Institute

March
2023

CROSS ASSET
INVESTMENT STRATEGY

TOPIC OF THE MONTH

European equities are favoured in a fragile earnings outlook

GLOBAL INVESTMENT VIEWS

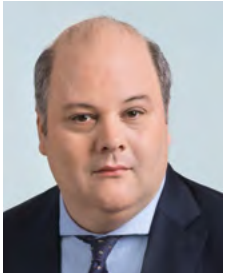
Rally fatigue: dichotomy between markets and economy is too wide

Confidence
must be earned
Amundi
ASSET MANAGEMENT

Marketing material for the exclusive attention of professional clients, investment services providers and any other professional of the financial industry

Monica DEFEND
Head of Amundi Institute

“Inflation is stickier than expected and central banks may remain tighter for longer.”



Vincent MORTIER
Group Chief Investment Officer

“The dichotomy between the real economy and markets is increasing even as earnings outlook is getting weak, leading us to be sceptical of the risk rally.”

Matteo GERMANO
Deputy Group Chief Investment Officer

“Headwinds to economic growth remain and hence without increasing their risk, investors should explore divergences across markets and regions.”

March 2023

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European equities are favoured in a fragile earnings outlook

KEY TAKEAWAYS: Q4 2022 was the first quarter of YoY profit declines for the United States, while Europe has held up better. In the United States, Big Tech-related sectors are suffering the most and we confirm a cautious view. In Europe, earnings resilience is keeping valuations at attractive levels despite the strong stock market rebound since late September. As long as the soft-landing scenario prevails, the European market could be considered as a wildcard for international equity portfolios.

Éric MIJOT
Head of Global Equity Strategy – Amundi Institute

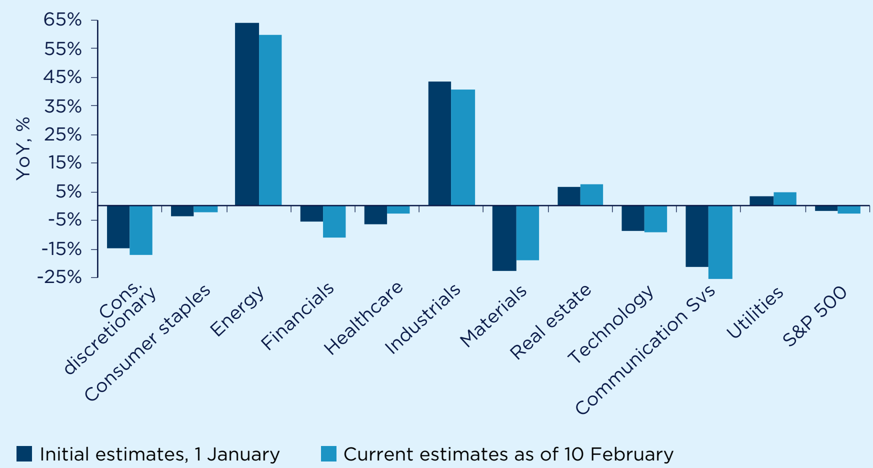
The US earnings season is sufficiently advanced to draw some conclusions

With almost 70% of S&P 500 companies' results having been released, **YoY earnings growth was negative for the first time in this cycle** according to Ibes (-2.8% vs. +4.4% in Q3, +8.4% in Q2 and +11.4% in Q1 2022). This was slightly more negative than expected by analysts at the beginning of January (-1.6%) and combines a slowdown in sales and a fall in margins.

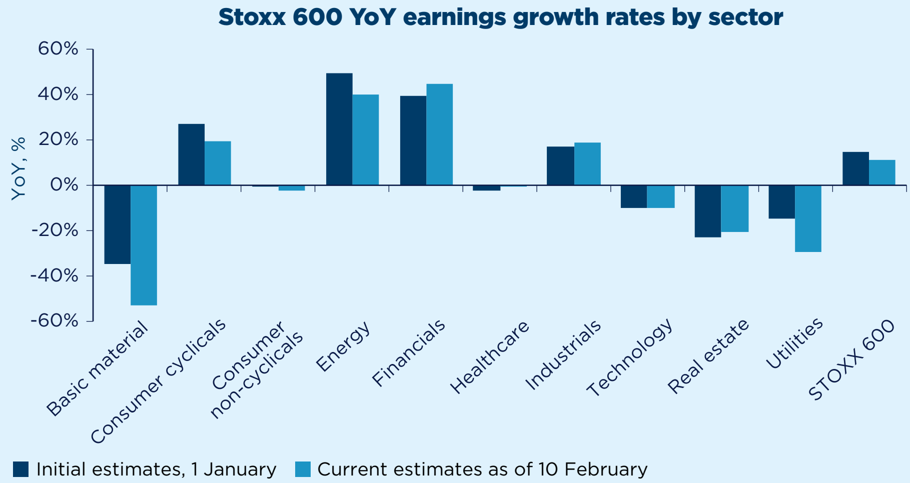
Those sectors rich in Big Tech recorded a more marked decline than the average. This was the case for technology (-9.2%), consumer discretionary (-17%) and communication services (-25.4), whose results were down more than expected at the beginning of January. These growth stocks – these three sectors represent over 70% of the MSCI USA Growth Index – have been shown to also have cyclical features and need to correct their over-profitability, which reached its peak with the Covid-19 crisis. **This confirms our caution about these sectors and, given their weight in the indices, the US market in general**.

The correction of the overvaluation of these few large stocks is thus combined with a cyclical correction. In this respect, the intra-year profile of US economic growth is not favourable; it is expected to slow gradually in YoY terms in the second half of the year and to be stable at best from one quarter to the next.

S&P 500 YoY earnings growth rates by sector



Source: Amundi Institute, Refinitiv. Data is as of 10 February 2023,



Source: Amundi Institute, Refinitiv. Data is as of 10 February 2023.

We can expect profits to continue to fall in 2023 despite the current resilience of the economy. Historically, it takes more than +2.0% real GDP growth to see positive earnings growth in the United States, but our macro forecast is just +1.0% for 2023 and +0.6% for 2024. Even with this soft-landing scenario, it is likely that profits, as forecast by Ibes (+0.6% in 2023), will be further revised downward to -3.0/-5.0% in the coming months.

Finally, the rebound of the US market means that it is paying above its historical median again in terms of P/E (18.7x 12 months forward earnings compared to a median over the last 12 years of 16.8x). It is therefore tempting to look at international markets.

In Europe, the earnings season is in full swing and is providing much information.

With almost half of the Stoxx 600 companies expected to report having done so, Q4 earnings growth has so far come in at +11.3% according to Ibes. This is better than in the United States, as were the first three quarters of the year. However, as in the United States, this figure has also been revised downwards between 1 January and 14 February (+14.5% was expected at the beginning of January).

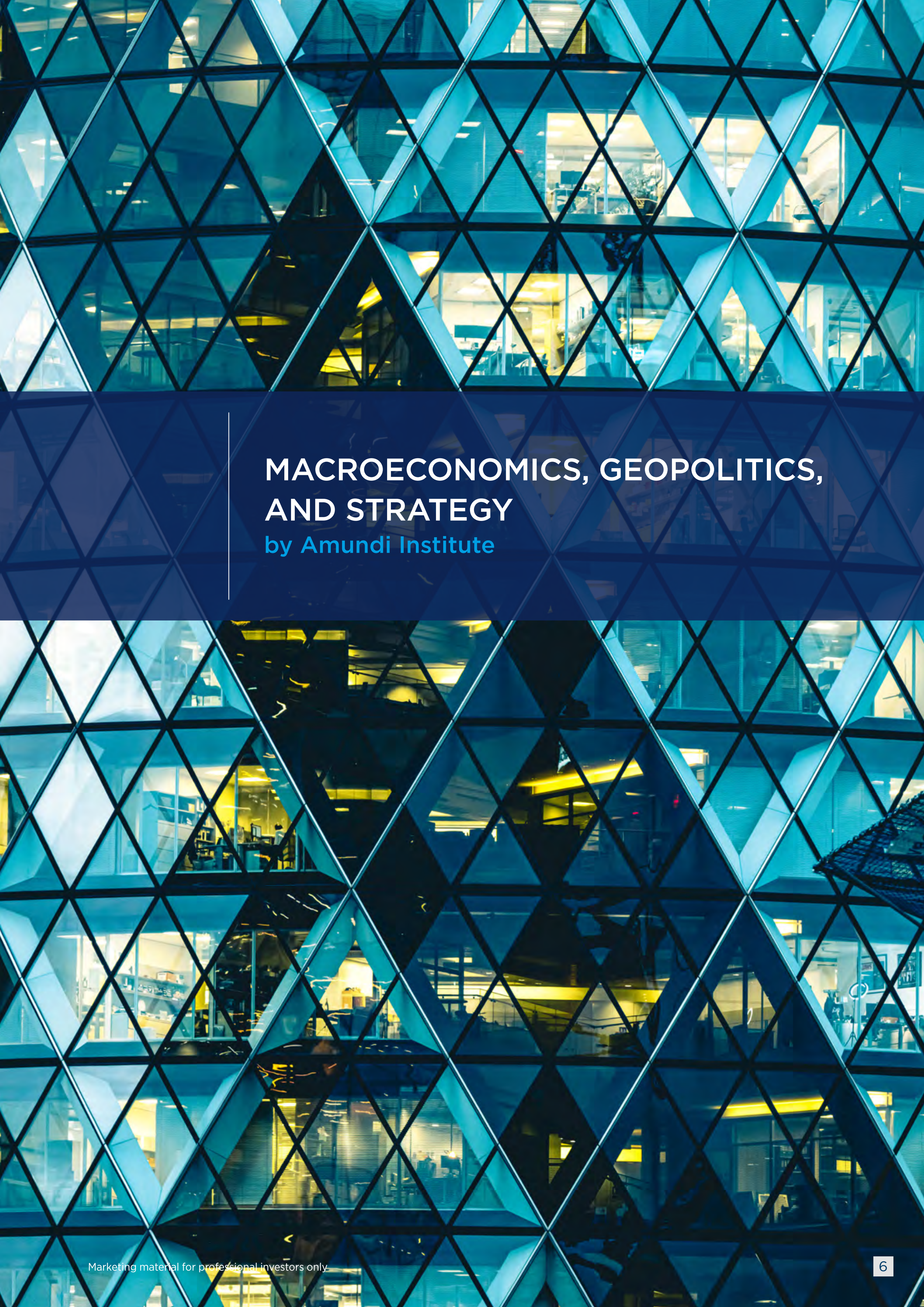
“The greater resilience of profits enabled the European market to remain cheaper than the US one.”

