

## Economic optimism soars to reach highest level since 2003

Investor optimism about the global economy has soared to its highest level in nearly six years with portfolio managers putting their cash back into equity markets, according to the Merrill Lynch Survey of Fund Managers for August.

A net 75 per cent of survey respondents believe that the world economy will strengthen in the coming 12 months, the highest reading since November 2003 and up from 63 per cent in July. Confidence about corporate health is at its highest since January

2004. A net 70 per cent of panel respondents expect global corporate profits to rise in the coming year, up from 51 per cent last month.

August's survey shows that investors are matching their sentiments with action by putting cash to work. Average cash balances fell to 3.5 per cent from 4.7 per cent in July, their lowest level since July 2007. Equity allocations also rose sharply month over month with a net 34 per cent of respondents overweight on the asset class, up from a net seven per cent

in July. Merrill Lynch's Risk and Liquidity Indicator, a measure of risk appetite, rose to 41, the highest in two years.

Global emerging markets (led by China) and technology stocks are the strongest engines behind the early recovery, said Merrill Lynch. Investors would rather be overweight on emerging markets than any other region. A net 33 per cent of the panel prefers to overweight emerging markets, while investor consensus is to remain underweight on the US, the Eurozone, the UK and Japan.