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Europe in focus: Germany's outlook and European bonds

CROSS ASSET INVESTMENT STRATEGY

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December 2025

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"While we have upgraded our growth expectations for the eurozone for this year, we think domestic demand will be weak and this along with disinflation may lead the ECB to reduce policy rates twice next year."

MONICA DEFEND
HEAD OF AMUNDI INVESTMENT INSTITUTE

"In an environment of high valuations and scrutiny of AI-investments, we are particularly interested in seeing an improvement in productivity and earnings."

VINCENT MORTIER
GROUP CHIEF INVESTMENT OFFICER

TOPIC OF THE MONTH

Germany: from crisis comes opportunity

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KEY TAKEAWAYS

The short-term economic recovery faces some risks. Germany is experiencing a phase of structural stagnation after weak growth in 2025 and two preceding years of recession, with industry and exports in crisis. A large fiscal pivot — a €500bn off-budget fund and extra borrowing for defence — aims to rebalance the economy and boost demand from 2026. In the longer term, we believe that reforms could enable stronger expansion from 2027 if they are accelerated decisively.

We believe German equities have room to continue to deliver attractive returns in 2026 and even outperform European equities. Markets should begin to price in an improving earnings outlook, supported by fiscal stimulus and monetary easing, fading tariff risks and a more benign FX backdrop. Industrials and Financials — the largest sectors — are likely to benefit from higher defence and infrastructure spending.

The German economy has entered a phase of structural stagnation. Growth remained weak in 2025, following two consecutive years of recession. The export sector and industry as a whole are in crisis. The shift in fiscal policy at the beginning of the year, coupled with the relaxation of the debt brake rule, is expected to boost growth in 2026, but to what extent? Analyses by economists differ, both within public bodies (such as the Bundesbank, the federal government, and the OECD) and in the private sphere. These analyses pit those who expect a rapid impact (via the classical Keynesian effect) against those who emphasise the importance and difficulty of overcoming structural challenges. We see this difficulty more as a temporary phenomenon rather than a general one.

Germany's structural challenges

The German economy has been stagnating for six years. Rising energy costs in certain sectors -- particularly the automotive and chemicals industries -- and intensifying competition from high-quality Chinese products have affected the competitiveness of German industry. Germany's industrial specialisation has had a negative impact on its economy. Added to this is the rapid ageing of its population, which is weighing on the economy's potential growth and is happening faster than in the rest of the Eurozone. Its list of structural problems is long:

- Fatigue in the export model;
- Long-term unemployment;
- Excessive bureaucracy;
- Relatively high corporate taxation;
- High energy costs;
- A shortage of skilled labour; and
- A deterioration in labour market performance compared to the rest of Europe (stagnant employment rates despite low unemployment).

The German model is experiencing a systemic crisis, the like of which has not been seen since the end of WWII. It is likely to take many years for industry to adapt its production apparatus, but from crisis comes opportunity. The dramatic shift in fiscal policy at the beginning of 2025 was prompted by this crisis. The aim of public investment in infrastructure is to revitalise domestic supply and rebalance a model that is overly dependent on the export manufacturing sector. However, despite being essential to ensuring the success of the stimulus measures, structural reforms are still pending.

A spectacular fiscal stimulus package

With the easing of Germany's debt brake, the federal government has considerable fiscal leeway. A new off-budget fund of €500bn (equivalent to 11% of GDP in 2025) was created in the spring to finance infrastructure and climate investments over the next 12 years. In addition, the government can finance defence and security spending in excess of 1% of GDP through new borrowing. Excluding the Länder, the government is planning cumulative net borrowing of around €850bn over the 2025-29 period. **This means that total federal debt (€1.7tn at end-2024) is set to increase by half over five years.**

We know that in times of economic weakness, fiscal stimulus policies have a greater impact (multipliers are higher at the bottom of the cycle). This should be all the more evident given that the government has simultaneously implemented measures to stimulate private domestic demand directly, by increasing the minimum wage and offering tax incentives for investment. That said, domestic supply must still be able to meet the increased demand. Efforts in defence and infrastructure are primarily focused on revitalising and diversifying the national industrial fabric. However, **the shortage of skilled labour in certain sectors, particularly infrastructure, will cap the multiplier effect**. The same applies to its cumbersome bureaucracy and excessively slow decision-making process.

“Efforts in defence and infrastructure are primarily focused on revitalising and diversifying the national industrial fabric. However, the shortage of skilled labour in certain sectors, particularly infrastructure, will cap the multiplier effect.”

Renewed concern among manufacturers

The latest Federation of German Industries’ (BDI) report highlights low capacity utilisation, particularly in the core sectors of German industry: chemicals, mechanical engineering and steel. Production from the chemical sector is currently at a 30-year low, with factories operating at less than 72% capacity – the lowest level since 1991. Since the beginning of the year, Germany has imported more machinery from China than it has exported. Furthermore, despite its rapid expansion, the defence sector in Germany remains too small to offset the decline in the automotive industry. A lack of industry diversification is hindering the recovery. It is hard to envisage how fiscal stimulus could stop these sectors from declining. Given this situation, it is unsurprising that the business climate has deteriorated since the spring upturn. Surveys show no increase in industrial orders, and business leaders are starting to question the prospects of a recovery.

