

Diverging market signals

Over the past month, stock and bond markets have been driven by diverging forces. Bond yields have risen at the short end due to inflation pressures and more hawkish central banks, while long-end yields have climbed on higher term premiums amid Middle East uncertainty and ongoing high fiscal deficits.

Equities, however, have been less affected by the war. Markets rebounded from their March lows, although the rally has been largely driven by a few themes (energy, hyperscalers, memory chips), a handful of artificial intelligence-linked (AI) names and the prospect of productivity gains, which we think will only happen over the long term.

To us, the diverging narratives between bonds and equities signal the difficulty of assessing the impact of disruption to traffic flow through the Strait of Hormuz. In addition, it highlights the **uncertainty around second-round economic effects** – the transmission of the crisis from energy and logistics to inflation, growth, corporate margins and business and consumer confidence.

- Our base case has shifted from a **benign slowdown to a managed disruption to the economy**, with lower growth expectations for major economies for 2026 and continued regional divergences.
- Europe and energy-importing emerging markets (EM) are more exposed. In the Eurozone (EZ), we cannot exclude the possibility of stagnation in some countries this year, and we also see risks of slowing growth in parts of South Asia. The US is relatively insulated but still vulnerable through financial and confidence channels. Capital expenditure should provide strong support to growth, mainly in tech-related areas (but not entirely), and tax cuts also provide business with a slight buffer against geopolitical risks.



Vincent Mortier
Group CIO

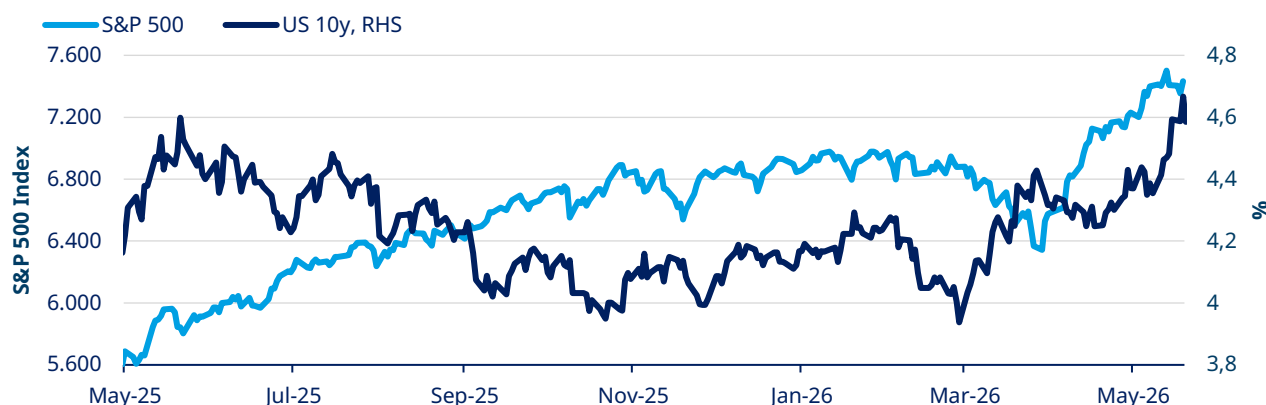


Monica Defend
Head of Amundi
Investment Institute



Philippe D'Orgeval
Deputy Group CIO

US equities reached record levels, despite rising bond yields



Source: Amundi Investment Institute, Bloomberg, as of 20 May 2026.

Markets have recently been driven by diverging forces. Yields have risen due to Middle East risk and central bank expectations, while equities have rebounded thanks to an AI-led rally.

- **Energy shock pass-through to the broader economy requires closer scrutiny amid greater inflation risks.** Headline inflation is expected to be higher, with core inflation following with a lag, especially where the energy pass-through, wage effects and fiscal support are stronger. The key risk does not only reside in the first energy shock, but also in its persistence and second-round effects. Net energy importers (in Europe and in Asia) are particularly vulnerable to this.
- **US corporate earnings season is exacerbating the AI theme.** The latest reporting season has been generally positive and exceptional in the US. AI-related companies have reported strong earnings, but much of the upside came from unrealised gains on private investments and the accounting treatment of heavy capital expenditure. These factors have boosted results this quarter, but it remains unclear whether these investments will deliver the expected long-term returns, given the risks around technological gaps, rising competition from China, and cybersecurity issues.

