Amundi
Investment Solutions

Trust must be earned

Investment Institute

2027 Investment Outlook

The price of power



November 2026

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

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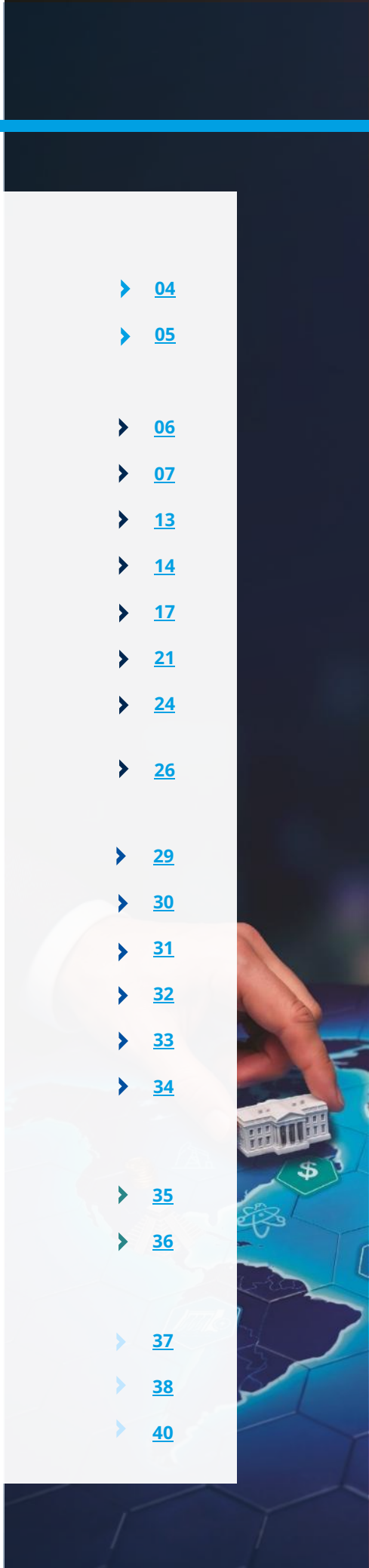
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Monica Defend
Head of Amundi
Investment Institute

The price of power will shape the price of assets

Policy, capital, technology, energy and pricing power are increasingly intertwined: their interaction will determine who leads, who falls behind and where opportunities emerge. For investors, the challenge is not simply to identify where growth comes from but to understand who can turn investment into sustainable returns.

Build portfolios for a more volatile world

Policy instability and momentum-driven flows will keep markets fragile. Investors should stay anchored to long-term trends and combine quality fixed income and broad equity exposure with targeted investments in alternatives, private assets and commodities to strengthen diversification and resilience.



Vincent Mortier
Group Chief
Investment Officer



Philippe D'Orgeval
Deputy Group Chief
Investment Officer

AI shifts from investment boom to return cycle

The opportunity set is broadening, but risks are rising too. Equity allocation should favour power equipment, AI-enabling software and services, industrial automation and financial services combined with diversification into businesses offering attractive valuations and dividend yields.

INTRODUCTION

The price of power

Our 2027 outlook, "The Price of Power", focuses on the costs and trade-offs of a macro regime shaped by five powerful forces and what they mean for investors. ***Energy*** *power makes reliable access to energy and critical resources a competitive advantage.* ***Technology*** *power is shifting the focus from AI investment to adoption, productivity and monetisation, favouring companies able to turn innovation into earnings.* ***Capital*** *power increases the value of strong balance sheets and sustainable financing, while* ***policy*** *power redirects capital towards security, sovereignty and industrial transformation. Finally,* ***pricing*** *power will distinguish those able to protect margins and deliver returns from those absorbing rising costs.*

This creates a macro backdrop of rising investment needs at a time when fiscal constraints are increasing the cost of financing. In 2027, ***we expect global GDP growth to reach 3.3%,*** *with different regional drivers. US growth should remain supported by productivity gains and lower exposure to energy shocks. Europe faces headwinds from the energy shock, but German fiscal stimulus should provide support. China remains split between strong exports and weak domestic demand, while India's growth should stay above 7%. More orthodox policies should support resilience across emerging markets, although country-specific risks persist.*

Inflation is set to remain above central bank targets, but to ease over the course of the year, with ***synchronised monetary tightening likely to peak in the first quarter****.*

With a combined 40% probability assigned to alternative scenarios, portfolio construction should take into account different risks and drivers. A funding squeeze, supply disruptions and geopolitical escalation are key downside risks, while stronger productivity gains or a ceasefire in Ukraine could define a stronger investment environment.

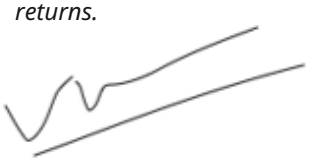
Against this backdrop, our main convictions for 2027 are:

Attractive entry points in bonds. *Fiscal pressures and competition for capital support a preference for short- to intermediate-dated bonds initially, with caution on long-dated bonds. Active management of interest rate and credit risk remains essential, alongside a greater emphasis on emerging market bonds as a core portfolio component. We favour local currency debt from economies with stronger external balances and credible policies. In corporate credit, we prefer investment grade over high yield given refinancing and dispersion risks.*

Broaden equity exposure and combine AI opportunities with long-term themes and dividends. *AI remains a key theme, but the narrative is shifting from who can invest the most to who can capture the highest returns. The next opportunities should increasingly come from technology adoption, electrification, infrastructure and industrial transformation. We see scope for broader market gains across Europe, Japan and selected emerging markets. Earnings growth, valuations, pricing power and dividend income should guide stock selection.*

Stay risk-on, but diversify differently. *In 2027, the traditional 60/40 portfolio is likely to be challenged as both equities and bonds can suffer from inflation and fiscal pressures. To enhance diversification, real and alternative assets, commodities, gold and liquidity should account for around 30% of allocations. Within equities, a larger share should go to thematic equities, while in bonds investors should favour countries with strong fiscal positions and lower debt, as well as quality credit. Hedging should complement asset allocation, but no single hedge fits all scenarios. Tailored strategies will be key.*

Power will shape how the cycle evolves. How investors allocate to it and protect against its costs will shape their returns.



Vincent Mortier
Group Chief Investment Officer,
Amundi



Monica Defend
Head of Amundi Investment Institute

The 5 powers at play

In 2027, five forces will reshape competitive advantage, economic dependencies and investment returns.

POLICY

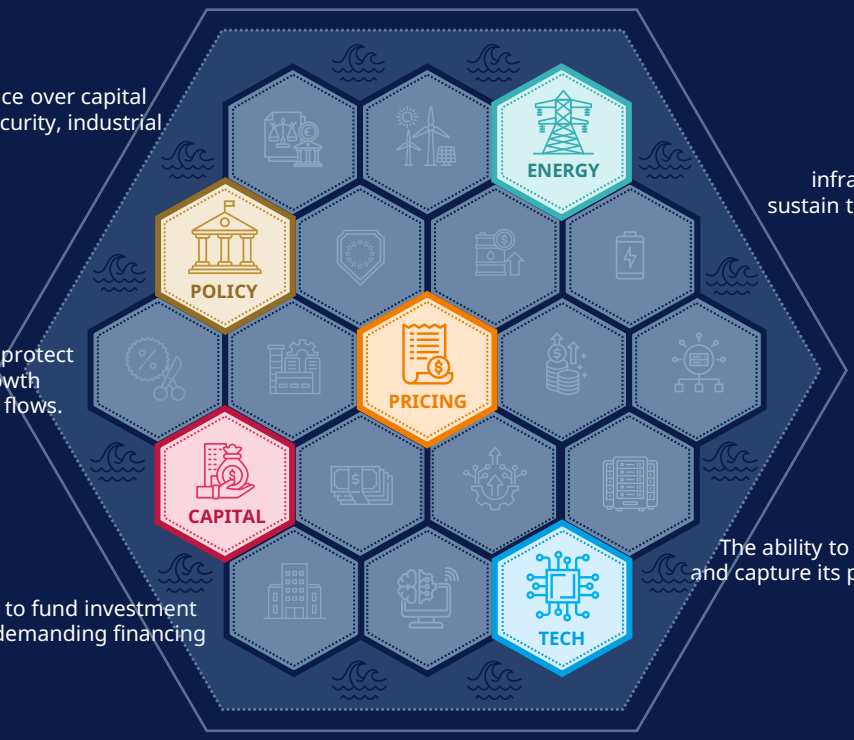
Governments' influence over capital allocation through security, industrial and fiscal priorities.

PRICING

Companies' ability to protect margins and turn growth into sustainable cash flows.

CAPITAL

The financial capacity to fund investment and withstand more demanding financing conditions.



ENERGY

The electricity and infrastructure needed to sustain the investment cycle.

TECHNOLOGY

The ability to develop AI, deploy it and capture its productivity benefits.

The power of POLICY

- Fiscal room and reforms are limited but policy supports resilience.
- Reforms improve the growth outlook, supported by effective execution and private investments.
- Fiscal credibility decreases and policy room narrows.

The power of PRICING

- Margin protection is key as costs stay high.
- Higher productivity and lower costs support broader earnings growth.
- Weak demand and persistent costs widen dispersion.

The power of ENERGY

- Supply adapts, but energy remains costly and strategic.
- Cheaper, more available energy lifts margins and growth.
- Grid and power shortages keep inflation sticky.

The power of CAPITAL

- Capital remains available, but it is expensive and refinancing pressure builds.
- Stronger cash flow supports investment and broader financing.
- Higher leverage, tighter funding and rising refinancing pressure.

Legend

- BASE SCENARIO
- UPSIDE SCENARIO
- DOWNSIDE SCENARIO

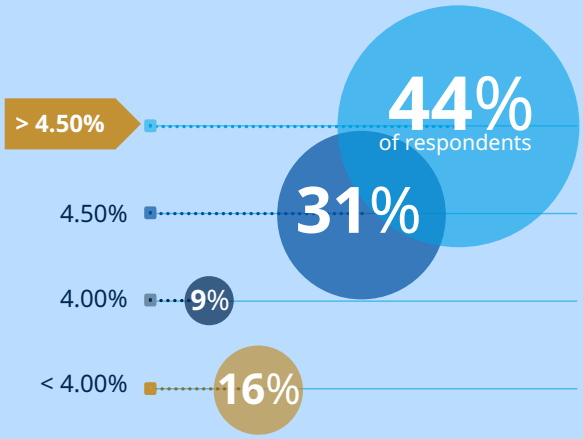
The power of TECH

- CAPEX stays strong, but monetisation and productivity gains are uneven.
- AI broadens productivity gains across regions and sectors.
- CAPEX rises but returns disappoint.

Hot Debates

During the **Amundi Investment Seminar** that took place in September 2026, we asked our investment professionals questions to help us define **what 2027 will be like for the economy and financial markets.**

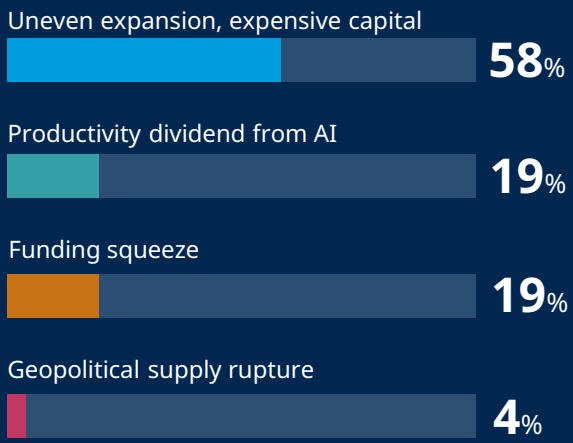
Where will the US Fed Funds rate (upper limit) be at the end of 2027?



What could be the 3 most significant or disruptive geopolitical surprises for markets in 2027?

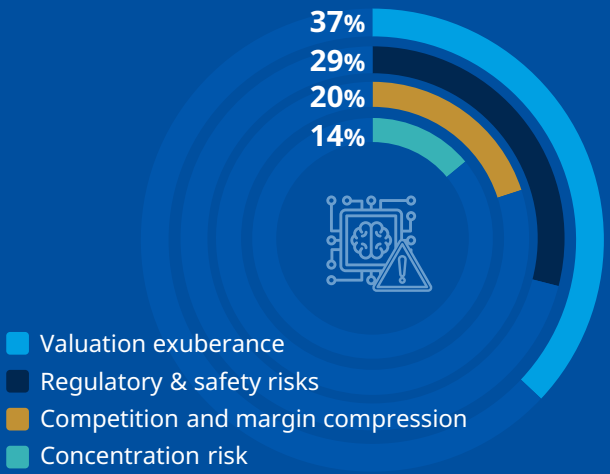


What are the most likely scenarios for 2027?



The scenarios chosen by our investment professionals are the ones shaping the probability of our main and alternative scenarios for 2027.

What would you say is the biggest risk associated with AI investments in 2027?



MACROECONOMICS

The economic price of power

AI, Investment and the New Macro Regime

AI is already lifting labour productivity, **but the broader productivity dividend is still to come.** For now, the gains are uneven, sector-specific and heavily concentrated. That matters because the **next phase of global growth is more likely to be driven by investment than by consumption**, and the current capex cycle is narrow, more leveraged and less supportive of wages than many markets assume.

The result is a macro backdrop that is becoming more cost-intensive. Inflation is likely to remain sticky, rates higher for longer, and policy more constrained than investors expect.

