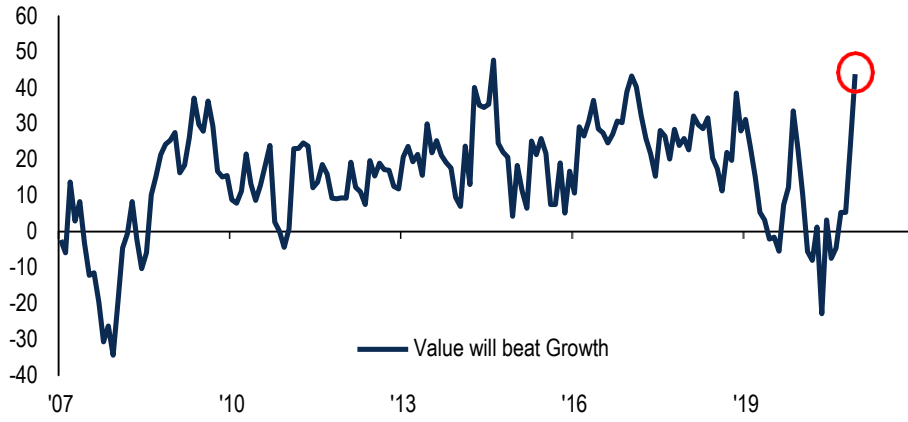


FMS reopening rotation zeal best expressed by a record net 31% of investors think small caps will outperform large caps...

Source: BofA Global Fund Manager Survey



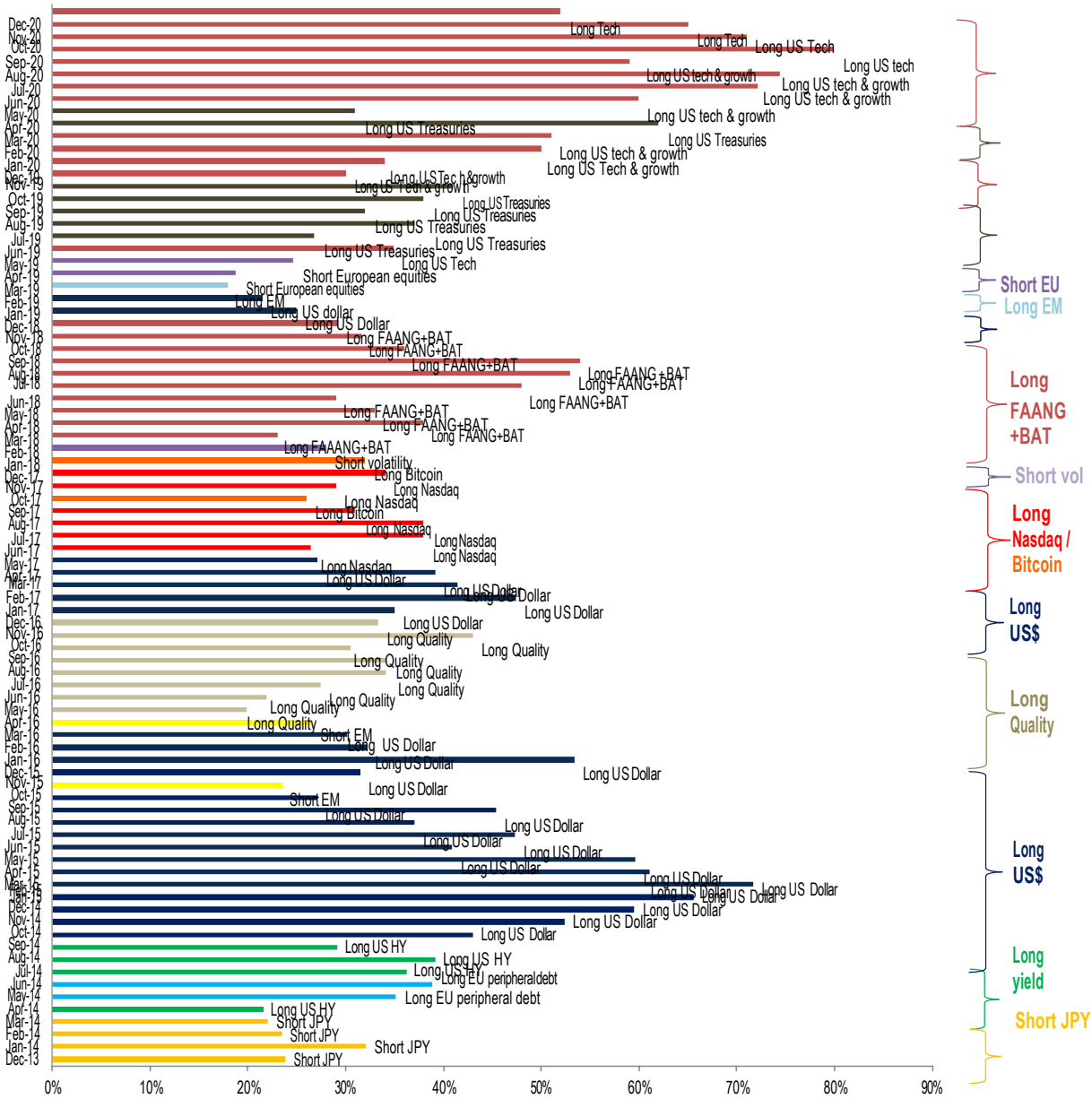
Exhibit 22: Net % Think 'Value' stock will Outperform 'Growth' stocks



... and net 31% of FMS investors think value stocks will outperform growth stocks, second highest ever following August 2014.

Source: BofA Global Fund Manager Survey

Exhibit 24: Evolution of Global FMS “most crowded trade”



Source: BofA Global Fund Manager Survey

- This chart shows the full history of the most “crowded trade” according to BofA’s monthly Global Fund Manager Survey.
- The market leadership has been relatively narrow since 2013, shifting from high yielding debt; long US\$; long Quality; long Tech; long Emerging Markets; long US Treasuries, long US tech & growth stocks.
- Long US tech stocks remains top with 52% of FMS investors saying it is the most “crowded trade”; #2 Short US dollar, #3 Long Bitcoin, #4 Long Corporate Bonds.



BofA Global FMS Rules & Tools

The Global FMS Rules & Tools are designed to help investors determine risk appetite, rotation opportunities, and tactical entry points.

Table 1: BofA Global FMS Cash Rule and Bull & Bear Indicator

	Category	Current reading	Current signal
BofA Global FMS Cash Rule	Contrarian	4.0%	Sell
Buy global equities when cash at or above 5.0%; sell when cash at or below 4.0%			
BofA Bull & Bear Indicator	Contrarian	6.7	Neutral
Buy global equities when the indicator falls below 2.0; sell when it rises above 8.0			

Source: BofA Global Investment Strategy

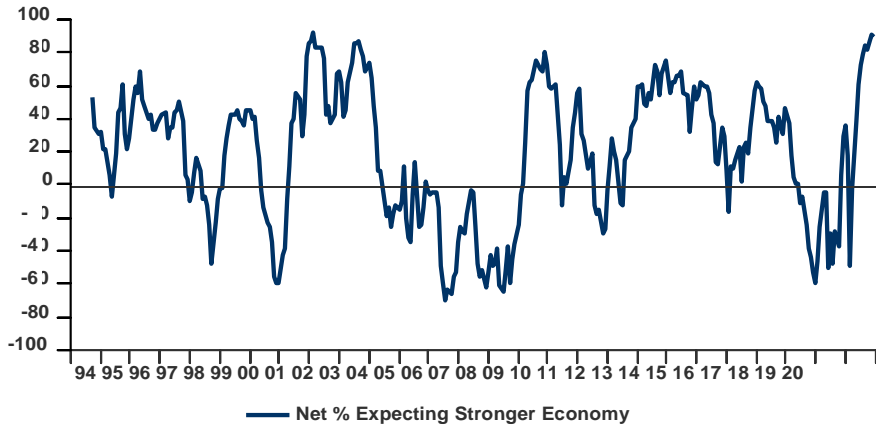
Disclaimer: The indicators identified as BofA Global FMS Cash Rule and BofA Bull & Bear Indicator above are intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. These indicators were not created to act as a benchmark.

