Institute

#07-08
July-August
2022

CROSS ASSET
Investment Strategy

CIO VIEWS
Play the desynchronization of the cycle

AMUNDI INSTITUTE
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Confidence must be earned
Amundi
ASSET MANAGEMENT

#07/08 - July-August 2022

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The current repricing is a reminder of a regime shift in which stagflationary concerns are becoming prominent. Investors should move towards quality segments in credit and equities, and aim to benefit from the regional divergences that allow us to prefer US (over Europe) and now Chinese equities, but strong selection is important. In FI, we suggest moving towards a neutral duration stance, but keeping an agile view, and on credit, we favour high quality debt as earnings could come under pressure. Overall, a well-diversified stance that explores non-traditional areas such as commodities, and strategies with low correlation to equities and bonds are favoured."

Amundi Institute

The greater the gap between what central bankers say and what people believe, the higher the cost of bringing inflation under control may be.

Multi-asset

While markets have already seen repricing in equities and yields, we do not think this is over yet. Instead of adding risk, investors should try to benefit from the diverging economic outlooks globally

Fixed income

While volatility may persist amid the uncertain growth/inflation outlook, the current level of yields make the government bond space more attractive than before.

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Pricing power is key and this is not the time to compromise on balance sheet strength because it is only a matter of time before earnings come under pressure

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A sharp economic slowdown seems to be looming in both Europe and the US, which would make bond markets attractive again, especially in the US. Conversely, the Chinese economy is expected to reaccelerate. International monetary system set to become multipolar as geopolitical factors are likely to prevail.

This Month's Topic

While not envisaging any systemic risk propagating across emerging markets, the macro financial outlook remains challenging amid growth concerns, still-high inflation and tighter global financial conditions. The current geopolitical environment, with its impact on macro and financial conditions, is making an idiosyncratic crisis more likely.

Thematic

The ECB is determined to tighten its monetary policy in the face of record high inflation levels. However, it is addressing that risk by cooling inflation down or pushing the economy into recession or triggering a spike in peripheral debt borrowing costs, as in 2012. The markets are already sounding the alarm about what may lie ahead. Italian government bond yields jumped past 4% this month for the first time since 2014 as investors are concerned about the ECB's first step in normalising its monetary policy.

Market scenarios & risks

Macroeconomic picture

CIO VIEWS

Play the desynchronization of the cycle

Vincent MORTIER,
Group Chief Investment Officer

Matteo GERMANO,
Deputy Group Chief Investment Office

Dramatic price action has taken place over the past weeks in equities and bonds, following hot inflation prints, central bank (CB) actions and rising concerns over economic growth. **These events are a reminder of the regime shift, in which we are witnessing the resurgence of stagflationary risks and central banks trying to assert their credibility.** Going forward, growth, inflation and central banks' policies will continue to drive markets:

(1) Growth: We were already expecting a deceleration of growth at the start of the year, but we are now moving to a marked slowdown, particularly in the euro area, with the risk of a technical recession. This is mainly due to weak private consumption and investment in Europe (which is most impacted by inflation). In contrast, in the US stronger private consumption and investment should continue to support growth. But we expect a marked slowdown and rising recession risks for 2023. The market is going to focus on the growth path and, in particular, on any signal of deterioration in the US outlook.

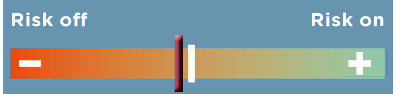
(2) Inflation – not yet at the peak, with different drivers in the US and Europe: The expected peak in inflation has been postponed, while the peak level has moved higher than initially thought. The inflation drivers are different in the US and Europe, with inflation more demand-driven in the US, while in Europe, the primary reason for inflation has been supply constraints, with the energy shock from the war further exacerbating the outlook. In an environment of slowing growth, inflation should also slow.

(3) Central banks have the difficult task of restoring their credibility: In general, monetary tightening is more effective when inflation is driven by strong internal demand. However, when inflation is caused by external factors (supply constraints), then CB tightening is not very successful in taming inflation. Thus, there is more scope for tightening in the US, while the ECB is in a worse position as it also has to address EU fragmentation, as signalled by the announcement of a dedicated anti-fragmentation tool by the ECB. Overall, we believe that when inflation peaks and attention turns to growth trending lower, central banks will likely pause and deliver less than initially stated.

Against this still highly volatile backdrop, investors should stay diversified and avoid adding risk as the market repricing, although advanced, is not over yet. This is the time to move towards high-quality areas and resilient business models that can preserve margins. In particular:

- **The recent bond sell-off makes this asset class selectively more attractive,** as CBs' hawkishness is now priced in and at a certain point, they could be forced to do less to avoid a recession or further fragmentation. The current levels are also becoming more attractive for investors such as insurers and pension funds and that could cap the potential further upside in yields. **We are more positive than before and close to neutrality on duration in the US and core Europe,** but keep an agile approach overall. In euro peripheral debt, we remain neutral and are closely monitoring the fragmentation risks.
- **Credit – we recommend moving towards higher quality credit** and being more selective in general across the credit spectrum (IG and HY), given some concerns over earnings. However, our regional preference for US IG remains in place in light of the strong consumption and labour markets in the country. This should help deliver better economic growth.
- **Equities** – we keep an overall vigilant stance and given that in Europe further earnings downgrades are not fully priced in, we are cautious due to the headwinds from high inflation, which could dampen consumer demand. The US, on the other hand, should fare relatively well and we maintain a preference for the US. In terms of style, investors should opt for the less cyclical areas in equities in value, quality and dividend oriented stocks. Companies with strong balance sheets and pricing power, as well as the ability to pass rising costs on to consumers and preserve margins, should do well.
- **We are becoming slightly more positive on Chinese A shares** as these appear more insulated from the developed world, where stagflationary risks are surging. We also expect this asset class to benefit from the reopening of the Chinese economy and the stimulus in place.
- **For diversification purposes, investors should consider commodities and strategies with low correlation to equities and bonds.** On currencies, we keep our preference for the USD versus the Euro and, to a lesser extent, for the Yen.

Overall risk sentiment



In a stagflationary environment, do not increase risk; instead, stay diversified and move towards more quality, less cyclical areas in equities, credit.

Changes vs. previous month

- Earnings recession risks make us cautious on Europe in the near term.
- Positive on China amid reopening and policy support.
- Less optimistic on yen, as CB sticks to easing.

Overall risk sentiment is a qualitative view of the overall risk assessment of the most recent global investment committee.

AMUNDI INSTITUTE

Big picture in *short*

Pascal BLANQUÉ,
Chairman, Amundi Institute

The greater the gap between what central bankers say and what people believe, the higher the cost of bringing inflation under control may be

Central banks in search of credibility

Western monetary policy has executed an impressive U-turn in the space of a few weeks. The Federal Reserve announced the biggest interest rate increase since 1994 and the European Central Bank is gearing up to hike soon. There was market turmoil, investors questioned the credibility of central banks and the probability of recession began to rise. The greater the gap between what central bankers say and what people believe, the higher may be the cost of bringing inflation under control since significant monetary policy tightening will be needed to rein in expectations about how fast prices will rise.

Most people today have never before been confronted with sustained periods of high inflation. The current collective memory has instead been shaped by an environment where central banks were more concerned about undershooting their inflation targets and were free to act to support growth. However, the decades of low inflation had less to do with monetary policy and more to do with other factors (coincidences), such as China's entry onto the world economic stage, which depressed international labour costs. Now that inflation expectations are becoming unanchored, a new approach is needed. I see three main scenarios:

1. **'Credible disinflation':** The recent collective memory of low inflation prevails, and central banks' credibility is restored. In this scenario, an economic soft landing could be engineered. Financial markets would return to the pre-crisis situation that was characterised by relatively low rates and slim risk premia. This is more or less what is priced in today, although there have been setbacks in certain overvalued asset classes and market segments. This scenario does not appear likely, unless inflation retreats on its own, a development that would represent good luck on par with the series of coincidences that delivered the low inflation of recent decades.
2. **'Incredible disinflation':** Central banks started out too far behind the curve, and are racing to prevent long-dormant inflation memories from resurfacing and becoming entrenched. Monetary policy actions would be painful for markets and economic activity, but necessary to curb inflation. In this scenario, investors should take shelter and wait out the storm. There would be a recession and asset price bubbles would burst, but then there would be a return to normal. This is a viable option but policymakers probably lack the resolve to fight this long and hard battle.
3. **'Incredible inflation':** Central banks have not fallen behind the curve by chance or by mistake, but are undergoing a profound change. They will tolerate higher inflation to foster nominal growth. This implies a structural change in the public's psychology as well, and higher inflation expectations would become the norm. In this case, equities would do better than feared and real rates would remain low for some time, postponing – but not eliminating – the recession risks. In this scenario, investors should look to tackle inflation through real assets. This is a credible alternative to the current consensus view.

			Most likely
Scenario	Credible disinflation	Incredible disinflation	Incredible inflation
Probability	LOW	MEDIUM	HIGH
Outcomes	Inflation retreats on its own and an economic soft landing can be engineered.	Tough monetary policy action brings inflation under control but also results in recession.	Central banks tolerate higher inflation to foster growth. This produces a lasting shift in inflation expectations.
Implications	POSITIVE Markets return to pre-crisis levels, with low rates and slim risk premia.	VERY NEGATIVE Asset prices bubble burst and a period of sharp adjustment in financial markets.	POSITIVE FOR EQUTIES Real rates stay low for a while and stock markets perform better than anticipated.

Source: Amundi Institute as of 27 June 2022.

MULTI-ASSET

Stay cautious with preference for China and US

Francesco SANDRINI,
Head of Multi-Asset Strategies

John O'TOOLE,
Head of Multi-Asset Investment Solutions

While markets have already seen repricing in equities and yields, we do not think this is over yet. Instead of adding risk, investors should try to benefit from the diverging economic outlooks globally

The repercussions of the Russia-Ukraine war, energy demand/supply dynamics and CB rate hikes are creating a double whammy for markets. Even as we see pressures on growth, upward pressures on inflation have been building for quite some time (financial repression), and collectively this will affect corporate earnings, particularly in Europe. Policy manoeuvres add another layer of complexity that will tighten financial conditions. **We think investors should explore relative value and play the divergences: stay cautious in European equities, and selectively benefit from the resilience of the US and the economic opening in China.** On duration, neutrality and agility are the way forward. In addition, the positive correlation between equities and bonds underscores a need to diversify via non-traditional avenues such as commodities (e.g., oil, gold).

High conviction ideas

While we are marginally cautious on equities, primarily due to our stance on Europe, we stick with our regional preference for the US. Europe is more affected by the Ukraine crisis and the resulting impact on inflation and demand and weakness in corporate earnings. In EM, as we look for relative value opportunities, we are turning positive on China (vs. India, owing to the inflationary impact of commodities) due to its desynchronization with the global economy and accommodative policies.

