Amundi Investment Institute

February 2024

CROSS ASSET
INVESTMENT STRATEGY

TOPIC OF THE MONTH

Japan equity: top performer in 2023; remains attractive option for 2024

GLOBAL INVESTMENT VIEWS

A challenging rate-cut path for central banks

Monica DEFEND
Head of Amundi
Investment Institute

"The US equity markets continue to be supported by resilient consumption. But high valuations and economic uncertainty keep us vigilant."

Vincent MORTIER
Group Chief Investment Officer

"The economic backdrop is still pointing to a pronounced slowdown. A fundamental approach, with a global focus is key at this stage of the cycle."

Matteo GERMANO
Deputy Group Chief
Investment Officer

"Asia is the area that we favour the most at the moment, starting with Japan equity, India and Indonesia."

February 2024

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Japan equity: top performer in 2023; remains attractive option for 2024

KEY TAKEWAYS: Three key arguments support the Japanese market: 1) a recovery in profits; 2) a strong incentive from the Tokyo Stock Exchange for companies to improve their capital efficiency; and 3) the shift out of deflation is boosting a market rerating. Risks to these positive arguments are mostly linked to the Yen, especially if it were to rise. Not hedging the Yen in 2024 could therefore be an attractive option.

Eric MIJOT
Head of Global Equity Strategy - Amundi Investment Institute

Claire HUANG
Senior EM Macro Strategist - Amundi Investment Institute

Federico CESARINI
Head of DM FX - Amundi Investment Institute

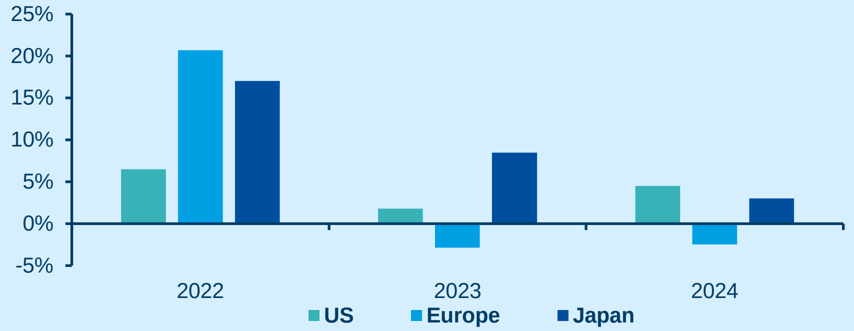
Japan's ongoing equity revival

Japan's equity market is at a historical high in total return terms and in price return terms it is at its highest level in almost 34 years. It was one of the top performers in 2023. The TOPIX (Tokyo Stock Price Index) gained +25% compared to +20% of the MSCI ACWI. This robust performance is unlikely to be replicated with the same strength in 2024, but the outlook for the market remains favourable.

The arguments supporting a positive stance still seem credible to us:

- **Firstly, earnings growth in Japan's market remains attractive.** It was higher than that of the US market in 2022 and 2023, and was less volatile than that of Europe. For 2024, the Ibes consensus forecast at +7.6% is less than that for the MSCI ACWI (+10%), but unlike for the other markets (notably the Pacific excluding Japan), its forecast for the TOPIX is regularly revised upwards. The 6.9% average fall in the Yen versus the US Dollar in 2023 was a positive factor behind market performance, which will be difficult to replicate in 2024 and justifies lower earnings growth than in 2023. In addition, Domestic Demand is proving lacklustre, either in Households Consumptions or Private Capex, as reported in the preliminary 2023 Q4 GDP release. Recovery ahead is moderate, with inflation only slowly decelerating and gradually increasing Households pricing power. Meanwhile, global growth should slow further (+2.4% in 2024 compared to +3.1% in 2023).
- **Secondly, the reforms introduced by the TSE (Tokyo Stock Exchange) in March 2023 will continue to produce positive effects in 2024.** The aim is to encourage companies with a P/BV (price-to-book ratio) of less than 1x (43% of companies had a P/BV lower than 1x versus 5% in the US and 24% in the EU, according to TSE's calculation) to implement measures to improve this by March 2025. In other words, returns on equity should increase and not only through buybacks.

Earnings growth in US, Europe and Japan



Source: IBES data for 2022, 2023 and Amundi Investment Institute forecasts for 2024.

"Japan is in the middle of a rerating process, even if not without risks."

In mid-January 2024, the TSE published the names of the 660 companies that have already taken action, which should encourage them to continue and others to follow.

- **Lastly, the Japanese market should continue its rerating.** By definition, the TSE reform works in favour of market rerating. The end of the deflationary environment, which has long penalised the equilibrium levels of Japanese P/Es, has been a key underlying factor in performance in 2023 (77% contribution to the total return performance of the MSCI Japan). The market's P/E has now returned to its average of the last 12 years, at around 14x 12-month forward earnings. Wage negotiations in the spring should lead to wage rises for the second year running and that should be sufficient to confirm a scenario of an end to deflation and confirm the market's continued rerating above its average of recent years.

The risks to these positive arguments are mostly linked to the Yen. A strong comeback by the Yen, should global equity volatility increase sufficiently in 2024 to encourage the unwinding of carry trades, would weigh on the performance of Japan's equities in local currency. It would penalise profits and, everything else being equal, slow the process of increasing inflation, weighing on valuations at the same time. For international equity investors, not hedging the Yen in 2024 could thus be an attractive option.

Japan's macro and currency scenario

Macro

We expect volatile but above-trend growth in Japan, propelled by the export cycle and reshoring of business capex; the latter supported by strong earnings, high-capacity utilisation and labour shortages. Private consumption will continue on a gradually recovering path, as wage and price dynamics show signs of improvement.

The new core CPI (ex. fresh food and energy) softened further to 3% YoY in January from the summer peak of 4.3% YoY. Inflation expectations and underlying inflation measures have moderated, indicating softer inflationary pressures. **The critical question is whether this trajectory will lead Japan back into deflation. We do not believe so** and we expect core CPI inflation to register an annual increase of around 1.5% in Q4 2024 and 2025 – a sustained moderate inflation rate which shows Japan is likely to steer clear of deflation.

Central Bank

Contrary to our predictions, the BoJ maintained its negative interest rate policy (NIRP) in January. We hold our view that **the Bank will seize the once-in-decades opportunity to normalise its monetary policy**, but with a 0% terminal rate, implying no initiation of a rate hiking cycle.

While the BoJ has the discretion to choose the optimal moment for policy adjustment, the window for ideal conditions is likely to narrow after May, due to the expected policy easing by other major central banks. In fact, Governor Ueda did not rule out the possibility of a policy shift in March, leading us to consider both March and April are probable for a hike.

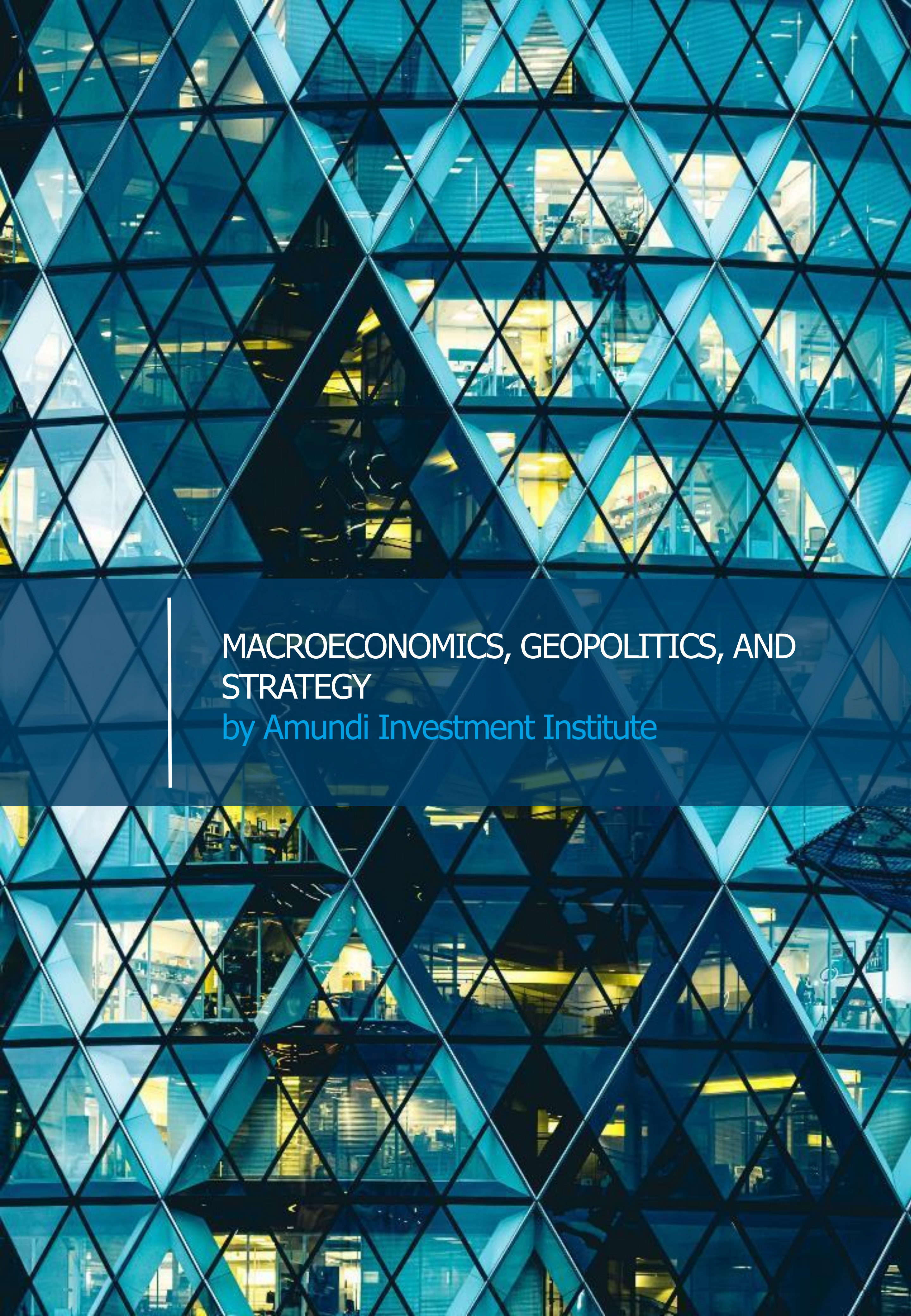
In its January Outlook for Economic Activity and Prices, the BoJ continued to forecast a gradual increase in underlying CPI inflation towards achieving the price stability target. Furthermore, the Bank has upgraded its assessment since October, stating *"the likelihood of realising this outlook has continued to gradually rise".*

