Investment Institute

September 2023

CROSS ASSET INVESTMENT STRATEGY

TOPIC OF THE MONTH

The Eurozone economy under scrutiny, as the policy support fades

GLOBAL INVESTMENT VIEWS

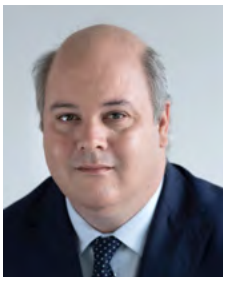
Divergences persist: US resilience vs China weakness

Trust must be earned

Amundi ASSET MANAGEMENT

Monica DEFEND
Head of Amundi Investment Institute

“The downgrade of Chinese economic growth, risks around US recession, and sluggish growth in Europe will further mean that the ECB and the Fed will remain data-dependent in their efforts to weed out the last leg of inflation.”



Vincent MORTIER
Group Chief Investment Officer

“The current asymmetric risk/return profile doesn’t call for increasing risks. Instead, investors should stay balanced and search for signals regarding confirmation of the economic direction.”

Matteo GERMANO
Deputy Group Chief Investment Officer

“Among Emerging Markets, the ones that are less exposed to the US and China slowdown, like India, are favoured. This fragmentation may create opportunities for investors.”

September 2023

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The Eurozone economy under scrutiny, as the policy support fades

KEY TAKEAWAYS: Much less fiscal policy support will likely constrain domestic demand and higher-for-longer interest rates will make monetary policy even more restrictive.

Mahmood PRADHAN
Head of Global Macroeconomics - Amundi Investment Institute

Annalisa USARDI, CFA
Senior Economist – Amundi Investment Institute

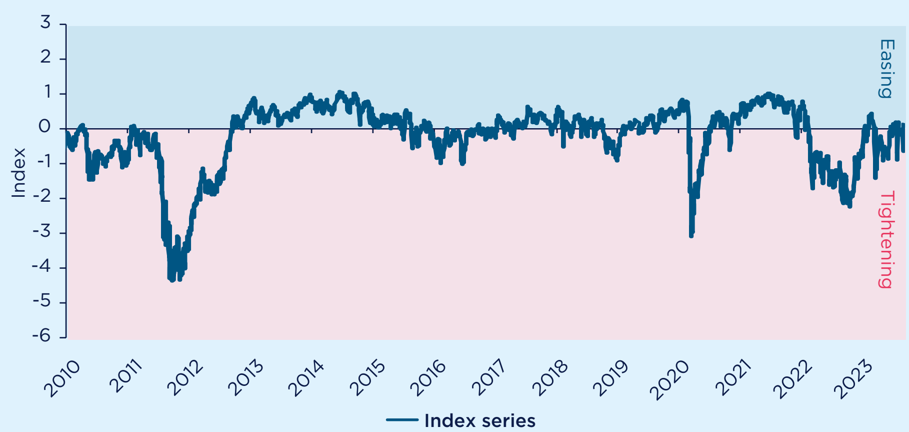
The Eurozone economy has stagnated over the last three quarters, although growth in the second quarter was marginally positive due to strong idiosyncratic growth in one or two smaller countries. The countries that are more dependent on services, such as France and Spain fared better, compared to Germany and Italy, for instance, which rely more on manufacturing and exports. Nonetheless, soft data and leading indicators suggest the services sector is unlikely to remain resilient. Preliminary PMI data indicate demand weakness is spreading to services, although activity is stalling rather than contracting at this stage. Forward-looking employment indicators – wage offers for new jobs – also suggest some moderation in labour market strength. Employment, however, remains strong and this should support demand near term.

1. Reduced fiscal support will add to already weak domestic demand.

In 2022 and 2023, energy-related fiscal support measures amounted to about 2% of GDP (ECB estimates*) but, next year, we expect this support to be reduced and, together with the return of fiscal rules, should reduce aggregate fiscal support to an average of less than 1% across the Euro area (ECB estimates*).

Moreover, with the ECB not expected to reach its inflation target until sometime in 2025, monetary policy is likely to remain restrictive throughout most of 2024. Consumption has been supported by a strong labour market, but the recent buoyancy in nominal wage growth has not been sufficient to restore losses in real compensation since 2021. With wage growth expected to moderate, the stock of excess savings is reduced and, with credit conditions tightening, consumption will remain subdued and will not be a source of private demand growth.

Bloomberg European financial conditions index



Source: Amundi Investment Institute as of 29 August 2023. *ECB, Economic Bulletin Issue 2, 2023.

In addition, investment is also expected to decline due to weakening demand, a higher cost of capital and tighter credit conditions. More EU support for the green transition and NGEU funds will provide some stimulus but it will not be material in the near term. External demand will exacerbate domestic weakness, due to slower global growth. Global trade will likely weaken further, to below 1.4% Q4/Q4 after a broadly flat 2022, recovering modestly to 2.6% Q4/Q4 next year, which is still below the long-term average of above 3.5% since the early 2000s. Headline inflation has declined due to favourable base effects but, with the recent uptick in oil prices, the slowdown should be more moderate for the rest of this year. Core inflation will remain sticky, especially as services inflation remains well above levels consistent with the central bank's target. We expect the core inflation rate to remain close to current levels of around 4.5% in Q4.

2. Growth divergence across the Eurozone will narrow as policy support wanes.

"None of the factors that have supported demand this year will be as supportive next year."

The four largest countries have seen marked differences in domestic demand during this recovery, but with country-specific factors expected to be ironed out and policy tightening becoming more uniform, we expect these growth differences to narrow and progressively converge to subdued and below-par quarterly growth patterns, resulting in annual average growth rates below 1% in 2024, with downside risks more pronounced in some countries. At a country level, we expect Germany to show the weakest performance among the four main countries. Germany, and Europe in general, will have to recalibrate lower growth expectations in China (the second most important destination for German exports and a key supplier to the German manufacturing sector). But Germany has also to face the challenge of its energy dependency. Among the other main countries, Italy has benefited from government incentives for investment, a recovery in exports and resilience in consumption linked to its lowest unemployment rate in the last ten years. But a tighter policy environment and lower external demand, both from its important trading partners within the Eurozone and outside, will lead to a significant moderation in growth. France will also move to below-trend growth because of weaker external demand, but we expect inflation to remain under control and a recession in 2024 should likely be avoided. Spain has been the laggard among the four main eurozone countries in catching up to its pre-pandemic levels; we expect a more buoyant quarterly growth profile for the rest of this year compared to its peers, but a more challenging environment next year due to tighter financing conditions and the withdrawal of energy price support measures.

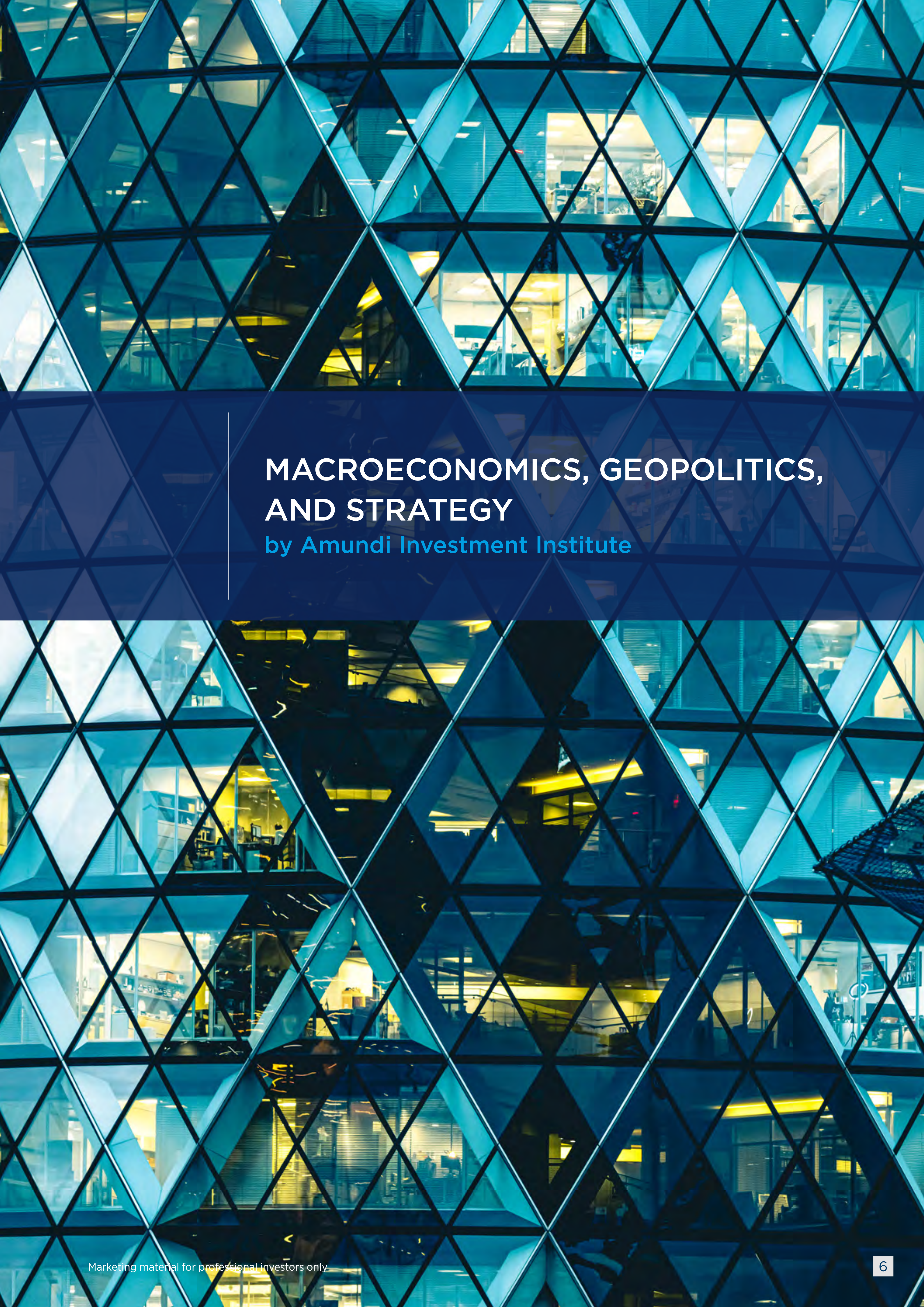
Valentine AINOUZ
Head of Global Fixed Income Strategy - Amundi Investment Institute

