DEVELOPED COUNTRIES

Macroeconomic outlook

Data as of 25/11/2020

Annual averages (%)	Real GDP growth %			Inflation (CPI, yoy, %)		
	2020	2021	2022	2020	2021	2022
	range					
World	**-4.3/-3.7**	**5.1/5.8**	**3.4/4.2**	**2.6**	**2.6**	**2.8**
Developed countries	**-5.9/-5.4**	**4.4/4.9**	**2.9/3.4**	**0.7**	**1.3**	**1.6**
US	**-4.1/-3.5**	**4.7/5.3**	**2.6/3.2**	**1.3**	**2.0**	**2.1**
Japan	**-5.5/-4.9**	**2.7/3.3**	**1.1/1.7**	**0.0**	**0.1**	**0.2**
UK	**-11.4/-10.8**	**4.8/5.4**	**3.5/4.1**	**0.8**	**1.5**	**1.8**
Eurozone	**-7.7/-7.1**	**4.7/5.3**	**3.7/4.3**	**0.2**	**0.9**	**1.5**
Germany	-6.2/-5.6	3.2/3.8	2.8/3.4	0.7	1.3	1.5
France	-9.3/-8.7	6.0/6.6	3.6/4.2	0.5	0.9	1.6
Italy	-9.3/-8.7	4.4/5.0	2.9/3.5	-0.1	0.5	1.4
Spain	-12.2/-11.6	5.4/6.0	5.4/6.0	-0.5	0.6	1.3

Source: Amundi Research

- **United States:** after a record contraction in Q2, and an extraordinary rebound in Q3, we expect a significant deceleration in Q4, influenced by the new rise in Covid-19 cases and given the signs of a progressive deceleration in several economic and behavioural indicators. Next year's growth outlook remains supported by the supportive mix of monetary and fiscal policy. After softening in H2 2020, headline inflation should move higher, with a temporary mid-year overshoot, due to the reversing oil price base effects. It will then revert to the target. After 3 November, the key date is now 5 January, when the final Congressional breakdown will be known.
- **Eurozone:** after the strong rebound in early Q3, Q4 is set to print a new GDP contraction (albeit more limited than in Q2), as new rises in Covid-19 cases have induced Eurozone governments to new lockdowns. After a mild pickup in Q1, availability and initial distribution of the vaccine will help confidence and release pent-up demand from Q2, from when we expect growth to remain supported above potential by an extraordinarily easy mix of monetary and fiscal policies. Inflation should remain subdued in the near term with significant downside risks in Q4 before moving gradually higher in 2021, yet remaining evidently below target.
- **Japan:** the economy is recovering from a deep recession, after the hit from consumption tax hike in October 2019 and the global pandemic outbreak. In Q3, GDP bounced back by 5% QoQ, reversing less than half of the decline since Q4 2019. The path to recovery remains challenging. As of November, Japan's PMIs had not yet returned to 50. A renewed wave of outbreak has started to weigh on sentiment and outdoor activities. Hence, we are not expecting the economy to return to pre-crisis level until 2022. With a wide output gap, inflation will remain depressed.
- **United Kingdom:** the economy technically rebounded in Q3 after the record dip in Q2. However, the Covid-19 second wave forced the introduction of a new lockdown leading to a further (despite softer) contraction in Q4. After a weak Q1, the economy will gain momentum supported also by a larger availability of a vaccine. The pressure on the labour market is severe, despite new job support schemes. Fiscal policies remain highly supportive, while some further easing on the monetary front later this year is becoming increasingly likely due to the high uncertainty underlying Brexit.

Key interest rate outlook

	26-11 2020	Amundi + 6m.	Consensus Q2 2021	Amundi + 12m.	Consensus Q4 2021
US	**0.13**	**0/0.25**	**0.11**	**0/0.25**	**0.12**
Eurozone	**-0.50**	**-0.50**	**-0.54**	**-0.50**	**-0.56**
Japan	**-0.03**	**-0.1**	**-0.06**	**-0.1**	**-0.07**
UK	**0.10**	**0.00**	**0.06**	**0.00**	**0.03**

Source: Amundi Research

Monetary policy agenda

Central banks	Next meeting
Federal Reserve FOMC	**December 10**
ECB Governing Council	**December 16**
Bank of Japan MPM	**December 18**
Bank of England MPC	**December 17**