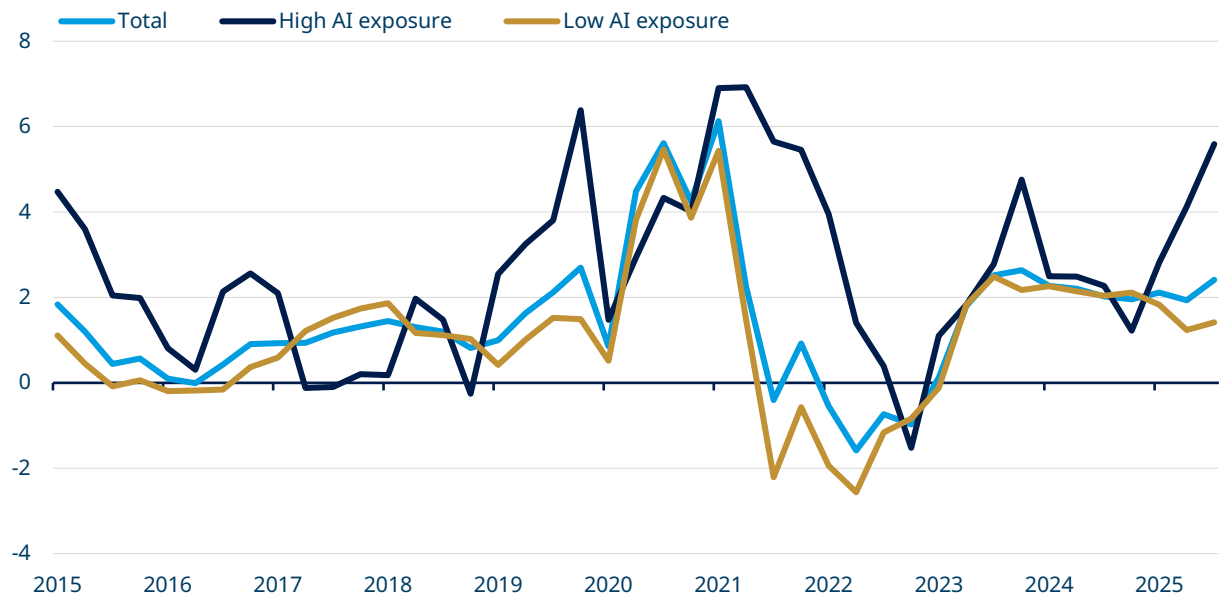
Will AI deliver a productivity dividend and who will capture it?

The key question for 2027 is not how much capital is being invested in AI, **but who converts adoption into profits and productivity.**

AI is driving investment. But investment alone does not guarantee a productivity dividend. Labour productivity can improve when workers are given better tools**. Total factor productivity, however, only rises when firms reorganise around the technology – and that takes time, capital, managerial discipline and the right operating model.**

That distinction matters. **Productivity is not the same as profitability**. AI can generate economic gains without delivering attractive returns to the companies financing the build-out. **The value may accrue** instead to the **infrastructure providers, the AI developers and the firms that adopt the technology** effectively. Workers may benefit too, but unevenly and with a lag.

US productivity growth has been driven by high AI exposed sectors
Weighted average of real value added per hour, Year-over-year percent change



Source: Amundi Investment Institute, Bureau of Economic Analysis, Federal Reserve Bank of Dallas. Data at Q3 2025. High exposure is the weighted average of real value added per hour in the information, finance, and professional and technical services sectors. Low exposure is the weighted average of real value added per hour in the mining, utilities, construction, manufacturing, wholesale trade, retail trade, transportation and warehousing, real estate, management and administration, heath care, leisure and hospitality, and other services sectors.

US leadership in AI does not automatically translate into equivalent productivity gains everywhere else (see chart on page 7). The gains are likely to be concentrated in the sectors and firms able to scale adoption fastest. **Over time, those gains should spread, but in 2027 the most plausible outcome is sector-level productivity improvement, rather than a broad economy-wide surge.**

The signal to watch is whether AI adoption expands beyond the most capital-intensive and technology-heavy sectors. If productivity gains start showing up in a wider set of functions – back office, logistics, customer service, design, compliance and healthcare administration – then the dividend will become more durable. **For now, that remains a story for tomorrow, or the day after tomorrow.**

"In 2027, productivity gains will likely stay sector-specific, not economy-wide."

Policy support will be crucial if the gains are to spread. Workers will need training and support for mobility to adapt. Firms will need access to capital. And slower-adopting sectors such as education and healthcare will likely need public funding to implement the technology at scale.

Watch the video

Geopolitics in 2027: key themes to watch

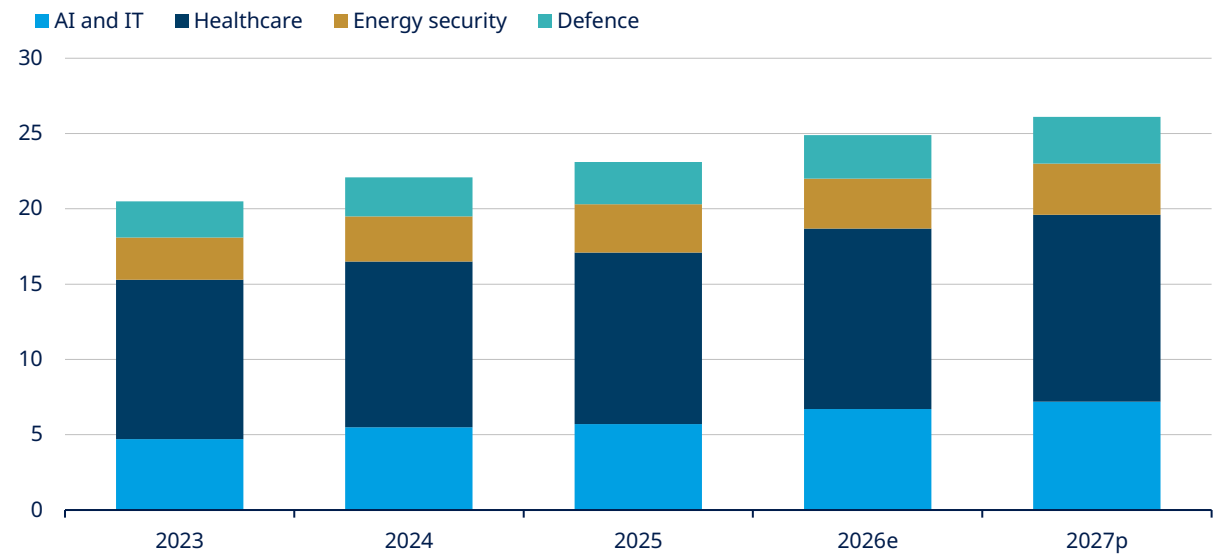
Click or scan

Can investment sustain growth in an increasingly fragmented world?

In 2027, growth acceleration will depend more on investment than consumption. **Where there is a capex story, growth should be stronger. Where there is not, growth will be subdued.**

The good news is that **the need for investment is rising globally.**

Global spending on strategic priorities is set to keep rising
Spending by sector, $ trillion



Sources: Amundi Investment Institute, IIF, WHO, IEA, Gartner, SIPRI. Data as of 30 September 2026.

Strategic competition, defence needs, energy security and supply chain resilience are now driving capital allocation as much as efficiency once did. Investment has become a geopolitical tool.

The drivers are global, but the composition is regional.

In a multipolar world, **investment is no longer just about return on capital. It is also about resilience, autonomy and security**. Defence, energy and infrastructure should therefore support an extended investment cycle, while industrial policy will continue to shape where capital goes.

Features of the investment cycle

Country/ region	*Driver*	*Funding*	*Durability/ Breadth*	*Key sectors*
US	AI Energy security	Increasingly debt driven	**Narrow**	Grid Power generation Data centres LNG
EU	Defence Infrastructure	Public borrowing	**High but slow**	Defence Rail Grid
Japan	Labour scarcity Reshoring Governance reform	Corporate cash and profits	**High**	Automation Semiconductor equipment Power equipment Construction IT services
China	Tech self-reliance Strategic industries	State-directed: central government Policy banks SOEs	**High in strategic niches, weak overall**	Semiconductors Data and information services Aerospace Electronic equipment R&D
India	Public infrastructure	Public capex	**Long term**	Infrastructure Power Renewables
Taiwan, Korea	AI supply chain	Corporate cash	**Tied to AI cycle**	Foundry Memory Packaging Servers Cooling systems

Source: Amundi Investment Institute, as of 30 October 2026.

"The AI build-out is increasingly debt-financed, leaving it more vulnerable to higher rates."

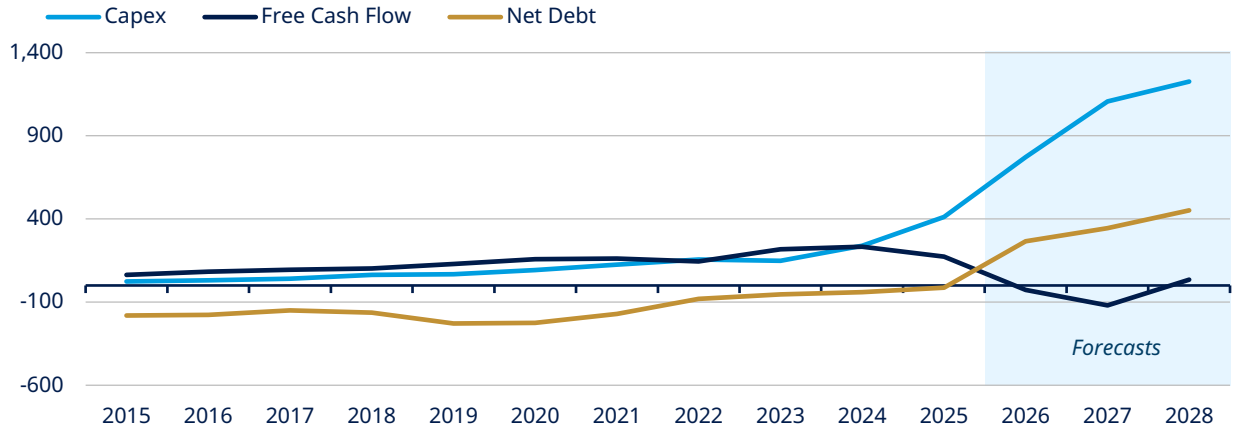
But there is a catch: **the investment cycle is still narrow and increasingly leveraged.**

AI capex is still rising, but it is increasingly **being funded with debt and equity rather than cash flow.**

Capex is absorbing a larger share of operating cash flow, while free cash flow is becoming more negative in parts of the market. That creates a debt-financed cycle with uncertain payback on assets that depreciate quickly. The market has already begun to price that risk.

High rates make this more difficult. They weigh on both public and private investment, particularly where funding relies on floating-rate debt or off-balance-sheet financing.

AI hyperscaler capex is increasingly funded by debt rather than cash flows
$ bln



Sources: Amundi Investment Institute, FactSet. Data as of 30 October 2026. Hyperscalers included are Alphabet, Amazon, Meta, Microsoft and Oracle.

Where will global growth diverge and why?

Growth is set to diverge by country and by sector.

US: growth is creating more wealth than wages, impacting distribution, consumption and political tolerance.

China: the priority remains rebalancing production while domestic demand is still sluggish.

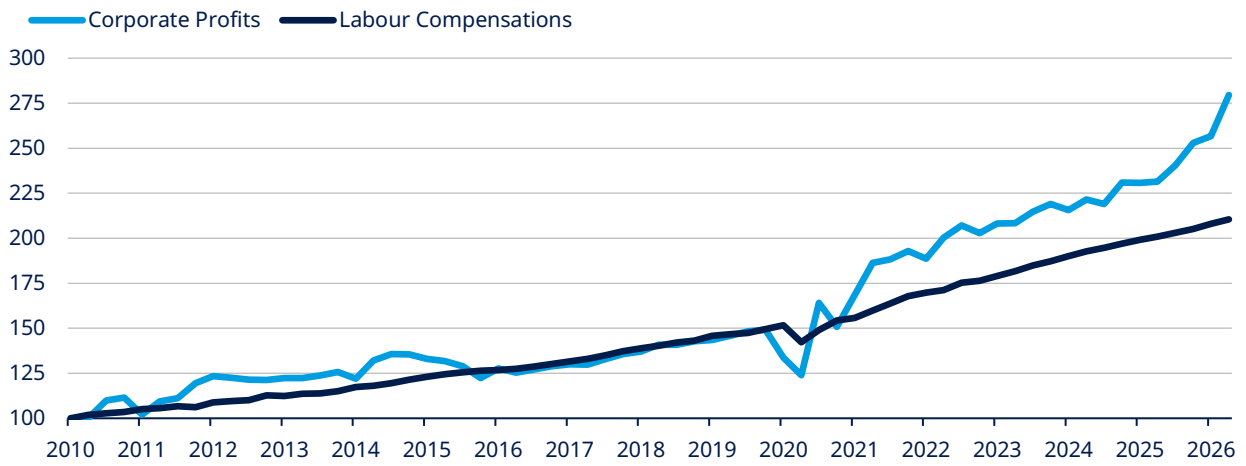
Europe: need to turn strategic ambition into actual investment.

Japan: must confront structural labour shortages and accelerate automation.

EM: becoming more differentiated than ever, depending on their exposure to tech supply chains, commodities and capital flows, and on policy credibility.

