Institute

May 2023

CROSS ASSET
INVESTMENT STRATEGY

TOPIC OF THE MONTH

Our key takeaways from IMF's Spring meetings

GLOBAL INVESTMENT VIEWS

Not a time to change course

Confidence must be earned

Amundi ASSET MANAGEMENT

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

Monica DEFEND
Head of Amundi Institute

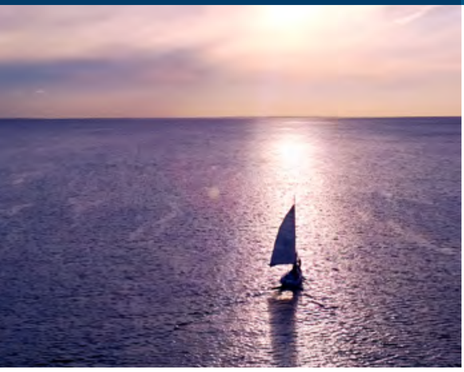
"Cyclical risks persist, as the odds of a US recession are on the rise, but they are not completely priced in by markets."

Vincent MORTIER
Group Chief Investment Officer

"With inflation above target and excessive optimism priced into risky assets, investors should fine tune their stance and stay clear of expensive segments in equities and credit."

Matteo GERMANO
Deputy Group Chief Investment Officer

"We think the current rally lacks strength as there are risks to earnings and margins that underscore the need to focus on quality assets and keep portfolio protection."



May 2023

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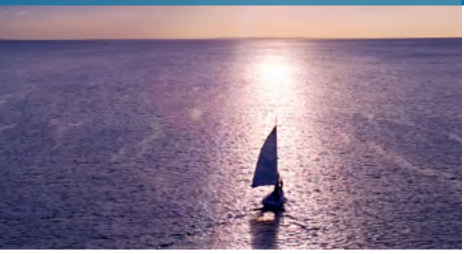


Our key takeaways from IMF's Spring meetings

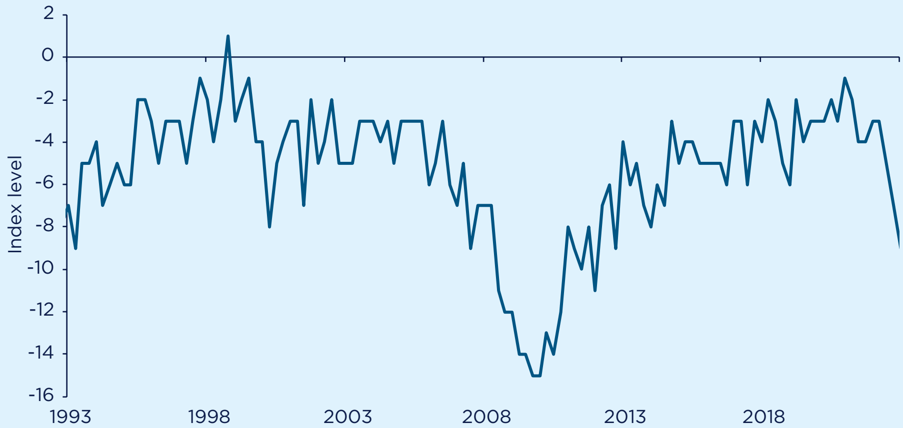
KEY TAKEAWAYS: Investor sentiment is downbeat, but not overly bearish. With tightening credit conditions, our US growth outlook is lower compared to the IMF's, while we are more optimistic on China. This supports a cautious stance and a search for opportunities across the emerging world, starting with China. There are some signs of complacency on Europe, while debates were mostly focused on geo-economic fragmentation and the urgency of policy action regarding crisis management and to secure artificial intelligence development.

Monica DEFEND
Head of Amundi Institute

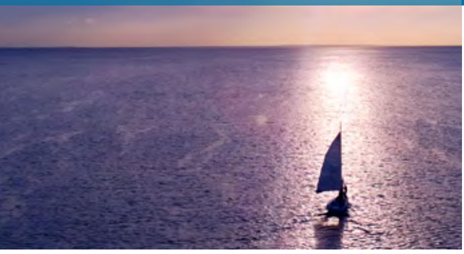
The global economy has proven resilient and remains on track despite the unfortunate sequence of crises that have occurred over the past four years. **An intensification of the slowdown should materialise progressively this year and the next,** despite the rebound expected in China following its economic reopening that at present has not spilt over to streaming partners. **Inflation should prove stickier and stay above central bank targets for longer.** Our base scenario is largely aligned with the 'plausible' scenario showcased by the IMF. A key difference is that about half of the expected 2024 global growth, according to the IMF, should come from China and India combined, while some 90% of DM economies are expected to slow. **We foresee the divergence between developed and emerging economies widening,** as we anticipate a US recession and accelerating growth for China. Furthermore, no wage spiral is expected. As such, global central banks will need to stay the course and use rate hikes to fight inflation and keep inflation expectations anchored, while financial stability risks should be addressed using macro-prudential tools. **Only a systemic risk would require them to start cutting rates:** this is tough talk, but not enough to make the market change its mind.

This outlook should weigh on credit markets, especially in the second part of the year. We are already seeing signs of deteriorating credit conditions in the United States, with lending conditions for small businesses quickly deteriorating to their worst level in a decade. So far, weak primary market activity has masked this challenging environment, but things may change in the second part of the year, when an increasing number of low-rated corporates will test the market to refinance the upcoming maturity 2024-25 wall. Fiscal and monetary policy should go hand in hand, with

NFIB small business credit conditions - loan availability



Source: Amundi Institute, Bloomberg. Data is as of 24 April 2023.



the social support needed from the former to protect the most vulnerable from rate rises. As a result, **debt sustainability may be at risk** because of high leverage, rising interest rates and slower GDP growth. This will be key, especially across low- and middle-income economies of which some 15% are classified as debt-distressed, while another 45% are high-risk and some of them are not even eligible for the common framework, as was the case for Sri Lanka. Moreover, **China has ambitions to be a global creditor,** as it is becoming more and more involved in bilateral agreements to give credit to many of these countries. It has the ability to conclude bilateral agreements very quickly and also, apparently, without any conditionality. As such, **EM economies will be under increasing scrutiny. To sum up, it looks like an impossible trinity, where we cannot have healthy GDP growth, inflation at target levels and financial stability all at the same time.**

"It looks like an impossible trinity, where we cannot have healthy GDP growth, inflation at target levels and financial stability all at the same time."

Regarding **international relations,** the peace dividend looks to be over and globalisation is being replaced with near- or friend-shoring, which represents a real opportunity for areas such as Latin America. However, not all countries are proceeding at the same speed, as some are more concerned with internal political issues. Deteriorating – while still evolving – US-China relations are also a key takeaway, with the latter being more tepid on trade relations with countries known as being US-friendly and the United States targeting a progressive weakening of the Chinese economy.

Finally, **new technologies** such as artificial intelligence (AI) will be a game- changer and will identify the new power. Governments will need to supervise and monitor developments, since they are fast and possibly shadowed, as some aspects of the Ukraine-Russia war are showing on the communication front.

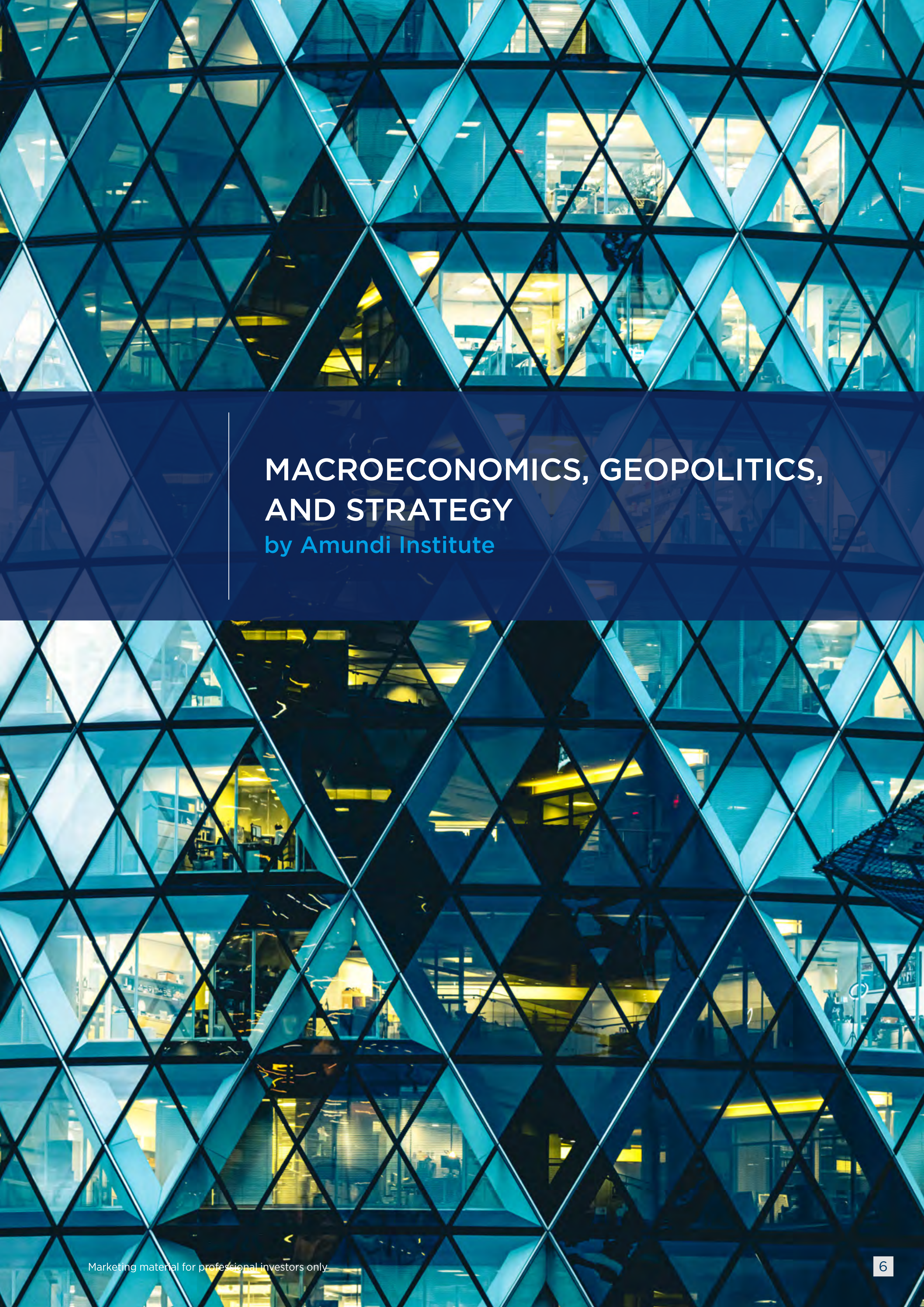
Investment implications

Overall, **market sentiment was not as negative as it was in October,** despite uncertainty remaining high. There was a wide consensus about **markets currently pricing in too many Fed rate cuts that confirms our positive view on US duration.** While the deteriorating lending environment and a still too-optimistic market view on earnings call for a **cautious approach to risky assets**.

