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By Sam Benstead

Investors have never been more worried about economic growth

Fund managers fear recessions are imminent and are retreating to commodities and cash.

Professional investors are extremely bearish about the global economy as rising inflation and interest rates threaten to trigger recessions.

Bank of America's latest fund manager survey of investors managing $930 billion (£715 billion) revealed that global growth optimism was at a record low, with investors predicting seven interest rate hikes in America this year, up from forecasts of four in the February survey.

Economic pessimism was even more extreme than during the early days of the pandemic and the financial crisis of 2008.

To protect portfolios, commodities and cash were the most overweight trades, followed by real estate and then stocks. In equities, healthcare and energy were the most-popular investment areas. The US was the most-popular stock market and the eurozone the least.

Two-fifths of investors thought oil would produce the best return of 2022. Commodities was the most-crowded trade for the second month in a row, displacing an extended period where tech was considered the best place to invest. Bonds – which pay a fixed income that is eroded by inflation – were the least-popular trade.

Bank of America said: "The disconnect between global growth and equity allocation remains staggering as investors got slightly more bullish on equities.

"Although still at depressed levels, equities are nowhere near 'recessionary' close-your-eyes-and-buy levels."

However, all the pessimism in financial markets has triggered a contrarian indicator that it could be time to buy shares. Bank of America's "bull and bear" signal is now flashing "buy."

Nevertheless, the bank is pessimistic about markets and says investors should "sell the rally" – taking profits as shares rise rather than buying the dip.

Another indicator that economies could shrink comes from looking at the yield on two and 10-year US government bonds.

Typically, investors demand a greater return if they are tying up their money for a longer period. The yield curve describes how bond yields typically 'curve' up with increasing contract length.

However, when longer-dated bonds yield less than shorter ones, it is taken as a sign by markets that a recession is coming and interest rates will have to come back down to restart the economy.

This is called an "inverted yield curve" and has appeared on and off over the past month.

Interactive investor customers have been buying gold and “capital preservation” trusts to protect themselves.

RIT Capital Partners Ord RCP 0.20%, Ruffer Investment Company Ord RICA 0.59% and Capital Gearing Ord CGT 0.79% replaced investment trusts buying fast-growing shares on the most-bought trusts list in March. The iShares Physical Gold ETC GBP SGLN 0.29% and WisdomTree Physical Gold GBP PHGP 0.31% rose up the ranks of the most-bought ETFs last month.