Institute

July/August 2023

CROSS ASSET
INVESTMENT STRATEGY

TOPIC OF THE MONTH

Where will the pieces fall? Takeaways from 2023 AWIF

GLOBAL INVESTMENT VIEWS

Receding inflation does not mean the battle is won yet

Confidence must be earned

Amundi ASSET MANAGEMENT

Marketing material for the exclusive attention of professional clients, investment services providers and any other professional of the financial industry

Monica DEFEND
Head of Amundi Institute

“We do not expect the Fed to cut rates this year, as inflation remains above the central bank’s comfort level.”

Vincent MORTIER
Group Chief Investment Officer

“Growth direction remains on the worsening side, as the United States should slow progressively, and a mild recession should begin at the end of the year, leading us to remain cautious.”

Matteo GERMANO
Deputy Group Chief Investment Officer

“Valuations and fundamentals still matter: market narrative of the AI miracle might be tested when the economic slowdown will spillover to corporate earnings.”

July/August 2023

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Where will the pieces fall? Takeaways from 2023 AWIF

KEY TAKEAWAYS: The 2023 Amundi World Investment Forum (AWIF) focused on the transformative time we are living in and the key consequences for investors. Investors should embrace a dynamic asset allocation (DAA) approach, rethink fixed income and forex investing with a global mindset, pay attention to trends such as Net Zero and the emergence of Asian giants, and be aware of fashionable trends such as AI, while keeping an eye on valuations.

Monica DEFEND
Head of Amundi Institute

Vincent MORTIER
Group Chief Investment Officer

Matteo GERMANO
Deputy Group Chief Investment Officer

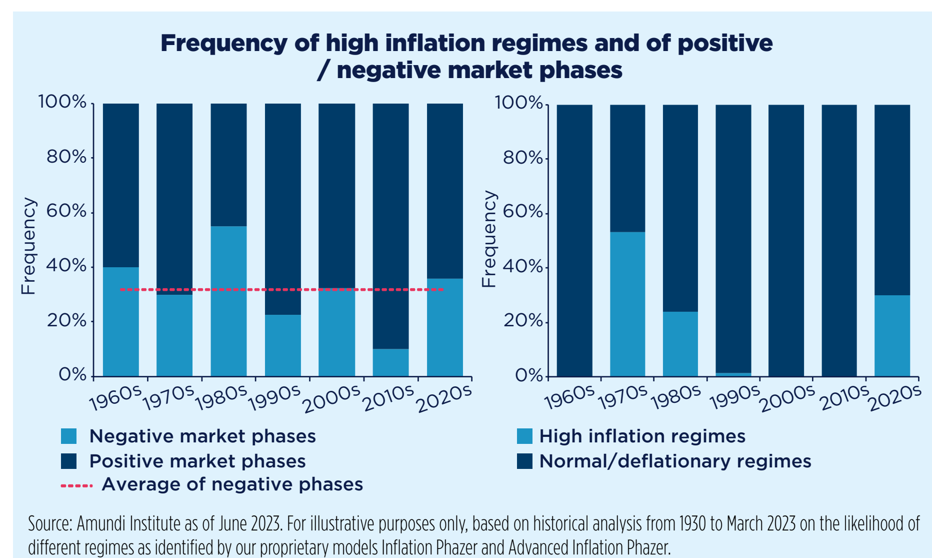
This year's edition of the Amundi World Investment Forum (AWIF) was called **"The global shake-up, where will the pieces fall?"** and focused on the transformative time we are living in. In the words of one of our speakers, former Italian Prime Minister and ECB President Mario Draghi, the most relevant things to watch out for are: inflation, the Russia-Ukraine war, China's global role and artificial intelligence (AI). How we manage these topics today will determine the future of the world. Such a global shake-up will have five main investment implications:

1. Deglobalisation, the energy transition and high inflation call for a DAA approach:

Today, the global economy is characterised by low growth – especially across DM – and high inflation, propelled by energy transition costs and supply-chain relocations, in a sort o**f transformative globalisation.** This has led to the end of 'cheap money', as central banks fight inflation. Meanwhile, high public debt limits the room for fiscal manoeuvring during economic downturns. All this can make economic cycles highly volatile, with inflationary periods and more frequent negative market phases than in the past three decades. This will highlight the relevance **of embracing a DAA approach.** For the next few months, we will keep a cautious stance, given the risk of weak corporate earnings. Investors should favour bonds – including EM ones – as DM official rates may be close to a peak. Once visibility on earnings and growth improves, investors may raise their exposure to risky assets.

2. China and India as long-term investment opportunities:

These countries are different in terms of growth models, stages of development, and the role they play in the geopolitical landscape, triggering diversification opportunities,



Source: Amundi Institute as of June 2023. For illustrative purposes only, based on historical analysis from 1930 to March 2023 on the likelihood of different regimes as identified by our proprietary models Inflation Phazer and Advanced Inflation Phazer.

since their bond markets show low correlation both with each other and with the main global indices. Looking at sectors, India should see strong manufacturing growth, while China could develop its consumer and services sectors. Both countries can play a key role in technology and the energy transition and are large issuers of green bonds. Investors should consider a **dedicated allocation to China and India,** which offer high potential returns, while being aware of possible volatility in investment flows.

3. Desynchronised growth-inflation dynamics to put global fixed income and forex approach in focus:

The correlation between rates and credit is decreasing globally, opening up **diversification opportunities** for investors. For instance, China's government bonds were a good diversifier and source of performance in 2022 as China was on a different growth path than most DM. **FX management will also be a source of performance.** For instance, the nearshoring of many US corporates' production sites from China to Mexico has driven the strong outperformance of the Mexican peso against the dollar, as well as against other LatAm currencies. **Asynchrony and deglobalisation call for global strategies, stronger FX management and overall active management.**

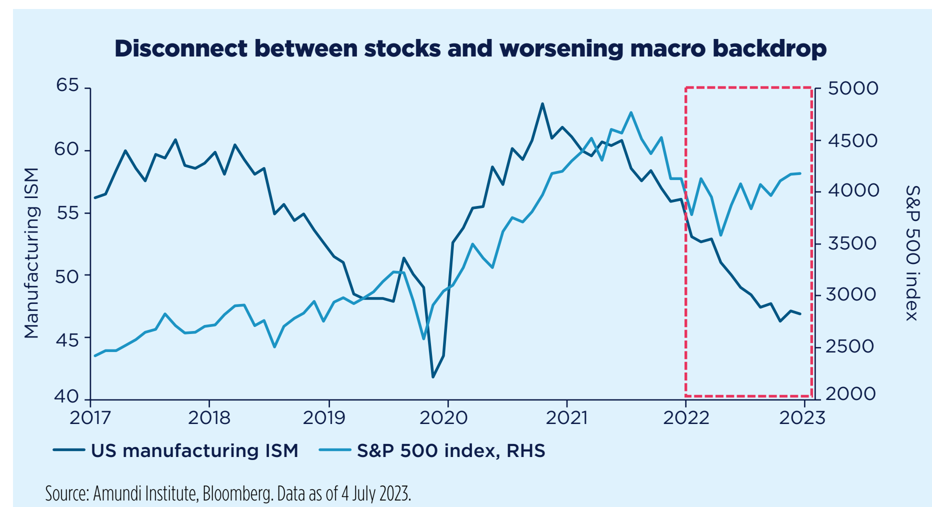
"Valuations and fundamentals still matter: market narratives around the AI miracle are likely to be tested when the economic slowdown spills over to corporate earnings."

4. Net Zero will be a significant trend for portfolio construction:

Embracing Net Zero investing will be increasingly relevant in the era of energy transition. For investors, this means looking at large-cap names with **credible decarbonisation plans and low carbon intensity.** Investors could also seek opportunities by focusing on themes such as responsible production, efficient consumption and the circular economy, or explore supranational entities and governments issuing green bonds to finance climate-friendly projects. Opportunities should be particularly relevant in Europe. Addressing the energy transition will also be key across EM.

5. AI and technological innovation:

AI will impact every aspect of our lives in the coming years. It could also affect **productivity trends.** We believe markets are ignoring any possible regulatory implications, and that valuations and earnings projections remain relevant. However, we think **it is too early to buy the narrative of a secular bull run driven by AI productivity gains.** Psychological behaviours are at play, leading to this market disconnect. They include different tendencies, such as following in-fashion trends irrespective of valuations and fundamentals, which often lead to the creation of bubbles, while forgetting about liquidity costs. As such, **investors should assess any opportunity by comparing upside and potential downside risks over the investment time horizon.**



Source: Amundi Institute, Bloomberg. Data as of 4 July 2023.