Currency

From a fundamental perspective, the trend for the JPY seems higher from here as:

1. PPP models currently suggest a 40%+ discount versus the USD and
2. The currency is getting cheaper and cheaper compared to the relative advances in Japan's trade balance and commodities' terms of trade.

Yet catch-ups with fundamentals usually require a trigger, which for the JPY trade lies in investors' propensity to unwind carry positions. As a proper hiking cycle doesn't seem on the cards for the BoJ, we keep the view that US rates and global growth will matter more for the currency. In our baseline of a US pronounced economic slowdown, we see USDJPY reaching 135 at the end of 2024, but expect both a slow and non-linear process, where the USD cycle still plays the major role. A more pronounced growth shock is required for more sustained and broad-based JPY appreciation, in our view.



MACROECONOMICS, GEOPOLITICS, AND STRATEGY

by Amundi Investment Institute

Red Sea: a new supply chain and inflationary shock in the pipeline?

Mahmood PRADHAN
Head of Global Macroeconomics - Amundi Investment Institute

Annalisa USARDI, CFA
Senior Economist – Amundi Investment Institute

"At this stage, we think the impact is more regional than global, with Europe more impacted than other regions."

Disruption in the Red Sea is prompting speculation around inflationary shocks just as in the Covid era. So, what differs today from the post-Covid experience to make the impact more micro than macro and more regional and sector-specific than global?

There are three main factors to consider:

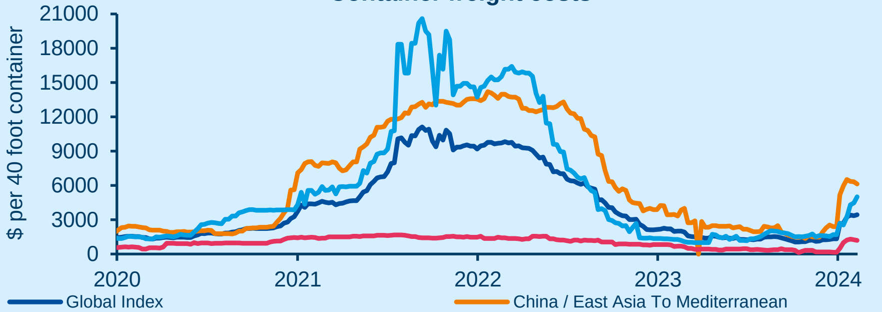
1. **Goods are traded, ports are open and trade flows continue**, although it is taking longer and is more expensive;
2. **The shock is more regional than global**, as not all regions are affected equally (the most affected trade route is Southeast Asia to Europe);
3. **Not all goods are affected in the same way** (more sector/industry impacts).

Supply chains and inflation are the shock's main channels of transmission, while the location of the country, and the breadth and duration of the disruption are the dimensions relevant to sizing the economic impact:

- **Supply chain disruptions as of now appear to be more temporary.** They may occur for some weeks as rerouting has led to some delays, but trade flows are continuing and there is some excess capacity among shipment companies which could be deployed to restore shipment flows should the difficulties in the Red Sea persist;
- **The inflation impact is clearly linked to the duration of the shock** and the set of goods involved; at this stage, we have not revised our inflation or macro outlooks but, as the geopolitical situation evolves, key factors to watch are the duration of this stress and whether it also spreads to energy goods or remains limited to some specific categories.

As a consequence, at this stage, we think the impact is more regional than global, with Europe more impacted than other regions. In the short term, companies may be willing to absorb higher costs with margins and avoid pass-through to consumer prices as demand is not particularly strong: retailers are still overstocked and goods demand is weakening as consumer demand has already shifted from goods to services. If the stress extends in duration there may be higher pass-through by companies but, again, we think it will be sector-related and not widespread across all goods. In the context of a wider disinflationary trend in goods, an increase in a limited subset may not significantly impact the expected overall inflation dynamics.

Container freight costs



Source: Amundi Investment Institute, Bloomberg. Data is as of 9 February 2024.

CHINA

Lowflation era

To truly comprehend China's economic reality, one indicator cuts through the noise: CPI. December's CPI dropped for the third straight month by 0.3% YoY, bringing the full-year rate to 0.2%, considerably lower than the expectation of over 2% at the beginning of 2023. **We expect low inflation for China to persist, with our CPI forecasts significantly below consensus at 0.2% and 0.4% for 2024 and 2025, respectively.**

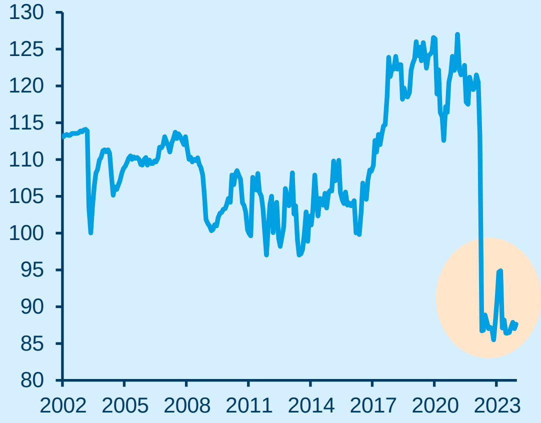
Claire HUANG
Senior EM Macro Strategist - Amundi Investment Institute

"Since 2021, consumer confidence has plummeted, savings increased and spending growth declined."

The palpable decline in consumer confidence has led to increased savings and reduced spending growth.

The labour market will experience a slow burn, while the average Chinese household faces the dual blows of wealth and income shocks. Specifically, we are likely to see a further decline in housing prices, coupled with persistently low consumer confidence.

Consumer confidence index



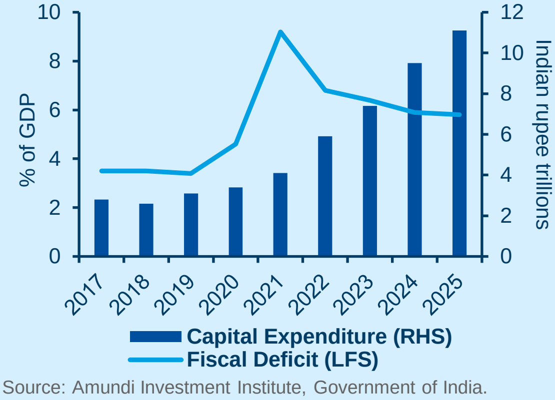
Source: Amundi Investment Institute, CEIC. Data is as of 17 January 2024.

INDIA

Union Budget, no compromise

The Finance Minister announced the **next Fiscal Year Budget** (FY25, April 2024 to March 2025). Key messages were: **a continuous capex push to sustain growth and a stronger commitment to fiscal consolidation.** On a steep uptrend since 2021, capital expenditure continues to rise (+16.9% budgeted in FY25 compared to FY24): highways, electrification, port traffic and airports. In line with commitments made in the Budget for FY22 (Fiscal Deficit at 4.5% by FY26), the Ministry of Finance is committing to a large fiscal consolidation in FY25: FD at 5.1% from 5.8%. Between the lines, the FY25 Budget sends another important message: as the General Elections approach (April and May), the incumbent cabinet is showing a **certain degree of confidence about remaining in power with few compromises to pre-electoral spending.**

India Budget



Source: Amundi Investment Institute, Government of India. Data is as of February 2024.

Alessia BERARDI
Head of Emerging Macro and Strategy Research – Amundi Investment Institute

"No fiscal slippage despite the announcement of more pre-election measures."

Macroeconomic snapshot

With the second half of 2023 remaining resilient and above potential, the US economy has started the year on a stronger footing, but we still see weakness as the year progresses. Several factors that we monitor are pointing in the direction we expect, yet we acknowledge that others – such as financial conditions – have eased, making the picture more blurred. We continue to expect inflation to decelerate thanks to moderating services inflation, although so far it has remained sticky.

