



*“President Trump’s approach to trade and global alliances may be a wake up call for Europe. The region is signalling a clear and a historical shift, which will require target measures to boost growth efficiently.”*

**Monica Defend**

Head of Amundi Investment Institute

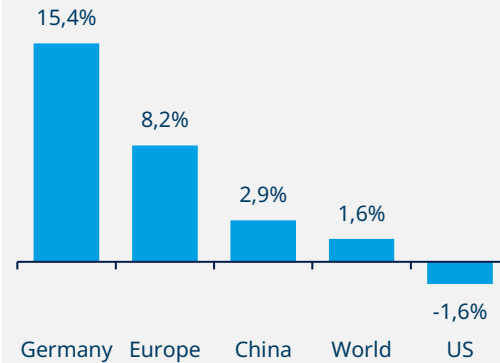
## Europe in focus amidst fiscal boost

Optimism around fiscal spending plans in Germany and in Europe has boosted the region’s stocks.

If implemented well to boost productivity and improve efficiencies across Europe, the plans may be positive for long-term growth.

Overall, short-term volatility could rise amid new tariffs in particular on the auto sector.

### Europe outperformed other global stocks in first quarter\*



Source: Amundi Investment Institute, Bloomberg.  
\*From 2 January to 25 March 2025.

German equities, and more broadly European indices, have outperformed the main global benchmarks so far this year on the back of changing attitudes towards fiscal austerity in the region. The reform of the ‘constitutional debt brake’ in Germany is paving way for hundred of billions of euros worth of spending on defence and infrastructure. In addition, the European commission has proposed to give additional room to EU countries to spend more on defence and also gave suggestions for joint debt for this purpose. While markets have rightly welcomed this, the most important factors are how these proposals/plans are implemented to improve productivity so that the benefits percolate down to the real economy.

## Actionable ideas



### European equities

In a backdrop of attractive valuations, European businesses with strong business models offer good long term value, but some sectors may be challenged by upcoming tariffs.



### European fixed income

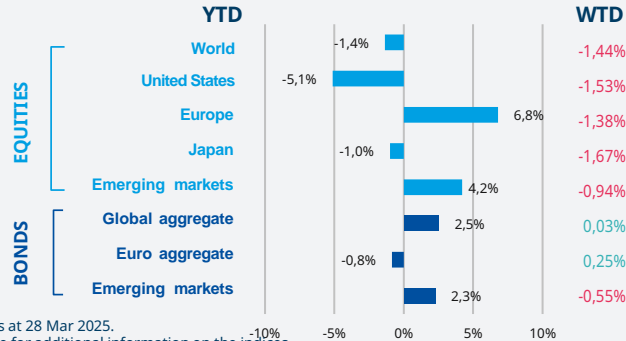
Corporate fundamentals in high grade credit look robust and companies with strong cash flows should do well, particularly at a time when ECB continues to reduce policy rates.

## This week at a glance

Global stocks fell amid concerns that US' trade policies would hurt economic growth and consumer sentiment in the country. Bond yields were mixed. In commodities, oil prices rose on US attempts to limit oil supply from major oil exporters, and gold was also up due to high uncertainty.

### Equity and bond markets

Asset class performances, year to date and week to date



Source: Bloomberg, data as at 28 Mar 2025.  
Please refer to the last page for additional information on the indices.

### Government bond yields

2 and 10-year government bond yields, and 1 week change

		2YR		10YR	
	US	3,91	▼	4,25	▲
	Germany	2,02	▼	2,73	▼
	France	2,16	▼	3,43	▼
	Italy	2,28	▼	3,85	▼
	UK	4,19	▼	4,69	▼
	Japan	0,86	▲	1,54	▲

Source: Bloomberg, data as at 28 Mar 2025.  
Please refer to the last page for additional information on the indices.  
Trend represented refers to 1 week changes. Please refer to the last page for additional information

### Commodities, FX and short term rates, levels and weekly changes

Gold	Crude Oil	EUR/USD	USD/JPY	GBP/USD	USD/RMB	Euribor	T-Bill
USD/oz	USD/barrel	USD	JPY	USD	RMB	3M	3M
3085,12	69,36	1,08	149,84	1,29	7,26	2,33	4,29
+2,1%	+1,6%	+0,1%	+0,3%	+0,2%	+0,1%		

Source: Bloomberg, data as at 28 Mar 2025.  
Please refer to the last page for additional information on the indices.

## Amundi Investment Institute Macro Focus

### Americas



#### US PMI survey shows some strength

The March data for US purchasing managers' index (PMI) rose to 53.5, a three-month high driven by the service sector as companies report signs of strengthening consumer demand. That said, the sentiment in the manufacturing sector has deteriorated further. Looking ahead, we believe the uncertainty on tariffs and the resulting impact on consumption could weigh on growth. However, we do not expect a recession this year.

### Europe



#### Improving business climate in Germany

The IFO business climate index rose from 85.3 points in February to 86.7 points in March. Firms were more satisfied with their current business situation and their future expectations also improved noticeably. German companies are hoping for a recovery on the back of the fiscal expansion expected in the coming years.

### Asia



#### Markets prepare for tariff shock

Asian automakers are among the leading exporters to the U.S. With the latest 25% tariff on automobiles from 2 April, South Korean and Japanese carmakers are particularly vulnerable due to their significant market shares in the U.S. auto import market and their relatively higher exposure to these tariffs. South Korean auto exports to the U.S. account for approximately 1.5% of its GDP, while the number for Japan stands at around 1% of its GDP.



## NOTES

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### Equity and bond markets (chart)

Source: Bloomberg. Markets are represented by the following indices: World Equities = MSCI AC World Index (USD) United States = S&P 500 (USD), Europe = Europe Stoxx 600 (EUR), Japan = TOPIX (YEN), Emerging Markets = MSCI Emerging (USD), Global Aggregate = Bloomberg Global Aggregate USD Euro Aggregate = Bloomberg Euro Aggregate (EUR), Emerging = JPM EMBI Global Diversified (USD)

All indices are calculated on spot prices and are gross of fees and taxation.

### Government bond yields (table), Commodities, FX and short-term rates.

Source: Bloomberg, data as of **19 March 2025**. **The chart shows official rates for the United States, Japan, and the United Kingdom.**

**\*Diversification does not guarantee a profit or protect against a loss.**

## GLOSSARY

**ECB:** European Central Bank

**CPI:** Consumer Price Index

**GDP:** Gross domestic product

**PMI:** Purchasing Managers' Index

**IFO:** Income From Operations, is the profit realized from a business's own operations

**ISM:** Institute for Supply Management index

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Date of first use: **28 March 2025**.

Document ID: 4360016.

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