The ECB is set to remain hawkish

We expect the ECB to remain on the hawkish side. The ECB is facing a dilemma: inflation versus growth. The question for the central bank is (1) whether inflation is still too high to risk a halt to tightening, or (2) whether the economy is already weak enough to curb price growth on its own.

Indeed, the outlook in the Eurozone is deteriorating rapidly, with credit conditions tightening and high inflation continuing to weigh on demand. However, the job on inflation is not finished yet. Inflation has moved down from its peak but remains too high, even though the drivers of inflation are changing. External sources of inflation are easing, while domestic factors are now the main drivers of inflation in the Euro area.

The ECB is closely monitoring the rise in wages and the strength of profit margins. The central bank has indicated that the rise in labour costs was the main reason for raising its inflation forecasts.



MACROECONOMICS, GEOPOLITICS, AND STRATEGY

by Amundi Investment Institute

End in sight: Bank of Japan to complete policy normalisation

Claire HUANG
Senior EM Macro Strategist - Amundi Investment Institute

Japan's Q2 GDP significantly outperformed expectations, soaring to a 6% SAAR* from 3.7% in Q1. This robust performance was primarily driven by a surge in exports, while domestic demand indicators, such as private consumption and imports, contracted. **We have revised our 2023 growth forecast up from 1% to 2%, to reflect the Q2 surprise.**

However, a divergence among sectors continued and we are not changing the growth profile for the subsequent quarters. **A modest consumption growth is not enough to cancel out a contraction in exports, which will result in a mild economic slowdown in H2.**

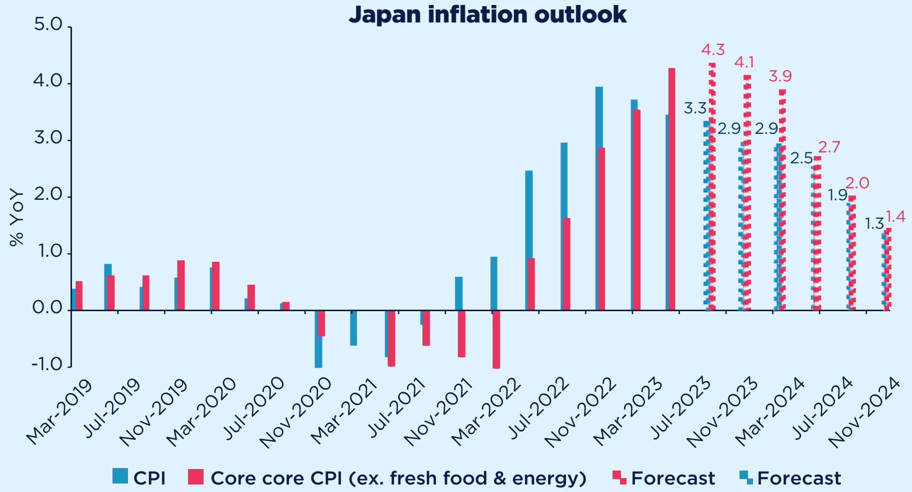
We expect private consumption to moderately recover in H2 despite the surprising decline in Q2. A steady increase in tourism, due to the economic reopening, alongside a tight labour market and increasing wage growth, will continue to support consumption.

Moreover, we expect the strong export performance to taper off, as manufacturing output and new orders fell further in August, indicating a weak demand.

Finally, inflation persistently exceeded expectations, with the core CPI (ex. fresh food and energy) remaining above 4%. Inflationary pressure has remained strong across all measures. While we believe inflation has peaked and will start to decline, it will likely remain above the BoJ's 2% target until mid-2024. Core CPI is likely to reach 4% by the end of 2023.

Persistent solid inflation prints pave the way for the BoJ to complete its Yield Curve Control (YCC) tapering. The BoJ started to allow for a controlled increase in the 10y yield towards 1% following its July meeting, having raised the strict cap to 1% from +/-0.5%. Market rates have gradually moved up, but have stayed below 1% so far, reducing the pressure on the BoJ to intervene. In its next move, the BoJ is likely to turn the +/-1% into a new reference band, without promising unlimited purchases of JGBs. The 18-19 December meeting or early 2024 are the most likely windows, if inflation proves to be stickier than expected.

Japan inflation outlook



Source: CEIC, Amundi Investment Institute. Data is as of August 2023. *Seasonally Adjusted Annual Rate.

EM diversification amid exposure to China and US

Alessia BERARDI
Head of Emerging Macro Strategy - Amundi Investment Institute

While confirming the growth premium remains in favour of Emerging Markets economies over the Developed Markets ones for 2023, the most recent economic readings and forecast revisions are signalling a reduction in that premium. The higher-than-expected resilience in Developed Markets prompted an upward growth revision there, while, in contrast, China is struggling more than expected, facing persistent acute weakness in its real estate sector as well as more moderate household consumption dynamics. The other Emerging Markets economies only partially offset this negative trend; indeed, growth dynamics are a mixed bag amid disappointing trends in South Asia, Eastern Europe and the Andean region, while large LatAm economies, such as Mexico and Brazil, or, in Asia, India and Indonesia have been showing robust momentum.

In China, recent data show that economic growth remains sluggish and below our initial forecasts. As policy decisions are gradually announced, they are being overshadowed by the persistent challenges facing various sectors, particularly the housing market, which has returned to a sharp correction mode. Despite the magnitude of easing, which could increase as economic growth slows, the pain threshold has become more uncertain. At this current juncture, we believe that to effectively revive growth, Chinese policymakers need to introduce a substantial fiscal easing package equivalent to at least 2% of GDP. However remains, a piecemeal approach is prevailing and the timing of much bolder interventions remains highly uncertain.

As far as LatAm is concerned, despite upward growth trajectory revisions for its two largest economies in 2023, their economic perspectives look somehow different. In Brazil, an exceptional agricultural boost in Q1 2023 has proven to be a one off and the economy should deliver zero/negative sequential growth in H2 2023 due to its very restrictive monetary policy. Mexico appears more insulated from the slowdown in China and is actually taking advantage of the near-shoring process; moreover, its exposure to the resilient US economy is resulting in much firmer domestic momentum than anticipated. If there is any risk in H2 2023 it would be a more pronounced recession in the US.

Source: Amundi Investment Institute, OECD. Data is as of 7 September 2023. Mexican domestic value-added exposure to US stands at 17,5% (2018-2020 average).

Macroeconomic snapshot

Due to still strong momentum in the US economy, driven by a resilient labour market and domestic demand, we have revised up our growth expectations for this year and delayed our call for material economic weakening to the first half of 2024 when we expect the tightening of monetary and financing conditions to hit the US economy; inflation will continue its downward path, with core stickier than headline.

Data flow on the eurozone front signals that some elements of resilience are gradually fading and, looking ahead, the most likely scenario is one of sluggish growth, where external demand is expected to moderate and internal demand will suffer from tighter monetary and financial conditions. Inflation will continue to trend lower, but core inflation will remain above headline for some quarters before converging towards target by the end of next year.

Regarding the UK economy, while we don't expect a recession, we do anticipate some flattish quarters ahead as growth will be challenged by higher rates, a slowing labour market and a weaker external environment. The risk of recession, though, is increasing and recent PMI data show clear signs of deceleration, particularly in sectors that have been a bright spot so far. While we expect inflation to continue to trend lower, recent data show that core remains quite sticky and ongoing high wage growth poses an upside risk in the near term.

We have upgraded our full-year growth forecast for Japan to reflect the Q2 upside surprise. However, the divergence between the industrial and services sectors continues. Modest consumption growth is not enough to cancel out the contraction in exports, which will result in a mild economic slowdown in H2. Inflation has persistently exceeded expectations. We expect core CPI to increase at a 4% rate through to the end of 2023.

Following a mild downward revision in 2023 (from 5.1% to 4.9%), we have downgraded China's 2024/2025 growth to 3.7%/3.4%, from 4.3%/3.9% respectively, reflecting our view of a more rapid and painful economic transition towards a lower 3% gear. We don't expect a significant stimulus turnaround. The goal of Chinese policymakers is to manage the economic transition by moving away from debt-laden housing and Local government financing vehicle.

