

October  
2023

# CROSS ASSET INVESTMENT STRATEGY

## TOPIC OF THE MONTH

Limited hit from energy price rise on  
US consumption so far

## GLOBAL INVESTMENT VIEWS

Bond yields attractive as inflation  
stabilises

Trust  
must be earned

**Amundi**  
ASSET MANAGEMENT



**Monica DEFEND**  
Head of Amundi Investment Institute

*“The inflation slowdown will not be linear and the recent surge in oil prices is adding further uncertainty, supporting the argument for keeping rates higher for longer.”*



**Vincent MORTIER**  
Group Chief Investment Officer

*“We maintain our quality bias as markets are not pricing in recession risks.”*



**Matteo GERMANO**  
Deputy Group Chief Investment Officer

*“In an environment of uncertainty around US consumption and global economic growth, bonds are the place to look for opportunities.”*





October 2023

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# Limited hit from energy price rise on US consumption so far

**KEY TAKEAWAYS:** The impact of energy on the US economy has declined over the last three decades, but a series of shocks since the pandemic and a +30% price surge since July has brought the topic back to light. We find that it would take a material rise in energy prices and a combination of negative factors for households before there is a visible toll on overall spending. We're not there yet and anticipate only a marginal impact on consumption at this stage.



**Jean-Baptiste BERTHON**  
Senior Cross Asset Strategist -  
Amundi Investment Institute

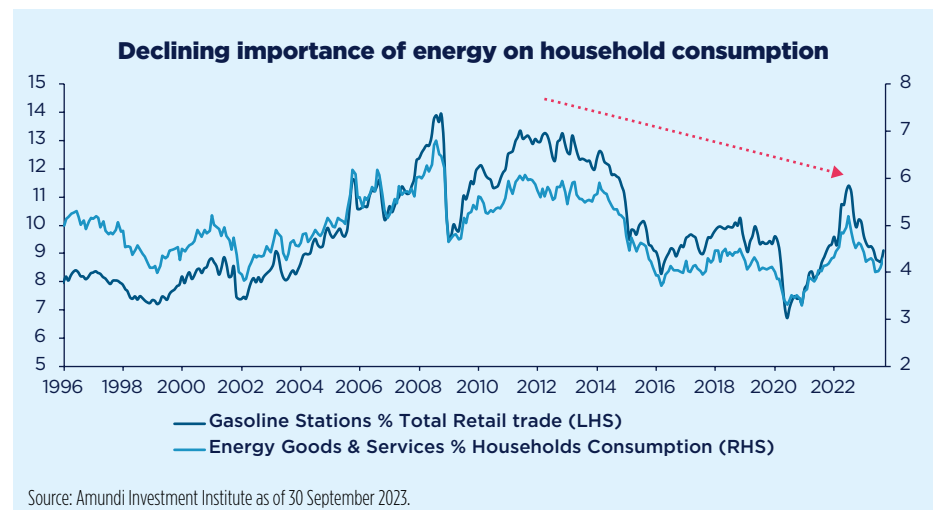
The significance of energy trends for the US economy has declined over the last three decades. The consumption of energy for each real dollar of GDP has fallen by 3% every year and this will continue with the energy transition. The share of services in the economy has also crept up at the expense of secondary activities. In particular, the energy impact on consumption has declined from 6% to 4% over the last two decades, and from 3% to 2% on production. After the great energy shocks of the 70s, authorities have gained experience in managing oil shocks, further mitigating their impact. Last, but not least, oil self-sufficiency via rising shale gas production over the last 10 years has been a game changer. **While the importance of energy has gradually declined, the issue has returned to the fore following a series of energy shocks which have boosted price volatility:** the pandemic (a demand shock), then Ukraine and, more recently, aggressive OPEC+ supply cuts (both supply shocks). Oil prices pass through to the economy via various channels, including inflation, consumption, corporate margins and investment, productivity, the balance of payment, and global savings (through petrodollars), and in the long run may accentuate social stress. Here we focus on the impact of oil prices on US consumption.