After the weak Q3 print, GDP growth in Q4 23 was flat. Tighter monetary policy transmitted relatively quickly into credit growth and is negatively impacting demand and business confidence. Weaker global growth and less supportive fiscal policy will ensure growth remains lacklustre for the next few quarters. Inflation will progressively slow towards target, although this will be faster for headline inflation than for core.

We expect weak growth for the UK in 2024 due to slowing domestic demand, a deteriorating labour market and weak capex spending; tight monetary policy, a weak external environment and ongoing elevated inflation will cap economic momentum. Yet, the fiscal side may provide some modest support. Inflation is expected to moderate going forward, moving closer to target around year-end 2024.

The Turkish central bank raised its interest rate by 250bps to 45% and signalled an end to the tightening cycle as it sees improvement in the macroeconomic backdrop. Indeed, domestic demand is decelerating and the current account is rebalancing. We expect inflation to continue to rise and peak above 70% YoY in May, retrenching thereafter to 40% YoY by the end of 2024. However, risks remain tilted to the upside especially if the Lira depreciates badly.

The National Bank of Hungary (NBH) unexpectedly maintained the pace of its base rate cuts at 75bps, even though recent comments from Deputy Governor Barnabas Virag meant the consensus was expecting 100bps. According to the press release, the global and domestic macroeconomic environment has improved and would have justified a higher cut. Yet, the volatility of the market regarding risk appetite, as well as the uncertainty about EU funds, prompted caution by the NBH. Going forward, both 75 and 100bps cuts will be on the table.

Chile's economy is slowly picking up after several quarters of contraction and stagnation while inflation is back within the target range and quickly heading towards the middle of it. The central bank (CB), meanwhile, is cutting rates at a fast and furious pace, targeting a neutral stance (of 4%) in H2 24. Clearly, the CB is more concerned about falling behind the inflation curve than about FX. The pension reform has cleared the Lower House in a much-diluted form suggesting President Boric's agenda will not progress much further.

Weak economic activity in Brazil in H2 23 should inflect higher in early 2024 as another strong harvest, lower rates and some fiscal stimulus (via 'precatorios') provide some tailwinds. Headline inflation is already within the target range and continues to head lower. The central bank seems happy with the current easing pace of 50bps/per meeting and is guiding for more of the same as long as fiscal policy remains prudent, with the latter generating some noise recently amid the ambitious and unrealistic 2024 budget proposal.

EM and DM Central Banks are being prudent in the short term

Developed markets

There were no big surprises from the latest monetary policy meetings, but the disinflationary process was confirmed. Even so, **Central Banks remain cautious about the pace of disinflation**, especially in the service sector and will continue to monitor the evolution of the labour market, which has been highly resilient. Geopolitical tensions are also an upside risk to inflation. **Our attention is on the risk of overtightening in the Eurozone and the ECB again falling behind the curve.** The dichotomy is widening between the US and the Eurozone:

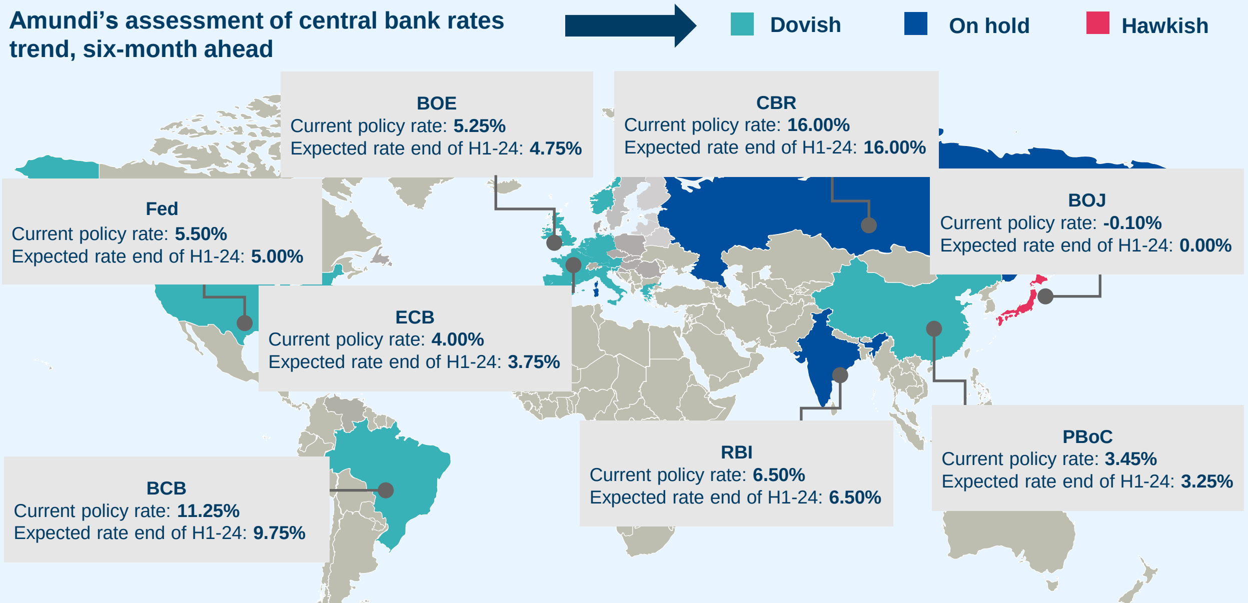
- Monetary policy has a much faster impact on the economy in the Eurozone than in the United States.
- The disinflationary process also appears more rapid in the Eurozone than in the US.

We expect the ECB to adopt a more dovish tone in March/April. March projections will constitute "A Big Set Of Information". Meanwhile, we hold our view that the Bank of Japan will seize this once-in-decades opportunity to normalise its monetary policy, but with a 0% terminal rate, implying no initiation of a rate hike cycle.

Emerging markets

On the back of benign inflation reports at the end of 2023, market expectations – as well as some Central Bank rhetoric – had turned more aggressively dovish implying either lower terminal policy rates and/or a faster easing pace. However, with the March first cut by the Fed now priced out and poor performance for EM FX in January, this excessive optimism has moderated, indicating a **return to a more prudent monetary policy conduct**. The National Bank of Hungary and the Central Bank of Colombia have cut their policy rates less than the consensus expected (75bps instead of 100bps and 25bps instead of 50bps respectively). Having said that, **the easing cycle by EM Central Banks is continuing**, still mainly concentrated in LatAm and Eastern Europe, and is well supported by the ongoing disinflationary trend and mindful of softening economic conditions. Central Banks in the main Asia countries, with the exception of China, are still in no rush to ease, with real rates being only slightly positive. Looking at more idiosyncratic stories, the Central Bank of Turkey should have reached the peak of its hiking cycle at 45% and is now assessing the inflation dynamics, which are expected to peak in Q2 2024.

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



Source: Amundi Investment Institute as of 8 February 2024. Amundi's assessment of central bank rates trend is based on Amundi Institute's forward-looking judgement of policy rates direction, based on our intake from forward guidance and CB communication.

KEY DATES	7 March	20 March	21 March
	ECB Governing Council meeting	US Federal Open Market Committee (FOMC) meeting	BOE Monetary Policy Committee meeting

GEOPOLITICS

Ukraine will face a difficult 2024

Anna ROSENBERG
Head of Geopolitics - Amundi Investment Institute

"Trump could offer Putin an off-ramp – but it is not a given that Putin would stop the war."

Despite difficulties in approving new financing, **the West is likely to keep supporting Ukraine with 'just enough' to maintain defensive positions in 2024. The geopolitical consequence of Russia making significant gains in Ukraine is not (yet) politically acceptable** for Western leaders. Both the EU and the US are likely to announce new financing for Ukraine in the coming weeks and months. Beyond the short term, **the (partial) use of Russia's frozen assets will become more likely with time.** Apart from the financing, 2024 could be a difficult year for Ukraine. Since Ukraine managed some territorial gains in 2023, Russia has been able to take a few kilometres back. The fighting will most likely continue throughout 2024, with Ukraine being most likely in a defensive position. It is unlikely that Ukraine will receive the military aid that could make a decisive change given the evolution of Russia's war strategy. Europe has so far been unsuccessful in ramping up weapons production sufficiently. **After the March election, Russia is likely to attempt new territorial gains.** Russia will try these territorial gains ahead of a possible ceasefire brokered by Donald Trump, should he be voted into office, because ceasefires are based on the territorial status quo. **However, in 2025 things could develop very differently as previous wars have shown.**

POLICY

European defence at a crossroads

Didier BOROWSKI
Head of Macro Policy Research - Amundi Investment Institute

"Since the early 1990s, social spending has swallowed up the peace dividend."

Russia's invasion of Ukraine has changed the face of European security. With the possible return of Donald Trump to the White House in 2025, European countries, particularly those in NATO, will have to do more to ensure their own security. **Increased defence spending is imperative**. But the state of public finances in most countries makes this a daunting task for Europeans. With higher interest rates, debt charges will continue to rise and increase the pressure on public finances. **For 7 of the 25 European countries** that are members of NATO, **the interest burden already exceeds defence spending**. It is estimated that **European countries as a whole have reaped €1,800 billion since 1990 by reducing their defence spending below NATO's 2% target**. Returning to this target requires effort at the very time when European countries need to invest in transforming their economies, while at the same time putting their public finances on a sounder footing. European countries would have to allocate almost 5% of their public spending to defence to achieve the 2% target. On the face of it, this target seems achievable. Indeed, during the Cold War, most European countries devoted at least that proportion of their budget to defence. Since then, however, social spending has grown much faster than GDP and there seems to be no way back. **The creation of a European 'off-budget' defence fund seems the only conceivable option** for meeting Europe's new security challenge. The sooner the better.

