# Weekly Market Directions

Amundi
Investment Solutions

Trust must be earned

*“The Fed's hawkish tone signals that the Central Bank is incorporating a more uncertain outlook. This calls for keeping a tactical approach to bond investing."*

**Monica Defend**
Head of Amundi Investment Institute

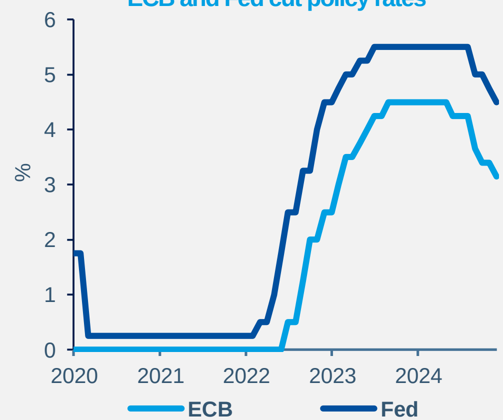
## Fed and ECB cut rates, BoJ and BOE on hold

The ECB remained data-dependent, without pre-committing to any rate path ahead.

Trump’s tariff policy is a wildcard that could affect the Fed’s monetary policy next year.

Fed Chair Powell said they are at a point at which it would be appropriate to slow the pace of cuts.

**ECB and Fed cut policy rates**




Source: Amundi Investment Institute, Bloomberg as of 20 December 2024.

Both the Fed and the ECB cut policy rates by 25bp at their December meetings. On 12 December, the ECB cut rates by 25bp, removing some hawkish language as interest rates got closer to an estimated neutral level. On 18 December, the Fed also cut by 25bp, but the overall tone was hawkish. The Fed now only expects inflation to hit target in 2026. Even though the Fed does not explicitly incorporate possible policy changes under the new administration, the projection of higher inflation in 2025 suggests they are anticipating a more uncertain outlook. On 19 December, the BoJ left policy rates unchanged at 0.25%. The tone was cautious and the statement said that there are still uncertainties on Japan’s economic activity and prices. The Bank of England also kept rates unchanged, given the higher-than-expected inflation data released recently.

## Holiday season break

Dear Readers,
As we take a break for the holiday season, we look forward to returning on January 6 with a special New Year edition. Wishing you all a Happy New Year!

Marketing material for professional clients only.

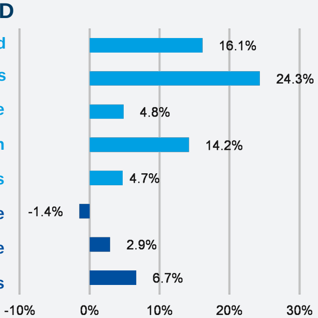
## This week at a glance

Equity markets were generally down, in particular following the Fed hawkish tone. Meanwhile, bond yields inched higher and the equity volatility (VIX index) surged to the highest levels since last August. Gold was down in the week, while the dollar edged higher.

### Equity and bond markets

Asset class performance year to date and week to date

| | | YTD | WTD |
|---|---|---|---|
| EQUITIES | World | 16.1% | -2.53% |
| | United States | 24.3% | -1.99% |
| | Europe | 4.8% | -2.76% |
| | Japan | 14.2% | -1.62% |
| | Emerging markets | 4.7% | -3.14% |
| BONDS | Global aggregate | -1.4% | -0.94% |
| | Euro aggregate | 2.9% | -0.27% |
| | Emerging markets | 6.7% | -1.27% |




Source: Bloomberg , data as at 20 Dec 2024.
Please refer to the last page for additional information on the indices.

### Government bond yields

2 and 10 year government bond yields and 1 week change

| | 2YR | | 10YR | |
|---|---|---|---|---|
| US | 4.31 | ▲ | 4.52 | ▲ |
| Germany | 2.02 | ▼ | 2.28 | ▲ |
| France | 2.22 | ▼ | 3.08 | ▲ |
| Italy | 2.39 | ▼ | 3.44 | ▲ |
| UK | 4.34 | ▲ | 4.51 | ▲ |
| Japan | 0.57 | ▲ | 1.05 | ▲ |

Source: Bloomberg , data as at 20 Dec 2024.
Please refer to the last page for additional information on the indices.
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 |
|---|---|---|---|---|---|---|---|
| 2622.91 | 69.46 | 1.04 | 156.31 | 1.26 | 7.30 | 2.77 | 4.33 |
| *-1.0%* | *-2.6%* | *-0.7%* | *+1.7%* | *-0.4%* | *+0.3%* | | |

Source: Bloomberg , data as at 20 Dec 2024.
Please refer to the last page for additional information on the indices.

## Amundi Investment Institute Macro Focus

### Americas

**S&P Global US Composite PMI driven by services**
December US Composite PMI increased to 56.6 from 54.9, led by the services sector, while manufacturing activity dipped further into contractionary area. The composition of the manufacturing PMI was weak, with decreases in the output, new orders, and employment components. Survey respondents noted that weak export weighed on manufacturing activity. The services survey hinted at moderating inflation, with both the input and output prices components on the decline.

### Europe

**EZ PMI contracts for the fourth consecutive month**
December HCOB Eurozone Composite PMI increased to 49.5 from 48.3, staying in contractionary area for the fourth month in a row. The manufacturing sector remained weak, but the services sector rebounded into expansionary area. This data appears in line with our growth downgrade at end-2024 and a weak start to 2025, although we are not expecting a contraction.

### Asia

**China: a bumpy road to consumption recovery**
Nominal retail sales growth dropped to 3.0% YoY in November from 4.8% in October, below market expectations. This marked the weakest growth in retail activity since August. The earlier start of annual online sales event has contributed to the volatility in monthly data. However, if we read two months together, consumer demand stayed soft and the recent growth was mainly supported by the government subsidies.

## Key dates

| | |
|---|---|
| **27 Dec** | Japan Unempl. rate and industrial prod., US goods trade balance |
| **2 Jan** | China, EZ, UK, and US Manufacturing PMIs |
| **3 Jan** | UK ISM Manufacturing |

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## 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 **20 December 2024**. The chart shows Fed, ECB, and BoJ official rates.

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

## GLOSSARY

**BoJ:** Bank of Japan.

**BOE:** Bank of England

**ECB:** European Central Bank.

**EZ**: Eurozone.

**Fed (Federal Reserve**): The central banking system of the United States.

**Purchasing Managers Index (PMI):** an economic indicator comprised of monthly reports and surveys from private sector manufacturing firms.

**HCOB Eurozone Composite PMI:** is a leading indicator gauging private-business activity in the Eurozone for both the manufacturing and services sectors

**YoY:** year on year.

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Date of first use: 23 December 2024.

Document ID: 4113654

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