In fixed income, as core yields in the US and Europe have risen substantially and economic growth concerns have emerged, we have been reducing our cautious stance on duration (US, core Europe) and moving towards neutrality. However, amid the uncertainties over the inflation path and CBs' terminal rates, we remain flexible. In the UK, we no longer believe in the steepening of the 2-10Y curve. The flattening of global yield curves, as a result of significant increases in short-term yields due to hawkish CBs, could put upwards pressure on short- term UK yields. We recommend investors stay active across curves and geographies to take advantage of any future opportunities**.**

On euro peripheral debt, we are less constructive than before on 10Y Italian BTPs. A hawkish ECB and the general move towards higher core yields has caused some volatility. We are closely watching the ECB's efforts and communication to avoid fragmentation in the Eurozone. **Elsewhere, we think the Fed's resolve to tighten policy could affect EM bonds, where we are now neutral, but the situation is dynamic and we remain watchful.** In credit, we continue to think US IG offers opportunities amid the earnings resilience, strong consumption and corporate fundamentals in the country. However, we are wary of taking directional calls in the HY segment due to the risks of spread widening and a further increase in defaults. There are opportunities to gain from the spike in volatility, but we remain selective.

Not surprisingly, policy decisions by CBs are affecting FX markets. We are less constructive on JPY (vs. the EUR) now after the Japanese central bank decided to stick to its easing stance, which should weigh on the yen. But we maintain our positive view on CHF/EUR and our cautious stance on EUR/USD amid the wide interest rate differential in favour of the US. The dollar should continue to do well against the CAD. In EM, although we stay cautious on FX in general, we remain positive on the BRL vs. PLN and HUF. The real should benefit from higher commodity prices whereas Poland and Hungary are commodity importers and physically close to the Ukraine crisis.

Risks and hedging

Hedging costs have been rising because of a significant increase in volatility. We recommend investors evaluate the cost-efficiency of hedges and maintain protection on credit, FX and equities. Investors should build protection keeping in mind the potential risks of the upcoming earnings seasons and recession (limited for now).

Amundi Cross Asset Convictions

	1 month change	---	--	-	0	+	++	+++
Equities				□				
Credit & EM bonds	↘					■		
Duration	↗				■			
Oil	↘				■			
Gold					■			

Source: Amundi. The table represents a cross-asset assessment on a three- to six-month horizon based on views expressed at the most recent global investment committee. The outlook, changes in outlook and opinions on the asset class assessment reflect the expected direction (+/-) and the strength of the conviction (+/++/+++). This assessment is subject to change.

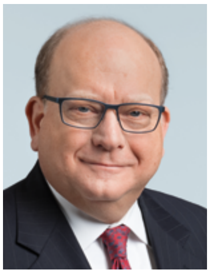
CGB = Chinese government bonds, EM = emerging markets, PBoC = People's Bank of China, FX = foreign exchange, IG = investment grade, HY = high yield, CBs = central banks, BTP = Italian government bonds, EMBI = EM Bonds Index, QT = quantitative tightening.

FIXED INCOME

Govies and investment grade credit in focus

Amaury D'ORSAY,
Head of Fixed Income

Yerlan SYZDYKOV,
Global Head of Emerging Markets



Kenneth J. TAUBES,
CIO of US Investment Management

While volatility may persist amid the uncertain growth/inflation outlook, the current level of yields make the government bond space more attractive than before

Inflationary pressures, persistent bottlenecks and tightening financial conditions might lead some DM into recession. CBs are acting aggressively to control inflation, and as a result short-term rates are likely to go above the neutral rate. The main questions for markets are how much monetary tightening is essential and what the effect will be on consumer demand and corporate earnings. **On yields, we may see some further volatility, but current levels are more attractive considering the direction of growth is down and inflation is reaching its peak. On credit, there is a need to consider more quality assets in the portfolio, and stay clear of high-risk, leveraged areas.**

Global and European fixed income

We remain close to neutrality on duration in general but keep a flexible stance across geographies and curves due to the ambiguity on terminal rates, inflation and economic growth fears. For instance, **in Europe and the UK, we are slightly cautious to neutral, but remain defensive in the US.** In breakevens, we believe the aggressive Fed stance could cause upward movements in real rates, and hence we are no longer positive there. In peripheral debt though, we stay neutral as we monitor the evolution of ECB policy and how the central bank addresses the issue of EMU fragmentation through its yet-to-be-clarified anti-fragmentation tool. **Chinese bonds continue to offer diversification opportunities.** In credit, there are selective opportunities to benefit from new issue premiums. In general, **we prefer US IG over EU** and believe fundamentals are robust, but we could see some weakening as growth and liquidity concerns percolate through to risky segments. Thus, investors should maintain sufficient buffers and move away from risky names towards quality A-rated, more liquid securities.

US fixed income

Even as the Fed continues to aim for a 'soft landing,' we think the slowdown in economic growth may be a factor the CB will pay attention to as it tries to balance taming inflation without hampering growth. We also believe employment and consumer demand remain strong and this should prevent a recession in the near term. Thus, while markets are already pricing in a high degree of Fed tightening, the risks remain two-way for yields. Hence**, we are close to neutral, but remain very active.** In consumer assets, agency MBS seem to have recovered from the QT fears and we think selectively, they offer good value. **In corporate credit, we emphasise quality,** and in the process limit our spread duration. This is important because credit valuations (IG and HY) are close to their long-term averages but certainly not cheap (as a group) and these could be affected if liquidity dries up. Thus, liquidity and company-specific factors are a priority.

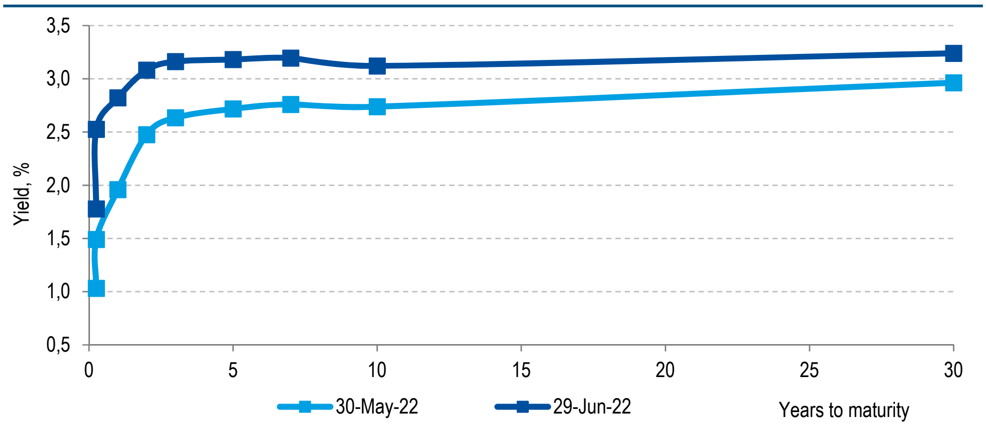
EM bonds

Amid an overall cautious stance, we believe EM growth will moderate in 2022, with a rebound in 2023. We are slightly less cautious on duration given the moves seen this year. In HC, valuations are more attractive in HY compared to IG. With regards to LC, selectivity remains crucial amid the inflation uncertainty, and we are cautious on EM FX. At regional level, we favour countries exposed to the commodity cycle (LatAm and South Africa).

FX

We are bullish on the dollar owing to expectations of higher rates, although we are watching movements closely. On the EUR, JPY and CNY, we remain cautious. In EM, commodity exporting FX (MXN, CLP) benefit from higher prices but Eastern European FX are being weighed down.

US yield curve further repriced in June



Source: Amundi Institute, Bloomberg, data as on 29 June 2022.

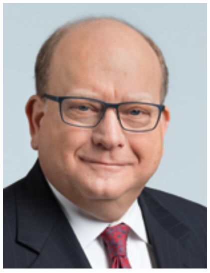
GFI = global fixed income, GEMs/EM FX = global emerging markets foreign exchange, HY = high yield, IG = investment grade, EUR = euro, UST = US Treasuries, RMBS = residential mortgage-backed securities, ABS = asset-backed securities, HC = hard currency, LC = local currency, MBS = mortgage-backed securities, CRE = commercial real estate, QT = quantitative tightening

EQUITY

A moment of truth for earnings

Kasper ELMGREEN,
Head of Equities

Yerlan SYZDYKOV,
Global Head of Emerging Markets



Kenneth J. TAUBES,
CIO of US Investment Management

Overall assessment

We have been highlighting for some time now that valuations are not completely justified given the economic growth risks on the horizon, but this has only dawned on markets recently. **Collectively, growth fears, aggressive tightening by CBs and high inflation led to the recent sell-off.** Looking ahead, we think earnings growth may be impacted by the fall in disposable incomes, rising financing costs and higher input costs (earnings revisions may come down). However, this effect will not be felt equally in all sectors, regions and businesses. Companies that have pricing power and display product differentiation should fare better. **Security selection is the key to long-term returns, while we also play regional divergences – preference for the US and China in the near term.**

European equities

In a challenging environment for Europe, we believe rising input prices and rates will weigh on corporate earnings and valuations. We also note that valuation dispersion is high across sectors and think investors should maintain a barbell exposure, with defensive stocks (healthcare, staples) on the one end and value, cyclical names (materials, industrials) on the other. **However, it is important to stay balanced, maintain a quality tilt across portfolios and focus on companies' pricing power and balance sheet strength**. This is because businesses that are able to pass on rising input costs to consumers are likely to preserve margins. Thus, we maintain selection as our primary driver of risk. We remain cautious on IT and utilities, particularly in areas with expensive valuations and where we believe the risk return trade-off is not attractive.

US equities

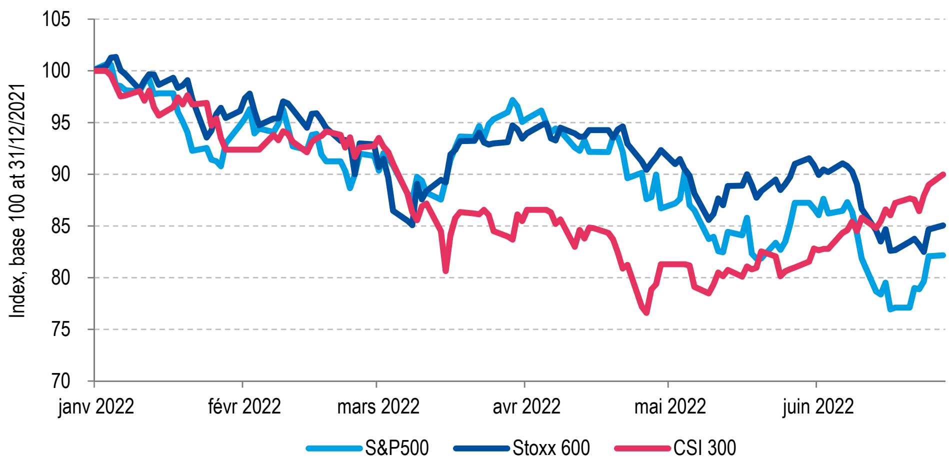
The 'wealth effect' (loss of asset value that discourages discretionary spending), coupled with high inflation, may cause growth to slow but a recession is not our base case. The recent correction has reduced valuations, but multiples are not cheap and companies are still exposed to the risk of an earnings correction as margins are high at the moment. On the other hand, high inflation and slower growth are the consensus now, though are not completely understood by the markets. **We stick to our conviction on companies that reward shareholders through buybacks/dividends and maintain operational efficiencies in an environment of higher input prices**. We see such companies in the quality, value segments of the markets that are reasonably priced. In addition, we are exploring profitable names in certain growth areas as they have become attractive following the correction, but selection remains crucial. However, we are cautious on unprofitable growth names and look for stable returns on equity. Value names and US banks demonstrate this characteristic, along with select names in energy, materials and healthcare. But we focus on the less cyclical and more quality oriented areas of the market.

