

Space dreams versus Earth reality

Over the last month, central banks have taken an increasingly hawkish turn that has forced markets to start reassessing the AI trade's remarkable momentum. As inflation continues to rise, policymakers have remained cautious despite positive headlines around a US/Iran ceasefire deal.

Optimism around the AI trade has been the main driver of risk assets, with momentum stocks leading. But due to rising uncertainty on potential future hikes, markets have started to question whether AI's elevated valuations can remain justified, particularly in a more uncertain interest-rate environment with increasing IPO supply. Rotations have already started to materialise, as investors take profits and broaden exposure into less crowded areas of the market.

Looking ahead, concerns around AI profitability, valuations and concentration risks are likely to persist. Capex overspending and lacklustre results remain key risks for US hyperscalers, especially as the recent rally in memory-chip makers may be showing signs of excess. Well-backed IPOs can help support the market, but more players and more metrics for assessing the AI space will increase the scrutiny of current leaders and could drive broader diversification. **Against this backdrop, we still see growth holding,** but not strongly enough to offset rising macro costs and broadening price pressures.

- **Shipping disruptions in the crucial Strait of Hormuz are expected to ease over the second half of this year, even though the deal is fragile and some geopolitical premium on oil prices will likely persist.** Oil prices have fallen from their peak, remaining above pre-war levels. The US economy should remain resilient, while Europe looks more exposed, given its strong external dependence on oil and gas at a time of low inventories.

Momentum has been driving the market

S&P 500 Momentum Total Return Index/S&P 500 Low Volatility Total Return Index



Source: Amundi Investment Institute, Bloomberg. Data rebased to 100 at 17 March 1972. Data as of 26 June 2026.



Vincent Mortier
Group CIO



Monica Defend
Head of Amundi
Investment Institute



Philippe D'Orgeval
Deputy Group CIO

"Diversification is paramount as investors start to move away from overcrowded areas, taking profits and making room for new IPOs."

- **Central banks in focus.** The ECB is reacting to incoming data and adjusting policy to inflation pressures. We expect one more hike this year, but visibility remains low, with much depending on how far inflation deviates from target and for how long. The Fed is expected to remain on hold this year, although the risk of rate hikes could increase if higher energy costs feed into broader prices and economic growth accelerates.
- **A scenario of fragile de-escalation in the Middle East.** The next six months will test the resilience of our scenario, which assumes a fragile de-escalation of the Middle East crisis and a reopening of the Strait of Hormuz, although the path to a stable deal remains uncertain. Any re-escalation of the conflict may weigh on growth, tighten financial conditions, and put pressure on equities and bonds, while supporting commodities and gold as safe-haven hedges.
- **Tactical appeal for the USD, but structural USD weakness is likely to continue.** While we believe the long-term case for USD weakness remains intact, amid resilient growth relative to the rest of the world, ongoing inflation pressures and a hawkish Fed, some resilience in the near term is possible.

In conclusion, the less benign economic backdrop is, for now, offset by liquidity and solid earnings growth. We therefore maintain a cautious risk-on stance, recently further trimmed down, with hedges in place and a focus on diversification away from concentration risk.

Amundi Investment Institute: A new Fed era under Warsh

Fed focusing on price stability and task forces. At his first meeting as Chair, Kevin Warsh was explicit that the FOMC will prioritise price stability. He has signalled a new monetary policy regime by announcing five task forces. These will examine the Fed's framework for inflation analysis, productivity, communications, data sources, and, most importantly, the balance sheet. The latter has significant implications for market liquidity and the US dollar, given its enormous size. The focus on inflation remains paramount.

Assessing inflation pressures. Recent data have already highlighted an increase in producer prices and headline inflation, while core inflation remains relatively benign. Core goods prices have fallen, as price declines have spread across many goods categories previously boosted by tariffs, and core services have risen largely due to the shelter component, which may moderate going forward. PPI dynamics and the price component of the ISM and PMI need to be monitored, as they are at the early stage of pass-through.

"Broad-based price pressures are now showing up across the economy, not just in energy. How quickly these costs pass through will matter for corporate margins and consumers' real incomes."