In August, Indian data confirmed a robust picture for growth with Q2 CY GDP printing at 7.8% YoY and lifting the CY 2023 GDP forecast to 6.4% from 6.0%. Domestic demand is proving strong, in both household consumption and investment. A drag in net exports is a consequence of this, driven by strong imports. Less positively, inflation printed higher than expected at 7.4% YoY for July, lifting the trajectory above RBI forecasts. Inflation should stay above target for the coming months and any easing by the RBI will be postponed to H2 2024.

The Turkish central bank increased its key rate by 750bps to 25%, surprising the market which was anticipating only 250bps. This decision follows the publication of the inflation report where forecasts were revised upwards (to 58% end of 2023 and 33% end of 2024) and where the risks to expectations were clearly identified on the upside. Additional hikes are expected before the end of the year. While growth beat expectations in H1, we expect it to slowdown sharply in H2 on the back of elevated inflation, stronger monetary and fiscal tightening.

Economic activity in Brazil is slowing in a fairly resilient fashion thanks solid labour market conditions and a positive supply shock courtesy of the agri sector. Sequential inflation is moderating though but will rise in annual terms amid unfavourable base effects in 2H. The Brasilian Central Bank has started cutting rates already and sees a gradual easing cycle ahead. Lula's administration passed a new fiscal rule and submitted a balanced '24 (primary) budget but risks are against it being executed as proposed.

Easing cycle: a peloton of Emerging Markets Central Banks ahead of the game

Developed markets

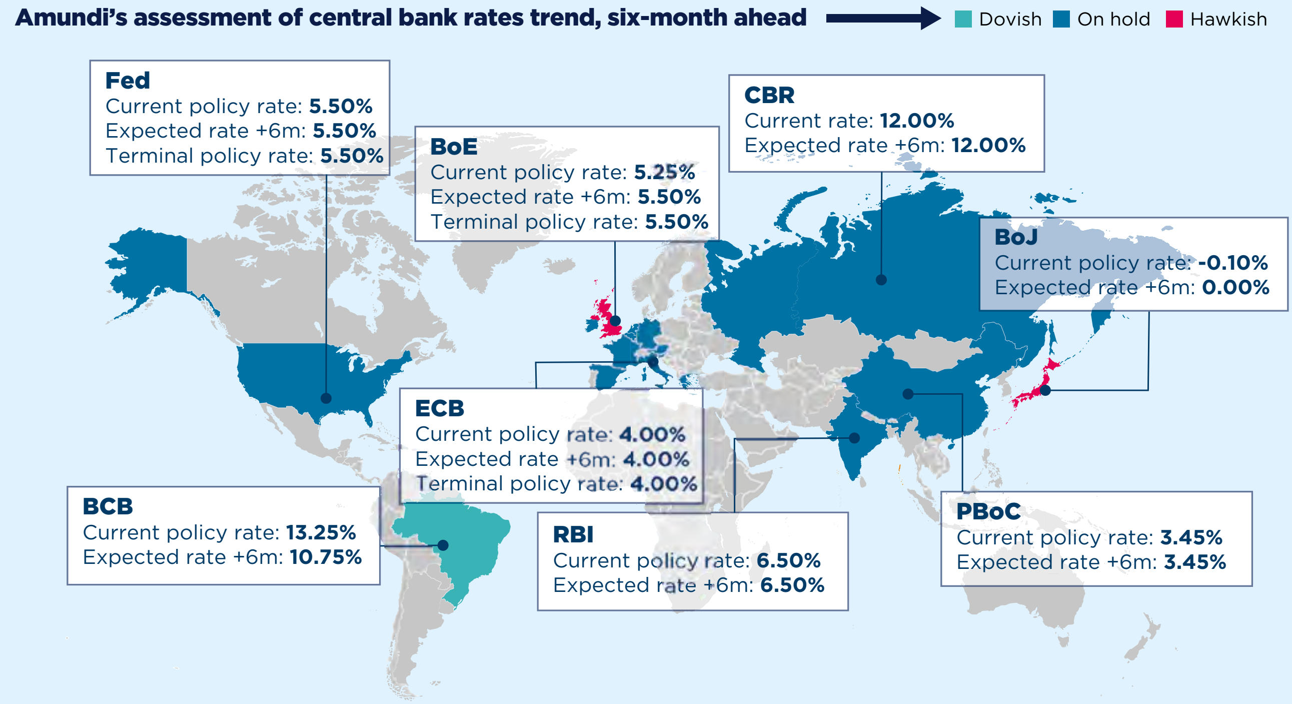
We expect a pause at the next FOMC meeting. However, the Fed could tighten monetary policy further on evidence that (1) persistently above-trend growth is putting further pressure on inflation or (2) the tightness in the labour market is no longer easing. The US economy is surprisingly resilient, thanks to its solid fiscal policy in particular. Some FOMC members have also observed that the real estate sector's response to monetary restrictions may have peaked. Moreover, the job on inflation is not yet done.

The question for the ECB is (1) whether inflation is still too high to risk a halt in tightening or (2) whether the economy is already weak enough to curb price growth on its own. Indeed, the outlook is deteriorating rapidly in the Eurozone. However, inflation remains too high. Domestic factors are now considered to be the main drivers of inflation in the euro area. The ECB has indicated that the rise in labour costs was the main reason for raising its inflation forecasts.

Emerging markets

While DM CBs may still be expected to hike, EM CBs have already started policy easing. Recent inflation readings, less disinflationary or surprising on the upside, didn't change the direction of the expected easing, but perhaps marginally altered the pace or the terminal rate. **The number of CBs switching to easing should increase in September,** with the Central Reserve Bank of Peru (CBRP) and Narodowy Bank Polski (BNP) joining. In Peru, realised inflation and inflation expectations are looking increasingly more benign, opening the doors to easing; but the easing cycle should start slowly with El Nino risk looming and should then pick up in 2024. In Poland, despite inflation printing lower in August (10.1% YoY from 10.8% YoY), it failed to meet one of the pre-announced criteria for a rate cut (single-digit figure); however, considering the NBP's strong bias on growth, the NBP delivered a surprising rate cut of 75bps in September. On a different note, in South Asia some CBs are still fine-tuning their normalisation (BoT) while others are likely to delay the start of easing due to higher-than-expected inflation (RBI) or tighter-for-longer global financial conditions (BI).

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



Source: Amundi Investment Institute as of 15 September 2023. 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

20 September US Federal Open Market Committee (FOMC) meeting	**21 September** BOE Monetary Policy Committee meeting	**26 October** ECB Governing Council meeting

GEOPOLITICS

Latin America's geopolitical opportunities and risks

Anna ROSENBERG
Head of Geopolitics - Amundi Investment Institute

Latin America stands to gain significantly from the geopolitical shifts underway. A likely commodity boom driven by the green transition and the need to diversify, the US Inflation Reduction Act, and the likely signing of the Mercosur trade deal with the EU will change Latin America over the next years. **While the United States is interested in keeping its strong ties to Latin America, China wants to dilute US influence** and cement its commercial ties, while also securing access to natural resources and important waterways. **The EU is keen on binding Mercosur countries (Argentina, Brazil, Uruguay and Paraguay) closer to its orbit of influence.** It is not only a matter of accessing consumer markets and commodities. **Symbolism is also playing an important role, as powers vie for supremacy in terms of alliance networks.** For example, several countries that have hitherto recognised Taiwan as a sovereign state have reversed their stance (most recently Honduras) in response to China's diplomacy. **Making the most of the opportunities arising from international interests will be a political challenge.** Geopolitics, so far, has not been a priority for most political leaders facing domestic development and security threats. However, **the new environment will require that political leaders adapt to balancing US and China's interests.** International crime, which the new environment will likely worsen (for example, illegal mining), will be an additional challenge. Moreover, diverging geographic priorities will also contribute to the difficulty of formulating a common stance.

"Central America both benefits and suffers from US proximity, while Pacific countries face a US/China balancing act."

POLICY

The great return of risk premium on public debt

Didier BOROWSKI
Head of Macro Policy Research - Amundi Investment Institute

The rebound in government bond yields over the summer does not appear to be linked to monetary policy expectations. Instead, markets are beginning to take account of the sharp deterioration in public finances, particularly over the last three years.

While **the US benefits from USD dominance and the safe-haven status of Treasury bonds,** public debt well in excess of USD 30bn, the normalisation of the Fed's balance sheet and rising interest rates have given markets other matters to worry about. Indeed, with the current trajectory, the debt-to-GDP ratio will reach 135% by 2028, and age-related spending on health and social security will further strain finances. **A fiscal adjustment is needed but is highly unlikely in the near future.**

"Investors should pay more attention to the dynamics of public debt than to monetary policy."

The burden of public debt has not (yet) become unsustainable, and the US has plenty of room to raise taxes if needed. But, without corrective measures, **high deficits** and a lack of political consensus **may justify a higher risk premium.**

Conversely, despite the poor budgetary performance of several countries (France/ Italy), **the Eurozone, as a whole, is performing better than the US,** and its debt/GDP ratio has stayed almost stable since the financial crisis (although above 60%). Given fiscal policy remains an exclusive competence of Member States (MS), coordination and cross-border spillovers play a major role. The proposed reform of the Stability and Growth Pact would give MS greater room for manoeuvre, in exchange for greater responsibility (enforced by sanctions).

