

INSIDE THE
Buy • Side[®]

EARNINGS PRIMER[®]

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celebrating **15** years

Q2'23

ISSUE: 55
July 13, 2023

INSIDE THE Buy-Side

EARNINGS PRIMER®

Survey Scope:

78 participants globally, comprising 74% buy side and 26% sell side; equity assets under management total ~\$6.3 trillion

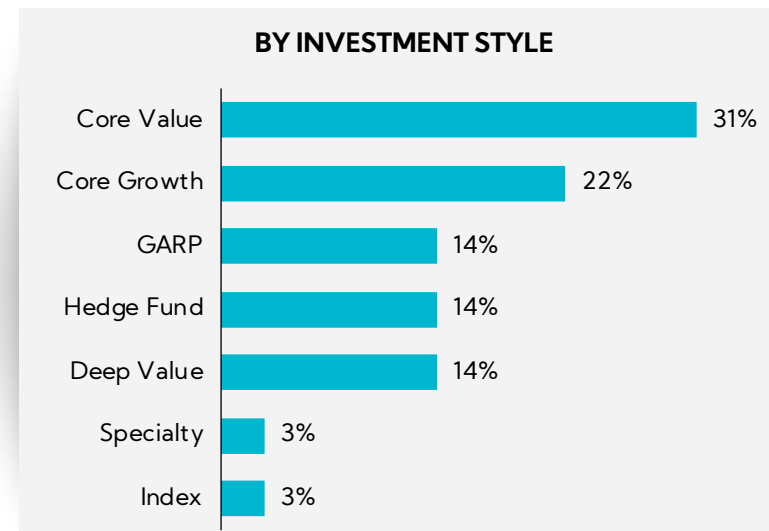
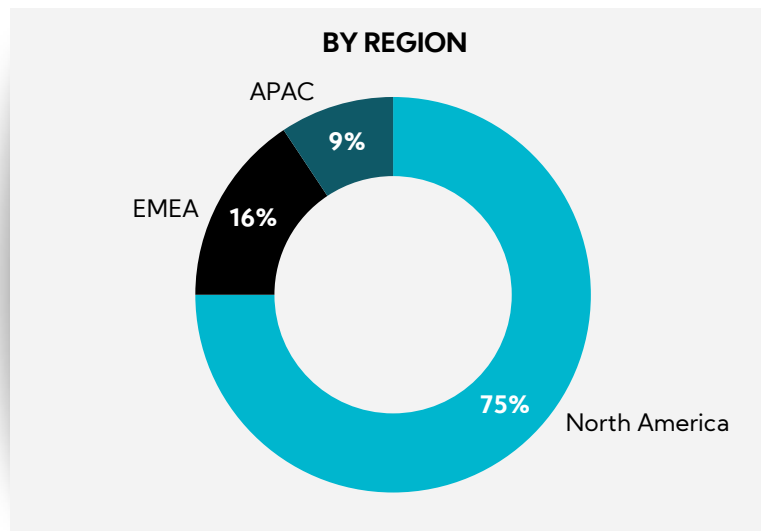
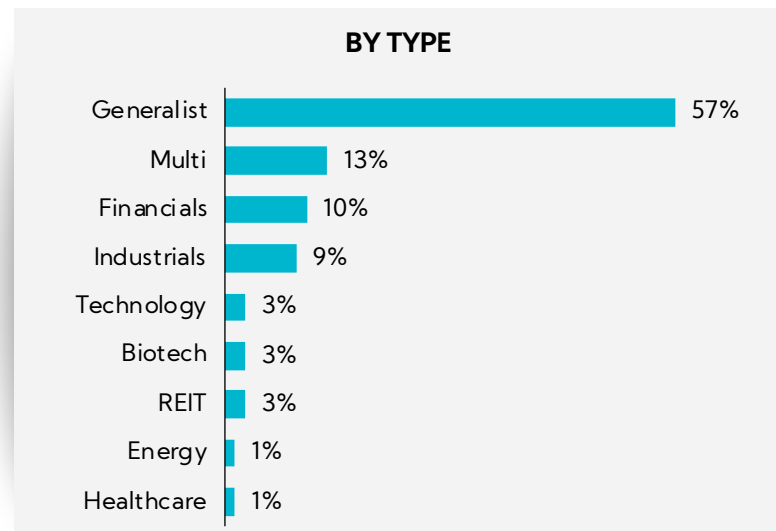
Survey Timeframe:

June 12, 2023 – July 7, 2023

Since 2007, we have surveyed global investors quarterly on the equity markets, world economies, and business climate. At the start of every earnings season, we publish our flagship *Inside The Buy-Side® Earnings Primer®*, which captures real-time *Voice of Investor®* sentiment and trends.

Leveraging our capital markets experience, deep understanding of investor relations, and best practice knowledge, our research and advice is at the forefront of global market trends, investor sentiment, and effective communication strategies.

| Market Performance | Q2'23 | YTD ¹ |
|--------------------|--------|------------------|
| U.S. | | |
| DJIA | 3.4% | 1.8% |
| NASDAQ | 12.0% | 31.5% |
| S&P 500 | 8.3% | 15.0% |
| Russell 2000 | 4.8% | 6.5% |
| Europe | | |
| FTSE 100 | (1.3%) | (3.9%) |
| Stoxx 600 | 0.9% | 3.1% |
| Asia | | |
| Hang Seng | (7.3%) | (8.8%) |
| Shanghai | (2.2%) | 2.6% |



¹As of 7/7/23

Recession Mentions Overtake Interest Rates and Inflation for the First Time Since Being Registered in Q4'21; Concerns Over Demand, Growth, and China Build Steam

Key: Underlying Sentiment

- Positive
- Neutral
- Negative



Quarterly Ranking (1-30)

| Top Mentions | Q/Q | Q2'23 | Q1'23 | Q4'22 | Q3'22 | Q2'22 |
|----------------|-----|-------|-------|-------|-------|-------|
| Recession | ↑ 2 | 1 | 3 | 4 | 3 | 4 |
| Interest Rates | ↓ 1 | 2 | 1 | 2 | 2 | 2 |
| Inflation | ↓ 1 | 3 | 2 | 1 | 1 | 1 |
| Demand | ↑ 5 | 4 | 9 | 11 | 4 | 3 |
| Growth | ↑ 5 | 5 | 10 | 6 | 11 | 6 |
| China | ↑ 5 | 6 | 11 | 18 | 17 | 16 |

Converging Investor and Executive Sentiment, Elevated Investor Expectations for Q2 Earnings Performance, and Pervasive Recession Concerns; Meaningful Risk Ascribed to China

Investor Sentiment Shifts from Downbeat to More Neutral Despite Tempered Executive Tone and Growing Caution on 2H; Companies Are Largely Expected to Hold Steady on Annual Guides though More See Room for Lowered Outlooks than Raises

- **29%** self-describe as *Neutral to Bearish* or *Bearish*, down significantly from 52% in Q1, and more, 36%, report current sentiment as *Neutral*, up from 24%
- The more optimistic executive tone heard last quarter is tempering, with **40%** of investors now characterizing outlooks as *Neutral*, up from 34%
- **38%** anticipate results to be *In Line* sequentially, with more expecting *Better Than* and significantly fewer balking in *Worse Than* performances QoQ; notably, this is the lowest level of respondents predicting sequential deceleration since Q1 2022
- **41%** expect consensus beats vs just 25% who are bracing for misses
- **45%** expect sequential top-line stability versus a falling off the cliff, as was the expectation heading into 2023, while **42%** expect margin pressure; EPS and FCF growth see the most significant barbell views, with nearly equal numbers in the *Improving* and *Worsening* camps
- More expect annual guidance to be *Maintained* across all KPIs; still, over one-third are bracing for lower margins, EPS, and FCF outlooks
- Top areas to address on upcoming earnings calls include margins, inflation and pricing power, and volume/demand

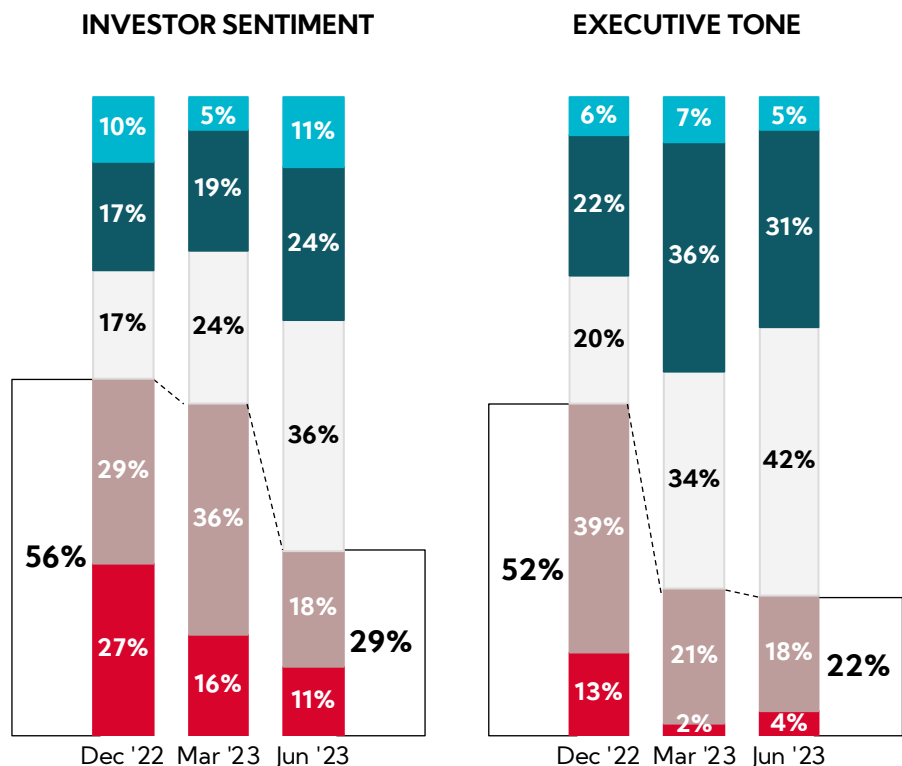
Recession Clouds Remain and the Horizon Extends into 2024; Continued Stress Expected In Most Western Economies as Interest Rate Pressure Mounts and the Fate of the Consumer Remains an Enigma; Meanwhile, Negative Views on China Harden