Central and alternative scenarios

	DOWNSIDE SCENARIO Prob. 20% Global downturn	CENTRAL SCENARIO Prob. 70% Slowdown in global growth	UPSIDE SCENARIO Prob. 10% Economic resilience
Geopolitics	▪ Worsening Ukraine war. ▪ Extension of the conflict in the Middle East / Red Sea. ▪ More protectionism and increased retaliation to protectionist measures.	▪ Ukraine-Russia: ongoing fighting. ▪ Israel: Conflict likely to remain local. A likely new temporary truce. ▪ China/US: a controlled downward trajectory. ▪ More protectionism, near-shoring / friend-shoring.	▪ De-escalation / ceasefire in Ukraine. ▪ End of the Israel-Hamas war. ▪ Lower energy / food prices.
Inflation and policy mix	▪ Sticky core inflation leads to tighter financial conditions. ▪ Financial stress. ▪ **Two sub-scenarios** with different paths for key rates: **modest recession:** inflation risks may still prevail; and **strong recession**: large rate cuts as soon as H1 2024. The second is the most likely.	▪ Inflation to slow gradually; sticky core inflation, should approach target by end-2024. ▪ DM CB: status quo, no rate cuts before end-Spring ▪ Fed Funds -125bp by end-24. ECB -125bp, with a first rate cut in June 2024. ▪ Most EM CBs have hit peak rates. Rate cuts expected in some countries, particularly in LatAm. ▪ Very different fiscal policies in different countries. EU fiscal policies to tighten. The US fiscal impulse (IRA, CHIPS act) to lose steam in 2024. EM fiscal space constrained amid prudent stance. Moderate fiscal measures in China to contain the slowdown.	▪ In line with expectations of gradual reduction of interest rate.
Growth path	▪ More widely spread recessionary outlook (global growth below 2%).	▪ Global slowdown with sharp divergences at a country level: very anaemic growth in Europe (with growing recession risks in H1), a strong economic slowdown in the US (Q2-Q3), marked slowdown and rapid transition to a slower growth regime in China. ▪ Growth gap to still favour EM in 2024-25.	▪ In case of pronounced cyclical disinflation, we could see a faster-than-expected return to potential growth in 2024, particularly in Europe, where household savings are abundant. ▪ IMF- or ECB-type scenario.
Climate change	▪ Climate transition measures postponed: more climate events hitting supply chains or food security.	▪ Climate change hampers growth and exacerbates stagflationary trends.	▪ Climate change policy and energy transition are top priorities and coordinated across regions.

Risks to central scenario

HIGH ← PROBABILITY → LOW

	25%	20%	15%	15%
	Geopolitical risk and war escalation	Macro financial risks triggered by tighter credit and liquidity conditions	Deep profit recession	Persistent stagflationary pressure (US / Europe)
Market impact +	**Positive** for DM govies, cash, gold, USD, volatility, defensive assets and oil.	**Positive** for US Treasuries, cash, and gold.	**Positive** for cash, JPY, gold, quality vs growth, and defensives vs cyclicals.	**Positive** for TIPS, gold, commodity FX, and real assets.
Market impact –	**Negative** for credit, equities and EM.	**Negative** for credit.	**Negative** for risky assets and commodity exporters.	**Negative** for bonds, equities, DM FX and EM assets.

Source: Amundi Investment Institute as of February 2024. DM: developed markets. EM: emerging markets. CB: central banks. USD: US dollar. TIPS: Treasury inflation-protected securities. FX: foreign exchange markets..

Liquidity-Adjusted Valuation for S&P500

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

"Liquidity conditions are key in assessing financial market valuations, as unconventional monetary policy remains a key tool for Central Banks."

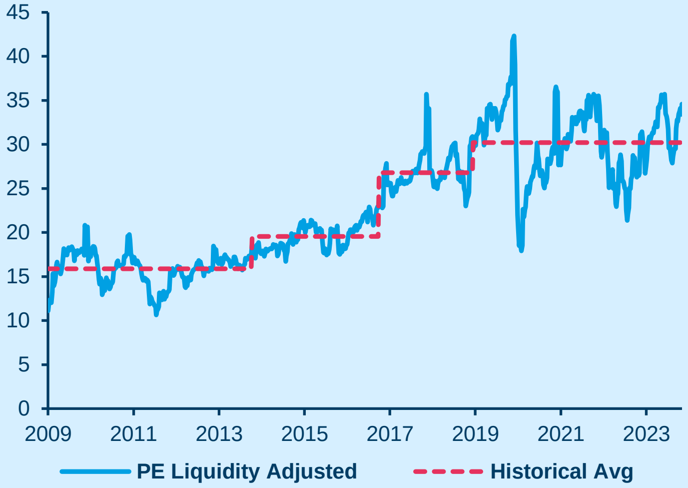
What is the model about?

- **The rationale:** Unconventional Monetary Policy and liquidity abundance dramatically changed the way valuations are assessed, not only for bonds but also for risky assets and, in this instance, equity. The expansion of Central Banks' balance sheets and the recent Reverse Repurchase Agreement (RRP or Reverse Repo) boosted multiples beyond what earnings and rates expectations would have suggested, hence the need to enhance the typical valuation framework with a liquidity factor.
- **Model setup:** the ***Liquidity-Adjusted Valuation for the S&P500*** is calculated by using the time-weighted average of current and next year's price-earnings for the index. The liquidity adjustment consists of dividing these valuations by the Fed's balance sheet corrected by the reverse repo amount. From the resulting historical ratio (solid blue line in the below chart) we can then identify "regimes" that represent **dynamic reference values,** reflecting the evolution of investors' risk appetite over time (dotted red line in the below chart). Historically, the main drivers of such regime shifts have been swings in the economic backdrop and/or the monetary policy stance.
- **Considered variables:** A Reverse Repo Agreement is a liquidity-maintaining method used by Central Banks. In an RRP the Central Bank sells bonds with the agreement of buying them back later at a slightly higher price. Therefore, an increase in the amount of reverse repos (as actioned by the Fed from March 2021 to May 2023) means that the supply of money in the market decreases, while the opposite happens when the amount of RRP agreements diminishes (what has happened on the Fed's balance sheet since June 2023 onwards).
- **Model output:** as the Liquidity Adjusted PE drifts away from its reference regime level, the S&P500 index is considered expensive (at a premium) when above such threshold, while cheap (at a discount) when below.

What are the current signals?

- The equity rally that started in November 2023 has closed the undervaluation gap that briefly occurred in October last year. The S&P 500 is currently not cheap when measured against the still abundant liquidity in the system.
- The Reverse Repo programme has offset the restrictive impact of the Fed's quantitative tightening (from June 2023 onwards) but this effect is going to fade as the programme is expected to be depleted soon.
- Given the current levels of balance sheets and still very optimistic earnings expectations, markets could be vulnerable to a correction.

SP500 PE Adjusted for liquidity



Source: Amundi Investment Institute, Bloomberg. Data is as of 24 January 2024.

Equities in charts

Developed markets

The broadening of the Nov-Dec rally faded

In January, Mega Caps and IT took the lead again, while Small Caps, Energy, Materials, Utilities and Real Estate weakened.

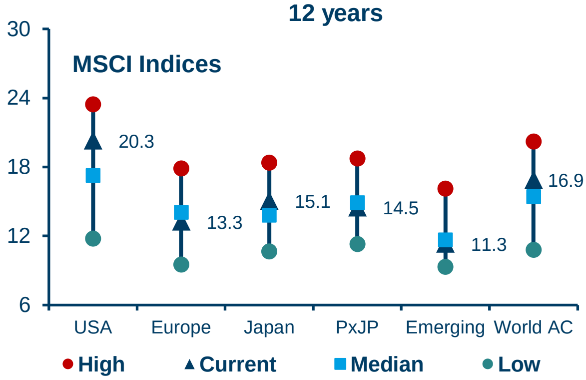
MSCI ACWI & MSCI ACWI Equal Weighted

Source: Amundi Investment Institute, Datastream. Data is as of 31 January 2024.

US P/E extends further, followed by Japan

While the valuation gap between the US and Europe is extreme, Japan, January's best performer, is now printing a slightly higher-than-average PE.

Price-Earnings Ratio 12M forward since 12 years



Source: Amundi Investment Institute, Datastream. Data is as of 31 January 2024.

"US mega caps and Japan were back in the driving seat in January."

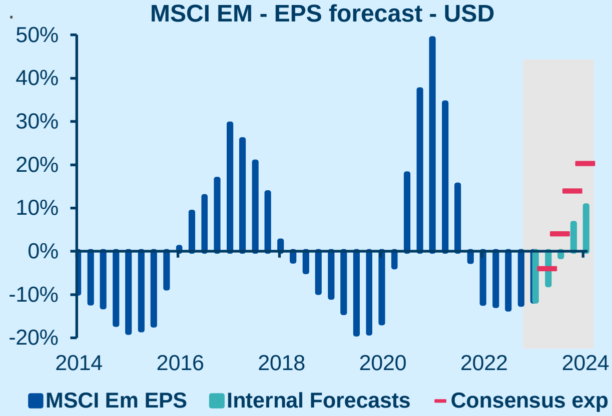
Eric MIJOT
Head of Global Equity Strategy - Amundi Investment Institute

Emerging markets

EPS forecasts rising towards Q4 2024

Current trailing Earnings Per Share YoY numbers are still negative for MSCI EM in USD (Q4 2023 -12%). Earnings expectations for Q4 2024 are +11%.