In Europe, the most striking fact is that cyclical sectors are doing better than defensive sectors. This is especially true of financials (+44.7% is even better than the +39.0% expected in January) – which are notably benefitting from the rise in central bank rates; consumer cyclicals (+19.5%) – notably luxury goods stocks with strong pricing power; and industrials (+18.8%) – a very broad sector that includes defence stocks, which are benefiting from geopolitical tensions. These were the only sectors to end the quarter with positive growth, alongside energy. More defensive sectors such as consumer discretionary, healthcare and utilities saw their earnings decline YoY and, in the case of utilities, was even more than expected.

Certainly, profit growth, as forecast by Ibes (+1.2% in 2023), will also have to be adjusted further downward. Global GDP growth, forecast at +2.4% in 2023 and +2.8% in 2024 by our economists, is not expected to be enough for profits to end 2023 in positive territory. In the case of Europe, +3.0% global GDP growth is historically required for this. **A decline of -8.0%/-10.0% is possible in 2023.**

However, despite the tremendous rebound of the European market since its low point on 29 September 2022 – the Stoxx 600 has gained +20% up to mid-February – **the greater resilience of profits on this side of the Atlantic has enabled the European market to remain cheaper than its American counterpart** for the time being, even if we compare the markets sector by sector. The 12-month forward P/E is 13x in Europe, slightly below its 12-year average of 13.6x.

After such a rebound, a consolidation is of course possible and even desirable. Nevertheless, with the disappearance of negative interest rates, valuation has become a more important selection criterion and, as long as the soft-landing scenario prevails, the European market should be considered as a wildcard for international equity portfolios.



MACROECONOMICS, GEOPOLITICS, AND STRATEGY

by Amundi Institute

Easing financial conditions, tightening conditions for borrowers

Market measures of financial conditions suggest significant easing over the last three months, but borrowing costs for corporates and households have risen a lot, and are still rising. This has led to market optimism with regard to asset prices. However, easing market conditions, as measured by the GS Financial Conditions Index, for instance, stand in sharp contrast to the interest rates corporates and households face both in Europe and the United States. In addition, lending standards have also tightened substantially, together with corresponding declines in lending volumes, especially in Europe.

Market measures reflect that we are past the inflation peak and the corresponding rate cuts priced in later this year for policy rates, together with inflation expectations, remain well anchored. However, it is unlikely that lending rates (and lending standards) for the real economy will fall until we see actual policy rate cuts, partly because market rates may be subject to volatile market expectations about the stickiness of core and services inflation. But also because demand for loans will remain very low until interest rates fall markedly. Moreover, expectations of policy rates might not move much below current indications (forecast for early next year) if core inflation remains sticky.

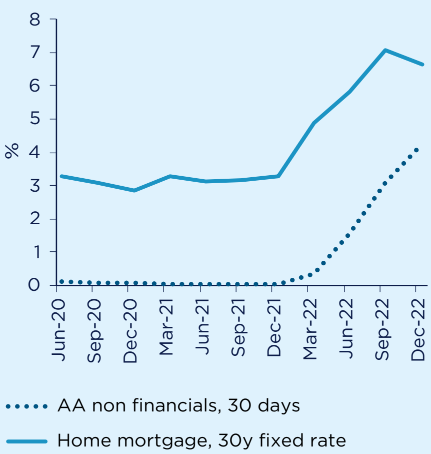
With real wage growth (except for the bottom percentiles) also remaining subdued, this is likely to keep domestic demand weak in Europe and in the United States, especially consumer spending. We are already seeing weakness in consumption spending. Investment spending will also remain weak until borrowing rates decline substantially and the growth outlook improves. Given growth is expected to remain well below potential growth even into next year, a meaningful recovery in domestic demand is some time away.

Bottom line: financial conditions remain tight for the real economy. The impact of this tightening underpins our subdued (below potential) growth forecasts for 2023 and 2024. While we see a reasonable prospect for a soft or softish landing, this should be seen as a modest increase in unemployment from the current unusually low levels. It does not preclude a very weak outlook for corporate earnings in the face of very weak domestic demand.

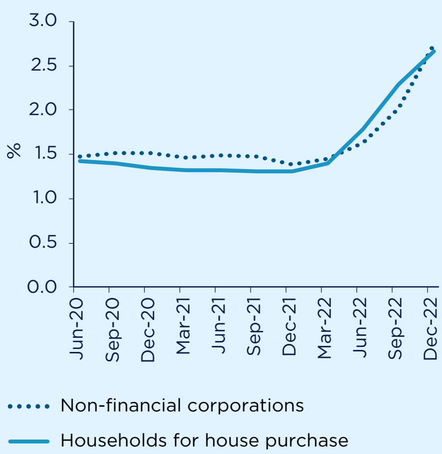
Mahmood PRADHAN
Head of Global Macroeconomics - Amundi Institute

“Financial conditions remain tight for the real economy.”

Borrowing costs - United States



Borrowing costs - Eurozone



Source: Amundi Institute, Bloomberg, ECB. Data is as of 13 February 2023.

Despite January jump, a deceleration in EM inflation remains in the cards

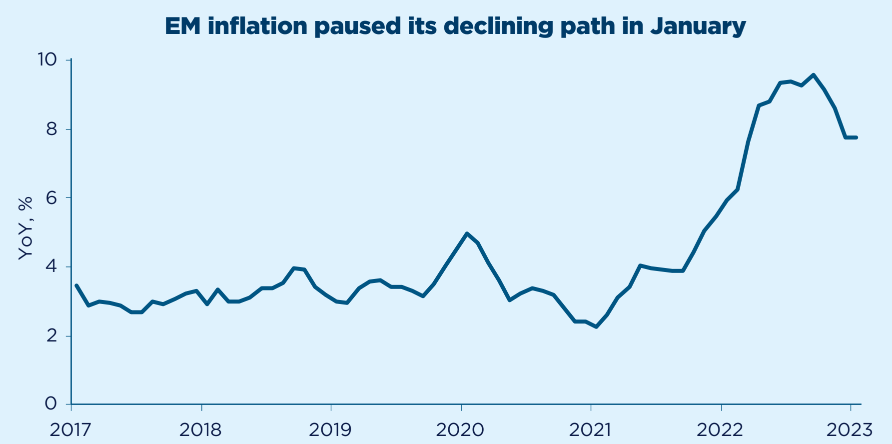
Alessia BERARDI
Head of Emerging
Macro Strategy - Amundi Institute

In January, EM headline inflation paused – on average – its declining path (which started in September 2022), while core inflation kept its mild ascending trend. The former has paused its decelerating trend despite stable oil prices (WTI below $80/barrel for the month) and food prices (FAO global index) being more decisively in negative territory (-3.3% YoY from a peak hit in March 2022 of 34% YoY).

Across the EM universe, the picture is heterogeneous beneath the average figures: in some countries, headline inflation has continued to rise or is reaccelerating to surprise on the upside (e.g. India, Philippines, Colombia, and Hungary). In other countries, the disinflationary path has been less pronounced than expected (e.g. Brazil, Chile, and Turkey).

Whenever we look at EM inflation, due to the weight of food items in their baskets, it is more credible to focus on core and non-core components. While inflation core components played an important role in halting the disinflationary trend across January's reports, specific local factors relating to the most volatile components – especially food – still contributed to unexpected inflation bursts or to slow down disinflation. In the first instance, core inflation is higher where the automatic indexation mechanism is high (e.g. Colombia), the labour market is tight, and where minimum wages have increased significantly (such as Mexico and, to a lesser extent, Colombia again), or tax and subsidies have started to adjust (e.g. Hungary's removal of the fuel cap in December). Among the second group of countries, food prices have driven inflation, as in Peru (bread prices), the Philippines (an onion shortage), and India (cereal prices).

Overall, while January readings confirm that EM are not out of the woods yet in terms of the inflation trend, we still expect the downward path to continue amid stable or mildly declining global inputs and decelerating domestic demand. The policy support withdrawal (reductions in subsidies and caps and increases in administered prices), on one hand, will add to the disinflationary trend through weaker demand, while on the other, could result in temporary inflation bursts. It is worth noticing that the declining inflation trend will still leave headline inflation above CB targets in most EM by end-2023, particularly Latam and Eastern Europe.



Source: Amundi Institute, CEIC as of 20 February 2023. EM inflation: %YoY, GDP-weighted average.