On **commodities,** the Brent oil price is forecast at $90/barrel on average this year following the OPEC+ production cut, but could go higher later as there is no comprehensive plan to replace oil and gas supply in Europe and the energy transition needs time. Russia is unlikely to go back to its pre-war production level. More generally, commodity prices should rise over the medium term due to large underinvestment across many economies.

Amundi Institute vs. IMF	Implications for investors
▪ We **see lower US GDP growth** at a time of sticky, high inflation complicating the Fed's job and driving up market uncertainty.	▪ Expect ongoing **high volatility in bonds,** while equity appears to underestimate the ongoing earnings recession.
▪ We are **more optimistic on China,** but this will take some to positively affect other exporters amid high inventories.	▪ **Chinese equity** remains favoured; start to look for entry points in Asia and EM exporters.
▪ We see **deteriorating credit conditions** later in the year.	▪ Stay **cautious on credit and selective in EM bonds,** as market liquidity could dissolve later in the year; explore diversification opportunities across commodities.

Source: Amundi Institute as of 24 April 2023.



MACROECONOMICS, GEOPOLITICS, AND STRATEGY

by Amundi Institute

Will real bond yields come back down?

Mahmood PRADHAN
Head of Global Macroeconomics - Amundi Institute

“Demographic trends and weak productivity growth should continue to drive real interest rates.”

Real, or inflation-adjusted, bond yields are higher than they were before the pandemic, but are likely to return to pre-Covid levels in the medium term, when inflation returns to major central banks’ 2% target.

Those who doubt policymakers will hit their inflation goals point to de-globalisation, structural changes in supply chains, higher public debt, and larger pay settlements. These are valid concerns, but won’t result in permanently higher inflation unless demand for goods and services were also to settle at higher levels. There is so far little evidence that this will be the case.

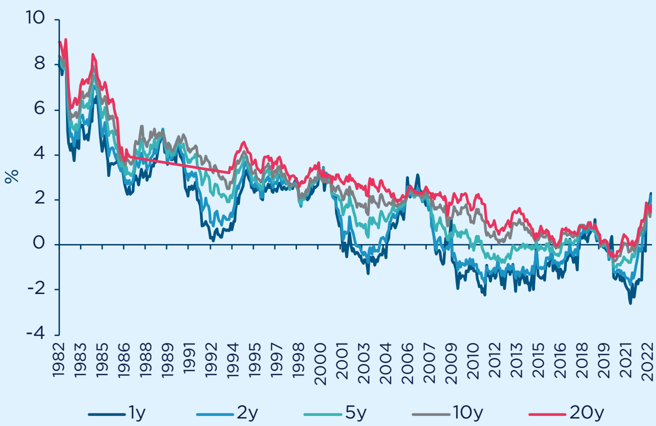
Meanwhile, those who question whether real yields will fall may point to the need for higher investment to manage the energy transition, potentially higher defence spending in a geopolitically fragmented world, and the costs of servicing very high public debt. Some also worry about a sustained rise in wages.

Workers’ pay poses the smallest problem. Wage rises have yet to match consumer price increases. There is little evidence that will change even though inflation has peaked, partly due to the continuing concentration and rising market power of large companies.

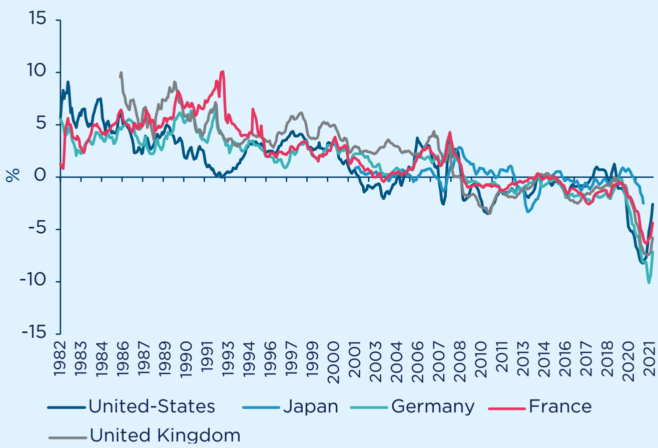
The impact of the energy transition will depend on how it is financed. For example, using higher carbon taxes to deter fossil fuel use would mean limit the impact on government balance sheets. Meanwhile, **de-globalisation’s effects will be distributed unevenly, with large advanced economies relatively shielded.** High public debt is more of an issue since major central banks have gradually begun to unwind their large holdings of government debt.

Nevertheless, the main drivers of the decline in real interest rates – aging populations and declining productivity – are unlikely to reverse course in the foreseeable future. The inflation pressures and temporary stresses that economies are currently experiencing are therefore unlikely to prevent real bond yields from reverting to low levels.

Ex-ante US real rates at different maturities



Ex-post real short-term rates in selected DM



Source: Amundi Institute, IMF WEO, April 2023. Data is as of 21 April 2023.

Short-term relief for emerging markets

Alessia BERARDI
Head of Emerging
Macro Strategy - Amundi Institute

While the EM macroeconomic backdrop remains fragile amid slowing global demand and less accommodative financial conditions, **EM macro momentum has been improving slightly,** with the overall inflation deceleration proving sharper than expected – especially for the headline index – and growth perspectives being resilient.

As far as growth is concerned, **we upgraded 2023 China's GDP growth** to 6.0% from 5.6%, as Q1 results proved better than expected, despite downgrading Q2 and Q3 sequential growth. While consumer spending has shown a modest recovery, housing sales have surprised to the upside and March export data exceeded expectations. However, this export trend appears unsustainable due to fragile global growth conditions. Other areas of vulnerability, such as the sluggish rebound in consumer confidence and lagging housing construction, **corroborate a more subdued economic outlook going forward.**

Signs of short-term relief are visible in less obvious countries, those with large exposure to the United States and, therefore, the expected US recession, such as **Mexico.** Even in this case, stronger-than-expected underlying momentum has prompted an upgrade to our 2023 GDP growth expectation to 1.8% YoY from 1.4%, alongside a marginal cut for 2024, to 0.2% YoY from 0.4%. Domestic demand remains strong, particularly household consumption which is supported by a very tight labour market – the unemployment rate is below 3% and wages are growing at 11% – as well as by strong remittances. Having said that, **short-term catalysts need more structural measures** (e.g., secure reliable energy supply) **to take full advantage of the ongoing near-shoring and drive potential growth higher.**

Generally, while a geo-economically fragmented world could provide low-hanging fruit to commodity exporters in the short term and to those countries that are better positioned on the value-added chain and are geopolitically aligned, **most EM need to step up their reform process to tackle the challenges of a world that features lower growth in the medium-to-long term.**

EM macroeconomic momentum

Source: Amundi Institute, Bloomberg, CEIC. Data is as of April 2023.

Macroeconomic snapshot

The rapid Fed tightening is starting to impact the US economy and we expect the economic landscape to deteriorate tangibly, driven by significantly weakening consumption and investment patterns. The credit crunch should weigh on growth and will define how deep the recession will be, while inflation is set to remain sticky, at least in the near term. The recession and below-par growth will help drive core inflation towards target over the forecasting horizon.

Notwithstanding our marginally upgraded growth forecasts – mainly due to the combined effects of better-than-feared Q1 and carry-over effects – we expect very weak Eurozone activity, especially as financial conditions tighten and the weak US economic outlook worsens. Although China's reopening represents a tailwind, it won't be able to completely offset the deteriorating US outlook. Sticky core inflation will hold back consumption and keep the ECB in tightening mode.

With inflation remaining above target for several quarters, we keep seeing a cost-of-living-induced recession playing out in the UK. Although the outlook has improved on the back of incoming data and news flow, with lower energy prices removing downside risks, we still see the economy facing headwinds, which will also keep growth subdued in 2024. Energy remains a key risk for both the growth and inflation outlooks.

We maintain our below-consensus forecast of 0.5% growth in 2023, as we anticipate Japan's economy will be impacted by the global economic slowdown, but will avoid a recession due to the return of touri sts. The latest data reinforces our view that inflation is persistent. The initial Shunto result points to the highest wage increase in three decades. Alternative measures of underlying inflation – trimmed mean, weighted median and mode – all indicate high inflation.