Taking out loans does not necessarily result in immediate expenditure. Without viable projects to invest in, they simply swell the government's coffers. During its first month of existence in October, the special off-budget fund for infrastructure and climate took out loans amounting to around €13bn (one third of what was planned for 2025). Only €35bn has been spent of the €100bn armed forces fund created in 2022. Defence spending in 2025 amounts to €45bn (€24bn less than the target for the year). Military procurement amounted to €10bn, against a target of €22bn. Meanwhile, investment expenditure totalled €44bn (€19bn below the investment target set for 2025).

€500bn

New off-budget fund.

€850bn

Planned cumulative net borrowing over the 2025-29 period.

€1.7tn

Total federal debt at end-2024.

Source: Amundi Investment Institute.

IFO business climate index

"We remain optimistic for a stronger recovery from 2027 if reforms pick up pace."

Source: Amundi Investment Institute, Bloomberg. Data is as of 10 December 2025.

In these circumstances, there are growing indications that the additional funds are being diverted to current expenditure. While this may impact growth next year, it should be noted that investment is necessary to increase potential GDP in the medium term**. Overall, we believe that the risks to growth remain skewed to the downside in the short term.** The expected upturn in activity will not be as strong as expected next year. **However, we are optimistic about the medium term and anticipate a more substantial recovery from 2027 onwards, provided the pace of reforms accelerates**.

Increased defence and infrastructure spending is expected to give a moderate boost to GDP growth in 2026. Such spending could add around 0.3-0.5 percentage points to growth next year, with further positive effects in 2027 and beyond as government investment increases and multiplier effects take hold. Infrastructure improvements will enhance economic efficiency, while defence spending could stimulate technological innovation and private-sector R&D. However, the initial impact in 2026 is expected to be limited due to the high import content. Overall, **despite the short-term risks, there are potential upside risks on the horizon for 2027-28.**

Our scenario at a glance

- **The German economy is close to stagnation**, with moderate inflation, rising deficits and debt, and we remain sceptical about the recovery. Meanwhile, households seem keen to maintain a high savings rate, and fiscal policy is shifting from a slightly restrictive stance in 2025 to being much more expansionary from 2026 onwards. As a result, **Germany is entering a phase of gradual stabilisation.**
- **Real GDP is almost flat in 2025**, after a prolonged slowdown in industry and weak external demand.
- **Defence and infrastructure spending will increase from next year**, **boosting growth in the coming years**. The main risks are prolonged weakness in industry and exports, tighter global financial conditions, and insufficient structural reforms, which could keep growth low and debt on an upward trajectory.
- Forecasters expect a gradual acceleration of growth to around 0.7-1.3% in 2026 and 1.2-1.6% in 2027, supported by public investment and household consumption. **We are much more cautious, expecting growth at 0.8% (2026) and 1.1% (2027)**. The most recent surveys suggest that businesses remain sceptical about the recovery. Meanwhile, households seem keen to keep a high savings rate.
- **Headline inflation has returned close to target**, while core inflation remains slightly higher, but tends to decelerate. **We expect headline inflation at 1.9% in both 2026 and 2027, after 2.1% in 2025.**
- **The general government deficit is around 2.5-3.0% of GDP; public debt stands at 60-65% of GDP** and is on a slight upward trajectory following the post-Covid increase.

Key risks

- **Industrial stagnation,** especially in chemicals, machinery and autos.
- **Energy transition:** high energy prices remain a structural drag; policy uncertainty persists.
- **Fiscal uncertainties**: implementation risks remain around the new special funds and interactions with the Constitutional Court.
- **External demand:** China slowdown and supply-chain fragmentation.
- **Demographics**: Declining labour force threatens medium-term growth.

TOPIC OF THE MONTH

German equities set to see attractive returns in 2026

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German equities have seen strong performance over the year (+20% for the MSCI Germany Total Return index*) in absolute terms. However, relative to the benchmark (MSCI Europe), they have been flat and actually underperformed over the last six months, as investors have grown increasingly sceptical about the ability of the new government to deliver the planned fiscal stimulus.

We recognise that the process will take time, but believe that momentum is there. Therefore, German equities are poised to see attractive returns from here and are likely to outperform European equities.

MSCI Germany vs. MSCI Europe

Source: Amundi Investment Institute, Bloomberg. Data is as of 8 December 2025.

"Despite short-term economic weakness, we believe German equities are set to deliver attractive returns in 2026, with Industrials and Financials in focus."

The MSCI Germany index currently trades at a 12m forward PE of 14.5x, well above its 15-year average of 12.5x, but slightly below the benchmark (14.8x for MSCI Europe). From such levels, earnings will have to do the heavy lifting to drive market performance. The IBES consensus EPS growth for 2026 stands at +14% (+12% for MSCI Europe), which seems a bit too optimistic. Nevertheless, given the German fiscal and global monetary easing, fading tariff worries and a more benign FX environment, **the earnings outlook for next year looks much better than this year.**

Looking within the market, German stocks are exposed to a variety of near- and long-term themes. The two biggest sectors are Industrials (28%) and Financials (22%, based on MSCI GICS). The former is a diverse sector and should see tailwinds from higher spending on defence and infrastructure, as well as electrification. Financials – especially banks – have performed very well, yet still look cheap. They have seen strong earnings revisions and have delivered high shareholder returns.

* Source: Bloomberg as of 11 December 2025.

TOPIC OF THE MONTH

European bonds in 2026 and beyond: strong supply, strong demand

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KEY TAKEAWAYS

European government bond supply is set to rise sharply in 2026 as large fiscal deficits -- particularly in Germany and France -- drive higher net issuance and gross issuance near €1.4 trillion, raising refinancing costs, especially on five-year paper. ECB quantitative tightening will reduce its purchases, making net-net issuance the largest on record and materially increasing the free float.

