

Weekly Market Directions

22 March 2024



Trust
must be earned

Amundi



“Differences in economic paths across countries may lead to diverging monetary policies, creating potential opportunities for global bond investors.”

Monica Defend

Head of Amundi Investment Institute

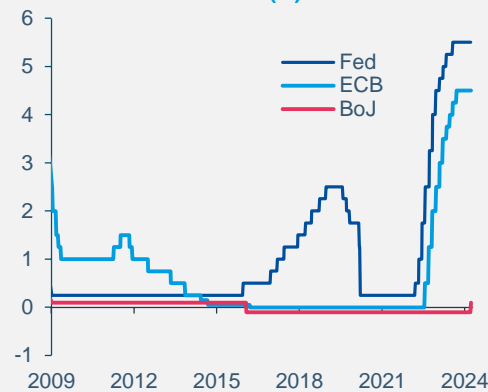
Central banks’ divergences in sight

The BoJ raised policy rates after many years, ending the era of negative interest rates.

However, banks such as the Fed and BoE are looking to cut rates this year, if inflation returns to their targets.

These divergences in global economy and central bank policies may present opportunities in bonds and equities.

Japan discarded its policy of negative interest rates (%)



Source: Amundi Investment Institute, Bloomberg, as at 21 March 2024.

On 19 March, the Bank of Japan (BoJ) ended its negative interest rates policy, after raising rates for the first time in 17 years. The BoJ set a new policy rate range between 0.0%-0.1% as it became confident that inflation would increase towards its target. However, the governor’s insistence on maintaining accommodative financial conditions indicates that this is not a new rate hiking cycle. Instead, the bank is likely to be data dependent.

On the other hand, the Fed and the Bank of England kept rates on hold. The Fed showed confidence that inflation is moving towards the 2% target, but did not provide a timeline for its first rate cuts. We think these central banks will keep a keen eye on incoming inflation, as they decide their future policy actions for this year and beyond.

Actionable ideas



Global government bonds

Upcoming interest rate cuts and regional divergences could create opportunities for global fixed income investors.



Global quality credit

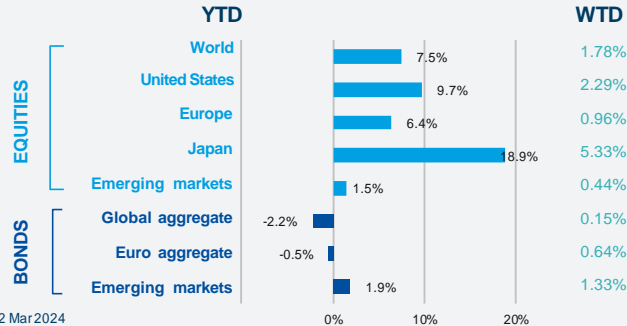
Resilient global economic outlook, prospects of cut rates from Fed and ECB should support high quality credit.

This week at a glance

US and European bond yields retreated this week, a movement accelerated by the relatively dovish messages from the Fed. US and European stocks traded higher with many indices reaching new historic highs. The dollar ended the week slightly stronger while oil prices moved in a narrow range.

Equity and bond markets

Asset class performance year to date and week to date



Source: Bloomberg, data as at 22 Mar 2024
Please refer to the last page for additional information on the indices.

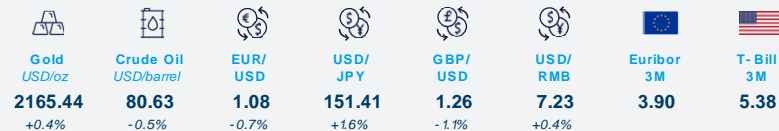
Government bond yields

2 and 10 years government bond yields and 1 week change

	2YR	10YR
US	4.59 ▼	4.20 ▼
Germany	2.82 ▼	2.32 ▼
France	2.79 ▼	2.80 ▼
Italy	3.37 ▼	3.64 ▼
UK	4.12 ▼	3.93 ▼
Japan	0.20 ▲	0.74 ▼

Source: Bloomberg, data as at 22 Mar 2024
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

Commodities, FX and short term rates



Source: Bloomberg, data as at 22 Mar 2024
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

Amundi Institute Macro Focus

Americas



Slowing retail sales momentum in US

The trend in retail sales growth shows signs of moderation. A weakening in discretionary spending was observed, along with subdued consumers' spending intentions. We think consumers' perception of labour market strength matters when it comes to their spending habits. Thus, weakening labour markets may be behind this slowing momentum in retail sales.

Europe



European core inflation shows some resilience.

The disinflationary process in the Eurozone is proceeding towards target, but at a slightly slower pace as the main external drivers of the past deceleration no longer play a major role. Sticky domestic inflation is underpinned mainly by strong wage growth and strength of the labour market. Companies are still keen to retain skilled workers, even though end consumer demand does not require such level of workforce.

Asia



Taiwan hiked policy rates.

Taiwan's central bank hiked its policy rate to 2% on 21 March, after keeping it unchanged for three consecutive quarters. We think it is to minimise the negative interest rates gap with Japan and reduce pressures on the Taiwanese dollar. We also believe this is likely to be a sporadic one-off hike, given that the central bank expects inflation to moderate throughout the rest of the year.



NOTES

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Equity and bond markets (chart)

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

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

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

Source: Bloomberg, data as at 23 March 2024. The chart shows Global Bonds= Bloomberg Global Aggregate Bond Index, Global Equity = MSCI World. Both indexes are in local currency.

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

GLOSSARY

BOE: Bank of England

BOJ: Bank of Japan

CPI: Consumer price index

Core CPI: total consumer inflation, excluding commodities like food and energy.

Disinflationary: A temporary slowing of the pace of price inflation and is used to describe instances when the inflation rate has reduced marginally over the short term.

Headline CPI: total consumer inflation in an economy including commodities like food and energy.

MoM: month over month growth.

Regional Divergence: the rate at which rich states grow faster than poor states.

RBI: Reserve Bank of India

Sticky inflation: Prices do not adjust as quickly to supply and demand changes,

YoY: Year over year growth. **YTD:** Year to date.

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