Investment Institute

February 2024 - Emerging Markets Charts and Views

Winners and losers in a pivotal year for Emerging Markets

Trust must be earned

Amundi ASSET MANAGEMENT

01

EM economic outlook for 2024

Four macro themes for 2024 EM outlook

EM GROWTH PREMIUM

In a weaker global economic environment, EM look more resilient, but with higher fragmentation and divergences among countries. **EM-DM growth differential to stay wide in 2024, at its highest level in five years.**

EASIER MONETARY POLICY

Some EM CBs **have already started their policy easing and there is still room to cut rates.** Moreover, the expected accommodative policy by the Fed is supportive for the EM space. But the inflation battle is not won yet in an era of disorderly energy transition, geopolitical tension and the great reallocation.

ASIA IN FOCUS

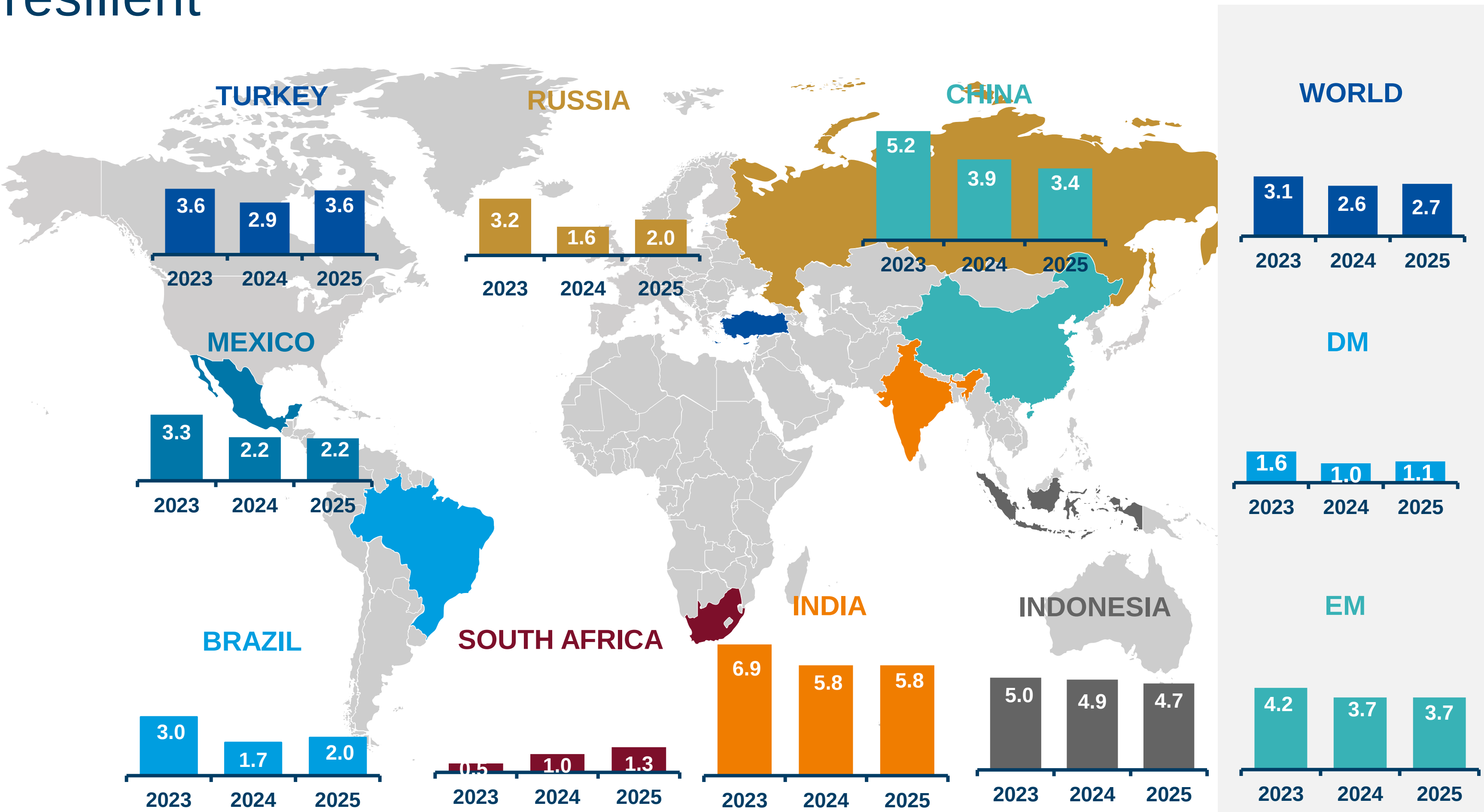
In the great reallocation, Asia may be the winner for investment flows. India's economic prospects remain bright. In China, the structural shift and deleveraging will go ahead, with GDP growth slowing to around 3% in 2025.

RISKS TO WATCH

The key risks to watch are the geopolitical risk and significant elections in 2024 (the biggest election year in history). Investors also need to monitor idiosyncratic stories and internal vulnerabilities which could increase EM fragmentation.

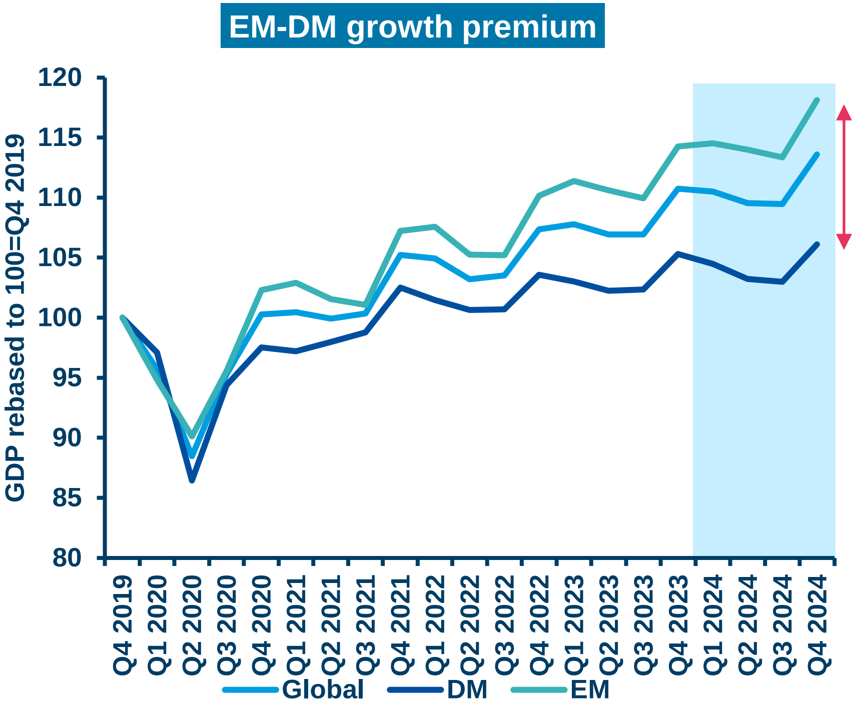
Source: Amundi as of January 2024. DM: developed markets. EM: emerging markets. CB: central banks.

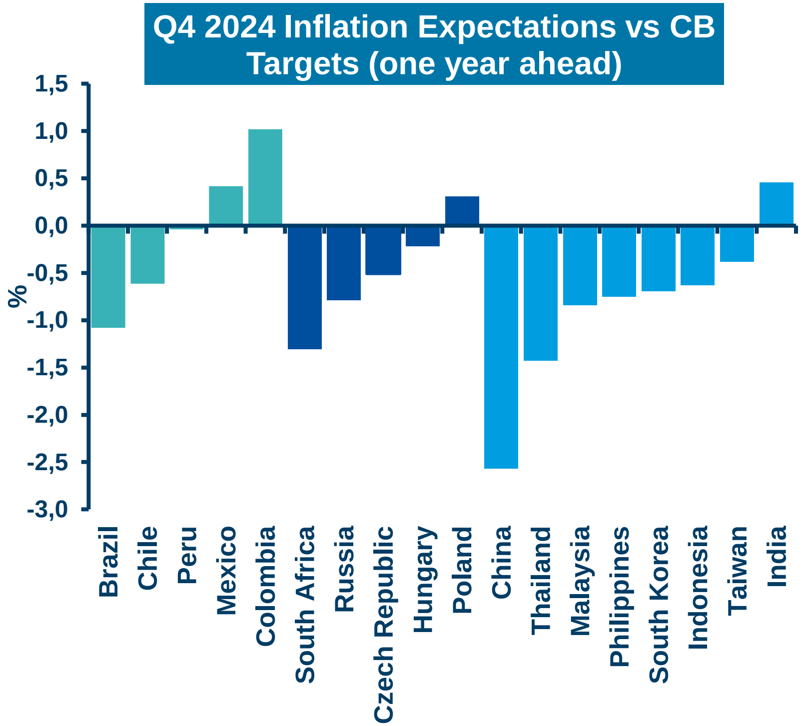
In a weaker global economic outlook, EM look more resilient



Source: Amundi Investment Institute. Data is as of 2 February 2024. Forecasts are by Amundi Investment Institute and are as of 2 February 2024. EM: Emerging Markets. DM: Developed Markets.