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

## 1. It would take a material rise in energy prices and a combination of negative factors to hit overall spending

**The relationship between oil prices and consumption is not easy to establish because there have been few relevant case studies since the 70s,** excluding times of recessions (the true energy effect is trickier to isolate). Assessing the impact today is even more challenging given the broken price/demand elasticity since the pandemic. As a start, given the looser energy weight in the US economy, bigger price surges are needed to be impactful.





*“Surging oil prices should only have a marginal impact on consumption at this stage. We would start to worry if prices sustainably breach \$110/b for Brent.”*

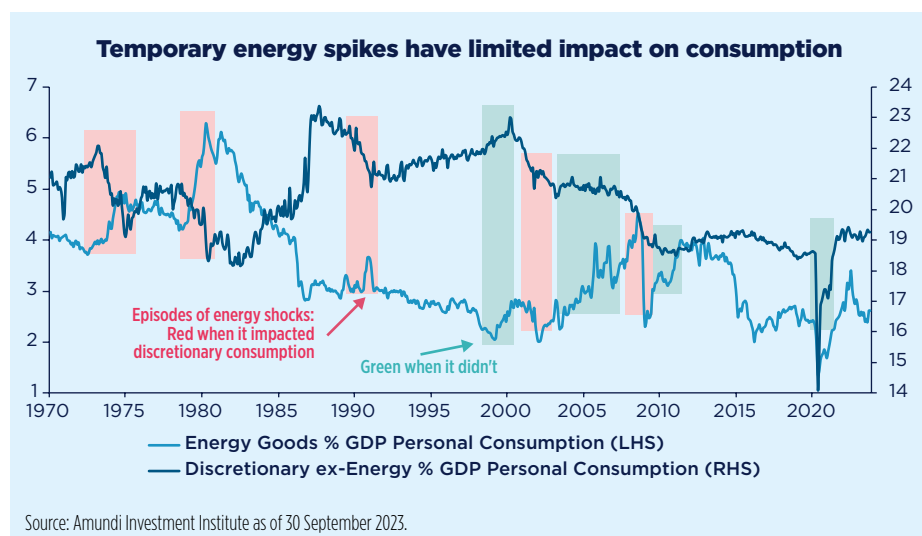
We find that energy prices follow a typical sequence. A rise in raw energy prices usually takes a little more than a month to pass through to the end consumer. As energy goods become more expensive, households generally start cutting energy spending (purchasing a lower quantity thus mitigates the price factor). **There are two main categories of energy goods: motor vehicle fuel and residential heating fuel.** The former category is far larger and more sensitive to changes in energy prices (spending on heating fuel tends to be less cyclical). If these adjustments do not sufficiently absorb the loss of purchasing power, households then cut spending on discretionary items and later on a broader segment range. **Hence, energy prices tend to hit energy spending before they spread to discretionary items.** Therefore, we find that it would require a material energy price rise (typically higher than +50% YoY) and a combination of negative factors for households to take a meaningful toll on overall spending. The impact is also bigger when price surges are sparked by supply shocks (versus demand shocks).

## 2. How will the recent surge in oil prices impact consumption?

While driven by a supply shock (OPEC+ cuts and evidence of tighter supply/demand balance), we do not expect a significant hit to consumption yet. Energy prices have risen +27% since mid-June but are still down 19% YoY, which doesn't yet qualify as a major shock. **Household conditions have also remained relatively benign, considering income, employment and assets.** Consumption so far has been supported by a cyclical economic rebound since late 2022, re-accelerating liquidity, persistent fiscal transfers, a recovering wealth effect (due to supportive markets in H1), and a very gradual deceleration in employment and wages. As a result, discretionary spending has remained resilient. Consumer surveys and high-frequency data tracking spending behaviours do not suggest a looming shift. We expect spending patterns to change later on, due to higher rates and moderating fiscal support rather than energy prices.