For full details please see: *Global Investment Strategy: The BofA Global FMS Rules & Tools*, 7 July 2019.



Investors on the Macro

Exhibit 25: How do you think the global real economy will develop over the next 12 months?

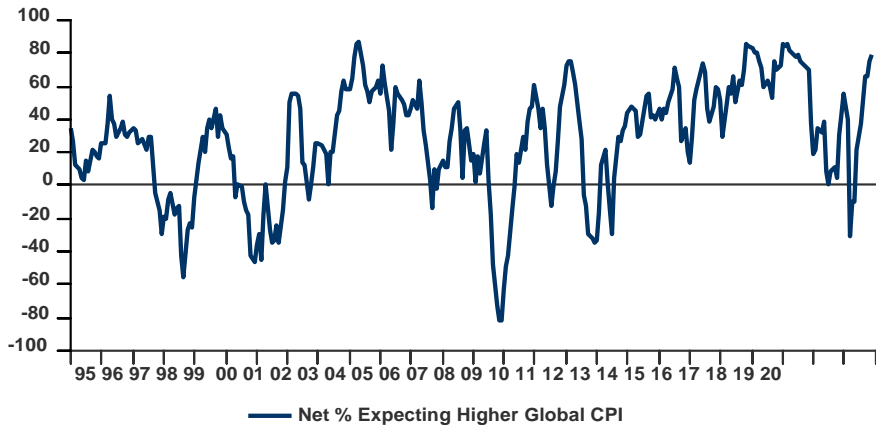


Source: BofA Global Fund Manager Survey

December FMS shows investors' global growth expectations fell by 2ppt to net 89%; but still extremely elevated. Last month was the 2nd highest growth expectations ever (#1 in March 2002).

56% of respondents expect the global economy to get 'a lot stronger', up 12ppts from last month.

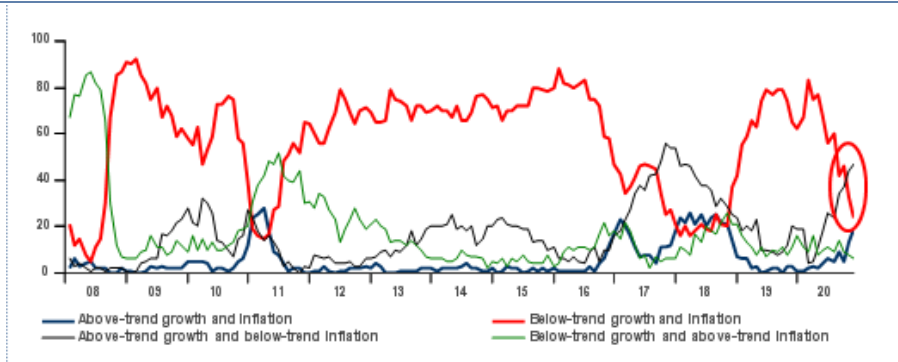
Exhibit 26: Inflation expectations



Source: BofA Global Fund Manager Survey.

FMS inflation expectations rose 4ppt to net 79% of FMS investors expecting higher global CPI in the next 12 months, highest since Jul'18; only 10% say inflation will be 'a lot higher'.

Exhibit 27: How do you see the global economy trend in the next 12 months?



Source: BofA Global Fund Manager Survey

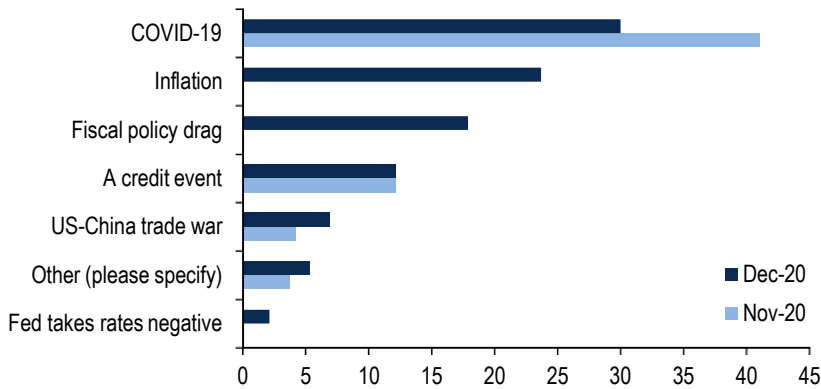
Above-trend growth and below-trend inflation now top expectation, with 47% of FMS investors saying they expect this outcome over the next 12 months.

Below-trend growth & inflation in the global economy is now 24% of FMS investors.



Investor Risk Appetite

Exhibit 28: What do you consider the biggest “tail risk”?

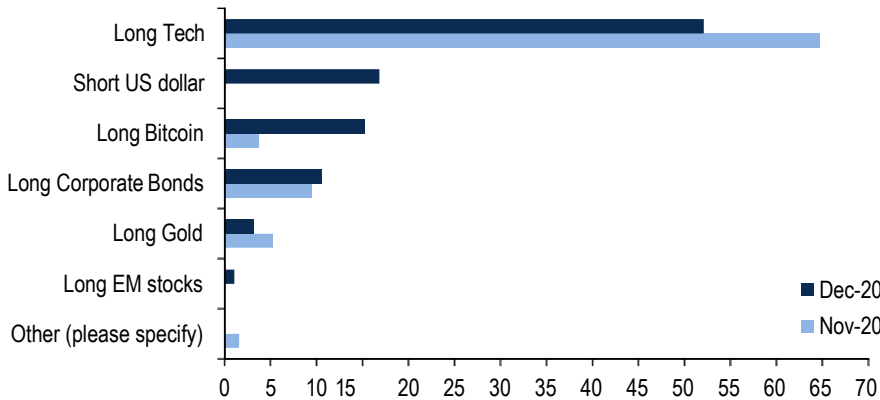


Source: BofA Global Fund Manager Survey

Biggest “tail risks” in Dec '20:

1. COVID-19 second wave (30%).
2. Inflation (24%).
3. Fiscal policy drag (18%).
4. A credit event (12%).
5. US-China trade war (7%).

Exhibit 29: What do you think is currently the most crowded trade?

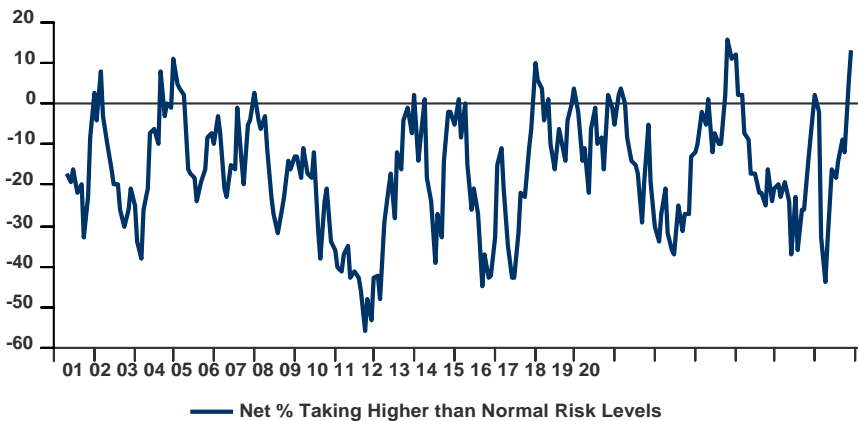


Source: BofA Global Fund Manager Survey

Most crowded trades in Dec '20:

1. Long US tech (52%).
2. Short US dollar (17%).
3. Long Bitcoin (15%).
4. Long Corporate Bonds (11%).
5. Long Gold (3%).

