

## Investment Institute

# Back to school: from summer clarity to autumn's changing winds

CROSS ASSET INVESTMENT STRATEGY

SEP 2025

• Document for professional investors only

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**MONICA  
DEFEND**

HEAD OF AMUNDI  
INVESTMENT INSTITUTE

*"The summer brought more clarity on tariffs and a shifting focus from the Fed towards a deteriorating job market. This will continue to support a positive market sentiment, favouring equities and credit."*

*"Supported by a strong earnings season, US equities keep rallying. But with high valuations and market concentration, we look for opportunities for a broadening of the rally in Emerging Markets, Europe and Japan."*



**VINCENT  
MORTIER**

GROUP CHIEF  
INVESTMENT OFFICER

## TOPIC OF THE MONTH

# Global growth resilience faces tariff tests

## AUTHORS

**MAHMOOD PRADHAN**

HEAD OF GLOBAL  
MACROECONOMICS,  
AMUNDI INVESTMENT  
INSTITUTE

**ANNALISA USARDI**

SENIOR ECONOMIST,  
HEAD OF ADVANCED  
ECONOMY MODELLING,  
AMUNDI INVESTMENT  
INSTITUTE

## KEY TAKEAWAYS

**US:** Tariffs averaging 18% add stagflationary pressure by weighing on consumption, real income, and job growth, while inflation stays elevated but moderated by services disinflation. Powell's Jackson Hole remarks shifted focus to growth risks, with markets now expecting a September rate cut and more accommodation ahead if the economy weakens.

**Eurozone:** Higher tariffs at ~15% will dampen growth into 2026, leaving domestic demand to carry the recovery as exports fade. Disinflation is ongoing, but sticky services and food inflation mean growth remains modest at around 1% with inflation converging toward target.

**Emerging Markets:** EMs maintain a growth premium with upgrades for China and India, while fiscal reforms and stimulus in BRICS cushion tariff impacts. Central banks show more independence from the Fed, but sustaining growth while managing stability risks will be the key challenge.

## Fed shifts focus to growth as tariffs bite into the economy

With higher-than-anticipated tariff rates across the board — averaging roughly 18% (about 3 percentage points above our prior baseline), with several exemptions — we expect a slightly stronger stagflationary tilt to near-term macro projections.

We continue to expect the US economy to experience a soft patch into H2 2025 as tariffs effectively raise taxes on consumption. We would expect personal consumption expenditures to be subdued, and significantly lower than the unusually strong levels over the last two years. Real income growth is set to slow as wage and job growth moderate while inflation remains elevated, albeit not permanently..

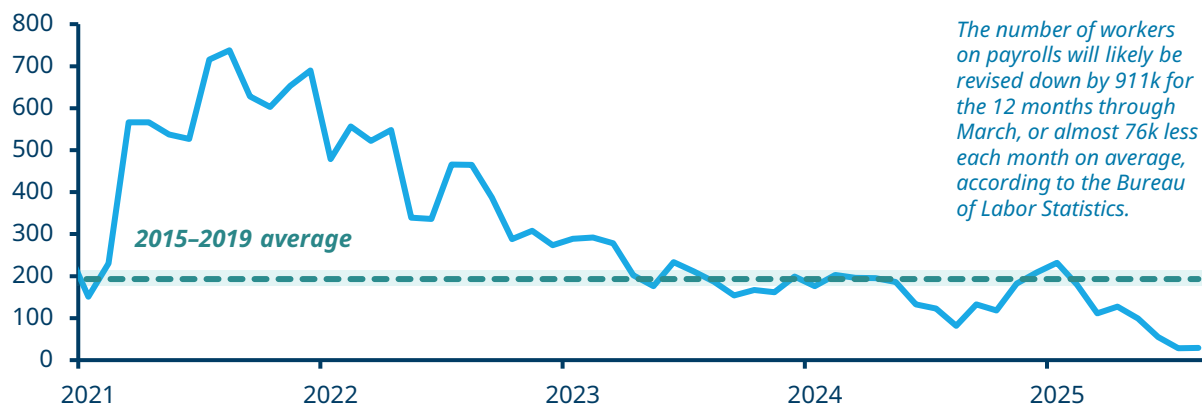
Based on the recent very large revision to employment growth, and very low private hiring, we expect weakening employment growth as firms remain cautious expanding payrolls when tariffs compress margins. We do not currently expect a major downturn in consumption because aggregated household balance sheets remain relatively strong and labour supply growth is constrained by lower immigration. In sum though, lower profit margins will weigh on employment growth.

As Powell acknowledged at Jackson Hole, there is evidence that firms are beginning to pass some tariff costs to consumers, especially on goods, but we think that aggregate inflationary effects may be moderated by offsetting actions.

Recent earnings-season commentary shows firms deploying diverse strategies in facing the new tariff environment: many negotiate with suppliers or reconfigure supply chains, while roughly half report passing costs through to customers — primarily those with greater tariff exposure. In a more balanced and weaker labour market, second-round inflation effects are less likely to be amplified, limiting the adverse impact on services which have a key role in defining inflation trends. Powell also emphasized the temporary impact of tariffs on inflation, despite the uncertainty on timing.

## Fed's dilemma: job market struggles\*

### Change in nonfarm payroll employment (3-month average in thousands)



Source: Amundi Investment Institute, Bloomberg. US BLS Employees on Nonfarm Payrolls 3 Month Average Net Change, Seasonally Adjusted. Monthly data as of August 2025. \* The number of workers on payrolls will likely be revised down by 911k for the 12 months through March, or almost 76k less each month on average, according to the Bureau of Labor Statistics.

In aggregate, services inflation may partly offset tariff-driven goods price pressures, but some service sectors will also face higher input prices. Owners' equivalent rent and other services components — significant in the CPI and PCE baskets — have moderated and might continue along this trend, which could counterbalance upward pressure from goods prices. Overall, the net impact on headline CPI and PCE will depend on the degree of pass-through, the speed of inventory adjustments, and the balance between goods and services inflation.

"The baseline outlook and the shifting balance of risks may warrant adjusting our policy stance." Powell's Jackson Hole remarks surprised markets, prompting a rally in equities and a notable fall in two-year Treasury yields. He acknowledged that tariff effects on inflation are visible and indicated the Fed's rising concern about tariffs' leading to weaker growth. The Fed appears more focused on growth risks than on inflation, emphasising that longer-run inflation expectations remain anchored and policy is still restrictive.

Our baseline is a 25 bp cut at the 17 September FOMC meeting, with market pricing moving toward that outcome following Powell's speech. But stronger-than-expected September employment and CPI prints could forestall easing. On the other hand, some FOMC members who voted to hold at the last meeting may be swayed by the weaker revised employment data, which was not available at that time. Beyond September, we expect a gradual shift toward greater accommodation as the economy weakens further and senior personnel changes at the Fed shift the balance toward more accommodation

*"Powell's Jackson Hole remarks signal the Fed's pivot toward growth concerns, with markets now bracing for a September rate cut and a more accommodative stance ahead."*

### Domestic demand must carry the Eurozone amid tariff drag

The US-Eurozone tariff agreement, while still subject to evolution, has reduced tariff-related uncertainty. But with tariffs set higher than our previous baseline Raising the average tariff rate in our assessment from ~12% to ~15%, reinforces expectations of weaker growth through late-2025 and entering into 2026. The ECB September forecasts revisions reflect this as well.