In light of robust Q1 growth, we raised China's 2023 GDP forecast to 6.0% from 5.6%. However, we acknowledge that 6.0% in 2023 pales in comparison to the striking 8.4% reopening expansion in 2021. There are areas of vulnerability, evidenced by the sluggish rebound in private sector confidence and the spike in youth unemployment. Coupled with subdued inflation, these factors offer policymakers a convenient justification to keep an accommodative stance.

The RBI stayed on hold in early April, leaving its policy rate at 6.5% against market expectations. The decision was not surprising, considering that the real policy rate hit a neutral(ish) level that was targeted at the beginning of the tightening cycle (May 2022) and the inflation rate has indeed moderated, as shown by the March report at 5.7% YoY, down from 6.4%, finally within the RBI target range. The 6.5% policy rate should be the peak of this tightening cycle.

The IMF was complimentary about Mexico's sound fiscal, monetary and BoP situation at its recent meetings. Even growth, Mexico's Achilles heel, has surprised on the upside supported by the very tight labour market. The country's structural narrative is even more impressive thanks to nearshoring. Core inflation is finally slowing and Banxico might be done hiking too. However, the US slowdown will weigh on Mexico's growth, where H2 2023 is likely to be weaker.

Brazil's economy is slowing and Q4 2022 GDP even contracted, after a robust H1 2022, due to aggressive monetary tightening. Robust agricultural output likely lifted the headline above zero in Q1, but the softening labour market will outweigh these tailwinds driving 2023 GDP slightly below 1.0% (vs. 2.9% in 2022). Inflation moderated to 4.7% YoY, but the BCB cannot cut just yet, as inflation expectations are de-anchored above target and Congress is yet to pass a new fiscal rule. Still, we see signs that the Selic rate will be cut over the summer months.

DM CB still focused on inflation, some EM CB ready for rate cuts

Developed markets

The priority for central banks remains the fight against inflation.

We think the bar is too high for the Fed to start cutting rates. The good news is that its policy appears to be working, according to its own metrics. There is evidence that inflationary pressure is slowing and labour market conditions are finally easing. The US economy continues to create jobs at a steady pace, but this job creation is only concentrated in a few sectors. However, it is hard to see a huge change in the environment for the Fed. **This means another 25bp rate hike in May and little clear reason to cut rates in the short term.** We think the market is not correctly pricing the trajectory of the Fed funds rate for 2023 and we expect the bulk of rate cuts to be delayed to 2024.

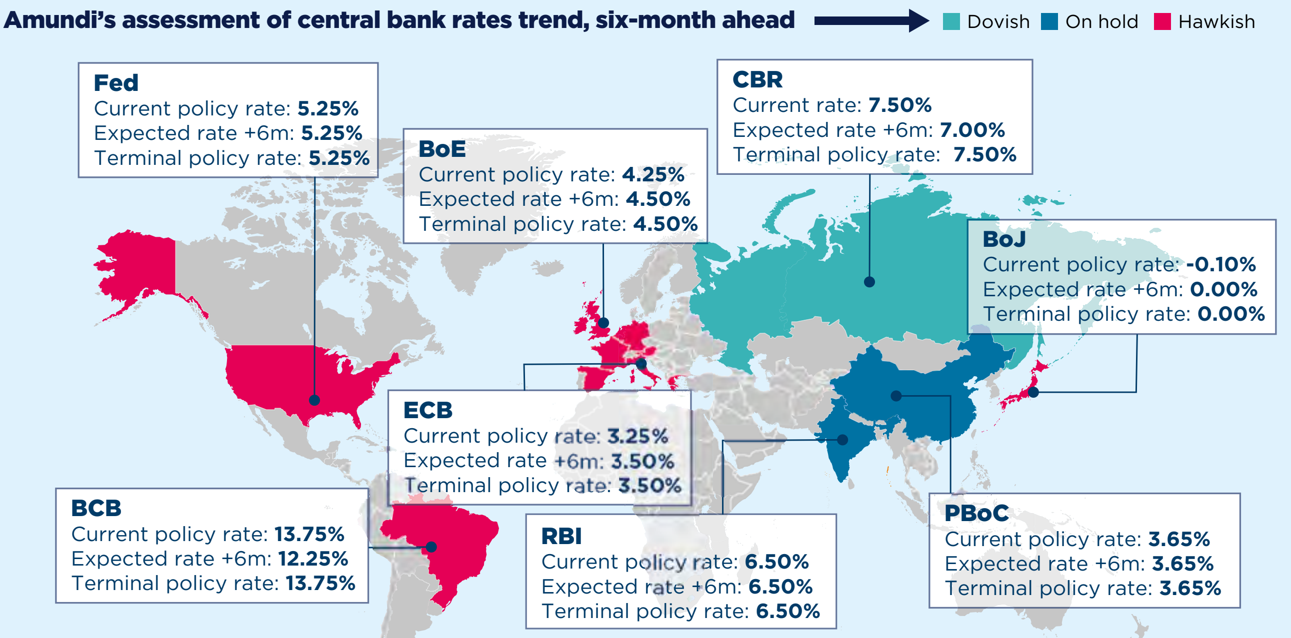
The ECB did not commit to future rate hikes, but Christine Lagarde was clear: "inflation is projected too high for too long." The ECB is concerned about the strong diffusion of high energy prices to the rest of the economy. We confirm our expectations for the ECB terminal rate at 3.5%.

The **BoJ** revised its forward guidance, no longer expecting policy rates to remain at low levels, while pointing to patience for policy continuation.

Emerging markets

March saw the bulk of the benign base effects kick in for EM headline inflation. This same effect should dissipate over the summer months. After that, inflation should stabilise or pick-up mildly by fall 2023. Specific factors such as the tight labour market and strong wage indexation or the gradual removal of price controls are offsetting or delaying a broader inflation decline across EM. **Very few EM CB still have to complete their tightening cycle (e.g., Philippines), while most of them are pausing before turning to easing, even though inflation is clearly on its way down.** Uruguay CB – this month's exception – surprised with a 25bp cut to 11.25%, on the back of lower inflation and a looming recession. **Even though they are being pushed back marginally, we maintain our expectation that a few CB will start their easing cycles as soon as Q3 2023, especially in LatAm** (Brazil, Chile, Peru), followed by Eastern Europe and, tentatively, Asia. **The easing cycle will gradually unwind very tight financial conditions and, accordingly, should alleviate the economic deceleration in several EM.**

Amundi's assessment of central bank rates trend, six-month ahead



Source: Amundi Institute as of 4 May 2023. Amundi's assessment of central bank rates trend is based on Amundi Institute's forward-looking judgement of policy rates direction, based on our intake from forward guidance and CB communication.

KEY DATES	**11 May** BOE Monetary Policy Committee meeting	**13-14 June** US Federal Open Market Committee (FOMC) meeting	**15 June** ECB Governing Council meeting

GEOPOLITICS

Russia-Ukraine: lengthy war as likely as ceasefire negotiations

Anna ROSENBERG
Head of Geopolitics - Amundi Institute

“We maintain our view that a window for ceasefire negotiations may open in the latter part of this year.”

The upcoming Ukrainian counter-offensive and recently leaked US intelligence do not change our expectations for the Russia-Ukraine war. **Fighting will increase in the next few months.** Ukraine may somewhat succeed at pushing back Russia, but will likely make no large territorial gains. Beyond the short-term horizon, we agree with the consensus view that the war could last for a long time. Indeed, Russia's behaviour puts upside pressure on this scenario: Russia is increasing its diplomatic efforts to shore up international support and resources. It feels emboldened by China's support; its economy has shifted into war mode and Russians have become used to the war. There is also the notion in Russia that it can 'wait out' Western support for Ukraine.

That said, we maintain our view that a **window for ceasefire negotiations may open in the latter part of this year** for various reasons. First, there are valid reasons for Ukraine to negotiate. It faces weapons and manpower shortages. The difficult economic conditions in the West, which are increasing dissatisfaction among the public, could weigh on political support for the war and Ukraine knows support will not last forever. Ukraine will be able to extract a lot of concessions from the EU and the United States for laying down arms. Second, there are valid reasons for Russia to negotiate. Minor territorial gains can be sold as victories. Russia has already expanded its sphere of influence. Putin is also likely to see any further economic weakening of Russia as being more detrimental to its longer-term strategic interests. Lastly, there has been ample peace-making activity of late, with European leaders travelling to China for talks.

POLICY

US debt: the spectre of default resurfaces

Didier BOROWSKI
Head of Macro Policy Research - Amundi Institute

The debt ceiling was reached on 19 January. This limits the total authorised amount of federal debt. In theory, the Treasury can no longer issue debt. If it were to run out of liquidity, barring extraordinary measures, the United States would default. In practice, the Treasury prioritises payments and reduces spending (e.g. social security...). A grace period then follows. This year, **it is estimated that the Treasury will run out of cash before the autumn, possibly in June.**

It is estimated that other expenditure will have to be reduced by an average of 20- 35% per month to free up enough cash for interest payments during the summer, when tax revenues are generally less buoyant.

The experience of 2011 suggests that risking default is perilous. In August 2011, despite the debt ceiling being raised, S&P downgraded the Treasury's debt, citing more uncertain governance. Credit spreads and the equity risk premium jumped immediately, as did implied equity volatility. The Treasury had to resort to extraordinary measures to meet its financial obligations.

“The debt ceiling has been changed 102 times since WWII, so investors mostly ignore such episodes.”

In 2013, the Fed simulated the effects of a one-month impasse, during which the Treasury would nevertheless honour all interest payments. The result was an 80bp rise in the ten-year Treasury yield, a 30% fall in the stock market, and a 10% fall in the dollar.

A US default is highly unlikely, but a period of financial turbulence in the run-up to that fateful date cannot be ruled out.