Exhibit 30: What level of risk do you think you're currently taking in your investment?



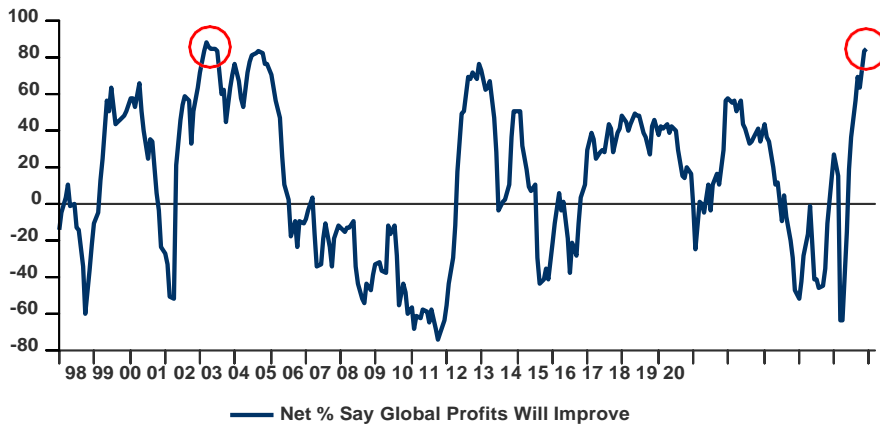
Source: BofA Global Fund Manager Survey

Net 13% of FMS investors say they are currently taking higher than normal risk levels, up 7ppt to highest level since Jan'18.



Investors on EPS & Leverage

Exhibit 31: Profit expectations



Source: BofA Global Fund Manager Survey

The net percentage of FMS investors expecting global profits to improve over the next 12 months rose 1ppt to 85%, best outlook on profits since March 2002.

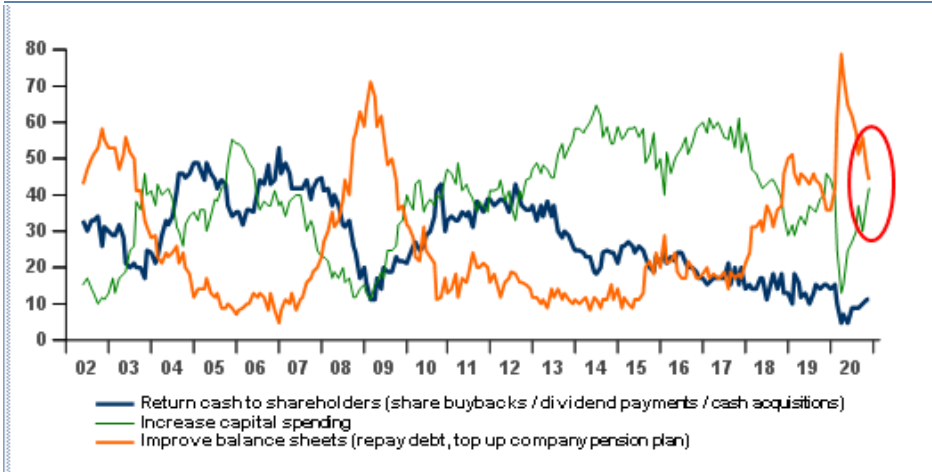
Exhibit 32: Global corporate balance sheets



Source: BofA Global Fund Manager Survey

The net percentage of FMS investors saying companies are overleveraged fell 3ppt MoM to 41% this month.

Exhibit 33: What would you most like to see companies do with cash flow?



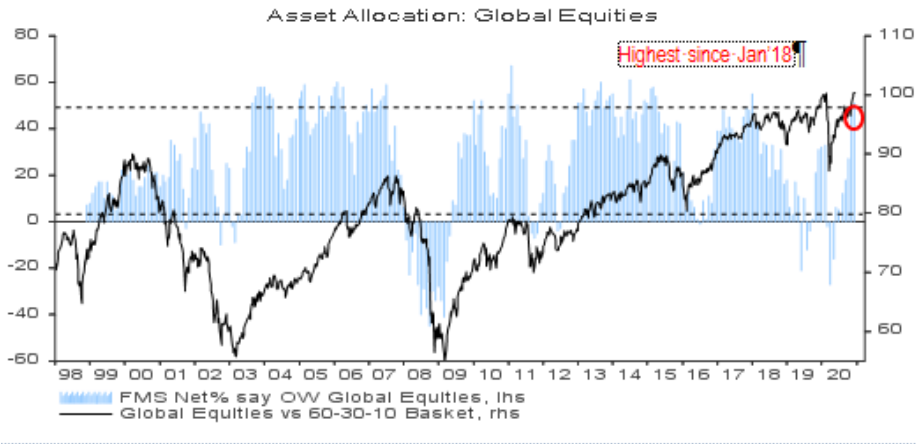
Source: BofA Global Fund Manager Survey

Net 44% of FMS investors want corporates to spend cash on improving their balance sheets, down 3ppts from last month; the net percentage of respondents who advocated capital spending increased 4ppts to 42%... approaching FMS “escape velocity”.



FMS Asset Allocation

Exhibit 34: Net % AA Say they are overweight Equities

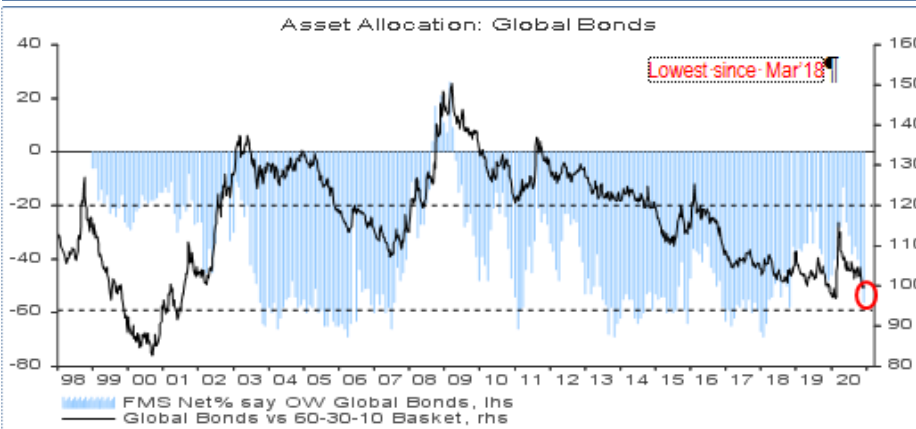


Source: BofA Global Fund Manager Survey

FMS equity allocation rose 5ppt MoM to net 51% overweight, the highest level since January 2018.

Current allocation is 1.0 stdev above its long-term average.