Strategic investment will not automatically translate into stronger domestic demand. The growth model itself is changing. In many economies, **the current investment cycle is generating more wealth than wages because AI and digital infrastructure are capital-intensive, not labour-intensive.**

US corporate profits are accelerating further, while labour compensation lags
US National Income data, Q1 2010 = 100



Sources: Amundi Investment Institute, Bureau of Economic Analysis. Last available data as of 30 October 2026.

"This is an investment-led cycle, with consumption likely to remain weak in 2027."

A data centre may employ a large workforce during construction, but once it is operating, the headcount drops sharply – while returns accrue mainly to capital owners. That makes the current cycle less supportive of broad-based household spending.

In 2027, consumption is expected to remain weak without collapsing. In the US, aggregate spending is being supported by households at the top of the income distribution, leaving the consumer exposed to an equity correction. Meanwhile, the income, savings and credit positions of many other households are deteriorating. In Europe, consumption depends more on confidence, making it vulnerable to energy prices and uncertainty. Europe does have a savings buffer that could be released if confidence improves, while the US has little room to do so.

Inflation and higher rates are biting. **The recovery in consumption assumes that energy prices will fall. Goods spending should stay weak while services and essentials hold up better.** Existing homeowners remain partly cushioned by fixed-rate mortgages, but younger and lower-income households are being priced out, reinforcing wealth inequality. The housing market is stalling, as the time needed to sell residential properties has lengthened and new mortgages carry higher rates.

The result is a rebalancing toward goods weakness and services resilience. That makes a **durable shift from investment-led growth back to consumption-led growth unlikely in the near term.**

Can central banks contain inflation without choking growth?

Central banks face a familiar but increasingly uncomfortable trade-off.

The key distinction is between persistent inflation and accelerating inflation. Our base case is persistence, not re-acceleration. Transporting goods now takes longer and costs more, with routes chosen for security rather than efficiency. Longer supply chains, larger inventories, duplicate capacity, and higher insurance costs all add pressure. Supply shocks are also coming from energy disruption, manufacturing reshoring, critical mineral constraints, and shifts in farming that may reduce yields and lift crop prices in 2026–27**. Together, these forces are raising the global cost floor. Inflation is likely to remain more volatile and settle above central bank targets.** Further acceleration would come from additional supply shocks rather than the baseline outlook.

That means central banks may have less room to support growth than markets hope. Inflation need not be rising rapidly to constrain policy. **It only needs to stay high enough to prevent easing.**

The broader challenge is the growing tension between monetary and fiscal constraints. In an environment of sticky inflation, supply shocks and high debt, policy begins to look less like macro stabilisation and more like financial repression – even if that is not the explicit goal.

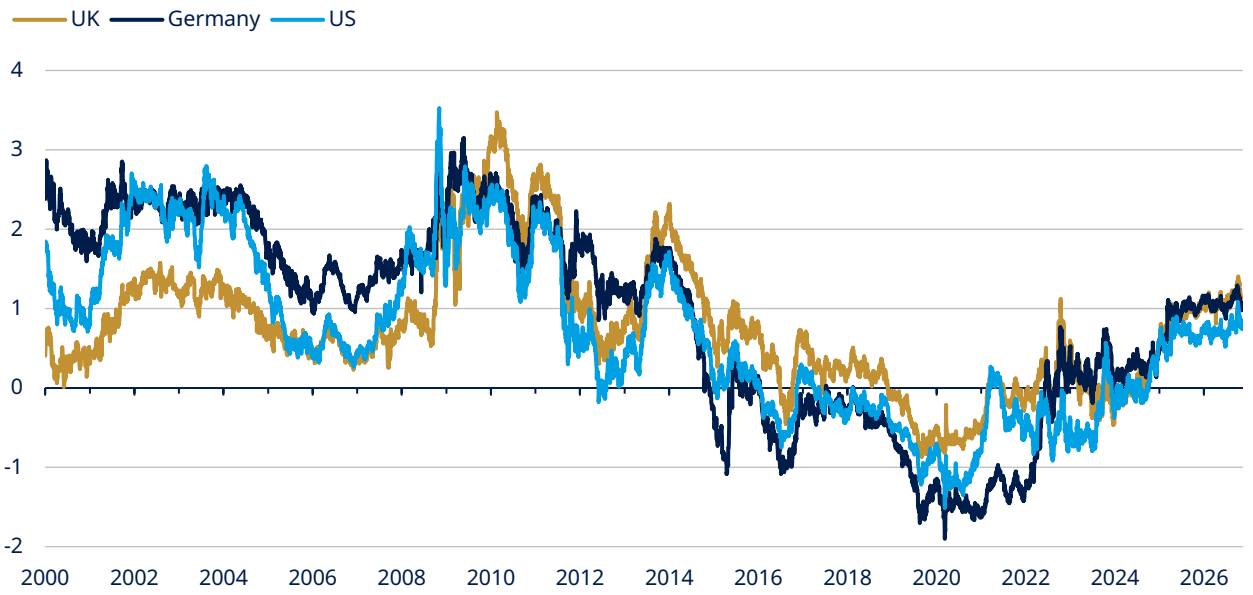
Will debt and leverage become the next source of instability? Is financial repression the end game?

Financial repression is one possible policy response, but it is not the core macro question. The more important issue is the interaction between sovereign borrowing, private investment demand and an increasingly complex financial system.

Several risks deserve close monitoring:

- **Competition for capital** between governments and private investors
- **Higher term premia** and vulnerability at the long end of the curve
- **Rising leverage** in non-bank financial institutions and private credit
- **Liquidity mismatches** and dependence on repo and Treasury market intermediation

Rising term premia are a key risk to watch
10-year term premium, percent



Sources: Amundi Investment Institute, Bloomberg Economics. The term premium is an ACM term premium estimate, based on Adrian, Crump and Moench (2013), calculated as the difference between the zero-coupon bond yield and a model estimate of the risk-free rate. Data as of 16 November 2026.

This is where financial shocks may differ from physical shocks.

The transmission can be faster, more nonlinear and more difficult to contain.

The distinction between developed and emerging markets is also blurring. High public debt is increasingly a developed market vulnerability, while many emerging markets remain more heterogeneous – some exposed, some resilient, some much improved in terms of central bank credibility and fiscal discipline.

High debt does not automatically imply financial repression. But when debt is high, inflation is sticky and rates are elevated, the pressure for some form of repression rises sharply.

The first risk to watch is regulation that creates captive demand – for example, changes to bank capital rules, stablecoin reserve requirements or home-bias schemes. **The second is disorderly repricing amplified by leverage**. A policy mistake or an unfunded fiscal announcement could be enough to trigger it.

The long end of the curve would likely feel the strain first.

The gap between interest rates and nominal growth has also changed. For much of the last decade, rates sat below growth, making debt easier to carry. That gap has narrowed – and in many countries, it has closed. When rates exceed growth, governments need primary surpluses simply to stabilise debt. Few can deliver that politically.

For 2027, the risk is not necessarily a debt crisis in the classic sense. It is a world in which inflation remains above central bank targets, policy stays restrictive for longer than expected, and markets periodically test the limits of official tolerance. Leverage will amplify every mistake.

"When debt is high, inflation is sticky and rates are elevated, the pressure for some form of financial repression rises."

2027 | Investment outlook themes



A new balance of power

High bond yields offer an attractive entry point, but in a debt-intensive world, they could rise further.

Start the year favouring short maturities and add duration later. Emerging market debt with solid fundamentals and investment grade credit are key convictions for 2027.

FIXED INCOME



Complement tech-led growth with income

In 2027, the market will want proof that investment in AI is paying off.

AI remains a key growth driver, but adding dividend and stocks with attractive valuations can reduce concentration risk and provide a steadier return profile.

EQUITY



The power of energy and policy

In a low trust world, policy is increasingly focused on developing strategic sectors.

Strategic autonomy, energy infrastructure investment and rising demand for critical minerals all offer structural opportunities.

THEMATICS



Opportunities in an age of capital constraints and transformation

Amid growing constraints on capital, private assets are well placed to finance long-term economic transformation, while hedge funds capture mispricing through dispersion, relative value and flexibility.

PRIVATE AND ALTERNATIVE ASSETS



Adapting to multiple outcomes

Different scenarios will favour different assets.

Keep a flexible mix of equities, bonds, private and alternative assets and commodities, adjusting allocations as AI's impact on growth becomes clearer and geopolitical tensions evolve.

PORTFOLIO CONSTRUCTION

PORTFOLIO CONSTRUCTION

Constructing portfolios for multiple scenarios

We live in an era of conflicting long-term and short-term forces. Demographics, strategic autonomy and innovation are all leading to a rising debt pile and would require consistent policies. But at the same time the investment world is increasingly shaped by short-term political instability, momentum-driven flows and unstable capital commitments. This conflict makes portfolio construction increasingly about balancing resilience to shocks, exposure to durable growth themes and selectivity towards companies able to adapt to disruption.

In 2027, investors will need to navigate a global economy that is resilient, but with rising divergences. As public and private debt issuance is set to remain elevated, long-term yields may stay under upward pressure from term premia and fiscal concerns, making leveraged borrowers more exposed to tighter financing conditions.

This base scenario of uneven resilience will continue to support risk assets in 2027, but with less room for complacency. Companies with pricing power, strong balance sheets and exposure to structural investment demand should be favoured, while fixed income allocations should be centred around quality carry, selective duration and fiscal differentiation. Real assets, particularly infrastructure, hedge funds and FX exposure, will be key to enhancing diversification.

Four scenarios defined by the price of power

25% DOWNSIDE SCENARIO

Stress from vulnerabilities

- Bottlenecks worsen: weaker growth, sticky inflation.
- Funding pressures mount.
- Central banks initially have limited room to ease.

Investment implications

Reduce leverage and equity exposure, favour quality credit, cash, selective duration, private and alternative assets*, gold, JPY.

60% BASE SCENARIO

Uneven resilience

- AI capex supports growth but monetisation & productivity remain uneven.
- Energy available but expensive.
- Inflation above target. Central bank tightening peaks in Q1.
- Capital increasingly expensive.

Investment implications

Measured risk-on. Favour AI-capex beneficiaries, EM bonds, selective credit, flexible duration, commodities, private & alternative assets*, carry FX.

10% UPSIDE SCENARIO

AI and reform dividend

- Broader AI productivity growth.
- European reforms, Japanese automation and Chinese rebalancing lift growth potential.
- Geopolitical de-escalation.
- Higher growth with softer inflation.

Investment implications

Broaden equities, cyclicals, EM, High Yield, flexible duration, private and alternative assets*, softer USD.

TAIL RISKS 5%

Compound geopolitical rupture

- Physical or geopolitical or security (cyber event) shock.
- Economic and corporate activity contract, inflation rises.

Investment implications

Favour inflation hedges, resource exporters, gold, cautious duration and credit, alternative assets*, strong USD.

* See details on private and alternative assets on page 26.

The importance of alternative scenarios

The central scenario is not the whole story. The probability of alternative outcomes is high enough that portfolio construction must be designed around more than one path.

The downside scenario, with a 25% probability of occurrence, is one characterised by **stress from vulnerabilities.** In this case, resilience gives way to financial stress as growth slows while inflation remains sticky. Heavy debt issuance and fiscal concerns push term premia higher, keeping financing conditions restrictive even as activity weakens.

Refinancing pressure exposes vulnerabilities in highly leveraged borrowers and parts of the non-bank financial system. Central banks would face an uncomfortable trade-off between supporting growth and containing inflation. **This scenario would drive risk reduction and a higher allocation to gold and cash.**

The upside scenario, with a 10% probability, is driven by an AI and reform dividend. Here, AI adoption broadens beyond infrastructure investment, while reforms and better capital allocation support productivity, real incomes and potential growth. Stronger growth prospects and more sustainable fiscal dynamics lift confidence and risk appetite. **This would favour equities, particularly in areas benefiting from productivity gains, as well as credit and duration if disinflation allows policy to ease**.

The tail risk is a compound geopolitical rupture. A major geopolitical or physical shock, such as a disruption to energy supply, critical infrastructure or cyber systems, could trigger a renewed supply shock. In that environment, inflation reaccelerates just as growth weakens, leaving central banks with limited room to respond. Traditional stock-bond diversification becomes less reliable, **and capital preservation becomes the priority**.

Guidelines to redesign the portfolio

A more fragmented world, with tighter supply and higher capital needs, calls for a new way of building portfolios. The usual mix of equities and bonds may no longer provide enough protection, especially when inflation, fiscal pressure and geopolitical shocks affect both at the same time.

First, diversify by risk factor. This means looking at what really drives returns, such as growth, inflation, interest rates, credit and liquidity. Two investments may look different but still react in the same way when markets move. Hedging should therefore be part of the portfolio design, not a later-stage addition.

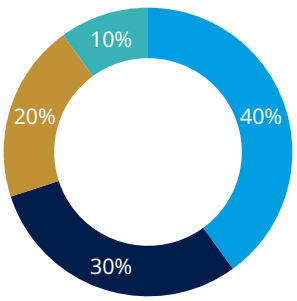
Second, invest in long-term structural themes shaping the global economy. Energy security, AI, infrastructure and demographics all create long-term opportunities. But investors still need to be selective. Valuation, pricing power and the ability to turn transformation into profit will remain essential.

Third, make income and resilience work together. Higher yields can support returns but yield alone is not enough. Quality, fiscal strength and strong balance sheets matter more when capital is scarce.

Fourth, increase allocation to commodities supported by structural demand as well as private markets and hedge funds, to benefit from enhanced diversification and alpha creation. Focus on selected opportunities where liquidity constraints and underlying vulnerabilities are properly understood.