MACROECONOMICS, GEOPOLITICS, AND STRATEGY

by Amundi Institute

UK monetary policy to avert risk of a wage-price spiral

Mahmood PRADHAN
Head of Global Macroeconomics - Amundi Institute

Annalisa USARDI, CFA
Senior Economist – Amundi Institute

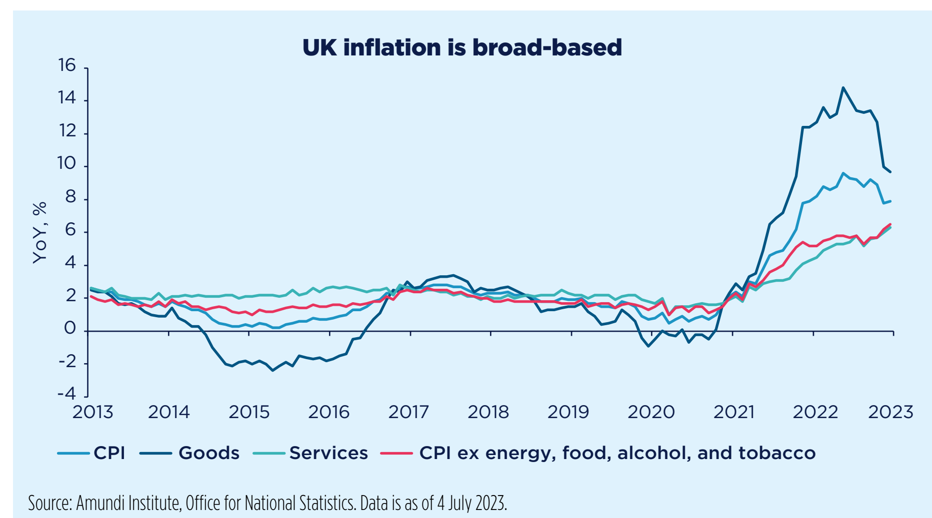
The United Kingdom is the only advanced country with wage growth above core inflation, risking a wage-price spiral. Inflation is broad-based and expected to remain much higher than in the rest of the G7, above 6.0% in 2023 and well above 3.0% by end-2024. Growth will be flat at best, but all risks point to the downside.

Core inflation will be difficult to tame in the short term amid persistent wage pressures on account of a very tight labour market due to the impact of Covid-19 and Brexit, while high mortgage rates add to the cost of living.

More monetary tightening is inevitable. Markets expect rates to peak well above 6.0%, but the BoE will have to choose between tightening too much – pushing mortgage rates higher and triggering a recession – and patience in attaining its inflation target. We expect a peak rate of around 5.5%.

A high share of variable-rate mortgages will reduce activity in the housing market and sustain pressure on rents, but house prices are unlikely to correct precipitously because of insufficient supply and the fact that around half of homeowners have no mortgage debt. Higher rates will also increase income on savings, thus moderating the overall effect of monetary tightening on activity.

The medium-term outlook is more challenging. The United Kingdom is the only advanced country that has not grown since 2019, with employment levels below the 2019 level. Official forecasts put UK GDP only 1pp higher by 2025. Low potential growth imposes tight fiscal constraints. With taxes already rising – corporate tax was raised from 19 to 25% and income tax allowances have been frozen – **public debt-to-GDP ratio is unlikely to fall below 100% by 2025.** Bringing debt down below 100% will require primary fiscal surpluses of 2.0% of GDP if long-term rates stay above 3.5%. **A labour shortage and reduced trade because of Brexit mean reforms to increase growth would be a way out, but free-trade zones and pinning hopes on AI are unlikely to move the needle.**



Source: Amundi Institute, Office for National Statistics. Data is as of 4 July 2023.

Emerging markets central banks ready to start easing

Alessia BERARDI
Head of Emerging
Macro Strategy - Amundi Institute

As shown in the most recent trends from economic variables, EM growth momentum remains fragile and, in some instances, is even deteriorating. **China's faster- and sharper-than-anticipated slowdown should result in weaker overall external demand**, both for EM and for the rest of the world. From a regional standpoint, manufacturing PMIs (as of June) for Eastern Europe (e.g., Czech Republic, Poland) are heading well below 50. In LatAm, Brazil and Colombia prints remain slightly below 50, with Mexico an exception. Asia's picture appears more mixed, with South Asia – mainly India – outperforming North Asia. The services sector appears to be more resilient. In any case, both external and domestic demand are decelerating.

Following several months of positive surprises and downward forecast revisions, **June inflation data printed slightly below expectations for headline indices.** The bulk of the H1 2023 disinflation trend came from LatAm, while in CEEMEA disinflation is advancing at a more gradual pace. In Asia, the disinflationary trend is more moderate, due to generally lower inflation peaks to start with. Mirroring evidence from growth trends, the disinflationary paths of core and services are lagging behind, even though the downward trend has started.

In summary, **domestic conditions in several EM are ripe for a monetary policy turn towards an easing cycle.** Considering that the Fed is also close to peak official rates, global financial conditions are aligned with domestic conditions vis-à-vis a start to easing in EM. Despite this possible early kick-off, the policy rates adjustment back to pre-tightening levels will need time. Inflation is not reaching its pre-tightening levels quickly and, with base effects fading over the summer, inflation should peak up mildly, flirting with the upper band of CB targets in many countries. The El Nino meteorological phenomenon poses an upside risk to our inflation expectations in the short term, through its fallout on food prices. In addition, over the next few years, inflation should be structurally supported by several factors, including the Net Zero transition, low productivity and stronger protectionist measures.

	Manufacturing PMI	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Latam	Mexico	48.5	48.5	50.3	50.3	50.6	51.3	48.9	51	51	51.1	50.5	50.9
Latam	Brazil	54	51.9	51.1	50.8	44.3	44.2	47.5	49.2	47	44.3	47.1	46.6
Latam	Colombia	49.5	52.4	52.8	50	47.3	51.1	48.5	49.8	51.5	52.6	49.9	49.8
Eastern Europe	Russia	50.3	51.7	52	50.7	53.2	53	52.6	53.6	53.2	52.6	53.5	52.6
Eastern Europe	Poland	42.1	40.9	43	42	43.4	45.6	47.5	48.5	48.3	46.6	47	45.1
Eastern Europe	Czech Republic	46.8	46.8	44.7	41.7	41.6	42.6	44.6	44.3	44.3	42.8	42.8	40.8
Asia	China	50.4	49.5	48.1	49.2	49.4	49	49.2	51.6	50	49.5	50.9	50.5
Asia	India	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8
Asia	Indonesia	51.3	51.7	53.7	51.8	50.3	50.9	51.3	51.2	51.9	52.7	50.3	52.5
Asia	South Korea	49.8	47.6	47.3	48.2	49	48.2	48.5	48.5	47.6	48.1	48.4	47.8
Asia	Taiwan	44.6	42.7	42.2	41.5	41.6	44.6	44.3	49	48.6	47.1	44.3	44.8
Asia	Philippines	50.8	51.2	52.9	52.6	52.7	53.1	53.5	52.7	52.5	51.4	52.2	50.9

Source: Amundi Institute, Datastream. Data is as of 11 July 2023.

Macroeconomic snapshot

We upgraded our US growth expectations on the back of Q1 GDP and strong Q2 data. While we still expect the US economy to deteriorate tangibly and fall into a mild recession, we pushed this call back towards year-end, when credit deterioration should weigh on growth. Inflation should remain sticky, at least in the near term and at a core level, but we expect some progressive normalisation, helped by below-par growth.

We expect weak Eurozone activity, as financial conditions tighten and the US economic outlook worsens. Growth will be mixed across the area, with peripheral countries performing better than core ones, thanks to positive Q1 momentum and strong carry-over effects. Overall growth will slow to below potential. Headline inflation will move lower faster than core inflation, while the latter will be sticky and constrain consumption, keeping the ECB in tightening mode.

In early 2023, UK growth proved better than expected, with lower energy prices removing downside risks, but we still see the economy facing headwinds. We expect inflation to remain very high and above target, putting a lid on domestic demand and forcing the BoE to remain hawkish. This will imply very subdued growth in 2023-24 amid the non-negligible risk of a wage-price spiral.

Japan's Q1 GDP growth was upgraded to 2.7% from 1.6% QoQ annualised, prompting us to raise our full-year forecast to 0.9% from 0.6%. Although business investments have proven resilient, we anticipate a moderation in H2 due to weakening global demand, with some potential re-acceleration in 2024. As household inflation expectations have been cooling, we project Japan's core CPI to have peaked in May at 4.3% YoY and should decline gradually to around 2.5% by year-end and into 2024, against the BoJ's forecast of a re-acceleration in 2024.

China's Q2 sequential GDP growth came in at 3.2% QoQ annualised, below our expectation. This, combined with delayed fiscal and housing policy support, has led us to cut our 2023 full-year growth projection to 5.1% from 5.7%. As policymakers focus on a long-term transition, their tolerance for slower growth has risen. With no substantial stimulus measures, China's growth should stabilise within the 3-4% range over the long term.

In Q2, growth momentum proved robust, especially in the urban sector. Credit supply keeps growing quickly, at around 15% YoY. Economic performance is based on both the supply and demand side. Inflation should bottom over summer (it was around 4.5% on average in May-June) and is expected to move up, while remaining within the target range. The RBI is expected to stay on hold in August and to only start easing in early 2024.

Considering the size of the recent Turkish earthquake and high inflation, the slowdown was relatively contained in Q1 thanks to loose monetary and fiscal policy. Over the rest of the year, we expect real GDP growth to weaken. Despite the recent interest rate hike and, after bottoming out in June at 38% YoY, inflation is likely to keep rebounding due to base effects no longer being at play, Turkish lira's sharp depreciation, sizeable price or tax hikes for some products, and pension rises.

Brazil's macroeconomic glass is half full with growth slowing in a resilient fashion thanks to robust Q1 agricultural output and solid labour market conditions, while inflation is moderating and is now within the target range (even though base effects should push it up in H2). BCB made a dovish turn lining up its first cut in August and a gradual easing cycle thereafter. Lula's administration is acting in a 'prudently populist' way and is about to pass a fiscal rule acceptable to markets.

