



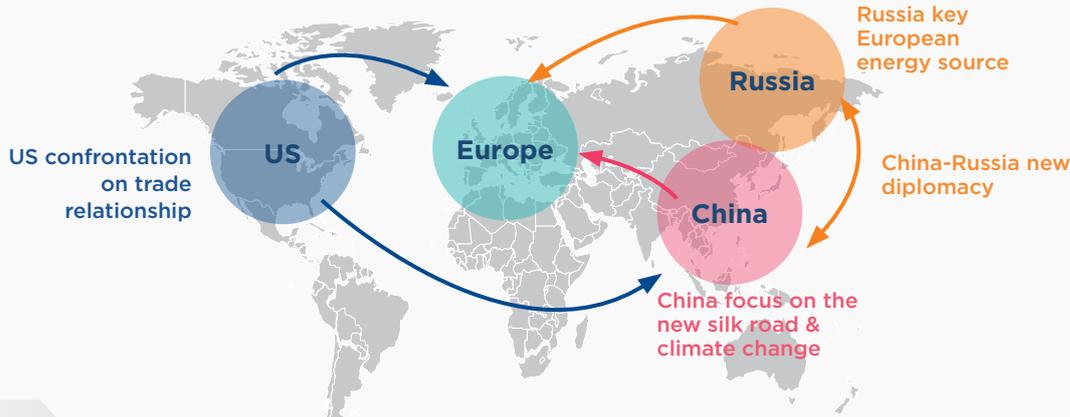
Geopolitics: a multi-polar world in transition is fueling volatility

US: the global power, energy independent that puts "America first" to face a large trade deficit

Europe: inward focus on reshaping the Union after Brexit and with immigration a priority

China: the rising economic power with a strong long-term plan, but still trade dependent

Russia: benefitting from oil trend and in search of pivotal roles in the Middle East and Asia



Global growth: still sound, but at peak, with divergences at play

Factors that could support a continuation of a positive outlook

Investment revival

Acceleration in global investment spending may last as capex intentions persist

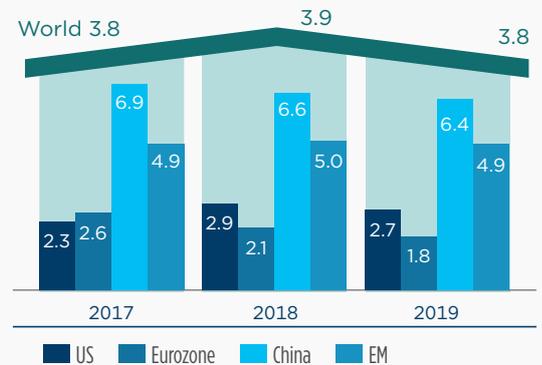
EU institutional framework

Window of opportunity to push reforms at EU level before mid-2019 elections

Resilience in China

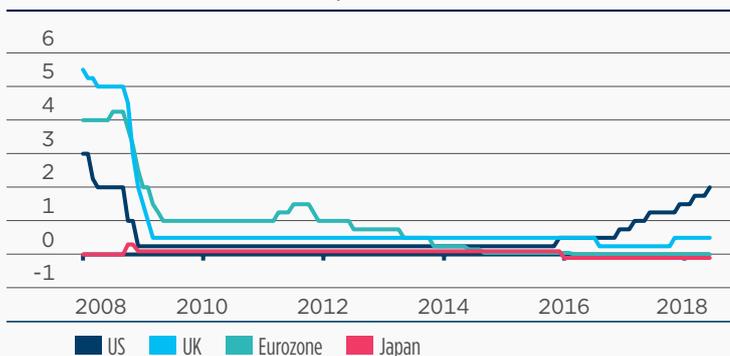
Growth is holding up relatively well; debt issue is stabilising while the shift towards more efficient sectors continues