Macroeconomic snapshot

Mixed and still very volatile incoming US data is keeping economic uncertainty high: activity data has been noisy, with strength in consumption and labour markets, but weakness in relevant business surveys posing some upside risks in the near term. Inflation readings remain sticky at the core level. We expect 2023-24 growth to remain below potential, with weakness in H2 2023. Inflation has peaked and we expect base effects to drive headline inflation lower, while stickiness in underlying inflation will persist for longer.

Notwithstanding a modest upward revision to our growth projections, we still expect very weak activity in the first quarter, followed by flattish-to-below-par growth for the remainder of 2023, as inflation decelerates and sentiment improves. While recent developments on the energy front are removing tail risks, headwinds remain strong: the external environment is weak, geopolitical uncertainty is high, and monetary policy will remain restrictive on the back of tight labour markets, high nominal wage growth and above-target inflation.

With inflation staying above target for several quarters we see a cost-of-living-induced recession playing out in the United Kingdom going into 2023. Although we have slightly improved our outlook on the back of incoming data, we still see significant headwinds at play for the economy, as fiscal and monetary policy weighs on growth. We see the economy running below potential in 2024 as well. Energy remains a key risk for both the inflation and growth outlooks.

Despite missing expectations, Japan's GDP grew by 0.6% QoQ annualised in Q4 2022, driven by a recovery in private consumption and tourism spending. In January, goods export growth slowed significantly. On the other hand, inbound tourism rebounded strongly to 1.5m tourists, half of 2019's peak. With the ongoing boost from tourism and consumption, Japan is expected to avoid a recession in H1 2023 despite the global growth slowdown. Inflation has surprised to the upside and we expect core inflation to hold at around 3.0% in Q1, then gradually ease to 2% in H2.

Household mobility in China rebounded strongly in the first two weeks of February, defying concerns of disruption from a second wave of Covid infections. Meanwhile, the rebound in industrial production was less robust, as reflected in the below-trend operation ratios for certain industrial sectors and declining capital goods shipments from neighbouring economies to China. Services inflation started to bottom in January and we anticipate it will rise further. Nevertheless, we expect overall CPI inflation to remain low, as energy and food inflation is likely to drop.

India's FY24 budget, announced in early February, was designed to pursue fiscal consolidation while boosting capex. The fiscal deficit target should narrow to 5.9% of GDP from 6.4% and capex should increase by around 30%. Still robust nominal growth assumptions – while lower at 10.5% YoY – and pre-electoral spending – not visible in the budget – represent the main risk for fiscal slippage, eventually tapping from the buoyant capital expenditure budget. As it currently stands, the budget should not pose an inflation risk in the short term.

The earthquake in Turkey affected ten provinces that represent 15.7% of the population, 15.0% of the agricultural sector, 10.0% of the industrial sector and over 9.0% of GDP. Growth is expected to slow, but only by a limited amount (-0.5pp) due to additional budgetary expenditure that could amount to 6.0% of GDP over the next two years. The public deficit is expected to exceed its target of 3.5% this year. Inflation (57.7% YoY) is likely to rise, especially as the central bank may cut rates further.

Brazil's tight monetary policy stance is weighing on credit growth and economic activity in general: we expect GDP growth to slow from 3.0% in 2022 to below 1.0% in 2023 unless President Lula launches a sizeable fiscal stimulus. He is also impatient to see interest rate cuts, but above-target inflation expectations and fiscal uncertainty are keeping BCB's Governor Roberto Campos Neto in a hawkish wait-and-see mood, despite real rates visibly in positive territory. We only see SELIC cuts in late 2023 and these are highly contingent on new fiscal rules and the BCB's inflation target.

DM central banks to stay hawkish, in EM they remain driven by a fragmented inflation picture

Developed markets

We expect DM CB to remain hawkish. Inflation has peaked but remains high and we confirm our terminal rate expectations. Risks for the Fed remain skewed to the upside.

Fed Chairman Powell stated that the Fed has «more work to do» and «a long way to go". He welcomed the moderation in recent inflation. However, disinflation is only at an early stage. The Fed does not see disinflation yet in core non-housing services and sees a better risk-reward in overtightening.

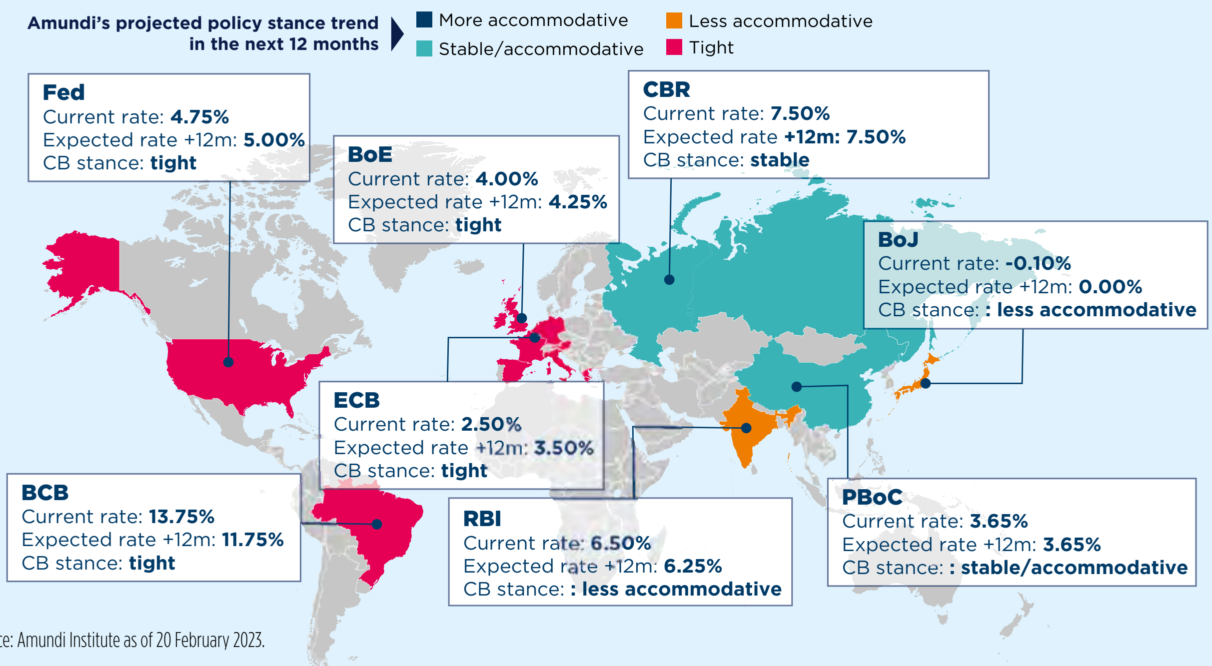
ECB President Lagarde said the **ECB intends to hike by another 50bp in March,** but the commitment to hike significantly beyond March has declined. "Headline inflation has gone down, and more so than we had expected, and that many had expected, but underlying inflation pressure is there, alive and kicking". She warned that most fiscal support is not targeted enough.

The **BoE signalled a likely reduction in the hiking pace,** as its latest minutes dropped a reference to the «forceful» component (understood as 50bp rate hike rises) when referring to future moves. Its updated projections painted a less gloomy picture compared with November's central forecast, with a shallower recession and a quicker inflation drop in the short term, while the medium-term inflation forecast was upgraded. Risks to the inflation outlook are skewed to the upside

Emerging markets

If there is still a need to discern what is driving EM CB across the universe, January's action highlighted that **domestic conditions, namely inflation, are in the driving seat.**

Indeed, against market expectations, Banxico and Bangko Sentral ng Pilipinas raised their policy rates more than expected (50bp for both against 25bp expected), on the back of stronger-than-expected January inflation readings, which was mainly reaccelerating core inflation in Mexico and broader inflation in the Philippines. While markets reassess the Fed's next steps towards a higher-for-longer terminal rate, EM CB appear less bothered by that and more by the fact that the Fed is getting close to a pivot that will bring a period of stable rates rather than returning to easing anytime soon. Historically, those EM CB more sensitive to Fed action, such as Bank Indonesia, ended their hiking cycles in January on a more-benign-than-expected inflation outlook – mainly for the core indices – irrespective of the ongoing US tightening. Despite recent hawkish reactions by a few EM CB, we still see some of them starting to ease this year. Unlike expectations, these are not the carry-rich banks, such as BCB or Banxico, but the ones dealing with the weakest economic cycles (e.g. Andean region). Economic weakness will also drive easing in Central Europe, despite slowly declining inflation.



Source: Amundi Institute as of 20 February 2023.

KEY DATES
- **16 March** ECB Governing Council meeting
- **21-22 March** US Federal Open Market Committee (FOMC) meeting
- **23 March** BOE Monetary Policy Committee meeting

GEOPOLITICS

EU will face more hawkish Biden pre-US elections

Anna ROSENBERG
Head of Geopolitics - Amundi Institute

"The EU should brace for more protectionism."

While recent headlines have focused on tense US-China relations, the state of US-EU relations has received far less attention. However, recent developments have put new strains into that relationship – **strains that are likely to intensify as the United States heads for elections in 2024.**

Recent revelations about the United States being behind the Nord Stream pipeline attacks will fuel distrust among EU leaders and the wider public towards the United States and President Joe Biden, even if the allegations will never be proven right or wrong.

The allegations will have further rattled feathers after months of growing anger in the EU towards Biden following the introduction of the Inflation Reduction Act (IRA). The IRA seeks to attract European businesses in green tech and other eligible sectors to relocate to the United States by offering incentives and subsidies. Faced with high energy prices at home, uncertainties related to the war, the US proposition is attractive.