From a 60/40 to a 40/30/20/10

Illustrative asset allocation for 2027



Equities	Sustainable income (dividends, attractive valuations), structural trends such as scarcity (rare earths), infrastructure, strategic autonomy.
Fixed income & liquidity	Govies favouring countries with low debt/GDP ratio (Norway, Australia, Switzerland), EM bonds HC, selective EM bonds LC, IG credit, liquidity.
Private & alternatives	Infrastructure, European private debt with strong protection. Hedge funds: arbitrage strategies, global macro, long/short equity.
Commodities	Metals with structural demand like copper and gold.

Sources: Amundi Investment Institute, 2027 Investment Outlook.

Diversify across risk factors

Risk-factor diversification is about taking the right risks, understanding how they interact, and protecting against the ones that are not rewarded. Using this approach, portfolios can be designed to adapt to different scenarios.

Risk factor	*Portfolio stance*	*Core allocation*	*Potential sources of resilience*
Growth and productivity	Maintain measured risk exposure and diversify growth engines.	Quality equities, AI adoption beneficiaries and regional diversification.	Infrastructure equity, long-short equity strategies.
Inflation surprises	Maintain explicit protection against supply-driven inflation.	Gold, strategic commodities linked to supply shortages and inflation-linked bonds.	Macro and trend-following strategies, selected infrastructure with inflation-linked revenues.
Real yields and duration	Keep duration moderate and prioritise quality carry.	Selective sovereign bonds, investment-grade credit and issuers with strong fiscal positions.	Global macro and relative-value fixed-income strategies, with scrutiny of leverage and liquidity.
Credit and refinancing	Be selective and limit exposure to leverage and refinancing vulnerabilities.	Quality investment-grade credit, selective high yield and companies with strong balance sheets.	Specialist credit strategies with strict liquidity discipline.
Climate-related physical risks	Protect productive capacity and invest in adaptation.	Water, grid resilience, efficient infrastructure and companies benefiting from climate adaptation.	Resilient infrastructure and adaptation-focused real assets.
Transition and resource efficiency	Favour businesses and assets that can adapt competitively.	Electrification, energy efficiency, grid investment and selected critical materials.	Energy-transition infrastructure and strategies targeting resource efficiency.
Geopolitical and supply shocks	Use targeted hedges and diversify exposure to supply chains.	Gold, strategic commodities, energy security beneficiaries.	Selected infrastructure and real assets, macro strategies.
Liquidity and market stress	Maintain strategic liquidity and preserve optionality.	Cash, high-quality short duration bonds, liquid FX.	Liquid alternative strategies with low leverage.

FIXED INCOME

A new balance of power in fixed income

In a debt-intensive world, access to capital and the ability to control funding costs are becoming sources of economic and financial power. As governments, corporates, and AI-related investment compete for capital, the quality of balance sheets and the credibility of policy frameworks will increasingly define financing conditions. For investors, higher yields across markets create an attractive entry point in 2027, but fiscal pressures, persistent inflation and competing demand argue for a diversified approach, starting with short-term maturities and gradually extending duration later in the year. Selected emerging economies with stronger external balances and credible policies can provide valuable diversification, while global investment grade credit remains a core allocation in a world of increasingly differentiated sovereign risks.

Attractive entry points in developed market bonds: favour short maturities first

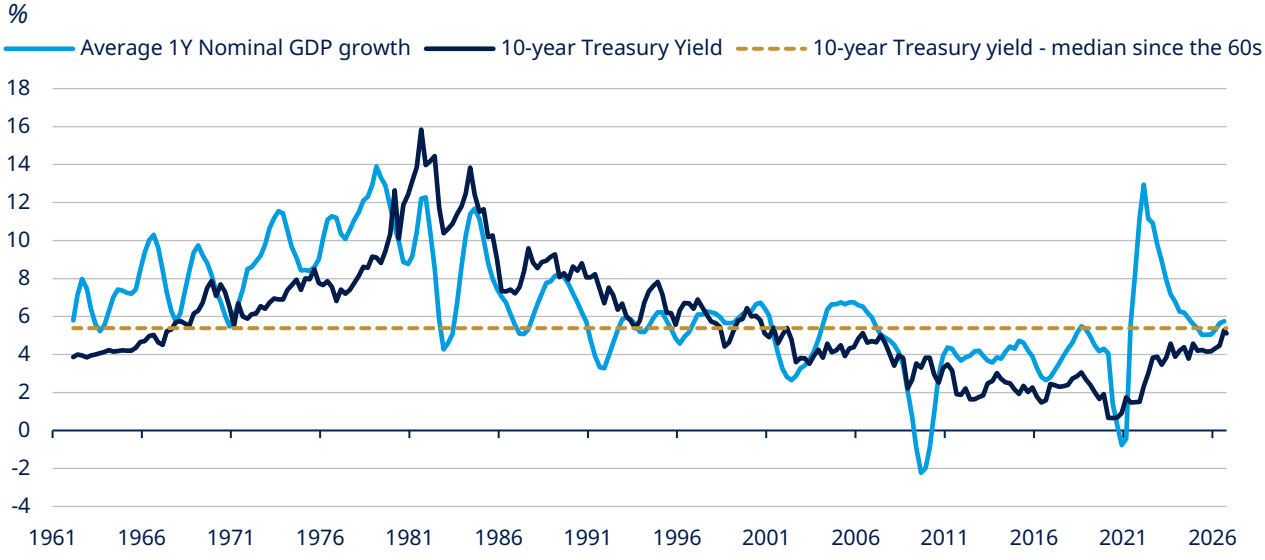
US 10-year yields are approaching historically attractive levels, potentially offering compelling entry points for long-term investors. However, while demographics and softer long-term growth could eventually support lower yields, persistent fiscal pressures and structural changes in capital demand may keep the term premium elevated. **We therefore favour a gradual extension of duration rather than an immediate shift to long-term bonds.**

Two trends may drive upside risks to yields before they start to come down.

The first is the continued acceleration in AI investment. AI can be positive for growth but challenging for bonds. While AI is supporting nominal growth and potentially boosting productivity, it is also **increasing competition for capital among corporates and governments**. Combined with heavy sovereign issuance, this may put upward pressure on real yields and term premia, particularly if investment demand exceeds available savings.

The second risk is related to renewed inflationary pressures. Inflation expectations remain broadly anchored despite inflation persistently above central banks' targets. However, resilient investment demand, geopolitical fragmentation, and prolonged energy supply disruptions sustain inflation risk premia. A renewed energy shock could challenge expectations and delay monetary easing, keeping bond markets more vulnerable.

10-year Treasury yields are attractive again, though upside risks persist



Sources: Amundi Investment Institute, Bloomberg. Data as of 16 November 2026. Average one-year nominal GDP growth calculated over 4 rolling quarter YoY GDP growth.

Central banks' reaction functions will remain critical. Persistent inflation and elevated debt levels narrow the room for policy support, increasing the risk that financial sustainability concerns and price stability objectives come into conflict.

In this context, **we favour short-dated bonds initially, particularly in the eurozone and the UK**, while we prepare to extend duration selectively as yields offer better compensation for inflation risks. Japan may offer opportunities as monetary policy normalises.

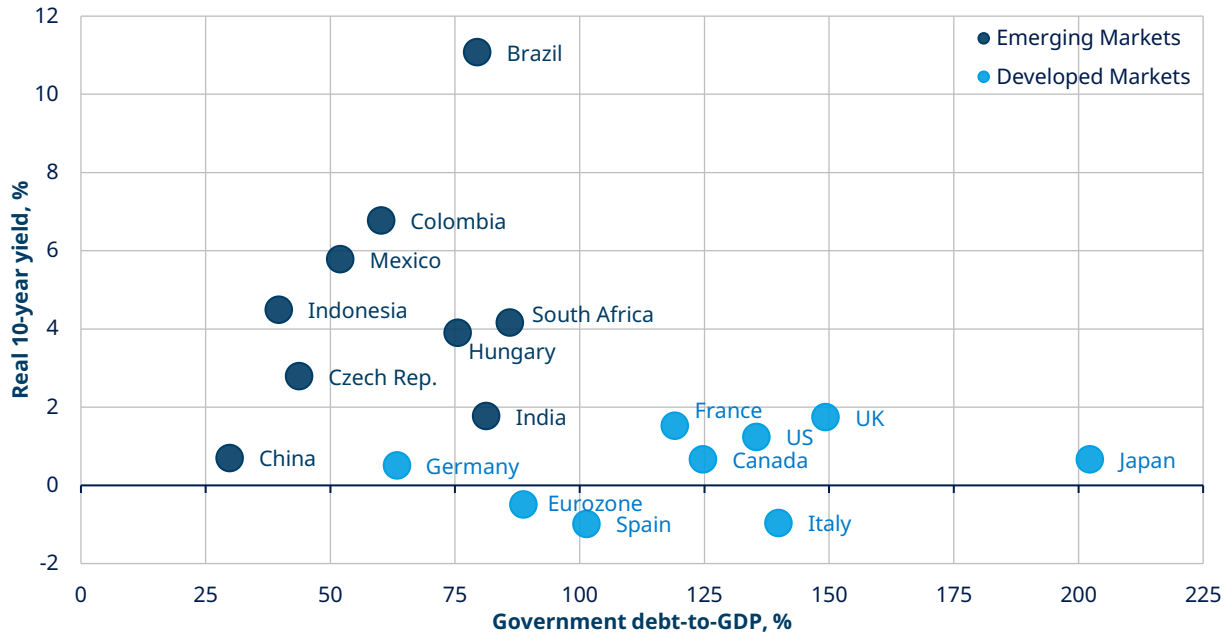
In credit, **we prefer high-quality investment grade bonds**, while we remain selective on high yield, where refinancing costs and weaker balance sheets could drive greater dispersion.

"In 2027, bond investing will be about combining the best opportunities from both developed and emerging markets."

The power of policy shapes EM opportunities

Despite higher yields in developed markets and heavy sovereign issuance, emerging market bonds have remained relatively resilient. **Yield alone is no longer sufficient. EM bonds must offer compelling compensation for currency, credit, and policy risks.**

Attractive yields and sustainable debt will drive 2027 bond opportunities



Source: Amundi Investment Institute, Bloomberg. Real yields are calculated as the 10Y nominal government bond yield minus headline CPI YoY inflation for each country. Debt data for non-EU countries in this list are sourced from the IMF World Economic Outlook, while data for EU member states are sourced from Eurostat's government finance statistics. All debt data are as of June 2026 except South Africa, which is as of March 2026. Data as of 11 November 2026.

Policy credibility is central and a key differentiator. Capital will increasingly favour countries combining attractive yields, sustainable debt dynamics, credible monetary frameworks, and manageable external financing needs.

Higher developed market yields change the starting point for emerging markets. As real yields rise in the US and Europe, alongside substantial sovereign issuance, global savings have a more compelling home-market alternative. **The traditional EM proposition – higher nominal yields combined with improving growth – may therefore be a less reliable catalyst for inflows in 2027.**

In this environment, macro anchors matter as much as yield. Capital is becoming more sensitive to real yields, fiscal and debt trajectories, central-bank credibility, and currency volatility. Selective EM carry exposure, particularly in local-currency debt, is therefore preferable to broad EM beta.

"The best EM opportunities will come where attractive yields are supported by reforms and disinflation."

We favour selective local currency debt exposure as an attractive complement to a global aggregate bond allocation, particularly where reforms and disinflation create room for policy easing without undermining FX stability.

Country selection remains essential. Brazil and Colombia offer attractive carry. Elevated yields provide a useful buffer, but fiscal risks require close monitoring. Hungary may benefit from disinflation and convergence towards Europe, provided policy credibility is maintained.

Across these markets, currency resilience and the sustainability of real yields matter more than headline carry.

Frontier markets offer tactical opportunities where reform progress, disinflation, and improving external balances compensate for risks. Nigeria, Egypt, Uzbekistan, and Kazakhstan warrant selective attention, but attractive real yields must be assessed against liquidity constraints, political risks, and existing funding vulnerabilities.

In hard-currency debt, we favour shorter-duration high-yield bonds and issuers with stable or improving fundamentals, while remaining cautious on refinancing risks.

Geopolitical fragmentation is also reshaping EM opportunities.

"Connector" economies, which sit between major economic and geopolitical blocs, can benefit from redirected trade and investment flows and reconfiguration of strategic supply chains (energy, critical minerals, manufacturing).

India, Indonesia, Mexico and Kazakhstan offer different dimensions of this trend. However, the investment benefit depends on the ability to translate these advantages into stronger balances, fiscal revenues, and sustainable growth.

In conclusion, in 2027**, the power of the policy mix will matter as much as the level of yield.** We favour EM where carry is supported by credible institutions, improving fundamentals, and resilience to higher-for-longer developed market real rates.

KEY INVESTMENT IMPLICATIONS

Developed markets

- **Capture attractive yields and manage duration actively:** favour short-term bonds initially, and extend duration selectively as term premia improve.
- **Favour selective euro sovereigns:** Italy and Spain are supported by improving fundamentals. France can offer entry points once political risk normalises.
- **Prioritise quality in credit:** favour IG while remaining selective in HY amid rising refinancing and dispersion risks.

Emerging markets

- **Favour selective local-currency debt:** target attractive real yields backed by credible policies and resilient external balances.
- **Stay selective in hard-currency debt:** prefer shorter-duration high-yield bonds from issuers with stable or improving fundamentals.
- **Capture opportunities from geopolitical realignment:** favour connector economies where trade and investment gains strengthen macro fundamentals (India, Indonesia, Mexico, Kazakhstan and selected frontier markets).