EM equities

We maintain a prudent stance as global uncertainties remain. **Attractive valuations, coupled with strong divergences, persist at country level, allowing us to be very selective** and favour commodity exporters (Brazil, UAE). In China, sentiment has turned favourable, especially on the discretionary side due to an expected rebound in demand. Overall, we maintain our preference for value over growth.

Pricing power is key and this is not the time to compromise on balance sheet strength because it is only a matter of time before earnings come under pressure

Regional divergences in equity market performances set to continue



Source: Amundi Institute, Bloomberg, as of 27 June 2022.

THEMATIC GLOBAL VIEWS

Renminbi's rise will not challenge dollar dominance

A sharp economic slowdown seems to be looming in both Europe and the US, which would make bond markets attractive again, especially in the US. Conversely, the Chinese economy is expected to reaccelerate. International monetary system set to become multipolar as geopolitical factors are likely to prevail.

Didier BOROWSKI,
Head of Global Views

The freezing of the Russian central bank's assets following the invasion of Ukraine was a reminder to all sovereign investors that their allocation choices have a strategic dimension

Inflation's return will impact the strategic allocation of all long-term investors, especially central banks and sovereign funds. The Federal Reserve is normalising monetary policy swiftly, which has caused a rapid rise in long-term interest rates in the US and, to a lesser extent, Europe. This has helped strengthen the dollar.

At the same time, **a sharp economic slowdown (or even recession) seems to be on the cards in both Europe and, possibly, the US.** This would give many investors the opportunity to reposition themselves in US Treasuries. At current levels, US bond yields are becoming more attractive compared to Chinese bond markets. **When inflation slows, which we expect to happen in 2023, US bond yields will become even more attractive.**

Does this mean that the dollar will continue to dominate the international monetary system? This old question resurfaces from time to time. Despite major structural changes in the monetary system over the past 60 years, the dollar remains the dominant international reserve currency. Yet the dollar's share of global reserves has fallen to 59% from 71% in 1999, when the euro launched. This shows that central banks were gradually moving away from the dollar before Russia's war in Ukraine. Some expect this trend to continue or even accelerate as central banks in emerging economies seek to further diversify their reserve mix.

The freezing of the Russian central bank's assets following the invasion of Ukraine was a reminder to all sovereign investors that their allocation choices have a strategic dimension. The US administration - through Treasury Secretary Janet Yellen - is now promoting the concept of 'friend-shoring', whereby countries commit to working with others that adhere to a set of norms and values about how to operate in the global economy and how to manage the global economic system. Western countries, seeking to increase their resilience and strategic independence, will naturally take this argument into account. Recall that, **historically, military strength and monetary dominance are intertwined**. Countries around China will, for this very reason, seek to increase their exposure to the renminbi, at the expense of the dollar. The launch of the digital yuan will certainly help them to do so.

The long-term impact the war in Ukraine will have on the international monetary system is uncertain. It depends on how countries react, as geopolitical factors will increasingly be taken into account. In a fragmented and multipolar world there can no longer be one dominant currency. There is no doubt that **the yuan will become more international, but this may be limited to a few countries**. While the renminbi will play an increasingly important role, it will not supplant the dollar.

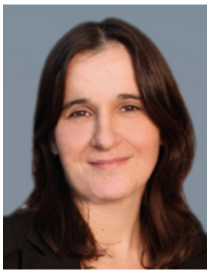
Finalised on 24 June 2022

THIS MONTH'S TOPIC

The emerging markets hurdles

While not envisaging any systemic risk propagating across emerging markets, the macro financial outlook remains challenging amid growth concerns, still-high inflation and tighter global financial conditions. The current geopolitical environment, with its impact on macro and financial conditions, is making an idiosyncratic crisis more likely.

Alessia BERARDI,
Head of Emerging Macro and Strategy Research



Debora DELBO',
Senior EM Macro Strategist

Current geopolitical and macro environment increase the probability of idyiosincratic crisis with low probability to become systemic

The policy mix has been incrementally less supportive in particular on the Monetary Policy side

While not envisaging any systemic risk propagating across emerging markets, the macro financial outlook remains challenging amid growth concerns driven by softening domestic demand and decelerating global demand, uncomfortably high inflation triggering yet more monetary policy tightening, and shifting global financial conditions from extremely accommodative to tighter ones.

Although, by nature, it should not result into systemic destabilisation, **the current geopolitical environment,** which is not expected to improve anytime soon, **with its repercussions on macro and financial conditions, is increasing the probability of idiosyncratic crisis across the EM** as well as raising the necessity of intervention by international institutions such as the IMF. In the case of Turkey, its high energy bill and ongoing important stimulus to the economy are deteriorating its external accounts further and increasing the risk of a balance-of-payments crisis once relief from summer tourism receipts has gone. Low-income countries' debt-servicing capacities have diminished sharply, magnified by high energy and food import prices and by the need to keep expensive subsidies in place. Amidst ad hoc measures (such as Pakistan's super tax hike) and more structural reforms under discussion, more countries are trying to negotiate new, or re-establish existing, IMF programs, while the Common Framework is advancing only slowly in offering comprehensive debt restructuring.

As far as growth is concerned, on the domestic demand side, several governments are trying to limit the erosion of household purchasing power from the spiking cost of living, by extending measures introduced during the pandemic or enacting new ones, such as price caps, higher subsidies, lower excise taxes and several other non-monetary measures. Generally, this is softening domestic demand at only a slow pace. Having said that, for commodity importers the impact is even more negative and not negligible on the fiscal accounts, in absence of any mitigation from higher revenues, dividends and royalties as it happens for commodity exports. Since the beginning of the year, budget balance targets for 2022 have been on a deteriorating path for many Ems, with the exception of Gulf countries, several Latam America countries, South Africa and few countries in Asia, such as Malaysia and Indonesia, where we do expect more stable economic conditions rather than a proper improvement. The complexity and heterogeneity of the universe appears even more striking when we look at countries that should actually benefit from the current environment but do not. In Nigeria, the obsolete production system as well as the amount of oil disappearing from the official accounts is making it hard to benefit from relatively high oil prices while, on the contrary, its fiscal position is suffering from the high costs of fuel subsidies.

The withdrawal of policy stimulus put into place after the pandemic outbreak on the fiscal side as well as the normalisation of monetary policy that began in early 2021 (even earlier in China, in the second half of 2020) **is going to weigh incrementally on economic activity and domestic demand.** Significantly high inflation has allowed real policy rates to stay supportive for long even in the middle of the current monetary policy tightening cycle. Only few EM countries are closer to positive real rates (China, Brazil, and Mexico, to name some). **The inflation uptrend has been stronger than expected and mostly driven by volatile global factors, such as energy and food; moreover, the absence of demand pressure, due to longer mobility restrictions together with effective subsidies policy, has differentiated the inflation picture in Asia in comparison with Latam and CEEMEA.** Looking at the next six months, on the back of a more benign trend in oil and commodities prices (in comparison with the peaks seen in the first half of the year), as well as a wider supply bottlenecks adjustment (already visible in declining freight costs on some routes), inflation dynamics should stabilise and then moderate. In our expectations, **the first and boldest hikers will get there earlier than other EMs. Brazil has already reached this turning point between April and May.**

Contrary to what normally happens, emerging markets embarked on the transition of monetary policy away from their extraordinary dovish conditions much earlier than developed markets. **The wave of monetary policy normalisation has continued unabated until today and is still not done. In particular, regarding the external drivers of EM monetary policy, while the Federal Reserve had turned more hawkish relatively late, since then, the hawkish bias has increased in tone and actions that have been undertaken.** With that to consider, EMs have more than domestic drivers to look at and increasingly tight global financial conditions have made EM monetary policy authorities more prudent. Some CBs have abandoned a premature narrative of neutral or easier MP stance while others have finally started to hike, absent any Inflation pressure so far.

THIS MONTH'S TOPIC

However, considering our EM inflation outlook, as well as the house outlook vis-à-vis Fed hiking (with a terminal rate of around 3.75% by early 2023), US yields and the USD, the EM monetary policy turning point, starting form few countries, has been only slightly pushed forward from the end of 2022 to early 2023.

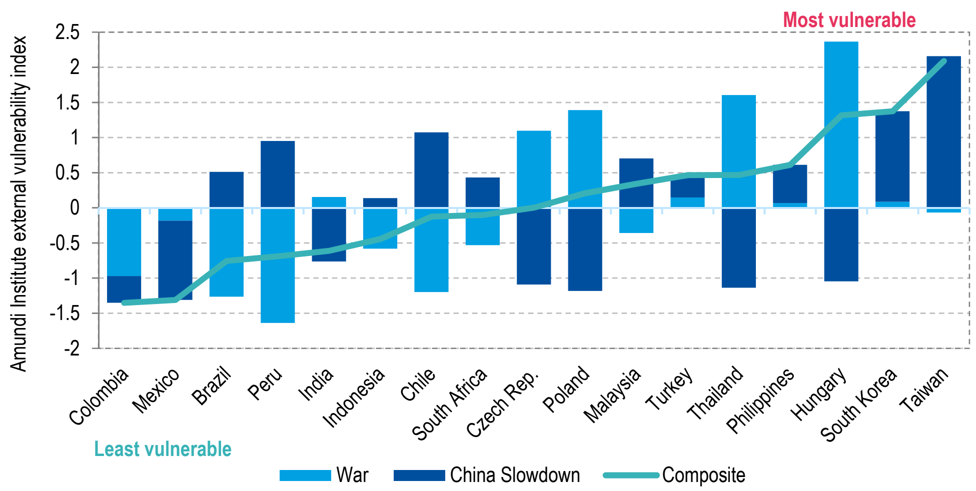
Chinese economy expected to get traction after the transitory recession

Coming back to the growth dynamics from an external angle, it's worth highlighting that, in the aftermath of the conflict in Ukraine, global growth expectations have been revised down sharply and, almost simultaneously, we have seen a resurgence of local lockdowns in China. All of a sudden, global demand has become an orphan of its most important contributors – European growth will flirt with zero/negative rates; US GDP has been significantly revised down; and China is expected to perform less robustly than the official growth target set in late 2021 (around 3.5% YoY vs 5.5% YoY). Across the EM, some partial relief will come from the commodity boom for the commodity exporters, alleviating/offsetting the demand deceleration. Indeed, recent trade balance figures are highlighting clear positive dynamics between commodity exporters while negative for the commodity importers; only across Asia the different Trade Balance trends between Indonesia and Philippines highlight that. Unfortunately, more protectionist measures aiming at directing raw material production to the domestic market instead of exporting it are partly limiting the benefit of commodity high prices.