Months of diplomacy have yielded little result and EU leaders have come to understand that the IRA is not just a domestic policy, but one that is also aimed at the EU. As Biden reconfirmed in his state of the nation address: "I will make no apologies that we are investing to make America strong." The EU will now realise that, while Biden is, in contrast to his predecessor, in favour of strengthening the transatlantic relationship, he also pursues a distinct 'America First' agenda.

Even if all these issues were to irk the EU, there is little it can do. The war has made Europe more dependent on the security protection that NATO – and essentially the United States - offers. As the United States enters an election period - Biden is expected to announce soon his candidacy for 2024 - the EU should brace for more disadvantageous US measures.

POLICY

European Union: the great bargain has begun

Didier BOROWSKI
Head of Macro Policy Research - Amundi Institute

Two major issues will require compromises this year. The first, and top priority, is **finding a response to the US IRA.** Adopted in August 2022, the IRA has had a shocking effect on Europe. Governments agree on the need to find an appropriate response but are at odds over how to do it. Sharp divisions came to the fore at the 9 February summit. So far, **the European response to the IRA is focused on relaxing the framework of state aid rules, notably by allowing tax credits.** The aim is not only to simplify procedures to facilitate the deployment of renewable energy but also to allow subsidies, without which EU companies might relocate to the US to take advantage of the benefits there. Small countries would be at a disadvantage. So, the creation of a fund has been proposed to avoid increasing economic fragmentation. This proposal is far from unanimous. The only compromise that has been found so far is greater flexibility in the use of the existing Recovery and Resilience Mechanism (RRF) resources.

The second hot topic is the reform of **European fiscal governance.** On 9 November, the European Commission made proposals for new governance. In essence, the aim is to make member states more responsible for controlling their debt-to-GDP ratios. The proposed procedure is based on bilateral negotiations with the Commission, which several countries, including Germany, consider too lax. Until now, Germany has refrained from responding officially to this proposal. A clarification is expected in the coming weeks. These discussions will be the focus of the March European Council meeting, although a compromise is highly unlikely by that date. The two issues are intertwined. With the fall in gas prices, national interests have resurfaced. Europe's strategic independence and the challenges posed by the energy transition call for a bold response. We are still a long way from that.

"Europe's strategic independence and the challenges posed by the energy transition call for a bold response; we are still a long way from that."

Central and alternative scenarios

	DOWNSIDE SCENARIO (Prob. 10%) Recession in DM	CENTRAL SCENARIO (Prob. 70%) Stagflationary episode, with rising divergences and persistence	UPSIDE SCENARIO (Prob. 20%) Inflation falls back ending the stagflationary episode
 Geopolitics	▪ Worsening / expanding war in Ukraine. ▪ Worsening energy crisis.	▪ Stalemate in the Ukraine war. Risk of escalation in the short run. We expect de-escalation in late 2023. ▪ Gas prices have fallen and are becoming less sensitive to the war (mild winter, untapped stocks).	▪ Ceasefire in Ukraine in sight. ▪ Russia partially resumes gas exports to Europe.
 Inflation and policy mix	▪ De-anchoring of inflation expectations.	▪ Fed and ECB to be more data dependent and likely hit terminal rates by fall 2023, with rates staying high for longer. ▪ In Europe, strong divergences on the modalities of the response to the US IRA and regarding fiscal rules. No agreement expected before H2 2024. In the United States, the fiscal impulse may stay in negative territory during 2023, with debt ceiling constraints. ▪ Sticky core inflation. Core inflation unlikely to return to CB targets before the very end of 2024.	▪ Inflation and core inflation fall back quickly.
 Growth path	▪ Worsening energy crisis and deep recession in Europe, coupled with a recession in the US.	▪ Global economic slowdown in 2023, but with growing divergences: anaemic growth in Europe, rising recession risks in the United States, rebound in China with the reopening. Sub-par growth expected in 2024 in most DM.	▪ No V-shaped recovery, but lower uncertainty and increased confidence may yet support domestic demand.
 Climate change	▪ Climate transition measures postponed.	▪ Climate change adds to stagflationary trends. ▪ Climate risk hampers growth.	▪ Climate change policy and energy transition are top priorities.

Risks to central scenario

HIGH ← PROBABILITY → LOW

Market Impact	25%	15%	15%	15%	15%
	Geopolitical risk and war escalation	Economic risk: deeper profit recession (US / Europe) in H1 2023	US debt ceiling	Macro financial risks triggered by excessive ECB tightening	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, defensives vs cyclicals.	**Positive** for EUR, JPY, CHF and Bund.	**Positive** for US Treasuries, cash and gold.	**Positive** or TIPS, gold, commodity FX, real assets.
-	**Negative** for credit, equities and EM.	**Negative** for risky assets and commodity exporters.	**Negative** for US Treasuries, US equities and risky assets.	**Negative** for European equities, peripheral debt and European credit.	**Negative** for bonds, equities, DM FX, EM assets.

Source: Amundi Institute as of 16 February 2023. EM: emerging markets, CB: central banks. USD: US dollar, EUR: Euro, CHF: Swiss franc, JPY: Japanese yen, CNY: Chinese yuan, UST: US Treasuries, TIPS. Treasury inflation-protected securities, US HY: US high yield. QT: quantitative tightening. FX: foreign exchange markets.

Inflation Phazer: a model that detects the most likely inflation regime and tilts asset allocation

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

"Inflation regimes are key to fine-tuning risk exposure and rotation within each macro asset class when it comes to portfolio allocation."

What is the model about?

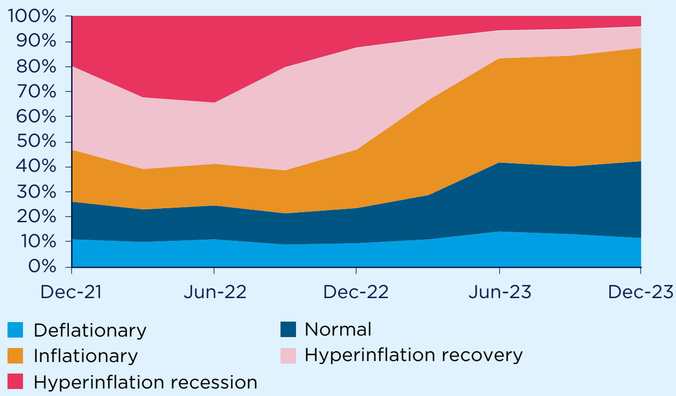
- **The rationale:** Inflation trends tend to follow economic growth. They drive both monetary policy and financial markets and define debt sustainability. In addition, financial markets and inflation-related instruments encompass highly anticipatory mechanisms. Hence, an ex-ante identification of inflation regimes is needed to fine-tune asset allocation choices, both tactical and strategic, as inflation regimes tend to endure over time. Assessing the evolution of the probability for alternative regimes is often the best indicator for capturing a change in expectations.
- **Model setup:** We developed a disciplined approach to the taxonomy of inflation regimes, in which we cluster price dynamics by building on US data starting from 1960. We use this dataset to identify the most relevant recurring inflation regimes and screen the overall cross-asset universe to detect which asset allocation models would have worked best during the various regimes.
- **Goal:** The Amundi Institute Inflation Phazer's goal is to assess an inflation regime's likelihood to persist over a certain time horizon and assess the asset allocation model that should be favoured in relation to the forecast inflation regime probabilities. In fact, we have found that asset classes and sectors display different behaviours during each inflation regime which investors should consider within their portfolio allocations.
- **Model output:** We can identify different asset allocations depending on the probability distribution, favouring the combination of assets that is expected to perform best in the inflation scenario deemed most likely to materialise.

Inflation regimes	Deflationary	Normal	Inflationary	Hyperinflation recovery	Hyperinflation recession
CPI YoY (%)	< 2	2-3	3-6	6-10	> 10
PPI YoY (%)	< 1	2-3	3-6	6-10	> 10
Core PCE YoY (%)	< 2	2-3	3-6	6-8	> 8
Unit labour cost YoY (%)	< 1	2-3	3-6	6-9	> 9

What are the current signals?

- The Inflation Phazer signals a shift from hyperinflationary recovery to an inflationary phase, with the likelihood of moving towards a normal inflation phase increasing further as we move into year-end.
- This inflationary backdrop calls for a continuation of the sector and asset class tilt to those areas most sensitive to inflation (energy, materials and real assets).

Inflation regime probability



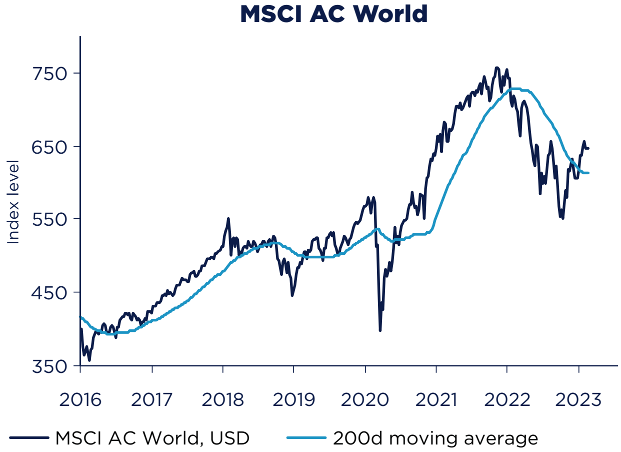
Source: Amundi Institute as of February 2023.

Equities in charts

Developed markets

MSCI AC World: breakout!