Timing the US dollar sequence and seeking carry in FX

In the short term, the USD still has some cyclical support from higher US rates and global uncertainty, limiting the scope for depreciation. A more hawkish Fed could extend this support, particularly if US real yields have further upside, as this would challenge our assumption that US monetary policy ultimately seeks to suppress real financing costs relative to resilient nominal GDP growth. On the other hand, doubts remain over its potential upside.

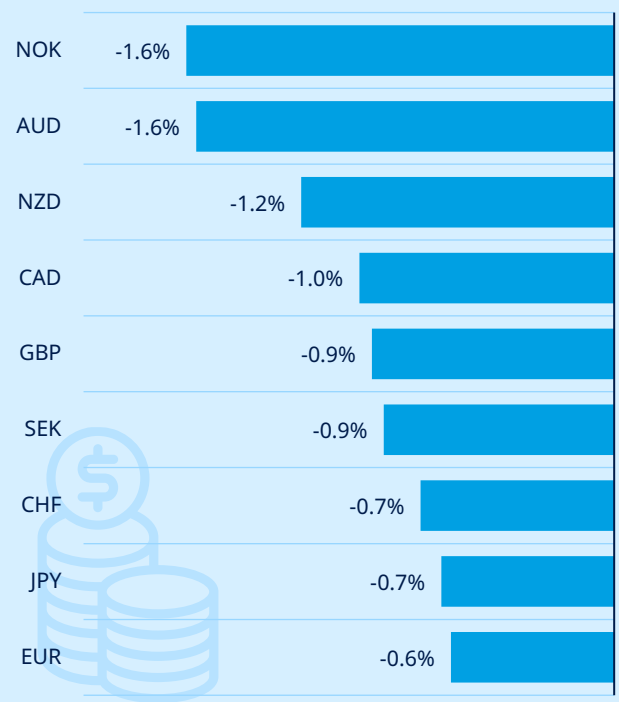
Rich USD valuations, stretched positioning, rising US interest costs, and a larger opportunity set outside US assets remain key headwinds. We see this reflected in the USD correlation structure. We continue to see the USD as an effective hedge that should benefit in the event of an inflation shock (risk-off with rates rising), but a poor hedge in the event of a growth shock (risk-off with rates falling). Large concentrations in US assets force investors to sell what they hold, and fixed income flows are less USD-supportive than in the 2009 to 2021 cycle, as rates have repriced higher everywhere.

Against this backdrop, we favour selective carry opportunities in AUD, NOK, and GBP, supported by rate differentials and solid/improving domestic fundamentals. The EUR and, to a lesser extent, CHF are our preferred funding currencies. We also see value in JPY as a portfolio diversifier (monetary policy normalisation and relative valuation), particularly if global growth or AI-related investment expectations disappoint.

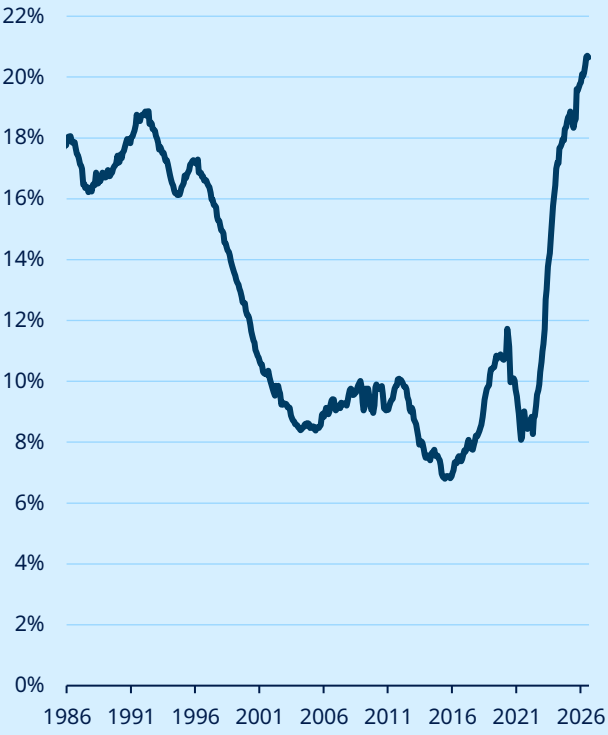
"The USD faces structural pressure from concerns about US fiscal sustainability, higher capital costs and a wider opportunity set abroad."

The biggest upside risk for the dollar is a hawkish Fed, but a record-high interest burden suggests there is little room

Average monthly return vs US dollar when US real yields rise and inflation breakevens fall



US interest payments as % of government revenues



Sources: Amundi Investment Institute, Bloomberg. Data as of 30 October 2026.

EQUITY

AI in 2027: greater scrutiny on returns

AI has absorbed a disproportionate share of global capital, earnings growth, and investor attention. The returns debate is not new, but it should sharpen in 2027: as free cash flow thins and leverage rises, every additional dollar of investment will face greater scrutiny. The narrative is shifting from who can invest the most to who can capture the highest returns. EPS leadership and market leadership may increasingly diverge as valuations and expectations become more demanding. EPS concentration will not necessarily translate into equity performance: how companies will deliver relative to expectations is more crucial than ever.

"In 2027, the market will stop paying for capacity and start asking to be shown the returns."

Global earnings will depend more on AI in 2027, not less.

Although earnings breadth is improving, with more MSCI ACWI constituents expected to deliver higher net income in 2027 than in 2026, the IT sector will account for 70% of growth in net income across the entire index, up from around 40% in 2026, led by semiconductors and hardware. Energy and communication services are expected to detract from growth, and consumer discretionary is likely to make only a modest contribution. Several major US hyperscalers sit within communication services and consumer discretionary.

The cycle is past its early innings, but not over.

The cycle is real, and supply constraints remain genuine, but warning signs are accumulating: leverage is rising along with huge off-balance sheet commitments, the hyperscalers' core business results are coming under scrutiny as investors' patience for return on investment wears thin, quality and cyclical names are starting to diverge, and the remaining funding pipeline will increasingly test capital markets' capacity to absorb new issuance and be a real test for frontier-model economics.

The risk is not an abrupt end to the cycle, but a widening gap between capital deployed and returns generated. AI adoption may accelerate even as returns on AI infrastructure remain contested, particularly as the cost of external financing rises.

Volatility is likely to stay, but **three considerations make us believe the cycle is maturing and has further to run:**

1. Public equity issuance is increasing, but it has not reached the excesses of past issuance-heavy cycles.
2. Hyperscalers' AI revenue map is richer than the infrastructure-only framing suggests, as both enablers and adopters have monetisation levers that pure infrastructure plays lack.
3. Hyperscalers' external financing and capital deployment are surging, but remain far below the levels seen in other market segments, like real estate and utility companies, thanks to high operating cash flows.

From build-out to payback: own the bottlenecks, not the spending dependents.

US hyperscalers' free cash flow (FCF) is likely to trough in 2027, **with capex above operating cash flow.** The market will care more about why it recovers than when, demanding early evidence that the monetisation curve is bending upward. Renewed commitments would confirm the cycle has room, while any wavering on spending guidance or disappointing earnings risk a sharp re-rating of the entire AI infrastructure complex.

For us, being selective in 2027 follows a simple rule: limit exposure to industries requiring further commitments. **Spending dependent names** (above all neoclouds, data centre developers, and colocation REITs) may face direct revenue impairment if spending plateaus. **Real infrastructure plays** (power equipment, electrical grid, networking, chip fabrication) are more insulated, even though physical scarcity and technological disruption remain meaningful risks. Supply is constrained, backlogs extend beyond 2027, and physical bottlenecks remain.

Mind the middle: facilitators could see monetisation first.

The market frames AI as a two-horse race between enablers, which build infrastructure, and adopters, which put it to use. That misses the middle layer. Facilitators, comprising the **IT services and software firms** that turn AI capacity into enterprise workflows, are structurally positioned to monetise earlier and face a much lower bar of expectations. While AI is simultaneously a revenue opportunity and a structural headwind (which translate into dispersion and limited optimism in aggregate), the transition to consumption-based pricing, the acceleration of agentic AI adoption, and the structural role of IT services as implementation partners point to a **monetisation inflection that is closer and less priced in than that in the infrastructure layer.**

The challenger from the other bloc: China sits outside most portfolios, but inside the returns debate.

Weaponised economic policy has split the AI supply chain into two blocs: a US-led network under the Pax Silica umbrella, and a Chinese ecosystem pushing for self-sufficiency as Washington restricts access to advanced compute. Chinese AI names have only a small weight in global portfolios, but their influence on the AI trade is far from marginal. Open-weight models compress frontier pricing power, parts of the stack are commoditising, and efficiency gains achieved under compute scarcity question the capex intensity the US build-out assumes. Of all the risks, this is the one that challenges the returns thesis itself, not just its timing.

China is not simply a challenger to US AI leadership; it offers a different economic model for AI deployment. Compute constraints and competitive open models will accelerate efficiency and adoption while putting pressure on monetisation across parts of the global AI value chain. Opportunities may extend beyond model developers into industrial automation and production beneficiaries.

The geography of AI investment opportunities

Country / region	*AI themes*	*Investment opportunities*
US	AI infrastructure leadership, monetisation and diffusion	Selective hyperscalers / infrastructure / software
Europe	Automation, efficiency, reform needs	Industrials, automation, pricing power
Japan	Automation to face the demographic challenge	Robotics, industrial automation, components
China	Computational efficiency, self-sustained industrial application	Selective opportunities, but risk of margin compression from competition
Asia ex Japan	Memory chips and AI manufacturing	Balancing tight supply and orders' visibility with rising competition
India	Industrial application, AI impact on job creation	Industrials to scale up the value chain

Source: Amundi Investment Institute as of 30 October 2026.

As AI investment becomes more capital intensive, financing structures will matter as much as tech leadership. The growing involvement of debt and private capital creates new transmission channels between AI valuations, credit conditions and investment spending.

Diversifying AI risks with a greater focus on dividends and on selecting corporates with an evident return on investment.

AI exposure remains vulnerable to a range of risks that could affect returns before fundamentals have time to differentiate, from concentration and valuation risk to funding stress, which would first hit spending-dependent names. In addition, physical constraints such as power shortages, grid bottlenecks, packaging limits, and permitting delays could push payback further out. Policy and security risks, including export controls, tariffs, or even a major cyber incident, could also disrupt supply chains, margins, and adoption.

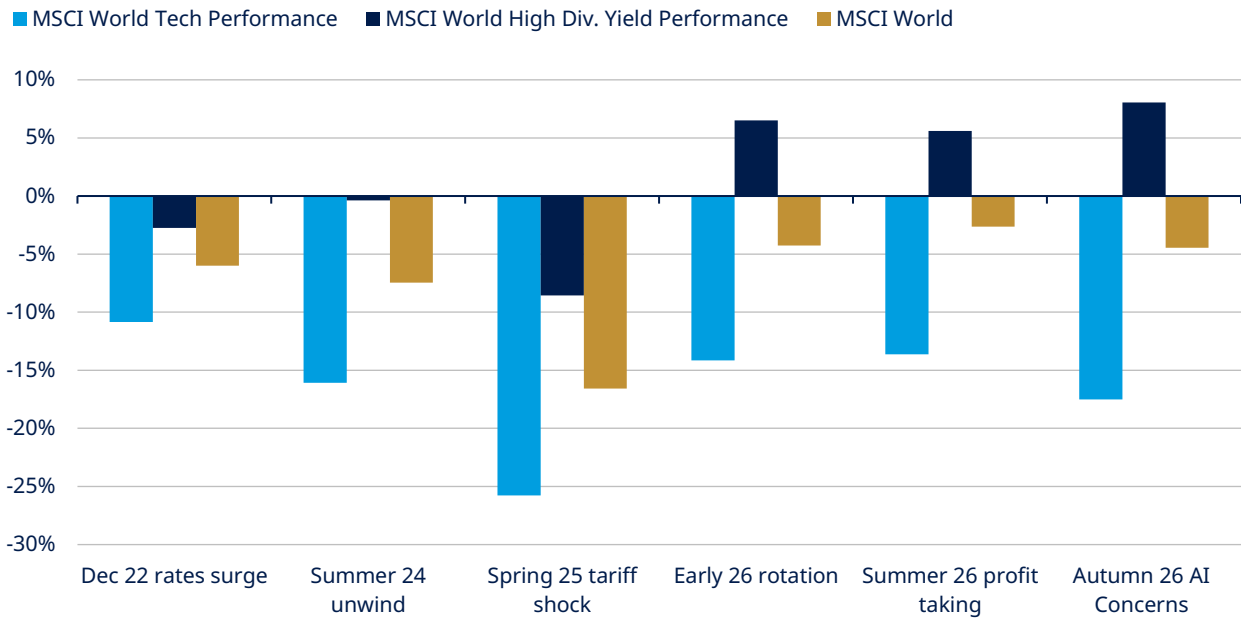
As AI investment shifts from capacity expansion to return generation, portfolio construction should place greater emphasis on cash flow visibility, capital discipline, valuations and sustainability of profits in semiconductors.

Dividend income and attractive valuations can provide complementary returns, particularly if market leadership broadens beyond the capital-intensive segments of the AI trade. This can help dampen volatility and provide a steadier return stream, including in a sticky inflation environment, while also diversifying sector exposure.