Monica Defend
Head of Amundi Investment Institute

"We remain mildly constructive on risk, with a stronger emphasis on diversification to reduce concentration risks. Focus is on selectivity and fundamentals, with a preference for resilience to momentum."

Overall, in assessing where to invest, we should look beyond short-term headlines and focus on structural resilience, pricing power, and the ability of companies to absorb shocks — qualities that can be found across regions and sectors. Our convictions across asset classes are outlined below:

- **In fixed income**, we maintain our slightly cautious, close to **neutral stance on US duration**, given resilient labour data, sticky inflation and a more hawkish Fed. In Europe, even if the ECB hikes rates this year, we do not see a full-fledged hiking cycle, which supports the front end of the curve; here we favour peripheral debt over core. In the UK, we do not expect a full hiking cycle and remain constructive on duration, particularly at the short end, although fiscal risks warrant caution. **High-quality credit** still offers attractive yields while we remain **constructive on EM debt**, especially in Latin America.
- **In equities**, we maintain a **balanced approach**, focusing on resilient businesses and strong balance sheets, with exposure in attractive defensive sectors, such as consumer staples and healthcare, and quality cyclical stocks in industrials and materials.
- **In multi asset**, we maintain a **slightly pro-risk stance**, but **we have reduced concentration risk** by trimming exposure to US equities and diversifying into Europe and into the equally-weighted S&P 500. In fixed income, we remain positive on European duration and European investment grade credit. We have marginally reduced exposure to EM short rates.

Overall risk sentiment

Risk off

Risk on



We have reduced concentration risk, but remain mildly risk-on, with hedges in place and a strong focus on diversification.

Changes vs last month

- **Multi asset:** We have tactically reduced concentration risk, rotating from US equities into Europe and the equally-weighted S&P 500. In fixed income, we have reduced exposure to EM short rates.
- **Fixed income:** We now have a close to neutral stance on duration as a relatively hawkish Fed is putting upward pressure on US rates to levels in the middle part of the curve that we consider interesting. On credit we are positive with an increased focus on high quality.
- **Equities:** We are increasingly focused on Europe, which is shifting from a consumption-led model toward one focused on resilience, reinforcing the region as a long-term investment theme.

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.

ECB = European Central Bank, DM = Developed Markets, EM = Emerging Markets, CBs = central banks, IG = investment grade, HY = high yield, HC = Hard Currency, LC = Local Currency. For other definitions see the last page of this document.

FIXED INCOME

AUTHOR

Balancing inflation and growth risks

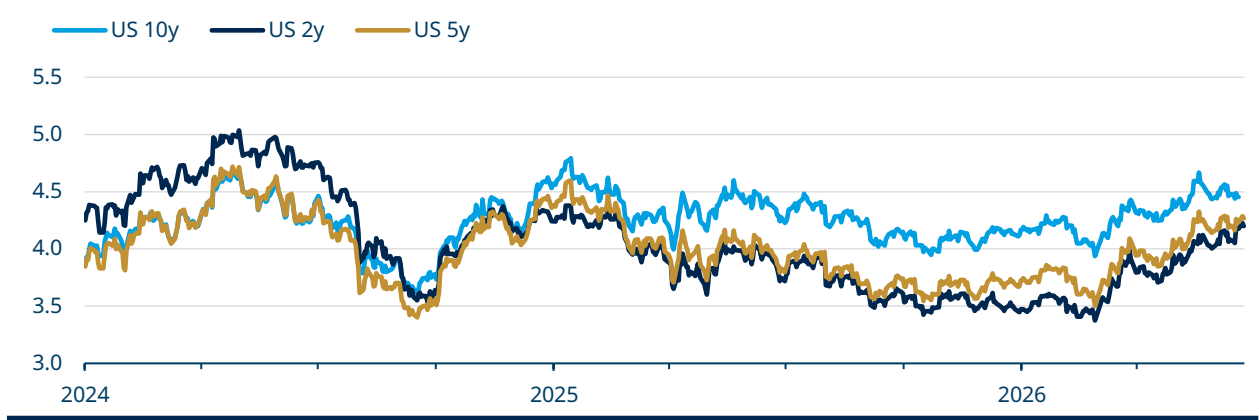
Under a “fragile de-escalation” scenario, inflation is likely to remain above central banks’ targets for longer, with rising risks of second-round effects, particularly in Europe, where the growth outlook remains fragile. In the EU, in particular, we think markets are currently underestimating growth risks and, consequently, we do not expect a full-fledged hiking cycle by the central banks (ECB, BOE), which makes the short end of the curves attractive.

