

INVESTMENT OUTLOOK H2 2020

Investing during a de-freezing cycle

Five global themes drive our central and alternative scenarios

1 Monetary and fiscal policies to the next level



2 Deglobalisation accelerates and geopolitics takes centre stage



3 US election becomes more uncertain



4 Global consumption comes under strain



5 Focus on debt sustainability and earnings growth



CENTRAL SCENARIO – *Slow U-shaped recovery*

60%

Analysis

- Short-term rebound (Q3) from a deep, short-lived recession and convergence to pre-crisis levels, with divergences on timing across regions
- Credit fragmentation and default surge
- Debt monetisation and ballooning CB balance sheets
- Manufacturing recovers faster than services, consumption recovers slowly
- Global trade recovers, but remains sluggish the global cycle is increasingly based on domestic engines

Market implication

- After the recent rally, consolidation will follow, with FX as a likely catalyst for the upside/downside scenarios
- In **fixed income**, be active in duration management (favour US duration); favour linkers
- Be selective in credit and cautious in EM FX
- In **equities**, 'first in, first out' theme as a regional positioning criterion; prefer long-term winners tilting to **cyclicals**
- Play sector rotation, small cap, min vol
- Favour **gold** on pervasive uncertainty



UPSIDE SCENARIO – *V-shaped recovery*

20%

Analysis

- Economic activity recovers to pre-crisis levels by mid-2021 (United States, Eurozone), with above-potential growth in H2 2020-H1 2021
- Pandemic almost suppressed
- Monetary and fiscal stimuli will feed through to the real economy and financial markets
- Pent-up demand visible

Market implication

- Prefer linkers
- Favour risky assets and commodities (oil)
- Be cautious on the USD



DOWNSIDE SCENARIO – *Secular stagnation*

20%

Analysis

- Economic relapse (Q4/Q1)
- Monetary and fiscal stimuli continues, but liquidity does not feed through to real economy
- Economic crisis evolves into a financial crisis
- Protectionism and deglobalisation accelerate, harming trade and global value chains

Market implication

- Favour cash and US treasury
- Favour gold, CHF, YEN, NZD
- Play min vol strategies

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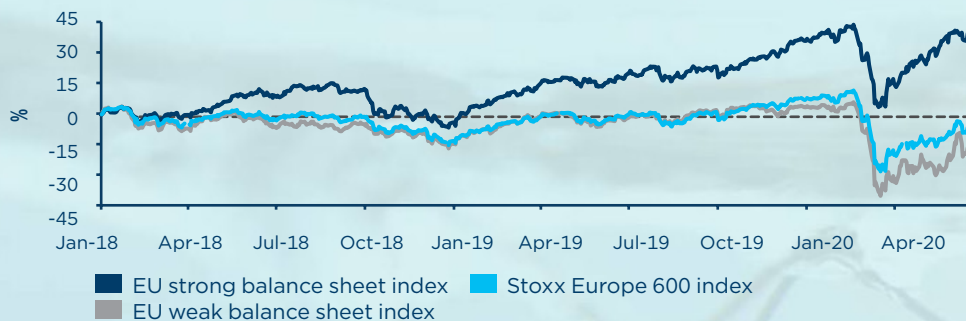
Investing during a de-freezing cycle

Investment convictions

EQUITY

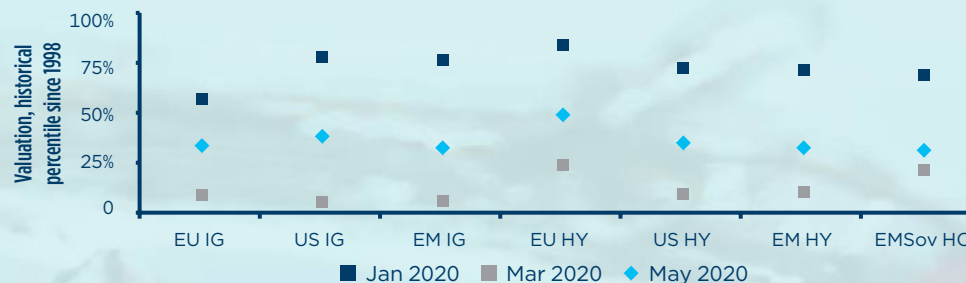
PLAY THE CYCLICAL RECOVERY AND LONG-TERM THEMES