DM-EM CB asynchrony to feature in H2

Developed markets

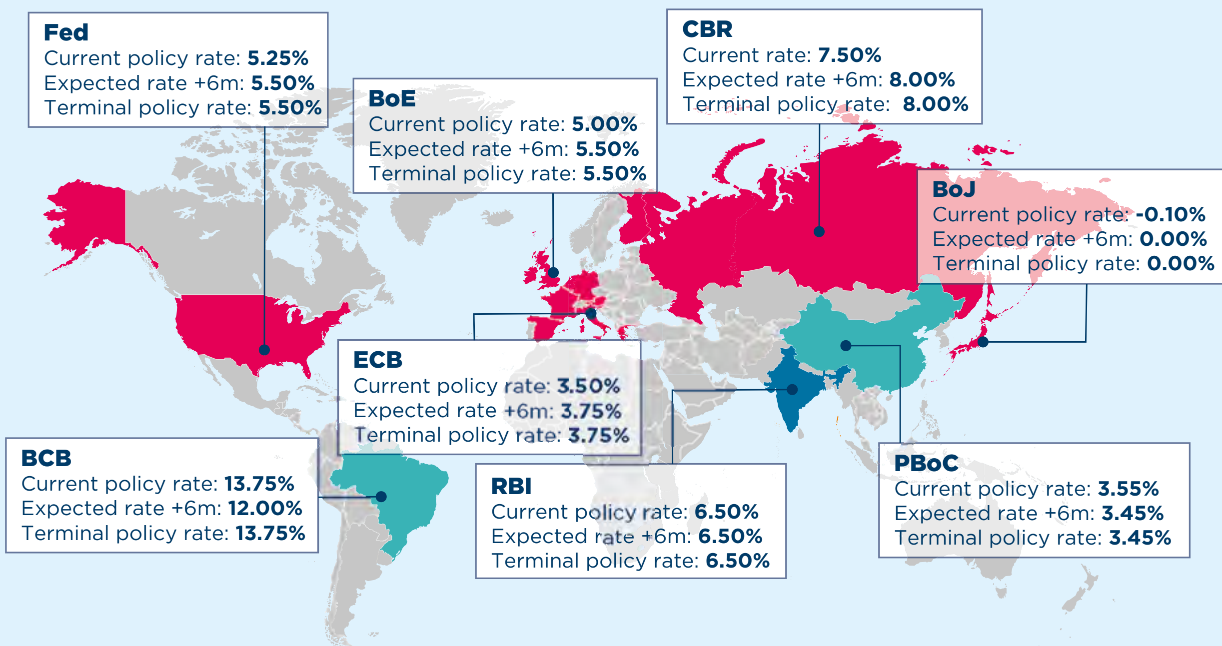
Inflation remains a priority and DM central banks (CB) confirmed their commitment to bring inflation back to target:

- The **Fed** held interest rates unchanged in June. However, "a strong majority of committee participants expect that it will be appropriate to raise interest rates two or more times by the end of the year," Chair Jerome Powell said. "Inflation pressures run high, and the process of getting inflation back down to 2% has a long way to go."
- The **ECB** hiked rates by 25bp in June and signalled it will hike again in July: «It is unlikely that in the near future the central bank will be able to state with full confidence that peak rates have been reached," President Christine Lagarde said at the Sintra forum.
- The **BoE** surprised by raising rates by 50bp at its latest meeting. It opened the door to further moves, as the inflation picture is stubborn, risking a wage-price spiral.
- We believe July is probably the last possible meeting for a yield curve control change from the **BoJ**. Softening domestic inflation pressures, coupled with increasingly recessionary overseas markets, should keep the BoJ on hold.

Emerging markets

While DM CB are poised to hike rates further, some EM CB see things differently and are out of sync with their DM peers, eyeing cuts as early as their upcoming meetings over the summer. In **LatAm**, there was a clear shift in bias, amid signals that easing cycles are lurking around the corner for a couple of regional CB. Price pressures are easing across the region including core and services inflation, benefitting – among other factors – from slowing domestic demand. Chile's central bank nearly kicked things off in June, but the Committee was one vote short to deliver a cut. A July cut is very likely now. **Brazil's central bank (BCB)** opted for caution and sounded neutral, but dovishness was evident when it cut its 2024 inflation forecast to 3.4%. Its monetary policy committee is already in data-dependent mode so, all in all, the **BCB is likely to start easing in September.** Elsewhere, the dovish narrative is more scattered: Poland's CB governor softened his conditionality, possibly bringing forward its first rate cut to end-Q3 from Q4. While in its mission to avoid a deeper downturn, the **People's Bank of China** has been incrementally more dovish since June.

Amundi's assessment of central bank rates trend, six-month ahead



Source: Amundi Institute as of 17 July 2023. Amundi's assessment of central bank rates trend is based on Amundi Institute's forward-looking judgement of policy rates direction, based on our intake from forward guidance and CB communication.

KEY DATES	**25-26 July** US Federal Open Market Committee (FOMC) meeting	**27 July** ECB Governing Council meeting	**3 August** BOE Monetary Policy Committee meeting

GEOPOLITICS

Implications of Wagner insurrection

Anna ROSENBERG
Head of Geopolitics - Amundi Institute

"While Putin will remain firmly in the driving seat, time is no longer on his side."

The implications of the aborted Wagner insurrection are now apparent. Recent developments have introduced an element of doubt over Putin's stronghold on power. However, he will remain firmly in the driving seat unless another unexpected coup occurs, even though the likelihood of that is low. The one possible force, the Wagner group, with the military strength to challenge Putin's regime has been decimated. The regime is now busy discrediting Wagner supporters at home. **Putin will invest in shoring up domestic security** to avoid another similar incident in the future. While no material change has occurred, **the aborted mission will nevertheless have consequences for the war.** Putin will relocate some security back home, **eroding manpower at the front** marginally. Wagner was behind some of Russia's military gains in Ukraine. Even though it has withdrawn in recent weeks, that force is now missing. More important will be the impact on Russian military morale. The infighting and the Wagner leader Prigozhin's open challenge of Putin's war rationale will erode the morale of Russian forces. **Animosity to the war is likely to grow at home**, as Russians came close to bloodshed in Moscow. **All in all, the episode helps Ukraine's counter-offensive and Ukrainians are likely to accelerate the erosion of Russian morale by hitting targets in Russia.** Uncertainty over Putin's grip on power supports our expectation that China will refrain from sending heavy weapons to Russia. While China will continue to support Russia opportunistically, it will not want to risk its relationship with key EU member states and it will increasingly see Putin as a liability.

POLICY

Falling productivity may lead to a poor policy mix

Didier BOROWSKI
Head of Macro Policy Research - Amundi Institute

For the second year in a row, labour productivity in the Eurozone is likely to decline in 2023. According to the ECB, businesses would prefer to maintain their workforce despite the economic slowdown because of labour shortages in certain sectors, and the ensuing hiring difficulties later in the recovery phase. This phenomenon is likely to last. **The resulting resilience of employment is exacerbating inflation in two ways.** Firstly, employees are still in a position to negotiate pay rises. Secondly, unit labour costs (ULC) will rise further as productivity falls. ULC largely determine future core inflation, this is why the ECB is considering tightening monetary policy further but, in doing so, the ECB is not taking sufficient account of fiscal policy. Recent papers presented at the Sintra forum show that fiscal policy has ultimately contained the rise in prices despite **the support given to aggregate demand. However, the support measures put in place during the energy crisis are now being withdrawn.** All in all, next year Europe will suffer the combined effects of tighter fiscal and monetary policy. Such a scenario is difficult to reconcile with the European Commission's growth forecasts, which expect a return to potential growth (1.5%) in 2024 in the Eurozone. The increase in public debt and the economic slowdown in Europe call for a rebalancing of the policy mix. **Fiscal consolidation should become the priority, but it will not materialise if the ECB continues to tighten monetary policy and provokes a recession.**

"Monetary policy is not the only game in town; now is the time for fiscal consolidation."

Central and alternative scenarios

	DOWNSIDE SCENARIO (Prob. 20%) Financial crisis triggers global recession	CENTRAL SCENARIO (Prob. 70%) Sharp slowdown in global growth	UPSIDE SCENARIO (Prob. 10%) Economic resilience
	▪ Worsening Ukraine war impairs commodity trade. ▪ More protectionism and increased retaliation to protectionist measures.	▪ Ukraine-Russia: risk of escalation in the short run, but de-escalation still likely in late 2023-early 2024. ▪ China-US tensions. ▪ More protectionism, near-shoring / friend-shoring. ▪ OPEC+ imposing a floor on oil prices.	▪ De-escalation / ceasefire in Ukraine. ▪ Lower energy / food prices.
	▪ Sticky core inflation leads to tighter financial conditions. ▪ CB hike more than expected. ▪ Financial stress. ▪ **Two sub-scenarios** with different paths for key rates: **modest recession:** inflation risks may still prevail; and **strong recession:** large rate cuts as soon as H2 2023. The second is the most likely.	▪ Inflation to slow gradually; sticky core inflation, should approach target by end-2024. ▪ DM CB close to peak, no rate cuts in H2 2023. ▪ Fed Funds rate back to 3% by end-2024 (-225bp) on the back of a significant disinflationary trend expected in 2024. ECB: no cuts before mid-2024. ▪ Many EM CB have hit peak rates. Rate cuts expected in some countries, particularly in LatAm. ▪ EU fiscal policies to tighten. US fiscal impulse more ambiguous: the IRA is positive, but spending caps (debt ceiling deal) are negative. EM fiscal space constrained amid prudent stance. Fiscal stimulus coming up in China to avoid a downturn.	▪ CB status quo, key rates higher for longer.
	▪ More widely spread recessionary outlook (global growth below 2%).	▪ The global slowdown tends to become more synchronised: anaemic growth in Europe, shallow US recession from Q4 2023, marked slowdown in China. ▪ Tightening credit conditions to hit DM economic activity in H2 2023. ▪ Growth gap still tends to favour EM in 2024.	▪ In case of pronounced cyclical disinflation, we could see a faster-than-expected return to potential growth in 2024. ▪ IMF- or ECB-type scenario.
	▪ Climate transition measures postponed: more climate events hitting supply chains or food security.	▪ Climate change hampers growth and exacerbates stagflationary trends.	▪ Climate change policy and energy transition are top priorities and coordinated across regions.