Amaury D’Orsay
Head of Fixed Income

In the US, robust labour data, high headline inflation and a relatively hawkish Fed are putting upward pressure on US rates, to levels that we consider interesting in the middle part of the curve.

Duration and yield curves	Credit	EM bonds and FX
▪ For the US, we have a neutral stance on duration, seeing value in the 5-year tenor, and continue to expect curve steepening. In the Euro Area, we are positive on the short end of the curve, as markets have yet to fully price in deteriorating growth. We favour peripheral over core. ▪ In the UK, we do not expect a hiking cycle and remain positive on duration, particularly at the short end, as valuations are more attractive. We remain aware of the fiscal risks. ▪ In Asia, we remain cautious on Japanese bonds.	▪ We remain constructive on credit overall, as fundamentals remain robust and the search for yield continues to support the asset class. ▪ We continue to favour EU IG, supported by strong fundamentals and valuations. We are slightly positive on US IG due to inflation shock resilience. At a sector level, we prefer financials over non-financials. ▪ We keep our preference for subordinated over high yield.	▪ We maintain a constructive view on EM debt. Overall, liquidity conditions remain favourable, although Fed policy is a key factor to monitor. ▪ We are positive on EM hard currency debt, with selective opportunities in the corporate market to playing the technology and green transition themes. ▪ Local currency bonds offer strong carry but we favour a selective approach country-wise, rather than a broad exposure, with a tilt towards Latin American commodity exporters.

Stay flexible on duration amid rising US Treasury yields



Source: Amundi Investment Institute, Bloomberg. Latest data as of 26 June 2026.

EQUITIES

AUTHOR

An industrial play for Europe

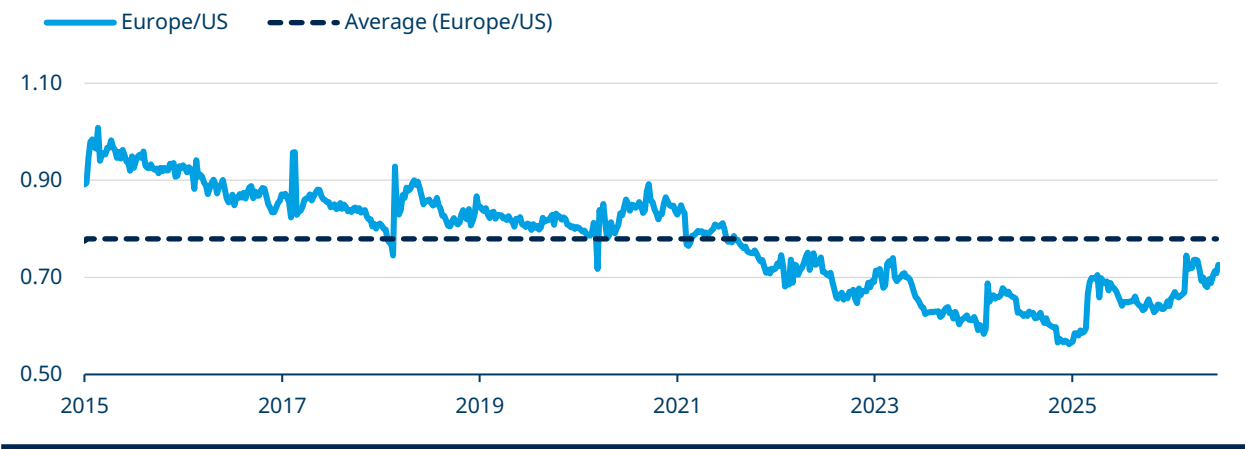
Markets have remained supported by earnings growth, helping to offset concerns over rising US yields. Looking ahead, monetary policy actions and policy stance will be key factors to monitor. Strategically, we continue to see high valuation and concentration risks in the US. Hence, we favour Europe, Japan and EM. Europe, in particular, is shifting from a consumption-led model toward one focused on resilience, reinforcing the region as a long-duration investment theme.