- **80%** continue to expect a U.S. recession
 - While more than half, 51%, are targeting 2023, landfall predictions are increasingly moving beyond year end, as nearly **30%** now see timing coinciding with 2024, up from just 6% QoQ
- **56%** identify monetary policy, specifically interest rate actions, as the leading concern for the third quarter in a row
- **50%+** expect consumer confidence and U.S. unemployment to *Worsen* over the next six months, while the gap between consumer credit and savings has grown to its highest recorded level
 - Another cautionary sign, the Consumer Discretionary sector experienced the largest influx of bearish sentiment QoQ, increasing 21%
- Most Western economies are expected to *Worsen* for the remainder of 2023, led by the UK, Canada, and the U.S., respectively, while Asian countries (ex-China) are expected to *Improve*
- Views on China over the next six months register the largest swing in bearish sentiment QoQ (+34 pts), and **79%** express *More Concern* or a *Continued High Level of Concern* (aided) over U.S.-China relations
 - Furthermore, 82% assign a *High* level of risk to companies with exposure to China, above the one-year average of 72%

Amid Persistent “Brace for Impact” Preparation, Support for Debt Paydown Sets Another Survey Record while M&A Falls to Lowest Level Since Onset of Pandemic; More Investors Rotating and Buying, On the Hunt for Alpha Opportunities

- Debt paydown remains the top preferred use of cash by **70%**, a new survey record, followed by stockpiling dry powder (hoarding cash) and reinvestment, which both increased to 43%
- Notably, those preferring a Net Debt-to-EBITDA level of 1.5x or lower crossed the majority threshold, increasing to **54%** from 40% last quarter
- M&A dropped from fourth to fifth priority, decreasing 11% QoQ and representing the lowest level of support since Q1 2020 (13%)
- **36%** report *Holding* equities, retreating from a survey record of 58% last quarter, while over half, 52%, report *Buying or Rotating*, up from 42%
- Bulls continue to pile into the Tech sector, while Healthcare and Biotech remain among the top bullish bets
- Financials see more support while Building Products push out the bears and amid resilient backlogs, and REITs remain out of favor despite some thawing of record bearish sentiment seen last quarter

Investor and Executive Sentiment More Aligned and Trending Neutral amid Conflicting Signs and Warmer Views on Near-term Performance Juxtaposed with Growing Recessionary Concerns



- Bullish
- Neutral to Bullish
- Neutral
- Neutral to Bearish
- Bearish

Neutral to Bullish

"Anticipate margins to be sustained with potential for upside surprise given what appears to be a rolling expansion (soft landing) versus a rolling recession." **Buy Side, Generalist, N. America**

"Economy will hold up better than expected but valuations are on the high side." **Buy Side, Generalist, N. America**

"We think risks are priced into current valuation. Management sentiment varies depending on the industry." **Buy Side, Generalist, N. America**

"Easier comparisons." **Buy Side, Generalist, N. America**

"My sentiment is more cautious near-term and bullish long-term. The equity market is in some sort of transition phase where the leaders of the last 10 years, high valuation technology stocks, should hand over leadership to a different group of companies, perhaps industrials. That process is playing out right now and given that we have an inverted yield curve I still think that we might have a bit of a recession and another leg down in the bear market." **Buy Side, Generalist, N. America**

Neutral

"CEO confidence is weakening." **Buy Side, Generalist, N. America**

"Most managements that I have met and spoke with are cautious due to the macroeconomic environment; their businesses remain okay." **Buy Side, Generalist, N. America**

"It really depends on the industry. For management teams, they are more cautious than optimistic." **Buy Side, Generalist, N. America**

"A little cautious on banks, neutral on most insurance and asset managers." **Buy Side, Generalist, N. America**

"Fine line between taming inflation and not causing recession to do so." **Buy Side, Multi, N. America**

"Over the last couple of months, we seem to be coming to a bottom and things are starting to improve, both from a supply and a demand perspective. Management generally seems quite concerned about geopolitical issues and a global recession, but our view is that for a lot of the cyclicals (in Japan, in particular), this is already priced into their shares, so we're quite optimistic for the future." **Buy Side, Generalist, Europe**

Neutral to Bearish

"Inflation, fed rate hikes, and white-collar recession." **Buy Side, Generalist, N. America**

"Inventory headwinds." **Sell Side, Tech, N. America**

"My sentiment comes from recession expectations. Management's tone comes from not wanting to set expectations and underdeliver." **Buy Side, Generalist, N. America**

Bearish

"There are a lot of competing forces that are not telling the same story and the market is running ahead of the numbers. The tone of management teams is balanced. No one is overly pessimistic; [they are] realistic. No one is looking for a spectacular 2H...because they realize there are some potential challenges and storm clouds on the horizon. We are not certain on where it is going. It is a very hard environment." **Buy Side, Generalist, N. America**

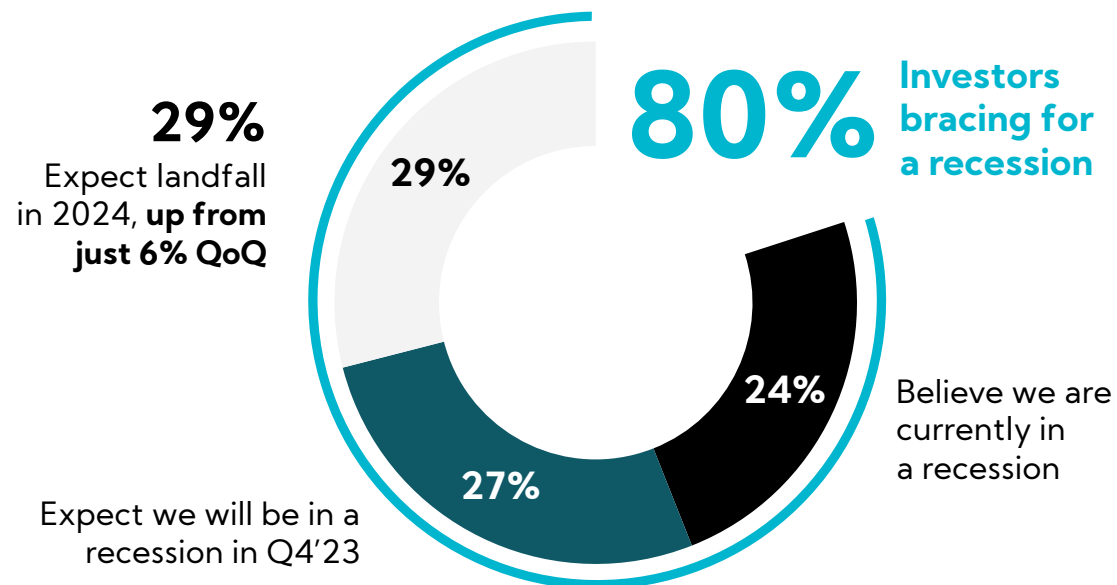
"Earnings need to come down and expectations are too high." **Buy Side, Generalist, N. America**

"Global growth is still slowing, monetary policy needs to be tightened, and equity markets are trading above normal valuation relative to bonds and in absolute terms." **Buy Side, Generalist, Australia**

Most Expecting a Recession with the Majority Pegging 2023; High Level of Concern over Interest Rates for Both Banking Sector and Broader Market

63% are expecting continued interest rate increases in the U.S. for the remainder of 2023

RECESSION EXPECTATIONS



"We are not in a recession now but we will move into something. It may not be officially defined as a recession but we will move into a soft patch. It is TBD as to whether it is a hard or soft landing and it will make the difference between a significant market correction and a downward trend in stock market numbers. Earnings-type numbers are going down regardless." **Buy Side, Generalist, N. America**

"We are expecting a recession at some point. We do not think it will be deep or prolonged." **Buy Side, Generalist, N. America**

INTEREST RATE RISK



"Impact of bank failures not in economic data yet and banks will continue to constrain credit until asset / liability mix more in balance." **Buy Side, Generalist, N. America**

"More concerned on Canada; believe the banks will be fine but I am more worried for the consumer." **Buy Side, Generalist, N. America**

"Credit losses will increase from relatively low levels, so that is going to be a negative. That will offset a lot of the positive pricing of loans, so there will be a net negative, short term." **Buy Side, Generalist, Europe**