European activity has modestly surprised to the upside, partly because of front-loading of trade flows ahead of tariff deadlines, which temporarily bolstered external demand and euro-area exports.



Domestic demand, particularly consumption, has not shown a strong pickup despite monetary easing: the household saving rate remains elevated and consumer confidence low by historical norms.

We expect growth to remain weak in H2 2025 as tariffs take full effect, and net trade becomes a drag. Over the next 12–18 months, domestic demand must 'do the heavy lifting': private consumption should progressively normalise, and investment should pick up gradually. Our outlook depends on several conditions:

- continued monetary easing that supports domestic activity;
- fiscal policy that does not become restrictive and in some cases is expansionary (notably Germany);
- employment growth persisting, albeit more slowly, with unemployment broadly stable; wage growth moderating but real disposable income supported by progressive disinflation as confidence improves and the savings rate declines;
- a progressive pickup in investment and capex (infrastructure, R&D, residential construction) as monetary conditions ease, policy-uncertainty shocks fade, and targeted fiscal programmes support infrastructure, defence-related industry and R&D.

Inflation: HICP averaged 2.4% in 2024 with services the main driver. Disinflation continued in 2025 at differing paces. Lower energy and commodity prices, tariff-related disinflationary pressures, euro appreciation and competitive pressures on non-energy industrial goods should support the disinflationary trend into 2026, partly offset by higher food and services inflation. We forecast 2025 GDP at 1.1% (ECB Sept projection: 1.2%) and 2026 at 0.9% (ECB: 1.0%). Inflation HICP 2.1% (ECB Sept projection: 2.1%) and 2026 at 1.7% (ECB: 1.7%).

## Emerging Markets

### Key summer factors to reassess the EM Outlook

As summer comes to an end, it's worth highlighting two key factors to reassess the Emerging Markets (EM) Macro Outlook. The first factor relates to the growth outlook for EM, which depends on the more advanced status of tariff rates worldwide. While the current situation may still be adjusted through further agreements between the US Administration and specific countries, the tariff landscape is increasingly defined. The second factor concerns global monetary policy, particularly how it is influenced by the market's more dovish repricing of the Federal Reserve's future path, and more importantly, by Powell's shift toward adjusting US monetary policy.

Regarding growth, the economic performance in the first half of the year has been more resilient than expected across several regions. Despite some fluctuations, global trade has remained robust. Additionally, new tariff rates (with a few exceptions) show only marginal increases beyond our previous baseline. Based on this, Emerging Markets continue to enjoy a growth premium above their historical average, with upward revisions in growth rates for China and, more recently, India.

That said, growth in the second half of the year is expected to moderate, with several countries already implementing supportive fiscal measures. Within the BRICS nations — some of the highest recipients of tariff increases — India has launched a new-generation Goods and Services Tax (GST) reform reducing the four GST slabs to two, effectively lowering the average GST rate to boost consumption. Meanwhile, Brazil has announced a contingency plan to extend credit to sectors affected by tariffs, defer taxes, and increase government procurement. Soon, the focus will shift to assessing the available policy space and macro-financial stability risks, especially if a new wave of fiscal stimulus emerges.

Since the last rate hiking and subsequent easing cycles began, EM central banks have demonstrated a degree of independence from the Federal Reserve. The Fed's recent narrative shift does not accelerate or extend a well-advanced easing cycle in EM. Over the past month, while markets repriced expectations for Fed easing, Bank Indonesia accelerated its easing on growth concerns, whereas central banks in Colombia and South Korea slowed their easing due to inflation concerns.

**ALESSIA BERARDI**

HEAD OF EMERGING MACRO STRATEGY, AMUNDI INVESTMENT INSTITUTE

## TOPIC OF THE MONTH

# Lessons from the summer: earnings clarity and shifting yield curves

## KEY TAKEAWAYS

The summer has not interrupted the strong equity markets rally that started on 8 April. The earnings season has even amplified the positive mood, even more in the US and especially in the case of the Big Tech. Financials, especially in Europe benefitted too. As a result, the S&P500 is even more concentrated than it was at the start of the year, and valuations are once again at their highest. This could provide an opportunity for other markets to distinguish themselves, at least temporary. In this game, Europe is a serious candidate if we consider its level of valuation.

US Treasuries rallied over the summer, with softer payroll figures and downward revisions supporting expectations for Fed rate cuts. In contrast, European, UK, and Japanese yields moved higher, driven by fiscal expectations in Japan and supply pressures in Germany. Credit markets remained resilient, with Euro IG near long-term averages and risk-adjusted returns supported by lower volatility.

Equity markets are up nicely this year (MSCI ACWI up 13% in USD). After plummeting following Liberation Day on 2 April, they rallied since 8 April, which marked the peak of fears about the tariffs.

Mag7\* underperformed at the start of the year following the release of DeepSeek's R1 model, and their decline was accelerated by the stress episode at the beginning of April. Since then, they have once again outperformed the S&P500, taking the concentration level of the index to its highest. At their peak early this year, BATMMAAN stocks accounted for 37% of the S&P500, before falling to 34% on 8 April; they now account for 38% of the index.

While the vote on the US budget bill (OBBBA) at the beginning of July and a number of key tariff negotiation agreements, notably with Europe and Japan, helped markets climb the wall of worry, attention this summer turned to earnings releases, which reinforced this trend.

**Results were good overall, particularly in the United States and especially for Big Tech, but also for European financials.**

Overall, margins held up well on both sides of the Atlantic, given that most of the tariffs were not yet in force.

In the US, with 94% of companies reporting, quarterly profits rose 12.9%, well above the 5.8% expected as of July 1. All sectors beat forecasts, led by Communication Services (+48.8% vs. 31.8%), IT (+23% vs. 17.7%), Consumer Discretionary (+6.9% vs. -3.5%), and Financials (+13.9% vs. 2.7%). Even sectors with declines, such as Energy, Materials, and Utilities, performed better than anticipated.

In Europe, where 72% of companies reported, earnings growth was lower than in the US but still exceeded expectations (+4.6% vs. 0.6%), driven by strong Financials (+14.4% vs. 2%).

## AUTHORS

**ERIC  
MIJOT**

HEAD OF GLOBAL  
EQUITY STRATEGY,  
AMUNDI INVESTMENT  
INSTITUTE

**GUY  
STEAR**

HEAD OF DEVELOPED  
MARKETS STRATEGY,  
AMUNDI INVESTMENT  
INSTITUTE

\*Mag7 stocks: The seven major tech giants—Microsoft, Apple, Google (Alphabet), Amazon, Meta, Nvidia, and Tesla

\*\* BATMMAAN stocks: MAG 7 + Broadcom.

*“A good earnings season, especially for US Big Tech.”*

Industrials, IT, and Healthcare also outperformed forecasts, with Healthcare proving the most resilient defensive sector in both Europe and the US this quarter.