MSCI EM - EPS forecast - USD

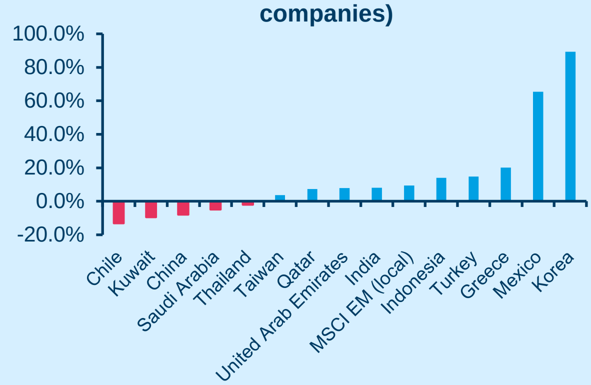


Source: Amundi Investment Institute, Factset, Bloomberg. Consensus based on data from IBES. Data is as of 15 January 2024.

Earnings season: positive surprises so far

As of 5th February, only 15% of companies have reported Q4 2023 earnings but, so far, surprises at an aggregate level are positive.

Q4 2023 surprises (average % on all the companies)



Source: Amundi Investment Institute, Capital IQ. Data is as of 5 February 2024.

"We expect positive numbers for EPS in Q4 2024 for MSCI EM in USD, yet below consensus."

Alessia BERARDI
Head of Emerging Macro Strategy – Amundi Investment Institute

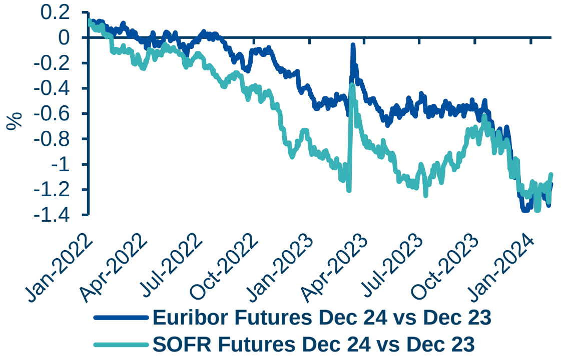
Bonds in charts

Developed markets

Pricing of rate cuts in 2024

The rapid fall in inflation at the end of 2023 triggered a sharp repricing of Fed and ECB monetary policy for 2024.

Pricing of rate cuts in 2024 for the Fed and ECB

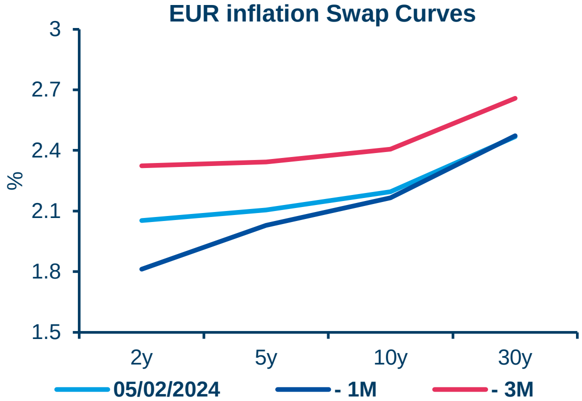


Source: Amundi Investment Institute, Bloomberg. Data is as of 5 February 2024. SOFR: Secured Overnight Financing Rate.

Declining inflation expectations in EZ

With inflation surprising strongly to the downside in the Eurozone (EZ), investors' expectations have adjusted sharply.

EUR inflation Swap Curves



Source: Amundi Investment Institute, Bloomberg. Data is as of 5 February 2024.

"The ECB and Fed are expected to deliver roughly the same amount of easing in 2024."

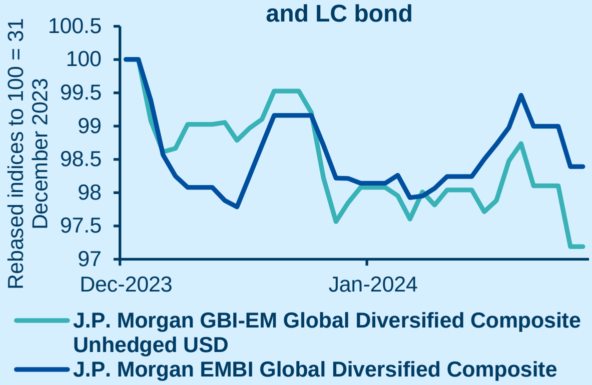
Valentine AINOUZ
Head of Global Fixed Income Strategy - Amundi Investment Institute

Emerging markets

A negative beginning of 2024 for EM bonds

EM bonds, both in hard and local currency (HC and LC), show a negative performance year to date.

Negative YTD performance for EM HC and LC bond

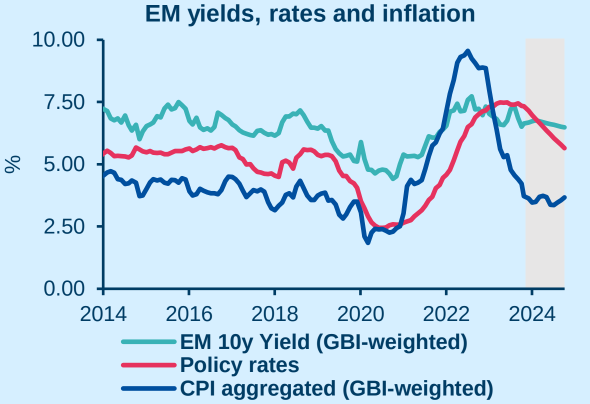


Source: Amundi Investment Institute, Bloomberg. Data is as of 6 February 2024.

2024 may see lower yields

We still see room for lower yields in 2024, supported by more accommodative policy rates and stabilising inflation.

EM yields, rates and inflation



Source: Amundi Investment Institute, Bloomberg. Data is as of 18 January 2024.

"YTD, Emerging Market bonds have delivered a negative performance."

Alessia BERARDI
Head of Emerging Macro Strategy – Amundi Investment Institute

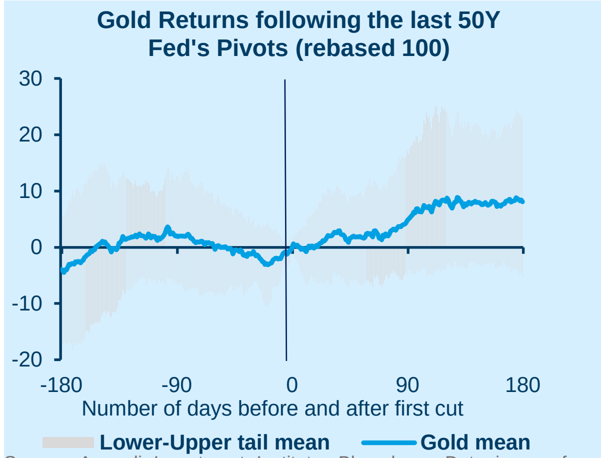
Gold still in the waiting room

Jean-Baptiste BERTHON
Senior Cross Asset Strategist –
Amundi Investment Institute

"Pivots, debasement risk and deficits, and geopolitics are upcoming drivers."

Gold remains range-bound and displays unstable correlations amid fading hopes for an early pivot by central banks, as well as macro crosswinds. **Yet, this only delays our view of more gains in Q2, boosted by a combination of drivers.** Gold prices usually gain +5/10% when CBs pivot. Debasement risk from profligate deficits could be accentuated by expanding global liquidity and an end to QT. Geopolitical stress from China and US elections and firming ETF flows, when competition with cash recedes, would also contribute positively.

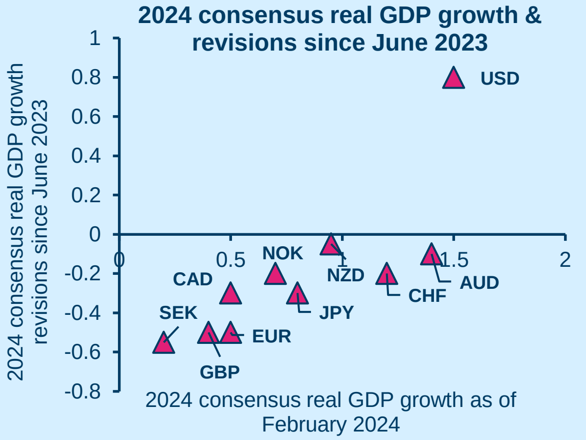
Yet, we expect any upside to be modest and volatile given gold's polarised fundamental drivers, stubbornly high bond volatility and bold breakeven expectations. Valuations also already factor in part of the pivot impulse. We maintain our short-term target at $2050/oz and our 12M target at $2100/oz.



Source: Amundi Investment Institute, Bloomberg. Data is as of February 2024.