Risks to central scenario

HIGH ← PROBABILITY → LOW

	20%	20%	20%	15%
	Geopolitical risk and war escalation	**Deep profit recession**	**Macro financial risks triggered by tighter credit and liquidity conditions**	**Persistent stagflationary pressure (US / Europe)**
Market impact +	**Positive** for DM govies, cash, gold, USD, volatility, defensive assets and oil.	**Positive** for cash, JPY, gold, quality vs growth, and defensives vs cyclicals.	**Positive** or US Treasuries, cash and gold.	**Positive** for TIPS, gold, commodity FX and real assets.
Market impact -	**Negative** for credit, equities and EM.	**Negative** for risky assets and commodity exporters.	**Negative** for credit.	**Negative** for bonds, equities, DM FX and EM assets.

Source: Amundi Institute as of 17 July 2023. DM: developed markets. EM: emerging markets. CB: central banks. USD: US dollar. TIPS: Treasury inflation-protected securities. FX: foreign exchange markets.

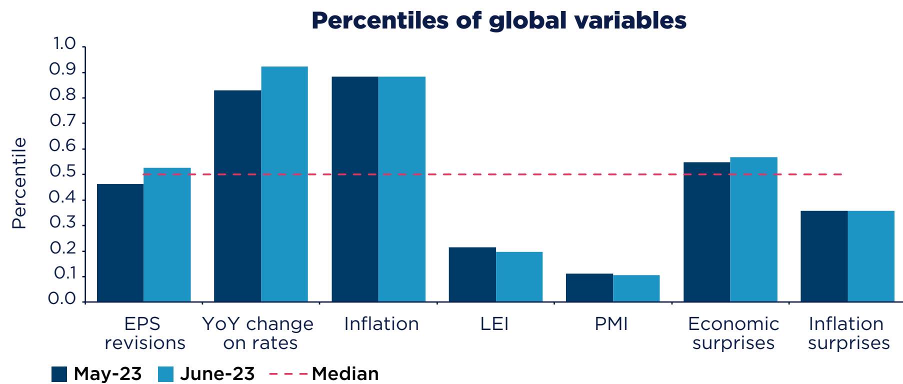
Composite Economic Momentum Index (CEMI)

Lorenzo PORTELLI
Head of Cross Asset Strategy,
Head of Research at
Amundi Italy - Amundi Institute

What is the model about?

- **The rationale:** soft economic data is helpful for fine-tuning economic cycle phases based on hard data. Surveys on business confidence, positive / negative data surprises against expectations or revisions, and the financial response to rates are important, as they provide valuable information regarding sharp and short-lived fluctuations which are key drivers of tactical asset allocation choices and asset rotations within asset classes. Our global CEMI is a synthetic measure of economic strength or weakness based on a composite basket of soft data, from both DM and EM.
- **Model setup:** the CEMI combines a comprehensive set of economic and financial data, including: OECD leading indicators, PMI (as a proxy for business confidence), earnings revisions, CPI, 10y government nominal rates, inflation and economic surprises.
- **Model output:** the global index is the outcome of the aggregation of the above seven variables based on a principal component analysis run on four regions (United States, Europe, Japan and GEM). A forecast for each index is calculated according to a proprietary econometric model in order to assess the inertia and forward-looking trajectory in regional CEMI indices.

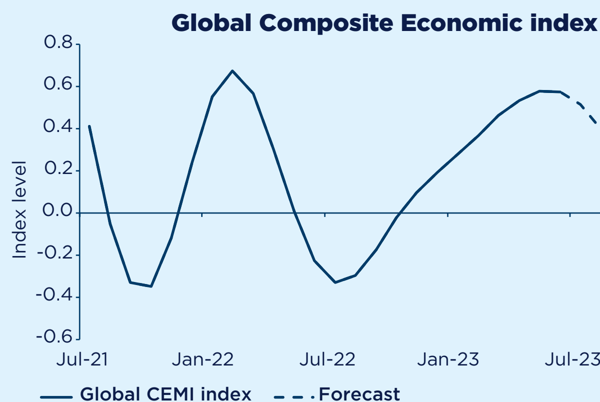
“Soft economic or financial data are a key determinant for fine-tuning an economic cycle.”



Source: Amundi Institute, Bloomberg. Data is as of 3 July 2023. LEI: leading economic indicators.

What are the current signals?

- The global economic cycle is peaking and decelerating progressively, as global strength is losing momentum due to slowing manufacturing PMIs, economic surprises and leading indicators. So far, aside from Japan, the United States has offset European weakness and the weaker-than-expected GEM recovery.
- The GEM recovery is a necessary condition to avoiding a global recession, as it could offset expected weakness across Western DM.



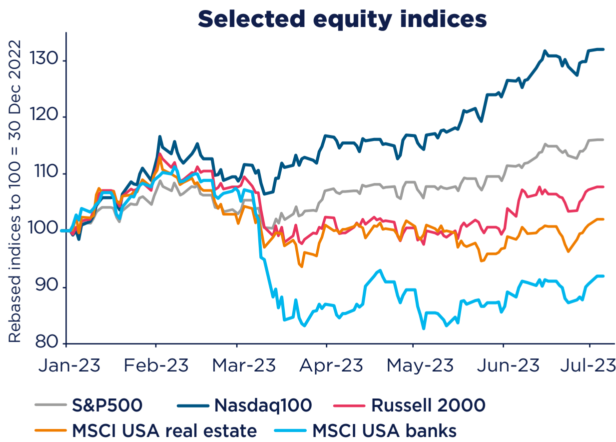
Source: Amundi Institute, Bloomberg. Data is as of 3 July 2023.

Equities in charts

Developed markets

Rally broadening to the laggards

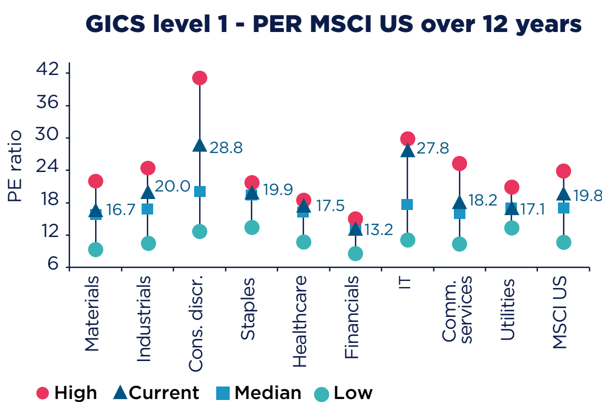
Laggards join the Nasdaq-driven rally, as resilient economy makes investors fear they are missing out.



Source: Amundi Institute, Datastream. Data is as of 5 July 2023.

US equity expensiveness is uneven

If the MSCI US PE ratio is back to around 20x its 12-month forward EPS, this is due to IT and consumer discretionary stocks.



Source: Amundi Institute, Datastream. Data is as of 56 July 2023. PER: price-earnings ratio.

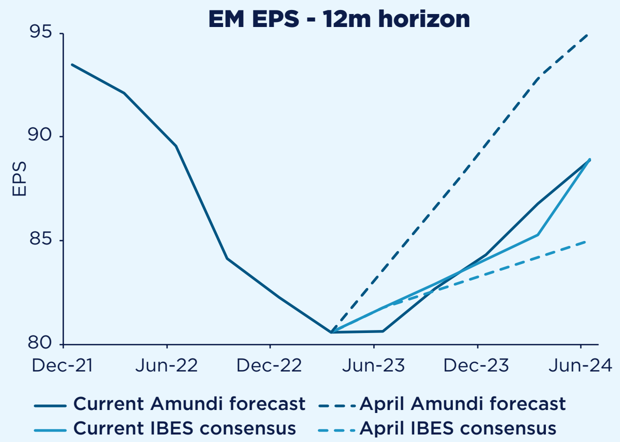
"Fear of missing out is back."

Éric MIJOT
Head of Global Equity Strategy - Amundi Institute

Emerging markets

EM EPS set to rebound over the next year

Our forecast for GEM earnings over the next twelve months (in USD) was cut from 14% in April to 10% currently. Now we are aligned with consensus that, instead, moved up from 5% to 9% over the same time span.



Amundi Institute, FactSet, IBES. Data is as of 5 July 2023.

India's stocks shined in Q2

India's stock market returns should stay robust over the long run, amid the nation's strong GDP growth outlook, buoyed by its young demographics and reform momentum.

Source: Amundi Institute, Bloomberg. Data is as of 6 July 2023.