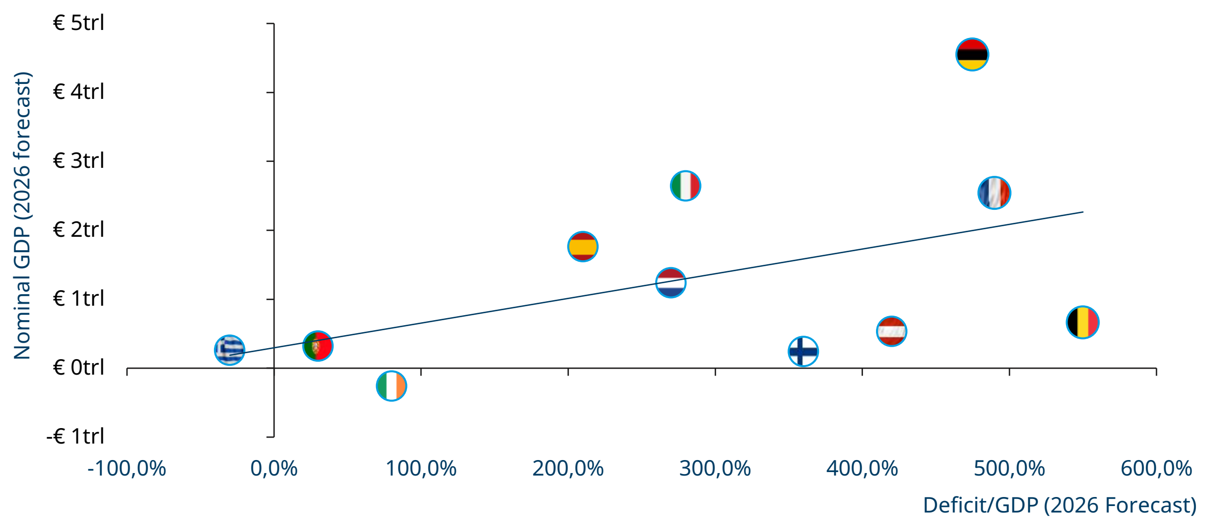
Continued euro-denominated public issuance, a possible shift towards short-dated bills, and stronger demand from repatriating European investors, insurers and pension funds could absorb much of the extra supply. Country impacts will vary, with Germany the largest nominally and smaller markets facing bigger increases.

European government bond indices are likely to expand in 2026 due to high fiscal deficits in the largest European economies and a continued trend towards more euro-denominated public issuance. Demand from the ECB will shrink further due to quantitative tightening. However, **repatriation from European investors and more purchases by insurers and pension funds could be enough to meet the increased supply.**

Large deficits in the largest economies

The change in a country's net debt depends to a small extent on changes in cash balances, but is mostly driven by fiscal deficits. European countries face different fiscal situations in 2026, with Belgium expected to run a deficit of 5.5%, while Greece should enjoy a surplus of 0.3%. However, as the chart below shows, two of the three largest economies – Germany and France – are expected to run two of the three biggest deficits as a share of GDP. **Net issuance in France and Germany alone is likely to be half the total increase in Eurozone government net issuance in 2026.**

Nominal GDP growth and deficit-to-GDP ratios in 2026



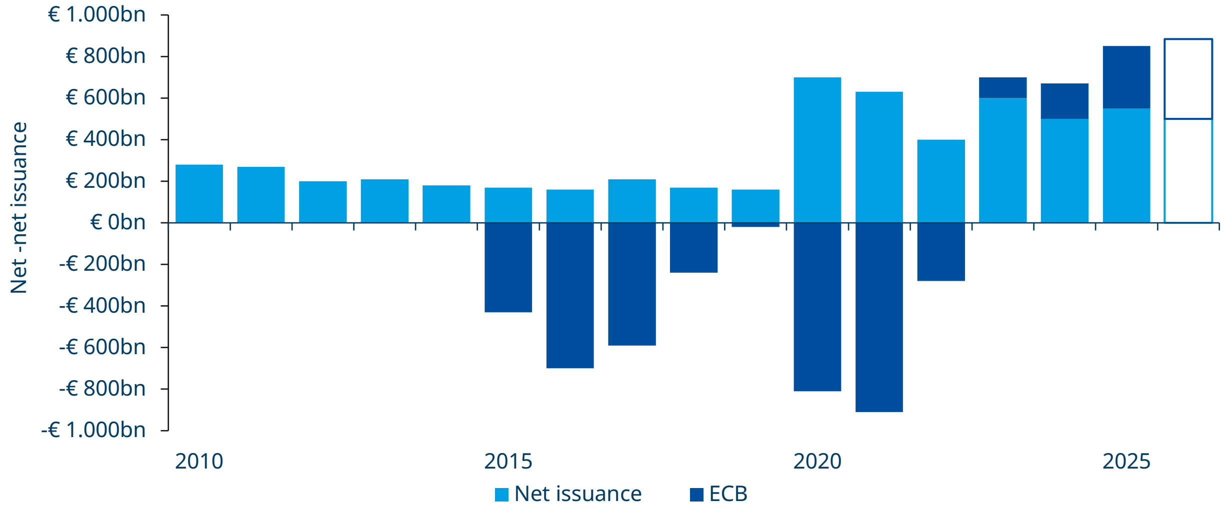
Source: Amundi Investment Institute, Bloomberg. Data is as of 26 November 2025.