Central and alternative scenarios

	Prob. 20% **DOWNSIDE SCENARIO** **Financial crisis triggers global recession**	Prob. 70% **CENTRAL SCENARIO** **Persistent stagflationary pressure**	Prob. 10% **UPSIDE SCENARIO** **Economic resilience**
Geopolitics	▪ Worsening war in Ukraine, impairing commodity trade. ▪ More protectionism, including green industrial polices. ▪ Increased retaliation to protectionist measures.	▪ Stalemate in the Ukraine war. Risk of escalation in the short run. De-escalation likely in late 2023-early 2024. ▪ China-US tensions. ▪ More protectionism (IRA and its 'siblings'). ▪ OPEC+ imposing a floor on oil prices.	▪ De-escalation in Ukraine. ▪ Lower energy / food prices.
Inflation and policy mix	▪ Sticky core inflation leads to tighter financial conditions. ▪ CB hike more than expected. ▪ Tight financial conditions make financial system stress more likely. ▪ Persistent inflation pressures (1) [10%] or strong cyclical disinflation (2) [10%]. (1): CB status quo. (2): CB cut rates.	▪ Major CB switch to data dependency and hit terminal rates by mid-2023. Monetary policy is more mixed across EM; China does not tighten; many EM have already hit peak rates. ▪ EU fiscal policies to tighten. US fiscal impulse to stay negative amid debt ceiling constraints. EM fiscal space constrained amid prudent stance. ▪ Sticky core inflation, unlikely to return to target before H2 2024, but will get closer by end-2024.	▪ Either persistent inflationary pressures (1) or a faster-than-expected inflation drop (2). In case (1) CB would push terminal rates up. In case (2) CB would maintain the status quo.
Growth path	▪ Strong(er) and more widely spread recessionary outlook (global growth falling below 2%).	▪ Growth slowdown in 2023, with divergences: anaemic growth in Europe, US recession, reopening rebound in China. ▪ Credit conditions tightening: reassessment of risk premiums. DM growth downshift implies that EM should fare better. Subpar growth also in 2024 in most DM, while EM should be more resilient.	▪ No V-shaped recovery, but with reduced uncertainty, excess savings may still fuel domestic demand. ▪ Growth back to potential in 2024.
Climate change	▪ Climate transition measures postponed, with more climate events hitting supply chains.	▪ Climate transition measures postponed with more climate events impacting supply chain and food security.	▪ Climate change policy and energy transition are top priorities.

Risks to central scenario

HIGH ← PROBABILITY → LOW

	25%	25%	20%	20%	20%
	Geopolitical risk and war escalation	**US debt ceiling**	**Economic risk: deeper profit recession (US / Europe)**	**Persistent stagflationary pressure**	**Macro financial risks triggered by recent market turmoil**
Market impact +	**Positive** for DM govies, cash, gold, USD, volatility, defensive assets and oil.	**Positive** for EUR, JPY, CHF and Bund.	**Positive** for cash, JPY, gold, quality vs. growth, defensives vs cyclicals.	**Positive** for TIPS, gold, commodity FX and real assets.	**Positive** for US Treasuries, cash and gold.
Market impact –	**Negative** for credit, equities and EM.	**Negative** for US Treasuries, US equities and risky assets.	**Negative** for risky assets and commodity exporters.	**Negative** for bonds, equities, DM FX and EM assets.	**Negative** for credit.

Source: Amundi Institute as of 20 April 2023. DM: developed markets. EM: emerging markets. CB: central banks. USD: US dollar. EUR: Euro. CHF: Swiss franc. JPY: Japanese yen. TIPS: Treasury inflation-protected securities. FX: foreign exchange markets.

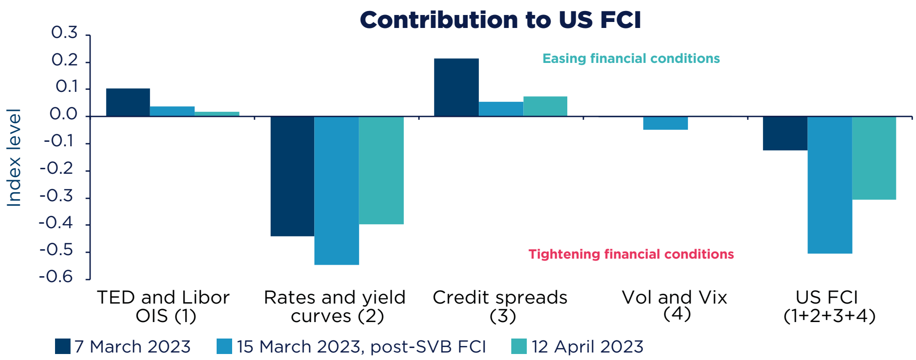
US Financial Conditions Index (FCI)

Lorenzo PORTELLI
Head of Cross Asset Strategy,
Head of Research at
Amundi Italy - Amundi Institute

“Financial conditions are a key determinant of the future state of economic activity.”

What is the model about?

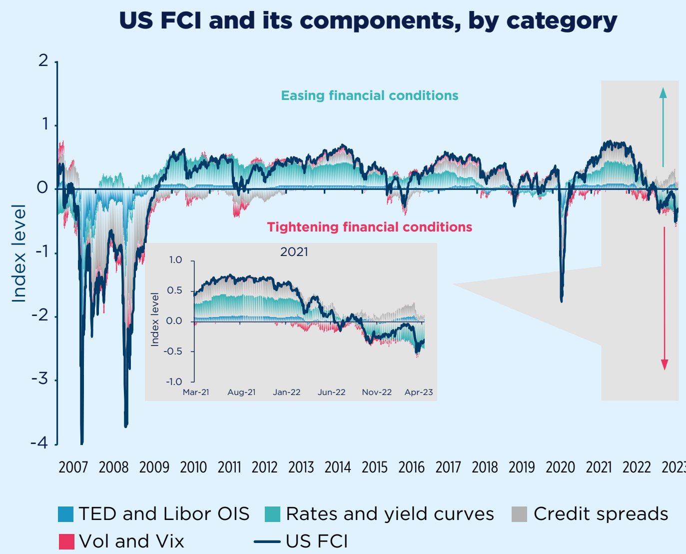
- **The rationale:** financial conditions are a synthetic measure of how easily firms, households and governments can finance themselves. They provide valuable information regarding future risks to liquidity provision – and thus economic activity -- arising from build-up imbalances in borrowing rates, credit spreads and market volatility. FCI is also actively used by monetary policymakers to study the broad effects of monetary policy on financial markets.
- **Model setup:** the FCI is set up by combining a comprehensive set of financial data: money market rates, sovereign bond yields and the slope of the yield curve across tenors, credit spreads and cross asset volatility. The goal is to capture the interactions between the financial system and the real economy, assessing whether monetary policy acts as a support to growth or as a headwind.
- **Model output:** the index is an equally-weighted aggregate of single components, normalised with an expanding method. A below-zero reading means that financial conditions are tightening, while deviations above zero mean they are easing. The former often translates into an economic slowdown, while the latter means that the likelihood for the real economy to be affected by financial stress is low.



Source: Amundi Institute, Bloomberg. Data is as of 12 April 2023.

What are the current signals?

- The current tight FCI stance is mainly due to: rising interest rates, bond market volatility and extreme yield curve inversion. Unlike recent periods of financial stress (2011, 2015, 2018), there has been little transmission from monetary policy to the credit channel: US credit is still contributing positively to the US FCI.
- The limited spillover to credit spreads makes the asset class the weakest spot if expectations of an imminent Fed pivot disappoint. In this case, the US FCI may tighten further, hit by credit and money markets.



Source: Amundi Institute, Bloomberg. Data is as of 12 April 2023.

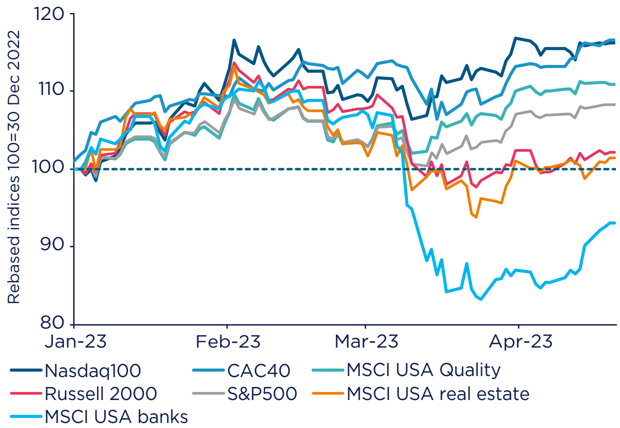
Equities in charts

Developed markets

Quality plays maintain the advantage

Despite some banks rebounding, quality is maintaining its advantage, as well as the Nasdaq. The CAC40 index is competing with the Nasdaq.

Selected equity indices

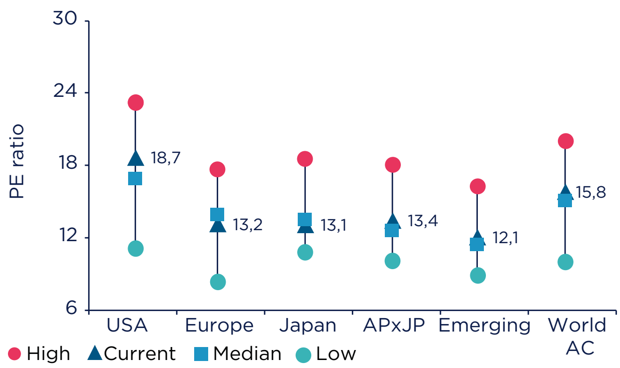


Source: Amundi Institute, Datastream. Data is as of 20 April 2023.

US market expensive again

The strong resilience of the US equity market is rapidly making it expensive again. Other markets remain around historical averages.

PER 12m forward since 2011, MSCI indices



Source: Amundi Institute, Datastream. Data is as of 20 April 2023.