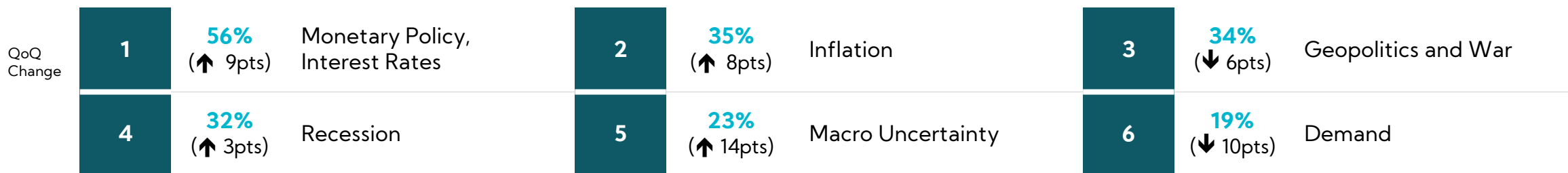
"Exposure to commercial real estate is not uniform in the banking sector - some banks will be hit more than others in a downturn." **Buy Side, Generalist, N. America**

"Impact of consumers repaying student loan debt." **Buy Side, Generalist, N. America**

"The lending standards had been fairly weak up until a year and a half ago. Everyone who wanted to borrow money could get money and now with higher interest rates, that is going to end badly. Credit risks are there, and credit losses will go up. I am negative about that." **Buy Side, Generalist, Europe**

Top Concerns from Around the Globe *(Unaided)*

Monetary Policy remains the leading concern since Q4'22 amid fears of a Fed overcorrection, while general uncertainty over several moving targets – inflation, geopolitics, and timing of a potential recession – permeate sentiment



Views from N. America

- "Fed raising rates too high, inflation not coming down further, poor economic policy." **Buy Side, Generalist**
- "Earnings recession, economic recession, tightening credit and credit standards." **Buy Side, Generalist**
- "Fed policy, labor market trends starting to weaken (e.g., hours worked, fewer people quitting)." **Buy Side, Generalist**
- "Economy, consumer spending, recession." **Buy Side, Generalist**
- "Rising interest rates, white collar recession, geopolitical." **Buy Side, Generalist**
- "Demand trends, geopolitical issues, government policies." **Buy Side, Generalist**
- "Regulation, available funding, inflation." **Buy Side, Generalist**
- "Inflation, interest rates, economic growth." **Buy Side, Generalist**
- "Recession fears, interest rates, Russia." **Buy Side, Generalist**
- "Monetary policy overshoot, prospective recession, geopolitical considerations." **Buy Side, Generalist**
- "Consumer discretionary (e.g., borrowing), most cyclicals have certain pockets of concern." **Buy Side, Generalist**

- "China and Taiwan – this island creates most of the chips needed to run the financial and military world and few investors realize this. Fed over-tightening. Our economy is very complex, and the fiscal/monetary policies have been working in opposition the past 18 months, but inflation is trending downwards. I don't think the Fed should declare it's finished; rather, they should wait and see what happens." **Buy Side, Generalist**
- "Margins, growth, rates/inflation." **Buy Side, Multi**
- "Russia and China, recession, inflation." **Buy Side, Multi**
- "Cost of capital, reduction in customer spending, human resources." **Buy Side, Industrials**
- "Inflation, government debt, corporate debt." **Buy Side, IT**
- "Wage inflation, China growth, Europe recession." **Sell Side, Multi**
- "Interest rates, profit margins, growth." **Sell Side, Multi**
- "Demand, deflation, sentiment getting too bullish." **Sell Side, Multi**
- "Inflation, interest rates, macroeconomic concerns weighing on the economy." **Sell Side, Biotech**
- "Low operating profit rates, import competition, weak demand." **Sell Side, Industrials**
- "China, recession, supply chain inventory headwind." **Sell Side, IT**

Views from Europe

- "We're relatively comfortable and are not too worried. This market is getting a bit expensive and we would wish to have things cheaper than what they are, but at the same time, things are okay. Basically, it looks like Goldilocks. A concern would be if the economies weaken much more significantly from here." **Buy Side, Generalist**
- "Rising interest rates, inflation, the environmental side of ESG is also increasingly a concern. It is not necessarily for the Q2 results; more generally, we expect companies to start paying more and more attention to it and also include the ESG considerations into new investment plans." **Buy Side, Financials**
- "Interest rates." **Buy Side, Financials**

Views from APAC

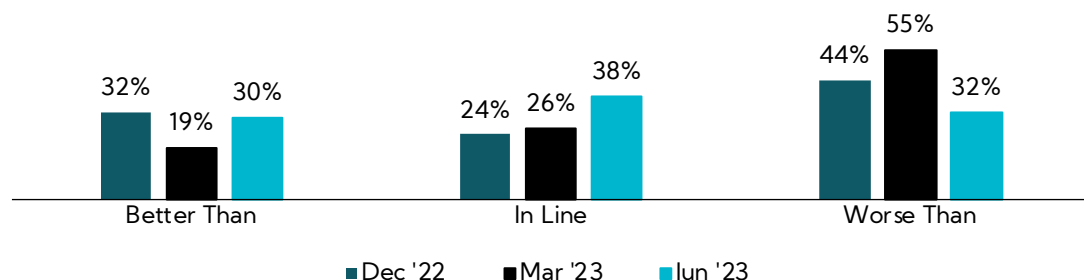
- "Margin compression, over-tightening of monetary policy, commercial real estate unwinds." **Buy Side, Generalist**
- "Interest rates and geopolitical concerns." **Buy Side, Financials**
- "There's a bit of a stressful job environment for those who are less skilled, and there will continue to be. Secondly, geopolitics – the tech war, trade war (especially between the U.S. and China), and now spreading out to North Asia. Thirdly, how do all of these things transpire, including the higher cost environments impacting consumption? People don't want to spend too much money on a big house because maybe you need to move if there's going to be a war." **Buy Side, Financials, Asia**

Following Better-than-Expected Guidance Sets and Prints, Views on Earnings Performance Warm; Majority Anticipating Results Above Analyst Estimates

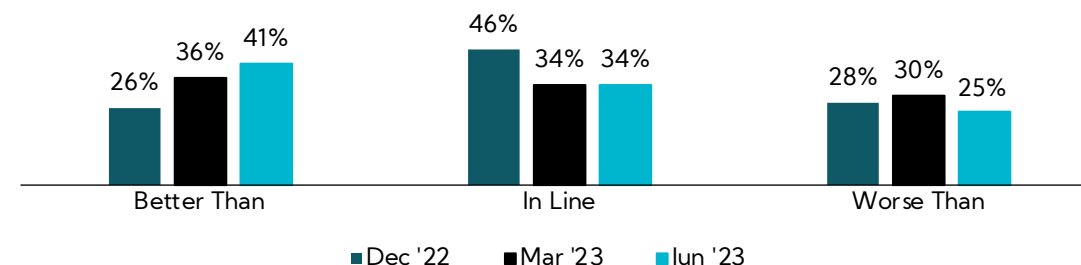
Differing views on the impacts of inflation and the current state of the economy coloring sentiment

Q2 '23 EARNINGS EXPECTATIONS

VS. PRIOR QUARTER



VS. CONSENSUS



Better Than

- "Easing inflation pressures." **Buy Side, Generalist, N. America**
- "Revenue growth." **Buy Side, Generalist, N. America**
- "Recession is delayed." **Buy Side, Multi, N. America**
- "Economy in better shape than consensus view." **Buy Side, Generalist, N. America**
- "Margin management." **Sell Side, Multi, N. America**
- "Lower commodity prices and lower than expected China demand rebound." **Sell Side, Energy, Asia**
- "Conservative guidance." **Sell Side, Tech, N. America**

In Line

- "Analysts have built in a recession but it still looks like a recession-free environment." **Buy Side, Generalist, N. America**
- "Economy is better than recession rhetoric-influenced guidance." **Buy Side, Generalist, N. America**
- "Jobs growth." **Buy Side, Generalist, N. America**

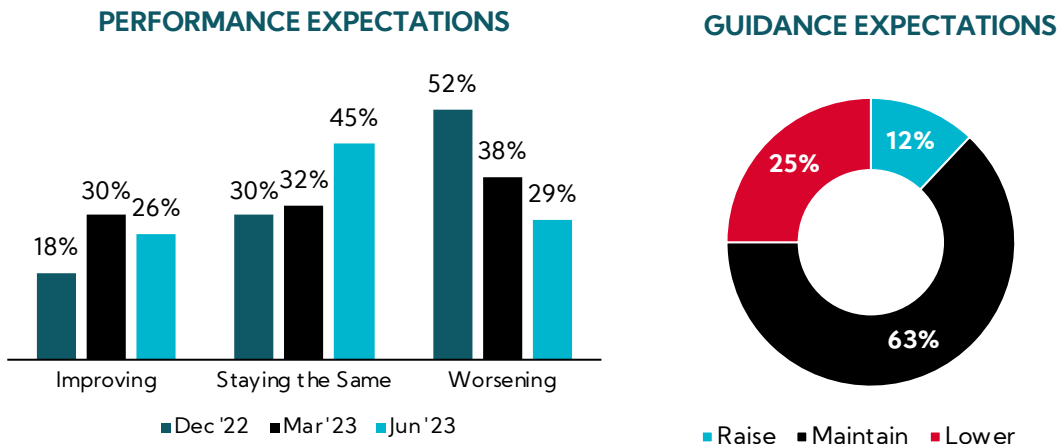
Worse Than

- "Mostly seasonality. I anticipate positive QoQ and YoY, yet lower sequential growth than Q1 2023." **Buy Side, Generalist, N. America**
- "Continued credit tightening and recession fears." **Buy Side, Generalist, N. America**
- "It is difficult because there is some seasonality in the numbers. They will come in modestly weaker." **Buy Side, Generalist, N. America**
- "Cost inflation is greater than analysts think, and we'll see margins come under more pressure." **Buy Side, Generalist, Australia**
- "Inflation and the consumer pulling back on certain purchases." **Buy Side, Multi, N. America**
- "Costs are climbing faster than revenue." **Buy Side, Multi, N. America**
- "Inflation, rates, and slowdowns in business." **Buy Side, Multi, N. America**
- "Macro data." **Buy Side, Industrials, N. America**
- "Low operating rates." **Sell Side, Industrials, N. America**