"EM Asia has been enjoying a healthy trend for earnings revisions."

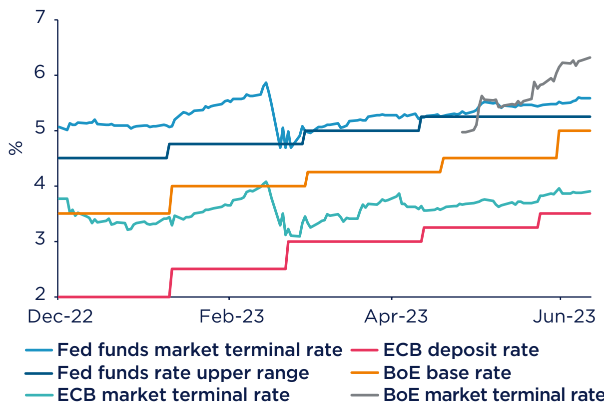
Alessia BERARDI
Head of Emerging Macro Strategy - Amundi Institute

Bonds in charts

Developed markets

Markets expect terminal rates to rise

The flattening trend of yield curves has accelerated, as markets expect main DM CB to do more to bring inflation back to 2%.



Source: Amundi Institute, Bloomberg. Data is as of 10 July 2023.

US HY outperformed and spreads are tight

Despite macroeconomic uncertainty and a hawkish Fed, US HY outperformed European peers in June. US HY spreads are now almost back to their pre-SVB level.

Source: Amundi Institute, Bloomberg. Data is as of 7 July 2023.

“US HY spreads are now almost back to their pre-SVB level.”

Valentine AINOUZ
Head of Global Fixed Income Strategy - Amundi Institute

Emerging markets

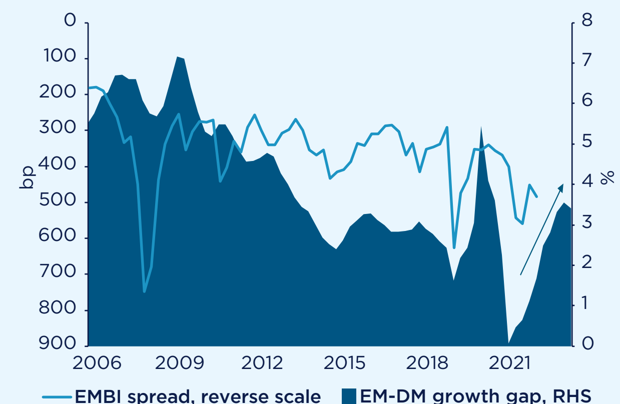
EM currencies set to outperform this year

EM currencies have performed well so far this year, benefitting – among other factors – from our view that the dollar will weaken throughout the year.

Source: Amundi Institute, Bloomberg. Data is as of 6 July 2023. FX momentum is computed as daily average of FX cumulated performance.

Strong LC bonds, but HC ones to catch up

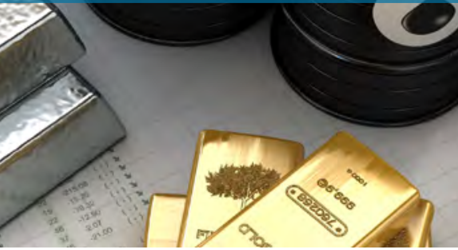
EM LC bonds have been the best asset class in the EM universe so far this year. HC bonds have moved to narrow the gap recently and our scenario is consistent with a further recovery ahead.



Source: Amundi Institute, Bloomberg. Data is as of 6 July 2023.

“EM FX should benefit from the expected dollar weakness in H2.”

Alessia BERARDI
Head of Emerging Macro Strategy - Amundi Institute

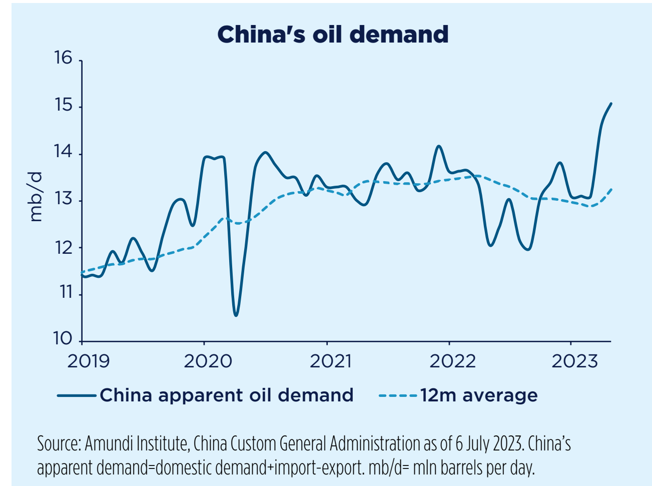


Modest upside still likely for oil

Jean-Baptiste BERTHON
Senior Cross Asset Strategist - Amundi Institute

"We see oil range trading at around $80/barrel for Brent in the near term, with more traction late in H2."

Despite rounds of OPEC+ cuts and investors' risk-on mood, **oil prices have not broken out of their trading range.** We expect oil prices to remain in a volatile range in the short term, floored by attractive valuations, but capped by mixed technicals. Yet, resilient global demand and evidence of tightening OPEC+ supply are likely to send the oil markets into deficit in late H2, providing traction. A mild and delayed global recession and easing liquidity stress would help. However, rebuilding OPEC's spare capacity and an economic slowdown should limit the upside. We see oil range trading at around $80/barrel for Brent in the near term, with more traction late in H2, with the price settling at $85-90/barrel.

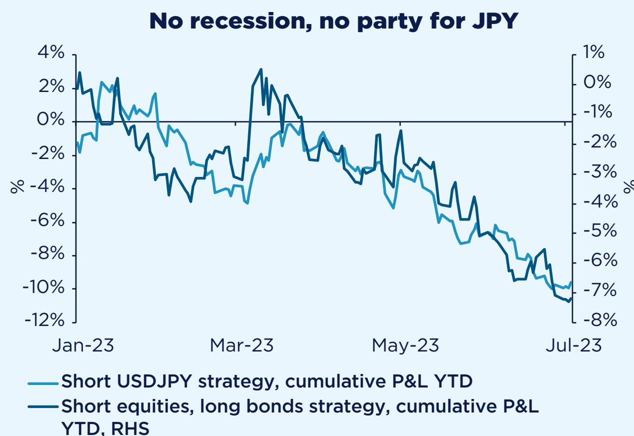


Source: Amundi Institute, China Custom General Administration as of 6 July 2023. China's apparent demand=domestic demand+import-export. mb/d= mln barrels per day.

CURRENCIES

JPY: no recession, no party

We entered 2023 assuming both local (a hawkish BoJ) and global (recession) conditions would support the JPY. Reality has proven different so far, but a closer look at the main forces behind market trends may help understand why – even amid risks – JPY asymmetry remains positive from here. Beyond a hawkish BoJ pivot, **it is the recession scenario – which the market has yet not priced in – that requires a stronger JPY.** In this scenario, equities tend to fall, duration should be diversified, and investors are likely to unwind carry positions, in turn pushing funding currencies higher. The 2023 market has not yet priced this in but, with an upcoming US recession, JPY tailwinds may return gradually.



Source: Amundi Institute, Bloomberg. Data is as of 7 July 2023.

Federico CESARINI
Head of DM FX - Amundi Institute

"It is the recession scenario – which the market has not yet priced in – that requires a stronger JPY."

GLOBAL INVESTMENT VIEWS

Receding inflation does not mean the battle is won yet

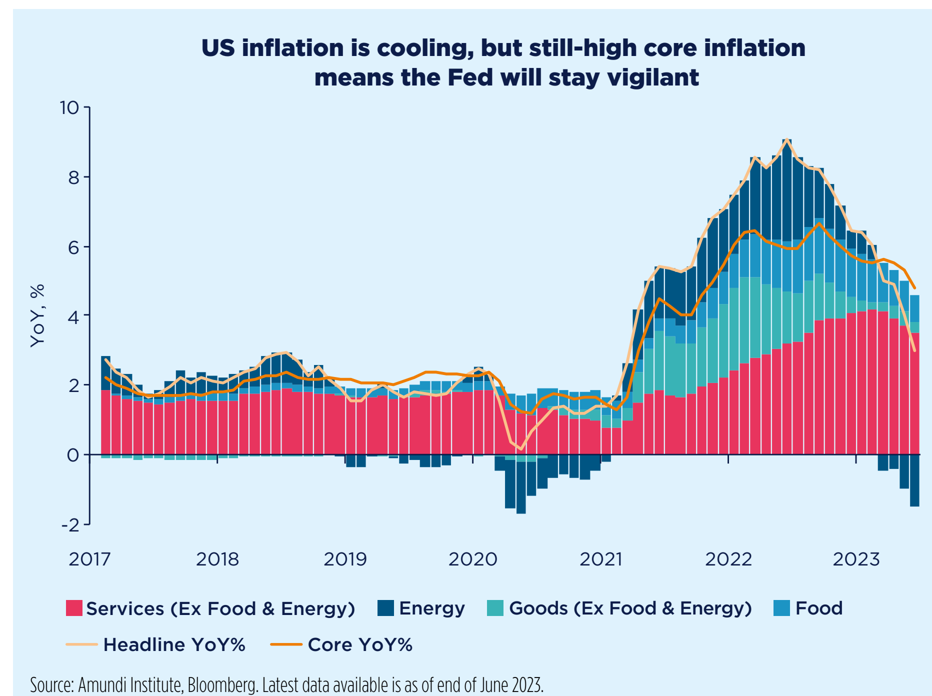
Vincent MORTIER
Group Chief Investment Officer