To conclude, it is important to note that the Middle East shock should now be treated as an ongoing risk regime, rather than a temporary event. The key question going forward is whether the shock will remain manageable or develop into a macro-financial shock.

Hence, uncertainty remains high, reinforcing the need to closely monitor the economic fallout to assess the next allocation move. For now, with liquidity and fundamentals supportive of risky assets, we maintain a cautious risk-on stance, with enhanced protections.

Amundi Investment Institute: Signal of change to central banks' reaction functions

Central banks turned more hawkish in their latest meetings. A smooth easing cycle is no longer the base case this year, but an easing bias may return later if inflation falls to target. For the ECB, we now expect two hikes of 25 bps this year but rule out a full hiking cycle. For the Bank of England (BoE), one hike by the end of 2026 is projected, and we have postponed our easing bias to Q2 2027 as the UK's inflation profile remains uncomfortable in the near term. The Fed is currently in observation mode and, looking ahead, we expect it to remain on hold for a prolonged period of time, with cutting not to be resumed before Q2 2027, when the disinflationary trend will become more visible. For the BoJ, we continue to expect a rate hike in June this year and have added a second move higher in Q4 2026 that will narrow the real rate gap with other developed markets.

Emerging markets monetary policy divergence will increase. Vulnerable energy importers, including India, have limited room to cut (despite softer growth momentum) as oil sensitivity, foreign exchange pressure and inflation credibility will matter more. The People's Bank of China should remain supportive but focused on liquidity and credit support rather than aggressive rate cuts.

Central banks are no longer indicating a smooth easing cycle for this year, although an easing bias could return conditionally next year. Additionally, they are unlikely to be pre-emptive in supporting growth but will avoid overtightening if the shocks hurt demand.

Monica Defend

Head of Amundi Investment Institute

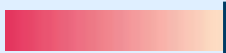
We maintain our focus on selective exposure to quality assets and diversifiers, as opposed to directional calls. This focus will only increase if market liquidity worsens over the summer for any reason.

Against a backdrop of solid earnings growth, contained stress and reasonable market liquidity, we remain slightly pro-risk. Our convictions across asset classes are outlined below:

- **In fixed income**, uncertainty around taking a bold directional duration stance is rising, so we are being more selective. We have turned slightly cautious on US duration, as growth remains resilient and fiscal risks persist. In Europe, weaker growth and a cautious ECB make short- and medium-term bonds attractive, although we remain wary of the long end. High-quality credit still offers attractive yields, and we are now slightly positive on US IG and continue to be constructive on EM debt, especially in Latin America.
- **In equities**, we prefer a balanced stance overall, focusing on resilient, non-disrupted business models and balance sheet strength. We continue to favour attractive stocks in defensive sectors, such as consumer staples and pharma, as well as quality cyclical stocks in industrials and materials.
- **In multi asset**, we remain mildly pro-risk, while simultaneously increasing our preference for hedges. We reaffirm our conviction on US and Latin American equities, alongside protection in the US and Europe. In fixed income, we remain positive on European investment grade credit, and see market volatility as a way to seize on tactical opportunities.

Overall risk sentiment

Risk off



Risk on



In the current environment of reasonable earnings growth but ongoing risks around inflation and monetary policy actions, we remain slightly risk-on but with a higher need for protection.

Changes vs last month

- **Fixed income**: downgraded US duration to slightly cautious and moved positive on US IG.
- **Equities**: Tactically reduced our views on Latin America, emerging EMEA and India
- **Multi asset**: Slightly less positive on EU IG due to spread tightening, and reduced our constructive stance on YEN vs CHF.