"Equity is rebounding, but behaviour is uneven."

Éric MIJOT
Head of Global Equity Strategy - Amundi Institute

Emerging markets

Still room for Chinese equities

After two years of China's equity underperformance, the reopening of China's economy is a huge catalyst for Chinese equities, supporting a positive view for the asset class.

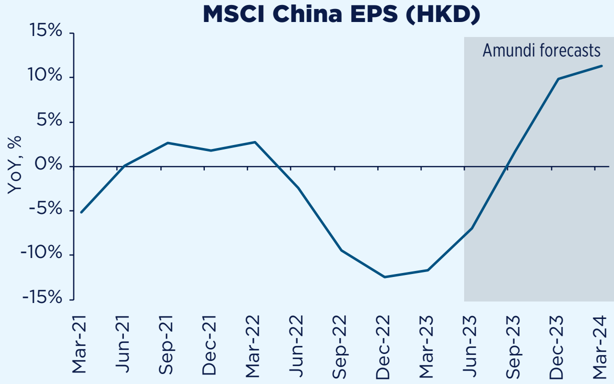
MSCI China vs. MSCI World AC

Amundi Institute, Bloomberg. Data is as of 4 May 2023. Index returns are in USD.

China earnings are set to rebound

Some recovery is expected in China's earnings, with its domestic economic recovery thanks to its reopening and the global cycle, which should accelerate in the second half of the year.

MSCI China EPS (HKD)



Source: Amundi Institute, Datastream. Data is as of 24 April 2023.

"China's earnings growth has started a recovery path thanks to the economic reopening."

Alessia BERARDI
Head of Emerging Macro Strategy - Amundi Institute

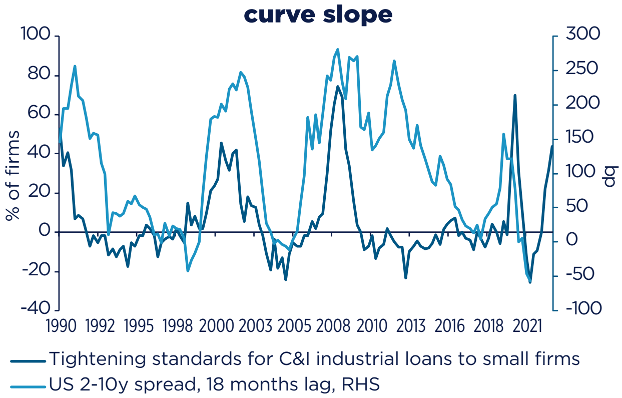
Bonds in charts

Developed markets

The curve lags lending standards by 18 months

The share of banks tightening lending standards to corporates leads by over a year both actual loan growth and the yield curve.

Lending standards and US yield curve slope

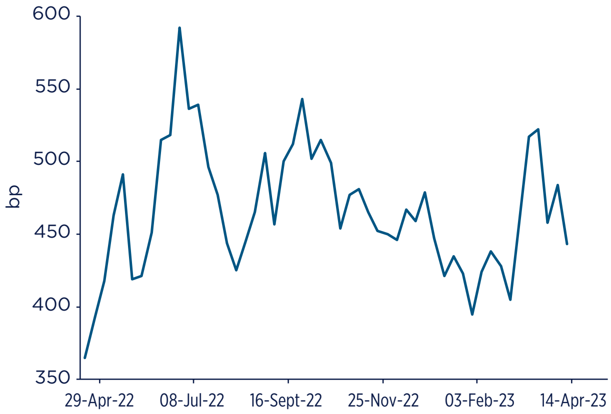


Source: Amundi Institute, Bloomberg. Data is as of 20 April 2023.

HY spreads retraced most of March widening

Following the early March spike, spreads compressed back rapidly, failing to price weaker macroeconomic perspectives.

US HY - Govt OAS (in bp)



Amundi Institute, Bloomberg. Data is as of 29 March 2023.

“The US corporate debt market is not pricing a recession for now.”

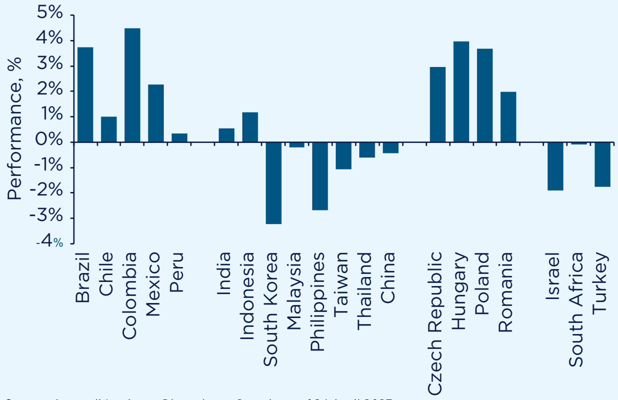
Valentine AINOUZ
Head of Global Fixed Income Strategy - Amundi Institute

Emerging markets

EX FX recovering thanks to USD depreciation

The EM FX that benefited the most from USD depreciation over the past month have been LatAm and CEE currencies.

EM FX vs USD, performanceover the past month

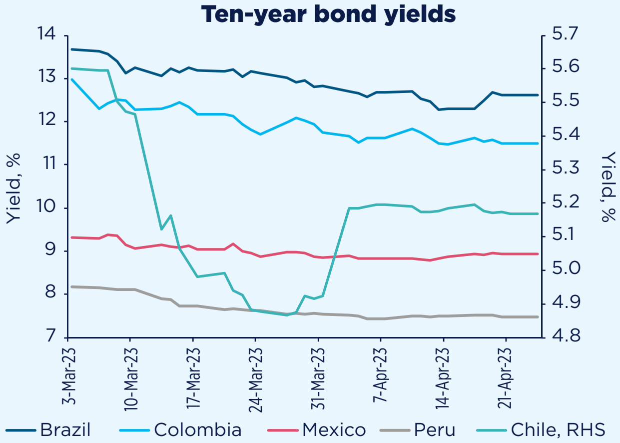


Source: Amundi Institute, Bloomberg. Data is as of 24 April 2023.

LatAm local bond yields down on the month

For local bond yields, the drop has been particularly evident in LatAm, the region that is most advanced in terms of the tightening cycle ending and inflation decelerating.

Ten-year bond yields



Source: Amundi Institute calculations on ICE BofA data as of 23 March 2023.

“LatAm and CEE currencies have benefited from USD depreciation.”

Alessia BERARDI
Head of Emerging Macro Strategy - Amundi Institute

COMMODITIES

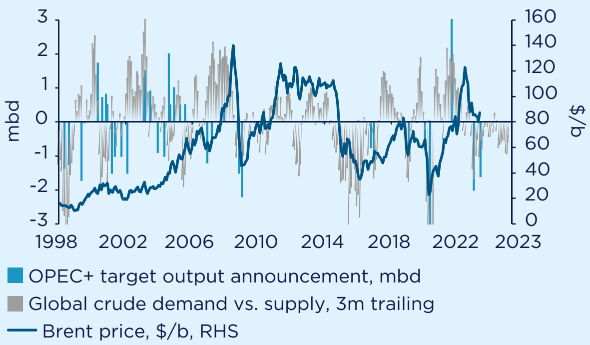
Cartel back in power

Jean-Baptiste BERTHON
Senior Cross Asset Strategist -
Amundi Institute

"An unusual alignment of planets for oil could help prices defy gravity."

An unusual planetary alignment made it possible for OPEC+ to preemptively cut output without risking losing market share or crashing demand. US producers on the side-line, chronic energy underinvestment, ample spare capacity and decoupling Chinese demand gave room for action. The US withdrawal from the Middle East is eroding Western leverage on oil and leading to greater interest alignment within the cartel. With tighter markets by autumn, we see prices converging towards a $90-95/barrel range by year-end, with less sensitivity to the economy and more resilience than other cyclical assets. A break above $100/barrel looks optimist: output cuts due to weak demand are less impactful and economic deceleration is at its beginning. In the short term, we see range trading amid richer valuations and weaker momentum.

Low prices or excess supply usually lead OPEC to take action



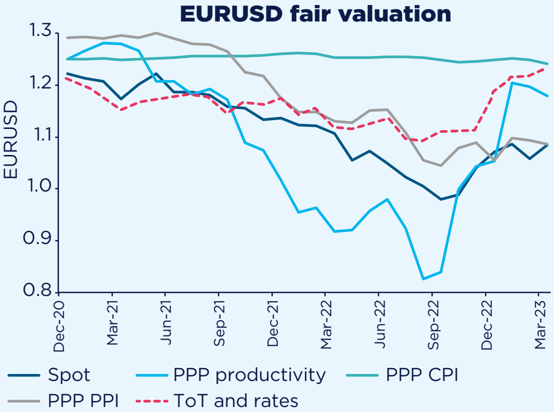
Source: Amundi Institute, Bloomberg, IEA as of 15 April 2023.

CURRENCIES

Rays of sunshine for EURUSD

US inflation and the Fed remain the key short-term risks, yet the asymmetry from here is less supportive for the USD. When looking for candidates to express this view (JPY and CHF work best in recession), the EUR screens nicely in this cycle. Its low-beta profile and improving domestic conditions suggest a higher exposure to the single currency. EUR fundamentals are improving fast (whether inflation (PPI), productivity (CPI/PPI), terms of trades (ToT) or rates differentials) and global portfolio flows have not reflected that yet. Eurozone investors remain net creditors to the rest of the world (it started once the ECB adopted the NIRP) and, despite the move in EUR rates, there has been no massive reallocation of capital so far. This is something we expect to drive EURUSD higher in the coming months.

EURUSD fair valuation



Source: Amundi Institute, Bloomberg, Eikon, Citibank as of 21 April 2023.

