

Weekly Market Directions

17 November 2023



Trust
must be earned

Amundi



“Global economic competition is reshaping supply chains and some emerging markets, in particular in Asia, may shine”.

Monica Defend

Head of the Amundi Investment Institute

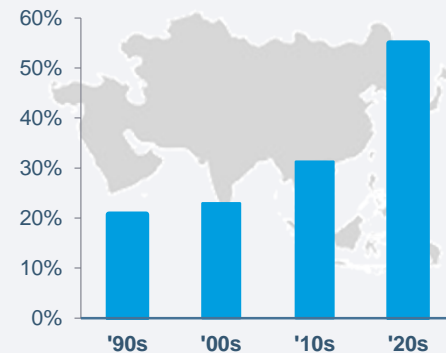
Asia in focus after the Biden–Xi summit

Superpower competition will continue to drive divergences in EM, favouring countries that will be at the centre of new supply chain routes.

India will benefit as domestic demand and investments pick up and also because of enduring trends like demographics.

A pause in US monetary policy tightening and the rate cuts that the Fed is expected to deliver in 2024 should support EM assets ahead.

Asia Share of Global Foreign Direct Investment Inflows



Source: Amundi Investment Institute, UNCTAD World Investment Report 2023. Data at end 2022.

US and China’s bilateral relationship was under the spotlight on 15 November, when Joe Biden and Xi Jinping held their first meeting in a year (in Xi’s first visit to the US since 2017). In a week full of economic data and with significant market movements, this event reminds us that beyond the cyclical outlook, geopolitics and structural themes are also important drivers of investment opportunities.

Global competition between economic superpowers is driving supply chain re-design benefitting some EM, in particular in Asia, as visible also in the increase in Foreign Direct Investment inflows towards this region.

In our view, India is a promising country supported also by domestic demand. Looking into 2024, EM assets will likely be favoured also by the expected shift in Fed policy and a weaker US dollar.

Actionable ideas



Seek long-term opportunities in EM and Indian equities

Investors willing to capture EM opportunities could consider the overall EM universe or single countries such as India (favoured by supply chains relocation).



Look at EM debt in search for income

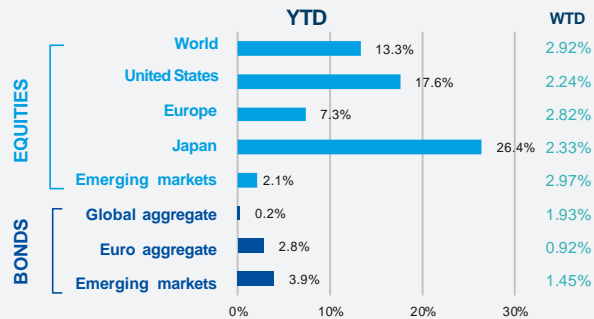
EM debt continues to be attractive from an income perspective. Expectations of a Fed pivot in 2024 and a weaker US dollar should further support this asset class.

This week at a glance

Global markets rallied, supported by slightly lower than expected US inflation readings and signals of cooling labor markets, which strengthened the view that the Fed may be done with raising rates. Bond yields edged lower across the board, the dollar weakened while oil has fallen to its lowest since last July.

Equity and bond markets

Asset class performance year to date and week to date



Source: Bloomberg, data as at 17 Nov 2023
Please refer to the last page for additional information on the indices.

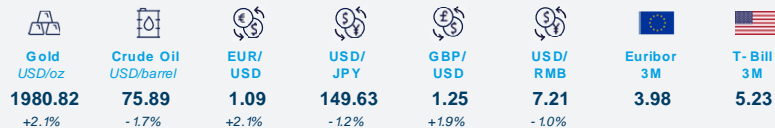
Government bond yields

2 and 10 years government bond yields and 1 week change

	2YR	10YR
US	4.89 ▼	4.44 ▼
Germany	2.96 ▼	2.59 ▼
France	3.30 ▼	3.15 ▼
Italy	3.58 ▼	4.35 ▼
UK	4.53 ▼	4.10 ▼
Japan	0.04 ▼	0.75 ▼

Source: Bloomberg, data as at 17 Nov 2023
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

Commodities, FX and short term rates



Source: Bloomberg, data as at 17 Nov 2023
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

Amundi Investment Institute Macro Focus

Americas



US inflation slowdown and the Fed pause

Inflation data in the United States came in below market expectations, raising market confidence in a prolonged Fed pause. US inflation moved from 3.7% year over year in September to 3.2% in October, remaining flat on the month after and increase of 0.4% in September. The disinflationary trend is going on with clear signs of cooling, although more markedly across goods than services where the rental inflation remains still hotter than normal.

Europe



Eurozone employment expanded in Q3, while GDP shrunk

While Eurostat confirmed its estimates for a mild contraction in the Euro Area in Q3 of about -0.1%, employment in the euro zone rose 0.3% in the same period, up 1.4% on a year over year basis. However, business surveys in November started to signal lower propensity to hire from companies, which may anticipate some slowing employment dynamics entering 2024.

Asia



China's economic data came in mixed in October

China's industrial production recovered moderately from Q3, while nominal retail sales barely grew month over month. Although Beijing has stepped up its fiscal and monetary policy supports, we hold a cautious view that these policies will have limited impacts on growth against the broad context of slower credit to local government financing vehicles (LGFV) and Real Estate sectors.



NOTES

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Equity and bond markets (chart)

Source: Bloomberg. Markets are represented by the following indices: World Equities = MSCI AC World Index (USD) United States = S&P 500 (USD), Europe = Europe Stoxx 600 (EUR), Japan = TOPIX (YEN), Emerging Markets = MSCI Emerging (USD), Global Aggregate = Bloomberg Global Aggregate USD Euro Aggregate = Bloomberg Euro Aggregate (EUR), Emerging = JPM EMBI Global Diversified (USD)

All indices are calculated on spot prices.

Government bond yields (table), Commodities, FX and short term rates

Source: Bloomberg, data as at 17 November 2023.

*Diversification does not guarantee a profit or protect against a loss

GLOSSARY

EM: Emerging Markets.

EZ: Eurozone.

Fed: Federal Reserve.

FOMC: Federal Reserve's Open Market Committee.

FDI: Foreign Direct Investment is a category of cross-border investment in which an investor resident in one economy establishes a lasting interest in and a significant degree of influence over an enterprise resident in another economy.

GDP: Gross Domestic Product.

CPI: Consumer Price Index measures the change in prices paid by consumers of goods and services.

Purchasing Managers' Indices (PMI): Purchasing Managers' Indices (PMI) are economic indicators derived from monthly surveys of private sector companies. A reading above 50 indicates an improvement, while a reading below 50 indicates a decline.

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