As far as China is concerned, the enforced lockdown is likely to have sent China into a transitory recession in Q2. However, since April, new Covid cases have fallen and activities have been recovering steadily, and a realistic assumption would be for reopening continuing to get traction moving forward. Our H2 China growth outlook is far more constructive on these assumptions. Together with the reopening, China has been pursuing economic policies on its own: it is on an easier monetary policy path and supportive fiscal policy path that has sped up since May. The improvement in the outlook in China is an important pillar for the EM growth story to hold up relatively well moving forward.

The gloomy macro backdrop appears priced by the markets

1/ War and China slowdown heighten fragmentation across EM



Source: Amundi Institute on ComTrade, IMF, CEIC, Bloomberg. Data is as 15 June 2022.

In recent months, it looks as if the **emerging asset classes have already discounted most of the aforementioned negative environment.** Yields have been spiking in both hard and local currencies debt, while the EM currencies have depreciated significantly vs USD, with the only exception being the Russian rouble and a few Latam currencies. Meanwhile, equity markets have underperformed more acutely in the EMEA region, penalised by the conflict proximity and increasing uncertainties on growth and inflation expectations.

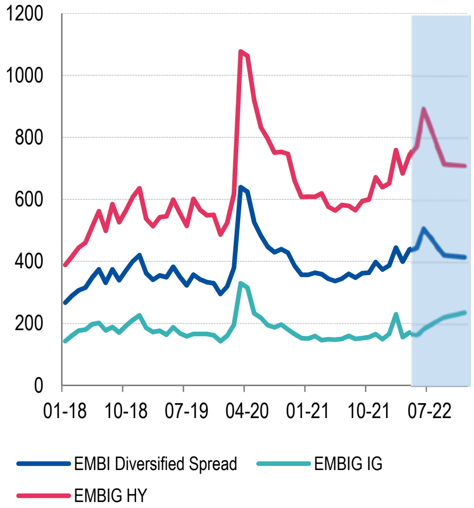
Positive catalysts for the Chinese Equity markets

Over the next few months, we expect markets to remain on high alert, with a focus on growth slowdown and inflation dynamics (stagflation risk) and a possible shift in geopolitical risks.

Having said that, it's fair to add some **possible positive catalysts.** High frequency indicators are confirming the story that China has bottomed out and that the worst is behind us. In 2021, Chinese equity markets suffered a prolonged sell-off, starting with the implementation of a new regulatory framework whose impact has affected mainly the tech and property sectors, amplified by policy tightening and the lack of clarity on the delisting issue. Although these elements are taking time to fade away and are contributing to a very volatile environment, they should already be priced into Chinese equity market valuations. **The deceleration in the regulatory effort as well as more supportive policy signals, together with the ongoing lifting of restrictions should help the recovery in the H shares market,** which has been neglected by investors in recent months. At the same time, domestic A shares should benefit from the current domestic policies, aimed to boost domestic demand and domestic production, showing attractive entry points at this stage.

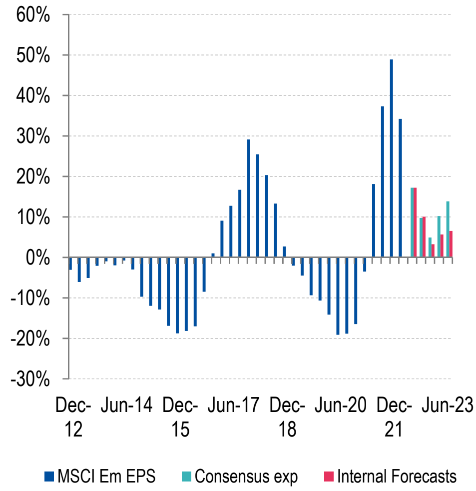
THIS MONTH'S TOPIC

2/ HY EMBI Diversified spread expected to tighten



Source: Bloomberg & Factset, Amundi Institute - Data as of June 2022

3/ MSCI EM - EPS forecast - USD



Source: Bloomberg & Factset, Amundi Institute - Data as of June 2022

Moving into the second half of the year and early 2023, the macro drivers resulting in a wider growth premium in favour of EMs should set a floor on certain emerging asset classes that have so far underperformed significantly. Commodity exporters in the emerging space are benefitting from the substitution effect (vs Russian oil and gas) and from improving terms of trade. Inflation is stabilising/peaking, with some decline expected over the next few months, albeit remaining at higher levels than pre-pandemic. With a strong USD, we recommend high selectivity and tactical positioning on the EM FX markets (commodity exporters, a brighter growth outlook and a sound MP environment). **In the fixed-income space, we continue to prefer the hard currency segment, high yield over IG, and taking advantage of a strong US dollar and a still sustained oil price.** For the time being, we see less support for local debt even though stable (or not spiking) US 10y yields, together with stabilising, if not turning, local monetary policies could soon offer some attractive entry points. The first hikers, like some Latin America countries, are seeing, or will see soon, inflation peaking and the end of the monetary policy tightening cycle. Eastern European countries offering attractive carry will be late on the same path. An increase in geopolitical uncertainty and the consequent increase of stagflationary risk represent the main risk for emerging markets debt.

Finalised on 28 June 2022

THEMATIC

The ECB's ability to raise rates will depend on the strength of the antifragmentation tool

Valentine AINOUZ,
Deputy Head of Developed Markets Research

The ECB is determined to tighten its monetary policy in the face of record high inflation levels. However, it is addressing that risk by cooling inflation down or pushing the economy into recession or triggering a spike in peripheral debt borrowing costs, as in 2012. The markets are already sounding the alarm about what may lie ahead. Italian government bond yields jumped past 4% this month for the first time since 2014 as investors are concerned about the ECB's first step in normalising its monetary policy.

High inflation remains a major challenge

- In May, Eurozone headline inflation reached another record of 8.1%. Inflationary pressures have been exacerbated by the war in Ukraine and ongoing lockdown measures in China. Global supply chains remain under pressure. Energy prices stand 39% above their levels of one year ago.
- We do not expect headline inflation to peak before October. In addition, underlying inflation has been rising further and could continue to surprise on the upside in the second half of the year. On the one hand, more and more companies should continue to raise their prices to compensate for the record jump in production costs. On the other hand, demand in the Eurozone could be supported by targeted government support or rising wages.

The European Central Bank remains determined to fight against inflation.

Skyrocketing inflation remains the ECB's top priority

- The ECB remains much more focused on the risk of inflation expectations becoming unanchored than on the downside risks weighing on growth. "The longer inflation numbers are at the high level where they are, the more likely it is that wages negotiations, entry-level salaries, and renegotiations of existing agreements will actually take place." (Christine Lagarde).
- Central banks are afraid of losing their credibility. "Inflation is undesirably high and is expected to remain above our target for some time." "The Governing Council will make sure that inflation returns to our two per cent target over the medium term." (Christine Lagarde).
- We are therefore maintaining our forecast of a 25bp hike in July, followed by 50bp hikes in September and October.

In tackling the path of inflation, the ECB faces two dilemmas:

Tighter monetary policy is increasing financial fragmentation across the Eurozone

- A central bank has few "tools" to fight cost-driven inflation without hurting growth. Indeed, inflation in the Eurozone is being driven primarily by exogenous factors, including high-energy costs and supply chain disruptions. The ECB wants to tighten its monetary policy to limit the spread of price rises across sectors.
- Tighter monetary policy is increasing financial fragmentation across the Eurozone. When it comes to financial fragmentation, we need to watch peripheral government bond yields and not just spreads. The cost of debt cannot be higher than nominal growth, over a long period, for heavily indebted countries. They are wary of high level of debt in Europe, in particular in Italy.

The ECB's ability to raise rates will depend on the strength of the anti-fragmentation tool.

The ECB's ability to raise rates will depend on the strength of its anti-fragmentation tool

- The markets are already sounding the alarm. Italian government bond yields jumped past 4% this month for the first time since 2014, as investors are concerned about the ECB's first step in normalising its monetary policy.
- ECB sovereign debt purchases should be targeted. Inflation levels no longer allow the ECB to implement large-scale asset purchase programs to keep peripheral sovereign bond yields at low levels. The ECB wants to limit upward pressure on spreads using: (1) flexibility in PEPP reinvestment and (2) an "anti-fragmentation tool". We expect the details of the new backstop to be announced in July.
- At the Forum of Central Banks in Sintra, the ECB President, Christine Lagarde, explained that "the new instrument must be effective while being proportionate and including sufficient guarantee mechanisms to preserve the momentum of the Member States towards a sound budgetary policy". The challenge for the ECB is to tread the fine line between the remit of the governments and that of the central bank.
- The ECB's ability to raise rates will depend on the strength of the anti-fragmentation tool
- Developments on the euro rate market will strongly depend on developments in the energy sector, political choices (fiscal support) and monetary choices (arbitrage between inflation and growth, anti-fragmentation tool).

Finalised on 29 June 2022

CENTRAL & ALTERNATIVE SCENARIOS (12 TO 18 MONTHS HORIZON)

Monthly update

We keep the probabilities of our central and alternative scenarios unchanged vs. last month. The new wave of Covid-19 and stagnation in the Eurozone are adding growth uncertainty over the short-term.

DOWNSIDE SCENARIO 30%

Renewed slump toward stagflation

Analysis

- **Long-lasting war in Ukraine** is hurting confidence and activity, and pushes commodities and energy price higher for longer and disrupting supply.
- Russia cuts gas supplies to Germany, which enters a recession in 2023.
- **Covid-19** resurgence leads to global renewed mobility restrictions and bottlenecks disrupting supply chains.
- Both triggers lead to an **economic downturn** while **inflation** remains elevated and uncontrolled.
- **Several EM** default and public debt sustainability concerns in DM.
- **Renewed monetary and fiscal accommodation** to support the economy, possibly a further step in financial repression.
- Inflation amid slower growth, forces some **Central Banks** and the ECB in particular, to **deviate** from their guidance and potentially lose credibility.
- Policies and investments designed to fight **climate change** are postponed and/or countries policies are disorderly implemented.