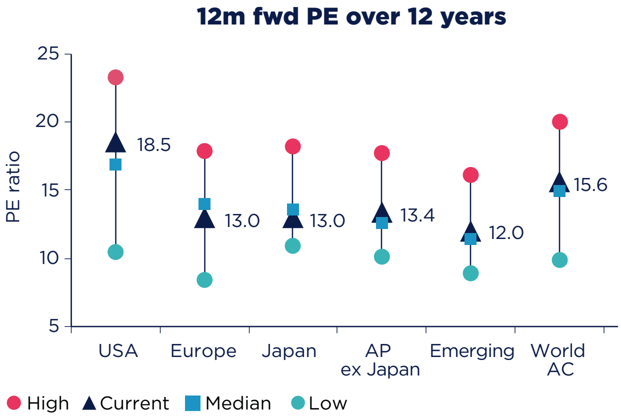
The MSCI ACWI has broken out above its 200-day moving average for the first time since 2022, a positive technical signal.



Source: Amundi Institute, Datastream as of 17 February 2023.

12m forward PER: back above past 12-year average

The US market's quick rebound has made it a little expensive, which is also reflected in the MSCI ACWI



Source: Amundi Institute, Datastream as of 17 February 2023.

"Technicals and fundamentals send diverging signals."

Éric MIJOT
Head of Global Equity Strategy - Amundi Institute

Emerging markets

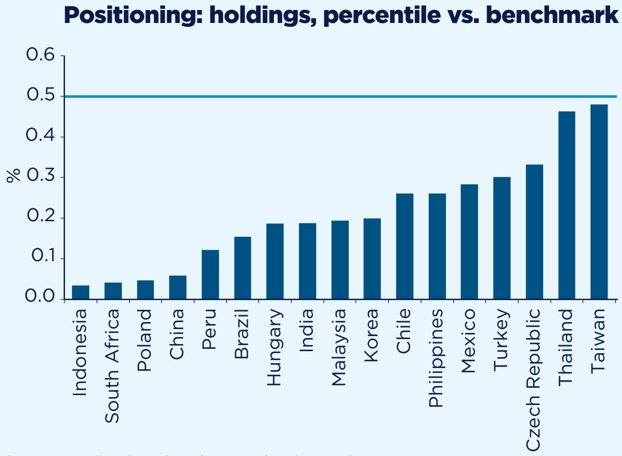
EM equity: earnings revisions still poor

Earnings revisions have been close to neutral in Latam and EMEA, but remain poor in China, Korea and Taiwan, which are weighed down by their high exposure to the tech sector. Some reversal can be expected.

Source: Amundi Institute, IBES as of 20 February 2023. Revisions are on a 2m moving average basis and refer to current and next fiscal years.

EM equity positioning remains light

Institutional investor positioning in EM remains uncrowded, comparing current holdings with their historical average.



Source: Amundi Institute, State Street as of 2 February 2023.

"Earnings momentum shows room for improvement, led by EM Asia; positioning remains light."

Alessia BERARDI
Head of Emerging Macro Strategy - Amundi Institute

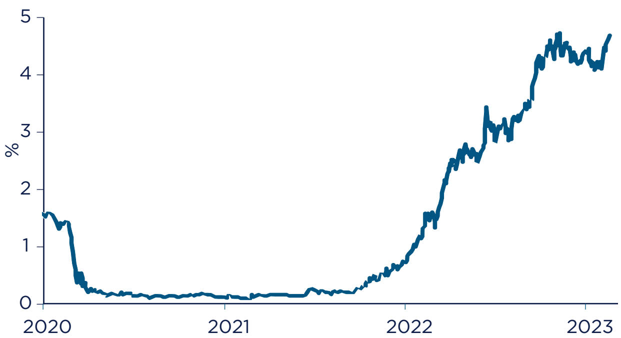
Bonds in charts

Developed markets

US 2y yields up sharply after hot payrolls

The sudden and sharp rise in short-term US yields will weigh on financial conditions with a lag.

US 2y yields



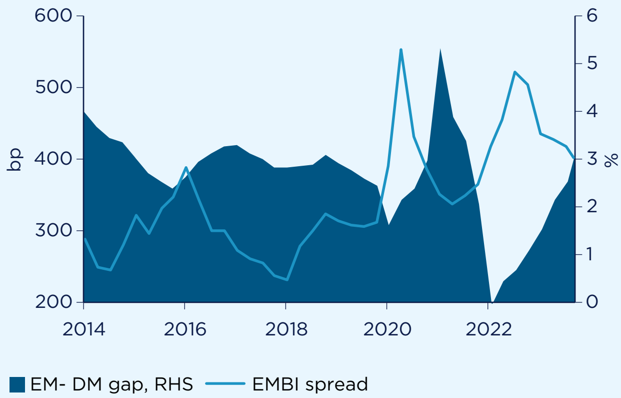
Source: Amundi Institute, Bloomberg as of 20 February 2023.

Emerging markets

EMBI spread set to tighten

The DM-EM growth gap is expected to widen, favouring the lower hard-currency bond spread during 2023.

EMBI spread vs. EM-DM growth gap

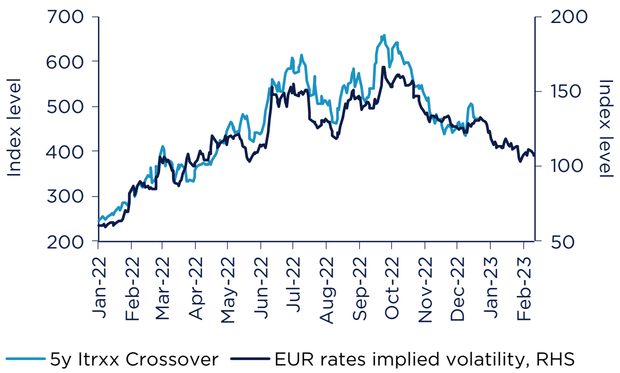


Source: Amundi Institute as of 20 February 2023.

Credit market boosted by falling volatility

The peak and subsequent fall of euro rates implied volatility supported the recent performance of spread products, including the euro HY segment.

Itrxx Crossover spreads and EUR rate volatility

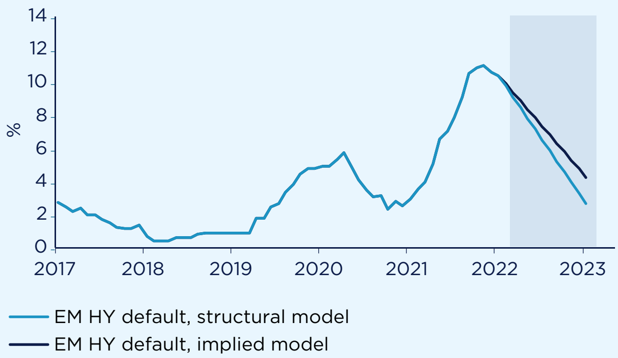


Source: Amundi Institute, Bloomberg as of 20 February 2023.

EM HY defaults set to moderate in 2023

EM HY corporate defaults have peaked and are expected to moderate in 2023.

EM HY defaults, count based



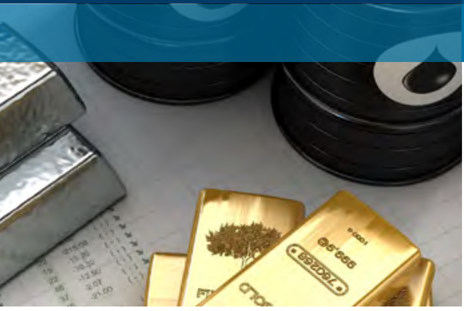
Source: Amundi Institute, Datastream. Data is as of 20 February 2023.

"Both US and European credit markets have been supported by falling rates' volatility."

Valentine AINOUZ
Head of Global Fixed Income Strategy - Amundi Institute

"Conditions in both the EM sovereign and corporaarete bond space becoming more supportive."

Alessia BERARDI
Head of Emerging Macro Strategy - Amundi Institute



COMMODITIES

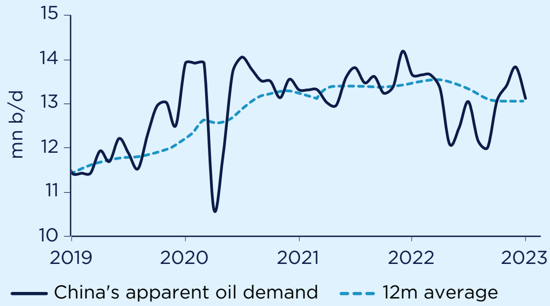
Conflicting supply and demand forces keep oil prices range bound

Jean-Baptiste BERTHON
Senior Cross Asset Strategist - Amundi Institute

"Lower Russian oil exports and mean-reverting oil demand in China will likely provide modest price traction in H2; range trading looks more likely in the near term."

Oil markets are subject to conflicting political interests, warranting high volatility. **Russian oil exports and Chinese oil demand are the two main drivers**. Price caps could take their toll on Russian exports, mitigated by greater flows towards Asia, limiting the drop to around 1.0-1.5m barrels per day (b/d). China's demand may revert to cruise levels boosting demand by around 1.0m b/d. Access to cheaper Russian oil could limit inflationary pressure in China. Both factors would provide modest traction later this year amid US producers and OPEC+ output discipline. Dashed hopes for a nuclear deal with Iran and a fragile situation in Libya could also maintain a risk premium. However, crude futures may remain range bound in the near term, capped by sufficient supply, a strong dollar, and global demand concerns. Less compelling valuations and investor repositioning after China's reopening could limit support. We are keeping our 3m and 12m Brent target at $90/b and $100/b, respectively.