The macro backdrop remains emerging market-friendly





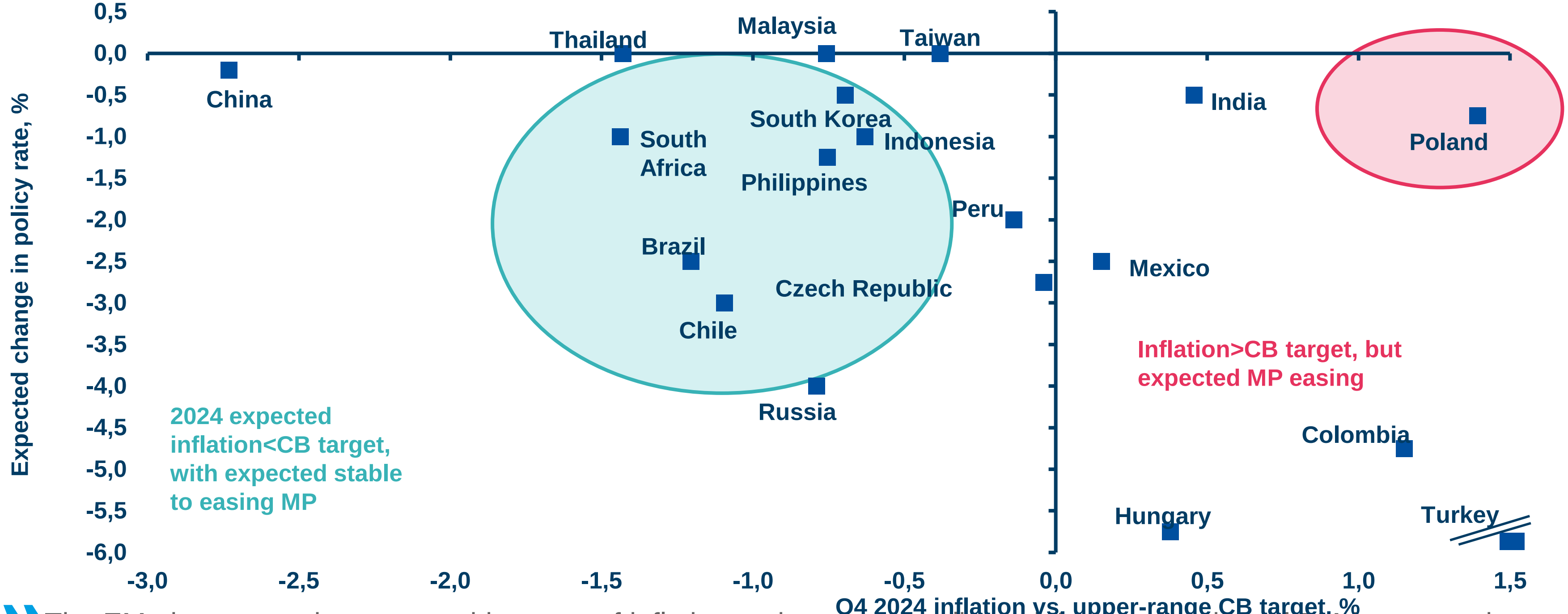
At a time when the growth outlook for advanced economies is gloomy, EM shows growth resilience for 2024, with the EM-DM growth premium remaining in favour of EM and widening to its highest gap in 5 years. At the same time, inflation is trending lower allowing for a continuation of the easing cycle that EM Central Banks initiated in 2023.

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

Source: Amundi Investment Institute, Bloomberg, CEIC, Last data available is as of 18 January 2024.

Constructive inflation-monetary policy mix, easing stance reinforced

EM inflation and monetary policy trends by Q4 2024

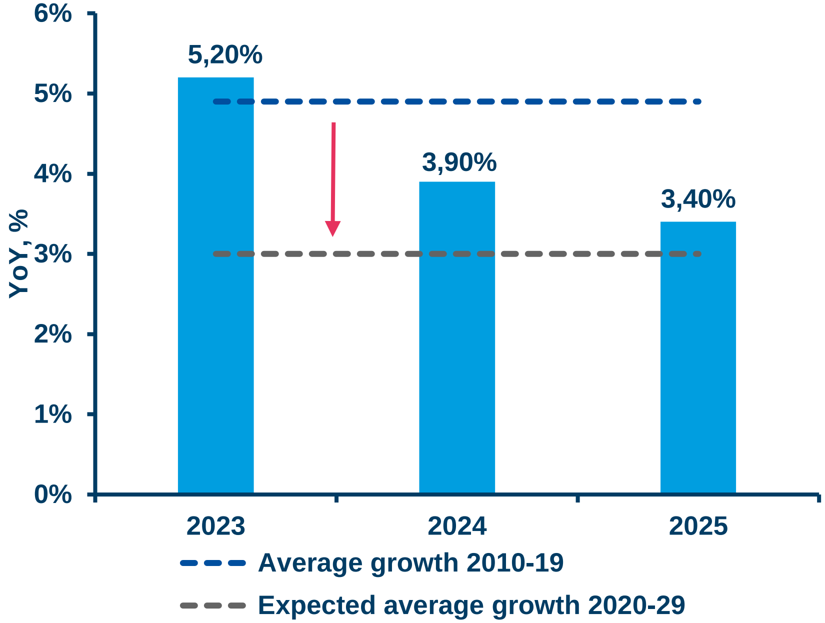


The EM picture remains scattered in terms of inflation and monetary policy, reinforcing the view of EM fragmentation. However, some countries are well advanced in their monetary policy normalisation. In this such respect, LatAm launched the easing cycle, with Brazil, Chile and Peru cutting rates in 2023 amid lower inflation and a decelerating economic cycle.

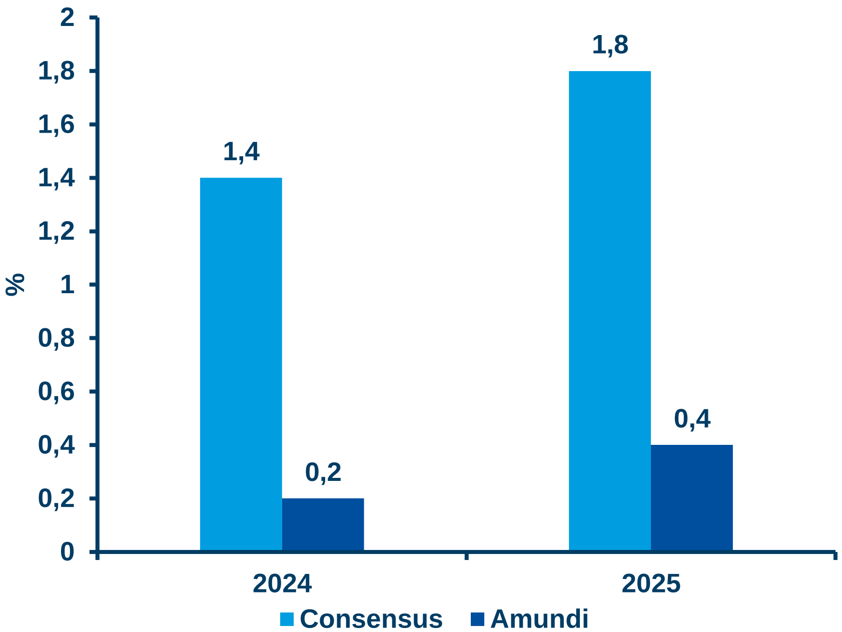
Source: Amundi Investment Institute on Bloomberg Intelligence data. Data is as of 31 January 2024. EM includes CB from: Brazil, Chile, China, Colombia, Czech, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Peru, Philippines, Poland, Romania, Russia, South Africa, South Korea, Thailand, and Turkey. DM: developed markets. EM: emerging markets. Fed: Federal Reserve. MP: monetary policy. Turkey's inflation is expected at 44,28% in Q4 2024, while Turkey's policy rate is expected to cut by 1000pbs in Q4 2024.

China: a new growth paradigm in a *low-flation* era

Amundi Investment Institute China GDP forecasts



China CPI forecasts: Amundi vs consensus



We expect the Chinese economy to move towards lower growth levels and a shift to a 3% growth rate over the next three years appears imminent. This deceleration is not merely a statistical inevitability; it is part of China's strategic recalibration towards sustainability and quality in its economic model. With regard to prices, we expect low inflation, with CPI forecasts significantly below consensus, mainly impacted by income and wealth shocks, but we are not calling for outright deflation.

Source: Amundi Investment Institute. Data is as of 15 January 2024. Forecasts are by Amundi Investment Institute as of 15 January 2024.

Source: Amundi Investment Institute. Data is as of 15 January 2024. Forecasts are by Amundi Investment Institute as of 15 January 2024.

China technological advancement and energy transition leadership role

China technological advancement

Artificial intelligence

39.8%

Percentage of publications in Artificial Intelligence Journals worldwide in 2021

Source: Center for Security and Emerging Technology, Artificial Intelligence Index Report 2023, Stanford University.

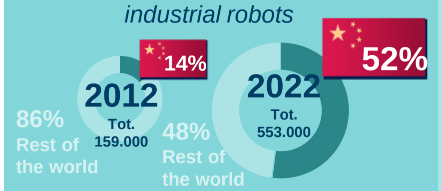
Clean technology

China ranks 1° in all 8 energy and environment technologies in the Critical Technology Tracker

Source: Australian Strategic Policy Institute (ASPI).

Industrial automation & robotics

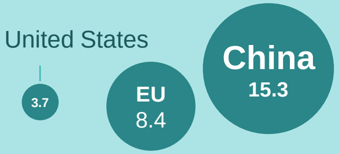
Annual installations of industrial robots



Source: International Federation of Robotics.

Quantum computing

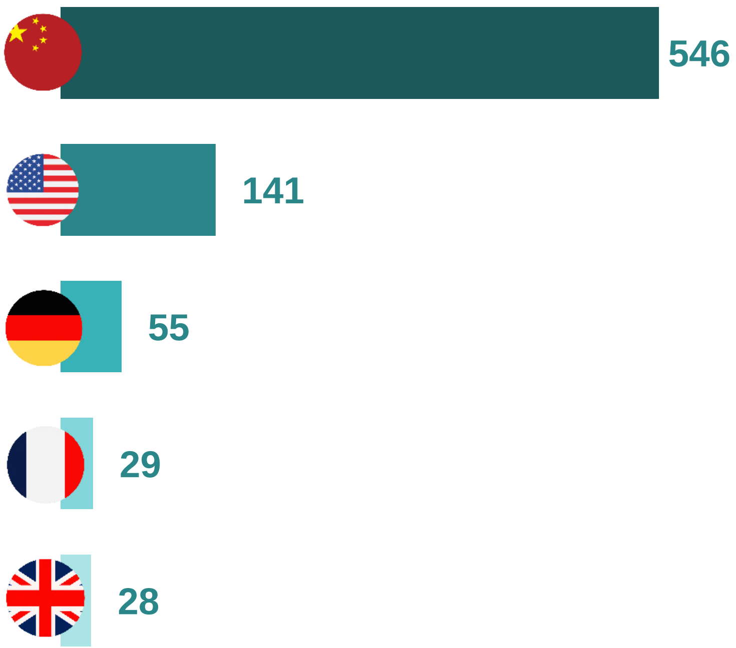
Announced planned governmental funding, $ billion



Source: McKinsey, Quantum Technology Monitor, April 2023.