**We conclude that in our base case for oil (which forecasts a transitory spike in prices), the impact on consumption would remain marginal unless prices reached at least \$110/b (for Brent).** Although manageable at this stage, we see more implications from surging oil prices on inflation and rates, and on corporate margins, than for consumption.

We note that this analysis focuses on the US. The situation in the EU has obviously been different with natural gas and is displaying all the ingredients for a bigger impact on consumption: a major supply shock, a powerful price increase, and no energy self-sufficiency, albeit partially mitigated by fiscal subsidies.





**MACROECONOMICS, GEOPOLITICS,  
AND STRATEGY**

by Amundi Investment Institute



# Resurgence in oil prices renews inflation concerns



**Mahmood PRADHAN**

Head of Global Macroeconomics -  
Amundi Investment Institute



**Annalisa USARDI, CFA**

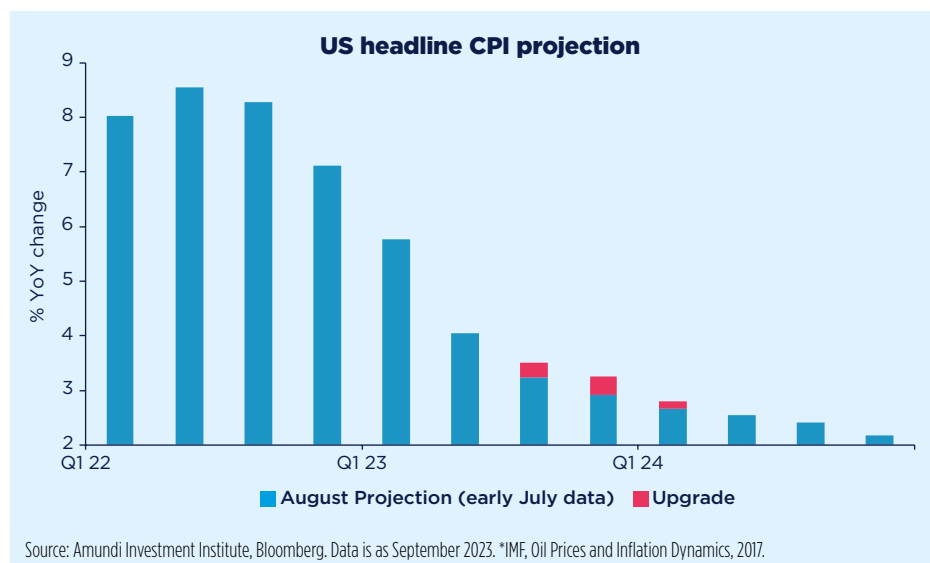
Senior Economist -  
Amundi Investment Institute

Inflation has been on a declining path in advanced countries, albeit with some stickiness in services inflation. **But higher oil prices** – which are up about 30% over the last two months – **could add a significant hurdle to this disinflation process and keep policy rates higher for longer.** The impact of higher oil prices typically depends both on how quickly and by how much they rise, and whether the shock is long-lasting or temporary.

**Whether this takes us to a higher path for inflation will depend on how policy reacts:** will central banks accommodate or strongly guard against the second-round effects of higher oil prices? An IMF study\* finds that a 10% increase in oil prices leads to a rise in inflation of about 0.4%, with the impact lasting, on average, for two years. But the impact on inflation has been significantly lower since 2000, largely due to monetary policy acting to limit the contagion.

**We view the current shock as temporary.** Supply restrictions by OPEC+ likely account for about 60% of the rise in prices, while about 30% is due to demand – global growth remains subdued. A predominantly negative supply shock would tend to increase headline inflation and at the same time reduce consumer purchasing power. This in turn will weigh on growth and limit the impact on generalised inflation. With monetary policy already tight, we do not expect demand pressures to accommodate higher oil prices.

Historically, though, oil price shocks have occasionally been persistent, leading to persistence in inflation. **The biggest risk is if that triggers another round of wage rises, which would then impact other prices.** While we do not expect oil prices to remain sustainably above \$90 (the assumption built into our forecasts), they could have a wider impact by keeping policy rates higher for longer. Notwithstanding our confident view on the persistence of this shock, headline inflation will be higher in the near term. But we continue to expect both headline and core inflation to make steady progress towards central bank objectives through to the end of 2024.