Federico CESARINI
Head of DM FX -
Amundi Institute

"Recent EUR structural headwinds are improving fast."

GLOBAL INVESTMENT VIEWS

Not a time to change course

Vincent MORTIER
Group Chief Investment Officer

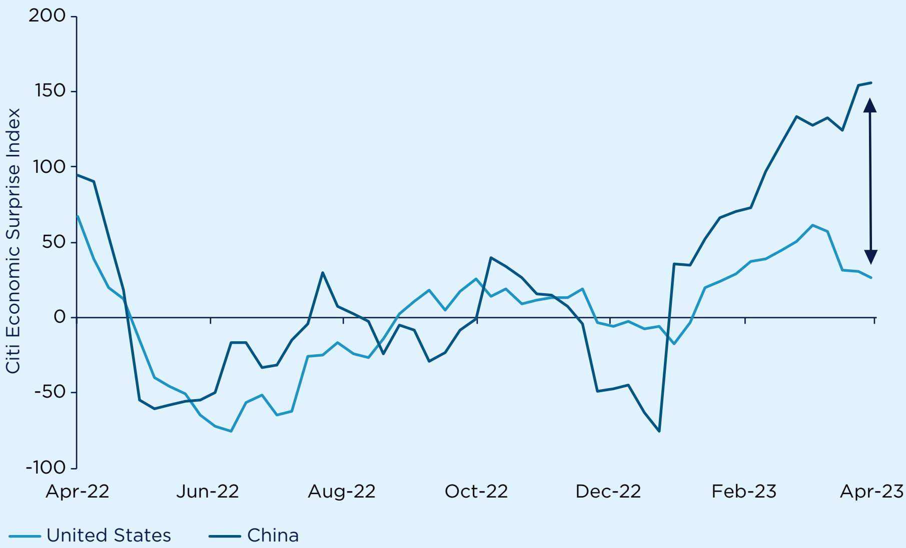
Matteo GERMANO
Deputy Group Chief Investment Officer

The broader equity markets have digested the March turmoil, but the disruption continues to be evident in the US regional banking sector, which is not showing signs of recovery. Bond markets are starting to assess a higher probability of recession in the United States and the potential that the Fed may start to cut rates later this year, as inflation tensions look to be slowing. On the earnings front, instead, market expectations remain too optimistic, signalling a disconnect between the recession risks bonds are pricing in and current equity valuations.

Against this backdrop of conflicting signals, we think this is not a time to change course: investors should remain cautious. Geopolitical tensions between the US and China, financial market stress, and confidence are other key elements to watch. While we do not see systemic issues, tightening financial conditions are increasing risks to the downside that are not priced into risky assets.

We expect a weak global growth outlook, with a US recession, a weak outlook in Europe, and a rebound in Asia from China's reopening that will not be able to offset US deceleration. This is because the recovery in China has so far been skewed towards its domestic economy. However, inflation is decelerating but remains sticky in some core service components. With this in mind, we expect an additional 25bps hike in May by the Fed, which is likely to then pause, as recent tightening in financial conditions should limit the need for further action. In Europe, we expect the ECB to hike rates as inflation is a concern.

US-China economic surprise gap on the rise



Source: Amundi Institute, Bloomberg, weekly data as of 20 April 2023. Positive reading indicates data released were stronger than expected. Negative number means data released were worse than expected.

"With inflation remaining above CB target, excessive optimism priced into risky assets, and appealing short-term bond yields, investors should fine-tune their cautious stance and favour high-quality assets."

Without changing their cautious stance, investors should consider the following approach in building resilient portfolios:

- **In cross asset,** a potential profit recession in the US underscores the need to stay positive on USTs. But given the backdrop, investors should consider partially moving their positioning towards shorter maturities that could benefit from a change in Fed policy. On credit, we stay cautious on HY -- now more so in the United States, owing to expensive valuations. Even in equities, there is scope for a more defensive stance in Europe through adjustments in derivatives, but we see value in China. At the other end, investors should strengthen hedges and consider safe-haven FX (JPY). In commodities, gold presents an interesting case, but it is prudent to tactically book some profits.
- **Tighter financial conditions and a deteriorating economic backdrop call for a positive but active view** on US duration. We look for opportunities across geographies. As such, we are slightly defensive in the United Kingdom, and cautious on core Europe but may consider going neutral in future on the latter. In Japan, we are defensive but see curve steepening potential in Canada. US and EU HY are areas where we remain cautious. If the economy deteriorates, this could weigh on cash flows and liquidity could become an issue in HY. We also acknowledge pressures in US CRE* and prefer multi-family real estate over office. On IG, we are selectively positive on names that are stable and can withstand rates-related and economic volatility.
- **Odds of a US recession are not fully priced into equities and thus we maintain our prudent stances on the US and Europe.** However, we are positive on China, where economic growth has been upgraded. Japanese equities could be weighed on by a strengthening yen. Regarding FX, we are now neutral to negative on the US dollar.
- **We like EM LC debt selectively** in countries such as Mexico, owing to attractive carry and a stabilisation of inflation expectations, and on Indonesia. In HC, we focus on HY amid higher potential for rebound. EM corporate debt is also displaying attractive valuations vs EU/US credit. In equities, we have a more constructive stance on Brazil, owing to a pragmatic approach from President Lula. But, we are monitoring risks regarding fiscal reforms.

Overall risk sentiment

Risk off **Risk on**

Fine-tune the cautious views, with an eye on credit conditions in the real economy, corporate profit margins, and economic growth.

Changes vs. previous month

- Cross asset: Adjust views on USTs without changing stance, strengthen hedges, more defensive on equities and on US HY.
- EM debt: focus on country-specific, sectoral aspects.
- FX: more cautious on USD, positive on JPY.

Overall risk sentiment is a qualitative view towards risk assets (credit, equity, commodities) expressed by the various investment platforms and shared at the global investment committee. Our stance may be adjusted to reflect any change in the market and economic backdrop.
**CRE = commercial real estate.*

Three hot questions

1. What is your view on a possible halt to the Fed rate-hiking cycle?

Since the SVB implosion, the ability of small and regional US banks to lend has changed. Pressure to boost profitability will force them to tighten lending standards and charge more when refinancing customer loans. Any pressure on liquidity could trigger more failures and, eventually, Fed rescues, forcing the central bank to cut rates. We see the Fed terminal rate at 5.25% and rates staying on hold for the remainder of 2023. A first cut is foreseen in Q1 2024.

Investment consequences

- Neutral US duration; in the short term, we see deeper curve inversion, whereas we expect bull steepening in the medium term.
- EUR/USD target: 1.15 in Q4 2023, 1.18 in Q1 2024.

2. What could be the fallout of the OPEC+ production cut?

The production cut was unexpected and likely driven by concerns about global demand. As oil prices are highly sensitive to worsening growth and liquidity conditions, historically, production cuts triggered by falling demand have proved to be less effective in driving up oil prices. We see limited near-term price upside but expect oil markets to tighten earlier than previously anticipated. We do not foresee a sustainable breakthrough above $100/barell for Brent.

Investment consequences

- 12-month Brent price target: $90-95/bbl.

3. Why have equities proved resilient despite a deteriorating economy?

Despite the recent banking sector stress, the MSCI ACWI index (global equity index) continued on its uptrend, thanks to prompt central bank intervention. However, cyclical risks remain, as the odds of a US recession are on the rise, but they are not completely priced in by markets. So, we believe the next step could be in favour of defensive stocks.

Investment consequences

- Caution on US confirmed.
- Quality becomes a core style, while value stays a long-term play.
- While we stay constructive on value and high-dividend stocks, investors should consider taking some profits in US and European value and high dividend stocks, and also keep a positive outlook on US MinVol.

“Cyclical risks persist, as the odds of a US recession are on the rise, but they are not completely priced in by markets.”