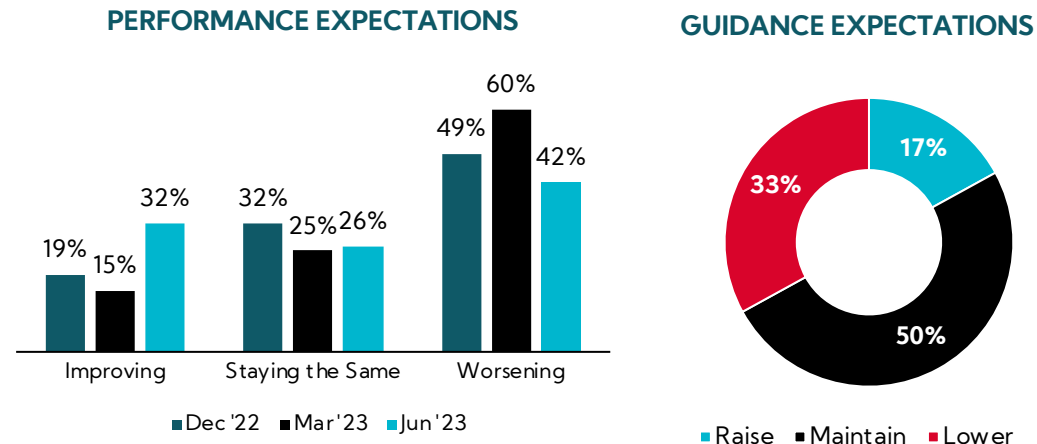
Barbell Views on KPIs Reinforce Conflicting Signs and Proliferation of “Microcycles”; Notably, Expectations for Worsening Performance Are Less Pronounced Across the Board QoQ

A minority anticipate guidance raises at this point, with more expecting full year 2023 reaffirmations; still, over one-third are bracing for lower margins, EPS, and FCF outlooks

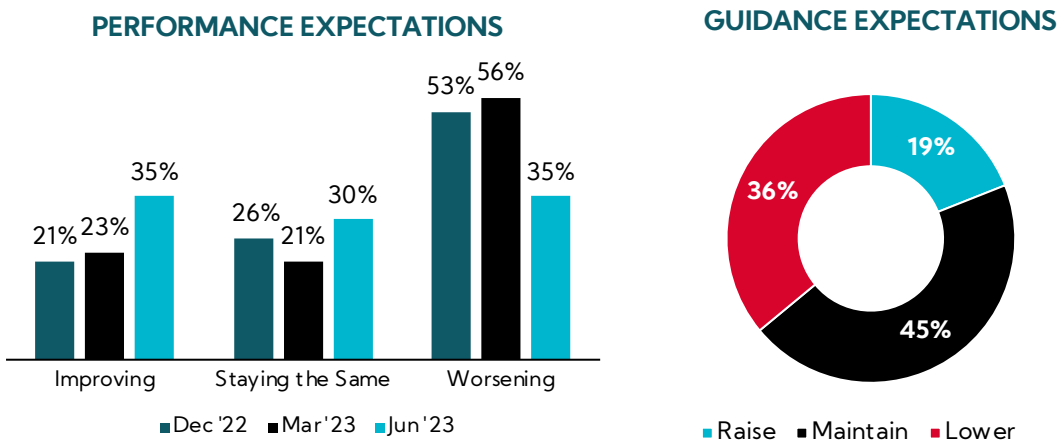
REVENUE GROWTH



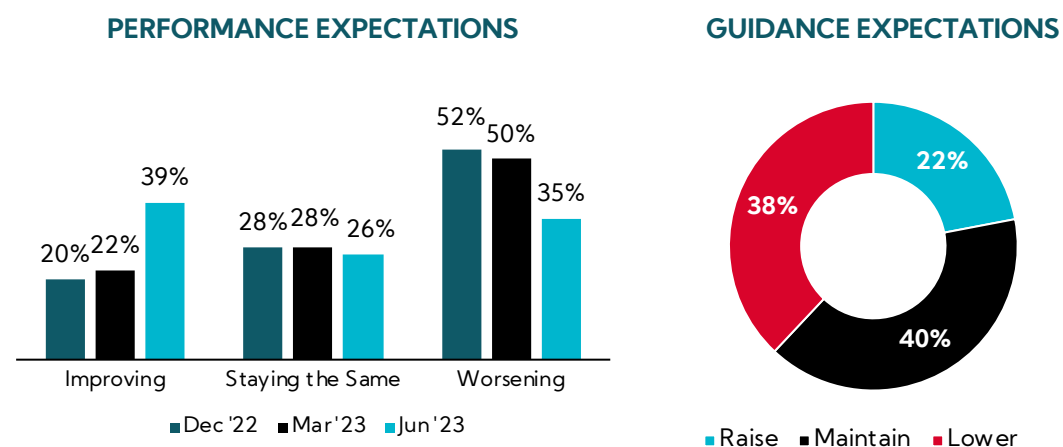
OPERATING MARGINS



EPS GROWTH



FCF



42%

Margins, Expense Management
(↓ 10pts)

39%

Inflation, Pricing Power
(↓ 2pts)

36%

Demand
(↑ 13pts)

31%

Growth
(↑ 20pts)

26%

Macro and Outlook
(↑ 16pts)

21%

NEW Artificial Intelligence (AI)
(↑ 21pts)

Topics of Interest for Upcoming Earnings Calls

Margins are the leading topic for the third consecutive quarter, and inflation and pricing power remain a top area of focus; interest in growth and demand proliferate after broad-based executive assurances in Q1 of a stronger back half

Views from N. America

"Strategy, earnings expectations, 2024 views."
Buy Side, Generalist

"Revenue outlook, consumer trends, credit conditions." **Buy Side, Generalist**

"AI, consumer demand, inflation." **Buy Side, Generalist**

"Demand trends, margin trends, outlook." **Buy Side, Generalist**

"Available funding, cost containment, revenue."
Buy Side, Generalist

"Are prices dropping for inputs, what does the employment landscape look like, how has the pipeline changed since the last call?" **Buy Side, Generalist**

"Interest rates, inflation, crypto." **Buy Side, Generalist**

"Impact of rising interest rates, impact of inflation, impact of slowing economic growth."
Buy Side, Generalist

"Innovative cost, companies that are better able to absorb cost either through cost cutting or raising prices." **Buy Side, Generalist**

"Do they have enough workers or too many or too few, where is the revenue softening the fastest (which segments), any impact Ukraine war has on their business?" **Buy Side, Multi**

"Customer engagement, business spending cycle, margins." **Buy Side, Multi**

"Margins, cost pressures, growth headwinds."
Buy Side, Multi

"Preparation for recession, protection of operating margins." **Buy Side, Multi**

"Growth, churn, inflation." **Buy Side, IT**

"Revenue growth drivers, margin expansion drivers." **Sell Side, Generalist**

"Margin management, AI adoption, recession planning." **Sell Side, Multi**

"Interest rates, profit margins, revenue growth."
Sell Side, Multi

"Generative AI impact on their business, supply chain inventory status, demand environment."
Sell Side, IT

Views from Europe

"We are interested in how inflationary pressures are impacting companies, both in terms of costs increasing, energy costs, raw material costs, but also from the wage costs increasing as well and how they are managing their pricing strategy. We have recently been more interested in what different companies' experiences are in China at the moment." **Buy Side, Generalist**

"Strategy, KPIs, capital allocation." **Buy Side, Generalist**

"Inflation effects, currency, supply chains." **Buy Side, Generalist**

"Inflation and interest rates." **Buy Side, Financials**

"Impact of AI, underlying demand by industry."
Sell Side, Generalist

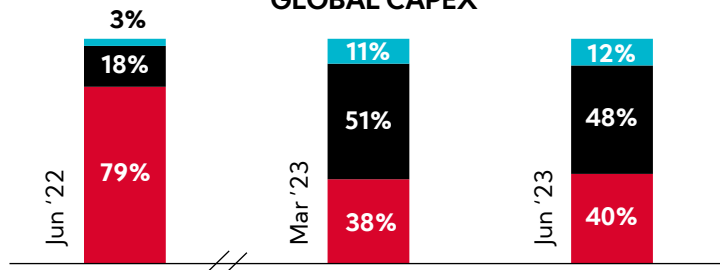
Views from APAC

"Current trading conditions, balance sheets under pressure from rising rates, and if cost inflation can be passed onto customers." **Buy Side, Generalist**

