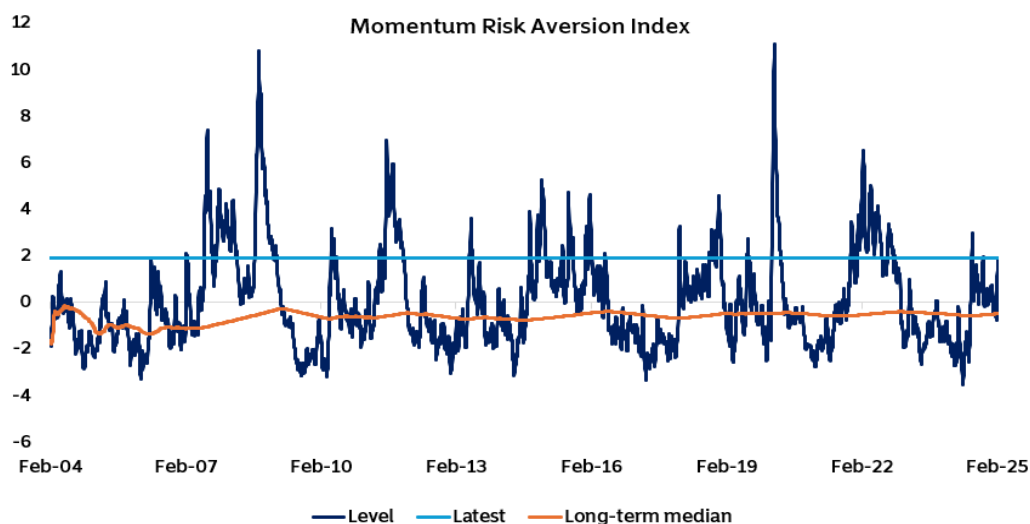


## Soaring risk aversion

Lorenzo La Posta, CFA

### Chart of the Week



Source: Bloomberg Finance L.P., Momentum Global Investment Management, as at 7 March 2025.

### What does the chart show?

This chart shows the Momentum Global Investment Management Risk Aversion Index over the past twenty-one years. The Index combines several different measures, such as global credit spreads, and forex and equity implied volatility to gauge what the current level of risk aversion is in markets. Risk aversion can be used as a measure of how tolerant investors are to taking on risk, given current and expected economic and financial conditions. Historically, peaks in risk aversion have taken place during periods of market stress, like during the global financial crisis in 2008, the European crisis in 2011 and the Covid pandemic in 2020, and very often were followed by rallies in risk assets as risk appetite returned in investors' behaviours. Today, whilst economic conditions are not bad, there is plenty of uncertainty around the path of inflation and interest rates, alongside significant geopolitical tensions. Risk aversion is well above long-term median, in the highest quintile of occurrences

### Why is this important?

Risk appetite affects all asset classes differently and understanding how assets react to different types of risk is an important skill for any investor to have, and clearly not all periods of market stress are built the same. Typically, the most volatile assets are the most sensitive to changing risk appetite levels, with excess returns during periods of economic stability and security being countered by excess losses when conditions change for the worse. Very often, peaks in risk aversion coincide with bottoms for risk assets and are very often a contrarian signal, useful for investors to gauge when opportunities are opening or when perhaps riskier assets are oversold. And with a good understanding of how risk affects different securities, an investor can build a portfolio of assets with a diverse range of responses to changing economic conditions. With diversification comes protection and outperformance during periods of uncertainty and volatility.



# Global Matters Weekly

10 March 2025

For more information, please contact your adviser or alternatively contact:

Belvest Investment Services Limited  
研富投資服務有限公司  
9th Floor, Centre Mark II  
305-313 Queen's Road Central  
Sheung Wan, Hong Kong

Tel +852 2827 1199  
Fax +852 2827 0270  
belvest@bis.hk  
[www.bis.hk](http://www.bis.hk)

## Important notes

This communication is issued by Belvest Investment Services Limited and/or Belvest related companies (collectively, and individually Belvest) solely to its clients, qualified prospective clients or institutional and professional investors. Unless stated otherwise, any opinions or views expressed in this communication do not represent those of Belvest. Opinions or views of any Belvest company expressed in this communication may differ from those of other departments or companies within Belvest, including any opinions or views expressed in any research issued by Belvest. Belvest may deal as Distributor or Agent, or have interests, in any financial product referred to in this email. Belvest has policies designed to negate conflicts of interest. Unless otherwise stated, this e-mail is solely for information purposes.

This message may contain confidential information. Any use, dissemination, distribution or reproduction of this information outside the original recipients of this message is strictly prohibited. If you receive this message by mistake, please notify the sender by reply email immediately.

Unless specifically stated, neither the information nor any opinion contained herein constitutes as an advertisement, an invitation, a solicitation, a recommendation or advise to buy or sell any products, services, securities, futures, options, other financial instruments or provide any investment advice or service by Belvest.

No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any figures, forecasts, prospects or return (if any) contained in the message. Such figures, forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. The assumptions and parameters used by Belvest are not the only ones that might reasonably have been selected and therefor Belvest does not guarantee the sequence, accuracy, completeness or timeliness of the information provided herein. None of Belvest, its group members or any of their employees or directors shall be held liable, in any way, for any claims, mistakes, errors or otherwise arising out of or in connection with the content of this e-mail.

This e-mail and any accompanying attachments are not encrypted and cannot be guaranteed to be secure, complete or error-free as electronic communications may be intercepted, corrupted, lost, destroyed, delayed or incomplete, and/or may contain viruses. Belvest therefore does not accept any liability for any interception, corruption, loss, destruction, incompleteness, viruses, errors, omissions or delays in relation to this electronic communication. If verification is required please request a hard-copy version. Electronic communication carried within the Belvest system may be monitored.