China leads energy transition investments

Top 5 countries by energy transition investment in 2022 ($ billion)

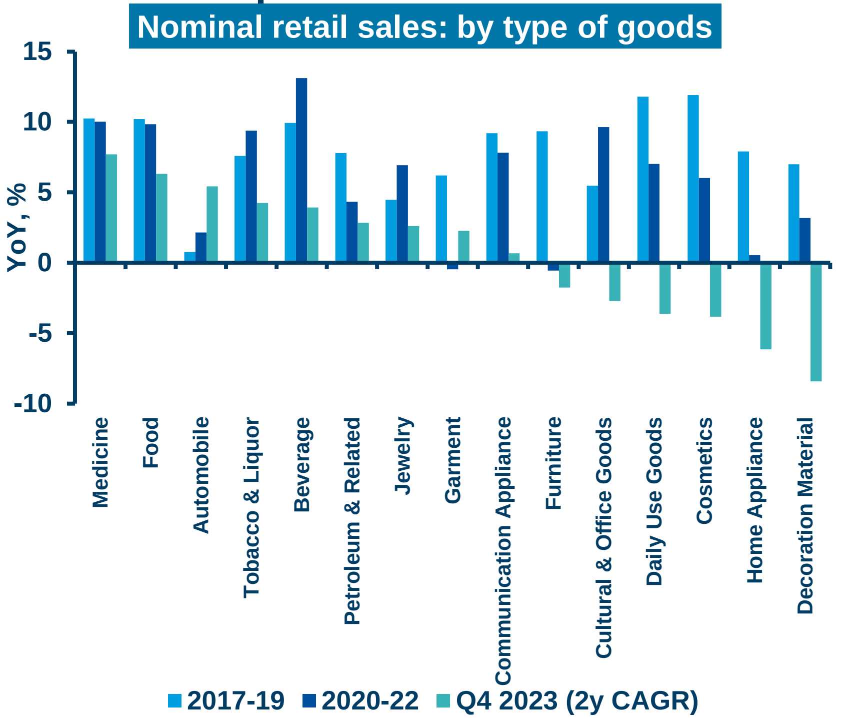


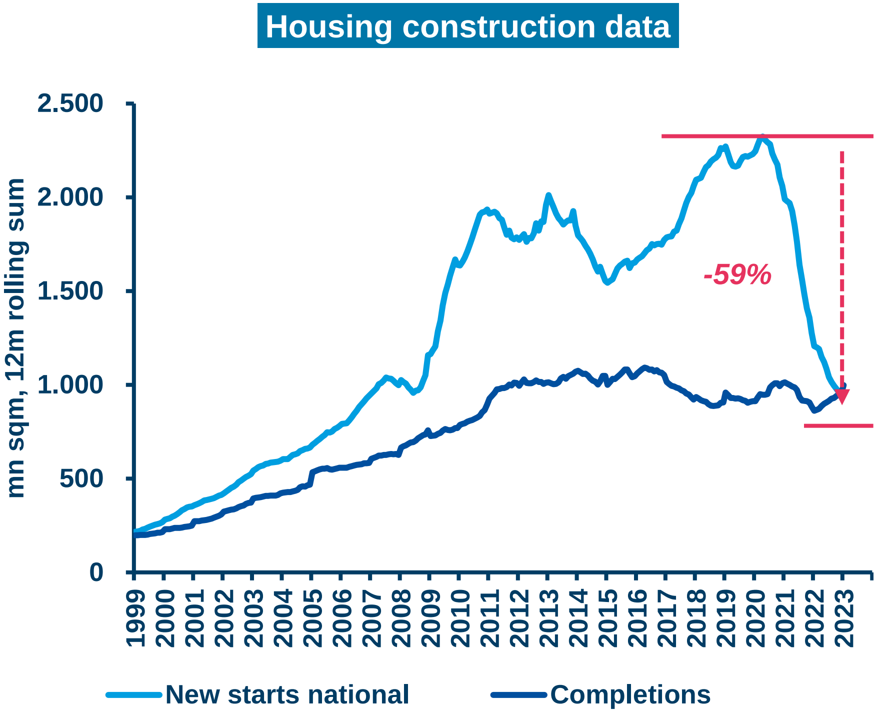
Source: Amundi Investment Institute CEIC. Latest available data is as of end of December 2023.

Source: Bloomberg NEF, NEO Net Zero Investment, May 2023

Amundi ASSET MANAGEMENT | Institute

Short-term outlook is still about real estate and weak consumption



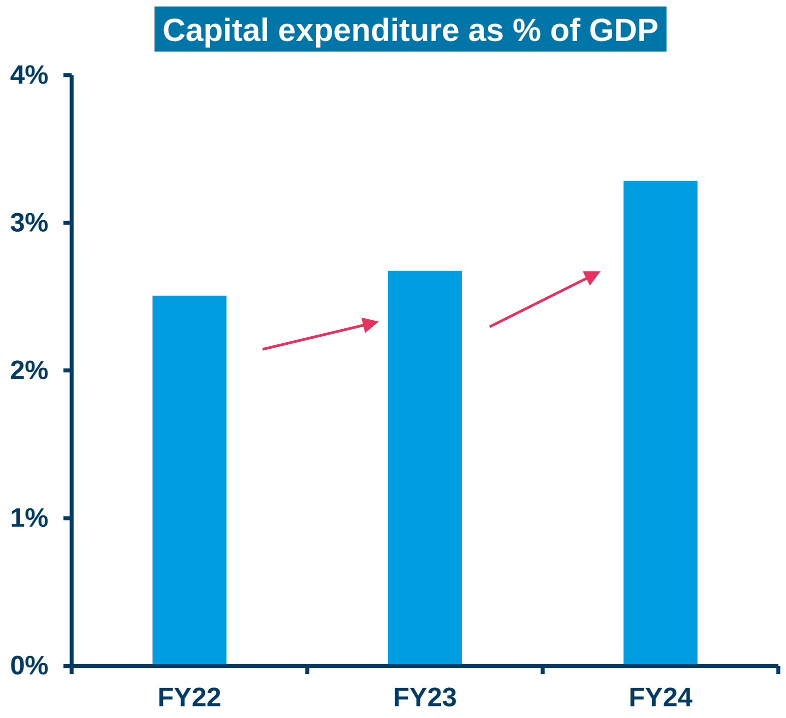


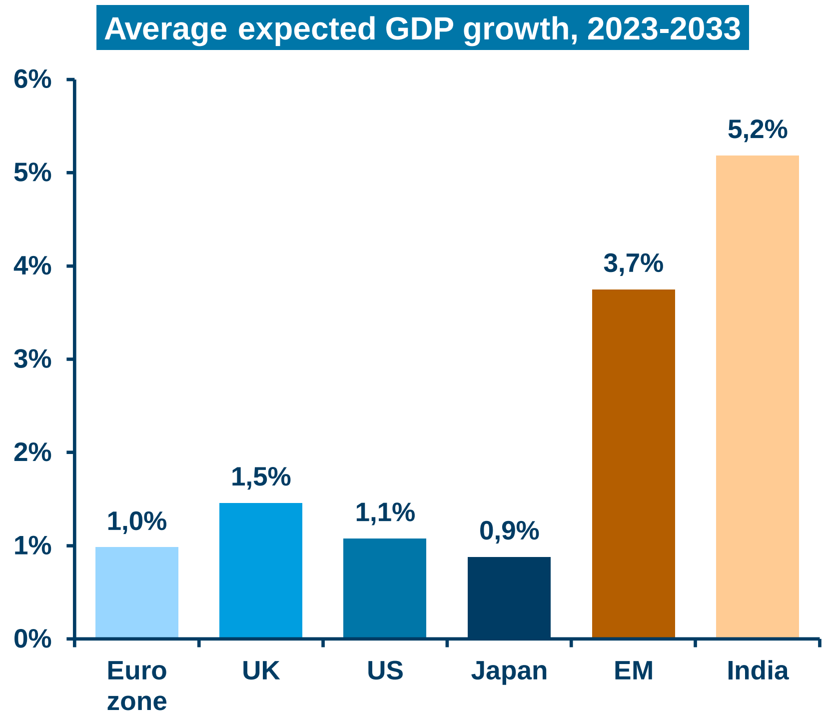
The correction for the real estate sector is not over yet. The ongoing decline in new housing starts signals a weak early-stage construction cycle. We believe the scale of fiscal easing is not enough to cancel out the drag from ongoing deleveraging in the real estate sector and the new debt discipline imposed on local governments. Deleveraging has already started, but it still has a long way to go.

Source: Amundi Investment Institute CEIC. Latest available data is as of end of December 2023.

Source: Amundi Investment Institute CEIC. Latest available data is as of end of December 2023.

India: the emerging power, with bright 2024 outlook



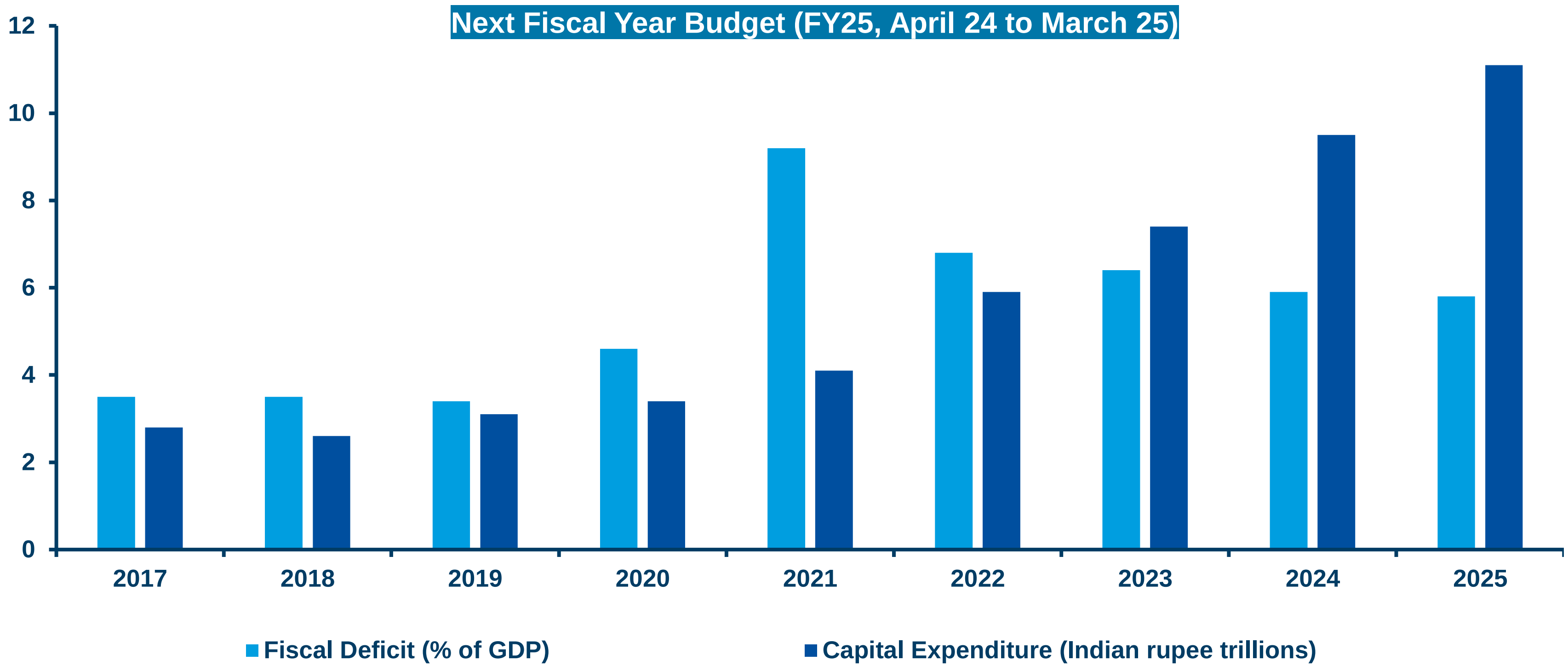


India's economy is gaining momentum boosted by government and private capital spending and remains one of the fastest-growing emerging economies. We expect more than 6% economic growth for the next fiscal year. On a long-term basis, India's strong demographics and rising middle class make it an appealing market.

