

INVESTMENT OUTLOOK 2020

Be agile to cope with diverging scenarios

Five global themes drive our central and alternative scenarios

1

Monetary and fiscal policies combination

2

Global trade: from challenges to opportunities

3

China is in between debt and economic transition

4

US consumers stay sufficiently resilient

5

Corporate earnings and debt conundrum

CENTRAL SCENARIO - *Muddling in the middle* 55%

Analysis

- Synchronised stabilisation
- Low rates, low inflation, low single-digit profits growth for corporates
- Record high debt (public and corporate sectors)
- This scenario has a prominent geopolitical dimension. In the US we do not expect political elections or impeachment process to disrupt US markets but likely to add some volatility spikes

Market Implication

- Monetary and fiscal policy to offset trade uncertainty
- Be active in duration management (favour US duration in global portfolios)
- Defensive on risky assets:
 - Play sector rotation on dislocations
 - Selective on credit quality
- Search carry, but be selective (EM FX)
- Favour gold on pervasive uncertainty and lower Treasury yields

UPSIDE SCENARIO - *All that glitters is gold* 15%

Analysis

- Monetary policy to offset trade uncertainty and/or engage with stimulus policies (Europe/Germany)
- Banking union progress
- Trump smooths material actions on trade

Market implication

- Beware of higher nominal rates
- Prefer inflation-linked bonds
- Favour risky assets
- Be cautious on the USD

! DOWNSIDE SCENARIO - *Stormy waters* 30%

Analysis

- Trade war escalates and materialises into currency war and therefore tightens financial conditions
- China hard landing
- Geopolitical recession due to globalisation unwinding
- Exacerbation of individual risks (Middle East, Hong Kong, Brexit, US elections)

Market Implication

- Favour US treasury
- Favour gold
- Stay cautious on risky assets

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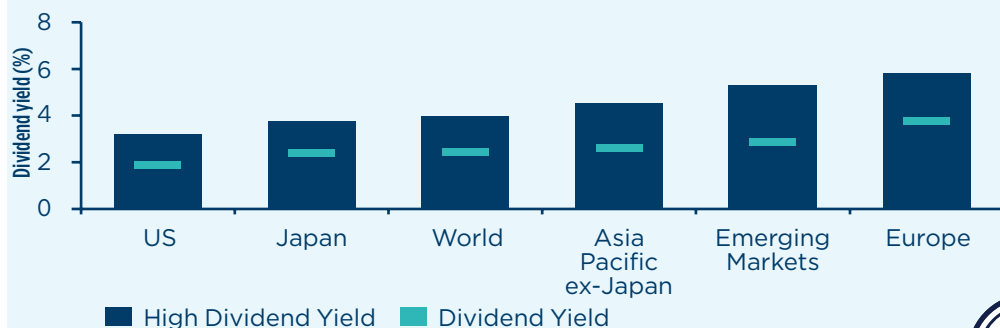
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Investment convictions

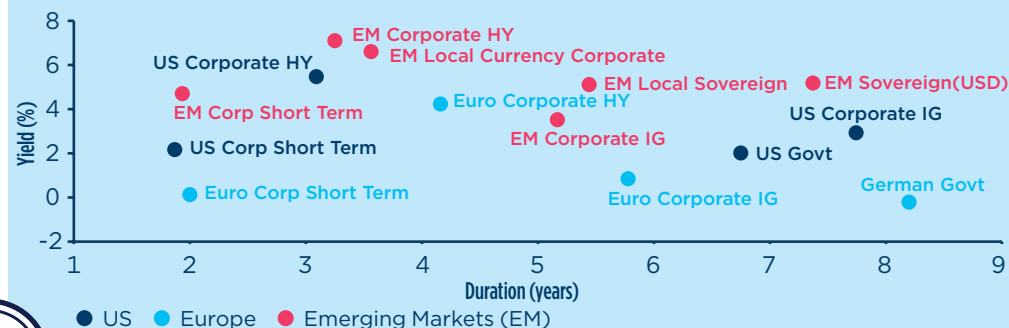
EQUITY: A STORY OF INCOME AND POSSIBLE TURNAROUND

Be mindful of dividends and exploit areas of dislocation



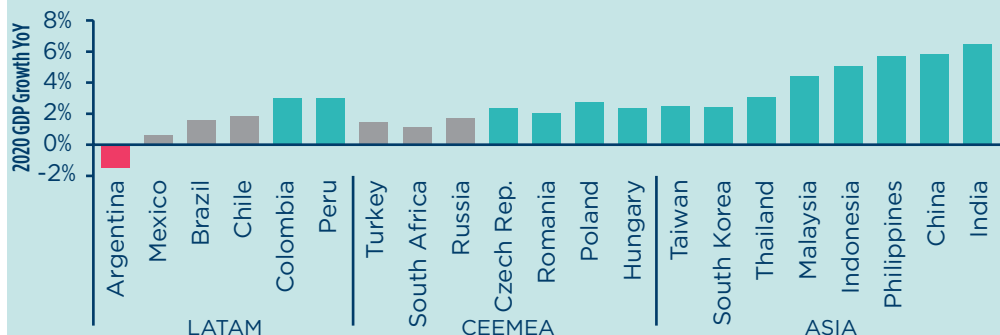
BONDS: TIME TO OPTIMISE THE SEARCH FOR YIELD

Be flexible, increase scrutiny, and beware of liquidity risks



EM: NEW THEMES FROM A MORE FRAGMENTED WORLD

Dig deeper to seek thematic, regional and country opportunities



PORTFOLIO CONSTRUCTION: DE-RISKING TOOLS IN FOCUS

Volatility-proof your portfolio in a world of more frequent extreme events



Source: Amundi Research, Bloomberg. Data as of 30 October 2019. Equity chart: data refers to the dividend yields of the MSCI Index and MSCI High Dividend Index for each region. Bonds chart: data refers to the index yield to worst and duration. Indices used are German Govt Bonds = JP Morgan GBI Germany Index; US Govt Bonds = JPMorgan GBI U.S. Index; Euro IG Bonds = Bloomberg Barclays Pan European Aggregate Corporate; U.S. IG Bonds = Bloomberg Barclays U.S. Aggregate Credit; Euro HY bonds = Bloomberg Barclays Pan-European High Yield ISMA; U.S. HY Bonds = Bloomberg Barclays U.S. Corporate High Yield; EMBI Div = JPMorgan EMBI Global Diversified Blended; CEMBI BD = JPMorgan CEMBI Div Broad Composite Blended; CEMBI BD HY = JPMorgan CEMBI Broad Div High Yield; Euro Corp Short Term = Bloomberg Barclays Euro Corporate 1-3Yr; U.S. Corp Short Term = Bloomberg Barclays U.S. Corporate 1-3Yr; EMBI Short Term = JPMorgan EMBIG Diversified 1-3Yr. Emerging markets (EM) chart shows Amundi Research forecasts. Portfolio construction chart shows the number of extreme events (weeks when the S&P500 moved above two standard deviations from the long-term 1969-2019 average) on a rolling basis. **Notes:** The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msribarra.com). Indices are unmanaged and their returns assume reinvestment of dividends, and unlike actual portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly in an index. **Devised by:** Amundi Investment Insights Unit. **Chief Editors:** Pascal Blanqué and Vincent Mortier.