World GDP growth at peak in 2018



Central banks: divergences and spillovers

Nominal central bank rates, %



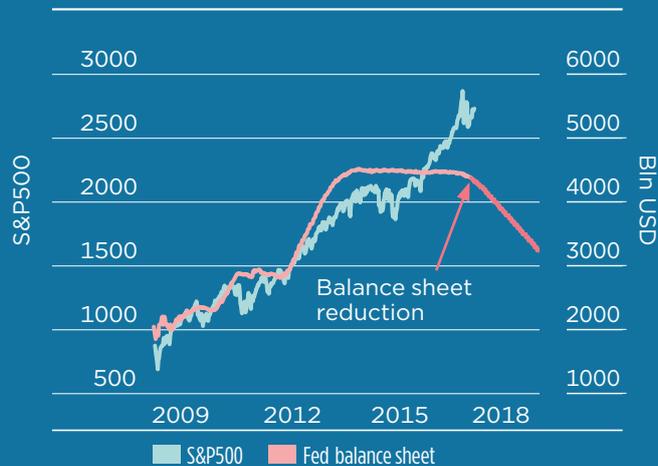
Central bank divergences will be a key theme driving fixed income and currencies. While the Fed is more advanced in the normalisation of monetary policy, the ECB is maintaining a very accommodative stance. Risks have already materialised in EM, with some idiosyncratic stories due to the spillover effects of the Fed's policy.

Source: Amundi, Bloomberg. Data as of 30 June 2018.

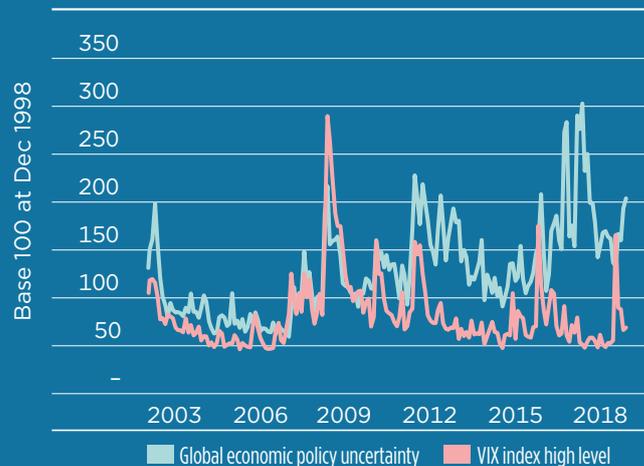
Date of First Use: 15 July 2018. Devised by: Claudia Bertino and Laura Fiorot, Amundi Investment Insights Unit.

» The Goldilocks regime may be over, but it is too soon for the bears

S&P500 vs Fed balance sheet



Volatility vs economic policy uncertainty



Outlook: Risk assets have benefitted from a prolonged period of positive performance and low volatility, despite the still high economic uncertainty due to Brexit, uncertainly regarding Trump’s policies (ie, trade), European elections. This Goldilocks regime has been fueled by the liquidity injected by CBs. As the normalisation in monetary policy proceeds, liquidity will diminish and markets will return to a higher volatility environment.



Investment implications: a positive bias towards risk assets (mainly US equity) and short duration will leave space for more conservative risk allocation and a constructive view on duration while we move towards a possible slowdown in the cycle. Higher volatility and lower return potential will require the further enhancing of diversification and a focus on liquidity management.

» Portfolio construction: time to enhance diversification, be ready to adjust the duration stance and focus on quality

Short- and mid-term convictions



- 1 **Equity:** go global with quality and prepare to switch to value
- 2 **Bonds:** be cautious on duration and actively play the different segments of the curve
- 3 **Portfolio construction:** start risk on, but with an absolute return mindset

Long- term convictions



- Increase upside potential**
 - Exploit long-term equity potential with ESG and engagement
 - Capture illiquidity premium in credit and real assets
- Focus on risk mitigation**
 - Portfolio construction based on scenario analysis
 - Include structural hedges in the asset allocation

Notes: Source: Amundi, Bloomberg. Data as at 30 June 2018. Vix Index high price is the highest price of the VIX index reached during each trading month. Vix is the CBOE S&P500 Volatility Index that reflects a market estimate of future volatility. Global economic policy uncertainty (GEPU) by Baker, Bloom & Davis. This concept tracks the general state of the economy as it relates to businesses. The GEPU Index is a GDP-weighted average of national EPU indices. Each national EPU index reflects the relative frequency of own-country newspaper articles that contain a trio of terms pertaining to the economy (E), policy (P) and uncertainty (U).

Source: Amundi, Bloomberg. Data as of 30 June 2018.

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