Source: Amundi Investment Institute, Bloomberg and Ministry of Finance. Data is as of 26 October 2023.

Source: Amundi Investment Institute central scenario forecasts as of 3 May 2023.

India Budget: between growth and macro financial stability



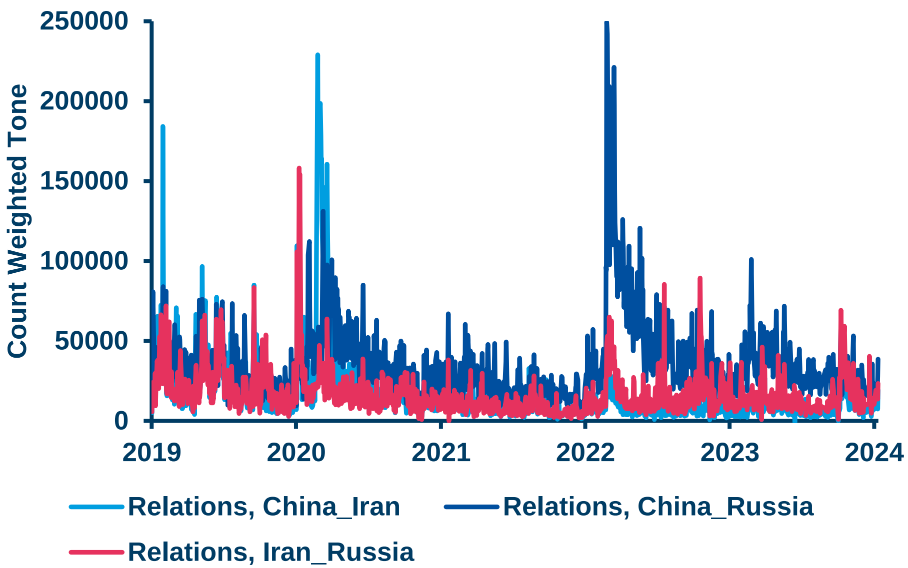
India's next Fiscal Year Budget seeks to sustain growth and offer a stronger commitment to fiscal consolidation. Capital Expenditure continues to rise with significant investment for highways, electrification, port traffic and airports. In line with the commitment made in the budget for FY22 (Fiscal Deficit at 4.5% by FY26), the Ministry of Finance is also committing to a large fiscal consolidation in FY25: FD at 5.1% from 5.8%.

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

Geopolitics: More risks in 2024

Relations between Russia, Iran and China are improving

Risk in bilateral relations, Geopolitical Sentiment Tracker



Main geopolitical hotspots to monitor

- Ongoing war between Russia and Ukraine (+NATO)
- Israel-Hamas war (+Iran)
- Taiwan-China tensions (+US)

2024 ELECTIONS

Taiwan	13 January ✓
Russia	17 March
Ukraine	TBD
India	TBD
Mexico	2 June
EU	6-9 June
US	5 November
Venezuela	TBD
South Africa	TBD
UK	TBD

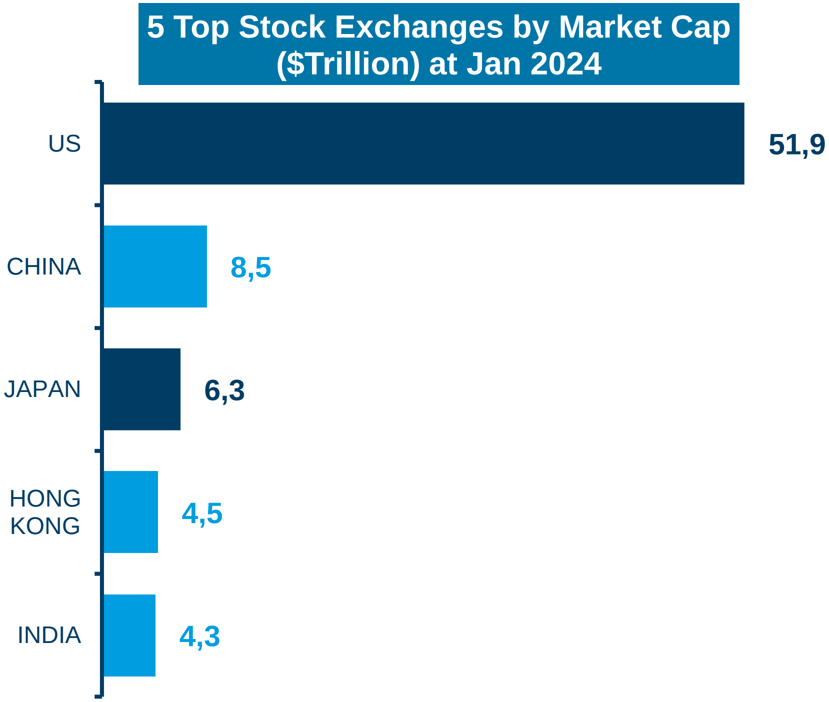
Geopolitics will be a crucial factor for investors to watch in 2024, amid intensifying ongoing conflicts. At the same time, 2024 will be an election-heavy year, with national elections representing over 40% of the global population (around half of the world if we also consider the European Parliament elections), including important elections in the EM space.

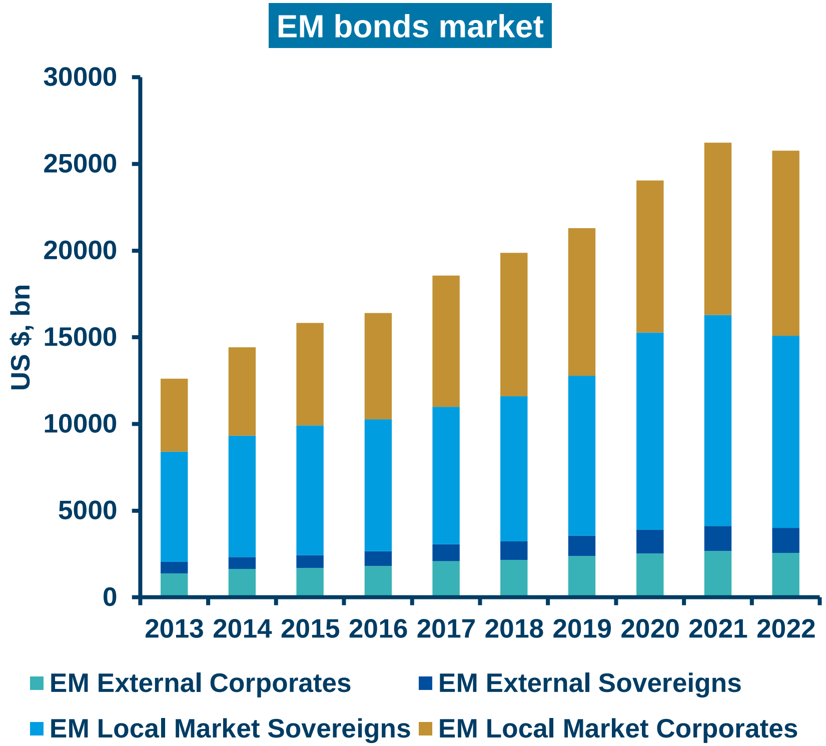
Source: Amundi Investment Institute Geopolitical Sentiment Tracker. Data is as of 12 January 2024. Spikes indicate higher risk in the bilateral relation. Following Russia's invasion of Ukraine, relations to Russia (measured through negative sentiment keywords in media) deteriorated; however, they have since improved as Iran, Russia and China became closer geopolitical allies.

02

Investment opportunities in EM

EM are increasingly relevant for global investors





Emerging Markets represent a significant size of global equity and bond universe, to such respect, EM debt accounts for around 30% of global debt as at the end of 2022 vs 5% in 2002. Investors have the opportunity to invest in a fast-growing economies with the potential for an attractive returns in mid-to-long term horizon.

Source: Amundi Investment Institute, Bloomberg. Data is as of 30 January 2024 and refers to yield to worst for the Bloomberg Emerging Markets Hard Currency Aggregate Index that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

Source: Amundi Investment Institute. Analysis on Bloomberg data. Data is as of 30 January 2024. Government and EM indices are from JP Morgan. Euro and US credit indices are from ICE-BofA. LC: local currency. IG: investment grade. HY: high yield. ST: short-term. Yield for EM Corp ST is JP Morgan CEMBI Broad Diversified 1-3 Year while duration is JP Morgan CEMBI IG+ 1-3 Years.Em

EM high-conviction ideas

Main convictions 2024 | **Mid-to-long-term perspective**

EM debt: a source of income with appealing yields

EM **Hard Currency bonds** (HC) now **offer a more attractive yield** profile than in the previous years.
On the back of a potential dovish pivot by the Fed, we are **positive on EM bonds and FX**, with a selective approach, and are focusing on countries that have been successful in anchoring inflation and are in an advanced position regards the easing cycle.