Exhibit 35: Net % AA Say they are overweight Bonds

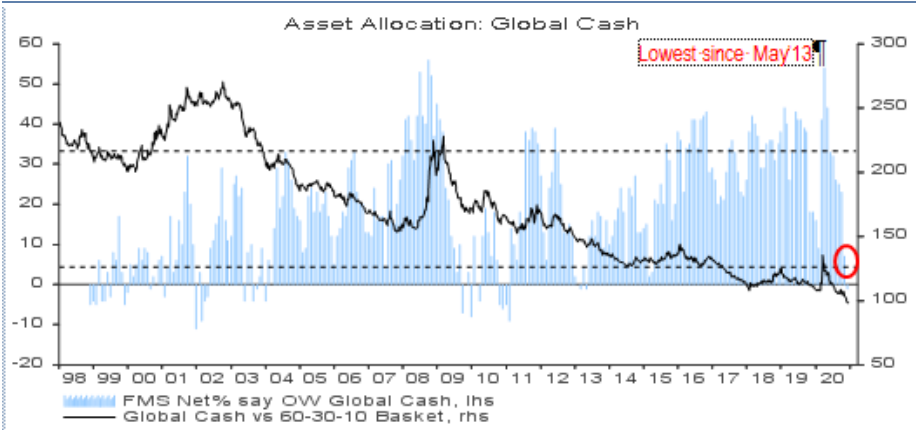


Source: BofA Global Fund Manager Survey

FMS investors' bond allocation decreased 6ppt MoM to a net 56% underweight, lowest since Mar' 18.

Current allocation is 0.7 stdev below its long-term average.

Exhibit 36: Net % AA Say they are overweight Cash



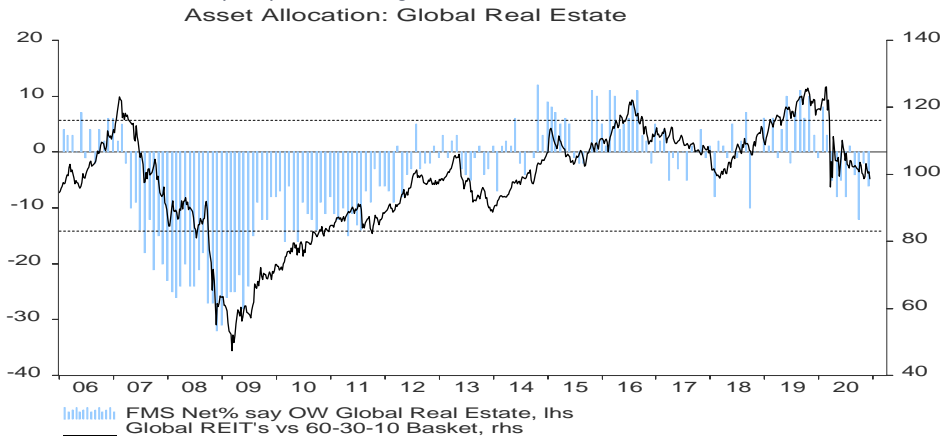
Source: BofA Global Fund Manager Survey

FMS cash allocation fell 8ppt MoM to net 1% underweight, the lowest level since May' 13.

Current allocation is 1.7 stdev below its long-term average.



Exhibit 37: Net % AA Say they are overweight Real Estate

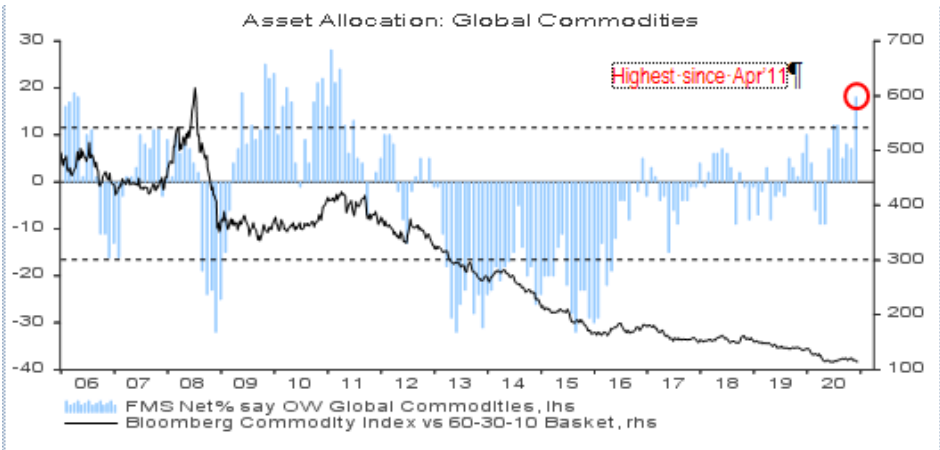


Allocation to real estate fell 4ppt to net 6% underweight.

Current allocation is 0.2 stdev below its long-term average.

Source: BofA Global Fund Manager Survey

Exhibit 38: Net % AA Say they are overweight Commodities



Allocation to commodities jumped 11ppt to net 18% overweight, highest since Apr'11.

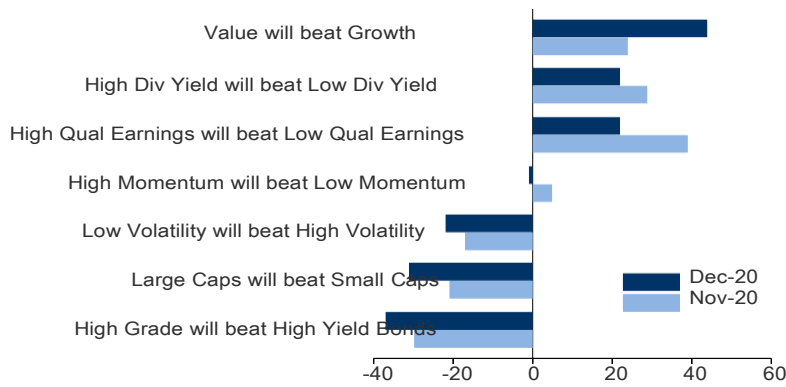
Current allocation is 1.4 stdev above its long-term average.

Source: BofA Global Fund Manager Survey



Factor & FX extremes

Exhibit 39: Over the next 12 months, how likely do you think it is that...

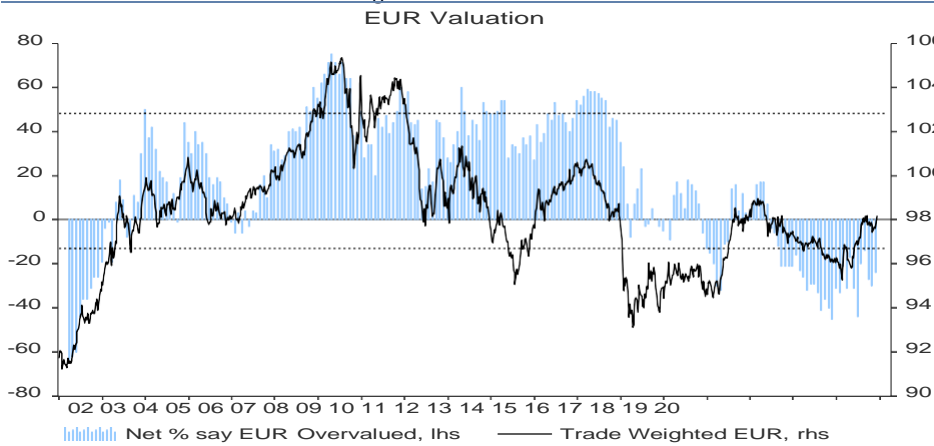


Source: BofA Global Fund Manager Survey

Net 44% now expect value to outperform growth, up 20ppts vs. last month; 2nd largest percentage ever (#1 in Aug' 14).