As a result, IBES earnings consensus for 2025 has been revised upwards in the U.S. to +11.3% (from +9.4% in June), while slightly lowered in Europe, Japan, Pacific ex Japan and Emerging Markets. All regions now trade at price-to-earnings (P/E) ratios above their 12-year averages. The U.S. P/E stands at 22.8x, and Pacific ex Japan at 18.1x — both the highest in over a decade, while Europe is closed to long-term average.

Region	2025 IBES Earnings Growth	P/E Ratio (12M forward)	Compared to 12-Year Average
United States	+11.3% (up from +9.4%)	22.8x	Highest in 12 years
Europe	+0.2% (down from +2.7%)	14.8x	Near average
Japan	+3.1% (down from +5.5%)	15.7x	Above average
Pacific ex Japan	+0.2% (down from +1%)	18.1x	Highest in 12 years
EM	+10.3% (down from +11.6%)	13.2x	Above average

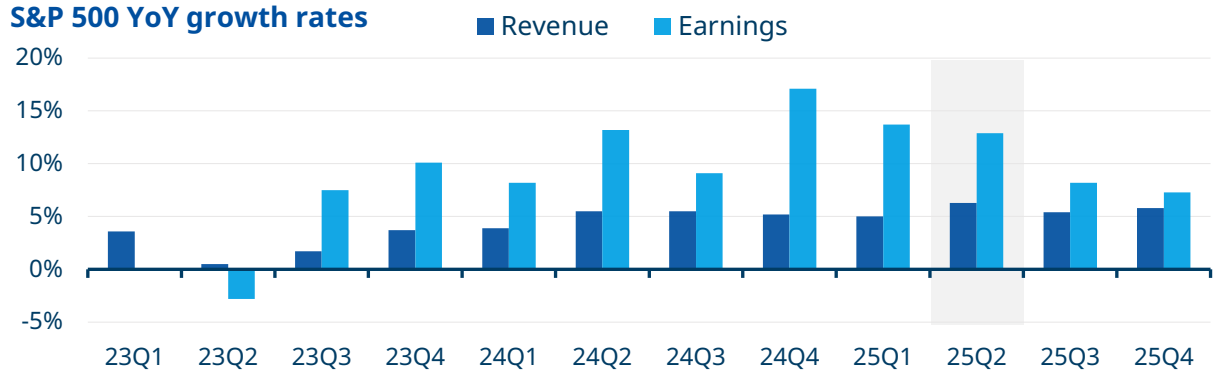
The depreciation of the US dollar this year has had a decisive impact on earnings and performance.

While the year-to-date performance of the MSCI indices of the US (+10%), Europe (+11.5%) and Japan (+9.9%), and even the Emerging Markets (+14.8%) in local currency terms, as of 22 August, was fairly similar, the variations expressed in dollars (+10%, +24.8%, +17.6% and +17.8% respectively) are a reminder that currency plays a key role in international allocation.

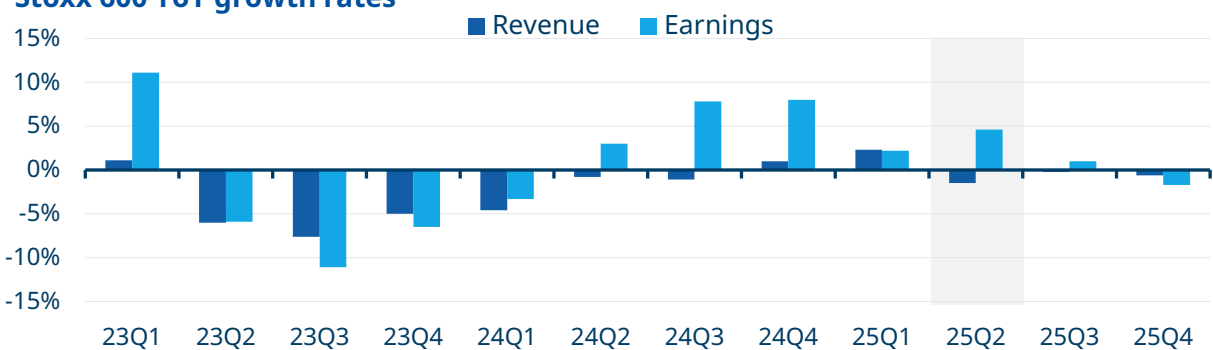
This movement operates in sequence. First, the new appeal of Europe (with the German budget reform at a time when Big Tech was less in vogue) boosted the euro and the equity market in that region at the beginning of the year. Then, with the publication of Q2 results, the market focused more on the impact of exchange rates on earnings, which this time tended to favour the US. After a sequence driven by the bottom-up (earnings season), it is likely that the next one will be influenced more by macro factors, giving some room for a broadening of opportunities to play out, at least temporarily.

Revenue and earnings sequence in the US and Europe — the impact of exchange rates on earnings this time favoured the US

S&P 500 YoY growth rates



Stoxx 600 YoY growth rates



Source: Amundi Investment Institute, IBES, LSEG, 19 and 25 August 2025



Rates: a summer of lower Treasury yields and curve steepening

The first big trend of the summer has been the move in US Treasuries, with 10y yields now at the bottom end of the range seen since Liberation Day, just above 4%. The catalyst for the fall in yields has been payrolls, with the weak July and August figures and the downward revision to the data over the past twelve months. At his speech in Jackson Hole, Federal Reserve Chairman Powell emphasised that the softening of payroll figures may justify further rate cuts. We expect three this year, starting in September.

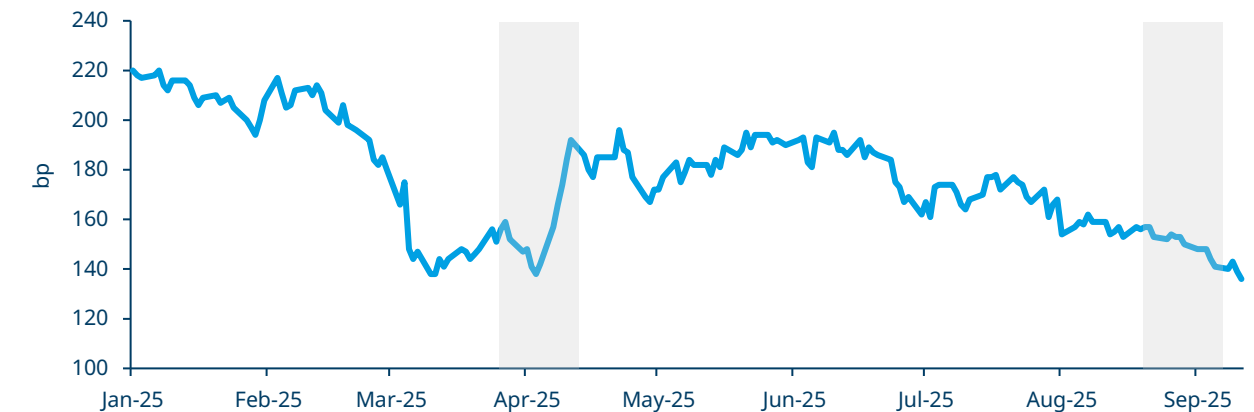
By contrast, European, UK, and Japanese 10y yields rose this summer. Expectations that the Japanese government would push through a fiscal reflation drove 10y JGB yields over 1.6% for the first time this year. This in turn raised fears that Japanese investors could reduce positions in foreign bonds, including European positions. German 10y yields hovered around 2.7%, below the 2.9% peak of mid-March, but still well above the 2.5% levels of the early summer. Supply in Germany is also an issue, contributing to the increase in yields. In the UK, despite weak economic data, yields have tended to follow Germany rather than the US.