Central and alternative scenarios

	Prob. 20% **DOWNSIDE SCENARIO** Financial crisis triggers global recession	Prob. 70% **CENTRAL SCENARIO** Sharp slowdown in global growth	Prob. 10% **UPSIDE SCENARIO** Economic resilience
Geopolitics	▪ Worsening Ukraine war impairs commodity trade. ▪ More protectionism and increased retaliation to protectionist measures.	▪ Ukraine-Russia: de-escalation still likely in the coming 6 months. ▪ China-US tensions. ▪ More protectionism, near-shoring / friend-shoring. ▪ OPEC+ imposing a floor on oil prices.	▪ De-escalation / ceasefire in Ukraine. ▪ Lower energy or food prices.
Inflation and policy mix	▪ Sticky core inflation leads to tighter financial conditions. ▪ CB hike more than expected. ▪ 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 June 2024. Key rates likely to stay higher for longer. ▪ Fed Funds rate back to 3.75% by end-24 (-150bp) in line with the expected disinflationary trend of the core PCE deflator. ECB: no cuts before mid-2024. ▪ Many EM CB 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) is set to wane in 2024. EM fiscal space constrained amid prudent stance. Moderate fiscal measures in China to contain the slowdown.	▪ CB status quo, key rates higher for longer.
Growth path	▪ More widely spread recessionary outlook (global growth well below 2%).	▪ The global slowdown is becoming increasingly synchronised: very anaemic growth in Europe (with growing recession risks), shallow US recession in H1 2024, marked slowdown and rapid transition to a slower growth regime in China. ▪ Tightening credit conditions to hit DM economic activity in the coming quarters. ▪ Growth gap still tends to favour EM in 2024.	▪ In case of pronounced cyclical disinflation, we could see a faster-than-expected return to potential growth in 2024. ▪ 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

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

Source: Amundi Investment Institute as of 31 August 2023. DM: developed markets. EM: emerging markets. CB: central banks. USD: US dollar. TIPS: Treasury inflation-protected securities. FX: foreign exchange markets.

Top-Down Macro Fair Value for S&P 500

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

What is the model about?

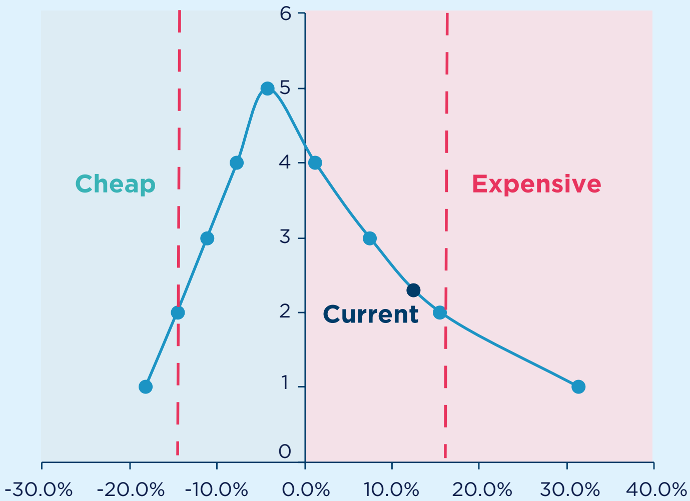
- **The rationale:** we believe that market price action varies in different regimes. Therefore, **the assessment of market behaviour is essential to building a regime-based asset allocation,** since: 1) Markets can make decisions based on an expectations discount process (**valuation model**); 2) They often diverge from fair value due to **irrational expectations;** 3) Each cycle has **specific characteristics that markets usually price** by diverging from the regime market's behaviour.
- **Model setup:** as the world becomes more complex and dynamic, **the concept of regular mean reversion is likely to be less effective than it has been in the past.** In our view, **dynamic forward-looking fair value,** as a point to converge to and for assessing over- / under-valuation, is more suitable. These "Top-Down Macro Fair Values" are theoretical prices for an asset class calculated around an expected scenario, based on economic and financial variables.
- **Model output: the pricing equation is specific to each asset class,** as each one has its own sensitivities to specific macro / financial variables and the fair values are the outcome of this model. The variables used for the S&P500 Index are: S&P500 op EPS, 10-year UST, US real GDP, US CPI YoY, US unemployment and commodities trends.

> *"Markets remain very complacent about the macro-financial picture and current levels already price-in a better picture than our central scenario."*

What are the current signals?

- Despite the recent sell-off, there still seems to be an overvaluation of around 13% highlighting investors' complacency.
- Even though markets do not seem to be in bubble territory, the recent profit recession and current normalisation in EPS, high rates and decelerating growth are inconsistent with the S&P500 at 4400-4500.
- Decelerating inflation and unemployment rates at historical lows supported the recent multiple expansion; nevertheless, it is very unlikely to gain further momentum from job markets, and inflation normalisation cannot entirely offset the weaker global growth and recession fears.

Valuation distribution S&P 500



Source: Amundi Investment Institute, Bloomberg. Data is as of 23 August 2023. Valuation distribution is calculated taking into account the historical over- / under-valuation figures of the model since 1995. The chart shows the historical valuation deciles and the current one.

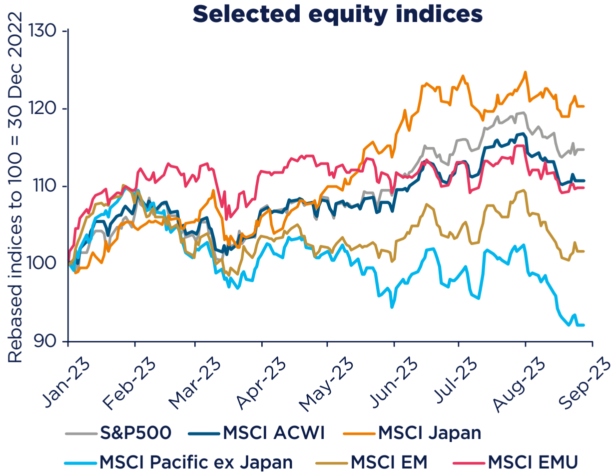
Equities in charts

Developed markets

Uneven regional performance

Japan leads this year, followed by the US and EMU. Pacific ex Japan and EM extended their underperformance in August.

Selected equity indices

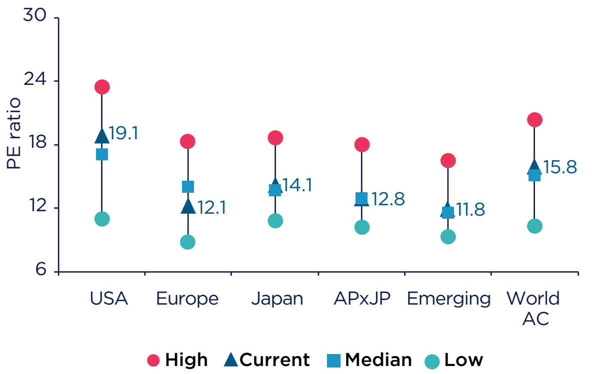


Source: Amundi Investment Institute, Datastream. Data is as of 28 August 2023.

Big valuation gap: US and Europe indices

If the MSCI US remains the most expensive, most other regions are in line with their averages, with the noticeable exception of Europe.

Price Earning Ratio 12M Forward since 12 years



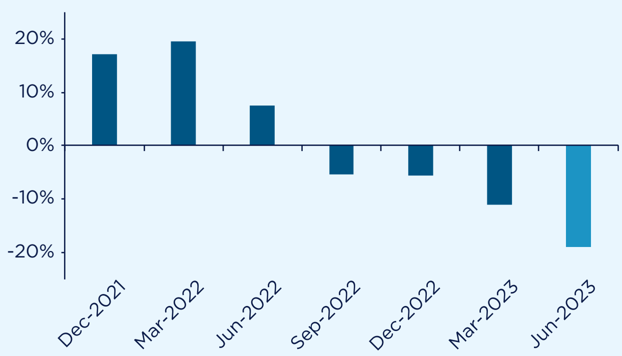
Source: Amundi Investment Institute, Datastream. Data is as of 28 August 2023.

Emerging markets

MSCI Emerging Q2 disappointing quarter

MSCI EM Q2 2023 reporting season has ended and the final results are negative, confirming the decelerating trend.

MSCI EM USD - Latest Reporting Seasons (YoY growth vs the same quarter one year ago)

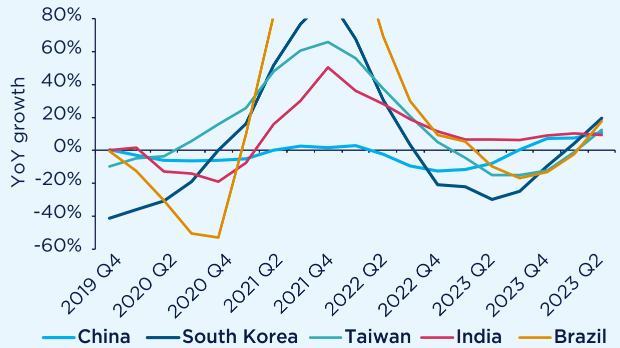


Source: Amundi Investment Institute, Datastream. Data is as of August 2023.

