

Weekly Market Directions

1 December 2023



Trust
must be earned

Amundi



“The slowdown in inflation and economic growth should support bonds and multi-asset investing moving towards 2024”.

Monica Defend
Head of the Amundi Investment Institute

A November to remember

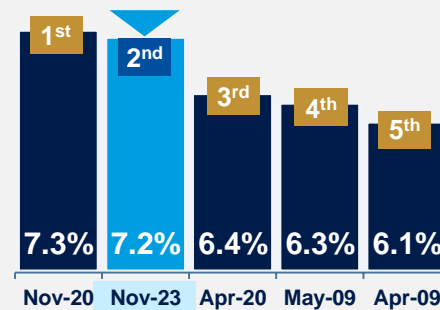
Falling inflation and changing communication from the Fed boosted bonds and equities in November.

The inflation and growth trend is positive for bonds, with US bonds recording their best month in November since May 1985.*

After this strong rally, markets will likely focus on the upcoming communication from Central Banks, due in mid December.

* Refers to Bloomberg US Aggregate Bond Index.

November is the second best month in 30 years for a global 50-50 allocation



Source: Amundi Investment Institute, Bloomberg as of 30 November 2023. Monthly return of a 50% Bloomberg Global Aggregated bond Index and 50% MSCI World Index (both in Total Return, USD).

November has been an exceptional month with global 50% bonds and 50% equity allocation posting the second highest monthly performance in 30 years, just slightly below the Nov-2020 post Covid rebound. With inflation coming down, the communication from the Fed has changed turning more comfortable with the current levels of rates. Expectations of a potential soft landing of for the US economy (deceleration in growth with no recession) also contributed to the optimism. However, future monetary policy depends on how soon inflation returns to target level, and the extent of the economic slowdown. Thus, from here the market direction going forward is less clear. Regarding bonds, despite the recent reduction in yields, they still offer value and they could also benefit in case of a further economic slowdown which has not yet been priced in by the market.

Actionable ideas

Multi Asset investing

A flexible approach to allocation, that considers multiple asset classes may benefit from a better environment for bonds and the ability to exploit opportunities across the economic cycle.



Favour quality credit in the search for income

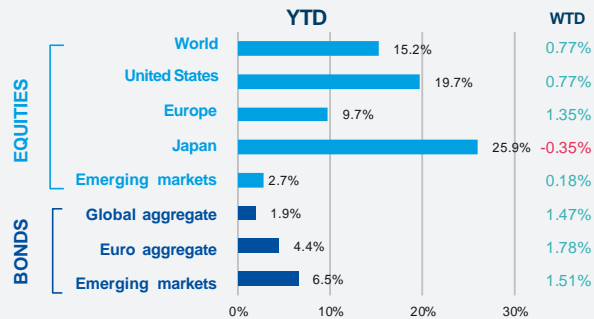
As growth slows in developed markets and Central Bank rates are close to peak, in our view, high rated corporate credit offers in our view a good balance between quality and income.

This week at a glance

Bonds rose this week as yields fell on expectations that the Fed is close to its peak policy rates. US and European stocks were also positive. Gold prices extended their gains, and oil closed the week lower after OPEC+ members agreed, in-principle, to additional supply cuts.

Equity and bond markets

Asset class performance year to date and week to date



Source: Bloomberg, data as at 01Dec 2023
Please refer to the last page for additional information on the indices.

Government bond yields

2 and 10 years government bond yields and 1 week change

	2YR	10YR
US	4.54 ▼	4.20 ▼
Germany	2.68 ▼	2.36 ▼
France	3.10 ▼	2.92 ▼
Italy	3.24 ▼	4.10 ▼
UK	4.51 ▼	4.14 ▼
Japan	0.04 ▼	0.69 ▼

Source: Bloomberg, data as at 01Dec 2023
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

Commodities, FX and short term rates

Gold USD/oz	Crude Oil USD/barrel	EUR/ USD	USD/ JPY	GBP/ USD	USD/ RMB	Euribor 3M	T-Bill 3M
2072.22	74.07	1.09	146.82	1.27	7.13	3.96	5.20
+3.6%	-1.9%	-0.5%	-1.8%	+0.8%	-0.3%		

Source: Bloomberg, data as at 01Dec 2023
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

Amundi Investment Institute Macro Focus

Americas



US savings rate ticks up slightly in October

Nominal personal income was softer in October, as employee compensation slowed to 0.2% (month-on-month), with labor compensation growth being the weakest since December 2022. Nominal personal spending also declined from 0.7% to 0.2% in October. But the savings rate ticked up slightly from 3.7% (in September) to 3.8%, as income stayed above spending in the month.

Europe



Eurozone inflation surprises on the downside in November

Both headline (2.4%, year-on-year) and core inflation (3.6%) came in lower-than-expected in November. Although details are not yet available and some of the weakness may be related to one-off items, we think the momentum in inflation seems to be weakening fast. Looking ahead, the weak economic growth we expect, could reinforce this disinflation trend.

Asia



Chinese recovery momentum is slowing

China's composite PMI declined for the second month in a row to 50.4 in November. The Services PMI dipped below 50 for the first time since the economy reopened. The manufacturing PMI dropped to 49.4 after a temporary increase in September. This recent data suggests the pace of China's economic recovery has slowed in Q4.



NOTES

Page 2

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 at 1 December 2023.

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

GLOSSARY

EZ: Eurozone

Fed: Federal Reserve.

GDP: Gross Domestic Product.

MoM: Month on month change

Purchasing Managers' Indices (PMI): PMI Indices are economic indicators derived from monthly surveys of private sector companies. A reading above 50 indicates an improvement, while a reading below 50 indicates a decline.

PCE: Personal Consumption Expenditure.

YoY: year on year change.

YTD: Year to date.

Discover Amundi Investment insights on our [Research Centre](#).



IMPORTANT INFORMATION

This document is solely for informational purposes.

This document does not constitute an offer to sell, a solicitation of an offer to buy, or a recommendation of any security or any other product or service. Any securities, products, or services referenced may not be registered for sale with the relevant authority in your jurisdiction and may not be regulated or supervised by any governmental or similar authority in your jurisdiction.

Any information contained in this document may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices.

Furthermore, nothing in this document is intended to provide tax, legal, or investment advice.

Unless otherwise stated, all information contained in this document is from Amundi Asset Management SAS and is as of 4 December 2023. Diversification does not guarantee a profit or protect against a loss. This document is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The views expressed regarding market and economic trends are those of the author and not necessarily Amundi Asset Management SAS and are subject to change at any time based on market and other conditions, and there can be no assurance that countries, markets or sectors will perform as expected. These views should not be relied upon as investment advice, a security recommendation, or as an indication of trading for any Amundi product.

Investment involves risks, including market, political, liquidity and currency risks.

Furthermore, in no event shall any person involved in the production of this document have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

Date of first use: 4 December 2023.

Doc ID: 3249772

Document issued by Amundi Asset Management, "société par actions simplifiée"- SAS with a capital of €1,143,615,555 - Portfolio manager regulated by the AMF under number GP04000036 – Head office: 90-93 boulevard Pasteur – 75015 Paris – France – 437 574 452 RCS Paris – www.amundi.com

Photo credit: ©iStock/Getty Images Plus