As a result, US-Germany and US-UK yield differentials are now looking attractive. The 10y spread differential between Treasuries and Bunds is in line with its lowest level this year, down from 190bp in early June. The 10y Treasury-Gilt spread is around -60bp, the lowest level this year.

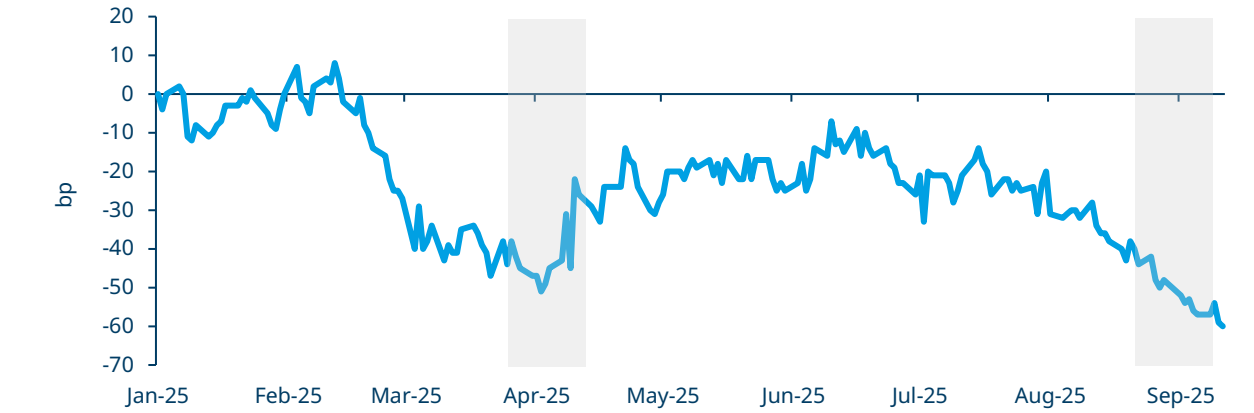
*“US Treasuries rallied this summer, with 10Y yields falling to around 4% after softer payroll figures and downward revisions boosted expectations of Fed rate cuts.”*

US-Germany differentials are now looking attractive

10y spread differential between Treasuries is in line with its lowest level this year



10y Treasury-Gilt spread is at its lowest level this year



Source: Amundi Investment Institute, Bloomberg. Data is as of 11 September 2025.

The second major market theme in the bond market this summer has been the steepening of the curves. US and European yield curves steepened sharply between January and May, but then stabilised. More recently, the US curve has flattened, with the 5-30y spread narrowing.

We think steepening will resume soon. Higher inflation expectations and higher supply should lead to higher term premia, while expectations that central banks will ease should push short-term yields lower. As a result, we think curves will move to at least one standard deviation above their long-term medians.

As the chart below shows, the US 5-30y slope is just above its 25y median and there is plenty of scope for further steepening.

**US 5-30y slope is only just above the 25y median and there is plenty of scope for further steepening from here.**



Source: Amundi Investment Institute, Bloomberg. Data is as of 11 September 2025

*"US yield curves are steepening again, with scope for the 5-30y slope to rise well above its long-term median."*

## TOPIC OF THE MONTH

# Multipolar world in action

## AUTHORS

**ANNA  
ROSENBERG**HEAD OF GEOPOLITICS,  
AMUNDI INVESTMENT  
INSTITUTE

## KEY TAKEAWAYS

**Geopolitical multipolarity is set to persist, with heightened risks of miscalculation, shifting alliances, and military build-ups driving uncertainty and security risks.**

**The US is using tariffs to pursue foreign policy goals, but it remains constrained. It is also waking up to its dependence on China's rare earths, while Russia, broadly self-reliant, has ignored Trump's demands to end the war. These dynamics highlight the limits of US leverage in a multipolar world.**

**Europe and emerging powers are recalibrating their positions, reinforcing the trend toward 'The Great Diversification' across trade, security, and resources.**

In line with our long-standing view that the level of geopolitical risk will rise for the remainder of this decade, the last few months have revealed an accelerated transition towards a multipolar world.

Multipolarity is one of the most unstable political systems because it assumes a high degree of uncertainty about the intentions of other states, increasing miscalculations, competition, and leading to frequently shifting alliances. It also accelerates military build-ups.

Since US President Donald Trump took power, it has become evident that raw power (control over minerals, energy, food) and military strength are what counts.

The US is using tariffs to achieve foreign policy goals and to increase US power, while military protection serves as leverage over allies to force them to give in to US demands. Therefore, more tariffs are likely, impacting global growth, inflation, and uncertainty.

However, the US is no longer the hegemon, limiting what it can do. Instead, those with critical resources and military power now have the leverage to offset US demands. The US will dissuade alliances from being formed against it and efforts to de-dollarise, but success will be limited.

As a result, the US is waking up to its dependence on China. China began to limit rare earth exports earlier this year, with a direct impact on US and EU manufacturing. That dependence limits how much the US-China relationship can deteriorate in the short term. However, the relationship is unlikely to change markedly given that this is a Great Power Competition, even if there is eventually a limited trade deal.

*"The US is waking  
up to its  
dependence on  
China."*



Russia, broadly self-reliant, has ignored Trump’s demands for an end to the war. Instead, Russia will continue to test NATO with ‘grey-zone’ intimidation tactics. We continue to expect no ceasefire for the next several months. Russia is unlikely to abandon its maximalist war goals yet. The US, with mid-term elections approaching, remains unlikely to implement painful enough secondary sanctions. This is not to say that the US will not implement any secondary sanctions, but these will be limited to avoid higher energy costs in the US.

Geopolitical hedging in a multipolar world

Middle powers (especially in emerging markets) feel vindicated for hedging their geopolitical relationships (India, Brazil). India has leverage as it represents an alternative to China. While the US–India relationship is currently frosty, there are avenues for things to improve as Modi will be in the US later this year and the US has no interest in pushing other powers closer to China.

The EU is struggling to position itself in this new geopolitical order. It lacks military power and is reliant on other countries for key resources. The EU will either continue to influence Trump with the purpose of damage control or push through economic, fiscal, and political reforms. The political constraints make the first option more likely, at least until Germany’s military build-up and geopolitics make bolder reforms easier.

As a result of these dynamics (as well as intensifying domestic political turmoil in the US), governments and investors will continue to seek to lower their dependencies. ‘The Great Diversification’, as we have called it before, across geographies, asset classes, currencies, commodities, trade and security ties, will continue. Recent efforts by the US to secure rare minerals access in the Congo are an example, as are European efforts to finalise trade partnerships with Mexico and Mercosur.