China oil demand



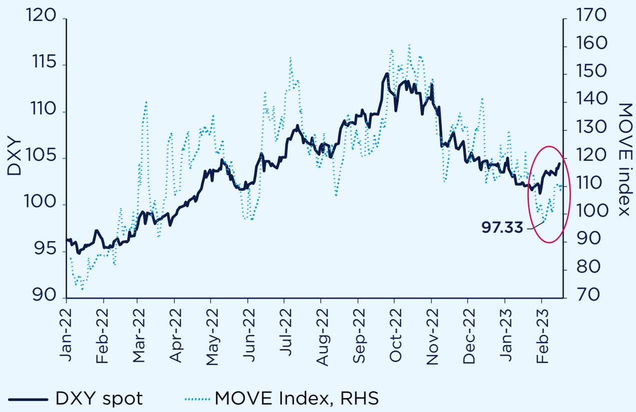
Source: Amundi Institute, China Custom General Administration as of 20 February 2023. China's apparent demand=domestic demand+import-export.

CURRENCIES

Expect a weaker dollar moving into H2 2023

Macroeconomic volatility is high and is preventing bold directional convictions in the short term. Both US economic activity and inflation proved stronger than expected, benefitting the dollar, given the strong correlation between US interest rates and their volatility. Higher real rates for longer come with support for the greenback; yet, the positive asymmetry should be limited when compared to last year. Fundamentals out of the United States are improving fast and relative growth-inflation profiles do not support a wider US yield advantage (the US economy has little growth advantage and US inflation is much closer to target than most DM). A negative growth shock would limit the dollar downside, yet the impact should prove transitory as it validates the end of the Fed tightening cycle. We are keeping a neutral dollar stance in the short run, but expect a weaker dollar moving into H2 2023.

USD bottomed with renewed uncertainty over the Fed hiking cycle



Source: Amundi Institute, Bloomberg as of 16 February 2023.

Federico CESARINI
Head of DM FX - Amundi Institute

"High macroeconomic volatility is preventing bold directional convictions in the short term; the ultimate outcome though should remain dollar negative."

GLOBAL INVESTMENT VIEWS

Rally fatigue: dichotomy between markets and economy is too wide

Vincent MORTIER
Group Chief Investment Officer

Matteo GERMANO
Deputy Group Chief Investment Officer

The year started with a rally mood amid short covering and the return of retail investors' risk appetite. There were some supporting reasons for the situation, at least in Europe and China, where lower gas prices and China reopening helped to remove some of the downside economic risks that were on the table last year. **However, the rally has gone too far based on assumptions that inflation is falling fast, the job of central banks is done, and the economy is well on track for a soft landing, with no earnings recession.**

The tricky part for investors starts now. The bears may not arrive, but some caution from here is necessary. The dichotomy between loose financial conditions and tight lending standards for the real economy is striking. Markets remain priced for perfection, despite high uncertainty and divergences on the economic front. **In particular, while we recently upgraded our forecasts for 2023, the devil is in the detail.** Regarding the United States, our GDP forecast is unchanged, but we see deteriorating quarterly dynamics for the second part of the year. For the Eurozone, we upgraded our GDP projections for 2023, but this was mainly due to carry-over from last year and growth expectations remain flattish. China reopening is clearly a positive for the global economy, but we believe this will mainly support the domestic performance.

Secondly, inflation is declining slowly, but markets see it falling rapidly and the path towards the 2% CB target appears to be long and bumpy. With regard to central banks, we see that the Fed is close to the end of tightening, but the ECB is still hawkish. Finally, appetite for emerging markets is returning, but regarding developed markets, caution prevails.

Against this fragmented backdrop, we think investors should remain cautious, but recognise that uncertainty is high on both sides (upside and downside).

US economic indicators: percentile rank relative to historical data

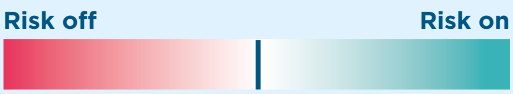
Source: Amundi Institute on Fed, IMF, S&P, BIS, Conference Board, OECD, ISM, Bureau of Labor Statistics (BLS), US Census Bureau, US Bureau of Economic Analysis (BEA) data. Data is as of 14 February 2023. Based on percentile rank relative to historical data. Data = financial conditions, leading indicators, business confidence, household consumption, consumer confidence, employment, industrial production, corporate profits.

“The dichotomy between the real economy and markets is increasing even as the earnings outlook is getting weak, leading us to be sceptical of the risk rally.”

Consequently, we updated some of our main convictions as follows:

- **In cross assets, we stay cautious on equities, as the risk rally may have gone too far, given the pressures on corporate earnings**. But, we see a possibility of benefiting from equity upside through options. We think subdued real wage growth is likely to keep demand and consumer spending in the United States and Europe weak, eventually affecting earnings. Investors should maintain strong diversification through oil and FX and strengthen protection through equity hedges and gold.
- **In bonds, investors should play curve opportunities from diverging monetary policies** and favour IG credit. While we stay defensive on duration, mainly core Europe and Japan, we are back to a neutral view on the UK and China. In US fixed income, in contrast, we have a modest positive duration view on expectations of further weakening in the growth outlook, given the tightening in financial conditions over the last year. In credit, we confirm our prudence regarding HY, where the default outlook is deteriorating. We continue to favour IG credit – in particular, in Europe, where valuations are cheaper than in the United States.
- **In equities, we are cautious on the United States, but prefer value and quality, industrial and financials to tech and consumer discretionary sectors.** Although lower energy prices reduce pressure on households and consumers to some extent, the shocks to real wage growth and fiscal drag are substantial and will be more spread out over time. This means that consumption will remain subdued, and the current earnings season provides indications in the form of negative Q4 EPS growth so far for the S&P 500. From a style perspective, investors should combine value stocks with quality and dividend names, which can supplement income. Our overall assessment highlights the importance of identifying companies with strong pricing power.
- **EM outlook improving.** We have upgraded our view on EM FX now as the dollar is weakening on the back of an expected less aggressive Fed this year, and it is likely that peak dollar is behind us. Although we are still neutral to slightly cautious on EM FX, we believe that the asset class can do well this year. Our views are partially moderated by a weak growth outlook for the year. We are more comfortable with local rates in EM, especially in Latin America. On equities, we have increased our positive stance on China and believe that the reopening should be positive for countries that have strong trade relations with China. On India, however, we have taken a cautious stance in the short term on valuations, but the long-term story remains intact.

Overall risk sentiment



Overall risk sentiment remains unchanged. The rally in risk assets keeps us cautious on the basis that a deteriorating earnings outlook is not properly priced in the market.

Changes vs. previous month

- Cross assets: seek exposure to the upside through options while looking to limit the downside through hedges.
- Mildly positive on EM LC debt.

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. What are the latest changes to your growth forecasts?

We have downgraded our expectations for Q4 2023 US GDP growth to 0.0% from 0.4%, year-on-year. US growth dynamics are expected to deteriorate in H2 2023, due to investment weakness and slowing private consumption. Eurozone GDP in 2023 has been upgraded to 0.2% from -0.5%, based on 2022 carryover effects and improving data. However, major headwinds remain and domestic demand is weakening

Investment consequences

- Equities: confirm our cautious stance on developed market equities.
- Credit: defensive on high yield but constructive on investment grade.

2. What are the prospects for central banks rate cuts?

The recent slowdown in US inflation has been the easy part – any further progress should be more costly in terms of jobs. Against such a backdrop, the Fed should remain cautious and start cutting rates in January 2024. In the Eurozone, we do not foresee a rapid decline in either headline or core inflation.

Investment consequences

- We remain neutral on US rates. We see scope for a deeper curve inversion in the short term, due to more front-loading, while the curve should bull-steepen in the medium term.
- We confirm our cautious stance on euro duration.

3. What triggers could lead to entering equities?

The year-to-date equity rally was triggered by a few factors, including China's reopening, a less hawkish CB stance, the softening of the EU energy crisis, and the depreciating dollar. We are unsure whether China's reopening will be enough to offset the negative impulse from slowing US growth. A bull steepening of the US yield curve has always been a pre-condition for the US equity cycle to start in a sustainable fashion.

Investment consequences

- We favour value in both the United States and Europe.
- We are positive on high-dividend stocks, except in Japan, where we focus on value due to the likely upcoming removal of yield-curve controls.

"We believe a bull steepening of the US yield curve will be a pre-condition for the US equity cycle to start in a sustainable fashion."

