Amundi Investment Institute

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

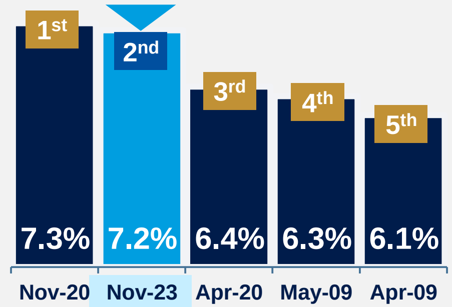
Falling inflation and changing communication from the Fed boosted bonds and equities in November.

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

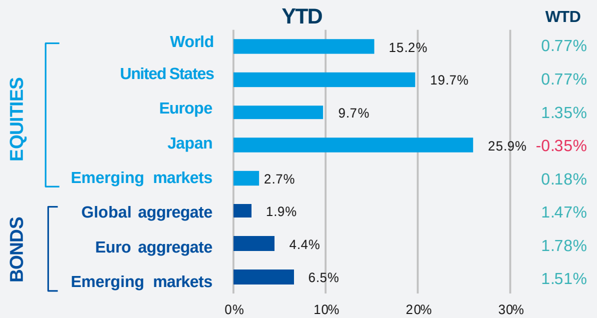
As growth slows in developed markets and Central Bank rates are close to peak, in our view, high rated corporate credit offers in our view a good balance between quality and income.

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 1week 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 1week 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.

Key Dates

5 Dec	Q3 GDP: Brazil, South Africa, South Korea
6 & 7 Dec	EZ retail sales, China trade balance
8 Dec	US labour data, India monetary policy

Amundi ASSET MANAGEMENT

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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 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.

IMPORTANT INFORMATION

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