Market implications

- Favour cash, USD and US Treasuries
- Play minimum-volatility strategies
- Gold
- Commodities and energy

CENTRAL SCENARIO 60%

The great divergence

Analysis

- The **war in Ukraine** is hitting confidence and maintains elevated commodities and energy prices.
- **Covid-19 is an endemic disease,** with random contagion waves (China); global activity holds up, but supply-chain bottlenecks to persist.
- **Rising growth divergence:**
  - Global growth progressively abate to trend in 2022, opening 2023's to downside risks.
  - Rebound expected in China in H2, after the GDP contraction in Q2
  - Stagnation or technical/short-lived recession in EZ and the UK
  - The US economy is resilient, but expected to slow down towards subpar growth in 2023 (rising recession risk).
- **Headline inflation is peaking,** but will remain elevated. High commodity prices, supply-side bottlenecks and rising wage pressures will push core inflation up in some regions (e.g. the EZ).
- **CBs follow different paths:**
  - Fed to continue to hike rates aggressively (short run); but to adopt a more dovish stance in H2
  - BoE in a soft hiking cycle
  - ECB to hike rates 3x in H2, but no room for a real tightening cycle (recession risk)
  - PBoC to keep an easing bias
  - Bond yields to move higher but to stay low for longer
- **Fiscal policy:** to smooth the short-term impact of energy prices (through targeted measures, notably in Europe).
- **Climate change** disrupts the commodity cycle and adds to stagflationary trends.

Market implications

- Lower risk-adjusted real returns expected
- Contained steepening of US Treasuries yield curve as well as EZ and EM
- Inflation hedge via gold, linkers and equities
- EM: Short-term caution, long-term real income and growth story intact

UPSIDE SCENARIO 10%

Inclusive and sustainable growth

Analysis

- **End of the Ukraine war** and sanctions are gradually withdrawn. Lower energy and commodity prices and inflation falls back quickly.
- **Endemic recedes f**aster than anticipated, despite variants.
- Extra savings and wage rises fuel **consumption** with low erosion of corporate margins.
- **Productivity gains** thanks to digital and energy transitions and structural reforms
- **Inflation** remains under control and CBs are gradually normalising.
- **Higher nominal and real interest rates**, due to stronger investment and less savings.
- **Debt is sustainable** thanks to strong growth and a gradual shift towards fiscal discipline.
- **Inclusive growth** and effective fight against inequality.
- **Climate change** policies and energy transitions become first priority.

Market implications

- US Treasuries curves bear steepen
- Favour risky assets with cyclical and value exposure
- Favour linkers and equities as an inflation hedge

Geopolitic · *Covid-19 related topics* · *Growth and inflation expectations* · *Monetary and fiscal policy* · *Recovery plans or financial conditions* · *Solvency of private and public issuers* · *Economic or financial regime* · *Social or climate related topics*

TOP RISKS

Monthly update

We maintain the probabilities of economic, financial and (geo)political risks to 30%. We consider Covid-19-related risks (including lockdowns in China) to be part of the economic risks. Risks are clustered to ease the detection of hedging strategies, but they are obviously linked.

ECONOMIC RISK 30%

- **Global recession** driven by an oil and gas shock, and a deteriorating sentiment as the war in Ukraine stalls
- **Economic crisis in Eastern Europe** following a collapse of the Russian economy, elevated energy prices, uncontrolled inflation and a migrant crisis
- **Pandemic 3.0**
  - After Omicron (2.0) a more dangerous and vaccine-resistant variant starts a new wave
  - New lockdowns or mobility restrictions could further undermine the global recovery
- **Supply chain disruptions** carry on (China lockdowns), and input cost pressures lead to corporate earnings recession
- **China zero Covid policy combined with regulatory crackdown and property market collapses,** leading to lower growth prospects
- **Monetary policy mistake**
  - Central banks' miscommunication in the context of a high geopolitical uncertainty
  - Central banks underestimate the strength of supply driven inflation and lose control
- **Climate change-related natural events** hurt growth visibility and social balance.

+ Cash, linkers, JPY, Gold, USD, Quality vs. Growth, Defensive vs Cyclicals, Oil

- Risky assets, AUD CAD or NZD, EM local CCY

FINANCIAL RISK 30%

- **Sovereign debt crisis**
  - An extended war in Ukraine would hurt DM vulnerable public finance with public debt as a share of GDP already at historically high levels
  - De-anchoring inflation expectations could lead to harsher monetary tightening and a bond market dislocation
  - Most countries are vulnerable to rating downgrades and rising interest rates
  - EM weaknesses could also face a balance-of-payments crisis and increased default risks
- **Corporate solvency risk increases,** amid deteriorating fundamentals, rising uncertainty and corporate margins under pressure (high input cost, double orders lead to profit warnings)
- **Widespread greenwashing and ESG investment bubble** undermine the energy transition funding
- **USD instability** and gradual loss of its reserve currency status lead to unstable currency markets
- **Currency wars:** currency appreciation is a way for CBs to fight inflationary pressures

+ CHF, JPY, Gold, CDS, optionality, Min Vol

- Oil, risky assets, frontier markets and EMs

(GEO)POLITICAL RISK 30%

- **War in Ukraine**
  - Short term resolution following Russia military success: markets instability remain as investors are starting to price in Putin crossing new red lines
  - Prolonged military struggle leading to a high intensity conflict and potentially western military confrontation
- **EU political fragmentation** or populist vote bring a disagreement on how to manage the relationship with Russia
- **The US takes a hard line with China** in order to block any tentative to invade Taiwan. Risk of accidental confrontations in the South China Sea or the Taiwan Strait
- **EM political instability driven by** higher food and energy prices, leading to a wave of unrest similar to the Arab Spring
- Iran or North Korea nuclear programs renewed concerns and sanctions
- **US & China lose credibility** on the energy transition and undermine the Paris agreement
- **Global warming** leads to an increased risk of conflicts, driven by water shortages and migratory movements
- **Cyber-attack or data compromise,** disrupting IT systems in security, energy and health services

+ DM Govies, Cash, Gold, USD, Volatility, Defensive, Oil

- Credit & equity, EMBI

CROSS ASSET DISPATCH: Detecting markets turning points

The turning point has occurred | Approaching the turning point | Not reached yet too early to call it

ECONOMIC BACKDROP

- Despite noisy GDP data blurring the reading of underlying trends, economic momentum is slowing progressively amidst higher and not abating inflationary pressures and weakening domestic demand: food and energy inflation hit household purchasing power, operating as a regressive tax, while unabated pipeline pressures on the cost side put margins under stress.
- Directions of revisions on inflation and growth outlooks keep diverging as higher and higher inflation prints remain the key factor dragging down confidence and capping growth. Stagflationary pressures are particularly evident in the Eurozone.
- The prolonged stress on commodities and energy prices, leading to more persistent inflation and tighter monetary policies is exacerbating economic uncertainty, given a much less benign picture for the growth and inflation mix.

FUNDAMENTALS & VALUATION

- Despite some recent tentative rebounds, markets are still not that stretched, although they are not discounting a recessionary environment and not suggesting meaningful entry points.
- QT will address inflation issues, keeping multiples from expanding, while expectations are still very optimistic, at least in Europe, considering the potential shortages of raw materials.

NEUTRAL + ASSET ALLOCATION

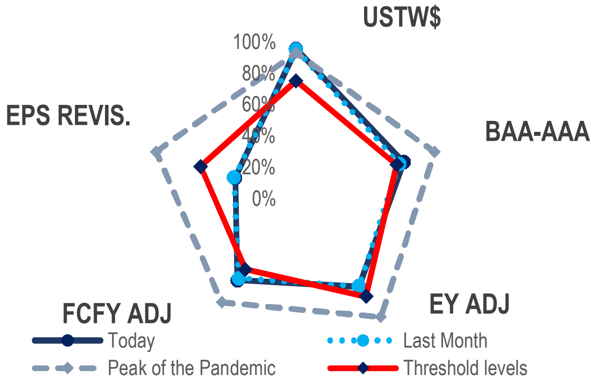
TECHNICALS

- In the first part of June most risky assets touched extremely oversold levels, with RSIs and contrarian indicators (Bull/Bear, Fear&Greed) calling for a mean reversion.
- At the end of the month, a relief rally occurred and contrarian signals moderated lower. The lack of visibility and the poor momentum (risky assets trends remain highly fragmented), keep suggesting an overall neutral exposure from a technical perspective.

SENTIMENT

- Most risky assets kept correcting lower in the first half of June, as the hawkish response from CBs increased the probability of a global slowdown for the next couple of years.
- Risk concentration in the market remains high and the overall risk-off probability keeps suggesting a defensive allocation in the short-term.
- The Moody's Baa-Aaa spread breached alert levels in June, showing a transmission from a weaker economy and a stronger USD. Financial conditions kept tightening globally to respond to more persistent inflation.

Cross Asset Sentinels Thresholds (CAST) still supportive



Source: Amundi Institute, Data as of 24 June 2022

The CAST risk perception failed to show a structural increase in Q1. EPS revisions have started showing a less benign global outlook, and the USD remains the dimension calling loudly for risk-off. Yet credit risk premiums failed to jump above our alert threshold (i.e., 100 bps) and are partially balancing the overall assessment.

Methodology: We consider five inputs, which we call "sentinels": USTW$, Moody's Baa-Aaa, EPS revisions, Adjusted Earnings Yield Risk and Adjusted Cash Flow Yield Risk. These sentinels are used to reposition our tactical asset allocation. Once sound thresholds are detected, the five variables are aggregated as an indicator that anticipates the market's stress conditions, with a certain level of conviction. The pentagon visualises the five sentinels, where the red line represents the alert threshold. The greater the distance above the red line, the greater the risk perception, and eventually the need to move closer to a defensive asset allocation.

GLOBAL RESEARCH CLIPS

1 Central Banks determined to fight inflation

- **The ECB's** policy rate hike will depend on its ability to limit financial fragmentation.
  - EZ fragmentation is the biggest threat the ECB is facing as it raises rates.
  - A remake of 2011 is unlikely as the cost of debt is lower, nominal growth prospects are higher, and anti-fragmentation tools are already there
  - By accelerating the completion of the design of a new anti-fragmentation instrument, the ECB has shown a commitment to prevent the impairment of monetary policy transmission. As a result, a remake of summer 2011 should be avoided.
- **The Federal Reserve** plans to raise rates above neutral by yearend. The FOMC wants to pursue a more aggressive front-loading of rate increases, increasing the probability of a recession in the US.
- **Bank of England** likely to be capped on tightening by a deteriorating economy. We're the most dovish on BoE vs the markets.

Investment consequences

- CB terminal rates: US @ 3.75% (slightly below the markets), ECB @ 1.25% and BoE @ 1.75% (both dovish vs the markets).
- Neutral on peripheral bonds, with flatter curves.

2 Lower growth and higher inflation is still the name of the game

- DM: faster deceleration to below trend growth for the US; stagnating growth for the EA with the rising risk of an outright recession.
- EM: We are revising 2022 Chinese growth on the downside, while upgrading commodity countries Brazil and South Africa.
- The war in Ukraine is having a various impact among EM countries, with some clearly benefiting from higher commodities & energy prices. The aggregate growth revision is flat, despite the downgrade to Chinese growth.

Investment consequences

- Positioning for stagflationary environment confirmed: equities still UW, OW inflation assets, UW in credit and OW govies & linkers.