Monica DEFEND
Head of Amundi Institute

Amundi asset class views

	Asset Class	Current view	Change vs. m-1	Rationale
EQUITY PLATFORM	US	–/=		Lower energy prices are acting as a stimulus for consumers' disposable incomes, leading the markets to rise, which we think is not sustainable. The recent earnings season has been weak and confirms our cautious stance owing to high valuations and the upcoming growth deceleration.
	US value	+		We maintain our preference for value stocks, which should benefit from a slight upward move in yields. But we combine this with quality businesses that can sustain their margins and reward shareholders even in times of economic stress.
	US growth	– –		We are cautious on growth names, particularly unprofitable growth, owing to their excessive valuations which are not justified by their earnings potential. In addition, higher interest rates continue to weigh on longer duration stocks.
	Europe	–/=		Resilient economic growth and falling energy prices are positive for the region, but earnings are a concern. We think that in some cases, valuations are expensive with respect to future earnings potential. Thus we stay selective (looking for businesses with strong pricing power) and cautious.
	Japan	–/=		A potential removal of yield curve control should be positive for value names, but we are monitoring the monetary policy of the new governor and corporate earnings on broader markets.
	China	+		The exit from zero Covid, coupled with a supportive policy framework, is aiding the near-term outlook. We are selective owing to geopolitical tensions with the US and exploring bottom-up ideas.
	Emerging markets ex China	=		EM valuations, especially in EMEA and Latin America, are attractive and earnings expectations are improving. However, our stance is selective due to country-specific drivers and fragmentation. We are positive on Brazil (less than before) and watchful on India amid valuations concerns.
FIXED INCOME PLATFORM	US govies	=/+		We stay mildly constructive on USTs, but we are mindful of the strong economic data and stay very active on duration. We think strong consumption data may potentially lead the Fed to be even more hawkish, and that in turn could further increase risks of a recession.
	US IG corporate	=/+		Carry is attractive, but spreads are ignoring the risks around economic growth and tighter monetary policy. In addition, lending standards to corporates in the real economy have tightened and this could affect companies with weak cash flow positions, leading us to prefer high quality.
	US HY corporate	–		HY valuations look expensive at a time when higher interest rates could affect corporate borrowing capacity and lower economic growth could negatively affect the default outlook. Thus, we stay defensive and vigilant on liquidity risks.
	European govies	–/=		We anticipate higher terminal rates than priced in by the markets because an economic slowdown in Europe is unlikely to cool inflation in the near term. Hence, we stay slightly cautious on duration in core Europe. But we are mildly defensive on euro peripheral debt.
	Euro IG corporate	=		Attractive valuations and economic reopening in China paint a positive picture for EU IG, but concerns in the form of tight monetary policy, geopolitical tensions and high inflation remain. As a result, we are neutral for now and look for potential catalysts for further spread tightening.
	Euro HY corporate	–		Risk of deterioration in fundamentals is high, owing to a challenging environment for earnings and cash flows that could affect the default outlook. This may create higher volatility in HY spreads.
	China govies	=		Our neutral stance on Chinese government debt is maintained on account of diversification advantages for global investors and the resurgent growth dynamics in the country after reopening.
	EM bonds HC	=/+		We are assessing how Fed policy could affect the EM debt universe. Carry and valuations in HC debt are attractive, but fragmented monetary policy, a softer global growth environment, and geopolitical risks warrant a selective stance.
	EM bonds LC	=/+	▲	We are cautiously optimistic on LC amid a weakening USD, but are monitoring EM growth. We like select local rates in Latin America, such as Colombia, as the region's central banks have been aggressive in their rate hikes (to control inflation), and that should support their FX.
OTHER	Commodities			We see some downside risks on oil prices from a deeper-than-expected recession, but we keep our December 2023 price target for WTI at $95/bbl on expectations of rising Chinese demand, limited spare capacity of OPEC+, and a potential geopolitical crisis (involving Iran). On gold, we maintain our 12-month target of $2,000/oz. Fed policy and the macro-economic environment could affect that.

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Negative view Neutral Positive view

▼ Downgrade vs previous month

▲ Upgraded vs previous month

Source: Amundi as of March 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.

Do not add risk amid macro uncertainty

Decelerating inflation, coupled with central banks' less hawkish stances, is misleading the markets into believing that rising prices will come under control soon. At the same time, financing conditions and lending standards for consumers and corporates in the real economy are tightening and this could affect consumption. This may result in further deterioration in earnings dynamics in a context of expensive valuations. **We remain defensive, but exploit opportunities to use derivatives to seek to participate in potential upside without adding risk.** Investors should also enhance protection and diversification, including via FX, commodities, and gold.

High conviction ideas

We are cautious on developed market equities (United States, Eurozone, Japan). We also observe that changing market volatility could reveal ideas and allow investors to benefit from tactical market movements. In addition, we continue to see relative value opportunities favouring US small caps over expensive large caps, but are assessing how slowing rate hikes could affect this view. In EM equities, we maintain our positive view on China on the back of an improving growth outlook and cheap relative valuations. As far as flows and investor positioning are concerned, China still has room to recover capital flows, given that a lot of money moved away from the country last year. In fixed income, we keep a positive view on US duration, given the decelerating pace of rate hikes by the Fed and weak growth prospects. But we are active and are monitoring labour markets in terms of job creation and the narrative that the Fed may have to keep rates higher for longer. Elsewhere, we look for opportunities across the globe. For instance, in Japan, we keep our cautious stance on government bonds, but see the potential for the 2-10y curve to steepen in Canada. In Europe, we are positive on 10Y BTP-Bund spreads, which have been resilient to repricing of terminal rates following the ECB's hawkish views. China's economic reopening and a decline in energy prices should help the Italian economy, supporting public finances and BTPs. In corporate credit, we stay cautious on EU HY as we believe the credit rally has gone too far and is not in line with our risk scenario. Further, the large amount of supply, though well received by the market, needs to be digested and we are already seeing profit-taking in some segments. Looking ahead, we expect credit flows to be less supportive of spreads. The FX pillar allows us to play our tactical as well long-term views. Lower energy prices would mitigate the effects of the cost-of-living crisis in Europe, aiding near-term growth. This makes us positive on the EUR vs the GBP. We have a positive stance on the JPY vs the EUR as the yen could benefit from still-weak global growth. We also stay positive on the NOK/CAD for valuation reasons. In EM, we are now constructive on the ZAR/USD. The rand offers an attractive risk/return profile, and we believe the political uncertainty embedded in the FX is excessive.

Risks and hedging

Diversification and portfolio protection remain two of our key objectives and we continue to use commodities (oil, gold) and financial derivatives to achieve that. We think structural imbalances, China reopening, and geopolitical risks (Iran tensions a major risk) could provide a fillip to oil. We also think investors should keep hedges in HY credit and strengthen protection on US equities.

Francesco SANDRINI
Head of Multi-Asset Strategies

John O'TOOLE
Multi-Asset Investment Solutions

"Headwinds to economic growth remain and hence without increasing their risk, investors should explore alternative ways to participate in the rally: for instance, through derivatives."

Amundi Cross-Asset convictions

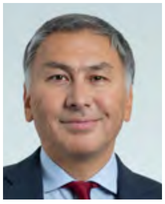
■ *Current stance* → *Change vs. previous month*

	---	--	-	=	+	++	+++
Equities			→■				
Credit & EM bonds				■			
Duration					■		
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, CBs = central banks, BTP = Italian government bonds, *In equities we have tactically moved neutral, while we keep a cautious approach amid a fragile economic backdrop being ready to reduce the overall stance. **We have slightly upgraded our stance with no material impact on the overall conviction level.

Valuation dispersion supports value opportunities

Kasper ELMGREEN
Head of Equities



Yerlan SYZDYKOV
Global Head
of Emerging Markets

Kenneth J. TAUBES
CIO of US Investment
Management

"Higher dispersion in valuations leads to potential stock opportunities in particular, in the value space."

Overall assessment

Markets have been rallying on the back of a receding energy crisis, China reopening, and a semblance of peaking central bank hawkishness, even as earnings season has been subdued so far. In the US, consensus expectations for 2023 operating earnings and profit margins look implausible, given concerns on consumption and the deceleration in growth. In Europe, an expected slowdown in earnings is confirmed, despite some near-term improvement in the economy. Thus, instead of rooting for markets, investors should explore businesses that can sustain margins and reward shareholders, but offer attractive valuations. We believe such businesses can be identified by strong bottom-up analysis and by combining quality and value investing in developed and emerging markets.

European equities

Based on a balanced style, we explore quality cyclical businesses and defensive stocks, such as consumer staples and pharmaceutical companies. However, given the current environment in which prices in some cyclical sectors have run ahead of their fundamentals, we think investors should consider moving out of them to defensive segments with better risk/reward profiles. We trimmed our favourable view on financials (still positive though) a little and upgraded pharmaceuticals. Nonetheless, we remain constructive on retail banks, owing to the beneficial effects of high interest rates on their net interest margins. We also like industrial companies that are facilitating the energy transition. With regard to staples, we maintain a constructive stance, selecting names with strong pricing power and robust balance sheets that can provide a shield in times of rising interest rates. Conversely, we are cautious on utility companies, as regulatory risk remains a concern, and the technology sector.

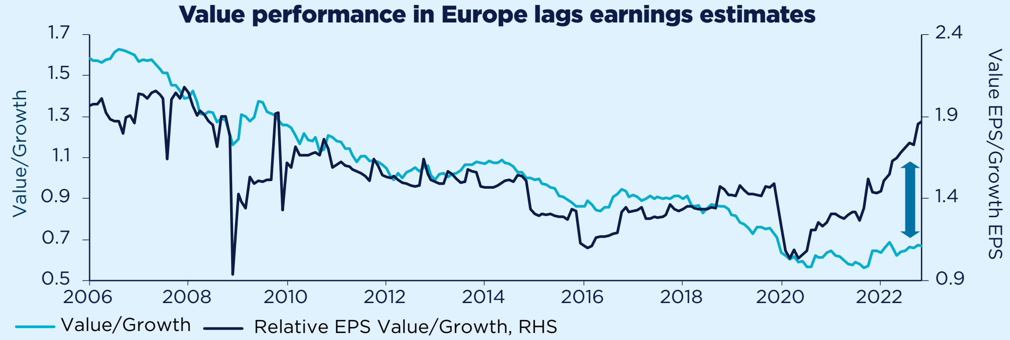
US equities

This year's rally is more a case of multiples expansion, making us cautious overall as valuations are expensive in some cases. Accordingly, we think investors should avoid risky, high beta names that are now excessively dependent on an unpredictable economic cycle. In contrast, we prefer businesses committed to returning cash to shareholders: for example, among defensives. Here, we focus on names that show reasonable valuations even if this means going beyond traditional defensives. Two such examples are health care equipment and services and the life science tools sector. But we see very little value in staples, utilities and real estate. At the other end, in cyclicals, our highest conviction sectors are energy and banks. We also like capital goods & materials among cyclicals, but prefer idiosyncratic stories that should be able to outgrow the cycle. However, the rebound witnessed in cyclicals since last October has made consumer discretionary and industrial names more exposed to the risk of an economic contraction.