Monica DEFEND
Head of Amundi Institute

Amundi asset class views

Platform	Asset Class	Current view	Change vs. m-1	Rationale
EQUITY PLATFORM	US	–/=		We maintain a prudent approach on equities as economic growth deteriorates with potential impacts on corporate earnings. The SVB saga could lead to more regulations for regional banks, but the larger national banks and the broader financial system appear resilient.
EQUITY PLATFORM	US value	+		Many years of QE created one of the biggest cyclical outperformances of growth vs. value, but now the normalisation of interest rates will favour value, although this will not be in a straight line. We focus on earnings growth and think investors should combine value with quality amid pressure on economic growth.
EQUITY PLATFORM	US growth	–		We avoid unprofitable names and those with excessive valuations. A higher interest rates environment could be detrimental for growth stocks which rely more on future cash flows.
EQUITY PLATFORM	Europe	–/=		A less supportive external environment and a weak consumption backdrop owing to high core inflation may affect European earnings. We stay cautious overall and explore areas (such as retail banks) with attractive valuations and value and quality characteristics.
EQUITY PLATFORM	Japan	–/=		We are monitoring monetary policy, which could affect the yen, to assess the earnings outlook. A weak global growth backdrop could also weigh on the country's markets.
EQUITY PLATFORM	China	+		As Chinese economic growth accelerates, we continue to play on an economic reopening-induced rebound and an easier environment for e-commerce companies. At the same time, we are watchful with respect to geopolitical tensions.
EQUITY PLATFORM	Emerging markets ex China	=		Country-specific dynamics play an important role in EM. We are positive on Brazil but are following the government's approach to fiscal reforms. In Malaysia, however, valuations are expensive. Overall, China reopening should be positive for EM countries which have strong trade relations with China.
FIXED INCOME PLATFORM	US govies	=/+		A deterioration in the macro-economic environment keeps us slightly constructive on duration as we marginally lowered our estimates for the Fed's terminal rates. But we remain active as the CB tries to balance financial stability with controlling inflation.
FIXED INCOME PLATFORM	US IG corporate	=/+		We see high profit margins and healthy balance sheets for IG issuers. But we remain selective in light of the potential impact of declining economic activity on revenues, and the effects of higher wages and funding costs on earnings going forward.
FIXED INCOME PLATFORM	US HY corporate	–		HY valuations are not pricing in a recession, but we think this is too optimistic. If liquidity deteriorates and companies find it difficult to access funds, then spread volatility would increase, particularly for low-rated HY names (i.e., CCC).
FIXED INCOME PLATFORM	European govies	–/=		We are slightly cautious on core Europe duration in light of the ECB's determination to control rising prices. But we remain active and willing to move to neutral if economic growth slows below the level we expect. The ECB's data-dependent approach is another reason that keeps us agile.
FIXED INCOME PLATFORM	Euro IG corporate	=/+	▲	We are monitoring the impact of monetary tightening and financial conditions on IG spreads. Corporate fundamentals are strong, but we are vigilant on liquidity. From a global perspective, we prefer EUR and GBP IG to US and are very selective.
FIXED INCOME PLATFORM	Euro HY corporate	–		We are cautious amid our concerns that fundamentals and the default rate situation may deteriorate at a time of weaker earnings and higher funding costs, particularly for highly leveraged segments of the market.
FIXED INCOME PLATFORM	China govies	=		We stay close to neutral as economic growth recovers and limited government support persists. But we maintain that Chinese bonds offer diversification for global investors.
FIXED INCOME PLATFORM	EM bonds HC	=/+		Amid an improving EM-DM growth premium, we focus on select HY names in this space, where we see higher potential for a rebound. We look for attractive carry, but continue to monitor political risks.
FIXED INCOME PLATFORM	EM bonds LC	=/+		A weakening USD is supportive of EM debt: we explore opportunities in Mexico and Indonesia. Stabilisation of inflation expectations is positive for LC debt. However, we are cautious on Taiwan, due to geopolitical risks.
OTHER	Commodities			Recent oil production cuts by OPEC+ may tighten markets slightly but concerns over falling demand could prevail. Our 12-month target for Brent is $90-95/barell. On gold, we think valuations are rich, but slowing rate hikes and continued liquidity stress could provide limited support. We keep our 12-month target at $2,050/oz.
OTHER	FX			We confirm the weakening USD trend in 2023, and a year-end EUR/USD target at 1.15. However, we look at JPY and CHF as traditional safe havens in times of recession. In EM FX, momentum seems to be improving selectively in favour of Asia and Latin America.

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Negative view | Neutral | Positive view

▼ Downgrade vs. previous month

▲ Upgraded vs. previous month

Source: Amundi as of April 2023, views relative to a EUR-based investor. This material represents an assessment of the market environment 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.

Fine-tuning of the cautious allocation

We see a deteriorating US economic environment amid the Fed's slowing monetary tightening, rising costs of credit for the real economy, and stubborn core inflation, particularly in Europe. A weak US economy is unlikely to leave Europe untouched. We suggest maintaining a cautious tilt on risk assets, strengthening hedges, and utilising the safe-haven features of USTs. On the latter, **the Fed is close to the end of its tightening cycle and this may create opportunities in the medium-term range of the yield curve.** Nonetheless, investors should stay diversified and consider preserving profits partly in areas such as gold, given the ascent this year.

High conviction ideas

High valuations, falling profit margins, and slowing growth keep us cautious in equities, where we reinforced this stance through adjustment of our views in Europe. In EM, we are positive on China on the back of improving growth and cheaper relative valuations. But this path will not be linear.

In fixed income, higher recession concerns, but decelerating inflation and its impact on rate hikes call for a fine tuning in US duration. We expect some bull steepening of the yield curve, leading us to switch partially our positive view on 10y UST towards the 2y and 5y segments. Also in Canada we keep our curve steepening stance. In Europe, the Swedish 10y swap should do well in light of a vulnerable Swedish economy.

On peripheral debt, we maintain a slightly constructive view on the 10Y BTP-Bund spreads owing to strong technicals and expectations of ECB support. However, we are cautious on Japanese government bonds amid views that the BoJ will drop its yield curve control.

We remain cautious on corporate credit in general but shifted this stance from EU HY to US HY. This is mainly due to high valuations and the potential impact of higher real rates on funding costs for companies. We are also concerned about higher defaults in the US, given pressures on growth.

In FX, dollar weakness is likely to persist as the higher rate advantage of the US dissipates, allowing us to maintain our positive views on the EUR/USD and AUD/USD. On the other hand, we are now constructive on the JPY/CHF. The yen is an underappreciated hedge against global geopolitical risks. In EM, we like the MEX/EUR owing to its attractive carry and a positive balance of payments outlook. We also favour the BRL/USD and ZAR/USD (attractive valuations).

Risks and hedging

Potential for a more-severe-than-expected recession in the US led us to strengthen our hedges on equities. Also, while we slightly downgraded gold, we maintain that it offers strong diversification and downside protection in times of stress and geopolitical crisis. Finally, we are monitoring oil for any potential upside but stay neutral for now.

Francesco SANDRINI
Head of Multi-Asset Strategies

John O'TOOLE
Multi-Asset Investment Solutions

"The current backdrop calls for an active approach on US duration, where we repositioned our views slightly and turned more defensive on equities."

Amundi Cross-Asset convictions

■ *Current stance* ●→ *Change vs. previous month*

	---	--	-	=	+	++	+++
Equities			■ ←●				
Credit & EM bonds			■				
Duration					■		
Oil				■			
Gold					■ ←●		

Source: Amundi. The table represents a cross-asset assessment on a three- to six-month horizon based on views expressed at the most recent global investment committee. The outlook, changes in outlook and opinions on the asset class assessment reflect the expected direction (+/-) and the strength of the conviction (+/++/+++). This assessment is subject to change and includes the effects of hedging components. FX = foreign exchange, IG = investment grade, HY = high yield, CB = central banks, BTP = Italian government bonds.

Chase earnings strength, not the rally

Kasper ELMGREEN
Head of Equities

Yerlan SYZDYKOV
Global Head
of Emerging Markets

Kenneth J. TAUBES
CIO of US Investment
Management

Overall assessment

Equities do not seem to be pricing in earnings and recession risks completely and we think this is a mistake. In select cases, downward pressures on margins are priced in, creating high dispersion and an attractive environment for stock-picking. **Our road map remains that of caution, combined with quality and value, and exploring opportunities in EM where correlation with DM is low.**

European equities

We are likely to see a deterioration in corporate earnings in the current quarter and beyond because companies are facing both cyclical and structural headwinds. **This could result in casualties, and we aim to capitalise on such volatility to identify companies with strong balance sheets and an ability to defend earnings.** Overall, we maintain a barbell-type approach by combining exposure to quality cyclical businesses and defensive stocks. At a sector level, staples and healthcare (positive now) are preferred, as these defensive stocks offer the prospect of capital appreciation and healthy dividends. However, in financials and industrials, where we remain constructive, investors should consider using the upside to book partial profits. But we maintain a preference for retail banks, due to the positive effects of high rates, and are monitoring the CRE sector.

US equities

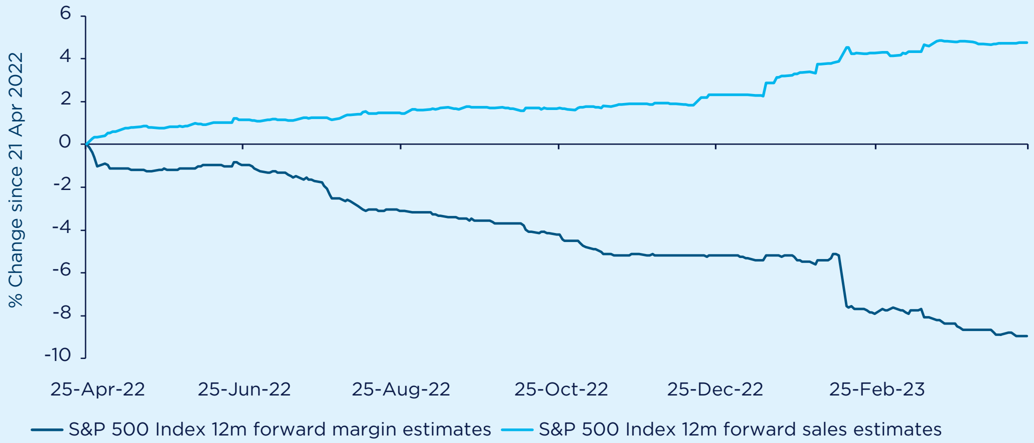
Investors should consider building portfolios that are less economically sensitive in current times. For instance, in financials, we see selective value in depository banks and those with very limited capital market exposure. We also like large-cap winners that have stable customer deposit bases. Secondly, energy names are likely to hold up better even during a recession because the sector has already seen a drawdown. However, on other cyclical sectors, such as industrials and discretionary, we are cautious. Within defensives, there are businesses where valuations are very high. There are also other defensives with cheap valuations but weaker business models. Through our bottom-up analysis, we aim to identify companies where valuations are justified by their earnings potential: e.g., in health care equipment & services. Finally, the outperformance of value vs growth should continue, but won't be on a straight line.

EM equities

A strong Chinese recovery is likely to widen the EM-DM growth gap. Longer term, diversification of supply chains outside China would benefit other EM. We acknowledge geopolitical tensions and idiosyncratic risks in the EM world and thus rely on bottom-up analysis. For example, we like Mexico and believe Brazil's fiscal plan supported by President Lula should be positive. But we are cautious on Malaysia, owing to valuations. At a sector level, we prefer discretionary and real estate.

"We think this rally lacks strength because there are meaningful risks to earnings and margins that are not yet priced in."