KEY INVESTMENT IMPLICATIONS

- **Selective exposure**, taking into account physical bottlenecks, power equipment, grid infrastructure, and selected semiconductor supply-chain names;
- **Emerging opportunities** in AI facilitators that show monetisation and attractive valuations;
- **Broadening potential** into industrial automation and productivity beneficiaries across Europe, Japan, and China;
- **Caution** on spending-dependent infrastructure businesses and highly leveraged operators;
- **Portfolio diversification** through quality cash flow, sustainable dividends, and selective equity exposure.

Dividends have provided a buffer in recent tech sell-offs
Index performance during periods of global tech correction



Sources: Amundi Investment Institute, Bloomberg. Analysis of periods of drawdowns greater than 10 per cent in the MSCI World Tech index. Indexes Total Return in USD.

THEMATICS

The power of energy in a world in adaptation

The Middle East conflict has exposed the vulnerability of energy dependence, while AI, electrification and industrial policies are intensifying competition for reliable power and critical resources. Across energy, infrastructure, utilities, critical minerals and water, resilience is becoming an investment imperative that creates selective opportunities.

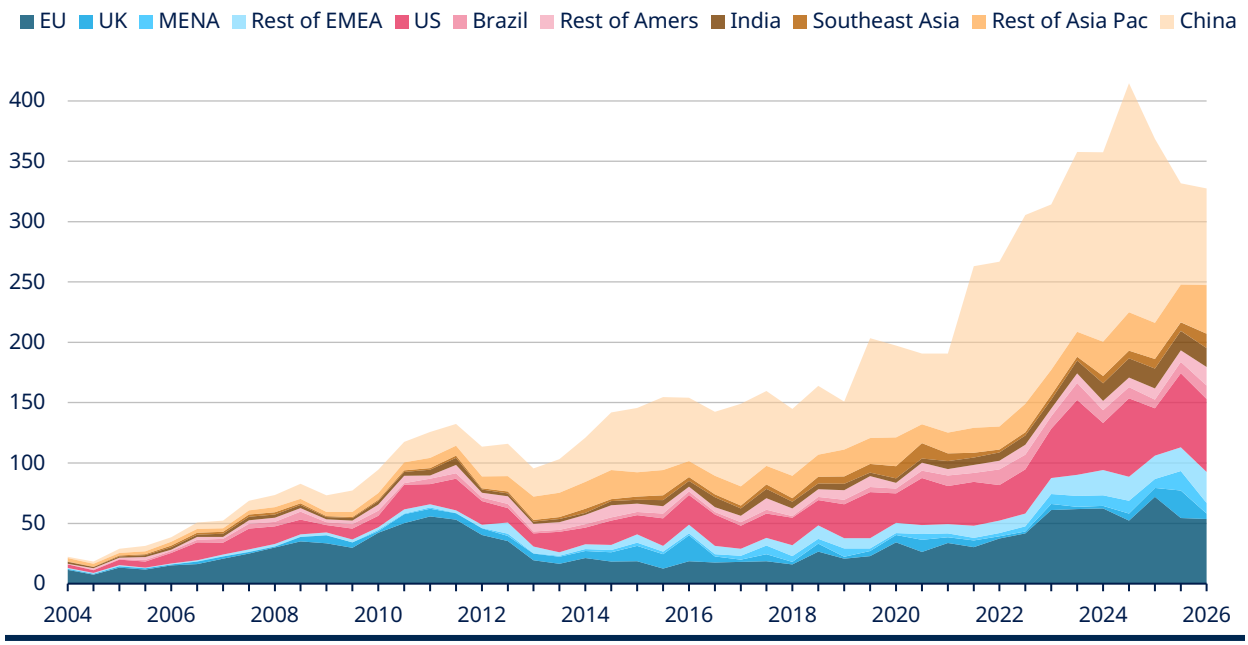
The Middle East conflict has disrupted global energy markets, lifting energy prices and heightening energy security concerns. Reducing reliance on imported fossil fuels is now a security imperative, not just a climate priority.

For 2027, three structural investment priorities emerge: securing reliable electricity supply, reducing dependence on critical minerals and strengthening water resilience. The common denominator is a growing premium on infrastructure that eases strategic bottlenecks.

Reliable power access is a competitive advantage, underpinning opportunities across grids, utilities and industrial infrastructure.

AI, data centres, electrification and advanced manufacturing are driving electricity demand higher. Meeting this demand requires not only greater generation capacity, but also reliable and affordable power delivered where and when it is needed. Investment must increasingly target grid expansion and modernisation, alongside diversified generation and storage capacity. This will support a broader energy mix – including nuclear, gas and renewables – which is becoming more important amid rising energy security concerns. The capital required is substantial, particularly given that around half of grid infrastructure in advanced economies is more than 20 years old.

Renewable energy investment outside China at a record high
Investment in renewable energy, $ billion



Sources: Amundi Investment Institute, Bloomberg NEF. Data as of June 2026.

Energy security and supply scarcity

GEOPOLITICAL SCARCITY

Oil

The oil market faces a persistent geopolitical risk premium that we estimate at around $20 a barrel. Supply disruption, rerouting and higher logistics costs will keep prices elevated, although improved transport conditions could allow some normalisation in 2027.

Liquefied natural gas (LNG)

Gas remains Europe's critical energy vulnerability. Limited rerouting flexibility, constrained LNG infrastructure and competition with Asian buyers could keep European gas prices structurally elevated. We expect prices could remain above €50 per MWh through 2027.

STRUCTURAL BOTTLENECKS

Structural bottlenecks (e.g. copper and selected critical minerals)

Base metals

Critical metals face a structural supply challenge. Electrification, defence, AI infrastructure and grid expansion are all being increasingly constrained by long investment lead times and highly concentrated supply chains.

Source: Amundi Investment Institute. 2027 Investment Outlook.

Supply concentration makes access to critical minerals a key source of strategic power.

Electrification, AI infrastructure and defence are driving demand for copper and selected critical minerals. For example, copper and rare earths are essential for wind turbines, electric vehicle motors and power transmission, while others, such as lithium and nickel, are key battery inputs. Yet supply chains remain highly concentrated, particularly in processing and refining, with China controlling more than 90% of refining for some minerals. Long mine development lead times constrain supply further, reinforcing strategic dependencies and prompting governments to diversify sourcing and expand domestic capacity.

In particular, copper demand is expected to surge from 28 million tonnes in 2025 to 42 million tonnes by 2040. With supply constrained by mine lead times, the market could face a deficit of up to 10 million tonnes by 2040. This should support copper miners, although long-term fundamentals must still be weighed against cyclical demand and valuation risk. We therefore favour selective exposure to copper producers with high-quality assets, disciplined capital allocation and attractive production economics.

Water security is an emerging constraint on industrial growth and infrastructure investment.

Water scarcity is being exacerbated by climate volatility and the growing demand from water-intensive activities such as semiconductor manufacturing, data centre cooling and energy production. This is increasing the demand for water efficiency and desalination, creating a long-term opportunity for companies active in efficient distribution networks, water treatment and industrial water management solutions. Supportive regulation should also underpin the sector, although its capital-intensive nature means balance-sheet strength and visibility of returns remain critical.

Overall, in a world shaped by physical and geopolitical risks, resilience is increasingly a strategic economic asset and an important driver of competitive advantage. Regions and companies with secure access to energy, materials and water – such as the US, Canada and the Nordics – are likely to be better placed to generate long-term value. In contrast, China has a strategic advantage in critical minerals and technologies but remains vulnerable to fossil fuel dependence and water scarcity. Similarly, Australia benefits from strong critical mineral resources and renewable energy potential but remains constrained by infrastructure bottlenecks and water scarcity.

Looking ahead to 2027, climate risks are likely to intensify, with elevated exposure to droughts, floods and hurricanes associated with a strong El Niño event. For investors, sectors and companies enabling adaptation through electrification, resource efficiency and resilient infrastructure are likely to offer compelling opportunities.

PRIVATE AND ALTERNATIVES

Alternative assets in the age of contested capital and bottlenecks

The macro regime has shifted structurally, creating a differentiated opportunity for alternatives. They are not simply diversifiers, but a key monetisation vehicle for the forces reshaping the economy. Capital is becoming more expensive and is being deployed more selectively. Energy will shape the near-term inflation and rate path; AI will determine whether today's capex ultimately translates into productivity and profits. The result is a world defined by constraints, dispersion and funding pressure – conditions that private markets and hedge funds can harness through different but complementary mechanisms.

Three scarcities

The regime is shaped by three mutually reinforcing bottlenecks.

First, physical capacity is constrained. Supply will take years to meet structural demand in grids, data centres, defence and logistics, creating opportunities but also crowding and overinvestment risks. Second, cheap capital has disappeared. Public and private borrowers are competing for the same pool of funding, and credit differentiation is increasing. This supports private lending but raises leverage and refinancing costs, particularly for private equity and real estate. Third, intermediation capacity is shifting. Banks and the official sector are retreating, Asian capital is being repatriated, and retail inflows are increasing, although the latter remains largely untested under stress. This expands private credit's role but does not guarantee better underwriting or adequate compensation for risk.

These scarcities are the structural engine behind the changing investment landscape. The opportunity has migrated: from beta to selection, from leverage to cash flow and from broad macro calls to dispersion. Private assets and hedge funds are two instruments fit to exploit that migration, each in a different way.

For private assets, this means opportunity in infrastructure (fund/own scarce capacity), direct lending (fill the bank gap), private equity operational transformation, and secondaries (liquidity providers). For hedge funds, this means commodity dislocations, fiscal supply trades, capital-structure arbitrage, and divergence/relative value trades. The themes are right – but the security, structure, entry price, or risks may not be.

Europe's opportunities are backed by a regulatory shift

UNDERFUNDED CAPEX

Large investment needs, limited funding.

- Energy grids
- Defence
- Clean energy

BE SELECTIVE TO CAPTURE OPPORTUNITIES AND MANAGE RISKS

FINANCING GAP

~70%
of EU financing comes from banks

Bank retrenchment under Basel IV will drive the largest structural shift in EU credit intermediation in decades.

~€400 bn
EU private credit AUM

The world's second-largest private credit market, though still a fraction of the size of the US market.

VALUATION DISCOUNT TO US MARKETS

25–100bps
EU direct lending spread premium over the US

EU direct lending trades wider for comparable credit quality, reflecting fragmentation, fewer participants and greater deal complexity.

POLICY BACKING

Basel IV
reshapes credit intermediation

From bank balance sheets to private lenders

RISKS

Sovereign stress · Regulatory fragmentation · Energy shock · Renewed ECB tightening

Following the money

These bottlenecks are driving a major investment cycle across AI and digital infrastructure, electrification and power security, strategic autonomy and defence, and supply-chain reshoring. This comes at a time when constrained sovereign balance sheets and bank retreat leave private lenders, insurers and institutional or private-wealth capital to fund the gap. However, terms will be more selective: competition compresses spreads and protections in crowded markets, while complex projects command better pricing, covenants and control. A generational wealth transfer expands that pool, while volatile international flows increase the premium on stable capital. Hedge funds can also benefit from arbitrage opportunities as dislocations materialise.

The supply-demand gap rewards investors who can manage complexity and provide liquidity. These forces are most acute in energy grid and data infrastructure across Europe and the US, as well as in Asia and in emerging markets logistics.

Rates are also a binding constraint. We are already seeing some borrowers come under pressure. That creates opportunities for private markets in senior lending and flexible capital, while long-duration assets become more vulnerable. Hedge funds can, in turn, benefit from dispersion and capital-structure opportunities. However, tighter funding conditions may weigh on leveraged strategies, making selection key.

Two routes to monetisation

Private capital and hedge funds both benefit from the same macro regime, but they do so on different time horizons. Private capital captures the value created by structural adjustment through control, contractual cash flows, patience and operational transformation. Leverage and multiple expansion still contribute, but less than in the past – placing greater weight on revenue growth, margin improvement and cash conversion. Hedge funds capture the mispricing created along the way through dispersion, relative value, speed and flexibility.

Macro force	*Private assets monetise via…*	*Hedge funds monetise via…*
Expensive capital	Lending, restructuring, buying assets at better prices, complexity and illiquidity premia. ***Constraints:*** *premiums must compensate for leverage, credit and illiquidity risk.*	Curve trades, volatility, relative value, low-beta cash contribution. ***Constraints:*** *alpha must exceed financing and hedging costs.*
Physical scarcity	Owning and financing scarce capacity, long-horizon value creation. ***Constraints:*** *entry price, construction, regulation and obsolescence remain decisive.*	Regional and commodity pricing dislocations, supply-demand divergence trades. ***Constraints:*** *scarcity must create tradable dislocations; reversals can be abrupt.*
Refinancing pressure	Structured and rescue capital, good assets with imperfect balance sheets, secondaries. ***Constraints:*** *collateral, covenants, sponsor support and exits determine recoveries.*	Capital-structure arbitrage, credit dispersion, refinancing catalysts. ***Constraints:*** *dispersion is not alpha – a catalyst must drive prices toward fundamentals rather than broad beta or liquidity.*
Geopolitical fragmentation	Financing domestic assets and supply chains, patient capital premium. ***Constraints:*** *policy shifts can delay projects or strand capacity.*	Country, FX and rates divergence, reshoring winners vs. losers. ***Constraints:*** *dollar, US rate and liquidity beta can keep correlations high.*
Market instability	Use control, patience, contractual protection. Reduce the need to react. ***Constraints:*** *illiquidity can turn patience into captivity.*	Use shorts, flexibility, dynamic hedging. Market noise creates mispricing. Tighter liquidity leads to greater differentiation. ***Constraints:*** *funding stress and crowded deleveraging can turn flexibility into fragility.*

Source: Amundi Investment Institute.