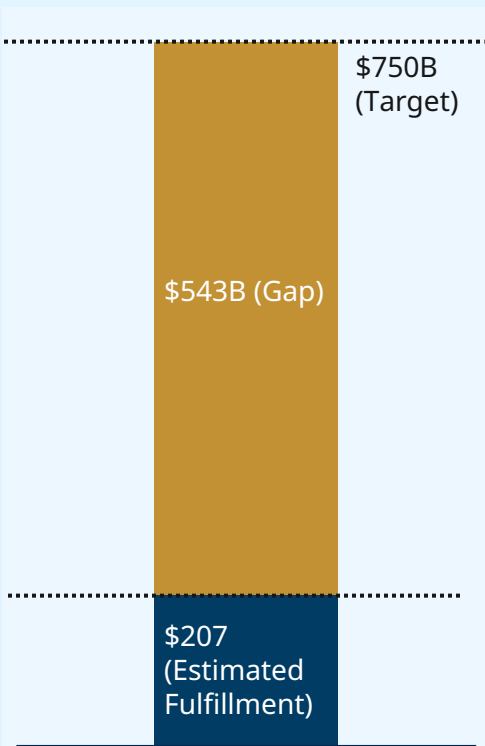
US–EU energy procurement agreement: symbolic or achievable?

The European Commission has made an ambitious pledge to buy US energy — \$750 billion over 3 years, or \$250 billion per year. This is larger than the EU’s total energy imports globally. We expect this to be a tall challenge and that it will very likely take more than a year to get to the \$250 billion per annum target. With respect to imports of LNG, we would note that currently the EU does not have the storage capacity to purchase the required amounts within this \$250 billion envelope. Similarly, the US currently does not have the capacity to supply the required amounts of LNG.

This target is highly ambitious since the EU imported about \$70 billion in US energy products in 2024, and projections estimate only around \$207 billion in US petroleum and natural gas exports to the EU during 2026–2028, leaving a \$543 billion gap.

The deal aims to reduce the EU’s reliance on Russian fossil fuels by increasing US energy imports. Yet many challenges make the target unrealistic, including the fact that US export infrastructure is already at full capacity and expanding it requires costly, years-long investments. Moreover, the EU’s reduction of Russian energy imports, though substantial, only accounts for about \$20 billion annually that could shift to US suppliers. Given these factors, fulfilling the \$750 billion energy purchase commitment seems more symbolic than achievable within the planned timeframe.

**LORENZO PORTELLI**  
HEAD OF CROSS ASSET STRATEGY, HEAD OF RESEARCH AT AMUNDI ITALY, AMUNDI INVESTMENT INSTITUTE



Estimate of EU Imports of Petroleum and Natural Gas from the US

Source: EIA, European Commission, US Census Bureau, AAF

A woman with long dark hair, wearing a blue coat, stands in the foreground looking at a tablet. The background is a blurred city skyline at night with many lights.

# GLOBAL INVESTMENT VIEWS

## GLOBAL INVESTMENT VIEWS

## A summer of calm on surface, turbulent currents beneath

US equities touched new highs in August and European markets traded close to their March levels, while corporate credit spreads compressed over the summer. Sentiment was led by expectations for AI capital expenditure, a strong US earnings season, and a relatively dovish Fed at Jackson Hole. Markets seems to be ignoring the risks around economic activity (e.g., labour markets), political pressure on the Fed, fiscal deficits, and corporate margins.

We believe the themes below are likely to drive the markets now:

- **Tariffs will have a bigger impact on US growth than on inflation.** Inflation pressure is likely to be transitory, but may not materialise all at once (ie, service vs goods). Growth will remain in a soft patch this year and in 2026 due to a cooling labour market and slowing wage growth (not yet visible clearly). Higher near-term inflation will also weigh on consumption for the rest of the year. Also, the Eurozone will be affected by tariffs, but the ECB will continue its support. Growth in the second half of the year will be weaker than in the first half of the year. Nonetheless, domestic demand is holding up, supported by real wage growth, but export risks are high.
- **The Fed's focus is shifting from inflation to growth, while political pressure on the Fed is rising.** Overall, we maintain our projections of three rate cuts this year (the first in September) by the Fed, driven by a weakening economy as the Fed shifts its focus toward employment. The ECB will likely remain data-dependent and open to rate cuts in the coming months.



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MORTIER**  
GROUP CIO

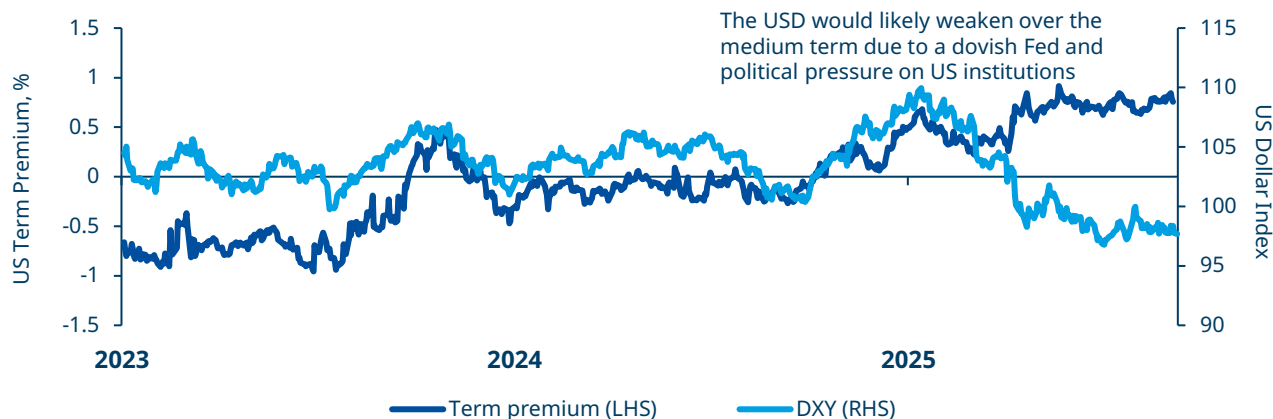


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DEFEND**  
HEAD OF AMUNDI  
INVESTMENT  
INSTITUTE



**PHILIPPE  
D'ORGEVAL**  
DEPUTY GROUP CIO

### A dovish Fed, higher risk premium on US assets will continue to pressure the dollar



Source: Amundi Investment Institute, Bloomberg as on 8 September 2025. Adrian Crump & Moench 10 Year Treasury Term Premium.



*A higher risk premium on US assets (dollar, Treasuries) will have implications for portfolio construction, given their traditional role in asset allocation.*

- **EM growth revised up slightly for this year (4.2%) compared with our July projections.** External pressures on China have somewhat eased, leading us to upgrade our growth forecast to around 4.8% for this year. While this is closer to the government target, we expect a slowdown to persist because domestic demand remains weak. **Trump's transactional approach, including tariffs, may accelerate the push towards multilateralism and a multi-polar world** (eg, BRICs) – the opposite of what he has said he intends to do. India is dependent more on domestic consumption for growth than on exports. We think the negative impact of US tariffs on growth is being mitigated by fiscal measures, including rationalisation and reform of the goods and services tax that will boost domestic consumption.
- **Risks of fiscal profligacy from a rising debt trajectory in the developed world and pressures on US corporate margins from tariffs.** At this stage, we think what matters most for corporate earnings is the effect of tariffs on corporate margins — specifically, whether companies can continue to pass on costs to avoid margin erosion. Hence, we are closely monitoring the dynamics between US producer prices and consumer prices.