Earnings expectations improving

Internal forecasts for a slight rebound in EPS growth for the next 12 months are coherent with the expected decoupling of EM growth vs developed market growth.

EM Earnings Per Share YoY recovering in 2023



Source: Amundi Investment Institute, Datastream. Data is as of August 2023.

"July's rebound on the back of a reassuring earnings season did not hold up in August."

Éric MIJOT
Head of Global Equity Strategy - Amundi Investment Institute

"EM earnings are expected to rebound in the next 12 months."

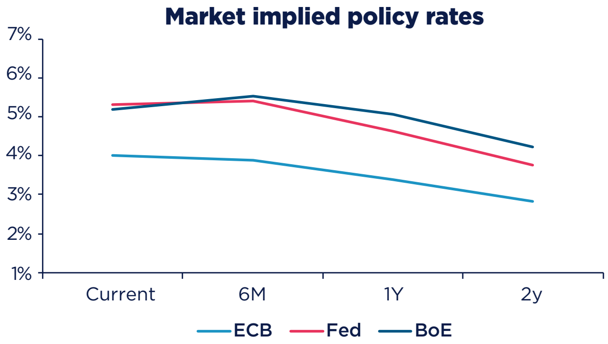
Alessia BERARDI
Head of Emerging Macro Strategy - Amundi Investment Institute

Bonds in charts

Developed markets

Markets imply a closer terminal rate

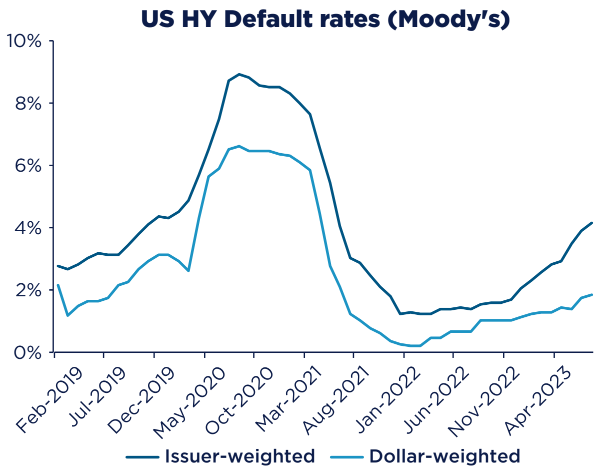
Following the latest CB meetings, markets' implied rates moved closer to their expected peaks, particularly the BoE terminal rate which was revised down from 6.5% in early July to 5.75%/6.0% currently. ECB terminal rate up to 4% from 3.75% after the last rate hike by the European CB.



Source: Amundi Investment Institute, Bloomberg. Data is as of 15 September 2023.

HY defaults rising, mostly among small caps

US HY Default Rates were 4.2% in July, up from 3.9% in June and 3.5% in May. In dollar-weighted terms, they are still low by historical standards.



Source: Amundi Investment Institute, Bloomberg. Data is as of 28 August 2023.

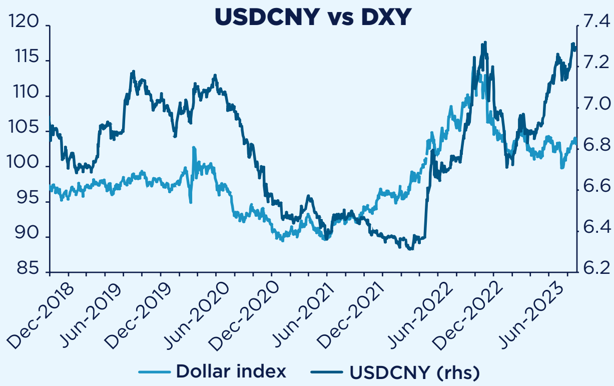
"HY default rates continue to rise, both in terms of issuer-weighted and dollar-weighted."

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

Emerging markets

Markets express bearish China's view via FX

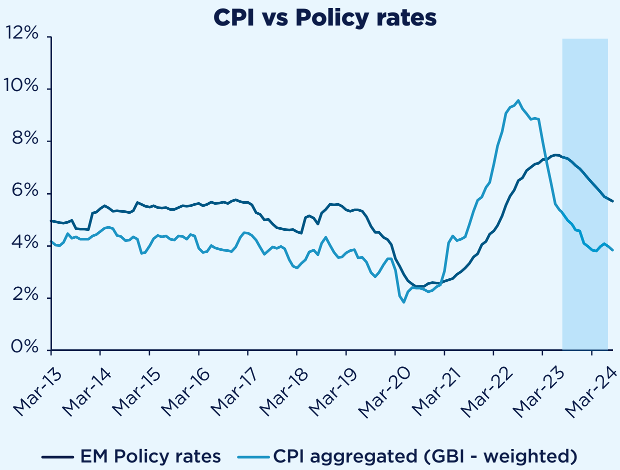
EM currencies have performed well so far this year, benefitting – among other factors – from our view that the dollar will weaken throughout the year.



Source: Amundi Investment Institute, Bloomberg. Data is as of 31 August 2023.

EM local bond yields to go lower

Inflation in emerging markets peaked in Q4 2022 and monetary policy is peaking now. These two effects are going to favour lower yields in the coming months.



Source: Amundi Investment Institute, Bloomberg, CEIC. Data is as of August 2023.

"Both the CPI and the policy rates have peaked and this will favour EM lower yields."

Alessia BERARDI
Head of Emerging Macro Strategy -
Amundi Investment Institute

COMMODITIES

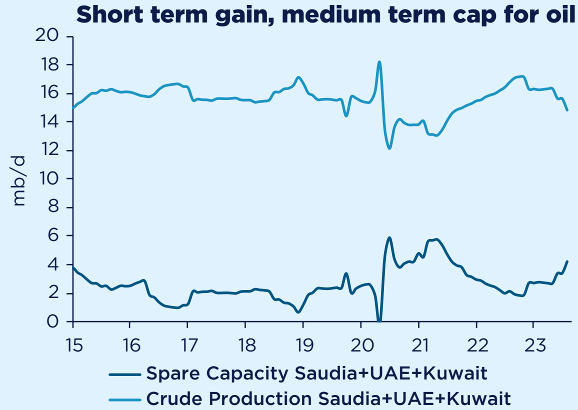
Evidence of tightness in oil

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

"Modest deficit in 2023, less discipline from OPEC+ in 2024."

OPEC+'s pledged cuts are starting to show, and seaborne volumes suggest further efforts to reduce supply are under way. Meanwhile, demand remains resilient, albeit with downside risk, especially from China, which accounts for half of the projected growth. As a result, we expect a modest 0.5/1mbd deficit by late 2023, emphasised by depleting crude stocks, a deepening backwardation in time-spreads, and by intensifying pressures on refining (as OPEC+'s disproportionate cuts reduce the supply of medium sour crude). A US détente with Iran and/or Venezuela could erase a $5/b premium amid limited support from tactical patterns. We see Brent prices anchoring in our $85/b-$90/b target range, ending 2023 closer to the higher end. We expect more volatility in 2024 within a similar trading range, as OPEC tries to release its surging spare capacity.

Short term gain, medium term cap for oil



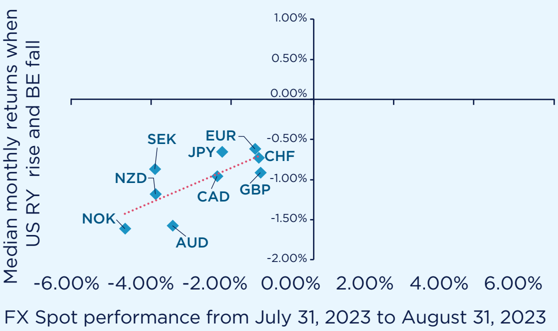
Source: Amundi Investment Institute, Bloomberg, OPEC, as of July 2023. mb/d= mln barrels per day.

CURRENCIES

The FED and the lack of symmetry in the FX markets

Since July, the US economy has been surprising on the upside, particularly when compared to other regions where, beyond China, Europe's weak economic momentum is becoming a concern. This has pushed US real yields higher and, in turn, highlights risks of further USD upside in the short term. However, given progress on US inflation, the contraction in consumption and our expectations for the US in H1 24, this US exceptionalism may not last long. An approaching FED pivot and the structural shift in the global bonds market (where the percentage of negatively-yielding debt has plunged) may soon create non-symmetrical market behaviour, where FX sensitivity to US news will be much higher than for data coming from abroad. Despite the lack of clarity, we see this as a headwind for the USD.

Realized vs modelled FX Spot returns (vs USD) when US RY rise and US BE fall



Source: Amundi Investment Institute, Bloomberg. Data is as of August 2023.

Federico CESARINI
Head of DM FX -
Amundi Investment Institute

"In our view, an approaching FED pivot and the structural shift in the global bonds market may soon create non-symmetrical market behaviour."