3 Chinese equities: bad news is priced in

- More supportive policy signals and a gradual lift of the restrictions are leading to a more positive growth outlook
- Several factors behind the fall of Chinese equities since the beginning of 2021:
  - new regulatory reforms, impacting mainly tech and property stocks;
  - geopolitical tensions exacerbated by the conflict in Ukraine, followed by rising inflation and monetary policy tightening by most central banks around the world;
  - delisting headwinds from the U.S. Holding Foreign Companies Accountable Act (requiring the companies listed on US stock exchanges to declare they are not owned or controlled by a government);
  - Zero Covid tolerance.
- More supportive policy signals and a gradual lift of the restrictions in place (positive for growth) should stabilise the equity markets in the near future.
- China can be a good opportunity as a value trade, now that investors are looking to position themselves in an environment of high inflation.
- Fundamentals of MSCI China are calling for a rebound in the index from the correction that has taken place since 2021.

Investment consequences

- Long H shares, rates and commodities.

4 Japanese equities decoupled from the yen

- In 2021 structural and cyclical forces supported a weaker JPY: Japan's fundamentals weakened the most across DM, and ultra-loose monetary policy made JPY very attractive for funding strategies.
- We see a regime shift for 2022 onwards: fundamentals still justify a weak currency, and we see no imminent risks that the BoJ will change its dovish stance. Yet cyclical forces and competition challenges suggest most of the negative pressure should be behind us.
- Recessionary-like scenarios favour JPY and penalise Japanese equities:
  - JPY has been pushed lower by structural and cyclical forces, but if a recession occurs the currency would be among the main beneficiaries;
  - A recession would instead penalise Japanese equities, it being a cyclical market.

Investment consequences

- We see limited depreciation from current levels and expect a reversal of some of the recent losses over the next 12 months.
- USD/JPY targets, 129 in 6M (consensus: 130), 122 in 12M (consensus: 126).

GLOBAL RESEARCH CLIPS

5 Concentration risk is elevated by historical standards

- Volatility on rates is outpacing volatility in equities and FX.
- Historically, when the correlation among risk-sensitive assets rises, systemic risks turn much more acute.
- The ongoing risky assets sell-off has started with a low risk concentration as most of the move was translating into higher stocks volatility. The more the bear market has matured, the more gold and CHF have performed well, adding to the risk concentration.
- The current reading is above our internal alert, but we believe it may be too early for a mean reversion. The JPY has lagged its usual diversification pattern and its comeback may keep supporting a higher concentration.
- Although Amundi's risk concentration index is currently above the alert level, we believe it may be too early for a mean reversion.

Investment consequences

- Tactically defensive cross asset allocation: ptf beta <1 and OW cash.

6 Markets are not yet discounting a recession

- The correction has closed the overvaluation. Now beware of the challenging environment ahead.
- What is priced in: the ongoing shift towards tighter monetary policy due to the elevated inflation regime.
- What is NOT priced in: the possibility of a profits or economic recession. The current underlying market narrative is not fully discounting the deteriorating margins, or the poisoned mix of liquidity drain, the deterioration in financial conditions, and productivity disruptions that have been starting to materialise.

Investment consequences

- Prices would therefore have to correct materially lower in a scenario of slower economic activity, with a subsequent worsening in employment and a downward revision in earnings.
- We reiterate the case for a cautious allocation towards risky assets over the following months, pending more visibility on profits.

Covid-19 situation update

Pierre BLANCHET, *Head of Investment Intelligence*

As the Covid wave that led to a partial closure of the Chinese economy withdraws, a new wave seems to be emerging in Europe and North America. According to WHO data, the number of cases recorded in Europe has increased from around 900k at the end of May to more than 2.5 million at the time of writing. France is most affected at this stage followed by Germany, Spain and Italy. While the rate of serious cases remains limited in relation to the total volume of cases, there is still an increasing number of deaths. In the United States, the increase in the number of proven cases is less brutal but remains just as real. As a result, the West is about to experience a complicated summer as vacationers begin to move.

The new wave affecting Europe is driven by a new and more contagious BA5 variant of the Omicron family. Some experts are worried by the lack of responsiveness of national authorities and call for a return of social distancing and masks. However, these very unpopular measures will be difficult to put back in place in the summer. Statistics are therefore likely to deteriorate further before health measures are potentially reinstated in September. In China, zero-covid politics can quickly lead to new lockdowns as new cases have emerged in the Shanghai region. Therefore, Covid-19 will keep on affecting our daily lives and constraining economic activity.

AMUNDI ASSET CLASS VIEWS

	Asset Class	View	1M change	Rationale
EQUITY PLATFORM	US	=/+		Recession is not our base case scenario, but the continuing policy tightening by the Fed amid high inflation could have ramifications for growth, and accordingly corporate earnings. Consumption and labour markets remain strong and we are selective and prioritise value, quality and dividend oriented stocks. However, we avoid expensive growth and mega-caps.
EQUITY PLATFORM	US value	+		The sell-off over the past month failed to curtail value's outperformance but we believe investors should be selective, explore companies in less cyclical segments and maintain a quality bias. Businesses that can return excess cash to shareholders in the form of dividends, etc., in times of high inflation should be preferred, with a strong bottom-up analysis.
EQUITY PLATFORM	US growth	-		As the repricing in equities and rates continues, we think growth names whose valuations depend on cash flows way into the future could be further dragged down. While valuations have fallen in areas such as technology, they are still not cheap and hence we remain cautious overall in growth.
EQUITY PLATFORM	Europe	-	▼	The Russia-Ukraine war is exacerbating pressures on inflation and could weigh on demand in the region, thereby affecting corporate earnings (and thus valuations). In this environment, we remain watchful in the near term, and believe businesses with strong balance sheets and the ability to pass rising costs on to consumers should be able to preserve profits.
EQUITY PLATFORM	Japan	=		A deceleration in global growth could weigh on the export-driven Japanese market but a weak yen may be supportive for the country's equities. We are neutral in light of the cyclical nature of country's market.
EQUITY PLATFORM	China	=/+	▲	As the country moves towards a healthy domestic consumption-driven growth model, the desynchronization of China from the global economy, supportive policies and the economic reopening paint a better picture. We are constructive on mainland shares and remain selective.
EQUITY PLATFORM	Emerging markets	=		We remain prudent even though we see attractive valuations after the recent repricing. The case for selection and fragmentation is high as we look for commodity exporters (Brazil, UAE) and names based on strong domestic demand. Overall, we are valuation conscious and continue to prefer value over growth.
FIXED INCOME PLATFORM	US govies	=		As the Fed continues on its aggressive tightening trajectory, the pressures on core yields are twofold, coming from economic growth and higher Fed rates. We remain close to neutrality for now with a marginal negative tilt, and remain ready to adjust this stance depending on the evolution of terminal rates and inflation. We are limiting our view on TIPS.
FIXED INCOME PLATFORM	US IG corporate	=/+		We remain mildly positive on US investment grade, particularly on higher-rated credit as it offers attractive carry and the country displays strong consumption and resilient labour markets. Corporate fundamentals are also strong due to the ability of companies to pass through higher input costs to consumers. However, valuations are not cheap.
FIXED INCOME PLATFORM	US HY corporate	=		Amid a focus on liquidity and company-specific factors, we are neutral on HY. We are watching carefully for any potential spread widening caused by the Fed's aggressive monetary stance and any eventual tightening of financial conditions.
FIXED INCOME PLATFORM	European govies	=		Economic uncertainty and fragmentation risks, coupled with high inflation and a tightening ECB, warrant a close to neutral stance on duration in core Europe. However, we remain flexible and tactical in our approach across the European curves, and are closely monitoring the policy path. On peripheral debt, we are neutral. We await more clarity on the ECB's new framework to prevent fragmentation as the central bank aims to tighten policy without hurting economic growth.
FIXED INCOME PLATFORM	Euro IG corporate	=		Persistent uncertainties over growth, the ECB's hawkish overtures and concerns over earnings (due to high input costs) cloud the outlook a bit, even as corporate fundamentals remain robust for the time being. Investors should consider adding high-quality liquid securities over highly leveraged names.
FIXED INCOME PLATFORM	Euro HY corporate	=		While default rates are low for now, if the economic environment worsens we could see liquidity issues cropping up. Thus, with an aim to look for resilient balance sheets, we distinguish between HY names on the basis of liquidity and quality risks. Overall, we do not like taking directional exposure in the asset class.
FIXED INCOME PLATFORM	China govies	=/+		Chinese bonds continue to offer diversification opportunities to global portfolios. This, coupled with the PBoC's mild easing stance, should be positive for government bonds.
FIXED INCOME PLATFORM	EM bonds HC	=/+	▼	We are slightly positive on HC bonds, with a preference for HY, where we believe valuations are attractive versus IG. However, we keep a solid bottom-up selection bias.
FIXED INCOME PLATFORM	EM bonds LC	=		We see divergences in the LC universe, with a bias towards Latin America (commodity exporting) and caution on Asia. We are particularly cautious on EM FX due to higher US rates and the potential move towards safe havens.
OTHER	Commodities			In times of inflation, commodities offer solid diversification potential. We are mildly positive on oil amid expectations of supply scarcity, which should offset the moderation in demand in the medium term, even if there is near-term volatility in prices. Our 3m target for WTI is $105/bbl.
OTHER	Currencies			We see no reason for the USD rally to halt in the near term and believe the EUR/USD may reach close to parity (6m target maintained at 1.02) on the back of a hawkish Fed, productivity gains in the US and slower economic growth in Europe.

LEGEND

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	Negative		Neutral		Positive		Downgrade vs previous month	Upgraded vs previous month

Source: Amundi, as of 28 June 2022, views relative to a EUR-based investor. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation regarding any fund or any security in particular. This information is strictly for illustrative and educational purposes and is subject to change. This information does not represent the actual current, past or future asset allocation or portfolio of any Amundi product. IG = investment grade corporate bonds, HY = high yield corporate, EM bonds HC/LC = EM bonds hard currency/local currency, WTI = West Texas Intermediate, QE = quantitative easing.