Net 22% high dividend yield to outperform low dividend yield, down 7 ppts from last month.

Exhibit 40: EUR valuation and Trade weighted index

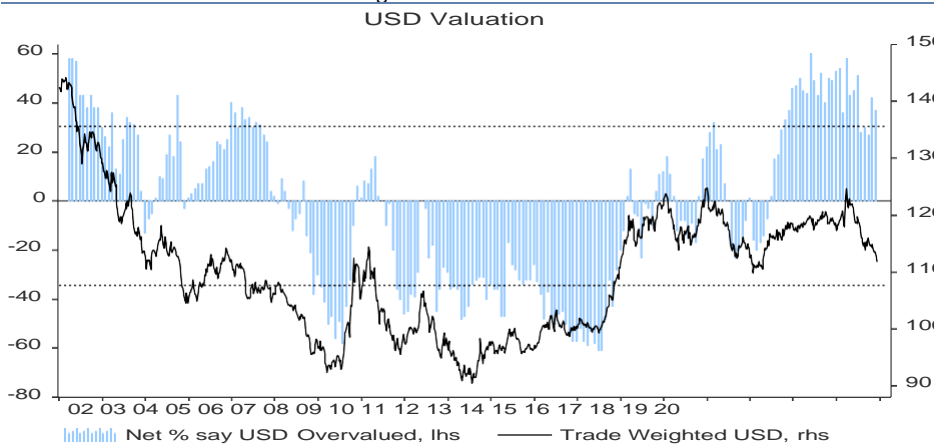


Source: BofA Global Fund Manager Survey

Net 24% FMS investors say EUR is cheap, 6ppt less than last month.

Current valuations are 1.4 stdev below the long-term average.

Exhibit 41: USD Valuation and Trade weighted index



Source: BofA Global Fund Manager Survey

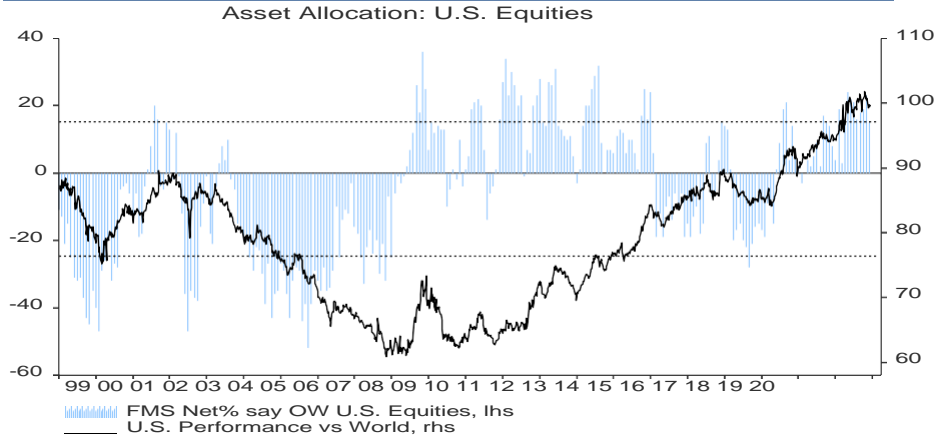
Net 37% FMS investors say the US\$ is overvalued, down 5ppt MoM.

Current valuations are 1.2 stdev above the long-term average.



Investor Regional Equity Allocation

Exhibit 42: Net % AA Say they are overweight US Equities

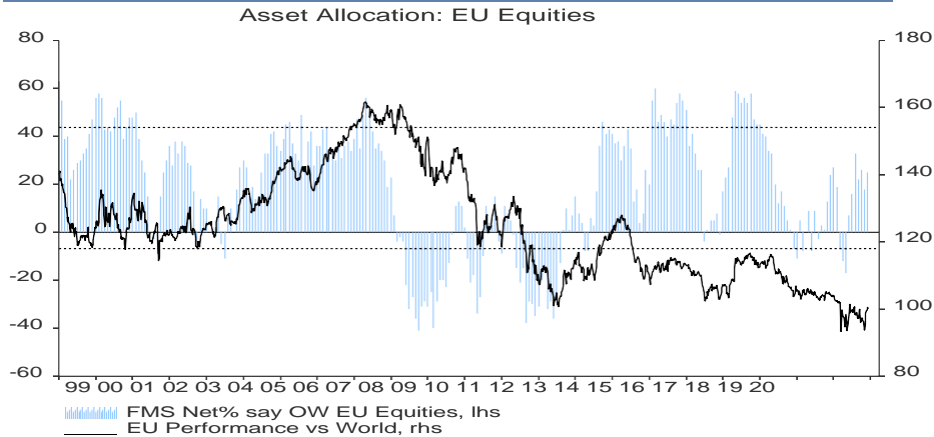


Source: BofA Global Fund Manager Survey

Allocation to US equities fell 8ppt to net 15% overweight; FMS investors have been net overweight US equities since March 2019.

Current allocation is 0.9 stdev above its long-term average.

Exhibit 43: Net % AA Say they are overweight Eurozone Equities

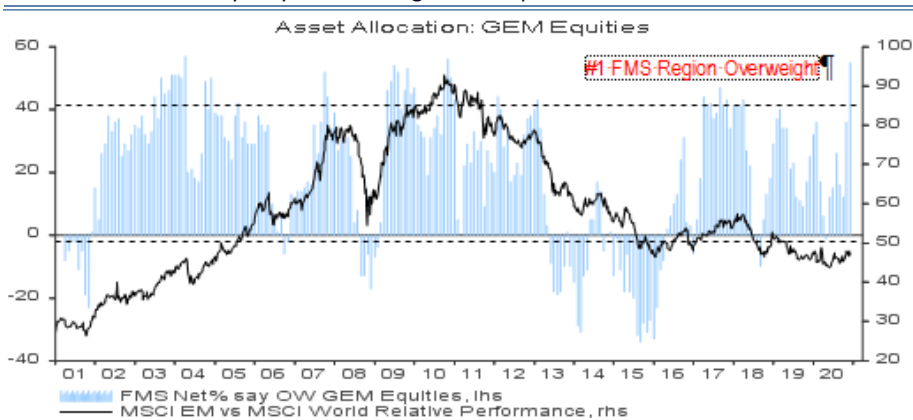


Source: BofA Global Fund Manager Survey

Allocation to Eurozone increased 7ppts to a net 25% overweight.

Current allocation is 0.4 stdev above its long-term average.

Exhibit 44: Net % AA Say they are overweight GEM Equities



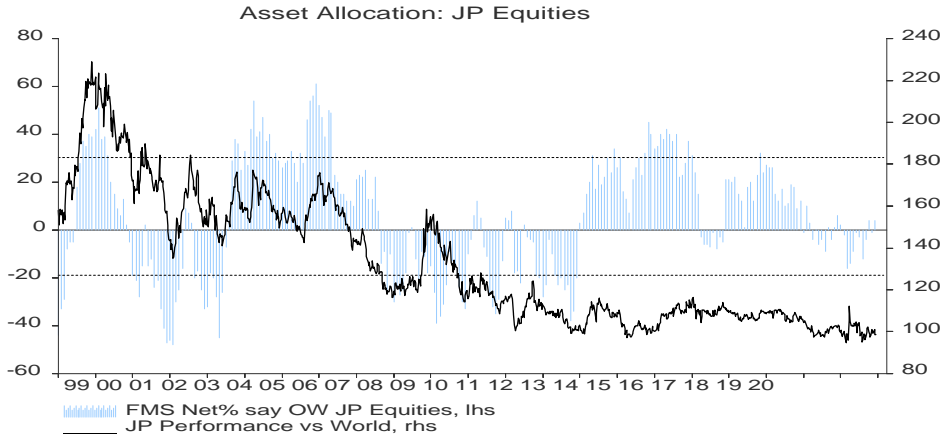
Source: BofA Global Fund Manager Survey

Allocation to EM equities increased 19ppt MoM to net 55% overweight, highest since Nov'10; EM remains #1 most preferred region.