Barry Glavin
Head of Equity Platform

In Japan, the equity market outlook remains constructive, with earnings momentum driven by banks and AI-related stocks. Emerging markets are also supported by their appeal as a source of diversification amid geopolitical and economic uncertainty.

Developed markets	Emerging markets
- Using a balanced approach, we focus on resilient businesses with strong balance sheets, particularly in consumer staples, industrials and materials. - In Europe, we have added exposure to food ingredients companies, which offer above-GDP growth, non-cyclical demand and attractive valuations. By contrast, we have reduced exposure to the European technology sector, after its strong performance. We favour companies exposed to the energy transition, rising electricity demand from AI and data centres, and infrastructure spending, particularly in industrials, capital goods, utilities and construction stocks. - In Japan, the equity market outlook remains constructive. We like small- and mid-cap stocks exposed to supply-chain resilience, AI and infrastructure.	- EM equity valuations remain attractive. Successful IPOs in the tech space could support spending on chips and memories, giving a boost to EM tech stocks. However, volatility could remain high as markets are concentrated. - We maintain a neutral stance on India, as valuations are still demanding, its status as a commodity importer and its limited exposure to the AI theme. We could mildly increase our stance amid easing oil pressure. - We remain neutral on China, as its earnings outlook remains uncertain due to overcapacity in many industries and unclear real estate data. - We maintain a positive view on Latin America. In Brazil, earnings and profitability remain high, although elections in October will be key to watch.

Europe’s relative P/E is attractive compared to the US



Source: Amundi Investment Institute, Bloomberg, data as of 26 June 2026. Data refers to major country benchmarks.

MULTI-ASSET

Mildly pro-risk, with an emphasis on selectivity

May was positive for risk assets, but the macro backdrop weakened slightly. Growth is becoming more uneven while inflation is showing more clearly in the data across the US, the Euro Area and the UK, leaving central banks less comfortable. Against this backdrop, **the tone remains mildly pro-risk, with greater selectivity.**

We remain mildly positive on **equities**, supported by strong earnings, but **have reduced concentration risk** by lowering our exposure to US equities and diversifying into Europe and the equally-weighted S&P 500. European equities remain under-owned and have lagged the US, but we see potential for a rebound in H2. Given persistent uncertainty, we continue to maintain protection on the US and the Euro Area.

In **fixed income**, we remain long US 5-year duration, as this part of the curve still looks attractive. In Europe, we maintain a long-duration bias via Bunds and Schatz. While the ECB is likely to hike rates once more this year, we think it would not completely ignore weakening consumption and growth. In Euro peripherals, BTPs remain attractive, as Italy still appears comparatively stable. However, we remain short 10-year JGBs, given Japan’s policy normalisation, higher energy costs, yen weakness and rising inflation risks. Finally, we remain constructive on EU IG credit, given attractive valuations, demand from yield buyers and positive seasonality. On EM, we have reduced the stance on short-term rates, following the recent move lower.

On **FX**, USD structural weakness is more likely over the long term; in the near term the currency could find support from a more hawkish Fed. We are positive on AUD/USD to express our bearish view on the US dollar, and remain exposed to the commodity-sensitive story. We are also positive on JPY and NOK versus EUR. The yen will benefit if the economic growth environment worsens, the NOK will gain from Norway’s energy exposure.