GLOBAL INVESTMENT VIEWS

Divergences persist: US resilience vs China weakness

Vincent MORTIER
Group Chief Investment Officer

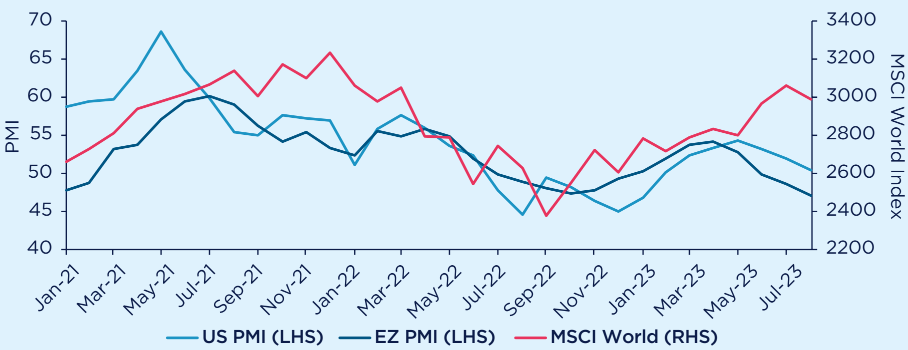
Matteo GERMANO
Deputy Group Chief Investment Officer

August was a month when risk assets, after giving back some of their gains, closed flat, whereas yields on 10Y USTs reached 15-year highs. On the one hand, the US displayed economic resilience on the back of fiscal incentives and business investment. However, sentiment was affected by slowing momentum in China, regarding which we downgraded our 2023 growth forecasts from 5.1% to 4.9%.

Importantly, forward-looking indicators in the US and Europe point to an imminent deceleration. All this creates low visibility moving into autumn and we see the following factors shaping the global economy:

- **Although we revised up our 2023 US growth forecasts** from 1.6% to 2.1%, we still think that a (mild) recession from Q1 is possible, due to the lagged effect of tightening financial conditions and dwindling excess savings. However, business investments could present a challenge to our decelerating consumption scenario.
- **Terminal rates and inflation dynamics.** We see upside risks to our 5.5% rate forecasts for the Fed. More clarity on the direction of services and core inflation is needed to confirm a downward path.
- **Lackluster European growth.** Recession could be averted at a regional level this year, but divergences across countries are likely: restrictive policy, diminishing fiscal support, waning demand.
- **China is moving to a slower, sustainable growth model,** given the government's willingness to accept near-term pain for better growth quality long term. This would affect Europe and other EM.

Divergences between markets and forward-looking indicators



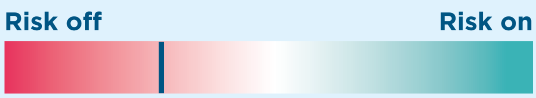
Source: Amundi Investment Institute, Bloomberg, 30 August 2023. S&P composite PMIs shown above.

“The current asymmetric risk/return profile doesn’t call for increasing risks. Instead, investors should stay balanced and search for signals regarding confirmation of the economic direction.”

Investors may explore these asset classes, with a vigilant approach:

- **Cross asset.** Uncertainty on earnings and the economic backdrop still calls for a cautious stance on US and European equities, but we are positive on EM. In FI, the move up in yields keeps us positive on US duration, with some protection, but we are defensive on US HY amid tight valuations. However, we like select EM local debt and are slightly more positive on Brazilian rates after the recent rate cut there. This could also act as a diversifier regarding our constructive views on BRL/USD FX, on which we are more positive now. Overall, we think there is a need to maintain hedges on equities and a positive stance on gold, while accepting the limited upside on the metal.
- **Fixed income.** There are changing liquidity dynamics at play, with limited support from the Fed moving from QE to slow QT at a time when government bond issuance is high. This supply/demand mismatch is affecting markets as yields oscillate between news on economic activity, CB policies and government debt. **We stay active on duration,** with a slightly positive view on the US and a close to neutral/slightly cautious stance on Europe. In credit, we are defensive on HY, but differentiate between high and low quality. Instead, we like IG names that have sufficient capital cushions and cash flows.
- **US and EU equities still show high valuations despite the recent pullback.** The risk profile is asymmetric, as upside is limited now, given that most of the good news (soft landing) is already priced in. If our scenario of a mild recession plays out, this could be negative for equities, especially US large caps, growth and tech. On the other hand, we like segments and businesses where the upside is driven more by earnings growth and less by multiples expansion. We like value and quality sides of the market, but maintain a selective lens.
- **EM offer opportunities, particularly in LatAm, Asia**. While there are areas that would be affected by China’s slowdown, we emphasise the importance of looking at countries such as Brazil, India, Indonesia. HC debt offers high carry and we see scope for a rebound in HY. We also like LC debt and keep a positive view on LatAm exporters. However, we are moving to neutral on Chinese equities, but like India and are more positive on Brazil. Overall, bottom-up focus is important.

Overall risk sentiment



Tight risk asset valuations (despite the recent pullback), and low visibility on earnings and CB policies lead us to stay defensive.

Changes from previous month:

- Cross assets: more positive on Brazilian LC debt and FX; stay constructive on US duration, with protection.
- Fixed income: close to neutral EU duration.
- Equities: moved neutral on China; more positive on Brazil.

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.

Three hot questions

1. US growth has surprised to the upside so far this year. Do you think this will continue, and what about Europe?

We upgraded US economic growth forecasts for this year from 1.6% to 2.1% as fiscal incentives are playing in favour of stronger investments in select categories. However, we still expect a recession from Q1 next year, with Q4 2023 showing a slowdown. In the Euro Area, recession risks have increased, and we see a weak quarterly growth pattern for H2 2023 and moving into 2024. The region should avoid a recession, but this cannot be said for individual countries.

Investment consequences:

- Slightly positive/close to neutral on USTs; neutral on Euro rates.
- Cautious on US high yield.

2. How do you see Chinese economic activity evolving this year and beyond?

While we marginally downgraded our forecasts for Chinese economic growth this year, more importantly, we lowered our 2024-25 numbers from 4.7% and 3.9%, to 3.7% and 3.4% respectively. This reflects a more rapid economic transition towards lower, more sustainable growth. On top of the construction slowdown, the services sector deceleration is concerning. In addition, the pain threshold for policymakers has become vague, and it does not seem that 3-4% growth will trigger more substantial responses.

Investment consequences:

- Chinese equities: Lowered to neutral.
- Oil: Brent prices anchored around an $85-90/bbl target.

3. What are the key takeaways from the latest earnings season?

EPS growth was negative in Q2, but it was better than expected, both in the US (-3.4% vs -5.7%, YoY, expected in early July) and the EU (-5% vs -7.4%). The US fared slightly better compared to Europe, the first time in this cycle, partly supported by the economic backdrop and a weaker dollar, which increases international earnings of US companies. In fact, excluding the energy sector, US EPS growth was positive at 3% and consumer discretionary was the biggest surprise, with earnings growing at 53.6%.

Investment consequences:

- Prefer Japanese equities over US (priced for perfection).
- In Europe, we are neutral; sector-wise, we stay balanced between cyclicals and defensives.

> *"The downgrade of Chinese economic growth, risks around US recession, and sluggish growth in Europe will further mean that the ECB and the Fed will remain data-dependent in their efforts to weed out the last leg of inflation."*

Monica DEFEND
Head of Amundi
Investment Institute

Amundi asset class views

	Asset Class	Current view	Change vs. m-1	Rationale
EQUITY PLATFORM	US	–		Equities gave back some of the gains recently, but valuations are still high and earnings expectations too optimistic. Any pressures on consumption and tight financial conditions could manifest in corporate earnings. We remain cautious.
	US value	+		Valuations in this sector are supportive and the long-term shift towards value is maintained as we experience a mild uptick in yields. We combine value with our focus on quality names that show sufficient earnings potential. We also like large cap banks, as we believe that through each cycle, they will continue to demonstrate less cyclicality and prove to be more durable.
	US growth	– –		Overvaluation of growth, along with our concerns on changing liquidity, keeps us cautious on growth. Any tightening of financial conditions could further hurt sentiment.
	Europe	–/=		Slowing global growth could affect the more cyclical European markets amid weak soft data. While we do not expect a recession, we remain slightly cautious, with a preference for strong banks and businesses that can maintain their margins and display pricing power.
	Japan	=		Japanese equities are benefitting from improving domestic activity and the country coming out of deflation. We like value, but are neutral overall amid a subdued global economic backdrop.
	China	=	▼	China's move to a lower, more sustainable growth model involves some near-term adjustments. We are seeing weakness in real estate, construction and services sectors. Thus, we are close to neutral and are assessing the potential for government support measures.
	Emerging markets ex China	=/+		Opportunities are led by strong domestic consumption and exports across the EM world, but regions show huge divergences, underscoring the need for selection. We are positive on select countries in Asia (India), Latin America (Brazil) and Eastern Europe. Valuations are attractive in Brazil, while India is a beneficiary of consumption and changes to global supply chains.
FIXED INCOME PLATFORM	US govies	=/+		The recent move up in yields, along with our scenario of a mild recession, leads us to stay constructive on duration. However, we stay very active amid inflation still being above the Fed target, recent Fed comments, and concerns on higher issuance.
	US IG corporate	=/+		We favour quality businesses that display stable cash flows and the ability to navigate the current environment. For instance, we like financials (over non-financials) and think that the primary market offer select opportunities. Overall, we maintain our high quality bias.
	US HY corporate	–		HY valuations are tight and not consistent with our earnings and economic outlook. This segment could be more affected by credit and liquidity risks and thus the risks do not compensate for the potential upside, if any. We remain cautious.
	European govies	=		While we do not expect a recession in Europe, growth could still be weak and there are likely to be divergences across the region. We are close to neutral but believe investors should manage the stance tactically to adjust for ECB actions and inflation data. On peripheral debt, we stay neutral overall, with a slightly positive stance on Italy.
	Euro IG corporate	=/+		We are slightly positive on IG, owing to their ability to generate stable cash flows. In particular, we like names with sufficient capital cushions and the financial sector.
	Euro HY corporate	–		Concerns around HY persist amid weak growth, but we maintain the need to differentiate between the low-rated debt and higher-quality names. The former will be more affected by tightening financial conditions, economic slowdown and potential liquidity issues.
	China govies	=		Diversification remains a key point for Chinese bonds, but we are vigilant on the evolution of the Chinese economy and the effects of fiscal and monetary support measures on growth.
	EM bonds HC	=/+		We are positive on EM debt from a medium-term perspective. HC offers attractive carry and we prefer HY over IG owing to attractive spread levels. Overall, we maintain our selective stance towards countries with strong finances and responsible fiscal management.
	EM bonds LC	+		Robust economic growth and inflation under control paint a positive backdrop for LC debt. Our LatAm tilt is further supported by easing monetary policy, as evident from recent rate cuts in Brazil and Chile. We remain vigilant on any potential geopolitical risks.
OTHER	Commodities			We see some pressures on base metals pricing amid slowing Chinese activity and global trade. But given that overall valuations are fair currently, the downside should be limited. We downgraded our 12-month forecasts to $8,700/t. Gold prices are being driven by US real rates and we see only limited upside, in line with our expectations for a mild recession.
	FX			Since July, the US economy has been surprising to the upside relative to peers, boosting the USD. But we believe the Fed rate hike cycle and US inflation would drive the greenback in the medium term. Both these suggest a weaker USD profile.