Gross issuance to increase interest costs

Gross issuance depends on net issuance plus redemptions and buy-backs (that is, when countries decide to repurchase debt that will mature later than 2026, to smooth out the redemption schedule). Given the expected steepening in the yield curves in the first half of 2026 and the upward translation in curves since 2022, we suspect buy-backs will be lower than in previous years. However, even with no buybacks, **gross issuance across European governments should total close to €1.4 trillion, implying a significant rise in financing costs, especially for maturing five-year debt** (issued during the post-Covid period of record-low yields in 2021).

Positive net issuance means European governments need to find new buyers for their bonds. In some years, the ECB has filled that role; between 2015 and 2021, ECB purchases totalled more than the increase in net supply in every year except one. However, since 2023 the ECB has been shrinking its balance sheet, which means that the **increase in supply net of the ECB (net-net issuance) has been bigger than net issuance**. **We expect this to accelerate in 2026, with the ECB due to reduce its holdings by around €384 billion (or slightly more than three quarters of net issuance). Net-net issuance should thus be the highest ever**.

Net-net issuance



Source: Amundi Investment Institute, Bloomberg. Data is as of 26 November 2025.

More public issuance and perhaps more bills

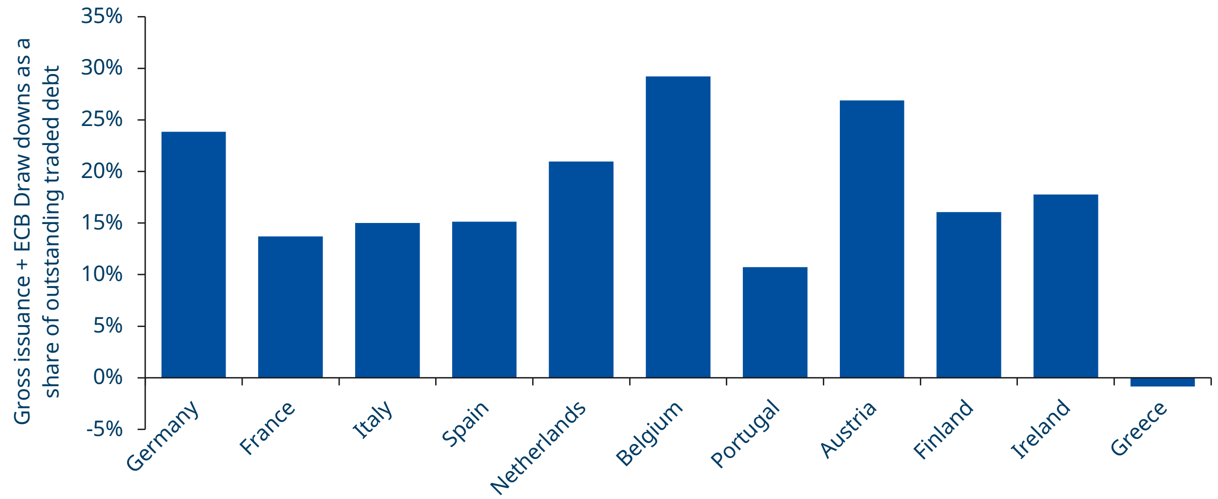
European governments can finance their debt in various ways: through euros or other currencies, through bills or bonds, in fixed, floating, variable or inflation-linked coupons, and through public sales or directly to retail investors. The long-term trend has been more issuance through the public euro-denominated markets. Prior to 2011, European governments financed between 50% and 60% of their debt in euro-denominated government bond and bill markets. Since the 2011 crisis, this percentage has risen steadily, reaching 69% of total government debt in Q3 2025. **We believe the preference for public euro-denominated bond and bill sales will remain and expect 90% of next year's net issuance to be done through such public sales.**

However, one other long-lived trend may now start to change. Over the past twenty years, bond issuance has increased relative to bills. In 2002, bills represented around 10% of total government issuance; by 2025, that percentage had dropped to 6%, largely due to the increase in inflation-linked bonds. Given the steepening of yield curves, **European governments may now choose to increase short-dated issuance, just as the US Treasury has signalled it will.** This may not prevent further curve steepening, but it could nonetheless slightly reduce financing costs.

Putting all this analysis together, our forecasts suggest that **the increase in net debt should be the equivalent of around 5% of outstanding European government debt** (and a larger percentage of the European government bond indices, which do not include all European government debt). The increase in net-net demand – the 'free float' of European government bonds – should be closer to 8%.

The increase will be quite different by country. The biggest increase in nominal terms should be in Germany, given the €120 billion increase in net financing and the greater than €100bn reduction in ECB holdings. However, the largest percentage increases should be in Belgium and Austria, given the smaller size of their outstanding debt. Even countries with small financing needs, like Ireland, will see an increase in the free float of debt, due to the current smaller size of their markets.

Gross issuance + ECB drawdowns



Source: Amundi Investment Institute, Bloomberg. Data is as of 26 November 2025.

Sources of new fixed income supply

Given the increase in bond issuance and the reduction in demand from the ECB, it is worth wondering who will buy all the new bonds. We see at least three possible ways to meet this increase in demand:

- First, we believe European investors may repatriate some funds from other markets back into European bonds. German 10-year yields are currently some 40bp higher than US ten-year yields swapped back into euros, while for most of the past ten years, US swapped yields have been 50bp higher than European yields. **European yields thus look relatively attractive**.
- Second, we suspect that the **higher level of European yields in general may drive inflows into insurers' guaranteed investment contracts, increasing demand for European fixed income**. The combination of higher yields in 2022 and relatively stable yields over the past two years should be favourable for inflows into insurance contracts.
- Finally, we believe that **the switch from defined-benefit to defined-contribution schemes in the Netherlands could counterintuitively increase demand for bonds**. When beneficiaries are responsible for their own decisions, they are often more defensive than professional money managers. ECB data shows that the average defined-contribution scheme has a significantly higher share of bonds than the average defined-benefit scheme, even after the rise in yields since 2022.