AUTHORS

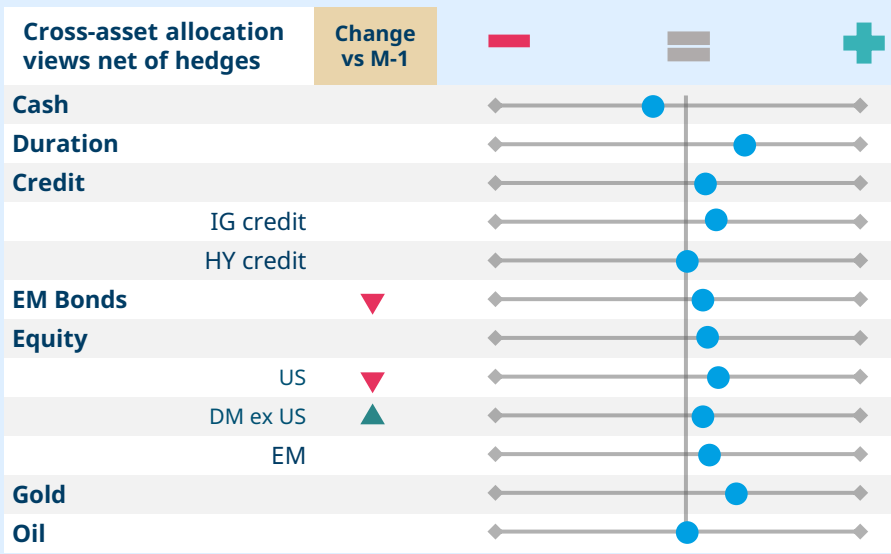
Francesco Sandrini

CIO Italy & Global Head of Multi-Asset

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Amundi Multi Asset Investment Views*



▼ Downgrade vs previous month
▲ Upgrade vs previous month

Source: Amundi, as of 24 June 2026. Changes M-1 include from previous month. The table represents the main investment convictions (including hedging) of the Multi Asset Platforms. *The views are expressed relative to a Reference Asset Allocation (with benchmark 45% equity, 45% bonds, 5% commodities, 5% cash) with “=” being neutral. The + and – may not sum-up due to potential use of derivatives in the implementation. This is an assessment at a specific time, and it can be subject to change at any time. This information is not intended to be a forecast of future results and 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 for illustrative purposes and does not represent the actual current, past or future asset allocation or portfolio of any Amundi product.

Amundi views by asset classes

Equity Views

DM Equities	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
US						◆				
US equal-weighted							◆			
Europe	▲						◆			
Europe SMID							◆			
Japan						◆				

EM Equities	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
EM							◆			
EM Asia							◆			
Latin America							◆			
Emerging EMEA							◆			
EM-ex China							◆			
China						◆				
India						◆				

Fixed Income Views

Duration	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
US	▲					◆				
EU							◆			
UK								◆		
Japan					◆					

Overall							◆			
Credit	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
US IG							◆			
US HY				◆						
EU IG								◆		
EU HY						◆				

Overall							◆			
EM Bonds	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
EM Sovereign HC								◆		
EM Corp. HC								◆		
EM LC								◆		
China govt.						◆				
India govt.							◆			

Global FX views

FX	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
USD						◆				
EUR					◆					
GBP					◆					
JPY							◆			
EM FX*							◆			

Source: Summary of views expressed at the most recent **global investment committee (GIC)** and discussions after. Views as of 17 June 2026. The table shows absolute views on each asset class and are expressed on a 9 scale range, where = refers to a neutral stance. This material represents an assessment of the market 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. FX table shows absolute FX views of the GIC. * Represents a consolidated view of multiple EM currencies.

▼ Downgrade vs previous month
▲ Upgrade vs previous month

DEFINITION ABBREVIATIONS

Currency abbreviations: USD – US dollar, BRL – Brazilian real, JPY – Japanese yen, GBP – British pound sterling, EUR – Euro, CAD – Canadian dollar, SEK – Swedish krona, NOK – Norwegian krone, CHF – Swiss Franc, NZD – New Zealand dollar, AUD – Australian dollar, CNY – Chinese Renminbi, CLP – Chilean Peso, MXN – Mexican Peso, IDR – Indonesian Rupiah, RUB – Russian Ruble, ZAR – South African Rand, TRY – Turkish lira, KRW – South Korean Won, THB – Thai Baht, HUF – Hungarian Forint.

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Marketing material for professional investors.

Amundi Investment Institute

In an increasingly complex and changing world, investors need to better understand their environment and the evolution of investment practices in order to define their asset allocation and help construct their portfolios.

This environment spans across economic, financial, geopolitical, societal and environmental dimensions. To help meet this need, Amundi has created the Amundi Investment Institute. This independent research platform brings together Amundi's research, market strategy, investment themes and asset allocation advisory activities under one umbrella: the Amundi Investment Institute. Its aim is to produce and disseminate research and Thought Leadership publications which anticipate and innovate for the benefit of investment teams and clients alike.

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