INVESTMENT OUTLOOK H2 2020

Investing during a de-freezing cycle

Five global themes drive our central and alternative scenarios

1 Monetary and fiscal policies to the next level

2 Deglobalisation accelerates and geopolitics takes centre stage

3 US election becomes more uncertain

4 Global consumption comes under strain

5 Focus on debt sustainability and earnings growth

DEBT

CENTRAL SCENARIO – *Slow U-shaped recovery* 60%

Analysis

- Short-term rebound (Q3) from a deep, short-lived recession and convergence to pre-crisis levels, with divergences on timing across regions
- Credit fragmentation and default surge
- Debt monetisation and ballooning CB balance sheets
- Manufacturing recovers faster than services, consumption recovers slowly
- Global trade recovers, but remains sluggish the global cycle is increasingly based on domestic engines

Market implication

- After the recent rally, consolidation will follow, with FX as a likely catalyst for the upside/downside scenarios
- In **fixed income,** be active in duration management (favour US duration); favour linkers
- Be selective in credit and cautious in EM FX
- In **equities,** 'first in, first out' theme as a regional positioning criterion; prefer long-term winners tilting to **cyclicals**
- Play sector rotation, small cap, min vol
- Favour **gold** on pervasive uncertainty

UPSIDE SCENARIO – *V-shaped recovery* 20%

Analysis

- Economic activity recovers to pre-crisis levels by mid-2021 (United States, Eurozone), with above-potential growth in H2 2020-H1 2021
- Pandemic almost suppressed
- Monetary and fiscal stimuli will feed through to the real economy and financial markets
- Pent-up demand visible

Market implication

- Prefer linkers
- Favour risky assets and commodities (oil)
- Be cautious on the USD

DOWNSIDE SCENARIO – *Secular stagnation* 20%

Analysis

- Economic relapse (Q4/Q1)
- Monetary and fiscal stimuli continues, but liquidity does not feed through to real economy
- Economic crisis evolves into a financial crisis
- Protectionism and deglobalisation accelerate, harming trade and global value chains

Market implication

- Favour cash and US treasury
- Favour gold, CHF, YEN, NZD
- Play min vol strategies

Important information: The views expressed regarding market and economic trends are those of the authors and not necessarily Amundi, and are subject to change at any time. These views should not be relied upon as investment advice, as securities recommendations, or as an indication of trading on behalf of any Amundi product. There is no guarantee that market forecasts discussed will be realised or that these trends will continue. These views are subject to change at any time based on market and other conditions and there can be no assurances that countries, markets or sectors will perform as expected. Investments involve certain risks, including political and currency risks. Investment return and principal value may go down as well as up and could result in the loss of all capital invested. This material does not constitute an offer to buy or a solicitation to sell any units of any investment fund or any service. Amundi is a trading name of the Amundi Asset Management S.A. group of companies. Unless otherwise stated, all information contained in this document is from Amundi Asset Management and is as of 10 June 2020. Source: Amundi Research, as of 10 June 2020.

Date of First Use: 20 June 2020. Devised by: Amundi Investment Insights Unit. Chief Editors: Pascal Blanqué and Vincent Mortier.