To summarise, high debt levels in the developed world, political pressure on US institutions, and the need for more policy action in Europe will keep the markets' attention, whereas in emerging countries, the growth story is selectively improving. We also note complacent US markets, which are looking the other way from the risks on our radar. This backdrop allows us to maintain our mildly risk-on stance.

### Amundi Investment Institute: Yield curve steepening, corporate earnings in focus

Rising inflation expectations, larger fiscal deficits and higher term premium would put upward pressure on yields at the long end of the curve, whereas monetary easing would lower short end yields. We expect curve steepening to continue across most major developed markets such as the US, Japan, and the UK. In Europe, German fiscal spending plans and reform to pension systems particularly in the Netherlands, will likely pressurise the long end of the curve.

US corporate earnings for the second quarter were much stronger than expected led by the communication services and the information technology sectors.\* This pushed the markets further up. Looking ahead, in the very near term, we think market outlook will be driven by macroeconomic factors (labour markets, consumption, and any potential near term push to inflation in the US) and monetary policy.

*We believe fiscal deficits concerns, inflation expectations and monetary easing will continue to drive yield curve steepening across developed markets, particularly in the US.*

**MONICA DEFEND**

HEAD OF AMUNDI INVESTMENT INSTITUTE

Credit conditions are stable and momentum in the markets is strong, but this could change if disappointment on earnings emerge. We are balanced and slightly positive on risky assets:

- **In fixed income, fiscal spending concerns, inflation, and central banks easing will be the focus of the markets.** We are neutral on duration overall, but see potential for curve steepening. In corporate credit, we are marginally less positive on European high grade, but it still remains a sweet spot in terms of its valuations.
- **Concentration risks in US equities are high, and any weakness on the economic front could exacerbate volatility.** Hence, we prefer to keep a diversified and global approach in favour of Europe, the UK and Japan. We are also monitoring whether volatility in these regions could present opportunities for high quality stock picking.
- **Positive earnings-growth expectations in emerging markets** and a weaker dollar allow us to remain constructive on the structural EM story, even as we monitor the trade developments. We also confirm that the idiosyncratic factors remain the mainstay of our views. We stay positive on Latin America and EM Asia. In fixed income, Fed easing and generally controlled EM inflation keep us constructive.
- **In multi-asset, we acknowledge a nuanced environment playing out in the global economy** and hence remain well-balanced, slightly tilted towards risk assets such as EM equities. At the other end, we maintain a positive stance on government bonds and commodities like gold.

*Valuations, potential margin pressure from tariffs in the rest of the year, and below-potential US growth prevent us from raising our stance on risk assets.*

## Overall risk sentiment

Risk off

Risk on



As we enter a phase of slowing but not massively deteriorating economic growth, our global stance on risk assets is modestly constructive, driven by fundamentals rather than market euphoria.

### Changes vs the previous month

- **Fixed income:** Our stance on EU IG has moderated a bit, but we are still positive.
- **Multi asset:** In equities, we are more positive on emerging markets and tactically neutral on Europe.
- **FX:** Neutral on the USD tactically and near term cautious on the EUR, following the recent strength in the regional currency. On the dollar, we see a scope for some consolidation now, despite expectations of weakness over the medium term.

*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

AUTHORS

AMAURY  
D'ORSAY  
HEAD OF  
FIXED INCOME

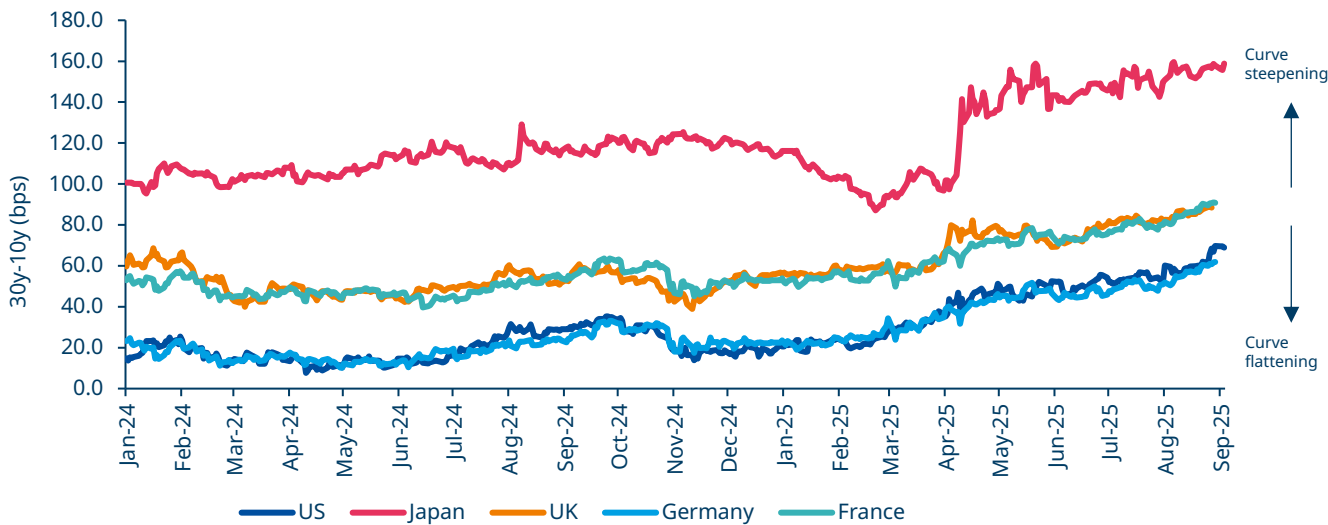
Curve steepening amid deficit concerns

Higher US inflation expectations in the short term, fiscal spending plans in the US and EU (ie, higher bond supply), and continued monetary easing are the main themes we will focus on in the medium term. Collectively, this has led yields in the US, Europe, the UK, and Japan to rise, particularly on the long end of the curve. Additionally, reforms to the pension system in some countries in Europe would further push long term yields upwards.

In the UK, we have our eyes on inflation and the government budget (in November) and whether it can reassure the markets that funding will not be an issue. On the other hand, corporate spreads are tight but we see selective value and attractive carry for instance in European high-quality.

Duration and yield curves	Corporate credit	FX
<ul style="list-style-type: none"><li>▪ We are neutral on duration overall, including on the US as risk-reward is not attractive. But curve steepening will continue.</li><li>▪ On the EU also we are also neutral. Tactically, we have turned slightly cautious on core duration (Germany and France) amid the evolving fiscal plans, but we are positive on peripheral bonds (Italy and Spain).</li><li>▪ In the UK, curve steepening is attractive. But in Japan fiscal deterioration and inflation keep us cautious.</li></ul>	<ul style="list-style-type: none"><li>▪ Following the recent spread tightening, we have lowered our constructive stance on EU IG. The asset class still offers attractive carry, keeping us positive. We continue to prefer names in higher-beta and banking sectors, and medium-term maturity instruments (3-7Y).</li><li>▪ In EU HY, while overall we are neutral, it still offers selective value, particularly in the near-term maturities in the financials and telecom sectors.</li></ul>	<ul style="list-style-type: none"><li>▪ On the USD, we are close to neutral now, after its sharp decline. However, we maintain that rate cuts by the Fed and potential for international capital repatriation would weigh on the currency in the medium term.</li><li>▪ Given the EUR/USD's appreciation so far, we have tactically moved negative on the regional FX due to weak growth dynamics in core countries and political environment.</li><li>▪ On GBP, we stay cautious.</li></ul>

Rising fiscal profligacy, higher debt supply favour continued curve steepening



Source: Amundi Investment Institute, Bloomberg, as of 3 September 2025.