In summary, though the rise in net-net supply in 2026 and beyond will significantly increase the size of the European sovereign bond indices, repatriation and flows into insurers and pension funds could be enough to meet this demand without generating significantly higher yields.


GLOBAL
INVESTMENT
VIEWS

GLOBAL INVESTMENT VIEWS

A breather after buoyant markets

The year is drawing to a close with most risk assets in positive territory, and global stocks and metal prices seeing multiple highs. Even the longest US government shutdown in history didn't curb market enthusiasm. We think markets have been looking through the weakness in the belief that monetary and fiscal policy levers will be available for support, that profitability of AI investments is almost a given, and that corporate earnings will continue to exceed expectations, following a strong results season in the US, somewhat less so in Europe. The tariffs' impact on consumption is also largely being ignored.

However, recent concerns over artificial intelligence-led euphoria in the US affirm our stance. We maintain our view that AI capex is boosting the US economy, but is not leading to job creation. Furthermore, while monetary and fiscal support may stabilise the economy, risks in the form of fiscal dominance and financial repression persist. In particular,

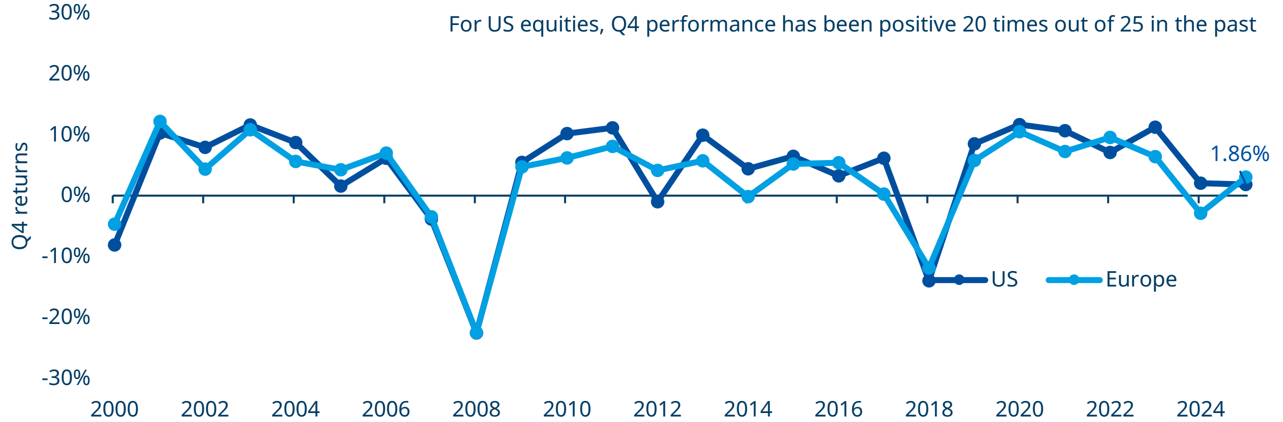
- **US growth picture is mixed. AI investments are positive, but consumption and labour markets are softening.** Although the top income earners have been driving spending this year, as low- and middle-income consumers struggle, overall consumption will be affected. For instance, expiring health care subsidies at year end will lead to an increase in health care costs for such households. In addition, softening of US labour markets will continue and wage growth will moderate. Finally, risks to the independence of the Fed remain. If the Fed yields to the pressure, it might cut rates more than what's needed purely by economic considerations. This may de-anchor inflation expectations.

VINCENT MORTIER
GROUP CIO

MONICA DEFEND
HEAD OF AMUNDI INVESTMENT INSTITUTE

PHILIPPE D'ORGEVAL
DEPUTY GROUP CIO

Fed and AI-sentiment will determine if the historically positive Q4 trend is upheld



Source: Amundi Investment Institute, Bloomberg, as on 1 December 2025. S&P 500 and SXXP returns for three months ended December. Q4 2025 data as on 1 Dec.

In an environment of high valuations and scrutiny of AI-investments, we are particularly interested in seeing an improvement in productivity and earnings.

- **Eurozone (EZ) 2025 growth upgraded from 1.1% to 1.3% (in line with the EC's autumn forecasts), but weak domestic demand prevents us from changing our qualitative assessment.** This revision is mainly due to stronger than expected Q3 numbers (France and Spain), but we do not change our assessment of the EZ economy. We see demand showing only very slow improvement, which is consistent with an elevated savings rate. Second, the fiscal stance outside Germany is neutral in Europe. And third, the external environment on exports to the US is ambiguous. Even if the US Supreme Court bars Trump from using his emergency powers to implement tariffs, he has the option to use sectoral tariffs.
- **No change to EZ and US inflation forecasts**. US inflation is set to remain above the Fed's target in the near term. In the EZ, disinflation continues, with 2026 headline CPI projections close to 1.7% and then rising very slightly in 2027. Importantly, the ECB estimates 2027 inflation at 1.9%, but this is dependent on ETS2 (Emissions Trading System 2) being implemented. Any delay to ETS2 beyond 2027 is likely to lead the Bank to lower its inflation projection for that year. For US inflation, we confirm the outlook will depend on both the speed of deceleration in core services inflation and how quickly and strongly tariffs are passed on to the prices of core goods.