Source: Amundi Research

- **Fed:** the Fed was satisfied with the amount of accommodation being provided by the current Asset Purchase Program ($80bn in Treasuries and $40bn in MBS per month). It is providing substantial support to the economy and has materially eased financial conditions. But the FOMC appeared concerned about the downside risks from the recent rise in new Covid-19 cases and from the lack of fiscal stimulus. New guidance for asset purchases or changes to the asset purchase program may be delivered in December if the outlook worsens. The FOMC had an extensive discussion about APP and how it might adjust its parameters to provide more accommodation (in terms of composition, size, duration and time period of purchases). Presumably, the FOMC has reached a consensus on what do to do next, if needed.
- **ECB:** at its last meeting the ECB committed to strong action in December that will take the form of a full package, The package is likely to support the "low for longer" scenario on yields and yield search, combining: 1) a remarkable expansion of QE, mostly through PEPP; 2) an extension of QE new purchases and reinvestment horizons; and 3) the extension and/or cheapening of the favourable terms of the TLTROs. Following the meeting, ECB communication also focused on how long the stimulus would last and how big it would be, underling the importance of prolonging the current policy stance.
- **BoJ:** monetary policies were held unchanged as expected in October. In its latest quarterly economic outlook, the central bank notes that inflation could stay negative for a while before turning positive, projecting a slow improvement in the economy and output gap. It also acknowledges difficulties in achieving the 2% inflation target, and focuses more on the sustainability of monetary policy. This allows flexibility in asset purchase amounts amid a prolonged monetary easing period. Meanwhile, funding supports to the corporate sector will likely continue beyond March deadline.
- **BoE:** the Bank of England surprised market consensus on the upside at its last meeting by announcing a unanimous decision on a £150bn extension of its asset purchase programme until the end of 2021. Rates are still in the toolbox, but QE remains the preferred instrument for the time being. Like the Fed and the ECB, the BoE will continue to support fiscal policy through monetary policy, as risks remain tilted to the downside.

EMERGING COUNTRIES

Macroeconomic outlook

Data as of 25/11/2020

Annual averages (%)	Real GDP growth %			Inflation (CPI, yoy, %)		
	2020	2021	2022	2020	2021	2022
	range					
World	-4.3/-3.7	5.1/5.8	3.4/4.2	2.6	2.6	2.8
Emerging countries	-3.2/-2.5	5.6/6.4	3.8/4.8	3.9	3.6	3.7
Brazil	-4.6/-4.1	3.0/4.0	1.0/3.0	3.1	3.6	3.4
Mexico	-9.5/-9.0	3.6/4.6	1.7/3.7	3.5	3.5	3.3
Russia	-4.0/-3.5	2.5/4.0	1.5/3.0	3.2	3.75	3.80
India	-8.7/-7.7	7.5/8.7	4.7/6.1	6.7	6.0	5.5
Indonesia	-2.8/-2.2	3.0/3.8	4.2/5.2	2.0	2.7	3.3
China	1.5/2.1	7.9/8.5	4.9/5.5	2.5	1.5	2.1
South Africa	-9.1/-8.1	1.9/2.9	0.8/1.8	3.1	3.8	4.3
Turkey	-5.2/-4.2	4.0/5.0	3.5/4.5	11.7	12.8	10.8

Source: Amundi Research

- **China**: the economy grew at a buoyant pace entering Q4, led by the services sector. Industrial production continued to expand above trend sequentially, albeit slowing from Q3. The recovery in exports broadened to non-Covid goods, driving up shipping costs. Against the backdrop of policy normalisation, we expect credit to grow at a slower pace in 2021. Public spending will give way to private consumption. Headline CPI is due for further corrections in Q4 and Q1 2021 as pork prices reverse previous gains, but underlying inflation has already bottomed out.
- **Mexico:** the economy rebounded strongly in 3Q, expanding by a whopping 60% SAAR, driven by reopening, improving mobility, strong remittances and external demand. Momentum is now slowing, however, with the size of the economic pie still visibly below pre-Covid levels and the medium term story very much dependent on US dynamics (also due to lack of domestic policy support). The inflation outlook remains fairly benign – it is set to moderate towards the target – thanks also to a vigilant Banxico, which paused in November but is likely to add a couple more cuts in 2021. Fiscal policy, meanwhile, remains prudent to market's linking. And while the policy mix is clearly suboptimal, and Pemex's situation problematic, the positive news on the vaccination front make it a glass-half-full kind of story for Mexico.
- **Turkey:** lots of news: i) the CBRT governor and the minister of finance were replaced by two technocrats that the markets appreciate for their orthodox economic policy; and ii) the main policy rate was raised by 475bp to 15.0% and the end of the interest-rate framework system was announced. The CBRT's tightening was ultimately limited as it raised the average cost of funding by just 20bp. However, the committee's language and the simplifying of the policy framework are likely to enhance the CBRT's predictability and transparency.
- **South Africa:** Fitch and Moody's downgraded the sovereign rating by one notch, to, respectively, BB- and Ba2, while reiterating their negative outlooks. The two agencies said that their decision was motivated by heavy and growing debt, weak potential growth, and the risks of execution of medium-term growth plans and the government budget. They questioned in particular the government's ability to put through the public employee salary cuts included in the MTBPS. This will result in an increase in South Africa's cost of funding, which will place further restraints on its fiscal policy.