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

Shifting rate dynamics amid inflation

Since the beginning of the Iran war, bond markets have come under pressure from a combination of factors. Inflationary pressures have started to re-emerge, pushing short-term rates higher, while fears that weaker growth and higher support measures will weigh on public finances and bond supply have put upward pressure on long-term rates.

These inflation pressures are making central banks (ECB, BoE) a bit more hawkish. We believe these banks could raise rates, but without starting a hiking cycle. Hence, we remain positive on duration overall but are applying a more selective lens across geographies and yield curves. Additionally, we maintain our overall curve steepening views but acknowledge higher near-term uncertainty due to ambiguity over monetary policy actions.

Amaury D'Orsay
Head of Fixed Income

Duration and yield curves

- We are constructive on duration in the EU and the UK, mainly through short and mid-range maturities. In particular, 2Ys offer attractive yields. Additionally, weaker growth in the EU and limited fiscal support make 2Y and 5Y maturities attractive.
- In the US, growth trends are better, leading us to marginally downgrade US duration. The short end of the US curve appears expensive and the long end is exposed to fiscal risks. But we prefer inflation-linked bonds.
- We remain cautious on Japanese duration.

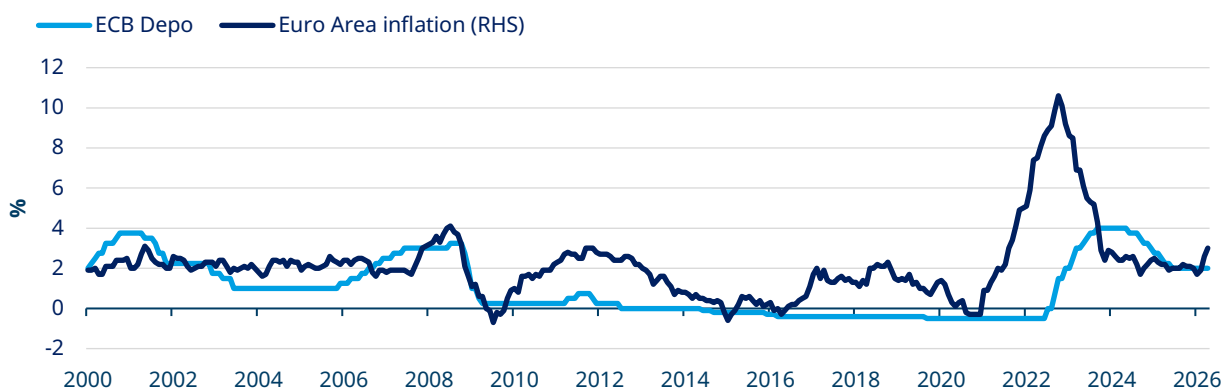
Credit

- We remain constructive on credit overall, favouring the EU. We turned slightly positive on US IG, which we expect to be resilient and less affected by the energy/inflation shock.
- At a sector level, we continue to prefer financials over non-financials. That said, we are becoming increasingly selective and favour US industrials over European ones.
- From a thematic perspective, we continue to prefer high-quality yield, supported by tight spreads and strong technicals, with a preference for subordinated debt over high yield.

EM bonds and FX

- We maintain a constructive view on EM debt while staying neutral overall and preferring to remain flexible rather than directional.
- We favour selective opportunities in Latin America, particularly Brazil, and in commodity-linked names. In addition, we like some names in sub-Saharan Africa in the sovereign hard currency space, given their valuations.
- In local currency debt and EM FX, we prefer higher-carry markets but are more selective on the lower-yielding segments in Asia.

Inflation above the 2% target will prompt the ECB to raise rates in the near term



Source: Amundi Investment Institute, Bloomberg. Latest monthly data as of April 2026.