"I want to hear if they have any plan B or C in case something comes out of left field and what they're prepared to do to put the company in the best position." **Buy Side, Financials**

Views on Key Economic Indicators Over the Next Six Months – Sentiment Largely Trends Slightly More Cautious QoQ, but Improved Relative to YoY Comps

GLOBAL CAPEX

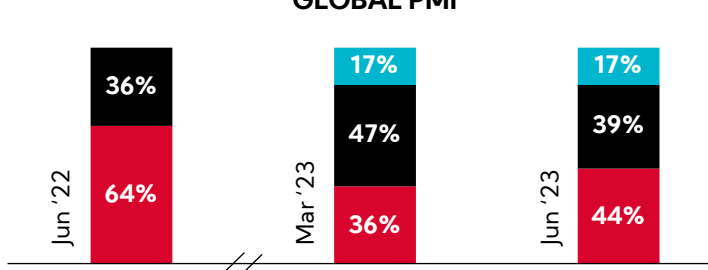


Staying the Same: "Global recession fears." **Buy Side, Generalist, N. America**

Staying the Same: "Steady in short-term, probably down medium-term as companies look to cut costs." **Buy Side, Generalist, Australia**

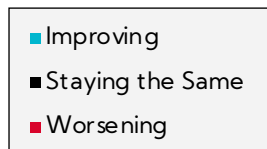
Worsening: "Companies preparing for recession." **Buy Side, Multi, N. America**

GLOBAL PMI

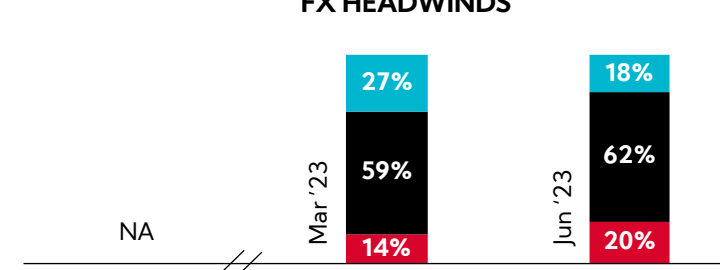


Worsening: "Hunker down." **Buy Side, Multi, N. America**

Worsening: "Still slowing." **Buy Side, Generalist, Australia**



FX HEADWINDS

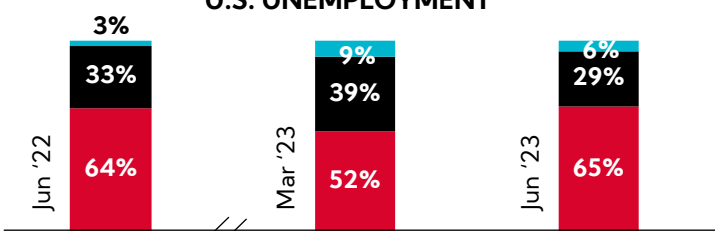


Improving: "Dollar will be contained." **Buy Side, Generalist, N. America**

Staying the Same: "FX is highly dependent on interest rate moves (as we learned last year). It looks like the Fed raises are closer to done, so FX should be constant." **Buy Side, Generalist, N. America**

Worsening: "Global central banks tightening again." **Buy Side, Generalist, N. America**

U.S. UNEMPLOYMENT

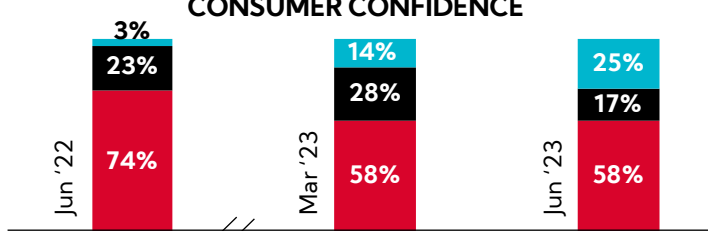


Improving: "Has to go up to control inflation." **Buy Side, Multi, N. America**

Worsening: "Companies constrain hiring due to recession fears." **Buy Side, Generalist, N. America**

Worsening: "Labor market starting to loosen." **Buy Side, Generalist, Australia**

CONSUMER CONFIDENCE

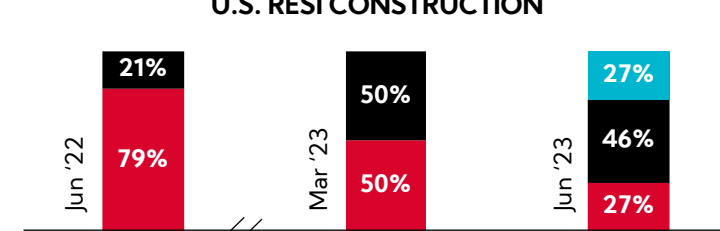


Improving: "Coming off a low base." **Buy Side, Generalist, Australia**

Staying the Same: "Consumer confidence is largely driven by wages. This could go higher this year if no recession appears." **Buy Side, Generalist, N. America**

Worsening: "Reduction in purchasing power and layoffs." **Buy Side, Multi, N. America**

U.S. RESI CONSTRUCTION



Improving: "Shortage of housing." **Buy Side, Generalist, Australia**

Staying the Same: "Shortage of workers will prevent increasing buildout rate." **Buy Side, Multi, N. America**

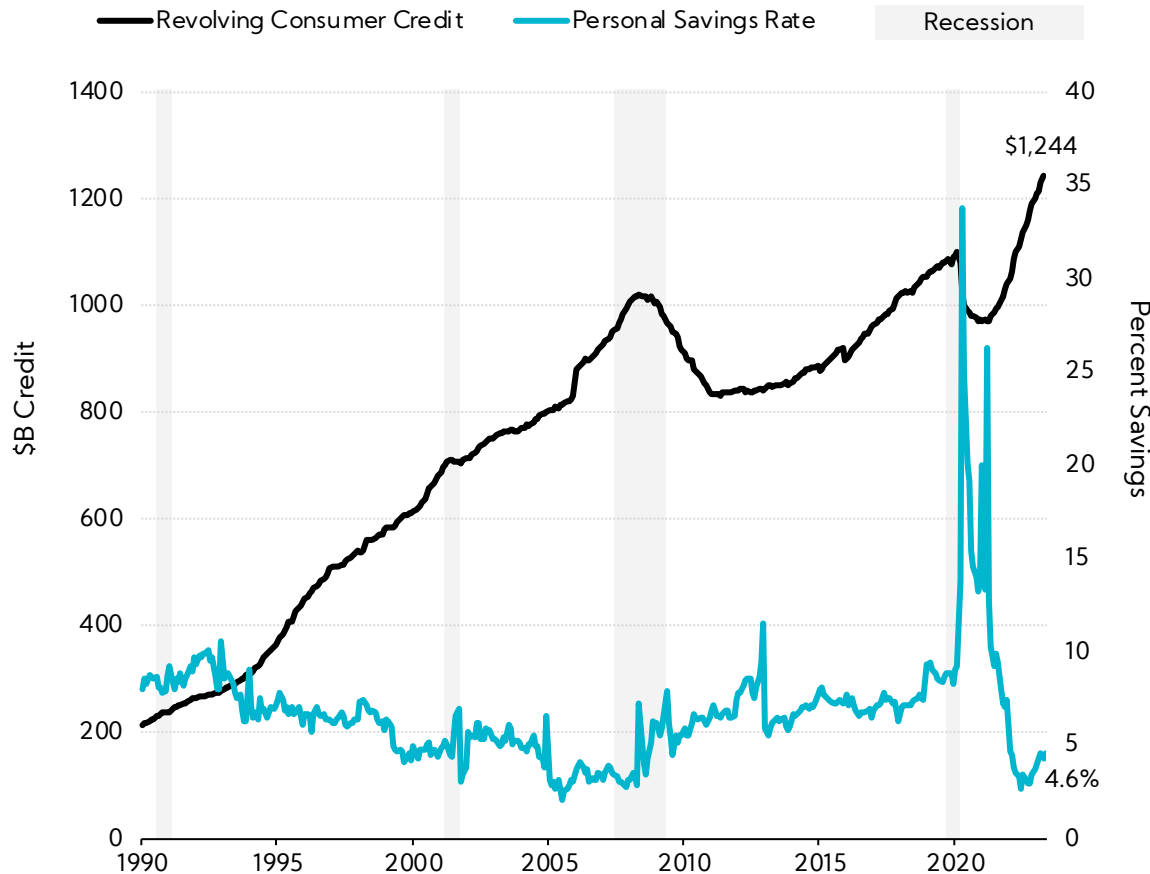
Staying the Same: "Demand balanced with higher costs." **Buy Side, Multi, N. America**