EQUITIES

AUTHORS

Diversify in times of concentration risks

Despite the ongoing geopolitical noise and policy uncertainty, global equity markets continued to climb higher. AI sectors are supporting markets, while hard data is, as yet, showing no signs of impact from tariffs. Corporate earnings were better than expected in the US, but concentration risks are rising. Hence, we favour a continuation of a shift away from the US market towards Europe and Japan.

**BARRY GLAVIN**  
HEAD OF EQUITY  
PLATFORM

We believe Europe is better-positioned to mitigate some tariff-related impacts through fiscal and monetary policies. It should also benefit from reforms aimed at enhancing competitiveness at EU level and declining energy costs. Across markets, we expect volatility to persist, and aim to capitalise on any share price weakness among quality stocks. Overall, our preference for balance sheet strength and idiosyncratic risk is retained.

Global convictions

- We believe US valuations are a concern, and we prefer staying out of the expensive tech segments.
- In Europe, we remain constructive, particularly on the small/mid-Caps segment, given their exposure to domestic markets and attractive valuations relative to the large-caps. We also retain our stance on the UK due to a combination of its valuations and high dividends, although we keep an eye on deficit dynamics in the country.
- In Japan, we seek quality international businesses and remain positive on the corporate reform story. We also like small-caps, given their robust earnings and valuation levels.

Sector and style convictions

- We retain our barbell views, preferring domestic exposure among the defensive companies and quality cyclical stocks within the industrial and material sectors.
- In the US, the tariff impacts on the growth stocks ensure that we favour the value areas. We also like quality companies that are relatively protected from Trump's policies. Within financials, select large cap banks may benefit from a steepening yield curve, benign regulatory changes and lower taxes.
- Bouts of short-term market volatility are likely to be a feature before year end. Hence, we are positive on low volatility factor.

European small-cap valuations vs large-cap attractive from a historical perspective



Source: Amundi Investment Institute, Bloomberg as on 2 September 2025. P/E = 12m forward price earnings ratio

EMERGING MARKETS

AUTHORS

EM idiosyncratic stories make a comeback

Global emerging markets are displaying a return of country-specific factors – some improvements observed in the economic environment in China (external pressures have abated but domestic demand still weak) and India, whereas politics is coming back in focus in Brazil and Indonesia. However, volatility on the trade front still remains a factor across EM. In countries such as India, internal tax reforms bode well for domestic consumption, which is a mainstay of growth.

Overall, in light of a dovish Fed, global investors should benefit from better growth in EM and positive earnings momentum that will allow them to diversify away from the US. That said, we are monitoring geopolitical risks and developments on the trade front.

YERLAN  
SYZDYKOV  
GLOBAL HEAD OF  
EMERGING MARKETS

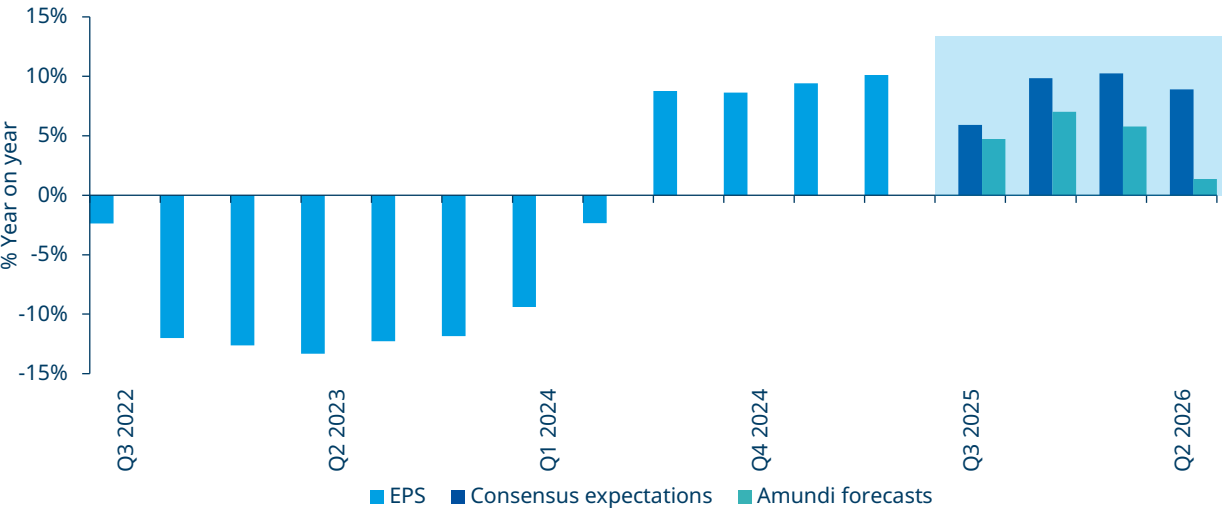
EM bonds

- Declining rates in the US and contained EM inflation backdrop is generally constructive for EM bonds.
- In particular, we are positive on local-currency debt in Brazil, Mexico, and Peru. We also like Hungary and South Africa, where real yields are attractive and central-bank actions should be supportive.
- With a selective approach, we remain constructive on hard currency bonds in LatAm and Europe. We acknowledge that valuations have compressed, but we believe there is additional room for compression, particularly in the high yield segment.
- In Asia, our neutral stance on Chinese government bonds is unchanged, and we stay constructive on India.

EM equities

- In China, while we acknowledge that sentiment is improving, we stay neutral given persistent overcapacity in many industries. We are monitoring closely how the government’s anti-involution policies affect corporate earnings.
- Indian valuations are more attractive now, and earnings-growth expectations are also positive. We remain constructive on the structural story, although uncertainties persist around private capital expenditure and tariffs.
- Regionally, we are constructive on LatAm and emerging EMEA. Valuations in Brazil are attractive, but we are monitoring the fiscal situation and tariffs impact.

EM earnings momentum positive in the near term, with regional divergences



Source: Amundi Investment Institute, FactSet, Bloomberg, as on 1 September 2025. Quarterly data for MSCI Emerging Markets Index in USD. Shaded portion shows forecasts, which are internal calculations.

MULTI-ASSET

Pro-risk stance with a rotation to EM

Over the summer, we did not see any extreme macro data coming out of the US or Europe, leading the markets to stay relatively calm. We did, however, note a deterioration in US labour markets even as higher US tariffs were confirmed. Both these should pressure consumption – we affirm our stance of a decelerating growth in US. Monetary policy, on the other hand, looks likely to be accommodative in the EU as well as US. Hence, we are slightly optimistic on risk assets, including EM, and see a need for safeguards in the form of gold (geopolitical risks, fiscal deterioration) and equity hedges.