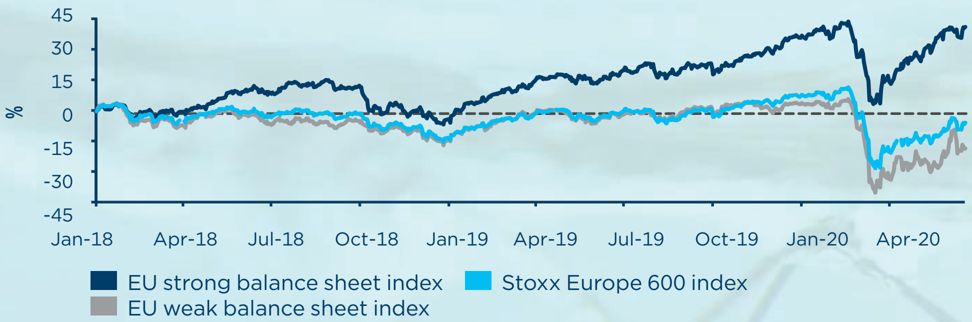
Amundi ASSET MANAGEMENT

INVESTMENT OUTLOOK H2 2020
Investing during a de-freezing cycle

Investment convictions

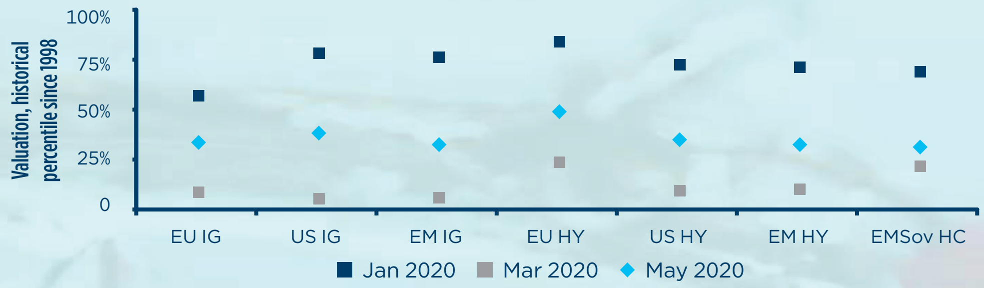
EQUITY

PLAY THE CYCLICAL RECOVERY AND LONG-TERM THEMES
Focus on selection of companies with strong balance sheets



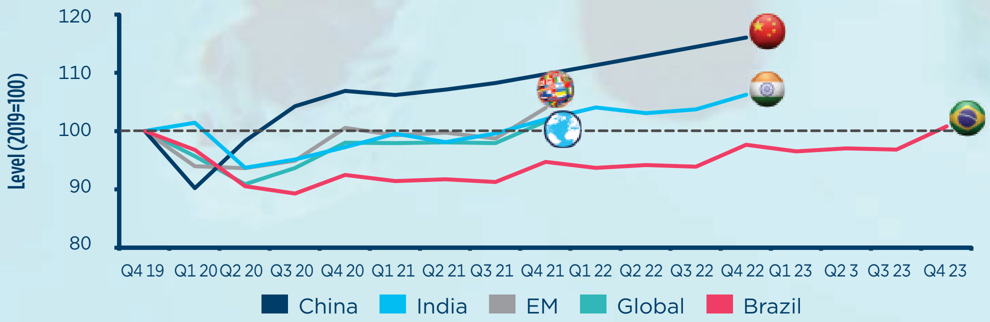
BONDS

SEARCH FOR YIELD IN GOOD QUALITY CREDIT & EM DEBT
Benefit from the CBs' support and attractive valuations, be aware of credit risk



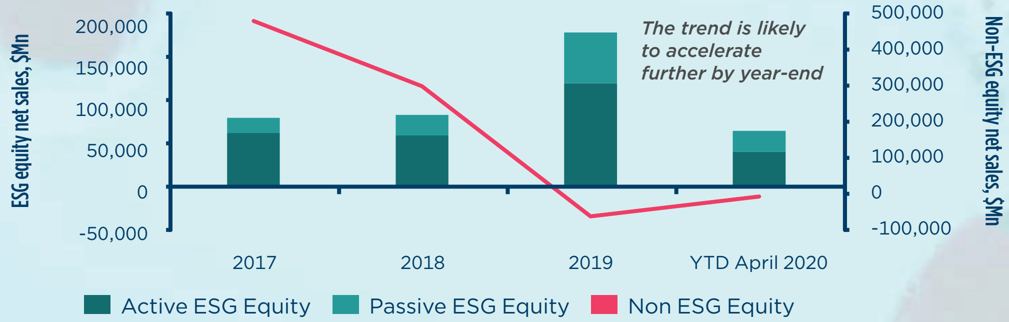
EMERGING MARKETS

ASIA IN FOCUS IN THE 'FIRST IN - FIRST OUT' PATH
First countries to enter the pandemic will recover first



ESG

ESG MORE AND MORE MAINSTREAM
Flows are switching from non-ESG to ESG funds



Source: Amundi Research, Bloomberg. Data as of 18 June 2020. Equity chart: data are from Amundi, Morgan Stanley and Bloomberg. Fixed income chart: Amundi on Bloomberg and Thomson Reuters data. EU IG, US IG, EM IG, EU HY, US HY and EM HY are based on BofA ICE indices (IG = investment grade, HY = high yield). EM Sov HC = JPMorgan EMBI Global Diversified. All indices are for a specific region (EU = Europe, US = United States, EM = Emerging Markets). Analysis based on spreads for bond indices. Emerging markets chart :Amundi Research, GDP growth forecast estimates as of 22 May 2020. Significant uncertainty surrounding macroeconomic forecasts may lead to more frequent reassessments. Macroeconomic forecasts currently include a material qualitative component, reducing the statistical accuracy and adding to the uncertainty, with increasingly wide ranges. ESG chart: Broadridge, data on worldwide open-ended funds as of 9 June 2020.

Devised by: Amundi Investment Insights Unit. Chief Editors: Pascal Blanqué and Vincent Mortier.

Amundi
ASSET MANAGEMENT