Matteo GERMANO
Deputy Group Chief Investment Officer

The optimism on risk assets behaviour partly stems from most of the hiking cycle now being behind us and a better-than-previously-expected economic picture, mainly in the United States. Here, we continue to expect a mild recession in 4Q23/1Q24, but we upgraded our 2023 growth forecast to 1.6% on the back of better Q1 growth revisions. The Eurozone should avoid a recession, but risks related to ECB overtightening and growth divergences among countries persist. For China, we downgraded 2023 growth forecasts to 5.1% due to a weak Q2 and delayed stimulus. Consequently, the following factors could drive economic considerations:

- **Excessive optimism on shaky foundations.** The strength in US growth is more mechanical and forward-looking indicators point to subdued activity. In Europe, risks are skewed to the downside, also because of the weakness in China.
- **Watch out for core inflation regarding the policy path.** Core disinflationary trends (and not a mild recession) could prompt the Fed to cut rates next year. But core inflation could still be sticky. Another factor to watch is real funds rates.
- **Upward pressures on terminal rates.** The ECB is not in a pause mode. Even for the Fed, we see pressures on our terminal rates forecast of 5.5%. However, financial stability concerns and financial conditions amid risks of overtightening must be monitored.
- **Long-term shift from West to East remains.** Despite China moving to lower growth, EM continue to present selective opportunities.

US inflation is cooling, but still-high core inflation means the Fed will stay vigilant



Source: Amundi Institute, Bloomberg. Latest data available is as of end of June 2023.

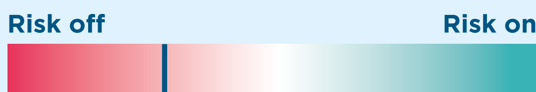
We see opportunities in the following areas:

- **Cross asset, enhance diversification.** We are now slightly positive on Europe duration and remain constructive on the US, but we now see a case for some protection here on an uncertain inflation path. We are cautious on credit, particularly HY, and on DM equities. In EM equities, we do not change our positive stance, but adjust it by replacing the positive view on China with broader EM. We continue to like EM bonds, and are now marginally constructive on Czech government bonds, but believe currency risks should be hedged. Overall, we believe investors should seek protection on equities and keep a small positive view on gold for diversification.
- **Bonds remain in focus.** Volatile fixed income markets mean our stance on duration and corporate credit stays very active. On the former, we remain marginally positive on the US, but are flexible. In core Europe, we are moving close to neutral and are monitoring the evolution of economic data, but we stay defensive on Japan. In credit, our preference continues to be for high-quality IG, while in HY, we stay cautious and believe there is a need to differentiate between BB- and B-rated vs CCC-rated issuers. Thus, the need for selection is high, as we expect to see increases in idiosyncratic risks.
- **Equities still defensive in DM.** In the United States, the divergences between large caps and the rest of the market remain. Regarding value, quality and defensives, we remain positive and selective. In Europe, we are assessing the decline in economic momentum, along with the impact of ECB actions and the direction of inflation. Less support from the region's economic growth and from weakness in China could have implications for equities. As a result, our focus continues to be on quality, value and dividend-oriented stocks that reward shareholders.
- **With a strong focus on selection, we are positive on EM** despite some near-term weakness in China. The long-term Chinese growth story is still intact, but at a lower level and characterised by the government's focus on better quality of life. Importantly, the EM story goes beyond China, to countries such as India and Brazil, where we are more positive on equities. In FI, we remain optimistic on HC and LC debt and on LatAm amid easing inflation.

“We remain sceptical on inflated valuations because the uptrend in risk assets is due to the laggards catching up rather than any meaningful improvement to earnings outlook.”

Overall risk sentiment

Risk off — **Risk on**



Amid excessive exuberance in markets, we continue to focus on earnings growth, financial conditions and central bank policy actions.

Changes vs. previous month

- Cross assets: Small positive on EU duration; constructive view on EM FI confirmed; diversified in EM equities.
- Equities: Less positive on China; more constructive on Brazil and India.
- Hedges & FX: Protection on US duration.

Overall risk sentiment is a qualitative view towards risk assets (credit, equity, commodities) expressed by the various investment platforms and shared at the global investment committee. Our stance may be adjusted to reflect any change in the market and economic backdrop.

Three hot questions

1. What is the main trend you see in the global monetary policy cycle?

We are seeing a desynchronisation in the global policy cycle between DM and EM. Major DM central banks could hike rates further, while some EM CBs are close to cutting rates, starting with LatAm, which has been enjoying moderating inflation over the past several months. This is the result of a timely and aggressive monetary policy response. We foresee Chile and Brazil's CBs cutting first, followed by Colombia and Peru in September. CEE countries should follow, led by Poland, where single-digit inflation should be hit in August/September.

Investment consequences:

- Easing monetary policy and stable inflation should support EM local currency bonds, with the largest upside expected in LatAm.

2. What are your expectations on the Q2 reporting season?

Second-quarter 2023 should be the first to feature negative year-on-year growth this year, both in the United States and in Europe. The downswing is expected to be stronger for Europe (-8.2% from +11.1%) than for the United States (-6.4% from +0.1% in Q1), with huge divergences across sectors. In the United States, energy and materials are likely to report the strongest declines, with heavy influences on the aggregate result.

Investment consequences:

- Regionally, we favour Japan over the United States, as the latter is very expensive.
- From a style perspective, we favour quality in the United States and Europe and value in Japan.

3. Can you offer any update on financial conditions?

Since late March, we have been experiencing a broad-based easing of US financial conditions, but they remain tight by historical standards. Today, they are more restrictive than most recent stress windows except for the GFC and the Covid-19 crisis. Unlike in the past, today, monetary policy appears the only relevant driver of financial conditions.

Investment consequences:

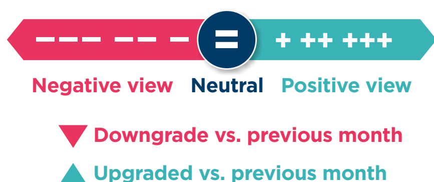
- Amid our overall defensive allocation, we stay cautious on equities and credit, especially on the lower-quality parts of the market.
- We are positive on select government bonds, such as the United States.

"We think the main DM CB are not done with policy tightening yet, but selected CB in EM are now close to cutting their policy rates, beginning with LatAm."

Monica DEFEND
Head of Amundi Institute

Amundi asset class views

Platform	Asset Class	Current view	Change vs. m-1	Rationale
EQUITY PLATFORM	US	–		We think the broader market remains overvalued, but if we ignore the megacaps, valuations are more realistic. The rosy scenario of inflation coming under control without any damage to growth doesn't match up with our expectations. We stay defensive and vigilant.
	US value	+		We continue to see attractive valuations in this sector, particularly vs growth. This keeps us positive, but we combine this value call with quality and earnings resilience to achieve sufficient margin of safety in case of a downturn.
	US growth	– –		Large growth names remain extremely overpriced and would be the ones most affected if liquidity dries up. Thus, we are cautious in this segment, particularly on unprofitable growth.
	Europe	–/=		Amid downside risks to European growth from divergences across the region, we remain slightly cautious. We believe high valuations create an attractive backdrop for selection based on our factors such pricing power, product differentiation. Overall, we stay balanced.
	Japan	=		We are neutral (more positive than on other DM). A global slowdown could affect exports, but recent improvement around domestic activity and corporate governance are positive.
	China	=/+	▼	China's convergence to a lower growth level focused on better quality of life is supportive in the long term. But near-term challenges in the housing sector and uncertainty about fiscal stimulus are emerging, leading us to tactically reduce the positive stance.
	Emerging markets ex China	=/+	▲	Attractive valuations, robust growth, and expectations around earnings paint a positive picture. Interestingly, the divergences in the region offer a strong selection point and we find opportunities, for instance, in Asia (India), Latin America (Brazil) and emerging Europe. On the other hand, we are cautious on Taiwan and Malaysia.
FIXED INCOME PLATFORM	US govies	=/+		The recent move up in yields and our central case of Fed rate cuts next year lead us to be slightly constructive on govies. However, we remain agile, as core inflation is still above the Fed target and volatility is high, owing to uncertainty around policy actions.
	US IG corporate	=/+		Quality credit presents opportunities, but we are selective, favouring names with stable cash flows. We like segments with strong liquidity and businesses that will benefit from lower producer price inflation. Our preference for financials remains in place.
	US HY corporate	–		BB and B fundamentals are robust in the form of liquidity, margins and sales growth. However, liquidity and leverage positions of CCC issuers have deteriorated in recent quarters. Thus, within HY, there is a need for a quality bias and selection. Overall, we do not think high valuations compensate for the credit and liquidity risk in the markets.
	European govies	=	▲	Europe's growth is expected to moderate to a lower pace, with downside risks coming from a global slowdown. We think the ECB is reaching the end of the hiking cycle but the job on inflation is not done yet. So, we stay active and monitor ECB rhetoric.
	Euro IG corporate	=/+		We continue to like to quality credit, but are biased towards names that maintain strong capital positions and liquidity buffers which should help them withstand the slowdown.
	Euro HY corporate	–		We are cautious on HY because of the default outlook. The ongoing transition towards higher funding costs and lower economic growth will be more difficult for low-rated HY issuers because of their lower ability to generate cash flows and refinancing needs.
	China govies	=		China's limited correlation with developed market bonds offer strong diversification and any weakness in the country's growth should be positive. We stay neutral.
	EM bonds HC	=/+		We are slightly positive on HC debt, with a preference for HY over IG, given the current spread levels. Debt of select Latin American countries offer attractive carry, but we are monitoring the evolution of inflation and corporate debt at a broader level.
	EM bonds LC	+		A weaker dollar and continuing economic growth create a positive backdrop. We remain selective in favour of countries such as India and Mexico. We also continue to monitor geopolitical tensions that could affect the broader EM space.
OTHER	Commodities			Base metals and commodities in general would be affected by Chinese activity but (gradual) support from the energy transition remains in place. Our 12M forecast for copper is $9,300/t. The gold price target is maintained at $2,000/oz amid limited fair valuations but slowing rate hikes and risks of potential geopolitical events.
	FX			The dollar's behaviour seems to be linked to expectations around Fed policy actions. We stay cautious on the USD and maintain our 1Q24 EUR/USD target at 1.18. We await more clarity from the Fed, perhaps reassessing after the end of summer.