EQUITIES

AUTHOR

Global opportunities, greater resilience

Barry Glavin
Head of Equity Platform

The market rally has been driven by lower oil prices, Middle East deal expectations and AI-related tech earnings. However, commodity shortages are likely to persist and inflationary pressures will remain elevated in the near term. Hence, our focus remains on businesses that can deliver strong earnings and pass on these higher costs to consumers in order to preserve margins. We are exploring such companies with a global view, particularly in Japan (reflation story), Europe and the emerging markets.

While sentiment in some of these regions has been weakened owing to their reliance on energy imports, the long-term case is intact. In Europe, this crisis will push the region towards achieving strategic autonomy and strengthening energy security as well as supply chains in the long run.

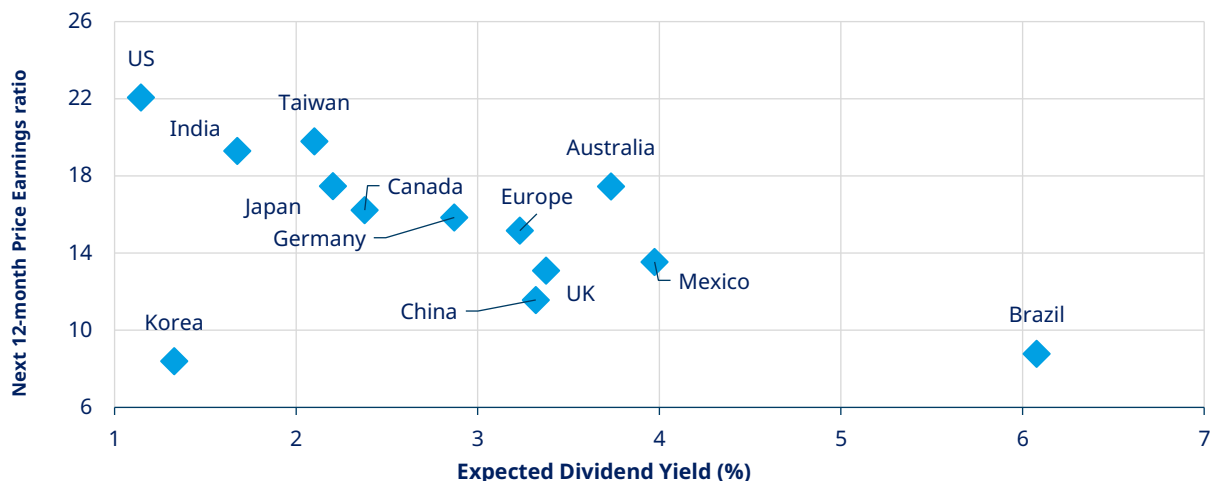
Developed markets

- We maintain a barbell stance across sectors, with a strong focus on balance sheets and valuations. For instance, we like attractive businesses in defensive sectors, such as pharma. Additionally, we favour quality cyclical within industrials and materials.
- In industrials, we are focusing on beneficiaries of AI-related capital expenditure, while we see opportunities among quality construction stocks. Pharma companies with diversified product pipelines are also drawing our attention. Among banks, we favour those with a rising return on capital.
- Regionally, we favour corporate reform stories, for instance, in Japan where companies are reducing cross-holdings and excess cash. We also like the UK market for its dividend profile.

Emerging markets

- EM have been supported by tech earnings growth, although the degree of resilience varies across countries. Energy importers are vulnerable to high oil prices while their ability to use subsidies to contain inflation differs. In Asia, earnings growth in hardware stocks is driven by robust AI-related memory demand. These markets offer AI exposure at lower valuations than those available in the US. While we are currently neutral on India due to its sensitivity to oil prices, we favour select consumer stocks. We are neutral China.
- In LatAm, earnings growth expectations in Brazil are improving due to high commodity prices but political uncertainty is increasing. In emerging EMEA, the uncertainty around the Strait of Hormuz has led us to lower our positive view. But the region offers selective opportunities.

Go global in search for income and earnings growth



Source: Amundi Investment Institute, Bloomberg, data as of 19 May 2026. Data refers to major country benchmarks.