S&P 500 margins are expected to deteriorate



Source: Amundi Institute, Bloomberg as of 24 April 2023. Chart shows the change in 12m forward sales and margin estimates for the S&P 500 index from a year ago.

Balance liquidity, quality and EM carry

Amaury D'ORSAY
Head of Fixed Income

Yerlan SYZDYKOV
Global Head
of Emerging Markets

Kenneth J. TAUBES
CIO of US Investment
Management

Overall assessment

We are moving towards a challenging backdrop of weaker growth and CB still focusing on inflation. **Investors should maintain a tilt towards quality in credit and use carry in EM debt selectively to build resilient portfolios.**

Global and European fixed income

Decelerating growth and the ECB's resolute stance against inflation make directional bets difficult. **We are defensive on Japan and marginally cautious on duration in core Europe, but are assessing when to move back to neutral on the latter. Even in the United Kingdom we are slightly defensive.** In the United States we are neutral and see curve steepening opportunities. We keep a small positive stance on euro inflation. In corporate credit, spread volatility and cash flow uncertainty could increase. Even though we keep a slight constructive stance on credit mainly through EU and UK IG, we are selective. We like EU subordinated financials that offer higher returns. We are cautious on HY and think investors should consider keeping their HY exposure hedged.

US fixed income

In the real economy many banks are tightening lending standards for consumers and companies, and this could have repercussions for overall consumption. The Fed, for its part, is sticking to the 'higher for longer' messaging. All this creates substantial volatility for rates, resulting in an opportune moment for active duration management. For now, we keep a slightly positive bias but are agile in adjusting this stance. On credit, we maintain a quality bias, with a preference for IG over HY. In the latter, we believe a more severe drawdown in earnings and cash flows is needed for defaults to increase. At a sector level, we prefer large financial companies to industrials, and favour high-quality businesses with low leverage over HY. In securitised credit, there is selective value in CRE, but we prefer multi-family to office/retail CRE.

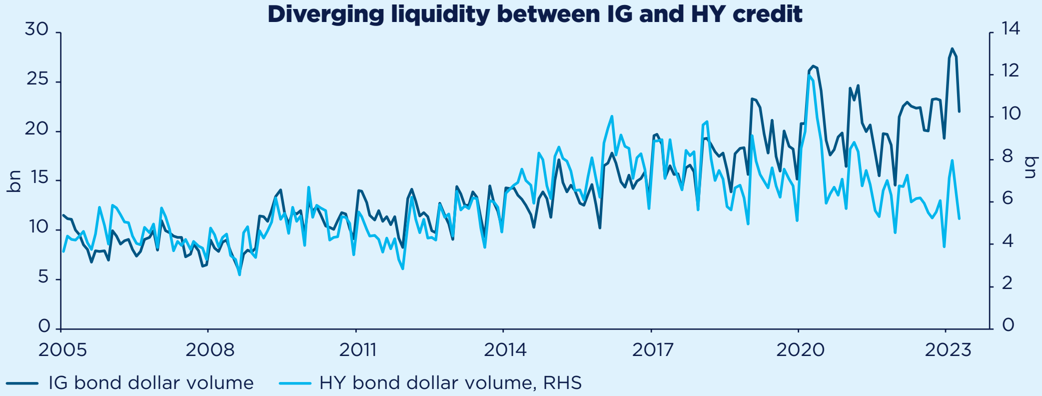
EM bonds

In an environment where it is difficult to gauge market direction, we see some positives for EM FI in the form of a potential peak in US rates, a weak dollar, and better EM growth. While our overall duration stance is neutral, in HC, we are positioned to capture carry, focusing primarily on HY. On LC, we are constructive, owing to resilient FX and high carry. We are selective in favour of countries such as Brazil, South Africa, and Indonesia. We also view commodity exporters favourably.

FX

The fading US rates advantage leads us to be neutral to marginally cautious on the USD, but we are positive on the JPY and CHF. We are watchful on the EUR and instead like select EM currencies, e.g., the MXN, BRL and Asian FX including IDR.

Diverging liquidity between IG and HY credit



Source: Amundi Institute, Bloomberg as of 20 April 2023. FINRA TRACE Market Breadth Total Issues for IG and HY shown above. Higher number shows higher market breadth and higher liquidity.

> *"Credit spreads are ignoring the upcoming economic weakness, but we believe it is imperative to focus on quality and liquidity."*

Macroeconomic forecasts

Macroeconomic forecasts as of 26 April 2023						
Annual averages, %	Real GDP growth, YoY, %			Inflation (CPI, YoY, %)		
	2022	2023	2024	2022	2023	2024
Developed countries	**2.7**	**0.6**	**0.6**	**7.4**	**4.8**	**2.5**
United States	2.1	0.5	0.1	8.0	4.2	2.4
Eurozone	3.5	0.5	0.7	8.4	5.7	3.0
Germany	*1.9*	*0.2*	*0.7*	*8.7*	*6.2*	*2.8*
France	*2.6*	*0.5*	*0.8*	*5.9*	*5.9*	*2.7*
Italy	*3.8*	*0.6*	*0.7*	*8.7*	*6.7*	*2.3*
Spain	*5.5*	*1.1*	*0.8*	*8.3*	*3.8*	*2.8*
United Kingdom	4.1	-0.3	0.7	9.0	6.9	2.8
Japan	1.0	0.5	1.0	2.5	2.9	1.1
Emerging countries	**4.0**	**4.1**	**4.0**	**8.7**	**6.3**	**5.4**
China	3.0	6.0	4.7	2.0	1.3	2.2
India	7.0	5.4	6.0	6.7	6.0	6.0
Indonesia	5.3	5.2	4.8	4.2	4.3	4.0
Brazil	2.9	0.9	1.2	9.3	5.0	5.0
Mexico	3.1	1.8	0.6	7.9	5.6	4.4
Russia	-2.3	0.6	2.0	13.8	5.6	4.5
South Africa	2.1	0.3	0.5	6.9	6.1	4.9
Turkey	5.5	2.6	4.0	72.0	46.9	38.1
World	**3.4**	**2.6**	**2.6**	**8.2**	**5.6**	**4.3**

Central bank official rates forecasts, %					
	26 April 2023	Amundi +6m.	Consensus +6m.	Amundi +12m.	Consensus +12m.
United States*	5.00	5.25	4.89	4.75	4.07
Eurozone**	3.00	3.50	3.79	3.50	3.50
United Kingdom	4.25	4.50	4.74	4.25	4.40
Japan	-0.10	0.00	0.04	0.00	0.05
China***	3.65	3.65	3.65	3.65	3.65
India****	6.50	6.50	6.65	6.25	6.45
Brazil	13.75	11.75	13.35	9.75	11.70
Russia	7.50	7.00	7.55	7.00	7.25

Source: Amundi Institute. Forecasts are as of 26 April 2023. CPI: consumer price index. *: Upper Fed Funds target range. **: Deposit rate. ***: One-year loan prime rate. ****: Repurchase rate.

Financial market forecasts

Bond yields

TWO-YEAR BOND YIELD FORECASTS, %

	26 April 2023	Amundi +6m.	Forward +6m.	Amundi +12m.	Forward +12m.
United States	3.92	3.40-3.60	3.44	3.10-3.30	3.15
Germany	2.73	2.50-2.70	2.44	2.30-2.50	2.13
United Kingdom	3.73	3.20-3.40	3.43	3.20-3.40	3.36
Japan	-0.04	0.10-0.20	0.01	0.10-0.20	0.03

TEN-YEAR BOND YIELD FORECASTS, %

	26 April 2023	Amundi +6m.	Forward +6m.	Amundi +12m.	Forward +12m.
United States	3.41	3.30-3.50	3.36	3.30-3.50	3.35
Germany	2.35	2.40-2.60	2.31	2.30-2.50	2.28
United Kingdom	3.68	3.50-3.70	3.64	3.50-3.70	3.66
Japan	0.47	0.50-0.70	0.55	0.60-0.80	0.63

Exchange rates

	21 April 2023	Amundi Q3 23	Consensus Q3 23	Amundi Q1 24	Consensus Q1 241
EUR/USD	1.10	1.08	1.11	1.18	.13
EUR/JPY	147	136	140	138	139
EUR/GBP	0.88	0.90	0.89	0.90	0.90
EUR/CHF	0.98	0.95	1.00	1.06	1.01
EUR/NOK	11.63	11.47	11.00	10.79	10.53
EUR/SEK	11.32	11.45	11.00	11.04	10.91
USD/JPY	134	126	127	118	123
AUD/USD	0.67	0.67	0.70	0.76	0.72
NZD/USD	0.61	0.60	0.64	0.66	0.65
USD/CNY	6.89	6.70	6.75	6.40	6.63

Source: Amundi Institute. Forecasts are as of 26 April 2023.

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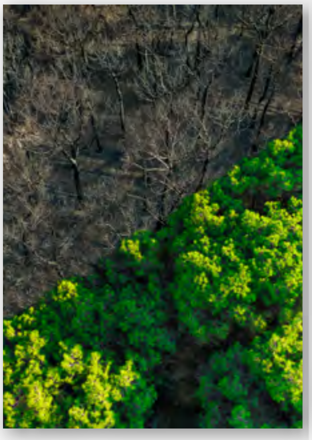

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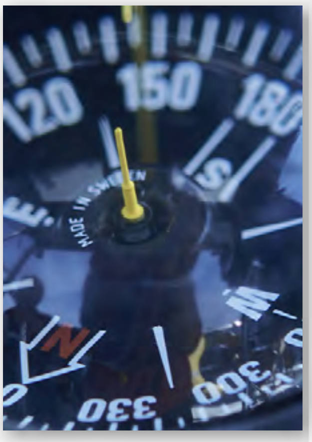

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