A lack of credible alternatives to the USD in H1

2024 has just started and it already feels very different from the fourth quarter of 2023. If Goldilocks seems confirmed for now, it is **the USD reaction function that has substantially changed.** US growth is proving stronger than expected and this is triggering upside revisions for 2024, which now sees a sizable US growth premium compared to most countries in G10. Back in 2021, such diverging trajectories pushed the market to reassess the relative terminal rates in favour of the US, which supported the USD. Given what is priced now in, **we see USD strength extending into H1, but remain reluctant to believe a meaningful trend is on the cards.** A difference from 2021 is that inflation has peaked, commodities importers are enjoying positive ToT (Terms of Trade) shocks and the next move for the Fed will be a cut rather than a hike.



Source: Amundi Investment Institute, Bloomberg. Data is as 2 February 2024.

Federico CESARINI
Head of DM FX - Amundi Investment Institute

"Strong US growth is supportive for the USD in the near term."

GLOBAL INVESTMENT VIEWS

A challenging rate-cut path for central banks

Vincent MORTIER
Group Chief
Investment Officer

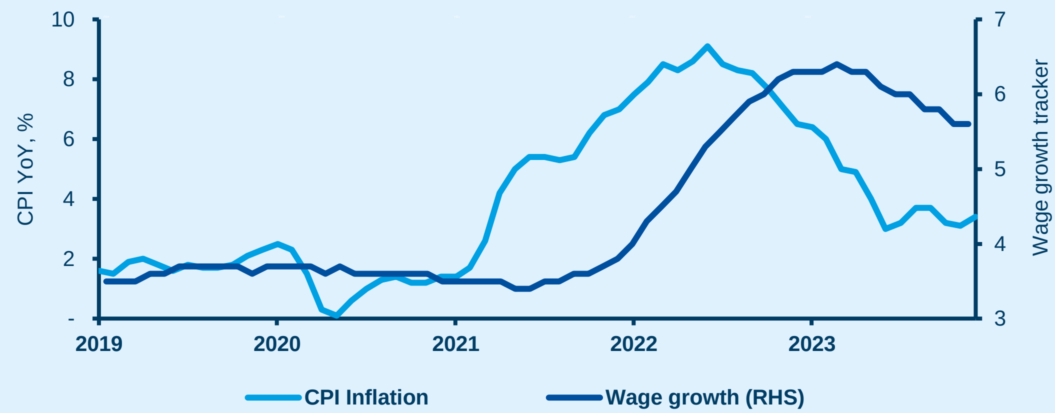
Matteo GERMANO
Deputy Group Chief
Investment Officer

Markets are reassessing central bank (CB) policy paths amid slowing inflation and a potential economic slowdown but resilient historic data. The speed of disinflation, particularly in Europe, could be affected by tensions in the Red Sea. Thus, CBs' job is getting difficult as they aim to maintain rates at a restrictive level for the right duration.

In terms of growth, we expect to see a prolonged slowdown in the US concentrated around mid-year. In Europe, we downgraded this year's growth forecasts and we expect below-consensus inflation in China. These changes do not affect our views on economic activity:

- **Weakening US labour markets.** Wage growth is falling and most of the strength in payrolls was in non-cyclical sectors (government, etc). This could affect consumption, which is strong for now
- **No recession call for EZ but risks are high**. Weak government expenditure and constraints (Germany, France) are likely to weigh on the economy but personal consumption and wage growth are positives for the region. The latter is also important for ECB decision-making.
- **Slowing economic growth and disinflation risks in China.** A fiscal bazooka appears unlikely as govt. tries to deleverage. But piecemeal efforts to lift sentiment won't have a long lasting effect, given the fundamental problems in real estate and consumption pressures.
- **Geopolitics/politics gaining prominence.** Half of global population will elect their leaders this year. Relations between the US, China, EU, EM will be affected by the choice of leaders/domestic rhetoric.

Fed's task is tricky, but falling wage growth indicates disinflation likely to continue



Source: Amundi Investment Institute, Bloomberg, as on 25 Jan 2024. US Atlanta Wage Growth Tracker on RHS above.

"The economic backdrop appears more resilient than expected, but valuations are too stretched in some areas. A fundamental approach, with a global focus, is key at this stage of the cycle".

The following areas are in focus for us:

- **Cross Asset.** We are noticing a slowdown in the US but not a collapse in earnings. Earnings are likely to remain weak, leading us to stay vigilant overall. While we are defensive on DM equities, we are turning mildly positive on Japan. Even in EM, we stay constructive, but now mainly via Asia. We are also marginally optimistic on US and European duration as disinflation is underway but see a strong need to be active, particularly in Europe. We also think the region's IG credit is attractive. In FX, we are less cautious on the USD vs JPY as markets have priced in excessive rate cuts already in dollar valuations. But the yen remains a good hedge for global growth risks and oil for geopolitical risks.
- **In fixed income, we are slightly positive on US duration and mildly cautious on Europe and Japan. But given the market's changing assessment of CB rate cuts, we stay flexible.** In credit, we are slightly more constructive on quality EU IG (BBB-rated, banking) and believe investors may consider primary market opportunities. Likewise, US IG is preferred over HY, given the risks of defaults and high valuations. In addition, US securitised markets such as Agency MBS offer long term value but, overall, we are mindful of liquidity risks and rate volatility.
- **Even as the broader US markets and Growth appear overvalued, we see segments (ie, US value) that offer attractive businesses and earnings growth prospects.** Japan is also now showing signs of an ongoing recovery and a possibility of coming out of deflation which should be a positive. In Europe, where valuations are better vs. US, we stay balanced and like quality cyclical businesses and defensives.
- **EM assets, particularly in Asia, where more than half of the world lives, provide a strong backdrop for fixed income and equities.** However, we are monitoring inflation and the fact that EMs are not homogenous: each of these countries in Latin America (Brazil, Mexico and Colombia), and in Asia (India and Indonesia) are unique. In bonds, we like HC and LC but favour HY over IG. We are also vigilant on geopolitical risks between the US-China and in the Middle East and this makes us somewhat cautious on the GCC region.

Overall risk sentiment

Risk off | **Risk on**

We acknowledge a less weak economic backdrop, underscoring the importance of exploring quality areas of the markets. But we also stay positive on government bonds amid uncertainty.

Changes vs previous month

- Equities: marginally positive on Japan; more constructive on EM ex-China.
- FI: slightly more positive on EU IG, given its attractive valuation and fundamentals.
- FX: Less cautious on dollar near term, close to neutral.

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

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

Three hot questions

1. What's your take on the inflation and growth outlook in China after the recent weak inflation data?

We are not calling for outright deflation in China but downgraded our inflation forecasts to 0.2% and 0.4% for 2024 and 2025 respectively. Consumption in China is under stress. Households will be affected by pressures on wages and lower wealth effects because a large share of their assets is held in real estate (amid lower real estate prices). On the other hand, we see a faster transition of China to lower but more sustainable growth in the long term. However, if Beijing comes out with a large stimulus package (not our base case) in the form of social security spending or handouts and infrastructure, that may affect our weak growth scenario.

Investment consequences:

- Neutral on China govies and credit.

2. How is your asset allocation stance evolving?

From a cross asset perspective, we remain vigilant overall, but we reduced our defensive view on global equities, to take into account a milder than previously expected US recession. On the earnings front, we do not see a profit recession this year, but earnings growth will still be muted. But valuations are elevated - it is difficult to see a large, rapid upside in equities.

Investment consequences:

- Equities: slightly cautious on global; positive on quality and high dividend in US and Europe; constructive on Japan.
- Credit: positive IG, negative HY.

3. How do you expect the economic environment to evolve in Europe this year?

We revised down our growth forecasts for the Euro area for this year (0.3%) and 2025 (1.0%), but do not forecast a recession in the region because labour markets are tight and household real income is likely to improve this year. On the other hand, weak industrial production, withdrawal of national level fiscal support and the quick transmission of tight monetary policy in the region are likely to weigh on demand.

Investment consequences:

- Slightly cautious on core European duration, neutral on peripheral debt.
- EUR/USD: Around 1.08 by Q2 24, but we could see marginal strength in the EUR in Q1.

"The US consumer continues to spend, even if it is by using excessive debt, giving some support to the risk asset rally. But high valuations and economic uncertainty keep us vigilant".