Focus on selection of companies with strong balance sheets



SEARCH FOR YIELD IN GOOD QUALITY CREDIT & EM DEBT

Benefit from the CBs' support and attractive valuations, be aware of credit risk

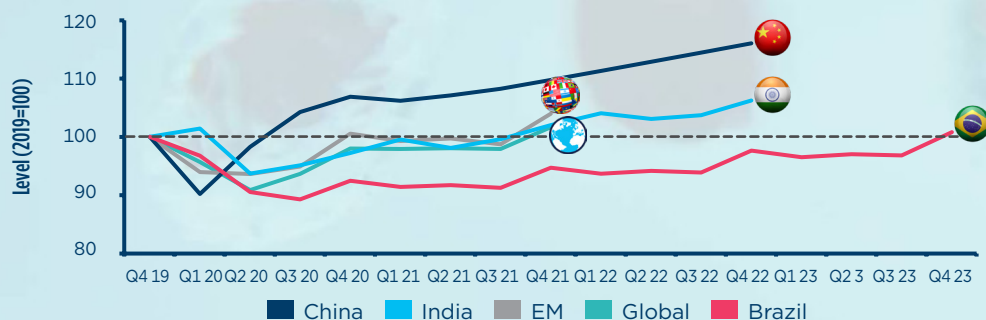


BONDS

EMERGING MARKETS

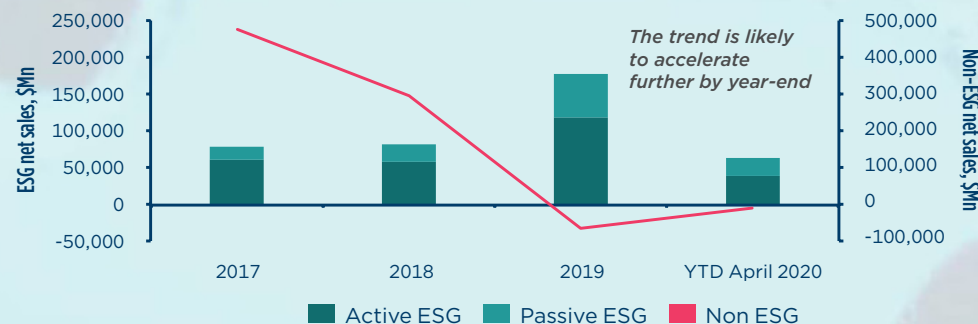
ASIA IN FOCUS IN THE 'FIRST IN - FIRST OUT' PATH

First countries to enter the pandemic will recover first



ESG MORE AND MORE MAINSTREAM

Flows are switching from non-ESG to ESG funds



ESG

Source: Amundi Research, Bloomberg. Data as of 18 June 2020. Equity chart: data are from Amundi, Morgan Stanley and Bloomberg. Fixed income chart: Amundi on Bloomberg and Thomson Reuters data. EU IG, US IG, EM IG, EU HY, US HY and EM HY are based on BofA ICE indices (IG = investment grade, HY = high yield). EM Sov HC = JPMorgan EMBI Global Diversified. All indices are for a specific region (EU = Europe, US = United States, EM = Emerging Markets). Analysis based on spreads for bond indices. Emerging markets chart: Amundi Research, GDP growth forecast estimates as of 22 May 2020. Significant uncertainty surrounding macroeconomic forecasts may lead to more frequent reassessments. Macroeconomic forecasts currently include a material qualitative component, reducing the statistical accuracy and adding to the uncertainty, with increasingly wide ranges. ESG chart: Broadridge, data on worldwide open-ended funds as of 9 June 2020.

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