In a world where US growth is slowing, but not sharply, stock valuations are high, yet opportunities remain; diversification away from concentrated segments and towards higher income asset classes is the name of the game. This is complemented by challenges to US exceptionalism, which we expect to be reflected in a weakening dollar over the long term.

Amundi Investment Institute: Weak Eurozone growth will prompt the ECB to cut rates

We now expect the ECB to reduce policy rates next year, once each in the first and the second quarter, for a total of 50 bps, with much depending on evolution of growth and inflation.* We also believe that markets are not considering downside risks to European growth, and are not pricing in any significant cuts between now and June 2026. We differ from the markets here. In the case of the Bank of Japan (BOJ), we have raised our projection of the terminal rate from 0.75% to 1.00%, with one hike expected in December and another next year. The Bank will seek to manage yen depreciation resulting from any fiscal expansion. A weaker yen makes imports more expensive, thereby pushing up inflation, and the BOJ would like to avoid that.

No change to expectations for the Fed and the Bank of England (BoE). We still project a Fed cut in December, but we are monitoring the internal debate at the Fed, given the concerns about sticky inflation and signs of economic resilience. Regarding the BoE, we have not changed our expectations and believe a rate cut in December looks imminent. On the fiscal side, market volatility around the pound and yields is likely to remain high.

While we have upgraded our growth expectations for the eurozone for this year, we think domestic demand will be weak and this along with disinflation may lead the ECB to reduce policy rates twice next year.

MONICA DEFEND
HEAD OF AMUNDI INVESTMENT INSTITUTE

Our main asset class convictions are highlighted below:

- **In fixed income,** we are neutral on duration overall, and see scope for regional divergences across the yield curves. For instance, we moved to upgrade EU duration to positive, but turned less positive on the UK and are close to neutral/marginally cautious US. At the same time, we remain constructive on EU investment grade credit and constructive on the fixed income space in emerging markets, where the case for income and selection is high.
- **In equities,** we keep our barbell approach with quality cyclical sectors, and defensive stocks. Our main focus is on identifying businesses with strong fundamentals and attractive valuations. We find a combination of such businesses in Europe, Japan, and emerging markets. Within EM, the appeal of equities is driven by strong inherent economic growth of the region and their diversification potential.
- **In multi asset,** we strive to maintain a more balanced stance in risk assets. While we stay overall positive on equities, we have made some adjustments by reducing our conviction on the US and upgrading European equities where pricing is more attractive. Additionally, we have downgraded emerging market bonds following the spread tightening. We maintain that this segment shows very limited negative catalysts at the moment, and may present opportunities going forward.

We believe investors should remain well-diversified with a moderately risk-on stance, which captures value across different regions in Europe, Japan, and emerging markets.

Overall risk sentiment

Risk off **Risk on**

We think this is a time to be moderately risk-on, as there are areas of opportunities beyond the US tech-exuberance. This must be balanced with appropriate safeguards, for instance, in the form of gold.

Changes vs. the previous month

- **Fixed income:** Tactically, we turned less positive on UK duration, downgraded US duration, but upgraded EU duration.
- **Multi asset**: We downgraded US equities, and upgraded European stocks. We moved neutral on EM bonds from a tactical perspective after spread tightening.

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

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

FIXED INCOME

Agile duration: evolving inflation, policy

AUTHORS

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Economic growth in Europe is being affected by a cautious consumer, even as we expect disinflation to continue. Headline inflation in the EZ is likely to be below the ECB target by the year-end. Both these should lead the ECB to reduce policy rates. In the US, fiscal impulse amid US mid-term elections next year could put some pressure on the markets there.

The fiscal side is also in focus in the UK as the government tries to plug the gap between its revenues and expenses. Any fiscal tightening would affect growth expectations. Our steepening bias remains across the developed world except in Japan. Overall, we look for opportunities across yield curves, in DM, as well as EM in the search for higher income.

Duration and yield curves

- While **our overall duration stance is neutral**, we see scope for slight divergences across regions. For instance, we are now slightly positive on EU. Here we like Italian BTPs.
- We have slightly reduced our duration stance in the US, but are positive on linkers. We have moved marginally less positive on UK bonds, and are monitoring fiscal policy.
- In Japan, our cautious stance is affirmed by the government's recent fiscal expansion.