Room for optimism for EM equity in 2024

We are **positive on the asset class** and some factors are supportive: the **growth premium** is more in favour of EM vs DM, the **capex cycle** should be in favour of EM, **valuations remain attractive** in absolute and relative terms, and the **earnings cycle is also recovering.**

India: one of the fastest-growing economies

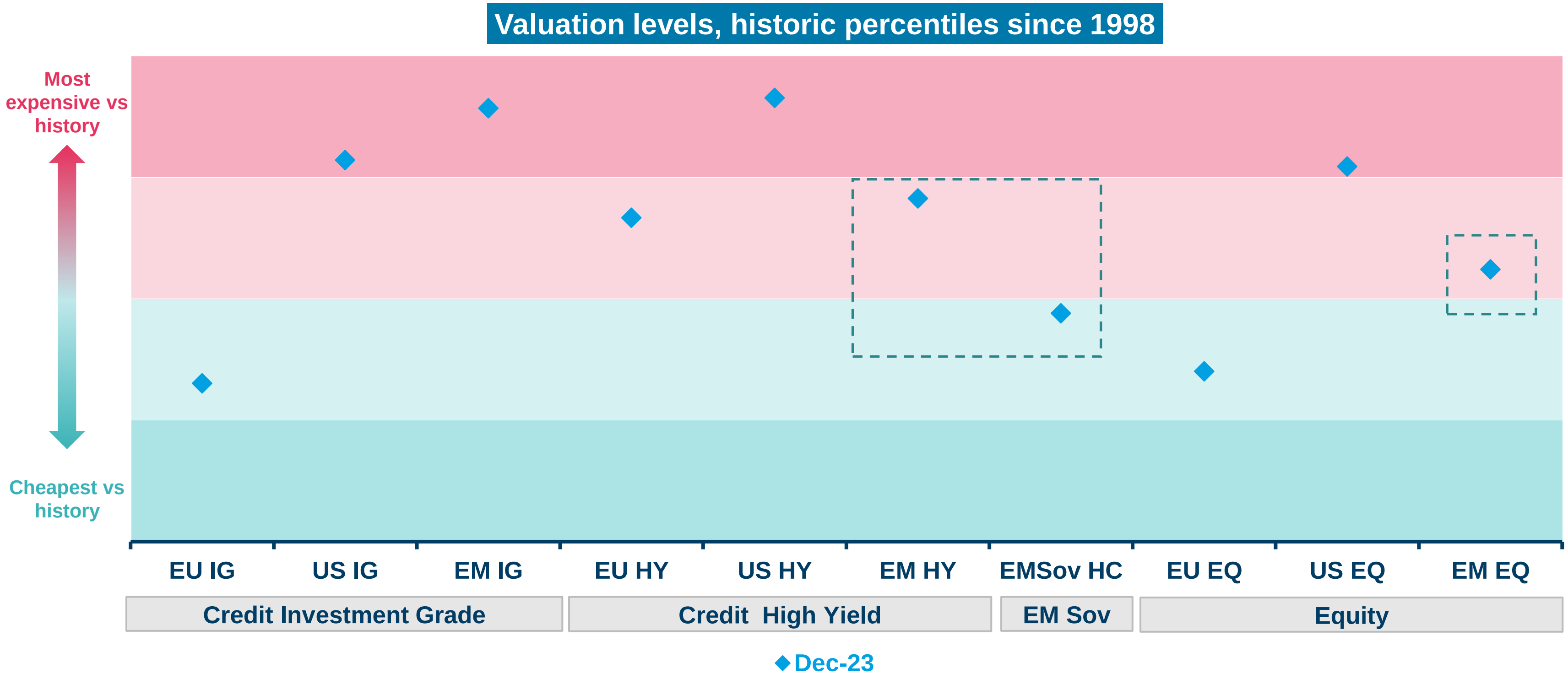
India's economic and demographic outlook points to **strong growth** over the next decade. In the **bond market, investor sentiment is positive** with the inclusion of Indian govt bonds into global indices coupled with the highest nominal yields in the Asian IG space. The **outlook for the equity market is also favourable**, with a robust economic cycle and a positive long-term earnings trajectory that mitigates high valuations.

The rise of ESG themes in emerging markets

Growing investor demand for green, social and sustainability-linked bonds could help achieve a green transition in EM and low-income countries, where the effects of climate change are among the most visible worldwide. **The sustainable bond market is rising globally and becoming crucial for EM.**

Source: Amundi Institute as of 30 January 2024. EM: Emerging Markets. HC: Hard Currency. LC: Local Currency.

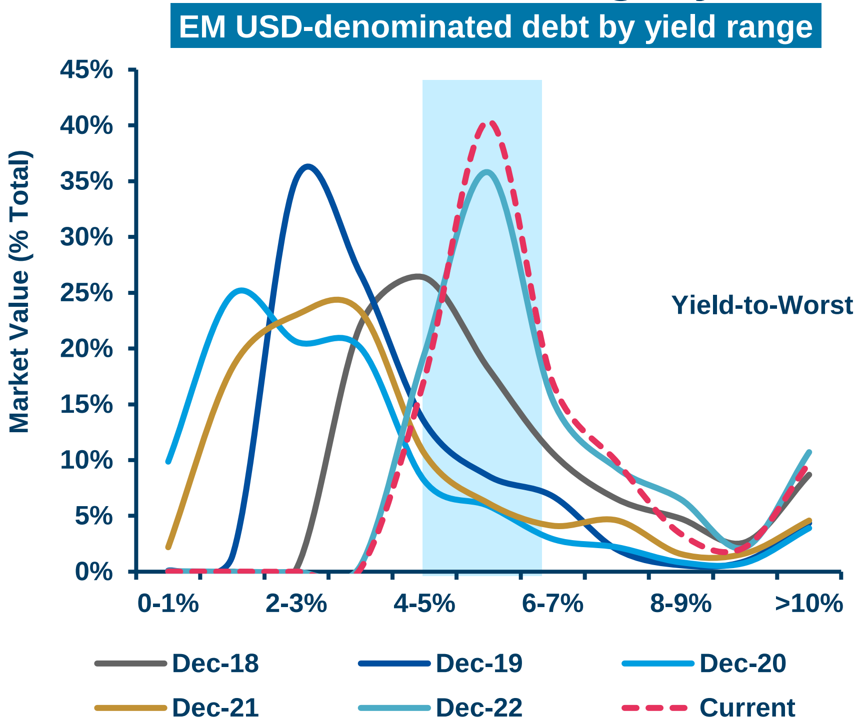
Attractive relative valuations in the EM space

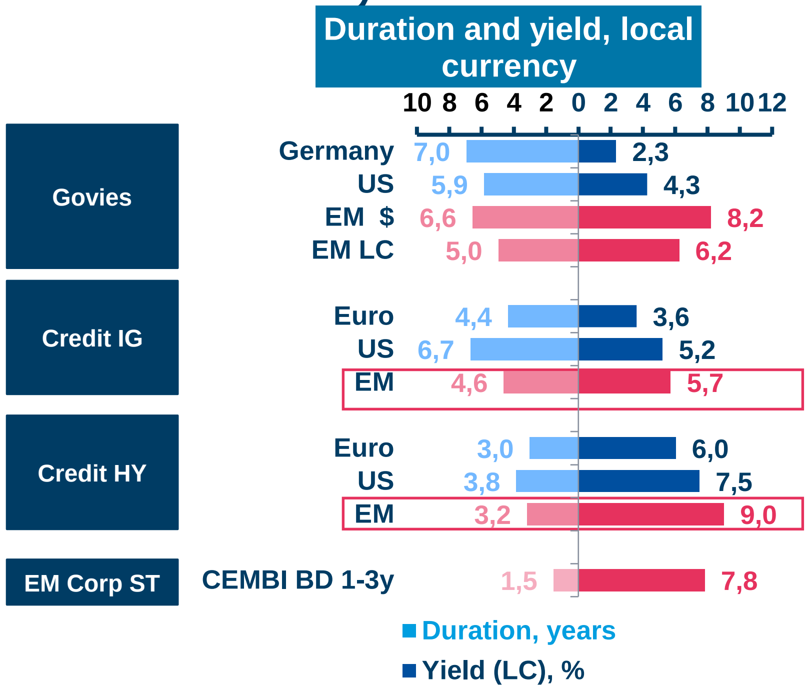


EM assets offer compelling valuations in absolute and relative terms, especially EM sovereigns which are trading at reasonable valuations. Moreover, the asset class has attractive relative growth prospects in 2024.

Source: Amundi Investment Institute, Bloomberg, Datastream, latest monthly data as of 29 December 2024. EU IG, US IG, EM IG, EU HY, US HY, EM HY are ICE BofA corporate bond indices. IG: investment grade. HY: high yield. EM Sov HC: JP Morgan EMBI Global Diversified. EU EQ, US EQ, EM EQ are MSCI indices for equity markets. All indices refer to a specific region (EU: Europe, US: United States, EM: emerging markets. Analysis is based on spreads for bond indices and on twelve-month forward PE ratio for equity indices. Valuation are in historic percentile since 1998. Cheapest means is in the first quartile, Most expensive is in the fourth quartile.

EM bonds set to benefit from a favourable backdrop with the start of the easing cycle and attractive yields





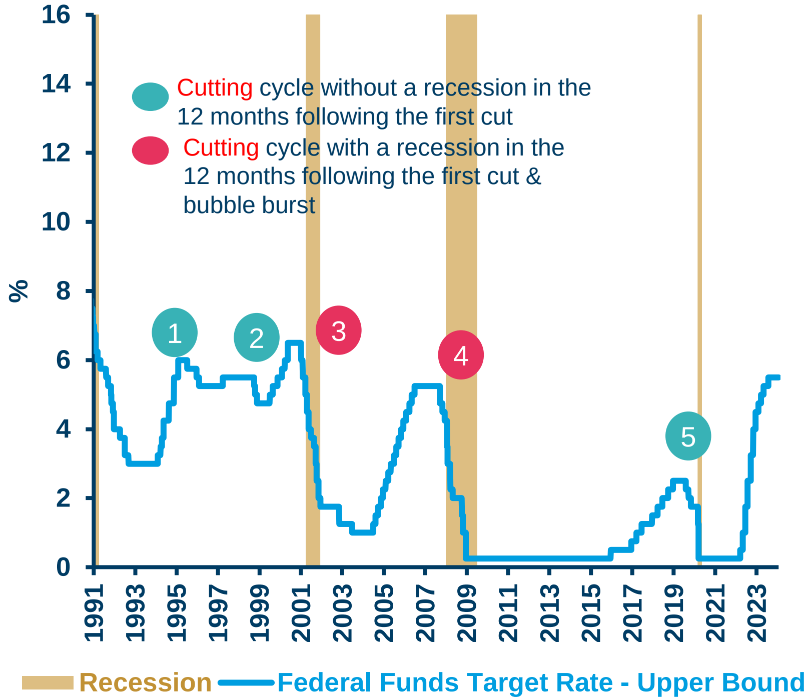
EM monetary policy normalisation is at an advanced stage compared to DM; in this respect, some CBs already started to cut rates in 2023. Moreover, an expectation for a potential dovish pivot by the Fed provides a buying opportunity for EM debt, which offers appealing yields and spreads.

Source: Amundi Investment Institute, Bloomberg. Data is as of 30 January 2024 and refers to yield to worst for the Bloomberg Emerging Markets Hard Currency Aggregate Index that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

Source: Amundi Investment Institute. Analysis on Bloomberg data. Data is as of 30 January 2024. Government and EM indices are from JP Morgan. Euro and US credit indices are from ICE-BofA. LC: local currency. IG: investment grade. HY: high yield. ST: short-term. Yield for EM Corp ST is JP Morgan CEMBI Broad Diversified 1-3 Year while duration is JP Morgan CEMBI IG+ 1-3 Years.