DEVELOPED COUNTRIES

Macroeconomic outlook

Data as of 4/07/2022

Annual averages (%)	Real GDP growth %			Inflation (CPI, yoy, %)		
	2021	2022	2023	2021	2022	2023
World	**6.2**	**3.2**	**3.1**	**3.8**	**7.6**	**4.6**
Developed countries	**5.2**	**2.4**	**1.5**	**3.0**	**6.5**	**3.3**
US	**5.8**	**2.2**	**1.5**	**4.7**	**7.8**	**3.6**
Japan	**1.7**	**1.8**	**1.5**	**-0.2**	**1.9**	**0.3**
UK	**7.4**	**3.4**	**0.7**	**2.6**	**8.9**	**4.8**
Eurozone	**5.3**	**2.4**	**1.3**	**2.6**	**7.5**	**4.1**
Germany	2.9	1.6	1.2	3.2	8.2	4.0
France	6.8	2.3	1.3	2.1	6.0	4.1
Italy	6.6	2.6	1.0	2.0	7.3	3.9
Spain	5.1	4.2	1.4	3.1	8.0	3.3

Source: Amundi Institute

- **United States:** signs of decelerating growth are increasing as high inflation bites into consumers' disposable income and companies' margins. While we do not see activity contracting in Q2, risks to our projections remain on the downside. We do expect the US economy to grow below potential between now and yearend and to remain on a similar sub-par growth trajectory into 2023, as tighter monetary policy impacts the most interest-rate-sensitive sectors of the economy. Inflation should begin moderating by yearend but remain significantly above target as inflationary pressures continue to broaden.
- **Eurozone:** The upside revision to the Q1 GDP figure (from 0.3% to 0.6%) masks weak domestic demand, especially on the consumption side, and does not bode well for the rest of the year. Higher realised and projected inflation will translate into weaker domestic demand dynamics, making us expect broadly flat growth this year, with contraction risks concentrated in Q2 and Q4. 2023 growth expectations have also been marked down significantly on much weaker momentum entering the new year. Inflation is being revised higher on higher oil price dynamics, unabated pipeline pressures and broadening and accelerating inflationary pressures.
- **United Kingdom:** High and persistent inflation will translate into a squeeze in households' real disposable incomes and companies' margins, making a technical recession a material possibility, in line with recent monthly GDP data. Although for now we expect the economy to avoid posting two consecutive quarters of negative growth, risks remain tilted to the downside as inflationary pressures remain strong and as the hit to consumer and business confidence may not have materialised fully yet. Sequentially, we see GDP remaining on a tightrope between contraction and weak expansion, while inflation momentum remains strong, consistent with inflationary pressures staying higher for a prolonged period of time.
- **Japan:** Inflation rates have been trending up in the country but remain comfortably low. Optimism on an economic reopening is triumphing over inflation concerns for now, driving the services PMI to multi-year high in May. On the contrary, manufacturing PMI eased for the second consecutive month, reflecting the cooling global expansion and weakening external demand. On net, we expect Japan's economic recovery to gain momentum from the rebound in private consumption. Its cycle is some distance away from maturing and is still playing a post-pandemic catch-up.

Key interest rate outlook

	15-06 2022	Amundi +6M	Consensus +6M	Amundi +12M	Consensus +12M
US	**1.63**	**3.4/3.6**	**4.38**	**3.7/3.9**	**4.83**
Eurozone	**-0.5**	**1.00**	**1.14**	**1.25**	**2.2**
Japan	**0.00**	**0.05**	**-0.02**	**-0.1**	**0.18**
UK	**1.00**	**1.50**	**1.78**	**1.75**	**2.30**

Source: Amundi Institute

- **Fed:** The FOMC decided to raise its policy rates by 75 bps – its biggest hike since 1994 – with a target range now at 1.5%-1.75%. We expect the Fed will raise rates by 75bp again in July. Beyond that, we expect a 50bp increase in September and a return to 25bp increases in November before peaking at 3.75% in early 2023. Overall, the FOMC announced a sharper tightening of the policy rate through 2023 and the likely need for policy to be more restrictive next year in order to tackle inflation. With the recent developments on inflation, the FOMC wants to pursue a more aggressive front-loading of rate increases. The path to a soft landing is getting narrower.
- **ECB:** The ECB remained hawkish at its last regular meeting and will start its rate hikes with a 25bp move in July, followed by a likely 50bp in September, if the inflation picture does not improve. This should be followed by "a gradual but sustained path of further increases". At the 15th ad hoc meeting following the regular one, the ECB committed to the design of a dedicated anti-fragmentation tool and to the use of flexible PEPP reinvestments: more clarity on the new tool in terms of size and functioning is expected to come by the July meeting.
- **BoJ:** The BoJ stood firmly as a dovish outlier in June, resisting pressures from bond and FX markets to make a policy change. Governor Kuroda delivered two clear messages that: 1) BoJ will stick to the YCC in order to support the economic recovery, and an expansion of YCC band is equivalent to a tightening; and 2) a sharp yen depreciation will hurt the economy, especially business investments. His statement gained support from PM Kishida, who believes FX is only one of several factors to consider for monetary policy. We expect no change to the YCC during Kuroda's term.
- **BoE:** The BoE delivered an expected 25bp hike in June, at the same 6-3 majority of previous meetings and a minority pointing to a 50bp increase. Despite a weaker than expected growth picture, a tight labour market and persistent inflation have opened the door to a more forceful response at future meetings, sending a hawkish message, contrary to the more dovish tone of the May meeting. We expect the last move to be followed by a 25bps hike in August, and by an additional 25bps in Q4, but risks are tilted to a stronger move in August, depending mainly on coming inflation prints.

Monetary policy agenda

Central banks	Next meeting
ECB Governing Council	**July 21**
Bank of Japan MPM	**July 21**
Federal Reserve FOMC	**July 27**
Bank of England MPC	**August 4**

Source: Amundi Institute

EMERGING COUNTRIES

Macroeconomic outlook

Data as of 04/07/2022

Annual averages (%)	Real GDP growth %			Inflation (CPI, yoy, %)		
	2021	2022	2023	2021	2022	2023
World	6.2	3.2	3.1	3.8	7.6	4.6
Emerging countries	6.9	3.7	4.3	4.3	8.3	5.5
China	8.1	3.5	5.4	0.9	2.1	2.2
Brazil	4.6	1.7	1.2	8.3	10.1	5.7
Mexico	4.8	1.9	1.3	5.7	7.7	5.2
Russia	4.7	-10.0	1.3	6.7	14.8	7.9
India	9.1	7.7	5.6	5.1	7.2	6.3
Indonesia	3.7	5.2	4.8	1.6	3.9	3.8
South Africa	5.5	2.4	1.8	4.6	6.7	5.6
Turkey	11.4	4.7	3.4	19.4	72.7	30.3

Source: Amundi Institute

- **China:** Since the Shanghai reopening, the biggest debate has been how strong the recovery is. We have observed a steady but moderate pick-up in national truck flows, with one distinguishing characteristic – cross-region travel has been much restricted due to local governments' cautious stance on inbound cases, but mobility in each city has recovered more quickly. It is not a V-shaped rebound, and an economic contraction in Q2 is highly probable. Despite easing efforts, the recovery in H2 will most likely run below trend, considering the housing downturn and zero-Covid policy overhang.
- **South Asia:** In June, regional central banks didn't surprise, with RBI (India) and BSP (Philippines) hiking again by 50bps and 25bps, respectively, while BI (Indonesia) and BoT (Thailand) kept policy rates on hold. Due to the increased inflation outlook, BSP will follow through, gradually increasing policy rates. BI has decided to overlook CCY volatility for the time being, triggered by a hawkish Fed and the wait for clearer signals on firming inflation, which will happen quite soon. Finally, the BoT board has started to shift towards a less dovish stance, likely bringing forward the first rates hike (Q3).
- **Colombia:** Gustavo Petro has become Colombia's first ever leftist head of state and the Andean's region third leftist president in this election cycle. Petro ran in an ambitious platform that included tax, pension, land, and healthcare reform, a ban on new oil exploration – which is highly problematic for a twin deficit economy. He sent a message of unity and dialogue in his acceptance speech. Despite signs of moderation, a regime change is likely on its way even if of an orderly nature. Meanwhile, the economy is moderating from a robust starting point, inflation is closing in on double digits and BanRep continues to hike in a gradual but firm way.
- **Brazil:** 1H economic activity re-accelerated thanks to a robust ToT and various stimuli measures but is likely to give way to softer 2H on the back of moderating but still high inflation, a double digits SELIC, and political noise unless offset by further fiscal measures – we see GDP expanding by 1.7% in 2022. Annual inflation has likely peaked in April at 12.1% YoY with favourable base effects and tax cuts helping inflation close the year at around 8% though sequentially inflation will be moderating more slowly. The BCB has pre-announced yet another fine tuning hike in August and hinted at a high-for-longer SELIC throughout the forecast horizon.

Key interest rate outlook

	15-06 2022	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
China	3.7	3.6	3.7	3.6	3.7
India	4.9	6	5.5	6.25	5.85
Brazil	13.25	13.75	13.4	12.25	11.9
Russia	9.5	8.5	9.1	7.5	8.15

Source: Amundi Institute

- **PBoC (China):** Mortgage rates plunged again in June to their lowest level since 2014, and interbank market rates stayed ultra-low. This argues against another policy rate cut from the PBoC, as liquidity and financing conditions have loosened so much in reality. We keep rolling with a 10bp LPR cut with low conviction. Such a cut would be deployed as a sentiment booster if needed on occasion if China has another wide-scale outbreak. Even without further rate cuts, we expect the PBoC to maintain an accommodative stance in the rest of 2022, to assist the recovery and fiscal stimulus.
- **RBI (India):** In June, as expected, the RBI board voted unanimously to continue its monetary policy normalisation, raising its policy rates by 50bps, from 4.40% to 4.90%. As appeared clear in the minutes as well, the focus shifted decisively towards inflation, as, for the second time in a row, the board raised its headline inflation forecasts for FY23 to 6.7% YoY from 5.7% YoY. Our internal forecasts are still higher at 7.4% YoY for FY23. We do expect policy tightening to continue until a neutral real rate, therefore implying 100-150 bps of more hiking.
- **BCB (Brazil):** Higher for longer. COPOM raised its policy rate in June by a smaller amount than in May (and less than the Fed) 50bps to 13.25% and hinted at yet another hike of the same or smaller magnitude in August. In a slightly hawkish twist, the committee also pointed out that, in order to bring inflation to around the target interest rates needed to remain in contractionary territory for longer/over the forecast horizon. We see the hiking cycle wrapping up in August at 13.75%, when the political cycle kicks off for good, and the policy U-turn taking place only in 2Q'23
- **CBR (Russia):** The CBR cut its policy rate again by 150bps to 9.5% in June. May inflation decelerated to 17.1% YoY from 17.8% in April. The main factors behind this drop was the strengthening of the rouble and deceleration in domestic demand. The decline in the CPI came mainly from non-food items, but food and services also decelerated. Both household and business inflation expectations also are on the decline. We expect another 100bps cut from CBR over the next six months and an additional 100bps after that, bringing the policy rate to around 7.5% over a 12-month horizon.