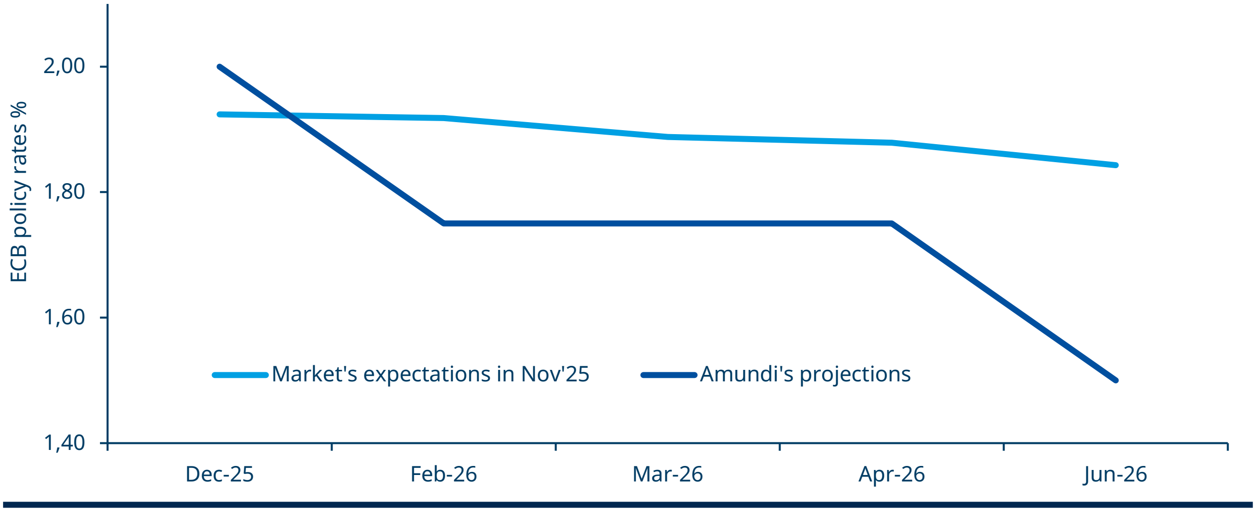
Credit and EM bonds

- Globally, **we are constructive on EU credit**, and neutral on US and the UK. In EU IG, corporate fundamentals are robust, especially in the financials sector, and Q3 earnings confirm this. We like short-dated bonds, subordinated financials, and corporate hybrids.
- **In EM bonds**, our positive stance is unchanged, and risks are well balanced. There's good scope for idiosyncratic stories such as Argentina where we remain positive on HC bonds.

FX

- We are neutral on the US dollar. We think the dollar has been in a consolidation phase since June 2025, and seasonality could cause volatility around year-end. Japan's fiscal stance means pressure on the yen would continue, but we are monitoring any potential intervention by the Ministry of Finance and BoJ hike.
- In EM, we are constructive on LatAm FX such as BRL, CLP. The momentum in commodities has weakened and may affect FX of some commodity exporters.

Weak demand and disinflation in the euro area will allow the ECB to cut rates



Source: Amundi Investment Institute, Bloomberg, as of 20 November 2025. Amundi projections refer to the ECB deposit facility rate.

EQUITIES

Valuations favour a global approach

AUTHORS

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HEAD OF EQUITY PLATFORM

Equities have delivered strong returns this year to-date mainly due to both positive sentiment around AI and robust corporate earnings, despite mixed signals on economic activity in the US and Europe. Now, the primary question for us is how much of the good news is priced into valuations. Elevated levels increase the potential for a reversal if revenues or margins disappoint. Thus, any volatility before year end or next year beginning may present opportunities in quality businesses that benefit from structural growth drivers.

We see such businesses for instance in Europe, the UK and Japan and the emerging markets. European fiscal and monetary policy and Japanese corporate reforms, together with a focus on attractive valuation multiples in the UK and small cap, remain important themes for us.

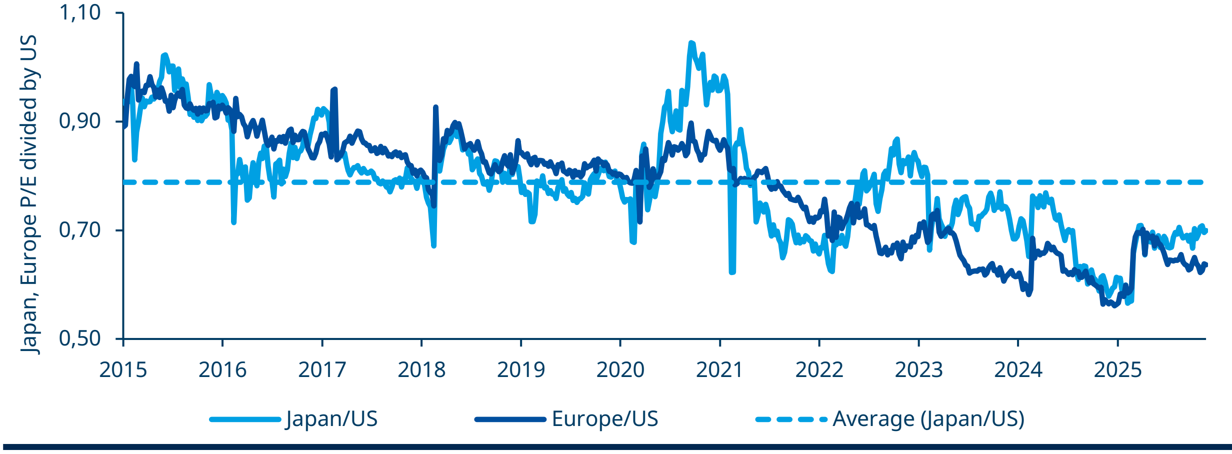
Developed Markets

- **Japanese valuation** levels do not yet reflect the recent robust results season, buybacks, and the early-stage structural reform momentum. We continue to favour select high quality international businesses there.
- **In Europe**, long-term reforms to enhance EU competitiveness, fiscal stimulus, and declining energy costs will help the region offset near-term impact on US tariffs. We prefer the small and medium-cap businesses due to their earnings growth potential and domestic exposure. We also like UK, but are watchful of excessive debt and fiscal deficit.
- **In the US, where valuations are high, monitoring investment cycles**, particularly related to AI, and how they translate into earnings is essential.

Emerging markets

- **EM equities will be supported by economic growth, their diversification potential, and a global shift towards multilateralism.**
- Despite the rapprochement between China and the US, we think their long-term economic rivalry will continue. Additionally, the trade truce showed that China emerged stronger from the spat on the trade front. From an economic perspective, the country's exports and domestic consumption both remain weak.
- In India, while relations with the US are gradually improving, we think valuations are on the higher side. Nonetheless, our positive stance is justified by India's long term structural growth and stability.
- Elsewhere, we are positive on Latin America, including Brazil and Mexico, and emerging Europe.