Monica DEFEND
Head of Amundi Investment Institute

Amundi asset class views

	Asset class	View	Change m-1	Rationale
EQUITY PLATFORM	US	-/=		With markets ignoring excessive valuations and earnings expectations being too optimistic for us, there are no strong arguments for appreciation. We stay balanced.
	US value	+		Value, a long term phenomenon for us, should gain if the (near term) soft landing plays out. We combine this with quality attributes ie, intellectual property, stable margins.
	US growth	--		Select market segments including large caps, tech display inflated valuations and would be more affected if there is a liquidity scare in the markets.
	Europe	-/=		The good news on rates front is already priced in but valuations are relatively better. We maintain barbell style, and views on resilient consumers, banks, industrials businesses.
	Japan	=/+	▲	The country is witnessing a domestic recovery in its services sector, along with a push for corporate reforms and wage negotiations, which should help to tackle deflation.
	China	=		Latest inflation data makes us vigilant on deflationary risks and consumption. But we maintain that China is moving towards a lower, but sustainable, growth model.
	Emerging markets ex China	+	▲	EM growth, outside China, is likely to remain robust on country-specific factors, particularly in Asian (strong consumption in India, Indonesia) and LatAm economies.
FIXED INCOME PLATFORM	US govies	=/+		We are slightly positive in light of attractive risk free yields, against a slowing economic backdrop. But given market's focus on CB policy, we remain active and tactical.
	US IG corporate	=/+		There is still a limited spillover from higher yields on companies in this segment, due to their low refinancing needs. We remain selective and favour financials to non-financials.
	US HY corporate	-		The default picture is worse in low-rated names such as CCC and we remain cautious. The divergences in quality is becoming more and more evident.
	European govies	-/=		Restrictive ECB policy is contributing to disinflation but the bank is careful on the pace of disinflation, wage negotiations and supply chain risks emerging from Middle East.
	Euro IG corporate	+	▲	Robust fundamentals, attractive relative valuations and strong primary market (attractive yields) keep us positive. We focus on banking, BBB-rated and medium term maturities.
	Euro HY corporate	-/=		Tight conditions weigh on the outlook, even though we see limited impact from higher rates on companies yet. We are cautious consumer, tech but selectively like banking.
	China govies	=		The picture for Chinese bonds is mixed amid our low inflation forecasts and the bonds' diversification benefits to investors. We remain vigilant of the deleveraging efforts.
	EM bonds HC	=/+		HC debt should benefit from lower US rates but we see more value in HY over IG, given the latter's attractive valuations. We like companies/countries with sound fiscal strength.
	EM bonds LC	=/+		We stay positive on LatAm, and, selectively constructive on Asia and EMEA amid a disinflationary trend and expectations of Fed rate cuts beginning soon.
OTHER	Commodities			Oil demand is expected to be resilient, combined with a modest supply deficit in H1, leading to a small upside to around $85/bbl for Brent in the current quarter. But there are risks to this forecasts, if Joe Biden's boosts US supply in an election year.
	FX			We see some tactical strength in the dollar owing to too aggressive Fed rate cuts priced-in by the markets. But once we get more clarity on the global growth picture and monetary easing by the Fed starts, we see a potential for USD to weaken.

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Negative view Neutral Positive view
▼ Downgrade vs. previous month
▲ Upgraded vs. previous month

Source: Amundi as of January 2024. 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.

Seek opportunities in Asia

We acknowledge that the economic backdrop is a bit supportive – a milder than previously expected US slowdown should prevent a massive collapse in earnings and we do not see a profit recession in 2024. However, this doesn't mean we agree with the market's earnings expectations, which we think are too optimistic for the US as well as for Europe. Thus, while we remain vigilant on DM equities, we see some countries, for instance in Asia where backdrop is better. On the other hand, we maintain our positive views on government bonds, and also believe investors should remain well diversified through commodities.

High conviction ideas. Although we are cautious on US and European stocks, we became slightly positive on Japan. The country is witnessing an ongoing recovery in the services sector, corporate reforms and wage negotiations that would support the economy to come out of deflation. Even in EM, after the rally in Mexico, we shifted our views towards Asia through Indonesia and South Korea (semiconductor cycle) due to country-specific factors, while staying positive on India.

Disinflation in US and Europe is progressing as per our expectations. Thus, we stay positive on US and European duration but realise the need to be agile in both regions, given elections in the US that could affect fiscal prudence. We maintain our curve steepening views in US and Canada. On peripheral Italian BTPs, our constructive stance is maintained. In Japan, however, we keep a negative view on JGBs which may suffer from a mildly positive economic outlook for Japan. This also acts as a diversifier of our overall duration stance.

EM bonds continue to show strong potential amid pivot indications from DM central banks that could result in lower rates in the US. Robust EM growth is also a positive, but we are vigilant over geopolitical risks and sanctions.

In credit, high grade European credit is a bright spot for us due to high quality and attractive relative valuations, which should benefit from monetary easing. However, we do not like US HY where valuations are tight.

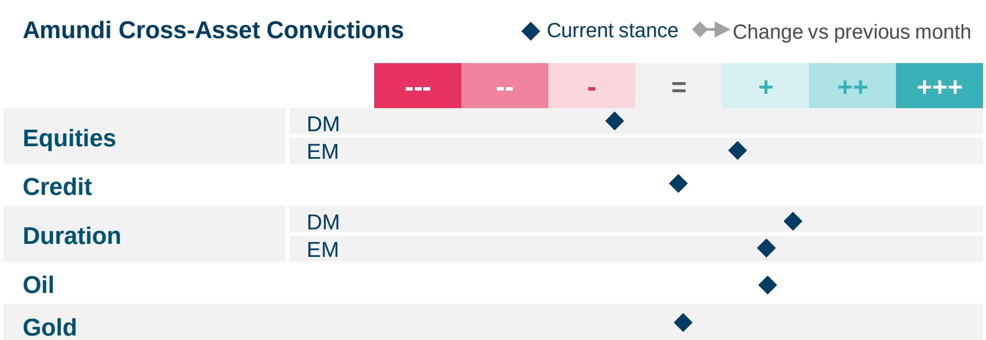
In FX, Fed policy is key for USD movements and we believe the dollar will struggle once the Fed actually starts cutting rates. However, in the near term, it could strengthen, given that markets have already priced in excessive rate cuts, too fast. Thus, we reduced our positive stance on JPY vs the USD. The yen still remains a good hedge amid risks to global growth. In EM, we do not expect strong appreciation but maintain a relative preference for Latin America.

Risks & hedging. Geopolitical tensions in the Middle East and the recent news flow around the Red Sea underscore the need to hedge risks on this front through oil. Oil prices lagged the recent rally in other cyclical commodities, leaving room for some additional boost.

Francesco SANDRINI
Head of Multi-Asset Strategies

John O'TOOLE
Head of Multi-Asset Investment Solutions

"We are close to neutral on our risk allocation, but believe it is time to explore regions/areas which diverge from the weak global growth narrative".



Source: Amundi. The table represents a cross-asset assessment on a three- to six-month horizon based on views expressed at the most recent global investment committee. The outlook, changes in outlook and opinions on the asset class assessment reflect the expected direction (+/-) and the strength of the conviction (+/++/+++). This assessment is subject to change and includes the effects of hedging components. FX = foreign exchange, BTP = Italian government bonds, BoJ = Bank of Japan, JGB = Japanese govt. bonds, BoE = Bank of England. For other definitions and currency abbreviations see the last page of this document.

Prioritise fundamentals and pricing power

Andreas WOSOL
Head of Value

Yerlan SYZDYKOV
Global Head of Emerging Markets

Marco PIRONDINI
CIO of US Investment Management

"Investors should not ignore the valuations and earnings inconsistency, particularly when the margin for disappointment is small".

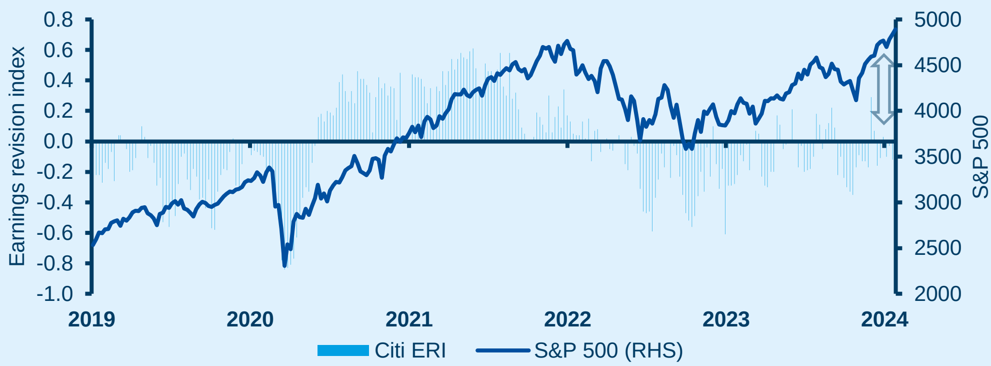
Overall assessment. Markets are trying to second-guess the timing of rate cuts and resilience of economic activity. We think Europe will see sluggish growth and a mild contraction in activity in the US will affect earnings – even though we don't see an earnings recession, we think market expectations are high. Thus, we prioritise fundamentals, and explore strong businesses in Japan, US value. In EM, the outlook in select Asian countries (India, Indonesia) and Latin America is robust.

European equities. The rally is likely to be affected by the evolution of economic activity and ECB communications. In addition, the current earnings season may provide opportunities, particularly in the consumer sectors. But we do not expect strong guidance from companies because of the macro economic uncertainty and geopolitical risks. Overall, we stay balanced (quality cyclicals, defensive) and like quality businesses with strong pricing power, brands and cash-rich balance sheets. In defensives, we are slightly more positive on healthcare but mildly reduced our stance on industrials after the strong price movements in the transport sector. Nonetheless, industrials and banks (dividends and earnings growth) remain our main convictions. In contrast, we have been cautious on discretionary for some time because of concerns of eroding pricing power in areas such as sporting goods.

US equities. The market is displaying acute anomalies relative to the historical norm, with high valuation dispersion between growth and value and an extraordinary concentration in the largest securities. These anomalies tend to normalize over long term to the detriment of high valuations and mega caps. Furthermore, we see signs of slowdown in consumer and industrial companies. In particular, low-end consumers are vulnerable as they have mostly spent the extra savings accumulated during Covid and are now increasing their debt. In this environment, we maintain our end-of-cycle stance with the expectation that the economy will continue to weaken. We like financials but prefer business models that are well capitalized and less exposed to commercial real estate. The healthcare sector is another area that offers reasonably valued opportunities that are not dependent on the economy. Overall, we focus on quality and valuation in companies with sustainable business models.