EM bonds have performed well when the Fed cuts rates and the economy does not fall into a deep recession

Past rate cutting cycles



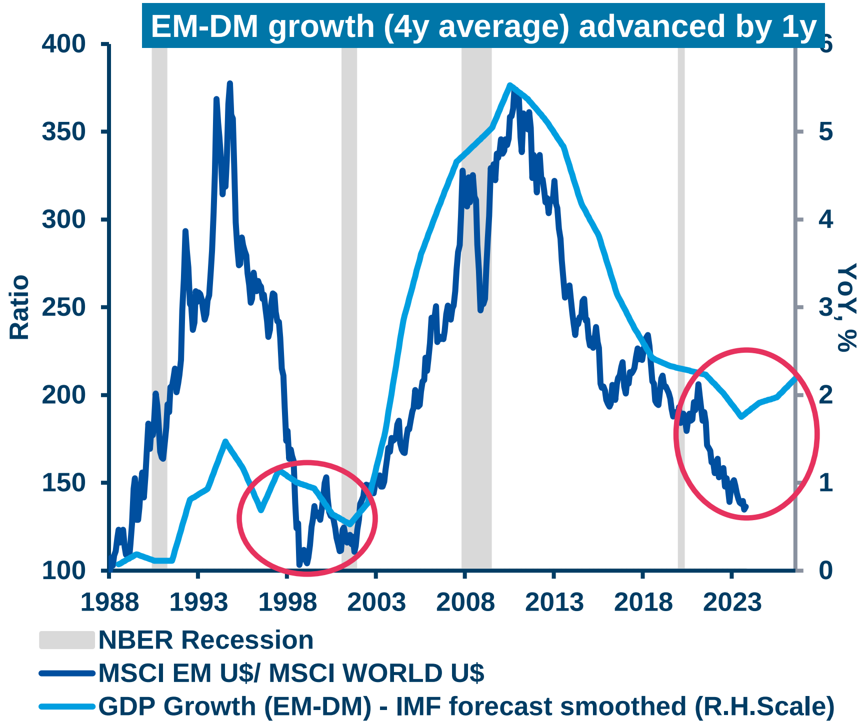
1	2	3	4	5
First cut Jul 1995	First cut Sep 1998	First cut Jan 2001	First cut Sep 2007	First cut Jul 2019
Returns 12 Months After First Rate Cut				
EMBI 31,78%	EMBI 29,27%	US Agg 8,44%	Global Agg 7,66%	US Agg 8,74%
Global HY 17,88%	Global HY 13,51%	Global HY 2,26%	US Agg 5,86%	Global Agg 4,22%
US Agg 5,02%	Global Agg 1,90%	Global Agg 1,57%	EMBI 5,37%	EMBI 2,96%
Global Agg 4,15%	US Agg 0,80%	EMBI 1,42%	Global HY 0,25%	Global HY -1,97%

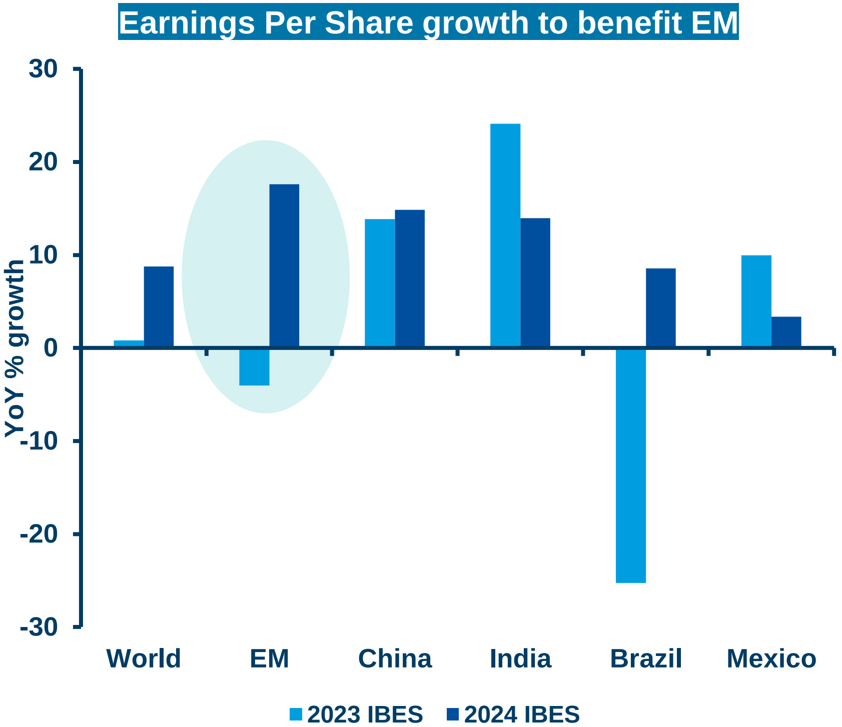
From a historical perspective, EM bonds have shown a positive absolute and relative performance during periods when the Fed has cut rates.

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

Source: Amundi Investment Institute, Bloomberg. Data as of 24 January 2024. Analysis on monthly data and Total Return Net indices in local currency. **Past performance is not indicative of future returns.**

EM equity: favoured by growth differential and earnings recovery



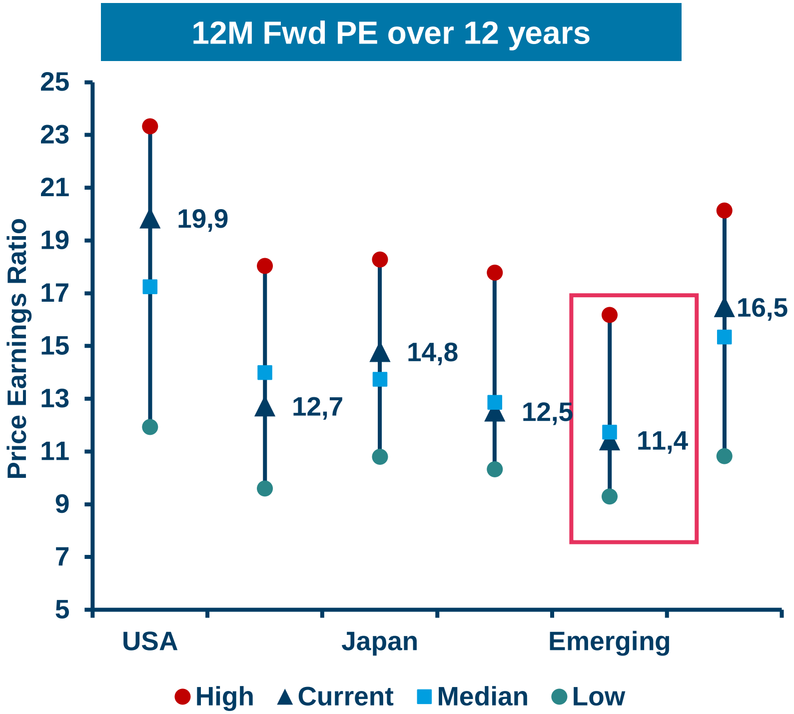


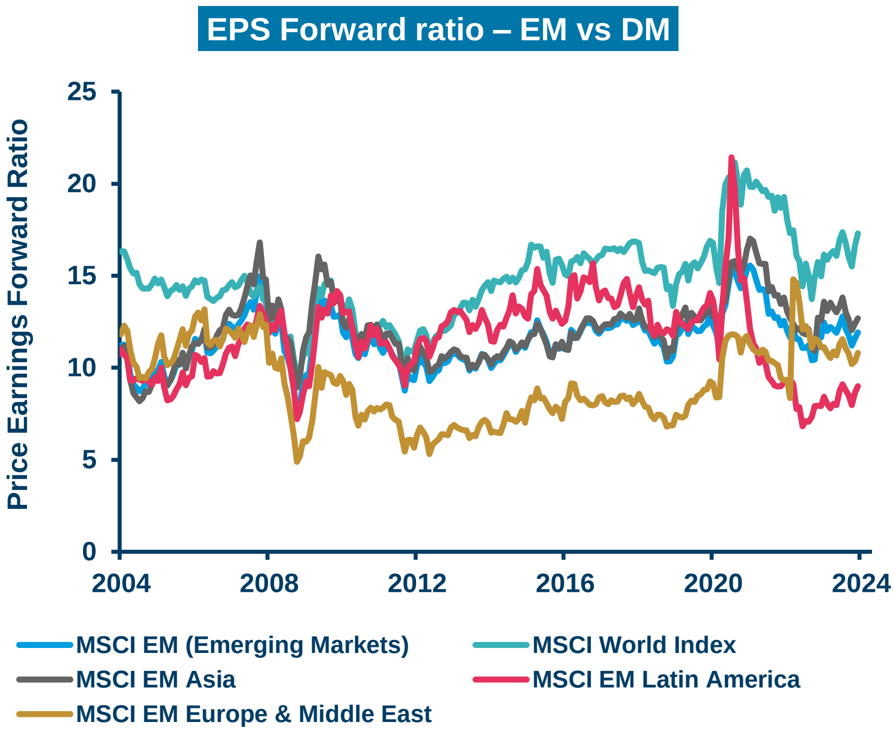
The first point supporting the call for the asset class is the constructive growth differential between EM and DM. In addition, earnings are also supportive, indicating a good recovery for 2024.

Source: Amundi Investment Institute, Datastream. Data is as of 26 January 2024. EM: emerging markets. DM: developed markets.

Source: Amundi Investment Institute, Datastream. IBES forecasts are subject to be reviewed due to earnings season update. Data is as of 11 January 2024.

…with compelling valuations





EM equity markets are at historically cheap levels if you look at the valuation metrics, offering interesting entry points on a standalone basis and relative to DM for global investors. However, a dedicated approach is required in a fragmented EM universe.

Source: Amundi Investment Institute, Datastream. Data as of 26 January 2024.

Source: Amundi Investment Institute, Factset. Data is as of 31 December 2023. Monthly data.

Asia

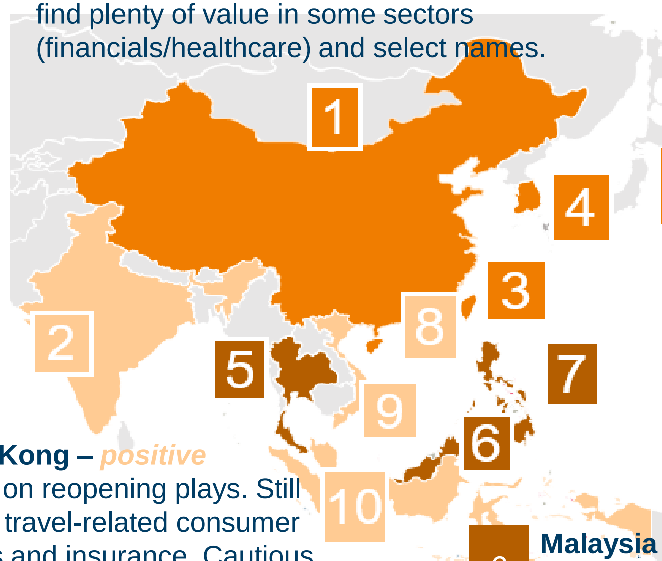
Equities: opportunities in Asia

1 **China –** ***neutral***
Tactically cautious as magnitude of recovery has been disappointing and there is further downside risk to GDP growth due to housing sector and resulting weak consumption; this is offset by significant excess savings accumulated during the Covid period, and policy put (a pro-growth government stance with capacity to further support property and private sector). Valuations are attractive after last year's pullback, however, the longer-term risk-reward appears more attractive for domestic vs offshore markets amid gradual escalation of geopolitical risk.