Relative valuations of Japan and Europe vs the US have been falling and are attractive



Source: Amundi Investment Institute, Bloomberg as on 21 November 2025. Forward Price/earnings ratio. Dashed line shows the historical average of Japan valuations divided by US valuations.

MULTI-ASSET

Adopt a more balanced stance on risk

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In this current phase of a late-cycle economy, we are witnessing nuanced backdrops across different regions, even as global competition between the US and China continues. For instance, in Europe, economic growth will likely be decent but below potential, US consumption stays fine for now, but a softening labour market means this cannot be sustained. Thus, we are adapting our allocation stance to these nuances, and are looking for value across asset classes. In doing so, we keep a diversified stance towards regions where earnings, valuations and macro environment provide a good risk-reward. Thus, we stay risk-on, with mild adjustments, safeguards, and a positive view on gold.

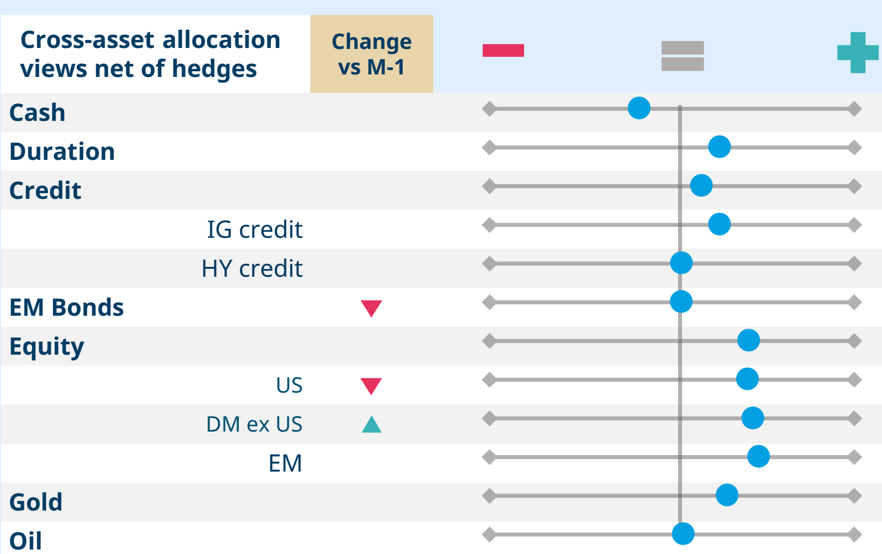
We are constructive on equities, and see higher potential to play the diversification trend towards regions outside the US, following the strong market movements this year. We closed our positive stance on US mid caps because of weakening earnings dynamics and potential volatility around Fed rate cuts. Additionally, we reduced our constructive view on the S&P 500 owing to both valuation concerns and exuberance in AI-related names. In contrast, we stay positive on the UK and have turned optimistic on Europe owing to its valuations and strong earnings expectations going into next year. We continue to like EM in general and Chinese equities in particular.

"Changing earnings dynamics in US mid caps and valuation concerns in the large caps have led us to partly shift our positive view on the US towards European equities."

In fixed income, we are slightly positive on duration overall, and also keep a positive stance on Italian BTPs (versus Bunds). Italy's political stability and efforts to stabilise its debt trajectory affirm our stance. In credit, EU IG displays strong corporate fundamentals and technicals. EM bonds spreads have already tightened significantly; thus, we have tactically downgraded them. We reiterate that negative catalysts for EM are limited and financial conditions in general remain favourable.

In FX, we are positive on EUR/USD, and on NOK and JPY vs the EUR. While structural drivers will likely weigh on the dollar, the NOK (in risk-on phase) and yen (normalisation by BoJ) should do well against euro.

Amundi Multi Asset Investment Views*



▼ Downgrade vs previous month
▲ Upgrade vs previous month

Source: Amundi, as of 24 November 2025. Changes M-1 include from previous month. The table represents the main investment convictions (including hedging) of the Multi Asset Platforms. *The views are expressed relative to a Reference Asset Allocation (with benchmark 45% equity, 45% bonds, 5% commodities, 5% cash) with "=" being neutral. The + and – may not sum-up due to potential use of derivatives in the implementation. This is an assessment at a specific time, and it can be subject to change at any time. This information is not intended to be a forecast of future results and should not be relied upon by the reader as research, investment advice or a recommendation regarding any fund or any security in particular. This information is for illustrative purposes and does not represent the actual current, past or future asset allocation or portfolio of any Amundi product.

Amundi views by asset classes

Equity Views

DM Equities	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
US						◆				
US Growth				◆						
US Value							◆			
Europe							◆			
Europe SMID								◆		
Japan							◆			

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

Fixed Income Views

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

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

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

Global FX views

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

Source: Summary of views expressed at the most recent **global investment committee (GIC) held on 19 November 2025**. The table shows absolute views on each asset class and are expressed on a 9 scale range, where = refers to a neutral stance. This material represents an assessment of the market at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation regarding any fund or any security in particular. This information is strictly for illustrative and educational purposes and is subject to change. This information does not represent the actual current, past or future asset allocation or portfolio of any Amundi product. FX table shows absolute FX views of the GIC. * Represents a consolidated view of multiple EM currencies.

▼ Downgrade vs previous month
▲ Upgrade vs previous month

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

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