Worsening: "Rising rates, tighter credit." **Buy Side, Generalist, N. America**

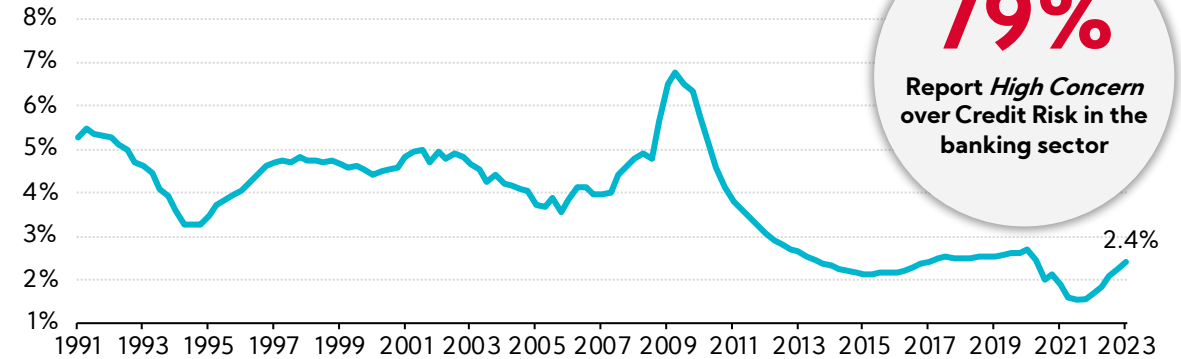
Gap Between Consumer Credit and Savings Continues to Grow, and Recent Data Points to an Uptick in Credit Delinquencies and Lower Willingness Among U.S. Banks to Lend

Smaller changes in future unemployment could have bigger impacts on the overall economy as the ground beneath the consumer shifts

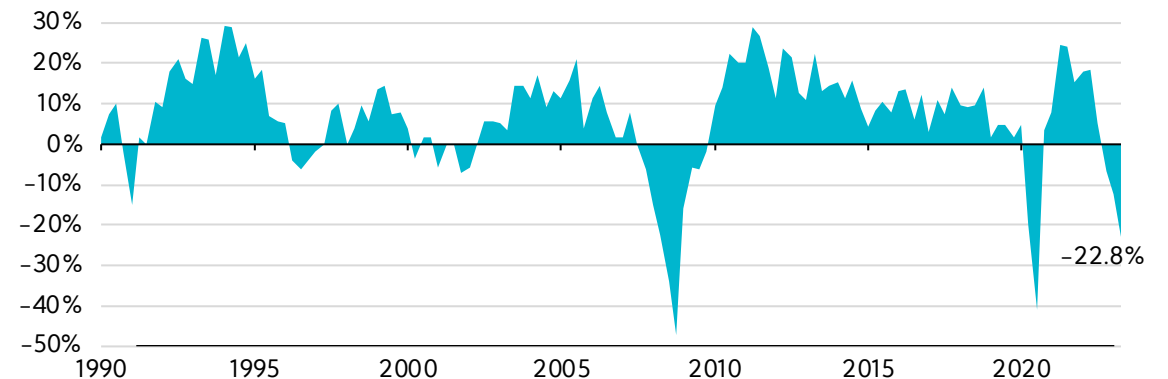
U.S. CONSUMER SAVINGS VS. CREDIT GAP



U.S. CREDIT CARD DELINQUENCY RATE (%)



U.S. NET PERCENTAGE OF DOMESTIC BANKS REPORTING INCREASED WILLINGNESS TO MAKE CONSUMER INSTALLMENT LOANS



Source: St. Louis Fed

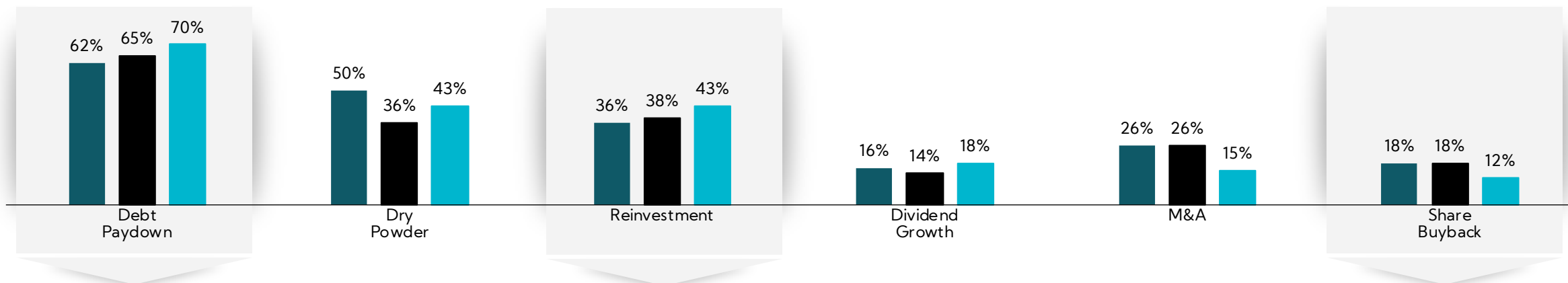
Preference for Debt Paydown as Primary Use of Cash Sets New Survey High, Reinforcing Recessionary Concerns; Views toward M&A Fall to Lowest Level Since Onset of Pandemic

Those preferring a Net Debt-to-EBITDA level of 1.5x or lower crosses the majority threshold, increasing to 54% from 40% last quarter, while support for reinvestment continues to trend higher; buybacks fall largely out of favor, and most recommend companies maintain current levels of share repurchases

PREFERRED USES OF CASH

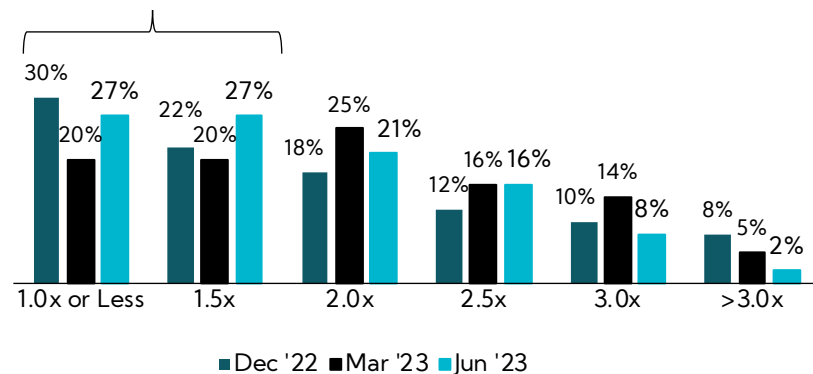
In Descending Order of Top Two Preferences

■ Dec '22 ■ Mar '23 ■ Jun '23

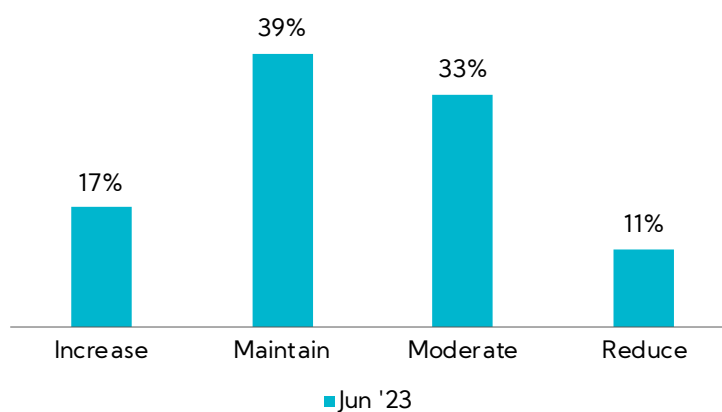


TRHRESHOLDS FOR IDEAL NET DEBT-TO-EBITDA

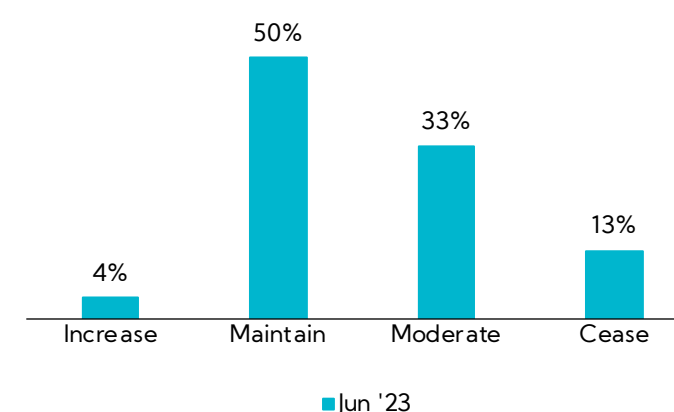
54% prefer 1.5x or less, up from 40% QoQ



GROWTH CAPEX PREFERENCES

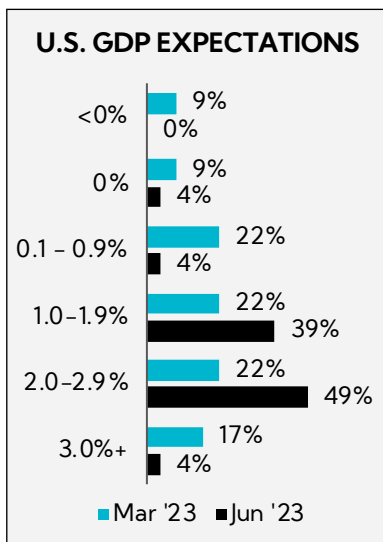


SHARE BUYBACK PREFERENCES



Japan, India, and Southeast Asia Seen as Beneficiaries of Softening China Sentiment; Most Western Economies Expected to Worsen Over the Next 6 Months, Led by the UK and Canada