"Private markets and hedge funds offer access to opportunities unavailable in public markets, capture inefficiencies and provide diversification through different sources of return."

Key risks to monitor

As they monetise opportunities differently, private markets and hedge funds are also exposed to different risks. For private markets, patience becomes captivity when the wrong structure or vintage traps capital. Risks differ by segment, but their common vulnerability is a drying-up of global liquidity, which can simultaneously restrict financing and delay exits. Over time, growing links among private funds, banks and insurers could amplify liquidity stress – making funding conditions and strains in market plumbing key early-warning indicators.

For hedge funds, flexibility can become fragility when alpha conditions deteriorate – because the regime becomes either too calm or too volatile. Dispersion alone is not alpha: security prices must differentiate according to fundamentals, creating identifiable and tradable winners and losers. Leveraged strategies are especially exposed when funding tightens.

Despite these risks, both benefit from a key advantage: they are less constrained by traditional beta. They can access return engines unavailable in public markets, monetise inefficiencies and offer diversification from fundamentally different sources of return. Private assets reduce the need to react to market noise. Hedge funds provide the ability to respond when noise becomes opportunity. Together, they offer resilience and optionality.

KEY INVESTMENT IMPLICATIONS

Prioritise visible cash flows over financial engineering.

In private assets, favour senior secured and asset-backed lending, European mid-market credit, and infrastructure with contracted revenues. Equity opportunities lie in Core+/value-add infrastructure and PE strategies able to deliver operational growth, margins and cash conversion.

Monetise dispersion – but net of its costs.

In HF, favour fundamental equity L/S, discretionary macro and flexible event-driven managers positioned for fiscal, policy, energy and refinancing divergence. Alpha must compensate for funding, liquidity and crowding risks.

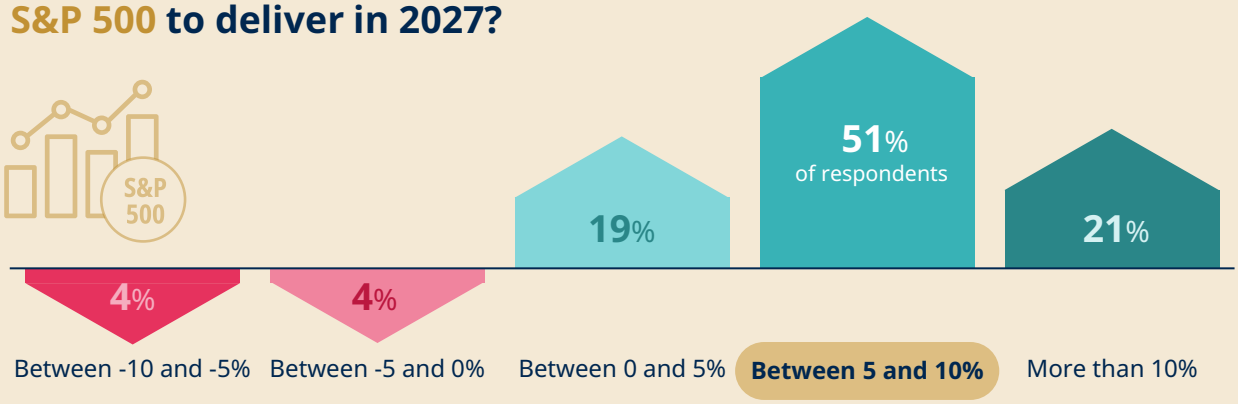
Diversify by risk factor, not asset-class label.

Select private assets and hedge fund strategies for how their exposures complement the core portfolio – and test every conviction against construction, regulation, concentration, refinancing and technological-obsolescence risks.

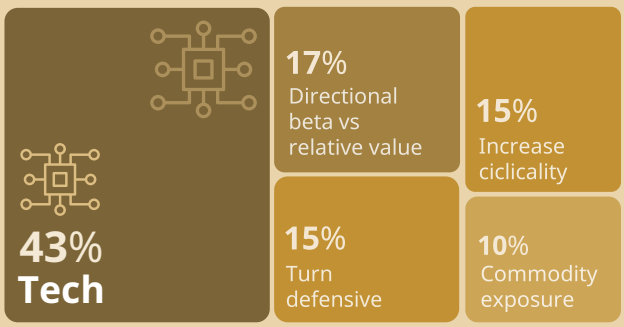
Investment Convictions

During the **Amundi Investment Seminar** that took place in September 2026, we asked our investment professionals questions to help us define **what 2027 will be like for investments.**

What total returns do you expect the S&P 500 to deliver in 2027?



Key themes in equities for 2027



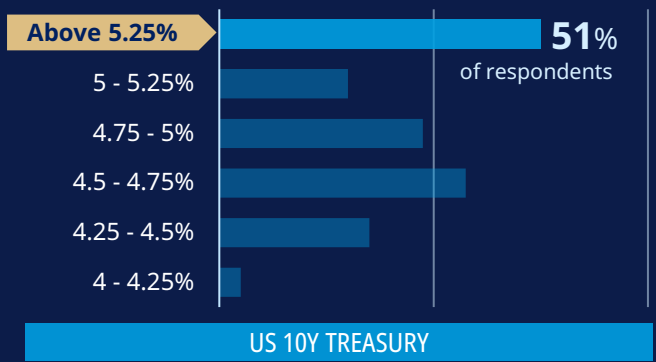
Key themes in fixed income for 2027

EM Bonds

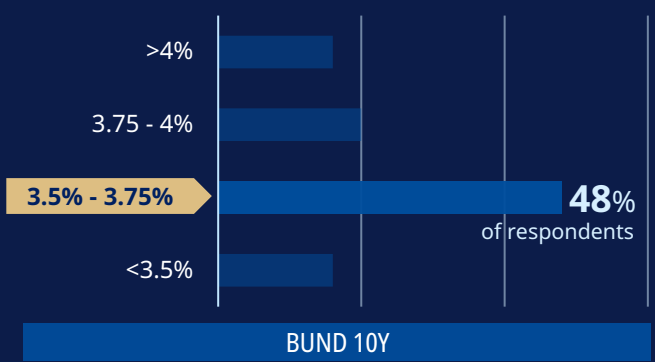
According to **52%** of our investment professionals

have the best risk-adjusted potential in 2027

Where do you see these yields at the end of 2027?



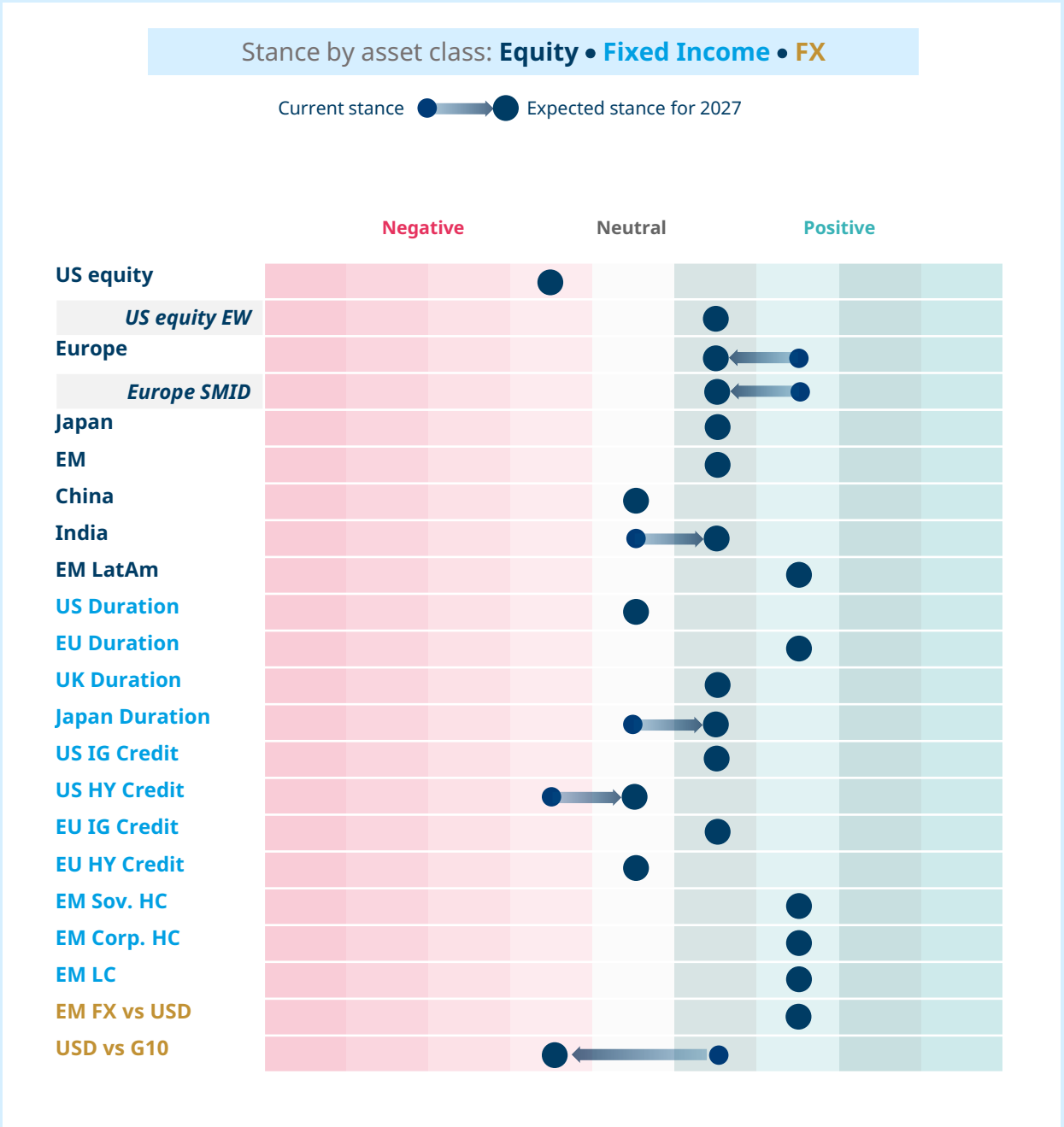
US 10Y TREASURY



BUND 10Y

Investment convictions

This table shows the current stance from our latest Global Investment Committee as of November 2026 and the expected direction for 2027.



Source: Summary of views expressed at the most recent global investment committee (GIC) and updated as of 18 November 2026. The table shows absolute views on each asset class and are expressed on a nine-point scale range. 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. *EW – Equal Weighted. **SMID – Small and Mid-Cap.

ASSET CLASS VIEWS

Equity



	Negative = Positive
DM Equity	
US	**Solid earnings, but valuations warrant caution** The earnings cycle remains solid and broadly in line with expectations. However, elevated valuations and concentration risk leave the S&P 500 vulnerable to corrections. Monetary policy, AI regulation and liquidity will be key themes to watch. We are slightly cautious overall but positive on the equal-weight index.
Europe	**Bright spots supported by stimulus and attractive valuations** The market is supported by strong fiscal stimulus in Germany and the EU's greater focus on strategic domestic sectors. Valuations remain among the most attractive across regions. However, markets remain vulnerable in the near term due to the energy shock.
Japan	**Japan is supported by medium- to long-term factors** The new political direction and economic backdrop should support improved profitability, notwithstanding high oil prices. Corporate leverage looks appropriate, earnings growth is expected to reach double digits, the yen should be less of a headwind, and valuations remain relatively attractive.
Pacific ex Japan	**Lagging earnings and stretched valuations** Earnings growth continues to lag, and P/E ratios remain well above their historical averages in absolute and relative terms, making the region (especially Australia) unattractive for now.
EM Equity	
EM	**Constructive but increasingly selective** Despite tighter global financial conditions, sticky inflation and geopolitical risks, valuations have cooled to attractive levels, with EM trading at a discount to fundamentals. Earnings growth will remain robust, led by Asia, with strength in AI hardware, semiconductors and modern manufacturing.
China	**Neutral due to a two-speed economy** Chinese equities look less attractive than the global market for 2027, with a two-speed market led by AI, advanced manufacturing, EVs and renewables, while weak property and consumption keep the domestic backdrop uneven. On a more positive note, low valuations could offer upside if more positive catalysts for earnings emerge during the year.
India	**Supportive fundamentals should continue** Fundamentals remain structurally positive for 2027, supported by strong domestic demand, rising private capex, public infrastructure spending and electronics manufacturing. Earnings growth is expected to remain solid, but returns will be more valuation-sensitive. The lack of a clear catalyst can expose the market to vulnerabilities linked to oil and inflation dynamics.
LatAm	**Positive, selective opportunities** We remain constructive on LatAm, supported by attractive valuations, improving earnings and renewed foreign inflows. Stock selection is becoming increasingly important in the region, with financials, utilities and domestic sectors set to benefit from lower rates, while energy and materials offer commodity exposure.