Current allocation is 1.6 stdev above its long-term average.



Exhibit 45: Net % AA Say they are overweight Japanese Equities

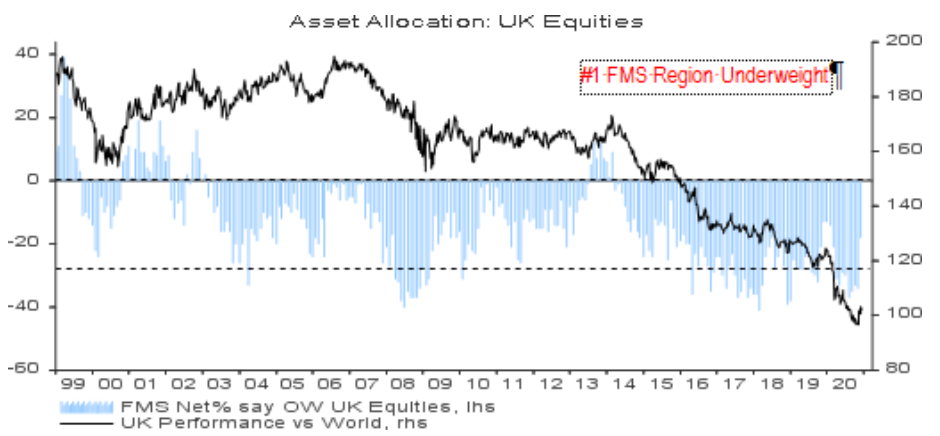


FMS allocation to Japanese equities rose 5ppt to a net 4% overweight.

Current allocation is equal to its long-term average.

Source: BofA Global Fund Manager Survey

Exhibit 46: Net % AA Say they are overweight UK Equities



FMS allocation to UK equities increased 16ppt to 18% underweight, largest MoM increase since Oct' 15.

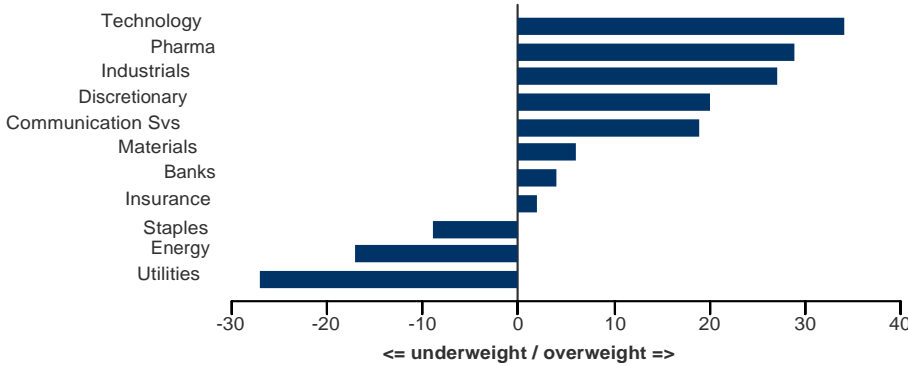
Current allocation is 0.2 stdev below its long-term average.

Source: BofA Global Fund Manager Survey



Investor Sector Allocation

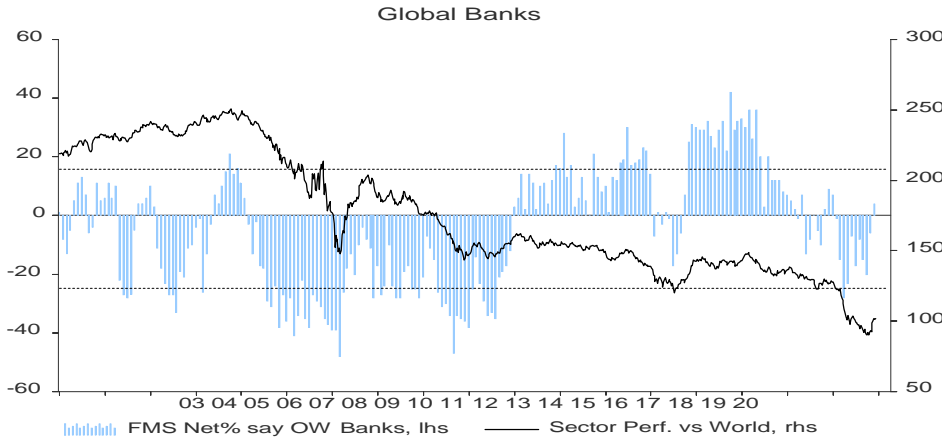
Exhibit 47: Global sector sentiment (% saying overweight - % saying underweight)



Source: BofA Global Fund Manager Survey

Nov sector positioning shows FMS investors: a. moderated overweight in pharma, b. sellers strike in technology as it reclaimed most favored sector, c. laggard pick up in banks (+10ppt MoM) and energy (+8ppt MoM).

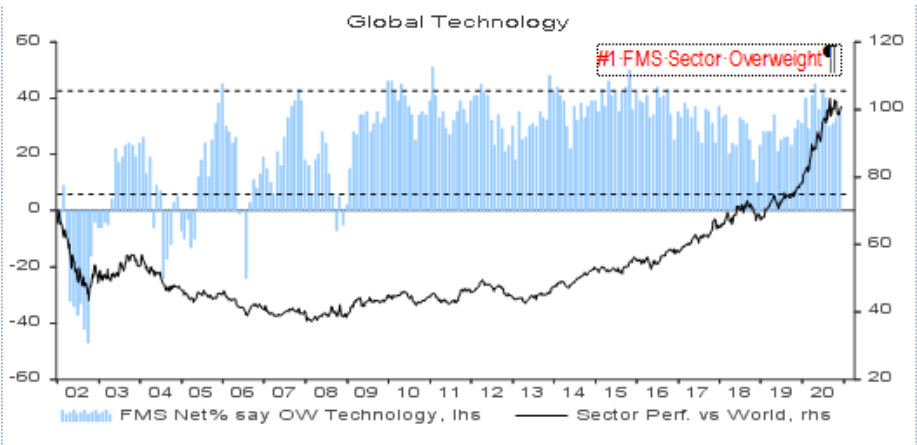
Exhibit 48: Global Banks



Source: BofA Global Fund Manager Survey

Allocation to banks increased 10ppt this month to a net 4% overweight, highest since Jan'20. Current reading is 0.4 stdev above its long-term average.