Key interest rate outlook

	26-11 2020	Amundi + 6m.	Consensus Q2 2021	Amundi + 12m.	Consensus Q4 2021
China	3.85	3.85	3.85	3.85	3.85
India	4	4	3.85	4	3.75
Brazil	2	2	2.05	2.75	3.05
Russia	4.25	4.00	4.15	4	4.15

Source: Amundi Research

- **PBoC (China):** the credit regulatory environment turned less benevolent in China, exposing weak links in the economy. Although we believe policymakers are capable of nipping systematic risk in the bud, credit differentiation will inevitably widen, and defaults are set to climb in orderly fashion. In light of credit growth normalisation, monetary policy should hold at neutral instead of tightening further. While the central bank has steered away from broad easing via LPR or RRR cuts, it could increase net liquidity injections via MLF/reverse repos if interbank rates keep rising.
- **RBI (India):** the RBI left its policy rates unchanged in October, and we expect it to remain on hold at its next meeting, in early December. Economic conditions have been picking up lately, but downside risks on growth have arisen from gatherings in recent religious celebrations and a possible virus resurgence. The RBI's real concern should be inflation, printing at 7.6% YoY in October and very likely triggering a significant revision in its inflation forecasts for the near future. Unlike the RBI, we don't expect inflation to decline persistently to within the target any time soon.
- **BCB (Brazil):** the BCB kept rates on hold at a historically low 2% in a unanimous decision for the second time in a row. The forward guidance of staying low for longer until inflation expectations come sufficiently close to target, while being contingent on the current fiscal regime, remained intact as well. The central bank saw the recent rise in inflation as temporary, given its food and FX pass-through nature while its medium-term inflation projections were little changed and remained below target. In addition, and despite rising risks, the fiscal regime was deemed to have stayed unchanged. The BCB's dovish take is in line with our view of rates staying on hold for most of 2021.
- **CBR (Russia):** the Central Bank of Russia left its policy rate unchanged at 4.25% at its October 23rd meeting, as was the case at its September 18th meeting. The CBR mentioned a set of factors impacting inflation in different directions, including an increase in inflationary expectations, a slowdown in the economic recovery, increased market volatility and its potential negative impact on the rouble. All things considered, the CBR expects inflation to end up very near the target of 4% at year-end. Nonetheless, the central bank still sees room for a rate cut, especially in the medium-term, due to disinflationary risks.

Monetary policy agenda

Central banks	Next communication
PBoC	December 20
RBI	December 4
BCB Brazil	December 10
CBR	December 18

Source: Amundi Research

MACRO AND MARKET FORECASTS

Macroeconomic forecasts
(25 November 2020)

Annual averages (%)	Real GDP growth %			Inflation (CPI, yoy, %)		
	2020	2021	2022	2020	2021	2022
	range					
US	**-4.1/-3.5**	**4.7/5.3**	**2.6/3.2**	**1.3**	**2.0**	**2.1**
Japan	**-5.5/-4.9**	**2.7/3.3**	**1.1/1.7**	**0.0**	**0.1**	**0.2**
Eurozone	**-7.7/-7.1**	**4.7/5.3**	**3.7/4.3**	**0.2**	**0.9**	**1.5**
Germany	-6.2/-5.6	3.2/3.8	2.8/3.4	0.7	1.3	1.5
France	-9.3/-8.7	6.0/6.6	3.6/4.2	0.5	0.9	1.6
Italy	-9.3/-8.7	4.4/5.0	2.9/3.5	-0.1	0.5	1.4
Spain	-12.2/-11.6	5.4/6.0	5.4/6.0	-0.5	0.6	1.3
UK	**-11.4/-10.8**	**4.8/5.4**	**3.5/4.1**	**0.8**	**1.5**	**1.8**
Brazil	**-4.6/-4.1**	**3.0/4.0**	**1.0/3.0**	**3.1**	**3.6**	**3.4**
Mexico	**-9.5/-9.0**	**3.6/4.6**	**1.7/3.7**	**3.5**	**3.5**	**3.3**
Russia	**-4.0/-3.5**	**2.5/4.0**	**1.5/3.0**	**3.2**	**3.75**	**3.80**
India	**-8.7/-7.7**	**7.5/8.7**	**4.7/6.1**	**6.7**	**6.0**	**5.5**
Indonesia	**-2.8/-2.2**	**3.0/3.8**	**4.2/5.2**	**2.0**	**2.7**	**3.3**
China	**1.5/2.1**	**7.9/8.5**	**4.9/5.5**	**2.5**	**1.5**	**2.1**
South Africa	**-9.1/-8.1**	**1.9/2.9**	**0.8/1.8**	**3.1**	**3.8**	**4.3**
Turkey	**-5.2/-4.2**	**4.0/5.0**	**3.5/4.5**	**11.7**	**12.8**	**10.8**
Developed countries	**-5.9/-5.4**	**4.4/4.9**	**2.9/3.4**	**0.7**	**1.3**	**1.6**
Emerging countries	**-3.2/-2.5**	**5.6/6.4**	**3.8/4.8**	**3.9**	**3.6**	**3.7**
World	**-4.3/-3.7**	**5.1/5.8**	**3.4/4.2**	**2.6**	**2.6**	**2.8**