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Negative view Neutral Positive view

▼ Downgrade vs. previous month

▲ Upgraded vs. previous month

Source: Amundi as of August 2023. 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.

Look for diversified opportunities in EM bonds

We have seen three main themes of late. First, the US economy has been resilient on the back of strong investments and consumption. But China, on track for lower long-term growth, is showing signs of weakness in its near-term trajectory. Thirdly, the policy divergence between EM and DM CBs is becoming more visible after the recent rate cuts in LatAm. **This backdrop calls for a cautious, diversified stance with all portfolio hedges in place.** However, investors should aim to benefit from the EM growth advantage and policy divergences through EM equities and debt.

High conviction ideas

DM equity valuations remain expensive even as earnings have trended lower. For any rebound to be sustainable, it must be matched with earnings growth, which remains uncertain. We think earnings may continue to face headwinds well into 2024, underscoring **our cautious DM stance.** On the other hand, we stay **slightly positive on EM** and are vigilant on Chinese growth and its potential effects on other countries with strong trade ties.

We are **constructive on US duration,** with some scope for protection on 10Ys amid strong economic data, excess supply of US debt, and concerns about a relatively hawkish Fed. We also believe in the bull steepening of the US and Canadian curves. In Europe, valuations are in favour of a slightly positive stance on duration as macro data are weak and less supportive of the hawkish camp in the ECB. Similarly, Swedish bonds should gain from a vulnerable domestic economy and Italian BTP-Bund spreads from supportive technicals. At the other end, we are active across global yield curves and think UK 10Ys are likely to outperform Australian 10Ys. However, we are cautious on JGBs.

In EM, we are constructive on bonds and turned marginally more positive on Brazil amid our expectations of CB rate cuts. We are also optimistic on Czech government bonds (hedged).

In DM, credit, fundamentals are mixed and spreads are tight in US HY, not in line with tight financial conditions that could affect liquidity and the ability of companies to raise capital going forward. Thus, we stay defensive.

With regard to FX, we raised our positive view on the BRL/USD due to Brazil's declining political risk and stay positive on the MEX/EUR and INR/CNH. In DM, we are negative on the GBP but positive on the JPY (vs EUR and CHF) amid its safe-haven qualities. The USD should weaken as the Fed slows its rate hikes.

Risks and hedging

We think investors should **maintain portfolio protections on risk assets** due to low visibility on earnings and the economic outlook. At the other end, gold continues to offer diversification and protection against recession and geopolitical crisis. But we acknowledge the limited upside in the near term due to tighter valuations and the recent move up in real yields.

Francesco SANDRINI
Head of Multi-Asset Strategies

John O'TOOLE
Multi-Asset Investment Solutions

"While it's not time to add risk, investors can look for income opportunities in the EM bond space."

Amundi Cross-Asset convictions

■ *Current stance* ⟶ *Change vs. previous month*

		---	--	-	=	+	++	+++
Equities	DM			■				
	EM					■		
Credit				■				
Duration	DM					■		
	EM					■		
Oil					■			
Gold						■		

Source: Amundi. The table represents a cross-asset assessment on a three- to six-month horizon based on views expressed at the most recent global investment committee. The outlook, changes in outlook and opinions on the asset class assessment reflect the expected direction (+/-) and the strength of the conviction (+/++/+++). This assessment is subject to change and includes the effects of hedging components. FX = foreign exchange, IG = investment grade, HY = high yield, CB = central banks, BTP = Italian government bonds.

Look for earnings quality, balance sheet strength

Fabio DI GIANSANTE
Head of Large Cap Equity

Yerlan SYZDYKOV
Global Head of Emerging Markets

Kenneth J. TAUBES
CIO of US Investment Management

“Current earnings estimates look too optimistic, but this could change as markets feel the pressures from an economic slowdown.”

Overall assessment

European equities. Valuations were high as we entered the Q2 earnings season, so we paid particular attention to management **communication. We expect managements to be more cautious in their messaging now, in line with cautious soft data.** In the latest earnings, banks' results exceeded expectations as they benefitted from higher interest rates. However, areas such as consumer-exposed sectors suffered. Nonetheless, we maintain our barbell approach, with a focus on defensive (consumer staples that are structural winners) and cyclical names, such as financials/retail banks, owing to their robust balance sheets. In addition, construction-related companies delivered strong performances and investors should consider locking in the performance. Unsurprisingly, there are sectors such as tech that are more expensive and we are cautious on them.

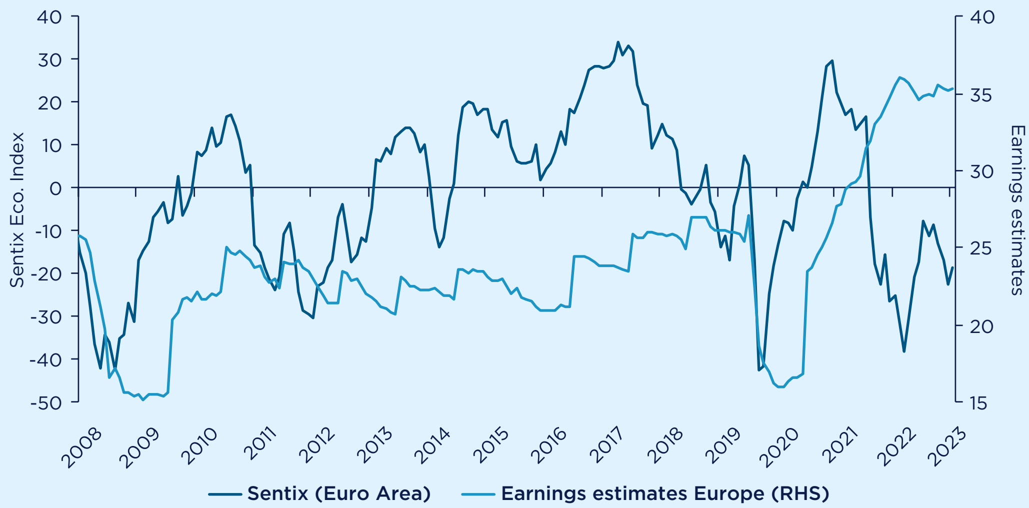
US equities

The fiscal boost from the government has helped consumers, but we think excess savings could dissipate. Markets, which are priced for perfection, don't reflect that. While we remain cautious on large caps/growth, we prefer defensive, quality and value trading at reasonable valuations. **We also notice that intra-stock correlations have fallen and that is positive for selection.** At the sector level, we like large cap banks that have strong capital cushions. This is all the more important after the recent downgrades. Interestingly, the new capital rules being discussed for the sector and recession/credit risks make it less obvious to own banks than before, but we focus on businesses with stable deposit bases and that are technology leaders. Furthermore, we favour energy, materials and life science tools. We also note that pockets of pharma, medical technology, and consumer retail are becoming interesting, although we remain vigilant regarding weakening labour markets.

EM equities

EM are characterised by attractive valuations and expectations for earnings recovery, but slowing growth in China and US requires us to be selective. We like Brazil (more than before) and India. Brazil has started monetary easing and economic growth is also being boosted by agriculture, while India continues to be a beneficiary of supply chain alterations and internal policies are spurring growth. In China, sentiment has turned pessimistic, especially in real estate and discretionary, due to structural challenges, leading us to be tactically neutral.

Economic expectations differ from earnings expectations in Europe



Source: IBES, Refinitiv, as of 11 July 2023. Forecasts start from Q2 2023. Year-on-year growth rate for S&P 500.