Exhibit 49: Global Technology

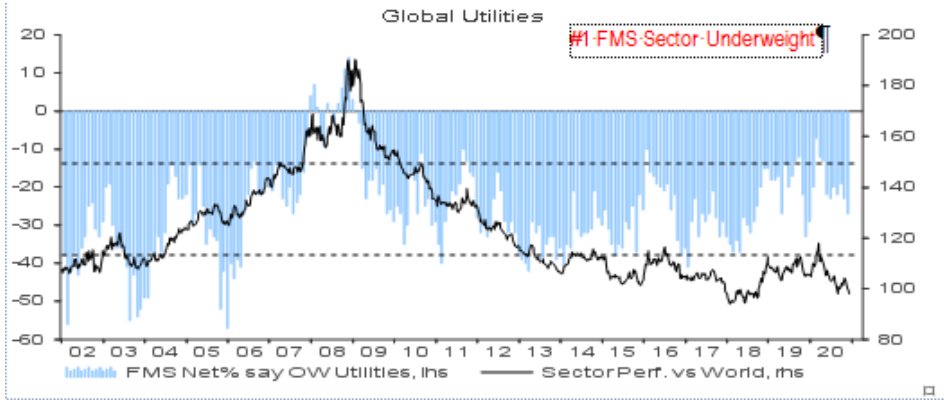


Source: BofA Global Fund Manager Survey

Allocation to technology increased 1ppt to net 34% overweight; reclaims #1 FMS sector overweight. Current reading is 0.5 stdev above its long-term average.



Exhibit 50: Global Utilities

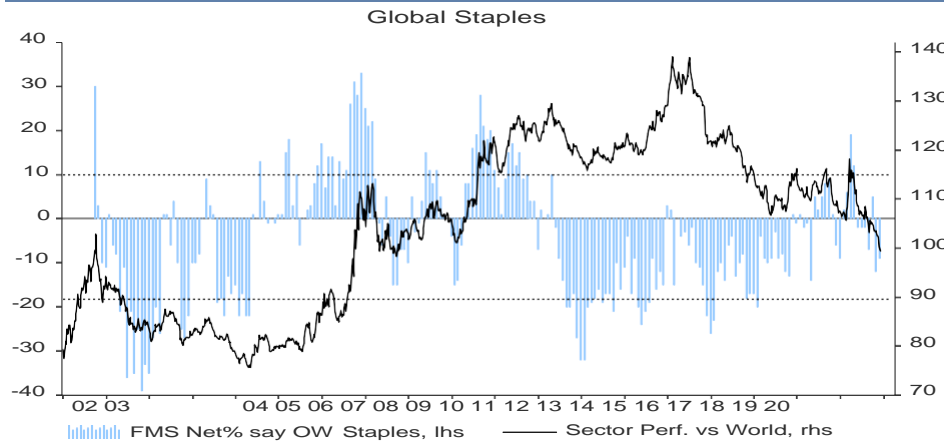


Source: BofA Global Fund Manager Survey

Allocation to utilities fell 4ppt MoM to net 27% underweight, becomes #1 FMS sector underweight

Current reading is 0.1 stdev below its long-term average.

Exhibit 51: Global Consumer Staples

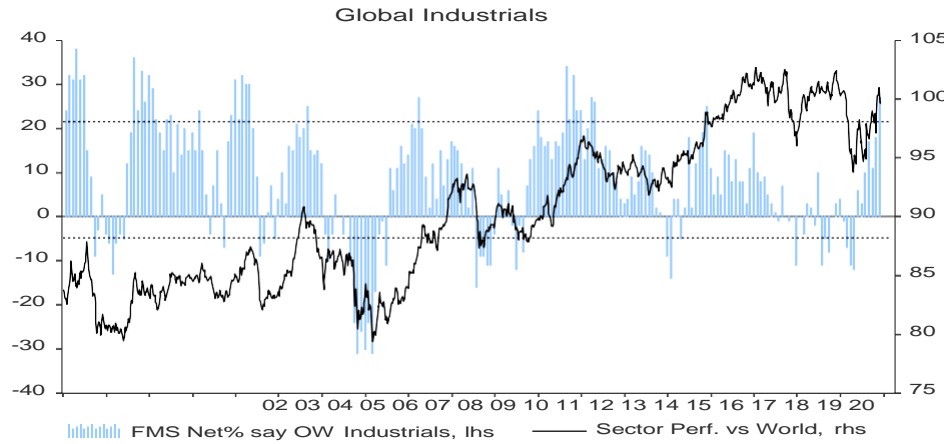


Source: BofA Global Fund Manager Survey

Allocation to staples rose 3ppts to a net 9% underweight.

Current reading is 0.3 stdev below its long-term average.

Exhibit 52: Global Industrials



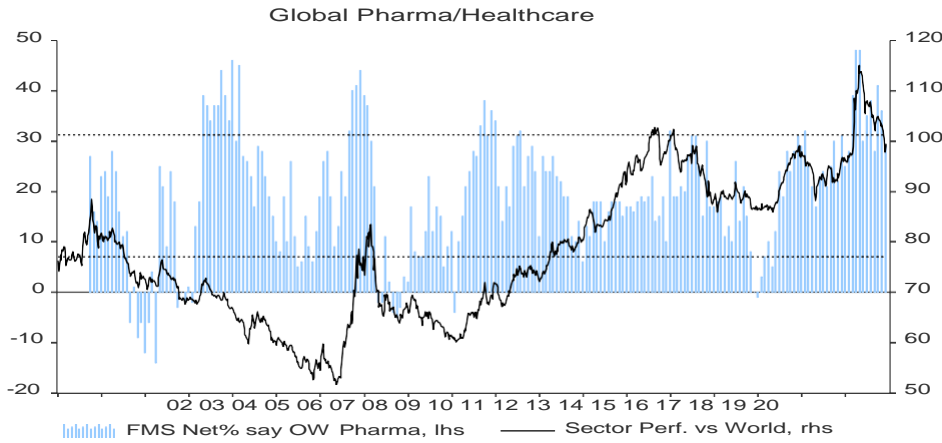
Source: BofA Global Fund Manager Survey

Allocation to industrials rose 9ppts to net 27% overweight, highest since Apr' 14.

Current reading is 1.5 stdev above its long-term average.



Exhibit 53: Global Healthcare

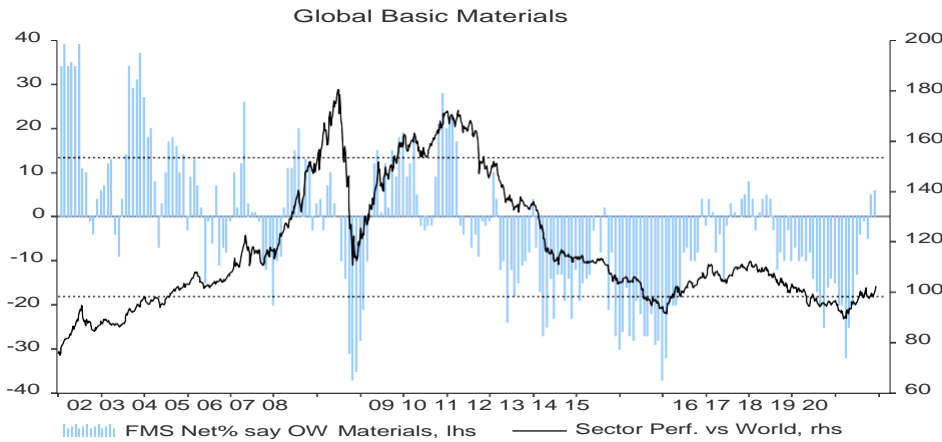


Source: BofA Global Fund Manager Survey

Allocation to healthcare fell 7ppts MoM to net 29% overweight, falling to #2 FMS sector overweight for first time since Aug'20.

Current reading is 0.8 stdev above its long-term average.