Monetary policy agenda

Central banks	Next communication
PBoC	**July 20**
CBR	**July 22**
RBI	**August 2**
BCB Brazil	**August 3**

Source: Amundi Institute

MACRO AND MARKET FORECASTS

Macroeconomic forecasts

(4 July 2022)

Annual averages (%)	Real GDP growth %			Inflation (CPI, yoy, %)		
	2021	2022	2023	2021	2022	2023
US	5.8	2.2	1.5	4.7	7.8	3.6
Japan	1.7	1.8	1.5	-0.2	1.9	0.3
Eurozone	5.3	2.4	1.3	2.6	7.5	4.1
Germany	2.9	1.6	1.2	3.2	8.2	4.0
France	6.8	2.3	1.3	2.1	6.0	4.1
Italy	6.6	2.6	1.0	2.0	7.3	3.9
Spain	5.1	4.2	1.4	3.1	8.0	3.3
UK	7.4	3.4	0.7	2.6	8.9	4.8
China	8.1	3.5	5.4	0.9	2.1	2.2
Brazil	4.6	1.7	1.2	8.3	10.1	5.7
Mexico	4.8	1.9	1.3	5.7	7.7	5.2
Russia	4.7	-10.0	1.3	6.7	14.8	7.9
India	9.1	7.7	5.6	5.1	7.2	6.3
Indonesia	3.7	5.2	4.8	1.6	3.9	3.8
South Africa	5.5	2.4	1.8	4.6	6.7	5.6
Turkey	11.4	4.7	3.4	19.4	72.7	30.3
Developed countries	5.2	2.4	1.5	3.0	6.5	3.3
Emerging countries	6.9	3.7	4.3	4.3	8.3	5.5
World	6.2	3.2	3.1	3.8	7.6	4.6

Key interest rate outlook

Developed countries

	15/06/2022	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
US	1.63	3.4/3.6	4.38	3.7/3.9	4.83
Eurozone	-0.5	1.00	1.14	1.25	2.2
Japan	0.00	0.05	-0.02	-0.1	0.18
UK	1.00	1.50	1.78	1.75	2.30

Emerging countries

	15/06/2022	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
China	3.7	3.6	3.7	3.6	3.7
India	4.9	6	5.5	6.25	5.85
Brazil	13.25	13.75	13.4	12.25	11.9
Russia	9.5	8.5	9.1	7.5	8.15

Long rate outlook

2Y. Bond yield

	15/06/2022	Amundi +6M	Forward +6M	Amundi +12 M	Forward +12 M
US	3.37	3.4/3.6	3.73	3.2/3.4	3.73
Germany	1.18	1.2/1.4	1.63	1.2/1.4	1.78
Japan	-0.02	-0.10/0	-0.02	-0.10/0	0.01
UK	2.03	1.5/1.7	2.18	1.5/1.7	2.13

10Y. Bond yield

	15/06/2022	Amundi +6M	Forward +6M	Amundi +12 M	Forward +12 M
US	3.41	3.2/3.4	3.52	3.1/3.3	3.52
Germany	1.75	1.2/1.4	1.85	1.2/1.4	1.90
Japan	0.26	0.1/0.3	0.36	0.1/0.3	0.44
UK	2.53	2.1/2.3	2.64	2.1/2.3	2.69

Currency outlook

	17/06/2022	Amundi Q4 2022	Consensus Q4 2022	Amundi Q2 2023	Consensus Q2 2023
EUR/USD	1.05	1.02	1.09	1.10	1.11
USD/JPY	135	130	128	123	127
EUR/GBP	0.86	0.86	0.86	0.85	0.86
EUR/CHF	1.02	1.00	1.05	1.06	1.07
EUR/NOK	10.50	10.41	9.75	9.89	9.60

	17/06/2022	Amundi Q4 2022	Consensus Q4 2022	Amundi Q2 2023	Consensus Q2 2023
EUR/SEK	10.68	10.64	10.29	10.43	10.09
USD/CAD	1.30	1.35	1.26	1.23	1.25
AUD/USD	0.69	0.67	0.73	0.76	0.75
NZD/USD	0.63	0.61	0.67	0.69	0.68
USD/CNY	6.72	6.95	6.70	6.50	6.55

Source: Amundi Institute

DISCLAIMER TO OUR FORECASTS

The uncertainty around the macro forecasts is very high, and it triggers frequent reassessments any time fresh high frequency data are available. Our macroeconomic forecasts at this point include a higher qualitative component, reducing the statistical accuracy and increasing the uncertainty through wider ranges around them.

METHODOLOGY

— Scenarios

The probabilities reflect the likelihood of financial regimes (central, downside and upside scenario) which are conditioned and defined by our macro-financial forecasts.

— Risks

The probabilities of risks are the outcome of an internal survey. Risks to monitor are clustered in three categories: Economic, Financial and (Geo)politics. While the three categories are interconnected, they have specific epicentres related to their three drivers. The weights (percentages) are the composition of highest impact scenarios derived by the quarterly survey run on the investment floor.

PUBLICATIONS HIGHLIGHTS

INVESTMENT OUTLOOK

H2 2022 Investment Outlook - Life above zero: investors' journey at a time of rising rates (01-07-2022)
MORTIER Vincent, Group Chief Investment Officer - GERMANO Matteo, Deputy Group Chief Investment Officer - BLANQUE Pascal, Chairman of Amundi Institute - DEFEND Monica, Head of Amundi Institute

ASSET CLASS VIEWS

Asset Class Return Forecasts - Q2 2022 (16-05-2022)
DEFEND Monica, Head of Amundi Institute - GISIMUNDO Viviana, Head of Quant Solutions, OCIO Solutions - KIM MOON Jung Hun, CFA, Senior Quantitative Analyst, OCIO Solutions - PORTELLI Lorenzo,Head of Cross Asset Research, Amundi Institute

Asset Classes Views annual edition 2022: Keeping up with climate change (25-03-2022)
BLANQUE Pascal, Chairman Amundi Institute - DEFEND Monica, Head of Amundi Institute - GISIMUNDO Viviana, Head of Quant Solutions, OCIO Solutions - KIM MOON Jung Hun, CFA, Senior Quantitative Analyst, OCIO Solutions - PORTELLI Lorenzo,Head of Cross Asset Research, Amundi Institute

SHIFTS & NARRATIVES

Shifts & Narratives #20 - Stagflation and its roots in capital misallocation (9-06-2022)
BLANQUÉ Pascal, Chairman Amundi Institute

Shifts & Narratives #19 - The fiscal illusion: no free lunch for investors (02-06-20222)
BLANQUÉ Pascal, Chairman Amundi Institute

Shifts & Narratives #18 - The power of narratives for investors (02-06-2022)
BLANQUE Pascal, Chairman Amundi Institute - BEN SLIMANE Mohamed, CHERIEF Amina, LE GUENEDAL Theo, SEKINE Takaya, STAGNOL Lauren, Quantitative Research, Amundi Institute

INSIGHTS PAPERS

Insurers' buy and maintain portfolios and sustainable investment (05-07-2022)
DAUPHINE Gilles, Head of Credit and Insurance Business – Fixed Income - MUNERA Romain, Head of Buy & Maintain - MULLER Raphael, Head of Buy and Maintain third party client

ESG journey is set to accelerate in credit markets (20-06-2022)
D'ORSAY Amaury, Head of Fixed Income - DAUPHINE Gilles, Deputy Head of Fixed Income - de FAY Alban, Head of Fixed Income SRI processes and Credit Portfolio Manager – Vannier Hubert, CFA, Head of Secured Assets

WORKING PAPERS

Credit Factor Investing with Machine Learning techniques (01-07-2022)
Amina CHERIEF - Mohamed BEN SLIMANE, Quantitative Research, Amundi Institute - DUMAS Jean-Marie, Head of Fixed Income Solutions - FREDJ Hamza, Fixed Income Solutions Portfolio Manager

Monitoring Narratives: an Application to the Equity Market (07-04-2022)
Pascal BLANQUÉ, Chairman of Amundi Institute - Mohamed BEN SLIMANE, Amina CHERIEF, Théo LE GUENEDAL, Takaya SEKINE, Lauren STAGNOL, Quantitative Research, Amundi Institute

Multi-Period Portfolio Optimization and Application to Portfolio Decarbonization (06-04-2022)
Edmond LEZMI - Thierry RONCALLI - Jiali XU, Quantitative Research, Amundi Institute

The shift from Carbon Emissions to Net Zero Carbon metrics on Portfolio Construction - Key Findings (17-03-2022)

PUBLICATIONS HIGHLIGHTS

INVESTMENT TALKS

Focus on Spain: macroeconomic projections and fixed income view (28-06-2022)
BERTONCINI Sergio, Senior Fixed Income Research Strategist - MARASCIULO Cosimo, Deputy Head Alpha Fixed Income Euro - USARDI Annalisa, Senior Macro Strategist Cross Asset Research

Macroeconomic projections for the Italian economy and fixed income implications (28-06-2022)
BERTONCINI Sergio, Senior Fixed Income Research Strategist - MARASCIULO Cosimo, Deputy Head Alpha Fixed Income Euro - USARDI Annalisa, Senior Macro Strategist Cross Asset Research

French elections results open a phase of political gridlock (21-06-2022)
MORTIER Vincent, Group Chief Investment Officer - BLANCHET Pierre, Head of Investment Intelligence, Amundi Institute

14-15 June FOMC meeting: Fed becoming worried about inflation expectations (17-06-2022)
DUENSING Jonathan, Head of US Fixed Income - ROWE Timothy, Director of Multi-Sector Fixed Income - UPADHYAYA Paresh, Director of Fixed Income and Currency Strategy

A (stag?)flationary tantrum: assessing the current market sell-off (16-06-2022)
Vincent MORTIER, Group Chief Investment Officer - Monica DEFEND, Head of Amundi Institute

Navigating an inflationary environment in US and global equities (23-05-2022)
PIRONDINI Marco,Head of Equities, US Portfolio Manager - MURRAY Alec, Head of Equity Client Portfolio Management

3-4 May FOMC meeting: 50bp interest rate hike is bullish for markets (09-05-2022)
DUENSING Jonathan, Head of US Fixed Income - ROWE Timothy, Director of Multi-Sector Fixed Income - UPADHYAYA Paresh, Director of Fixed Income and Currency Strategy

War and Net Zero offer opportunities across the commodity universe (26-04-2022)
Lorenzo Portelli, Head of Cross Asset Research, Amundi Institute - Francesco SANDRINI, Head of Multi-Asset Strategies

THEMATIC PAPERS

ESG Thema #10 - There is no place like Earth: How investors can address biodiversity loss (6-07-2022)
MINTON Molly, ESG Analyst, Apparel and Consumer products - FOLL Julien, ESG Analyst

Emerging Market Green Bonds - Report 2021 (09-06-2022)
SYZDYKOV Yerlan, Global Head of Emerging Markets - LUND Susan, Vice President, Economics and Private Sector Development, IFC

ESG Thema #9 - Engaging on Human rights: Identifying risks and promoting best practices (26-04-2022)
Maury Chloé, ESG Analyst

INVESTMENT INSIGHTS | MARKET STORIES

The energy crisis heightens inflation fears - Strategies to protect portfolios from inflation risk (21-04-2022)
Pascal BLANQUÉ, Chairman of Amundi Institute -Monica DEFEND, Head of Amundi Institute - Claudia BERTINO, Head of Investment Insights, Amundi Institute - Ujjwal DHINGRA, Amundi Investment Insights Unit - Laura FIOROT, Deputy Head of Investment Insights, Amundi Institute - Lorenzo PORTELLI, Head of Cross Asset Research, Amundi Institute

DISCUSSION PAPERS

The embarrassing legacy of financial capitalism: implications for investors (09-06-2022)
BLANQUÉ Pascal, Chairman Amundi Institute

The myth of the fiscal free lunch: beware of the trap. An investor's viewpoint (02-06-2022)
BLANQUÉ Pascal, Chairman Amundi Institute

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CROSS ASSET INVESTMENT STRATEGY

July-August 2022 #07-08

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Date of first use: 8 July 2022

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

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