EM equities. In an overall constructive environment for EM, we are turning more positive on EM-ex China. Incremental Chinese stimulus is positive for the near term, but is unlikely to change the economic growth trajectory or problems in the country's housing sector. Our main convictions are in Brazil, Mexico and India, UAE. Sector-wise, we like real estate, and financials in India and Indonesia due to structural trends and attractive valuations. However, we are defensive on Malaysia, Saudi Arabia and are turning less positive on consumer discretionary in China.

US stocks touched new highs, notwithstanding downward earnings revisions



Source: Amundi Investment Institute, Bloomberg, 26 January 2024. Citi Earnings Revision Index for US on LHS.

Use quality to navigate rate cuts and a slowdown

Overall assessment. The strength in the US economy, so far, keeps us confident that the Fed will not begin policy cuts before May-end, and the ECB would also remain vigilant on disinflation. Sluggish growth expectations going forward mean the emphasis on quality credit and valuations, for instance in Europe, will increase.

Global & European fixed income. Growth concerns in Europe persist as forward-looking indicators are coming in weak. But on inflation there are risks from the Middle East as shipping costs (goods) from Asia to Europe increase. We are monitoring these risks and for how long they last and stay a bit defensive on duration tactically, although we are agile in adjusting this stance. Corporate credit presents opportunities but in HY risk/reward is sub-optimal, leading us to be defensive on this segment, particularly low-rated areas such as B- and CCs. However, on IG where valuations are decent from a historical perspective, we prefer BBB which are a sweet spot of quality and return. We also like medium-term maturities and the banking sector. In addition, investors may consider the primary market for attractive high-quality names, as was the case in January.

US fixed income. We maintain our view on Fed rate cuts but this relies on inflation coming down and economic activity slowing. Thus, we stay mildly constructive and recognise the need to be active in an election year with any potential fiscal push (not our main scenario). Importantly, if the economy stays strong, rates are unlikely to come down significantly. At the same time, we focus on agency MBS which offers an additional income and its valuations are also fair relative to history. Another segment where we see value is IG, where we favour financials over non-financials but believe investors need to be selective with issuer exposures. There are also opportunities in new issues, provided there is enough compensation for taking on liquidity and credit risks. However, we are mindful of rate volatility in HY and assessing how cyclical sectors could be affected as the economy slows.

EM bonds. We keep a positive stance on EM debt. But geopolitical risks in the Middle East and Ukraine, along with US inflation surprise and idiosyncratic risks, could create surprises. For instance, we believe China stimulus is unlikely to be a game-changer in the long term and the unconventional monetary policy in Turkey cannot be sustained. We like EM HC and corporate debt but favour HY over IG, given better valuations. In LC, we favour LatAm, and are selective in Asia.

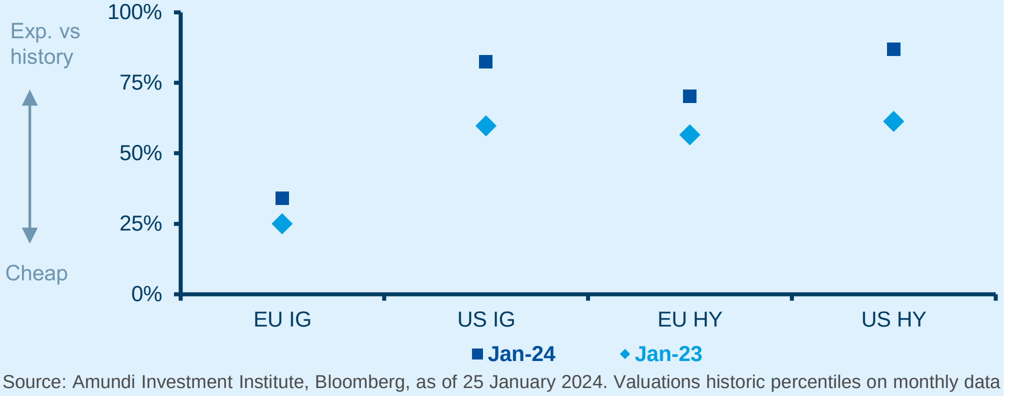
FX. USD could see some near-term strength amid geopolitical risks and market movements, making us slightly positive. In EM, we are positive on LatAm FX and INR but are vigilant on MXN, given upcoming elections that could cause volatility.

Amaury D'ORSAY
Head of Fixed Income

Yerlan SYZDYKOV
Global Head of Emerging Markets

Marco PIRONDINI
CIO of US Investment Management

Europe investment grade looks attractive in credit



Source: Amundi Investment Institute, Bloomberg, as of 25 January 2024. Valuations historic percentiles on monthly data from 31 January 1998.

"A slowing economy and policy cuts, could provide compelling entry points in credit, particularly in Europe".

Macroeconomic forecasts

Macroeconomic forecasts as of 2 February 2024						
Annual averages, %	Real GDP growth, YoY, %			Inflation (CPI), YoY, %		
	2023	2024	2025	2023	2024	2025
Developed countries	**1.6**	**1.0**	**1.1**	**4.7**	**2.6**	**2.1**
United States	2.5	1.4	1.0	4.2	2.6	2.1
Eurozone	0.5	0.3	1.0	5.5	2.4	2.2
Germany	*-0.1*	*0.2*	*0.7*	*6.1*	*2.4*	*2.3*
France	*0.8*	*0.5*	*1.1*	*5.8*	*2.8*	*2.1*
Italy	*0.7*	*0.5*	*0.8*	*6.0*	*2.3*	*2.1*
Spain	*2.3*	*1.1*	*1.5*	*3.4*	*2.7*	*2.2*
United Kingdom	0.5	0.2	1.0	7.7	2.5	2.3
Japan	1.8	1.6	1.4	3.3	2.3	1.5
Emerging countries	**4.2**	**3.7**	**3.7**	**5.8**	**5.4**	**4.1**
China	5.2	3.9	3.4	0.2	0.2	0.4
India	6.9	5.8	5.8	5.7	5.5	6.1
Indonesia	5.0	4.9	4.7	3.7	3.0	3.7
Brazil	3.0	1.7	2.0	4.6	3.7	3.6
Mexico	3.3	2.2	2.2	5.6	4.3	4.0
Russia	3.2	1.6	2.0	6.0	6.3	4.5
South Africa	0.5	1.0	1.3	5.9	4.7	3.5
Turkey	3.6	2.9	3.6	53.4	58.4	29.1
World	**3.1**	**2.6**	**2.7**	**5.4**	**4.2**	**3.3**

Central Banks' official rates forecasts, %					
	12 February 2024	Amundi Q2 24	Consensus Q2 24	Amundi Q4 24	Consensus Q4 24
United States*	5.50	5.00	4.69	4.25	3.90
Eurozone**	4.00	3.75	3.30	2.75	2.48
United Kingdom	5.25	4.75	4.80	4.00	4.04
Japan	-0.10	0.00	0.02	0.00	0.14
China***	3.45	3.25	3.06	3.25	3.02
India****	6.50	6.50	6.35	6.00	6.00
Brazil	11.25	9.70	9.75	8.75	9.00
Russia	16.00	16.00	14.40	12.00	11.15

Source: Amundi Investment Institute. Forecasts are as of 12 February 2024. CPI: consumer price index. *: Upper Fed Funds target range. **: Deposit rate. ***: One-year loan prime rate. ****: Repurchase rate. Q2 2024 indicates end of June 2024; Q4 2024 indicates end of December 2024.

Financial market forecasts

Bond yields

Two-year bond yield forecasts, %

	1 February 2024	Amundi Q2 24	Forward +6m.	Amundi Q4 24	Forward +12m.
United States	4.24	3.80-4.00	3.82	3.50-3.70	3.66
Germany	2.49	2.30-2.50	2.00	1.90-2.10	1.74
United Kingdom	4.25	3.60-3.80	3.66	3.40-3.60	3.57
Japan	0.09	0.10-0.20	0.13	0.10-0.20	0.15

Ten-year bond yield forecasts, %

	1 February 2024	Amundi Q2 24	Forward +6m.	Amundi Q4 24	Forward +12m.
United States	3.95	3.70-3.90	3.92	3.70-3.90	3.94
Germany	2.21	2.20-2.40	2.14	2.00-2.20	2.14
United Kingdom	3.80	3.80-4.00	3.83	3.70-3.90	3.87
Japan	0.71	0.80-1.00	0.81	0.80-1.00	0.91

Exchange rates

	7 February 2024	Amundi Q2 24	Consensus Q2 24	Amundi Q4 24	Consensus Q4 24
EUR/USD	1.08	1.08	1.10	1.14	1.12
EUR/JPY	160	154	155	154	152
EUR/GBP	0.85	0.87	0.87	0.88	0.88
EUR/CHF	0.94	0.95	0.96	1.01	0.98
EUR/NOK	11.40	11.28	11.20	11.39	11.00
EUR/SEK	11.28	11.37	11.20	11.48	11.10
USD/JPY	148	142	141	135	136
AUD/USD	0.65	0.65	0.68	0.70	0.70
NZD/USD	0.61	0.60	0.62	0.63	0.64
USD/CNY	7.19	7.10	7.14	7.00	7.03

Source: Amundi Investment Institute. Forecasts are as of 7 February 2024.

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