

Weekly Market Directions

2 February 2024



Trust
must be earned

Amundi



“With US equities at record high prices, it’s time to explore the equity market beyond the mega caps”.

Monica Defend

Head of Amundi Investment Institute

US stocks reach new highs

Resilient economic growth in the US so far has been driving equity markets, but some areas of the market now look stretched.

However, weakening US consumption and subdued economic activity in Europe reflect some key risks for corporate profitability.

Thus companies beyond mega caps or in other regions (Japan for example) could offer opportunities.

US stocks touched record level on 29 Jan



Source: Amundi Investment Institute, Bloomberg as at 1 February 2024.

Equities were buoyed by expectations of interest rate cuts by central banks this year. Sentiment was boosted by resilient US economic growth and consumption, leading the US equity benchmark to touch its all-time high in January.

Looking ahead, the situation is not so straightforward. Some corners of the markets are extremely expensive in an environment where economic growth in US and Europe also looks weaker in the near term.

On inflation, the progress continues and the Fed and ECB are likely to start their policy rate cuts around May/June. However, they will monitor geopolitical tensions in the Red Sea and any potential supply shocks.

All these elements will affect company’s profitability outlooks. Companies beyond the mega cap, with strong brand and pricing power could offer resilience.

Actionable ideas



Look beyond the mega caps in US market

US mega cap and technology stocks appear overvalued. But if we look beyond this universe, in areas such as equal-weighted and US value, we may identify attractively-priced businesses.



Global equities

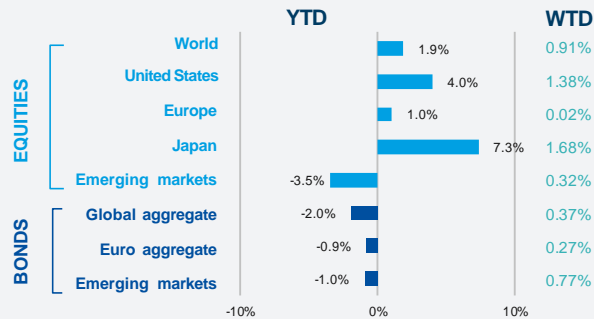
Regions such as Asia are showing a divergence from the weak global growth narrative. Global investors may enlarge their opportunity set, including Europe and Japan.

This week at a glance

Most equities rose over the week, which saw many US companies report their earnings. Long-term bond yields fell, after continued progress on inflation indicated central banks would remain on track to cut their policy rates. Oil prices fell on news flow around potential easing of tensions in the Middle East.

Equity and bond markets

Asset class performance year to date and week to date



Source: Bloomberg, data as at 02 Feb 2024
Please refer to the last page for additional information on the indices.

Government bond yields

2 and 10 years government bond yields and 1 week change

	2YR	10YR
US	4.37 ▲	4.02 ▼
Germany	2.56 ▼	2.24 ▼
France	2.59 ▲	2.74 ▼
Italy	3.18 ▲	3.81 ▼
UK	4.41 ▲	3.91 ▼
Japan	0.08 ▲	0.67 ▼

Source: Bloomberg, data as at 02 Feb 2024
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

Commodities, FX and short term rates

Gold USD/oz	Crude Oil USD/barrel	EUR/ USD	USD/ JPY	GBP/ USD	USD/ RMB	Euribor 3M	T-Bill 3M
2039.76	72.28	1.08	148.38	1.26	7.19	3.90	5.37
+1.1%	-7.3%	-0.6%	+0.2%	-0.6%	+0.2%		

Source: Bloomberg, data as at 02 Feb 2024
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

Amundi Investment Institute Macro Focus

Americas



US worker productivity grew faster than expected in Q4 2023, keeping unit labour costs contained at 0.5%

In addition, first-time applications for unemployment benefits rose to a two-month high last week, while continuing jobless claims was also the highest reported in two months. Signs of labour market progressively cooling could help to curb wage inflation while higher productivity dynamics, if extended, could give a further positive boost to the disinflationary trend.

Europe



Eurozone inflation eased in January as expected, but still showing some areas of stickiness

Consumer inflation moved to 2.8% in January from 2.9% in December, in line with expectations, as unprocessed food, energy and industrial goods inflation all slowed. Yet, core inflation (less food, energy, alcohol and tobacco) only dipped to 3.3% from 3.4%, less than expected, as services inflation held steady at 4.0%, pointing to some price pressures still unabated. The reading may support the ECB's argument that rate cuts should not be rushed.

Asia



India budget: focus on growth and fiscal consolidation

The Finance Minister has announced the next Fiscal Year Budget. On a steep uptrend since 2021, Capital Expenditure continues to rise (+16.9% budgeted in FY25 on FY24): highways, electrification, ports traffic and airports. On the other side, in line with the commitment made last year, there is a strong commitment to a large fiscal consolidation.



NOTES

Page 2

Equity and bond markets (chart)

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

All indices are calculated on spot prices and are gross of fees and taxation.

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

Source: Bloomberg, data as at 2 February 2024.

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

GLOSSARY

CPI: consumer price index is an inflation indicator

ECB: European Central Bank

GDP: Gross Domestic Product.

MoM: month over month growth.

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

YoY: Year over year growth.

YTD: Year to date.

RBI: Reserve Bank of India.

Mega caps: A designation for the largest companies in the investment universe as measured by market capitalization.

Discover Amundi Investment insights on our [Research Centre](#).



IMPORTANT INFORMATION

This document is solely for informational purposes.

This document does not constitute an offer to sell, a solicitation of an offer to buy, or a recommendation of any security or any other product or service. Any securities, products, or services referenced may not be registered for sale with the relevant authority in your jurisdiction and may not be regulated or supervised by any governmental or similar authority in your jurisdiction.

Any information contained in this document may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices.

Furthermore, nothing in this document is intended to provide tax, legal, or investment advice.

Unless otherwise stated, all information contained in this document is from Amundi Asset Management SAS and is as of 2 February 2024. Diversification does not guarantee a profit or protect against a loss. This document is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The views expressed regarding market and economic trends are those of the author and not necessarily Amundi Asset Management SAS and are subject to change at any time based on market and other conditions, and there can be no assurance that countries, markets or sectors will perform as expected. These views should not be relied upon as investment advice, a security recommendation, or as an indication of trading for any Amundi product.

Investment involves risks, including market, political, liquidity and currency risks.

Furthermore, in no event shall any person involved in the production of this document have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

Date of first use: 2 February 2024.

Doc ID: 3368617

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: 90-93 boulevard Pasteur – 75015 Paris – France – 437 574 452 RCS Paris – www.amundi.com

Photo credit: ©iStock/Getty Images Plus

MSCI Disclaimer available [here](#)