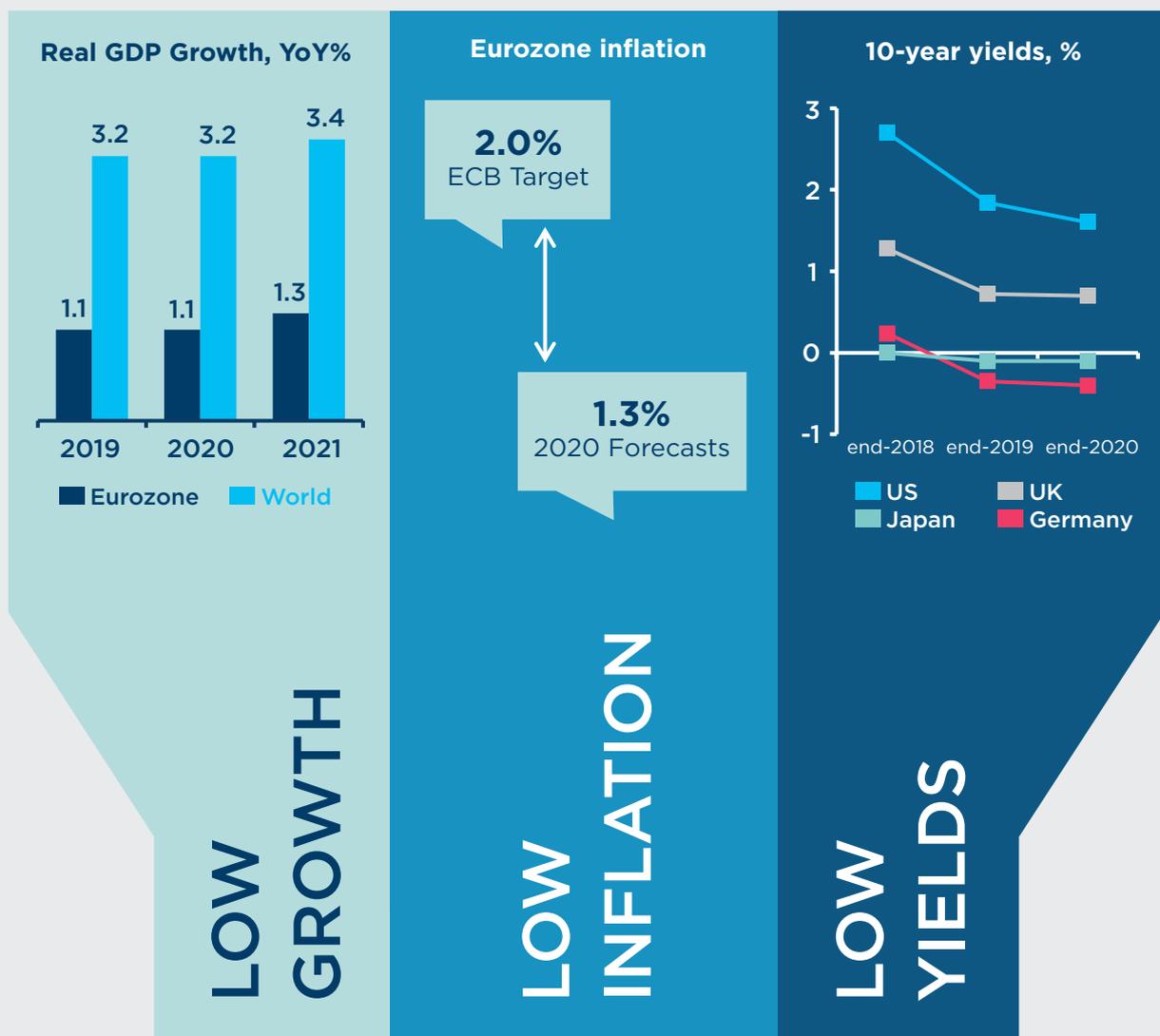


*“Subdued growth and inflation and the ECB’s accommodative stance are supportive for Euro fixed income.”*



### Definitions

**Basis points (bps):** One basis point is a unit of measure equal to one one-hundredth of one percentage point (0.01%).

**Bond ratings:** Source: Moody’s and S&P. AAA (highest possible rating) through BBB are considered investment grade; BB or lower ratings are considered non-investment grade (high yields). Cash equivalents and some bonds may not be rated.

**CoCo bond:** A contingent convertible bond is a fixed-income instrument that is convertible into equity if a pre-specified trigger event occurs.

**Corporate hybrid:** A hybrid security is a single financial security that combines two or more different financial instruments. Hybrid securities generally combine both debt and equity characteristics.

**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:** % issuers that failed to make interest or principal payments in the prior 12 months. Default rate based on BofAML indexes. Universe consists of issuers in the corresponding index 12 months prior to the date of default. Indexes are from ICE BofA Merrill Lynch.

**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.

# EURO FIXED INCOME

## Opportunities in Euro fixed income

### Government bonds: play curve and peripheral

Investors looking at flattening positions should chase any premium. A positive stance on any country's spreads could be attractive in cases in which premiums are available.



### Investment grade (IG) credit supported by the ECB

Euro IG Credit is well bid, thanks to strong ECB support, with recent purchases being stronger than in the past and still room to further increase the ECB allocation in this space.

**23%**  
% of corporate bonds in ECB purchases (1-22 November)

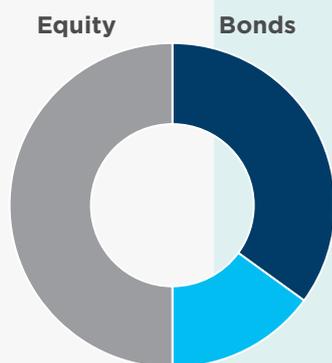
**7%**  
% of corporate bonds in the overall ECB portfolio

### High Yield (HY) attractive in the search for yield

Euro HY Credit offers good yield-hunting opportunities, with default rates expected to stay below their long-term average. Selectivity will be key.

**Above 3.0%**  
Euro HY, CoCos, Corporate Hybrids

## Rewrite your fixed income allocation for a late-cycle phase with dovish central banks



#### CORE Allocation

- Aggregate and/or buy and watch, with high-quality assets.
- Focus on alpha generation with duration management and active allocation (yield curve, inflation-linked bonds, peripherals)



#### INCOME Satellite

- Explore credit opportunities beyond the traditional IG universe (High Yield, subordinated bonds, credit continuum)
- Focus on selection and liquidity management



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Source: Bloomberg, Amundi Research. Data as of 4 December 2019.

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