Expectation for 2023 U.S. GDP is +1.7% on average, up 30 bps QoQ



3

CANADA QoQ Δ

| | | |
|---------|-----|--------|
| Improve | 12% | -7pts |
| Worsen | 50% | +26pts |

2

UK QoQ Δ

| | | |
|---------|-----|--------|
| Improve | 21% | +7pts |
| Worsen | 58% | +13pts |

1

RUSSIA QoQ Δ

| | | |
|---------|-----|-----|
| Improve | 4% | New |
| Worsen | 88% | |

U.S. QoQ Δ

| | | |
|---------|-----|--------|
| Improve | 23% | +4pts |
| Worsen | 42% | -12pts |

E. EUROPE QoQ Δ

| | | |
|---------|-----|--------|
| Improve | 21% | +17pts |
| Worsen | 46% | +11pts |

1

CHINA QoQ Δ

| | | |
|---------|-----|--------|
| Improve | 27% | -36pts |
| Worsen | 42% | +34pts |

JAPAN QoQ Δ

| | | |
|---------|-----|--------|
| Improve | 60% | +51pts |
| Worsen | 6% | -8pts |

MEXICO QoQ Δ

| | | |
|---------|-----|-------|
| Improve | 35% | -6pts |
| Worsen | 13% | +4pts |

W. EUROPE QoQ Δ

| | | |
|---------|-----|-------|
| Improve | 24% | +2pts |
| Worsen | 40% | +1pt |

2

INDIA QoQ Δ

| | | |
|---------|-----|------|
| Improve | 60% | +1pt |
| Worsen | 4% | -1pt |

3

TAIWAN QoQ Δ

| | | |
|---------|-----|-----|
| Improve | 16% | New |
| Worsen | 16% | |

LATIN AMERICA QoQ Δ

| | | |
|---------|-----|--------|
| Improve | 22% | +4pts |
| Worsen | 17% | -19pts |

BRAZIL QoQ Δ

| | | |
|---------|-----|--------|
| Improve | 22% | -14pts |
| Worsen | 22% | -1pts |

SOUTHEAST ASIA QoQ Δ

| | | |
|---------|-----|--------|
| Improve | 46% | -4pts |
| Worsen | 21% | +16pts |

AUSTRALIA QoQ Δ

| | | |
|---------|-----|--------|
| Improve | 21% | +7pts |
| Worsen | 33% | +19pts |

TOP 3 – IMPROVING (NEXT SIX MONTHS)



TOP 3 – WORSENING (NEXT SIX MONTHS)

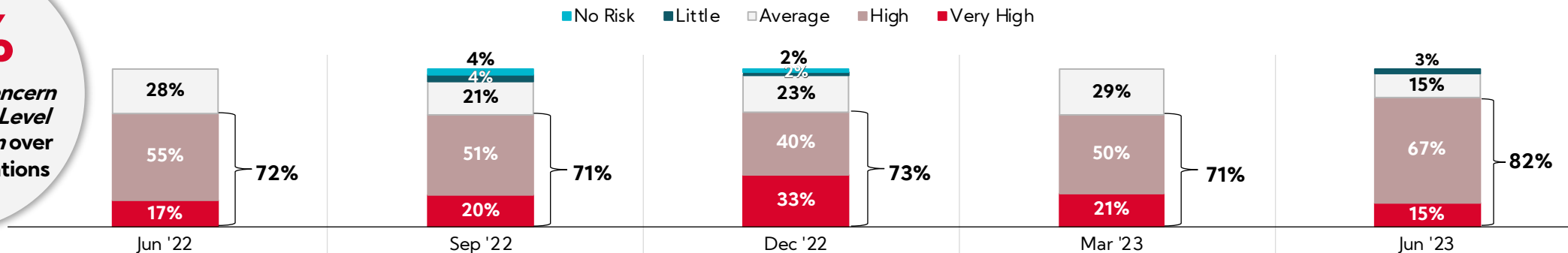


As Optimism Over the Chinese Economy Sputters, Investors Increasingly Assign a High Level of Risk to Companies with Exposure; U.S.-China Political Relations Remain in Focus

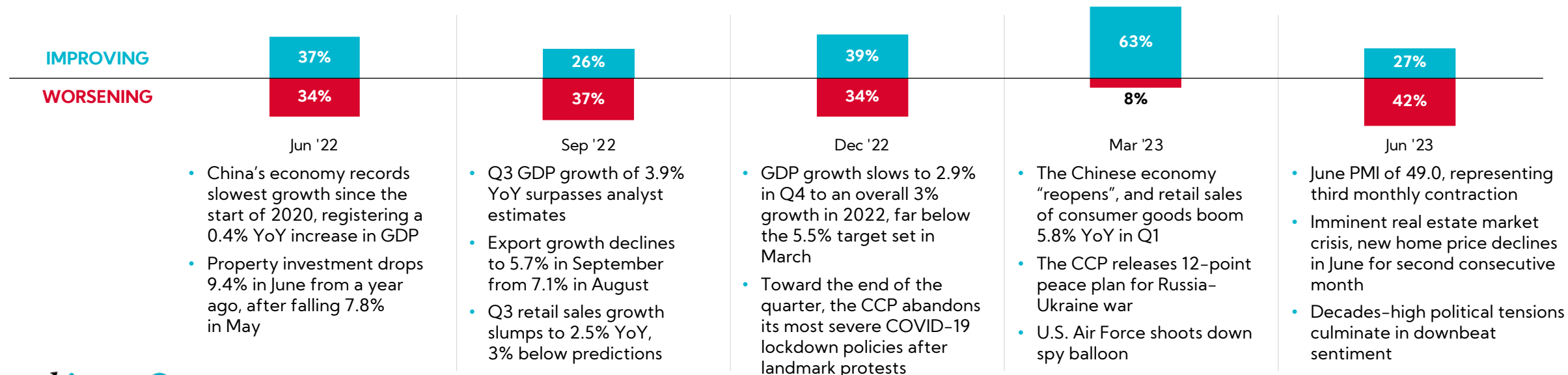
Our latest survey indicates the perceived risk profile has increased to 82% after hovering ~70% over the past year; meanwhile, views of the Chinese economy over the next 6 months have bottomed

79%
Exhibit *More Concern* or a *Continued Level of High Concern* over U.S.-China Relations

LEVEL OF RISK ASSIGNED TO COMPANIES WITH BUSINESS / OPERATIONAL EXPOSURE TO CHINA

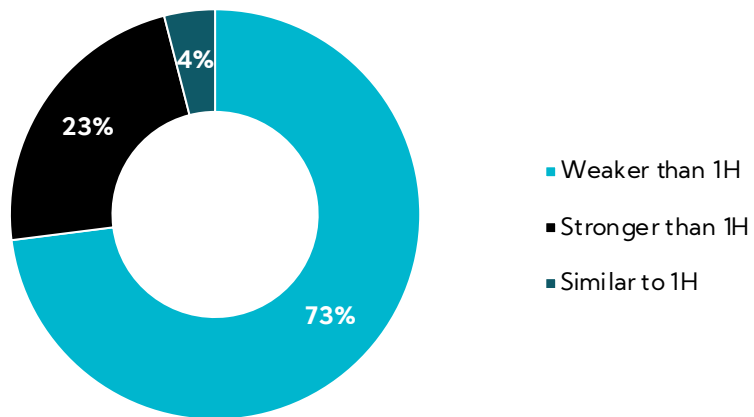


INVESTOR VIEWS ON THE CHINESE ECONOMY OVER THE NEXT 6 MONTHS

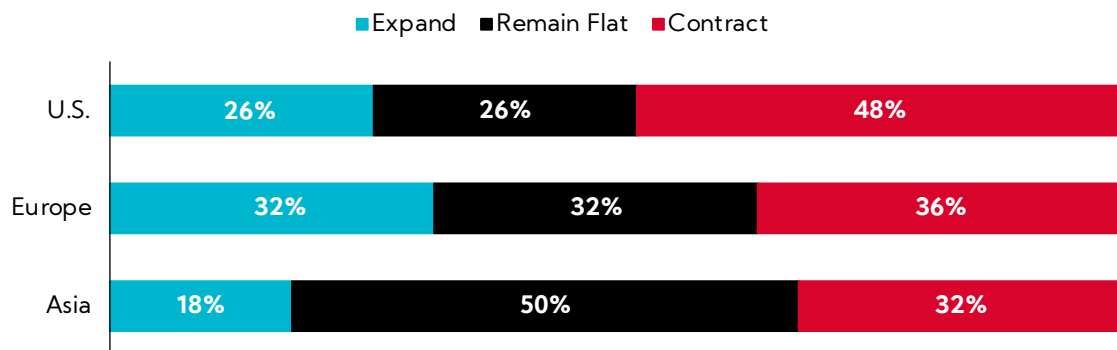


Investors Report Holding or Rotating, with Equities Expected to Experience a Generally Weaker 2H and U.S. Valuations to Contract QoQ