▼ Downgrade vs. previous month
▲ Upgraded vs. previous month

Source: Amundi as of July 2023. Views relative to a EUR-based investor. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation regarding any fund or any security in particular. This information is strictly for illustrative and educational purposes and is subject to change. This information does not represent the actual current, past or future asset allocation or portfolio of any Amundi product.

Stay diversified, without increasing risks

We are assessing the economic and corporate profits outlook, and valuations. But on all of these, we are not very positive, because we are seeing multiples expansion with rising rates. On the other hand, risks of a profit recession remain. This underpins our cautious view. Investors should stick to their long-term convictions but remain flexible to benefit from the EM advantage by keeping a diversified stance. At the same time, there is scope for maintaining hedges on risk assets and protection on duration, all the while adjusting FX views.

High conviction ideas

We are defensive on DM equities, including the United States, Europe and Japan, but do not miss out on opportunities elsewhere. For a long time, we have maintained that the EM story goes beyond China. Thus, the recent weakness in the country's housing and manufacturing sectors led us to move to neutral on China. Instead, we think investors should diversify into the broader EM universe, where we are now positive.

We keep a positive stance on US duration but see persistent (core) inflation as a risk, underscoring the need now for some protection. We are also now slightly constructive on EU duration after the recent upward movement in yields and indications of some economic weakness in Europe. Swedish bonds should benefit from a vulnerable domestic economy, while Italian BTP-Bunds spreads could gain from positive demand for Italian bonds and their limited supply outlook.

On JGBs, however, we are cautious but mindful of the rhetoric coming from the Bank of Japan and are monitoring policy actions. We remain active across curves, with opportunities in UK 10Y vs Australia 10Y (relatively dovish BoE) and in Canadian curve steepening. At the other end, we are positive on EM FI and now like Czech government bonds (hedged) due to their attractive carry and the country's gradual disinflation.

We stay defensive on US HY. Current valuations look too optimistic and are inconsistent with our views of a decelerating economy and tight financial conditions. Liquidity could be another issue in this segment going forward.

In FX, we think NOKCAD has performed well after the recent price action and now we are no longer positive. We are pessimistic on the GBP and express this view through the EUR, CHF and JPY. We remain negative on the USD vs the EUR and vs the AUD. In EM, we like the INR/CNH, MEX/EUR and the BRL/USD.

Risks and hedging

In times of uncertain economic growth outlook, but high asset valuations, strong hedges should help adapt to the evolving backdrop. Thus, there is a persistent need to keep hedges on US equities. At the same time, precious metals provide diversification and safety, particularly if geopolitical tensions rise.

Francesco SANDRINI
Head of Multi-Asset Strategies

John O'TOOLE
Multi-Asset Investment Solutions

"Investors should consider adding some protection to US duration (still high core inflation) and exploring opportunities in EM, both in fixed income and equities."

Amundi Cross-Asset convictions

■ Current stance ⟶ Change vs. previous month

		---	--	-	=	+	++	+++
Equities	DM			■				
	EM					■		
Credit				■				
Duration	DM					■		
	EM					■		
Oil					■			
Gold						■		

Source: Amundi. The table represents a cross-asset assessment on a three- to six-month horizon based on views expressed at the most recent global investment committee. The outlook, changes in outlook and opinions on the asset class assessment reflect the expected direction (+/-) and the strength of the conviction (+/++/+++). This assessment is subject to change and includes the effects of hedging components. FX = foreign exchange, IG = investment grade, HY = high yield, CB = central banks, BTP = Italian government bonds.

Stick to fundamentals and valuations

Fabio DI GIANSANTE
Head of Large Cap Equity

Yerlan SYZDYKOV
Global Head of Emerging Markets

Kenneth J. TAUBES
CIO of US Investment Management

Overall assessment

While the US recession scenario has been pushed back, markets are pricing in a too optimistic scenario without any damage to the economy. Our concerns could soon be manifested in corporate earnings, where management guidance would provide more clarity. We continue to avoid segments where valuations and earnings potential do not match. Instead, we prefer robust business models across sectors and regions, including EM.

European equities

We believe investors should maintain diversified portfolios by combining quality cyclical businesses and defensive stocks. In particular, we are attracted to those that can return cash to shareholders. Within the consumer staples sector, we like the long duration, defensive companies as well as those with some cyclical characteristics. We also favour healthcare and select pharma companies, as, similar to many staples businesses, they offer the prospect of capital appreciation and dividends. Among the cyclical sectors, industrials that encourage factory automation, sustainable transport and electrification offer good value. Elsewhere, we are constructive on retail banks, owing to their dividend yields and the positive impact of high interest rates on their margins. Finally, we are cautious on tech, particularly semiconductor stocks, due to their uncertain growth outlook.

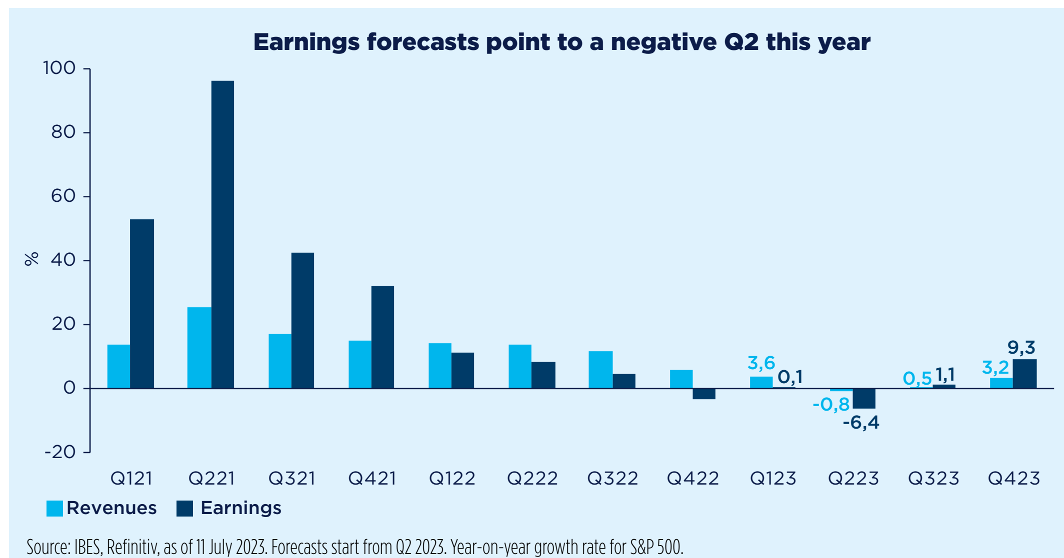
US equities

We are cautious due to the overvaluation of the broader markets. But if we consider the value side, valuations there are fair. Value investing could apply to large cap growth as well large cap value. This means favouring the cheapest stocks in these styles if the business models are robust and earnings growth stable. At the other end, defensives (and even cyclicals) are expensive, but those that are cheap may not be worth owning. So, we differentiate by names that have a history of rewarding shareholders and go beyond traditional defensives (healthcare equipment). In cyclicals, consumer and industrial appear to be most at risk. Consumer discretionary sector could be affected by wage pressures, as valuations are already expensive. On the other hand, we prefer energy, materials, banks and non-spread financials. Finally, we think if liquidity dries up in the market, segments that are most inflated (i.e. megacaps) in terms of valuations could be most affected.

EM equities

Expectations of earnings recovery in H2 this year should be positive for EM. However, geopolitical and idiosyncratic risks could harm sentiment. Our most preferred markets are Brazil and India. In the former, valuations are attractive and we expect the CB to cut rates. India should benefit from changes to global supply chains and domestic policies. We have raised our views on both but downgraded China. At a sector level, we favour real estate and discretionary, while we keep more defensive stances on healthcare and materials.

> *"The current environment of high valuations provides an attractive backdrop for stock selection, focusing on pricing power and earnings strength."*



Source: IBES, Refinitiv, as of 11 July 2023. Forecasts start from Q2 2023. Year-on-year growth rate for S&P 500.

Credit quality should be a top priority

Overall assessment

The biggest concerns at this stage are the economic and inflation outlooks and the resultant impacts on earnings and valuations. Businesses with low leverage and high capital buffers should be better able to withstand this phase. We maintain our preference for quality in the United States, Europe and EM.