Key interest rate outlook

Developed countries

	26/11/2020	Amundi + 6m.	Consensus Q2 2021	Amundi + 12m.	Consensus Q4 2021
US	**0.13**	**0/0.25**	**0.11**	**0/0.25**	**0.12**
Eurozone	**-0.50**	**-0.50**	**-0.54**	**-0.50**	**-0.56**
Japan	**-0.03**	**-0.1**	**-0.06**	**-0.1**	**-0.07**
UK	**0.10**	**0.00**	**0.06**	**0.00**	**0.03**

Emerging countries

	26/11/2020	Amundi + 6m.	Consensus Q2 2021	Amundi + 12m.	Consensus Q4 2021
China	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**
India	**4**	**4**	**3.85**	**4**	**3.75**
Brazil	**2**	**2**	**2.05**	**2.75**	**3.05**
Russia	**4.25**	**4.00**	**4.15**	**4**	**4.15**

Long rate outlook

2Y. Bond yield

	26/11/2020	Amundi + 6m.	Forward + 6m.	Amundi + 12m.	Forward + 12m.
US	**0.16**	**0.10/0.3**	**0.21**	**0.10/0.3**	**0.26**
Germany	**-0.758**	**-0.70/-0.50**	**-0.80**	**-0.70/-0.50**	**-0.83**
Japan	**-0.143**	**-0.20/-0.10**	**-0.16**	**-0.20/-0.10**	**-0.15**
UK	**-0.035**	**0/0.25**	**-0.03**	**0/0.25**	**-0.04**

10Y. Bond yield

	26/11/2020	Amundi + 6m.	Forward + 6m.	Amundi + 12m.	Forward + 12m.
US	**0,88**	**0.8/1**	**0,98**	**1.1/1.2**	**1,07**
Germany	**-0,58**	**-0.60/-0.40**	**-0,52**	**-0.50/-0.30**	**-0,48**
Japan	**0,03**	**-0.10/0.10**	**0,07**	**0/0.2**	**0,11**
UK	**0,30**	**0.20/0.4**	**0,40**	**0.3/0.5**	**0,47**

Currency outlook

	23/11/2020	Amundi Q2 2021	Consensus Q2 2021	Amundi Q4 2021	Consensus Q4 2021
EUR/USD	**1.19**	**1.20**	**1.21**	**1.21**	**1.22**
USD/JPY	**104**	**103**	**105**	**106**	**107**
EUR/GBP	**0.89**	**0.89**	**0.90**	**0.90**	**0.90**
EUR/CHF	**1.08**	**1.11**	**1.09**	**1.13**	**1.11**
EUR/NOK	**10.60**	**10.33**	**10.50**	**10.14**	**10.30**

	23/11/2020	Amundi Q2 2021	Consensus Q2 2021	Amundi Q4 2021	Consensus Q4 2021
EUR/SEK	**10.16**	**10.01**	**10.35**	**9.83**	**10.13**
USD/CAD	**1.30**	**1.29**	**1.30**	**1.27**	**1.29**
AUD/USD	**0.74**	**0.76**	**0.74**	**0.77**	**0.76**
NZD/USD	**0.70**	**0.70**	**0.69**	**0.69**	**0.70**
USD/CNY	**6.59**	**6.30**	**6.60**	**6.40**	**6.63**

Source: Amundi Research

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The uncertainty around the macro forecasts is very high, and it triggers frequent reassessments any time fresh high frequency data are available. Our macroeconomic forecasts at this point include a higher qualitative component, reducing the statistical accuracy and increasing the uncertainty through wider ranges around them.

METHODOLOGY

- **Scenarios**

  The probabilities reflect the likelihood of financial regimes (central, downside and upside scenario) which are conditioned and defined by our macro-financial forecasts.

- **Risks**

  The probabilities of risks are the outcome of an internal survey. Risks to monitor are clustered in three categories: Economic, Financial and (Geo)politics. While the three categories are interconnected, they have specific epicentres related to their three drivers. The weights (percentages) are the composition of highest impact scenarios derived by the quarterly survey run on the investment floor.

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