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ASSET CLASS VIEWS

Equity sectors & commodities



Equity sector views for 2027 on a nine-point scale from ---- to ++++

Sector	US	Europe	Japan	
Communication services	=	=	=	Some parts look oversold, but the earnings outlook is uncertain
Consumer discretionary	=	- -	-	Structural challenges in Autos
Consumer staples	-	=	=	Weak earnings trend, expensive in the US
Energy	=	=	=	Play on geopolitical situation
Financials	++	+	+	High distribution yield, still reasonably valued
Health Care	=	=	=	Political risks in the US, weaker USD a drag in Europe
Industrials	+	++	++	Government spending and private sector capex
Information technology	=	+	=	We prefer a selective exposure via Semis in Europe and Software in the US
Materials	=	=	=	Persistent weakness in Chinese demand limits upside
Real Estate	-	-	=	Weak relative earnings across the board
Utilities	+	+	=	Preferred defensive hedge, decent earnings, peaking yields supportive

Commodities

	Negative = Positive	
Gold		**Gold still has upside potential** Over the next year, we remain bullish on gold, targeting a price above $5,000. Strong central bank buying should limit the headwind from higher rates, while limited mine supply and the geopolitical backdrop should support prices as investors seek diversification and a reliable store of value.
Oil		**Geopolitical risks delay oil's normalisation** The overall geopolitical picture is not in favour of meaningful near-term de-escalation, preventing a smooth, rapid convergence towards the $70-80 target range by end-2027. Rerouting efforts have been reasonably effective, although at a higher cost.
Selective base metals		**Supportive structural demand** Some base metals held up well during the spring sell-off in risk assets, reinforcing our medium-term view that the asset class is evolving. Correlations within the index have been relatively low, supporting diversification. Strong demand from AI, defence, and infrastructure may create structural undersupply and support prices over time.

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ASSET CLASS VIEWS

Fixed income & FX



	Negative = Positive	
Duration		
US Duration		**Stay flexible on duration** A resilient economy (AI investment and wealth effect), sticky inflation and competition for capital are putting upward pressure on US rates. US inflation is driven by both supply pressures (energy shock) and demand. We see value in the middle part of the curve.
EU Duration		**Short-dated bonds offer attractive value** Higher rates are tightening financing conditions and should weigh on economic activity. Risks to European growth are skewed to the downside. Inflation is driven mainly by supply (energy shock). Short-dated bonds therefore offer good value in core and peripheral Europe.
UK Duration		**Higher yields strengthen gilts' appeal** Gilt yields have followed US yields higher even though the growth outlook is weaker and fiscal discipline stronger. We continue to see good value.
Japan Duration		**Attractive valuations await a policy catalyst** Valuations are becoming very appealing, especially relative to funding costs, but expansionary fiscal policy continues to deter investors. A more hawkish BoJ could improve inflation expectations and trigger a rally.
Credit		
US IG Credit		**Solid fundamentals, resilient to inflation** Corporate cash flows should be largely insulated from the energy and inflation shock, although the high level of primary supply limits scope for further spread tightening.
US HY Credit		**Selection key in a high-rate environment** The asset class should be supported by positive nominal growth, but some leveraged issuers will struggle in a high rates environment.
EU IG Credit		**Strong fundamentals and relative value** Despite strong fundamentals, Euro IG trades cheap versus US investment grade, and should tighten more in the medium term.
EU HY Credit		**Sector choice is paramount** Although spreads should remain relatively tight, higher costs and weak pricing power could hurt the operating cash flow of certain sectors in H2.
EM Debt		
EM bonds HC		**Income opportunities, with selectivity** EM hard currency sovereign bonds also look constructive, particularly in the HY segment. Attractive starting yields and relatively resilient fundamentals support returns, but valuations leave little room for error. Selectivity remains key, with upside tied to lower US Treasury yields.
EM bonds LC		**High real yields support selective opportunities** High real yields, disinflation in some markets and limited easing support carry and some capital gains, but the environment is uneven. The best opportunities should come from higher-yielding countries with credible inflation targeting, fiscal discipline and solid external buffers.
FX		
EM FX vs USD		**Selective recovery against the USD in 2027** The dollar's elevated valuation leaves room for gradual EM FX appreciation but returns should remain uneven and driven mainly by carry. Commodity exposure, fiscal discipline and external balance will matter, while geopolitical risks, US policy and energy shocks are risks.
USD vs G10		**Structural issues with the dollar persist** US fiscal deficit and debt are high and that could weigh on the greenback in the long run. In the near term, higher real yields and Fed policy should drive the dollar, indicating that dollar exceptionalism retains some near-term support.

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ASSET CLASS VIEWS

Private Assets & Hedge Funds



Private markets

	Negative = Positive	
Infrastructure		**Structural demand, but entry price and execution matter.** High oil prices drive energy sovereignty; AI selectivity favours power, grids and storage. Water and decarbonised transport opportunities. Crowded core assets limit upside: favour disciplined Core+/value-add.
Private equity		**Activity is recovering. Operational transformation is key.** Energy and financing costs favour cash-generative businesses with pricing power, and AI suppliers or adopters proving productivity. Secondaries offer selective liquidity and valuation opportunities.
Private debt		**Rates support income but a greater focus on contractual protection is needed.** Senior secured and European mid-market lending offer covenant protection and relative spread but require selectivity. Asset-backed finance and infrastructure debt diversify portfolios – favour resilient assets with structures offsetting technological, regulatory, and refi risks.
Real estate		**Recovery remains highly bifurcated amid growing rate pressure.** Favouring powered data centres with strong tenants, logistics and supply-constrained residential. Cautious on leveraged assets,

Hedge funds

		Negative = Positive	
L/S Equity	Directional		**Constructive for alpha, cautious on beta.** High single-stock dispersion supports fundamental selection, but macro sensitivity favours low-net, thematic and regionally diversified managers over broadly directional exposure.
	Market neutral		**Alpha is available but increasingly requires fundamental and thematic insight.** AI monetisation, energy exposure and balance-sheet strength are driving stock dispersion, favouring managers that look beyond conventional factor screens and statistical arbitrage.
Event-driven	Merger arbitrage		**Deal activity is recovering, but modest spreads favour disciplined managers.** US regulatory risk is easing, while EU reviews remain more complex. Favouring managers with strong regulatory underwriting and limited reliance on leverage or broad deal beta.
	Special situations		**A catalyst-rich environment favours flexible, cross-capital-structure managers.** Prefer styles combining deep sourcing, restructuring expertise and patient capital over narrow event screens or strategies reliant on rapid market normalisation.
FI Arbitrage	L/S credit		**Dispersion is rising, but carry is thin**. Tight aggregate spreads limit directional credit. Refinancing pressure and borrower differentiation favour long/short, capital-structure and trading-oriented managers over long-biased carry.
	FI EM arbitrage		**Rich divergence, but limited dislocation.** Political, monetary and China/AI-related themes create relative opportunities. But sensitivity to US rates and the dollar keeps correlations high, and modest FX and credit mispricing limits alpha. The strategy offers access to EM markets at more favourable risk/reward profile.
Global Macro			**Divergence and supply shocks reward discretionary flexibility.** Fiscal supply, policy divergence, energy shocks and geopolitical fragmentation create opportunities across rates, FX and commodities.
CTAs			**Useful diversifier, but trend quality remains uneven.** Policy reversals and geopolitical shocks can disrupt established signals. Favouring diversified, faster or more adaptive programmes.

Source: Amundi Investment Institute, as of 18 November 2026. DM: developed markets. EM: emerging markets. 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.

Macroeconomic outlook | DM

US: Capex to sustain growth, inflation to constrain Fed

The US outlook is shaped by the extension of its investment cycle, broadening beyond the AI buildout to include growing capex in productivity-enhancing software, industrial capacity, supply-chain reshoring, and energy-related investment from a wider set of sectors, marking a structural supply-side shift for the US economy. Overall capex will continue to grow, though more moderately than the recent expectations.

Capex remains central to unlocking the productivity gains and substantial investments are required to preserve US technological leadership. At the same time, with the labour market remaining broadly in equilibrium, consumption should continue to provide an important backstop for growth. With inflation still above target and activity holding up better than expected, the Fed should proceed cautiously.

Europe: Investment brightens clouded outlook

The euro area outlook remains caught between the lingering effects of the energy shock on households and firms and its effort to gain greater strategic independence through increased public and private investment aimed at boosting infrastructure, defence, and the adoption of new technologies, while closing the competitiveness gap with major economic players and trading partners. This is particularly true for Germany, where the fiscal impulse will depend on implementation, financing conditions, and how quickly commitments are translated into actual spending, with somewhat more delayed effects on the economy than previously hoped for.

In other countries, more limited fiscal capacity, compounded by tighter financing conditions, may constrain the overall economic impact of the effort, leaving growth under pressure into 2027 as oil and gas prices continue to weigh on activity; domestic political uncertainty linked to the electoral cycle will also add to an already complex geopolitical environment. In this context, the ECB should remain cautious and data-dependent, keeping policy restrictive until inflation risks are clearer.

Japan: The stars still align

Geopolitics, politics, policies and micro fundamentals are all pulling in the same direction for Japan's macro turnaround. The LDP's lower-house supermajority keeps politics stable at least until Takaichi's party term ends in September. That majority secures an FY2027 budget supporting strategic sectors, plus a two-year cut in food consumption tax from 8% to 1%.

Underlying inflation remains sticky. Another solid spring wage round should keep real wages positive, so we expect the BoJ to pre-emptively manage upside inflation and demand risks with quarterly 25bp hikes to a 2% terminal rate. Compared with other DMs, Japan has a smaller deficit, more contained inflation and a central bank defending its credibility, albeit at its own pace.

Macroeconomic outlook | EM

China: Transition over stimulus

China's economy remains divided: exports are strong, while domestic demand remains subdued. As technology overtakes property as a main contributor to growth, the leadership is likely to view this structural rebalancing favourably and become more tolerant of slower headline growth. We expect the official growth target to be lowered from 4.5–5.0% in 2026 to around 4.5% in 2027, allowing the transition to continue while keeping more decisive stimulus in reserve. Selective rate cuts are likely, but large-scale fiscal support for consumers remains unlikely.

Fiscal policy effort instead goes into strategic infrastructure. The "Six Networks" programme, an estimated RMB20–25trn over 2026–30, includes data centre buildouts to narrow the compute gap with the US. This builds long-term capacity, but offers little near-term relief to households. Hence, we expect the main growth engine to continue to be external demand in 2027, while soft consumer demand suppresses inflation.

India: Strong growth, rising external constraints

Policy has played a powerful role in shaping India's current business environment, through micro-reforms, trade agreements, and policy orthodoxy that has kept inflation expectations anchored, alongside a re-prioritisation of public expenditure toward capex. GDP growth is expected to remain strong in 2027 at around 7%, while inflation is likely to breach the target in the short term – a move the RBI appears willing to contain. Inflation is expected to average around 5% in 2027, and the RBI may hike again toward the end of 2026 or in early 2027 in response to inflation risks and currency weakness.

The challenges posed by rising energy and food prices (El Nino and a fertiliser shortage) are likely to persist, and India's twin deficits are not expected to improve materially. The current account deficit is expected to widen from the current 0.7%, while the fiscal deficit consolidation path is likely to remain intact thanks to some reallocation of expenditure.

LatAm: Fiscal credibility driving policy divergence

In Brazil, the "no regime change" election outcome has hit sentiment hard. Together with tighter financial conditions, this will likely weigh on investment and consumption, while inflation, already slightly above target, is set to rise further in 2027. Stagflationary pressures will complicate the central bank's task. Easing may resume after a pause, provided the overdue fiscal consolidation makes some progress in repairing public finances and preserving financial stability. That would in turn allow the country to take greater advantage of its rich commodity endowment, which is increasingly in demand in a changing world with advancing technology. Otherwise, rate hikes remain possible.

Mexico, meanwhile, appears to have passed its weakest point. The economy rebounded after a first-quarter contraction, supported by robust AI-related manufacturing exports to the US, underscoring the importance of this technology in sustaining growth. Continued and more secure access to North American supply chains should also unlock some pent-up nearshoring capex. Slow fiscal consolidation is underway, and Banxico might cut rates again in early 2027.

AUTHORS

Chief Editors



Monica Defend
Head of Amundi Investment Institute



Vincent Mortier
Group CIO



Philippe D'Orgeval
Deputy Group CIO

Editors



Claudia Bertino
Head of Investment Insights, Publishing and Client Development, AII*



Laura Fiorot
Head of Investment Insights & Client Division, AII*



Cy Tremmel
Investment Insights Specialist, AII*

Authors

Alessia Berardi
Head of Global Macroeconomics, AII*

Jean-Baptiste Berthon
Senior Investment Strategist, AII*

Federico Cesarini
Head of DM Equity, FX and Digital Assets Strategy, AII*

Claire Huang
Senior EM Macro Strategist, AII*

Paula Niall
Investment Insights & Client Division Specialist, AII*

Lorenzo Portelli
Head of Cross Asset Strategy, AII*

Anna Rosenberg
Head of Geopolitics, AII*

Natasha Smirnova
Senior EM Macro Strategist, AII*

Guy Stear
Head of Developed Markets Strategy, AII*

Annalisa Usardi, CFA
Senior Economist, Head of Advanced Economy Modelling, AII*

Publication design and data visualisation

Chiara Benetti
Digital Art Director and Strategy Designer, AII*

Vincent Flasseur, CAIA
Graphics and Data Visualisation Manager, AII*

Cover image design

Noémie Stovba
Head of Graphic and Video Studio, Amundi

Erich Charon
Graphic Designer, Amundi

Investment Leadership Team

Amaury D'Orsay
Head of Fixed Income

Alexandre Lefebvre
Head of Private & Alternative Assets

Barry Glavin
Head of Equity Platform

John O'Toole
Global Head & CIO of Amundi's Solutions platform & CIO Asia

Francesco Sandrini
CIO Italy & Global Head of Multi-Asset

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DEFINITION AND 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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@AdobeStock: Camilo.
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