Bonds in focus: IG credit financials are favoured

Overall assessment

Sticky core inflation is above CB comfort levels, even as clouds on economic growth remain. **This creates policy uncertainty and calls for a flexible stance on duration in government bonds,** along with a tilt towards quality in DM and EM credit, given our expectations for an economic slowdown.

Global & European fixed income

The ECB is unwilling to give up its fight on inflation so soon and will remain data-dependent to maintain the option of keeping rates restrictive. **This approach keeps us active and tactical on duration and for now we are slightly cautious/close to neutral overall:** marginally cautious on core Europe and significantly defensive on Japan. On the other hand, we are positive on Italian BTPs, but overall neutral on European peripheral debt. Lacklustre growth expectations in EZ and the effects of a slowing recovery in China lead us to keep our cautious tilt on low-quality HY corporate credit. However, we like IG and subordinated debt and from a sector perspective, our preference is for financials. We think fundamentals are strong in financials: **we like banks** that have strong asset liability management and benefit from a higher interest rate environment.

US fixed income

Recent yield movements create a positive backdrop for duration management and we stay slightly constructive amid our concerns on slowing economic activity. **But we now see more value in the intermediate part of the UST curve.** In securitised credit, we believe the mortgage market is sound, as a confluence of factors (demographics, low housing supply, etc) is making house prices sticky. Some cracks could emerge in consumer demand if labour markets loosen up. The resumption of student loan payments and depletion of excess consumer savings could weigh on consumption. Hence, **we stay active in MBS and are monitoring rate volatility** and technical aspects, such as quantitative tightening. In corporate credit, we are selective and cautious on valuations, particularly HY. Overall, **we prefer IG over HY and financials over non-financials.**

EM bonds

The EM debt outlook is shaped by slowing inflation, robust EM growth, and ever-increasing divergences. **While we are vigilant on the dollar, we maintain our constructive view on LC debt but are selective and favour LatAm countries such as Brazil, Mexico and Chile.** In China, we are cautious, especially on the real estate sector, and at this stage, we do not expect significant policy support. We also like HC debt owing to robust capture carry but favour HY over IG.

FX

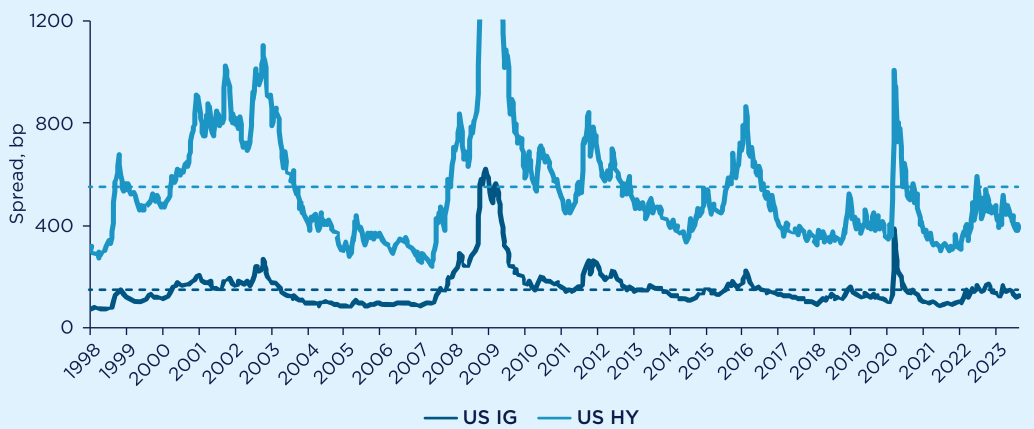
Even though the USD recovered some lost ground, from a cyclical perspective, the medium-term path indicates a weaker dollar. We are positive on EM FX and especially like the INR, IDR and high-yielding LatAm FX such as the MXN and BRL

Amaury D'ORSAY
Head of Fixed Income

Yerlan SYZDYKOV
Global Head
of Emerging Markets

Kenneth J. TAUBES
CIO of US Investment Management

Recession not priced in for US HY credit. Overall, we favour IG credit



Source: Amundi Investment Institute, Bloomberg, as on 30 August 2023. ICE BOFA Indices used above. Dotted lines show averages for the respective indices.

"In credit we favour IG, as valuations in HY do not fully compensate investors for the risks around economic slowdown and tightening conditions."

Macroeconomic forecasts

Macroeconomic forecasts as of 1 September 2023						
Annual averages, %	Real GDP growth, YoY, %			Inflation (CPI, YoY, %)		
	2022	2023	2024	2022	2023	2024
Developed countries	**2.6**	**1.4**	**0.6**	**7.4**	**4.7**	**2.5**
United States	2.1	2.1	0.3	8.0	4.0	2.5
Eurozone	3.4	0.6	0.5	8.4	5.6	2.6
Germany	*1.9*	*-0.2*	*0.4*	*8.7*	*6.3*	*2.7*
France	*2.5*	*0.9*	*0.5*	*5.9*	*5.6*	*2.7*
Italy	*3.8*	*0.9*	*0.5*	*8.7*	*6.3*	*2.2*
Spain	*5.5*	*2.1*	*0.7*	*8.3*	*3.3*	*2.4*
United Kingdom	4.1	0.5	0.5	9.0	7.4	2.9
Japan	1.0	2.0	1.3	2.5	3.3	2.2
Emerging countries	**3.9**	**4.0**	**3.6**	**8.7**	**6.1**	**5.5**
China	3.0	4.9	3.7	2.0	0.5	1.4
India	6.9	6.4	5.8	6.7	6.3	6.0
Indonesia	5.3	5.2	4.8	4.2	3.8	3.4
Brazil	2.9	2.6	1.4	9.3	4.7	3.8
Mexico	3.0	3.3	1.4	7.9	5.4	4.0
Russia	-2.1	2.1	1.5	13.8	5.9	5.6
South Africa	1.9	0.4	0.6	6.9	5.7	4.8
Turkey	5.5	2.8	3.9	72.0	51.5	50.4
World	**3.4**	**2.9**	**2.4**	**8.2**	**5.5**	**4.3**

Central bank official rates forecasts, %					
	15 September 2023	Amundi +6m.	Consensus +6m.	Amundi +12m.	Consensus +12m.
United States*	5.50	5.50	5.65	4.25	5.12
Eurozone**	4.00	4.00	3.92	3.25	3.58
United Kingdom	5.25	5.50	5.90	4.75	5.75
Japan	-0.10	0.00	0.00	0.00	0.10
China***	3.45	3.45	3.40	3.45	3.40
India****	6.50	6.50	6.40	6.25	6.00
Brazil	13.25	10.75	10.75	9.00	9.40
Russia	12.00	12.00	11.00	9.00	9.50

Source: Amundi Investment Institute. Forecasts are as of 15 September 2023. CPI: consumer price index. *: Upper Fed Funds target range. **: Deposit rate. ***: One-year loan prime rate. ****: Repurchase rate.

Financial market forecasts

Bond yields

Two-year bond yield forecasts, %

	15 september 2023	Amundi +6m.	Forward +6m.	Amundi +12m.	Forward +12m.
United States	5.03	4.20-4.40	4.66	3.80-4.00	4.35
Germany	3.20	2.60-2.80	2.80	2.40-2.60	2.50
United Kingdom	5.01	4.30-4.50	4.62	4.10-4.30	4.50
Japan	0.03	0.10-0.20	0.12	0.20-0.40	0.18

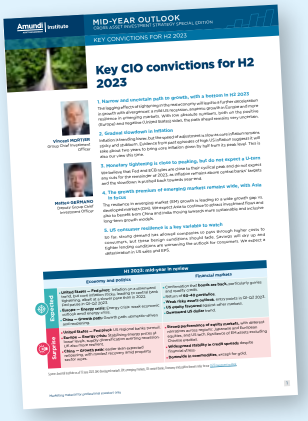
Ten-year bond yield forecasts, %

	15 september 2023	Amundi +6m.	Forward +6m.	Amundi +12m.	Forward +12m.
United States	4.32	3.70-3.90	4.29	3.60-3.80	4.25
Germany	2.65	2.40-2.60	2.61	2.30-2.50	2.58
United Kingdom	4.34	3.80-4.00	4.31	3.70-3.90	4.31
Japan	0.72	0.50-0.70	0.82	0.60-0.80	0.91

Exchange rates

	7 September 2023	Amundi Q4 23	Consensus Q4 23	Amundi Q2 24	Consensus Q2 24
EUR/USD	1.07	1.12	1.09	1.18	1.12
EUR/JPY	158	156	154	155	149
EUR/GBP	0.86	0.87	0.87	0.89	0.88
EUR/CHF	0.95	0.98	0.97	1.04	0.98
EUR/NOK	11.46	11.82	11.25	11.40	10.95
EUR/SEK	11.92	11.99	11.60	11.75	11.35
USD/JPY	147	140	140	132	134
AUD/USD	0.64	0.67	0.66	0.70	0.69
NZD/USD	0.59	0.60	0.60	0.62	0.63
USD/CNY	7.33	7.20	7.20	6.90	7.00

Source: Amundi Investment Institute. Forecasts are as of 7 September 2023.



Mid-year outlook: Opportunities lie beyond precarious path to growth

Amundi Investment Institute

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

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

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IMPORTANT INFORMATION

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