Exhibit 54: Global Materials

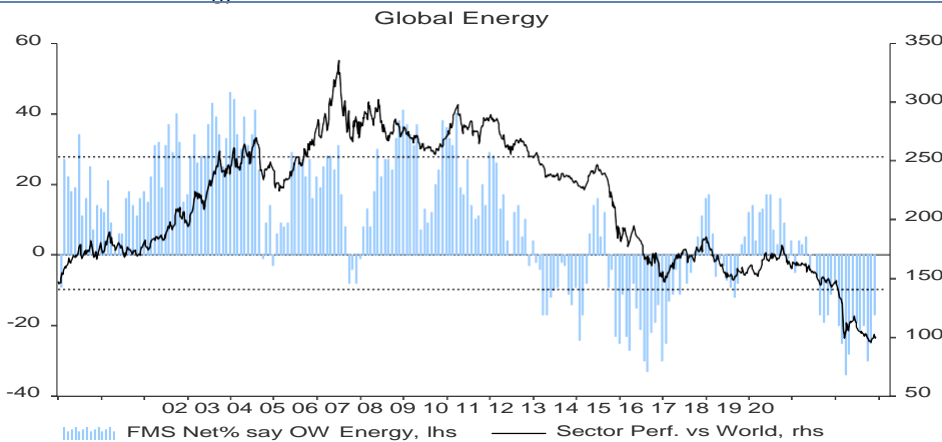


Source: BofA Global Fund Manager Survey

Allocation to materials rose 1ppts MoM to net 6% overweight, highest since Jan'18.

Current reading is 0.6 stdev above its long-term average.

Exhibit 55: Global Energy



Source: BofA Global Fund Manager Survey

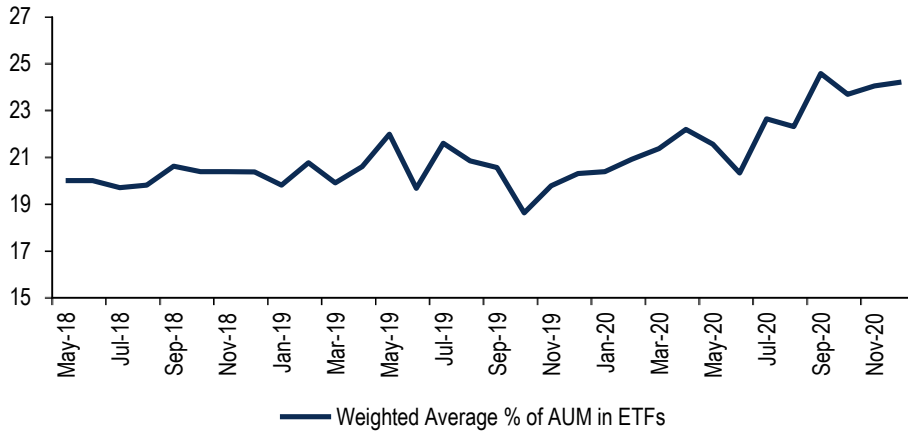
Energy net weighting rose 8ppts to 17% underweight, highest since Jan'20.

Current reading is 1.4 stdev below its long-term average.



Passive Investing

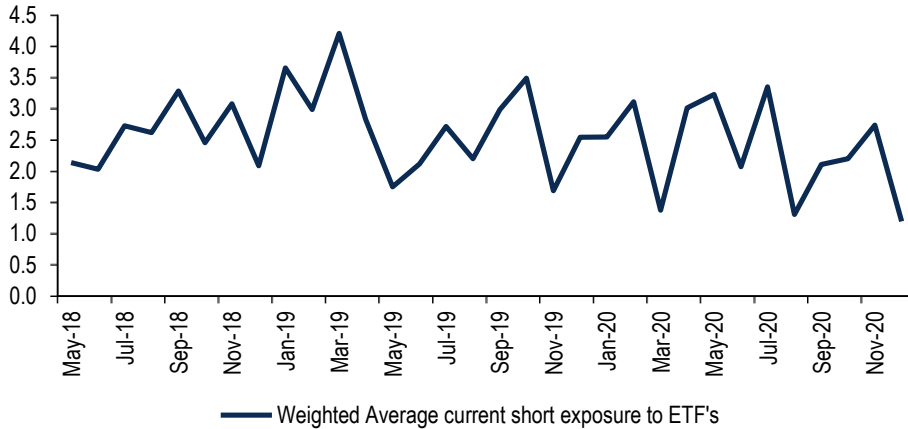
Exhibit 56: What percentage of your AUM is allocated to ETFs?



24% (weighted average) of FMS investor AUM is allocated to ETFs; note Sept'20 (25%) was the highest on record.

Source: BofA Global Fund Manager Survey

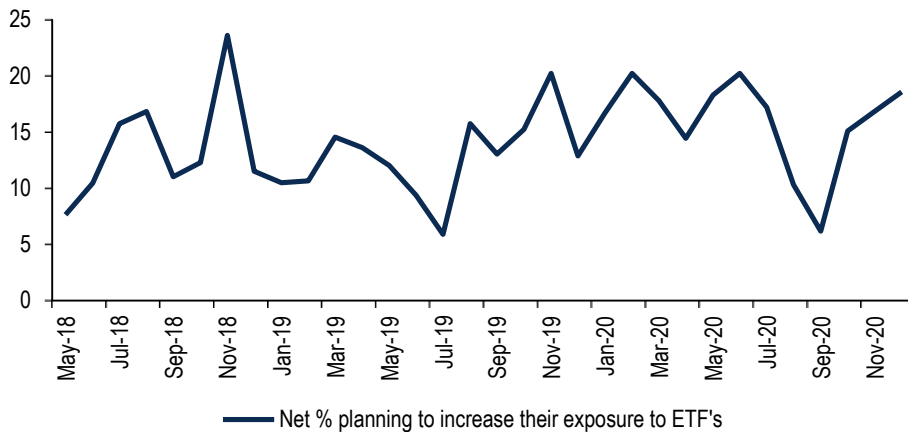
Exhibit 57: Which of the following is closest to your current short exposure in ETFs in your portfolio?



The average FMS investors' short exposure in their ETFs holdings fell 2ppt to 1% this month.

Source: BofA Global Fund Manager Survey

Exhibit 58: Over the next 12 months, are you planning to change exposure to ETFs in your portfolio?



The number of FMS investors saying they intend to increase their exposure to ETFs in their portfolios increased 2 ppts to 19%.

Source: BofA Global Fund Manager Survey



Global survey demographics data

Table 2: Position / Institution / Approach to Global Equity Strategy

	Dec-20	Nov-20	Oct-20
Structure of the panel - by position			
Chief Investment Officer	40	36	35
Asset Allocator / Strategist / Economist	64	73	72
Portfolio Manager	82	75	85
Other	4	6	6
Structure of the Panel - by expertise			
Global Specialists Only	128	128	130
Regional Specialists With a Global View	62	62	68
Total # of Respondents to Global Questions	190	190	198
Which of the Following Best Describes the Type of Money You are Running?			
Institutional funds (e.g. pension funds / insurance companies)	77	75	73
Hedge funds / proprietary trading desks	13	11	14
Mutual funds / unit trusts / investment trusts	73	79	83
None of the above	27	25	28
What Do You Estimate to be the Total Current Value of Assets Under Your Direct Control?			
Up to \$250mn	31	32	33
Around \$500mn	24	19	22
Around \$1bn	39	36	39
Around \$2.5bn	23	29	27
Around \$5bn	7	7	8
Around \$7.5bn	11	10	9
Around \$10bn or more	30	29	36
No funds under my direct control	22	26	24
Total (USD bn)	534	526	593
What best describes your investment time horizon at this moment?			
3 months or less	53	53	64
6 months	50	50	48
9 months	22	17	14
12 months or more	62	66	67
Weighted average	7.5	7.5	7.3
Don't know	3	4	5

Source: BofA Global Fund Manager Survey



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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