EM equities

We maintain a cautiously optimistic outlook on the back of China reopening, reasonably attractive valuations, and earnings dynamics. However, investors should stay selective and focus on fundamentals. Our main convictions are China and Brazil, but regarding the latter, we are less positive than before owing to political volatility. We see some valuation concerns in India, but the long-term story looks intact. From a sector perspective, we are positive on consumer discretionary and real estate, and remain cautious on healthcare.

Value performance in Europe lags earnings estimates



Source: Amundi Institute, Bloomberg, 16 February 2023. MSCI Indices above.

Balancing attractive credit yields with selection needs

Overall assessment

Markets are backing a soft-landing scenario where they do not see a recession and prices are back to central bank targets. We think there is ample uncertainty around labour markets, consumption and corporate earnings. Funding costs in the real economy are also tight. It is difficult for interest rates in the economy to fall without policy cuts by central banks and this looks unlikely in the near term as inflation is still high, even though the pace is declining. We do not expect the Fed to start rate cuts before January 2024 and the ECB is unlikely to cut rates any time soon. Hence, we investors should seek to continue to benefit from the attractive yield environment in credit, but prefer high-quality credit, and explore select EM debt as the environment for the latter improves while staying cautious on high yield.

Global and European fixed income

We remain active on duration, with a slightly cautious stance particularly in core Europe and Japan, and with an upgraded view on the United Kingdom, and China duration to neutral. We are exploring curves across geographies and see potential for curve steepening in the United States, Europe, and Canada. On euro peripheral debt, we keep a marginally defensive stance overall In light of a mixed picture on earnings and growth, we stay very selective in credit and maintain our mild positive stance mainly in IG and subordinated financials. As far as HY is concerned, we think investors should hedge tactically, owing to concerns on potential defaults. We are vigilant in the covered bonds segment.

US fixed income

We acknowledge that economic data are uneven and there is a possibility that the Fed may tighten policy to a point where the economy weakens. Yields repricing could also happen on the upside if inflation remains high. With a constructive view for now, we stay active on duration, vigilant on Fed rhetoric, and think that timing is important. TIPS look attractive in the medium term. We are positive on securitised credit, but believe the recent performance could provide a window to take advantage of spread tightening and alter the stance to be more conservative in future, in line with slowing growth. In corporate credit, we remain selective, with a preference for financials over non-financials and industrials, and IG over HY. Overall, investors should consider taking profits where market rallies present opportunities and in HY maintain low beta.

EM bonds

Movements in US rates and policy are affecting the environment for EM debt, leading us to be very vigilant. We see opportunities in HC, local rates and FX. However, we are selective, as geopolitical and country-specific risks persist. We are constructive on commodity exporters (Brazil, Mexico, South Africa, Indonesia), thanks to China's reopening. Interestingly, countries, such as Colombia, where CB have been proactive, look attractive.

FX

We are positive on select high-carry EM FX, such as the MXN, BRL, IDR and ZAR. However, we balance this view through a constructive stance on safe-haven FX, such as the JPY, even as we stay neutral on the USD. Another major risk on our radar is the escalation of the Russia-Ukraine war, which could negatively affect the PLN and CZK.

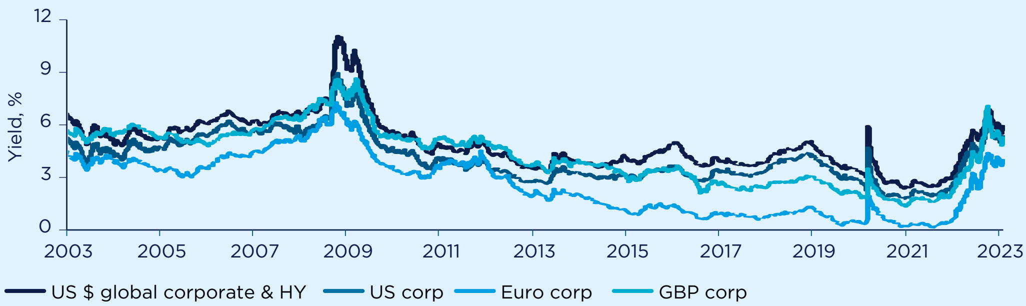
Amaury D'ORSAY
Head of Fixed Income

Yerlan SYZDYKOV
Global Head
of Emerging Markets

Kenneth J. TAUBES
CIO of US Investment
Management

"We believe instead of a one-off deceleration in inflation, the Fed is likely to asses inflation trend, labour markets and overall consumption environment before altering its course of action."

Attractive credit yields, but focus on quality



Source: Amundi Institute, Bloomberg. Data is as of 15 February 2023 and refers to ICE BofA indices.

Macroeconomic forecasts

Macroeconomic forecasts as of 21 February 2023						
Annual averages, %	Real GDP growth, YoY, %			Inflation (CPI, YoY, %)		
	2022	2023	2024	2022	2023	2024
Developed countries	**2.7**	**0.7**	**0.9**	**7.4**	**4.6**	**2.6**
United States	2.1	1.0	0.6	8.0	3.7	2.4
Eurozone	3.5	0.2	1.0	8.4	6.2	3.2
Germany	*1.9*	*0.0*	*0.9*	*8.7*	*7.3*	*3.0*
France	*2.6*	*0.3*	*1.0*	*5.9*	*5.4*	*2.9*
Italy	*3.9*	*0.3*	*0.9*	*8.7*	*6.9*	*2.3*
Spain	*5.5*	*0.8*	*1.1*	*8.3*	*3.6*	*3.3*
United Kingdom	4.0	-0.4	1.0	9.0	7.4	3.7
Japan	1.0	0.6	1.0	2.5	1.4	0.6
Emerging countries	**3.9**	**3.7**	**4.0**	**8.7**	**6.8**	**5.4**
China	3.0	5.1	4.7	2.0	2.1	2.2
India	7.0	5.3	6.0	6.7	5.7	5.7
Indonesia	5.3	5.2	4.8	4.2	4.3	4.0
Brazil	2.9	0.7	1.7	9.3	4.9	5.0
Mexico	3.1	0.8	0.8	7.9	5.8	4.6
Russia	-2.3	0.6	2.0	13.8	7.5	4.5
South Africa	2.4	0.2	0.6	6.9	5.5	4.5
Turkey	4.9	3.1	4.3	72.0	51.1	39.0
World	**3.4**	**2.5**	**2.8**	**8.2**	**5.9**	**4.2**

Central bank official rates forecasts, %					
	22 February 2023	Amundi +6m.	Consensus +6m.	Amundi +12m.	Consensus +12m.
United States*	4.75	5.25	5.35	5.00	5.00
Eurozone**	2.50	3.50	3.60	3.50	3.60
United Kingdom	4.00	4.50	4.60	4.25	4.40
Japan	-0.10	0.00	0.02	0.00	0.09
China***	3.65	3.65	3.65	3.65	3.65
India****	6.50	6.50	6.50	6.25	6.30
Brazil	13.75	13.75	13.35	11.75	11.65
Russia	7.50	7.50	7.20	7.50	6.95

Source: Amundi Institute. Forecasts are as of 21 February 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, %

	22 February 2023	Amundi +6m.	Forward +6m.	Amundi +12m.	Forward +12m.
United States	4.69	3.90-4.10	4.36	3.50-3.70	4.07
Germany	2.97	2.50-2.70	2.80	2.30-2.50	2.57
United Kingdom	3.98	3.20-3.40	3.39	3.20-3.40	3.41
Japan	-0.02	0.10-0.20	0.03	0.20-0.40	0.11

TEN-YEAR BOND YIELD FORECASTS, %

	22 February 2023	Amundi +6m.	Forward +6m.	Amundi +12m.	Forward +12m.
United States	3.95	3.60-3.80	3.88	3.30-3.50	3.83
Germany	2.56	2.40-2.60	2.52	2.30-2.50	2.49
United Kingdom	3.67	3.50-3.70	3.68	3.50-3.70	3.72
Japan	0.51	0.50-0.70	0.64	0.60-0.80	0.76

Exchange rates

	20 February 2023	Amundi +6m.	Consensus +6m.	Amundi +12m.	Consensus +12m.
EUR/USD	1.07	1.05	1.09	1.15	1.12
EUR/JPY	143	136	138	136	138
EUR/GBP	0.89	0.90	0.89	0.90	0.89
EUR/CHF	0.99	0.96	1.00	1.04	1.01
EUR/NOK	10.94	11.06	10.55	10.52	10.25
EUR/SEK	11.06	11.27	10.98	10.86	10.70
USD/JPY	134	129	127	119	124
AUD/USD	0.69	0.67	0.71	0.76	0.73
NZD/USD	0.63	0.61	0.64	0.66	0.65
USD/CNY	6.86	6.70	6.75	6.40	6.60

Source: Amundi Institute. Forecasts are as of 20 February 2023.

**Thematic paper:
A year of war in Ukraine**

Amundi Institute

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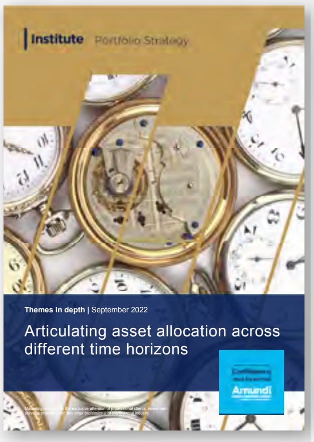

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