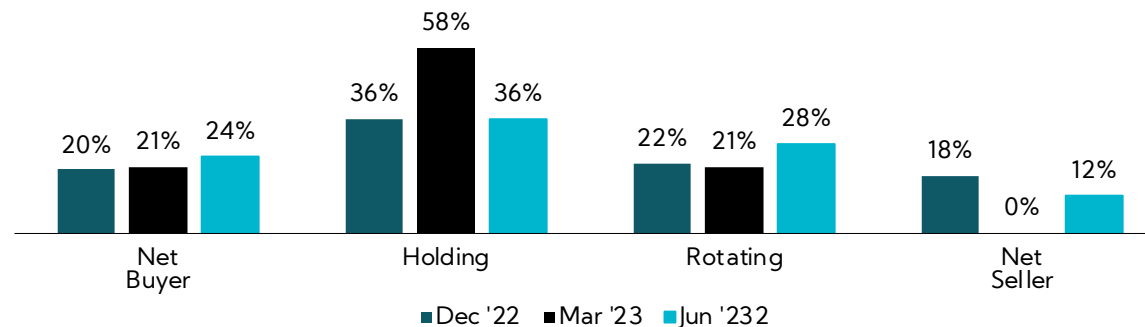
2H 2023 MARKET PERFORMANCE EXPECTATIONS



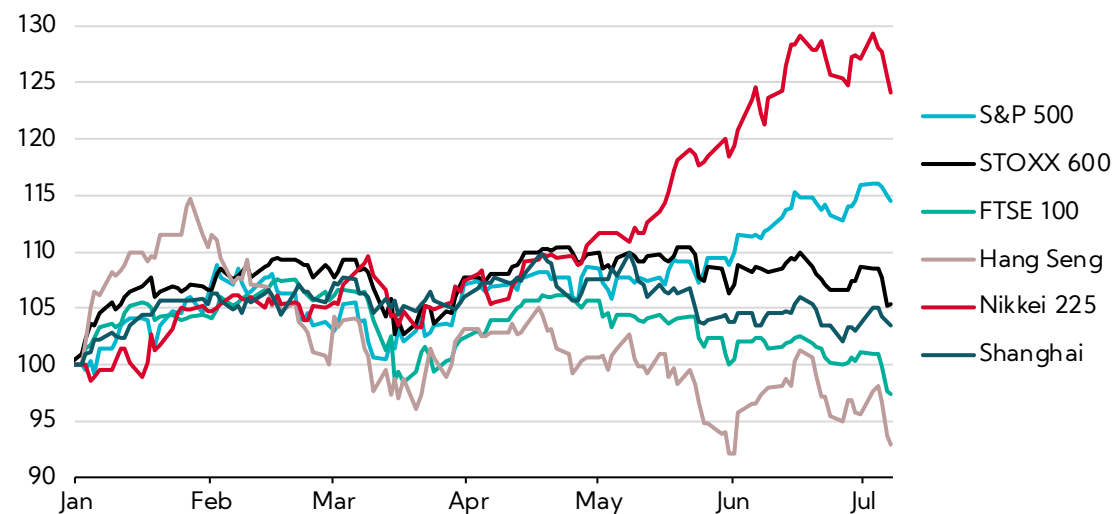
EXPECTATIONS FOR EQUITY INDICES SEQUENTIAL PERFORMANCE



QoQ INVESTMENT TRENDS



INDEXED YTD GLOBAL INDICES PERFORMANCES¹



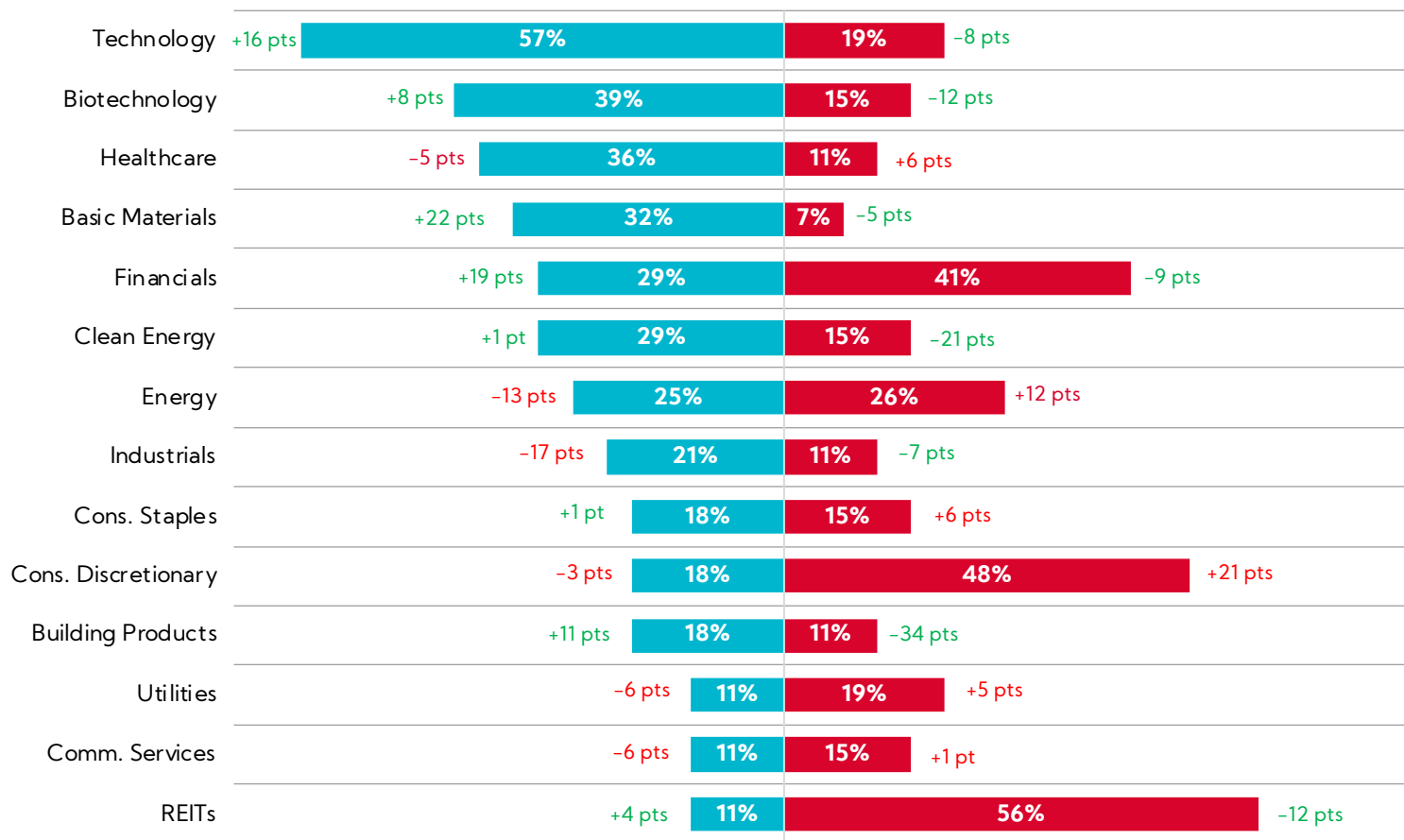
¹As of 7/7/23

Bullish Momentum Continues in Tech While Building Products Sees Biggest Reduction in Bears, Who Have Moved Onto Consumer Discretionary

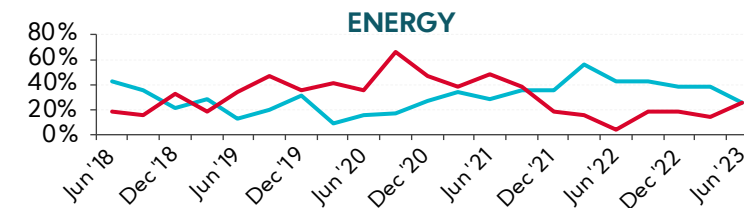
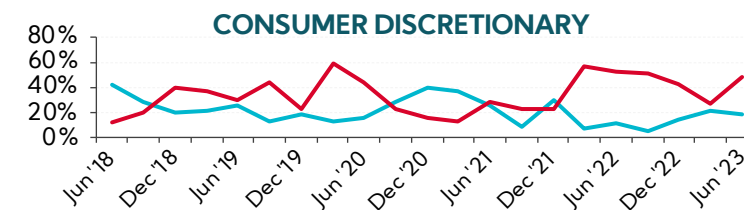
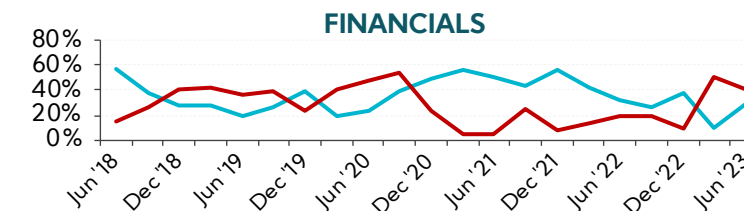
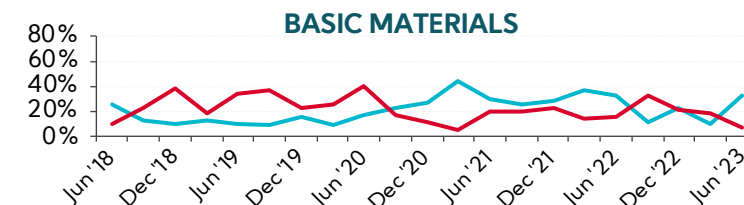
Healthcare and Biotechs remain among top bullish bets, while Building Products push out bears amid resilient backlogs and REITs remain out of favor despite some thawing of record bearish sentiment seen last quarter

BULLS VS BEARS

■ Bulls ■ Bears



LARGEST BULL AND BEAR SENTIMENT GAINERS



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