MULTI-ASSET

Mildly risk-on, with enhanced protections

The growth outlook remains reasonable, although there are signs of divergences between the US and Europe, as well as expectations of above-target inflation in most DM. These inflation concerns are more evident in fixed income. Risk assets, on the other hand, have been driven higher by strong corporate earnings, the AI story, and optimism around a resolution to the Middle East conflict. We remain mildly pro-risk, seizing opportunities created by market moves and a greater need to strengthen hedges.

In **equities**, while we remain mildly positive on risk through US and EM Latin equities, we acknowledge the recent record levels that markets have reached. We believe the risks (geopolitics, US-Iran) that markets are shrugging off remain present. Hence, investors should consider increasing protection on US equities and maintain safeguards in Europe.

In **bonds**, we remain positive on US duration, German govies and Italian BTPs vs Bunds and on EM spreads. But we are cautious on JGBs. In EU IG credit, where we are very active, we have tactically reduced our stance following recent spread tightening. We remain constructive in the segment due to attractive carry and robust fundamentals. We will continue to look for opportunities to upgrade our views when valuations improve.

In **FX**, we like commodity-linked and higher-yielding currencies such as AUD and NOK. We have also tactically trimmed our constructive stance on the JPY vs CHF. Negative real rates in Japan could pressure the yen in the near term. But recent BOJ interventions indicate the central bank's intention to cap yen weakness. The currency's attractive valuation (vs the Swiss franc) and policy divergence (rate cuts in Switzerland and hikes by BOJ) are other supporting factors. Finally, over the long term, gold should benefit amid geopolitical risks and central bank purchases.

AUTHORS

Francesco Sandrini

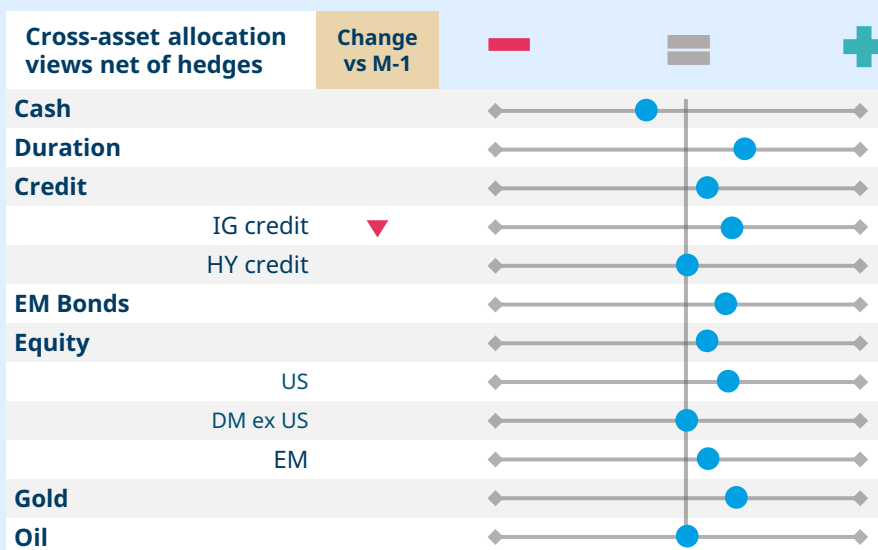
CIO Italy & Global Head of Multi-Asset

John O'Toole

Global Head - CIO Solutions

"We see the environment as slightly constructive for a moderate risk stance, but with higher protections and an eye on tactical market movements."

Amundi Multi Asset Investment Views*



▼ Downgrade vs previous month
▲ Upgrade vs previous month

Source: Amundi, as of 20 May 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						◆				
<i>US Growth</i>				◆						
<i>US Value</i>							◆			
Europe						◆				
<i>Europe SMID</i>							◆			
Japan						◆				
EM Equities	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
EM							◆			
<i>EM Asia</i>							◆			
<i>Latin America</i>	▼						◆			
<i>Emerging EMEA</i>	▼						◆			
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.							◆			
Overall								◆		

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 20 May 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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Trust must be earned