Global and European fixed income

We are close to neutral on duration in core Europe and United States, but defensive on Japan. However, we are marginally positive on duration in peripheral countries, such as Italy, and on semi-core Europe. At the same time, we see opportunities across geographies – eg, in Canadian and UK duration. Elsewhere, in credit, we think markets are pricing in a Goldilocks scenario but we remain biased towards quality in IG and subordinated financials. In HY, we prefer to distinguish between CCC-rated debt and the BB/B categories. The default rates in the former have been much higher than in B-rated debt. Secondly, we maintain our constructive view on EU financials owing to their recovery potential and strong asset quality. In contrast, low-rated non-financials could be impacted more by tighter financial conditions and higher costs of funding.

US fixed income

Markets seem to be pricing in a no (economic) landing scenario for the economy and higher-for-longer rates by the Fed. We do not agree on the first and see risks of a mild recession. This creates a difficult backdrop for duration management. We stay constructive, but manage this exposure tactically and see value in both nominal and real rates on the intermediate part of the curve. In corporate credit, we prefer IG over HY. In the latter, fundamentals are diverging between BB-/B-rated debt vs CCC issuers, with the leverage situation deteriorating for CCC in recent quarters. Thus, we prefer high-quality issuers in general. From a sector perspective, we like financials over non-financials in IG. In securitised credit, the recent spread tightening offers opportunities to benefit from the upside movement in ABS and RMBS with longer maturities and higher price volatility.

EM bonds

EM debt offers attractive entry from a historical perspective and we maintain a neutral to positive view on duration, even though we turned cautious on China. On HC, we are slightly positive, with a preference for HY over IG. We are also constructive on LC but are selective. Regionally, we like LatAm (Brazil, Mexico, Colombia), where inflation is easing, but we will monitor how Russia's withdrawal from the grain deal could affect that. In Asia, we like countries such as Indonesia.

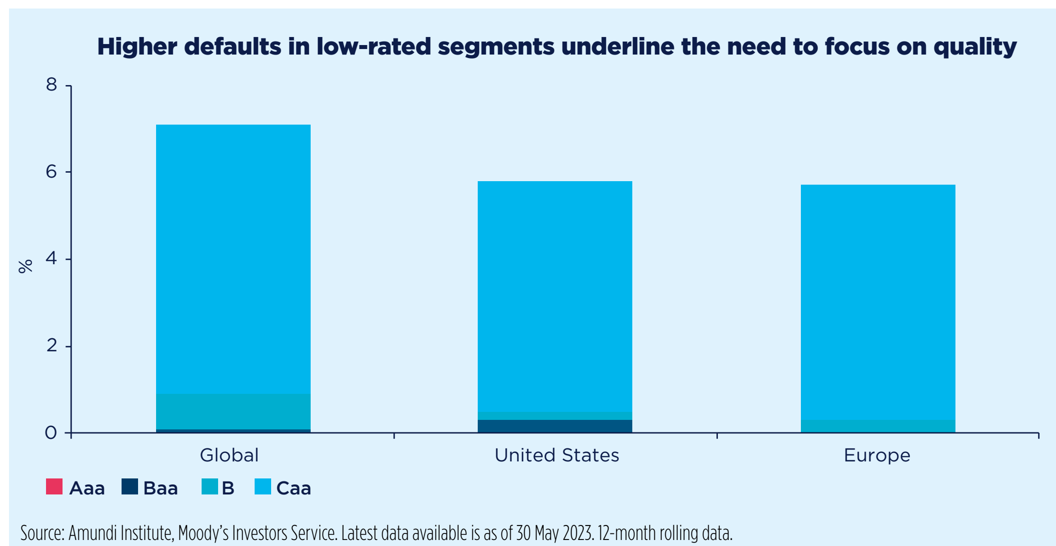
FX

Dollar weakness is likely to persist this year. But our positive views are centred on the JPY, AUD in DM and the INR and IDR in the emerging world. On the GBP, as soon as the market focus shifts to economic growth, the pound could suffer.

Amaury D'ORSAY
Head of Fixed Income

Yerlan SYZDYKOV
Global Head
of Emerging Markets

Kenneth J. TAUBES
CIO of US Investment
Management



Source: Amundi Institute, Moody's Investors Service. Latest data available is as of 30 May 2023. 12-month rolling data.

"In times of slow growth and high valuations, we focus on quality and distinguish on basis of liquidity buffers, cash flow strength and balance sheet leverage."

Macroeconomic forecasts

Macroeconomic forecasts as of 17 July 2023						
Annual averages, %	Real GDP growth, YoY, %			Inflation (CPI, YoY, %)		
	2022	2023	2024	2022	2023	2024
Developed countries	**2.7**	**1.1**	**0.5**	**7.4**	**4.7**	**2.6**
United States	2.1	1.6	-0.3	8.0	4.1	2.6
Eurozone	3.5	0.5	0.7	8.4	5.4	2.8
Germany	*1.9*	*-0.3*	*0.7*	*8.7*	*6.0*	*2.6*
France	*2.5*	*0.6*	*0.7*	*5.9*	*5.7*	*2.7*
Italy	*3.8*	*1.2*	*0.7*	*8.7*	*6.5*	*2.3*
Spain	*5.5*	*1.8*	*0.7*	*8.3*	*3.0*	*2.5*
United Kingdom	4.1	0.3	0.7	9.0	7.6	3.2
Japan	1.0	0.9	1.0	2.5	3.1	1.6
Emerging countries	**3.9**	**4.0**	**3.8**	**8.7**	**6.1**	**5.4**
China	3.0	5.1	4.3	2.0	1.1	2.5
India	6.9	6.0	5.5	6.7	5.5	5.7
Indonesia	5.3	5.0	5.0	4.2	4.0	3.7
Brazil	2.9	2.6	1.3	9.3	4.6	3.9
Mexico	3.0	2.8	0.7	7.9	5.4	4.0
Russia	-2.1	1.2	1.5	13.8	5.5	4.5
South Africa	1.9	0.3	1.0	6.9	6.1	5.2
Turkey	5.5	2.8	3.9	72.0	47.8	38.7
World	**3.4**	**2.8**	**2.4**	**8.2**	**5.5**	**4.3**

Central bank official rates forecasts, %					
	17 July 2023	Amundi +6m.	Consensus +6m.	Amundi +12m.	Consensus +12m.
United States*	5.25	5.50	5.16	4.00	4.49
Eurozone**	3.50	3.75	3.79	3.50	3.46
United Kingdom	5.00	5.50	5.75	4.75	5.75
Japan	-0.10	0.00	0.00	0.00	0.10
China***	3.55	3.45	3.45	3.45	3.45
India****	6.50	6.50	6.40	6.00	6.05
Brazil	13.75	12.00	12.25	10.00	10.13
Russia	7.50	8.00	7.75	7.00	7.20

Source: Amundi Institute. Forecasts are as of 17 July 2023. CPI: consumer price index. *: Upper Fed Funds target range. **: Deposit rate. ***: One-year loan prime rate. ****: Repurchase rate.

Financial market forecasts

Bond yields

Two-year bond yield forecasts, %

	7 July 2023	Amundi +6m.	Forward +6m.	Amundi +12m.	Forward +12m.
United States	4.91	3.80-4.00	4.56	3.40-3.60	4.25
Germany	3.25	2.60-2.80	2.92	2.40-2.60	2.62
United Kingdom	5.38	4.30-4.50	5.15	4.10-4.30	5.10
Japan	-0.05	0.10-0.20	0.00	0.20-0.40	0.01

Ten-year bond yield forecasts, %

	7 July 2023	Amundi +6m.	Forward +6m.	Amundi +12m.	Forward +12m.
United States	4.03	3.30-3.50	4.00	3.10-3.30	3.95
Germany	2.63	2.40-2.60	2.60	2.30-2.50	2.55
United Kingdom	4.64	3.80-4.00	4.61	3.70-3.90	4.60
Japan	0.43	0.50-0.70	0.52	0.60-0.80	0.59

Exchange rates

	7 July 2023	Amundi Q4 23	Consensus Q4 23	Amundi Q2 24	Consensus Q2 24
EUR/USD	1.10	1.14	1.12	1.18	1.13
EUR/JPY	156	151	150	148	144
EUR/GBP	0.85	0.89	0.88	0.90	0.88
EUR/CHF	0.97	1.00	0.99	1.05	1.01
EUR/NOK	11.65	11.67	11.29	11.37	10.85
EUR/SEK	11.87	11.91	11.46	11.63	11.08
USD/JPY	142	133	135	125	128
AUD/USD	0.67	0.68	0.69	0.74	0.72
NZD/USD	0.62	0.61	0.62	0.64	0.64
USD/CNY	7.23	7.00	6.80	6.60	6.85

Source: Amundi Institute. Forecasts are as of 7 July 2023.

Mid-year outlook: Opportunities lie beyond precarious path to growth

Amundi Institute

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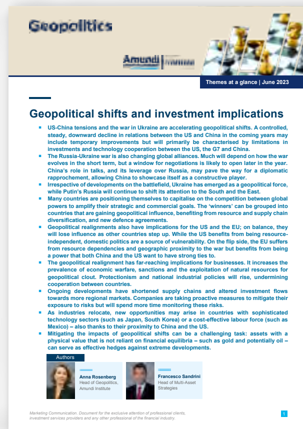

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