2 **India –** ***positive*** Digital transformation, Made in India, financialisation of savings and increasing weight in indices with more IPOs to come in new economy sectors. A robust economic cycle helps mitigate still high valuations, while we still find plenty of value in some sectors (financials/healthcare) and select names.

3 **Taiwan –** ***neutral***
Turning more constructive on semiconductors (logic and analog chips), with inventories normalising together with the earnings cycle turning around after significant cuts. Selective opportunities in cyclical tech vs generative AI-related names following the generative AI rally.

4 **South Korea –** ***neutral***
Turning more constructive on semiconductors (memory chips) with the earnings cycle turning around after significant cuts. Selective opportunities in cyclical memory vs generative AI-related names following the generative AI rally. Potential escalation of geopolitical risk.



5 **Thailand –** ***cautious***
Tourism to benefit from earlier-than-expected China reopening. Cautious on banks.

6 **Malaysia –** ***cautious***
Cautious on sectors exposed to domestic consumption and investment; turning more constructive on exporters (IT).

7 **The Philippines –** ***cautious***
Cautious on sectors exposed to domestic consumption and property.

8 **Hong Kong –** ***positive***
Focus on reopening plays. Still favour travel-related consumer names and insurance. Cautious on real estate.

9 **Vietnam –** ***positive***
Now the largest in the MSCI Frontier Index. It could benefit from an upgrade to EM status in MSCI indices and "China+1" opportunity. Favour banks and real estate.

10 **Indonesia –** ***positive***
Favour domestic names such as banks, as well as green materials-related names.

Colours indicate Amundi equity view on the country for Q1 2024

Cautious ***Neutral*** ***Positive***

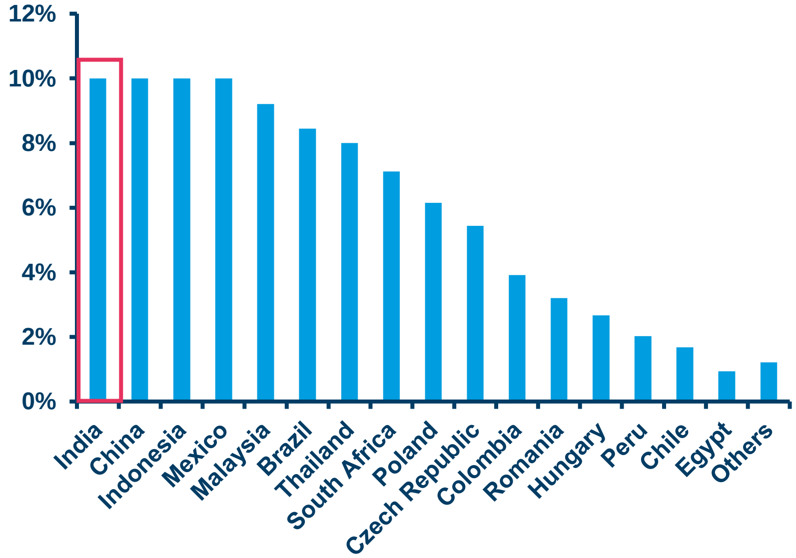
Source: Amundi Investment Institute. Data is as of 24 January 2024.
EM: Emerging Markets.

Amundi Asset Management | Investment Institute

India Bonds

India's bond market: another index inclusion in sight

India is expected to be among the highest weighted countries in the GBI-EM, with a capped weight of 10%



Some key long-term facts about India

Active democracy with political stability

Large and fast-growing economy: with US$3.2tr GDP and a population of 1.4bn people

Demography and demand: one of the biggest workforce suppliers.

Financialisation of savings: Foreign Institutional Investment and Domestic Institutional Investment flows have been robust.

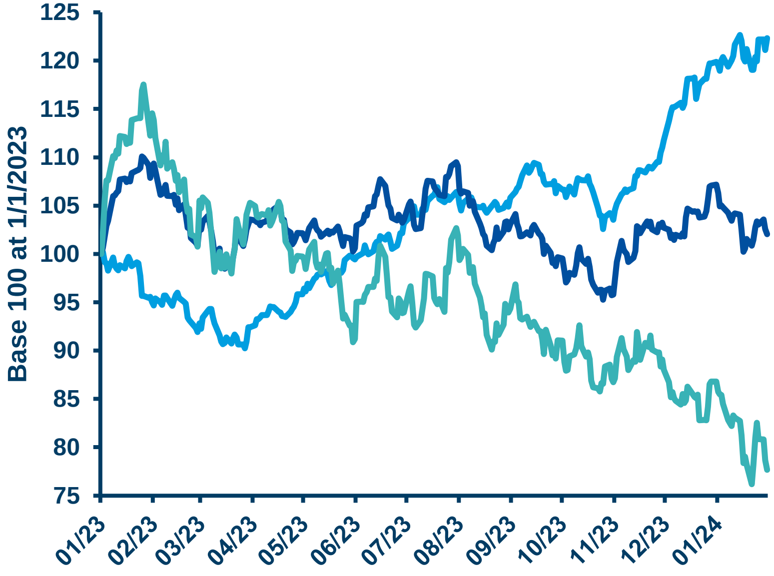
The inclusion of Indian Govt Bonds into the JPM GBI EM Index in June 2024 and Bloomberg's EM Local Currency Index in September will drive passive inflows into the asset class over the next 15 months. At the same time, the nominal yield is attractive, with the highest nominal sovereign yields among Asian IG countries. Moreover, with India's RBI on hold since early 2023 and core inflation pressures moderating, we may be on the cusp of a rate-cutting cycle.

Source: Amundi Investment Institute, Bloomberg and JP Morgan. Data is as of 6 October 2023. EM: emerging markets. GBI-EM: Government Bond Index - Emerging Markets. The index is provided by JP Morgan.

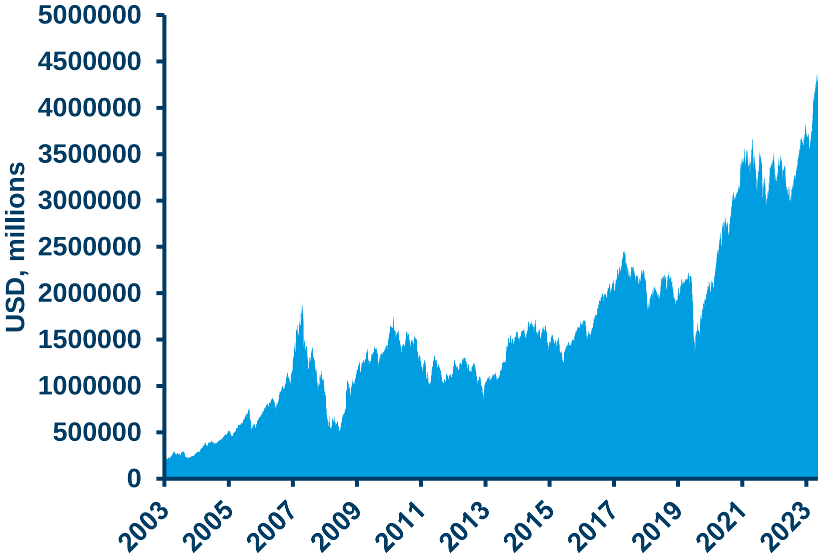
Source: Amundi Investment Institute,. Data is as of 6 October 2023.

Indian equity: a robust economic cycle helps mitigate high valuations

India has outperformed EM



Indian market cap, ranking 5th largest equity market globally (from 8th position in 2021)



The Indian equity market is reaping the benefits of its relative geopolitical stability and realignment, the fastest GDP growth rate among major economies and the continuation of domestic tailwinds including easing inflation and improvements in domestic demand. Furthermore, the long-term earnings trajectory continues to be encouraging, the consensus expects 17.6% EPS growth CAGR for the Nifty over FY23-FY26.

Source: Amundi Investment Institute, Bloomberg and JP Morgan. Data is as of 6 October 2023. EM: emerging markets. GBI-EM: Government Bond Index - Emerging Markets. The index is provided by JP Morgan.

Source: Amundi Investment Institute, Bloomberg, data is as of 31 January 2024. The market capitalization is calculated from all shares outstanding, data does not include ETFs and ADRs as they do not directly represent companies, including only actively traded.