We are positive on equities, including the US (balanced between large and mid caps) and, slightly on the UK, but have tactically downgraded Europe to neutral (tariffs could weigh on corporate earnings) in order to raise our views on EM. EM offers a wide basket of markets, such as India, and we are more positive on them. They should benefit from a weaker dollar, and a dovish Fed likely to cut rates soon. Second, while we remain positive on China, we have partially shifted our stance from China towards the wider EM. Regulators’ concerns around the sharp market rally in the country could pave way for a short-term correction.

We have been staying positive on DM govt. bonds for many months amid a general disinflation trend and easing central banks. Given the fiscal deficit concerns (eg, in US), we prefer to stay on the intermediate parts of the curve (5Y). We are also positive on Europe and UK duration, and like Italian BTPs. Growth in the UK will likely be below consensus, and the BoE’s decision should support some compression between Gilts and UST. However, on JGBs, we remain cautious. Our mildly constructive stance on EU IG and EM bonds is maintained.

Amid rising concentration risks, we see a bigger need for protections on US equities, and keep our views on other hedges, should there be volatility in risky assets. In FX, are cautious on the USD, but are positive on the NOK and JPY. In EM, we favour LatAm FX over the CNY.

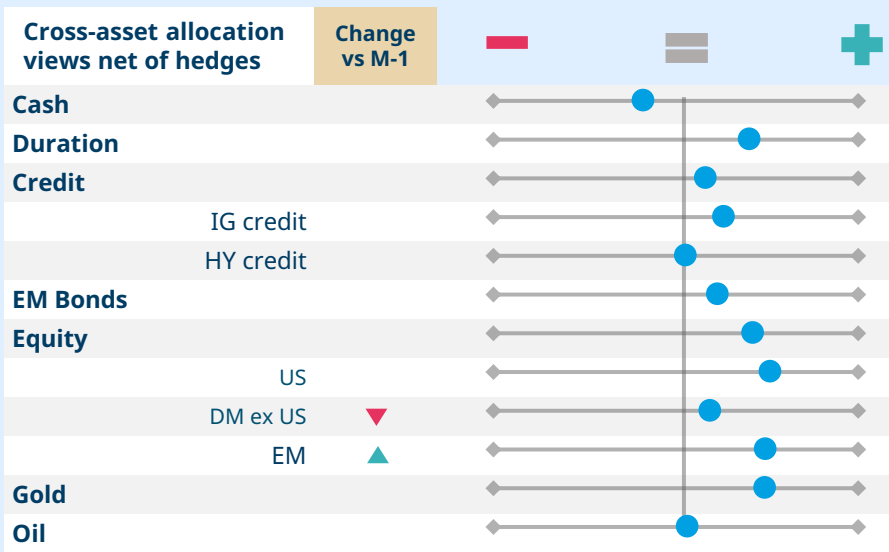
AUTHORS

FRANCESCO SANDRINI  
HEAD OF MULTI-ASSET STRATEGIES

JOHN O’TOOLE  
HEAD OF MULTI-ASSET INVESTMENT SOLUTIONS

“While maintaining a constructive stance on risk, investors should explore rotation opportunities, such as those in EM, in light of the evolving macro environment.”

Amundi Multi Asset Investment Views\*



▼ Downgrade vs previous month  
▲ Upgrade vs previous month

Source: Amundi, as of 3 September 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

Equities	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
US					◆					
US Growth			◆							
US Value							◆			
Europe								◆		
Europe SMID								◆		
Japan							◆			
EM							◆			
Global Factors	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
Growth					◆					
Value							◆			
Small Cap						◆				
Quality						◆				
Low volatility							◆			

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	▼						◆			
FX	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
USD	▲					◆				
EUR*	▼				◆					
GBP					◆					
JPY								◆		
CNY					◆					

▼ Downgrade vs previous month  
▲ Upgrade vs previous month

Source: Summary of views expressed at the most recent global investment committee (GIC) held 3 September 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. \*downgrade from =/+ to -/=

Emerging Markets Views

EM Bonds	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
China govt.						◆				
India govt.								◆		
EM HC								◆		
EM LC									◆	
EM corp.								◆		
EM Equity	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
EM							◆			
EM Asia							◆			
Latin America								◆		
Emerging EMEA								◆		
EM-ex China							◆			
China						◆				
India							◆			

Source: Summary of views expressed at the most recent global investment committee (GIC) held 3 September 2025.

▼ Downgrade vs previous month  
▲ Upgrade vs previous month

DEFINITION ABBREVIATIONS

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

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Marketing material for professional investors.

## AII\* CONTRIBUTORS

**ALESSIA BERARDI**

HEAD OF EMERGING MACRO STRATEGY

**ANNA ROSENBERG**

HEAD OF GEOPOLITICS

**ANNALISA USARDI**

SENIOR ECONOMIST, HEAD OF ADVANCED ECONOMY MODELLING

**ERIC MIJOT**

HEAD OF GLOBAL EQUITY STRATEGY

**GUY STEAR**

HEAD OF DEVELOPED MARKETS STRATEGY

**LORENZO PORTELLI**

HEAD OF CROSS ASSET STRATEGY

**MAHMOOD PRADHAN**

HEAD OF GLOBAL MACROECONOMICS

## CHIEF EDITORS

**MONICA DEFEND**

HEAD OF AMUNDI INVESTMENT INSTITUTE

**VINCENT MORTIER**

GROUP CIO

## EDITORS

**CLAUDIA BERTINO**

HEAD OF AMUNDI INVESTMENT INSIGHTS AND PUBLISHING, AII\*

**LAURA FIOROT**

HEAD OF INVESTMENT INSIGHTS &amp; CLIENT DIVISION, AII\*

## DEPUTY EDITOR

**CY CROSBY TREMMEL**

INVESTMENT INSIGHTS, AII\*

## DESIGN EDITOR

**CHIARA BENETTI**

DIGITAL ART DIRECTOR AND STRATEGY DESIGNER, AII\*

\* Amundi Investment Institute

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Date of first use: 15 September 2025.

Document ID: 4821795

Document issued by Amundi Asset Management, "société par actions simplifiée" - SAS with a capital of €1,143,615,555 - Portfolio manager regulated by the AMF under number GP04000036 - Head office: 90-93 boulevard Pasteur - 75015 Paris - France - 437 574 452 RCS Paris - [www.amundi.com](http://www.amundi.com)

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# Amundi Investment Institute

In an increasing complex and changing world, investors need to better understand their environment and the evolution of investment practices in order to define their asset allocation and help construct their portfolios.

This environment spans across economic, financial, geopolitical, societal and environmental dimensions. To help meet this need, Amundi has created the Amundi Investment Institute. This independent research platform brings together Amundi's research, market strategy, investment themes and asset allocation advisory activities under one umbrella; the Amundi Investment Institute. Its aim is to produce and disseminate research and Thought Leadership publications which anticipate and innovate for the benefit of investment teams and clients alike.

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