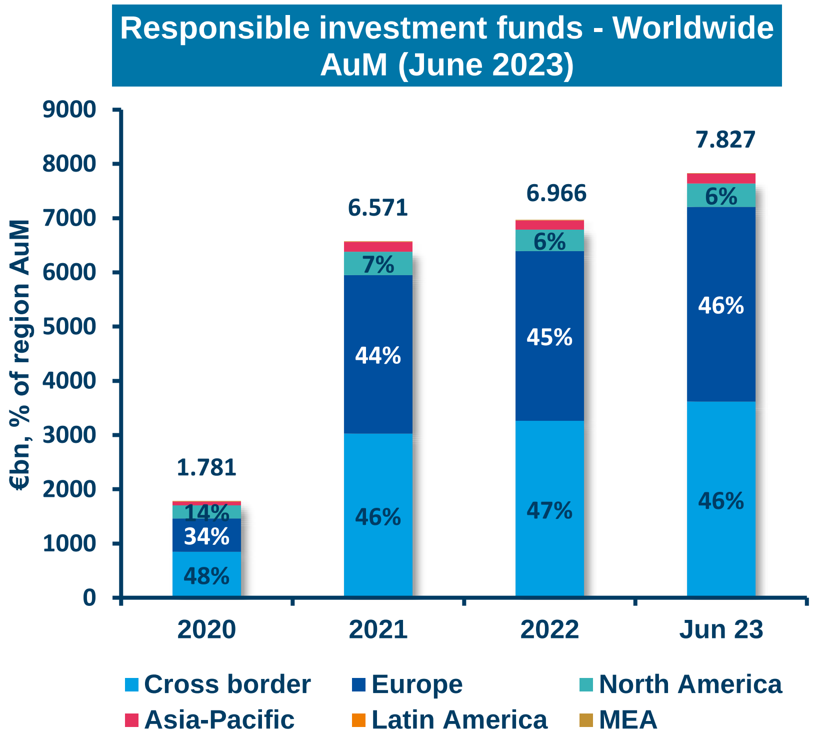
To sum up: EM top convictions

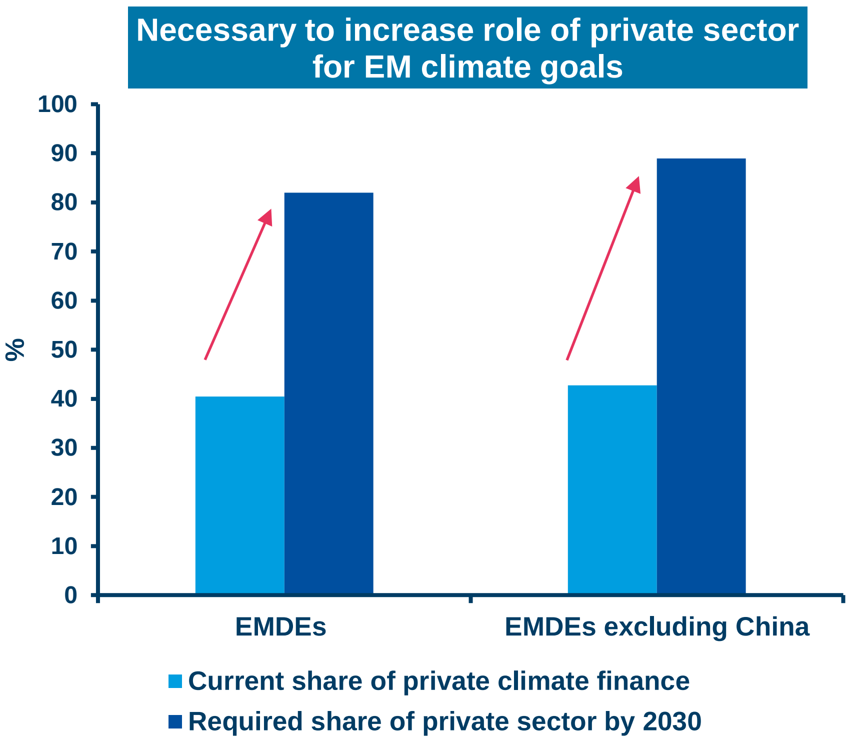
	$ DEBT	LC DEBT	EM EQUITIES	EM FX
Overall stance	Constructive on HC debt with preference for HY over IG given current spread levels.	Positive on LC debt with focus on areas of attractive real yields.	Positive on EM equities, with focus on areas with attractive valuations. We favour value over growth. Moving further into 2024, a recovery in EM growth would favour a shift in valuation styles.	We are constructive on EM FX, with preference for high-carry currencies.
Regional preference	▪ LatAm: Mexico, Argentina; ▪ Eastern Europe: Poland, Hungary.	▪ LatAm: supported by quality of carry, Brazil, Mexico, Colombia; ▪ Asia: supported by strong growth and higher relative yields, Indonesia, India.	▪ India; ▪ Indonesia; ▪ Vietnam (largest member in the MSCI Frontier Index). ▪ LatAm, especially Brazil (moving further into 2024).	▪ LatAm currencies: Brazilian real, Mexican peso ▪ Higher yield Asian FX: Indonesian Rupee; Indian Rupee.

Source: Amundi Investment Institute 2 February 2024 EM: Emerging Markets; HC: Hard Currency; LC: Local Currency.

Huge private investment is needed to achieve net zero

ESG





Development of sustainable capital markets in EM and Developing economies through blended finance and reforms of international finance institutions will be crucial going forward. According to the IMF, the share of private sector climate finance in those economies will have to rise significantly to reach the net zero transition goals.

Source: Amundi business intelligence based on Broadridge data. Data is as of June 2023.

Source: Amundi Investment Institute, IMF and IEA on Climate Policy Initiative with staff calculations. The estimation share of private climate finance to achieve net-zero emissions by 2050 is based on public climate financing share in total public investment that increases by a factor of 1.5 until 2030. Bloomberg. Data is as of 30 October 2023. EMDEs: Emerging Markets and Developing Economies.

Contributors

INVESTMENT TEAM

Emerging Market platform

Yerlan SYZDYKOV
Global Head of Emerging Markets

Patrice LEMONNIER
Head of Emerging Markets Equity

Nick McConway
Head of Asia ex-Japan Equity

Sergei STRIGO
Co-Head of Emerging Markets Fixed Income

Maxim Vydrine
Co-Head of EM Corporate & HY

Esther Law
PM – EM Local Currency

AMUNDI INVESTMENT INSTITUTE

Economic and Strategy Research

Alessia BERARDI
Head of Emerging Markets Macro & Strategy Research

Karine HERVE
Senior Economist

Claire HUANG
Emerging Markets Macro Strategist

Debora DELBÓ
Senior Equity Strategist

Sosi VARTANESYAN
Senior Economist

Patryk Drozdzik
Emerging Markets Macro Strategist

Investment Insights & Publishing

Claudia BERTINO
Head of Investment Insights and Publishing

Pol CARULLA
Investment Insights and Client Divisions

Laura FIOROT
Head of Investment Insights and Client Divisions

Recent EM publications

Available at the Amundi Research Center: http://research-center.amundi.com/

Date	Title
22 Jan 24	China's pivot: steering through turbulence to sustainability
11 Dec 23	Emerging Markets Outlook 2024 charts and views: Opportunities in a fragmented world
23 Nov 23	Emerging Markets outlook for 2024
23 Nov 23	2024 Investment Outlook
10 Oct 23	Five questions on recent escalation in Israel
8 Sep 23	ESG Thema #13 - Time for action: Unlocking climate finance in Africa

Chief Editors

Monica DEFEND
Head of Amundi Institute

Vincent MORTIER
Group Chief Investment Officer

Matteo Germano
Deputy Group Chief Investment Officer

Indices reference and definitions

Bond Indices (JPMorgan)

Sov. HC HY = JPM EMBI Global Diversified High Yield; Sov. HC = JPM EMBI Global Diversified Composite; Sov. HC IG = JPM EMBI Global Diversified Inv. Grade; Local FX = JPM GBI-EM Global Diversified FX Return; Local HC = JPM GBI-EM Global Diversified Composite Unhedged USD; Local Euro = JPM GBI-EM Global Diversified FX Return in EUR; Local Rates = JPM GBI-EM Global Diversified Composite LOC; Corp. HC HY = JPM Corporate Broad EMBI Diversified High Yield; Corp. HC = JPM Corporate EMBI Broad Diversified Composite; Corp. HC IG = JPM Corporate Broad EMBI Diversified High Grade.

Equity Indices (MSCI)

Argentina = MSCI Argentina Net Total Return; Brazil = MSCI Brazil Net Total Return; China = MSCI China Net Total Return; Czech Republic = MSCI Czech Republic Net Total Return; Colombia = MSCI Colombia Net Total Return; Egypt = MSCI Egypt Net Total Return; India = MSCI India Net Total Return; Indonesia = MSCI Indonesia Net Total Return; Mexico = MSCI Mexico Net Total Return; Peru = MSCI Peru Net Total Return; Philippines = MSCI Philippines Net Total Return; Poland = MSCI Poland Net Total Return; Russia = MSCI Russia Net Total Return; South Africa = MSCI South Africa Net Total Return; South Korea = MSCI Korea Net Total Return; Taiwan = MSCI Taiwan Net Total Return; Thailand = MSCI Thailand Net Total Return; Turkey = MSCI Turkey Net Total Return; Emerging Markets = MSCI Emerging Net Total Return.

Yield & Duration Indices

German Govt Bonds = JP Morgan GBI Germany Index; US Govt Bonds = JPMorgan GBI US Index; Euro IG Bonds = Bloomberg Barclays Pan European Aggregate Corporate; US IG Bonds = Bloomberg Barclays US Aggregate Credit; Euro HY bonds = Bloomberg Barclays Pan-European High Yield ISMA; US HY Bonds = Bloomberg Barclays US Corporate High Yield; EMBI Div = JPMorgan EMBI Global Diversified Blended; CEMBI BD = JPMorgan CEMBI Div Broad Composite Blended; CEMBI BD HY = JPMorgan CEMBI Broad Div High Yield; Euro Corp Short Term = Bloomberg Barclays Euro Corporate 1-3Yr; US Corp Short Term = Bloomberg Barclays US Corporate 1-3Yr; EMBI Short Term = JPMorgan EMBIG Diversified 1-3Yr.

Definitions

- **Basis points**: one basis point is a unit of measure equal to one one-hundredth of one percentage point (0.01%).
- **Carry**: the carry of an asset is the return obtained from holding it.
- **Correlation**: the degree of association between two variables; in finance, it is the degree to which assets or asset class prices have moved in relation to each other. Correlation is expressed by a correlation coefficient that ranges from -1 (perfectly negative correlated) through 0 (absolutely independent) to 1 (perfectly positive correlated).
- **Credit spread**: differential between the yield on a credit bond and the Treasury yield. The option-adjusted spread is a measure of the spread adjusted to take into consideration possible embedded options.
- **Default rate**: The share of issuers that failed to make interest or principal payments in the prior twelve months. Default rate based on BofA indices. Universe consists of issuers in the corresponding index twelve months prior to the date of default. Indices considered for corporate market are ICE BofA.
- **Diversification**: Diversification is a strategy that mixes a variety of investments within a portfolio, in an attempt at limiting exposure to any single asset or risk.
- **Duration**: a measure of the sensitivity of the price (the value of principal) of a fixed income investment to a change in interest rates, expressed as a number of years.
- **EPS (Earnings per share)**: This is a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.
- **External vulnerability index**: this index is built by aggregating five different indicators that can monitor a country’s dependence on overseas economies and capital flows.
- **FX**: FX markets refer to the foreign exchange markets where participants are able to buy and sell currencies.
- **Green bonds:** A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects.
- **Investment grade**: Refers to securities issued by an issuer of negotiable debt securities (Treasury bonds...) or bonds for which the Standard & Poor’s rating is greater than or equal to BBB-. 'Investment grade' bonds are considered by the various rating agencies as having a low risk of non-repayment.
- **High yield**: High yield paying bond with a low credit rating due to the high risk of default of the issuer.
- **P/E ratio**: The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings (EPS).
- **Quasi sovereign**: companies wholly or partially owned by the government.
- **Social bonds**: Social bonds are use-of-proceeds bonds that raise funds for new and existing projects with positive social outcomes.
- **Spread**: the difference between two prices or interest rates.
- **Volatility** is a statistical measure of the dispersion of returns for a given security or market index. Usually, the higher the volatility, the riskier the security/market.

Disclaimer

Date of first use: 6 February 2024.

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: 91-93 boulevard Pasteur – 75015 Paris – France – 437 574 452 RCS Paris – www.amundi.com. Photo credit: Creativity has no limit – million words - Getty Images.