# Is Beijing's pivot adequate?



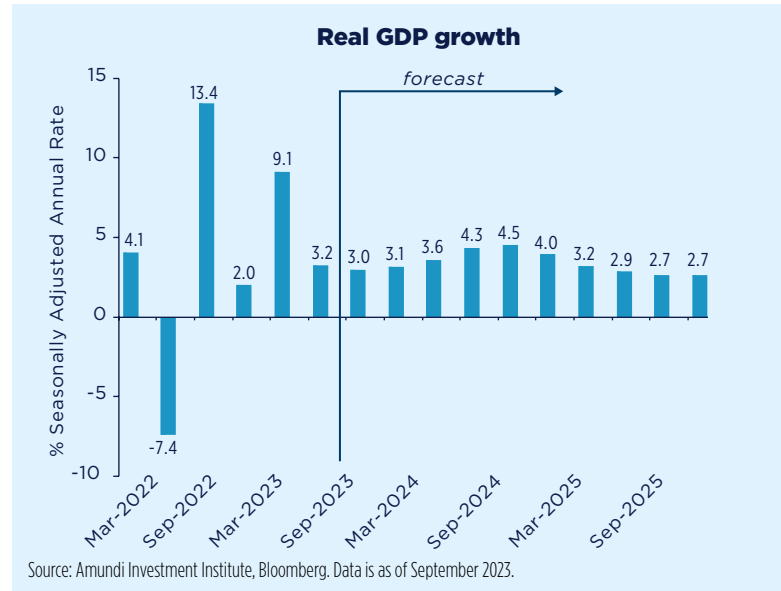
**Claire HUANG**

Senior EM Macro Strategist - Amundi Investment Institute

*“China’s easing measures are too light for a secular downturn.”*

Since late August, Beijing has started to follow through with tangible easing measures, directing major cities and financial regulators to ease housing policies. **We expect additional measures to be rolled out, which may include more cities entirely removing purchase restrictions, paired with an upswing in local government bond issuance.**

While these policy adjustments are in line with the economy bottoming out in Q3 and slightly accelerating throughout 2024 (in % QoQ seasonally-adjusted terms), they lack the strength to trigger an upward revision in our forecasts. China remains in a secular downturn, mostly depending on the pace and depth of the real estate sector’s decline. In our view, this trajectory will persist for another year or two before we reach a stabilising state.



# India: robust industrial cycle

While softening from current robust growth rates (6.5% YoY in Fiscal Year 2024), **India should maintain significant growth potential of around 5%-5.5% YoY for the near future.** Strong Industrial Production, particularly in infrastructure and capital goods, paves the way for a needed investment cycle, that has been missing for many years. In addition, after a mild increase during the pandemic, corporates have consistently reduced their leverage (53.8% of GDP as of March 2023). **The recovery in household demand hasn't returned to pre-pandemic levels yet,** particularly in the rural sector, and the latest inflation dynamics (6.8% YoY in August, well above the Reserve Bank of India's



targets) are not fully supportive of consumption. **Inflation should gradually reduce to within this target by 2024** and the RBI should overlook the recent figures and keep its monetary policy stance neutral.



**Alessia BERARDI**

Head of Emerging Macro Strategy - Amundi Investment Institute

*“The industrial cycle is back and is being pushed by infrastructure and capital goods.”*





## Macroeconomic snapshot



Although we expect headwinds to take a toll on consumption in Q4 2023, the US economy should remain resilient due to ongoing supportive fundamentals for domestic demand, before entering a more significant slowdown in 2024, when the tightening of monetary and financing conditions are expected to hit the economy. Inflation will continue its downward path but, in light of the recent oil price surge, headline inflation will plateau up to the year end, and likely remain above 3%.



Ahead of a scenario of sluggish growth in Europe, we expect external demand to moderate and internal demand to suffer from tighter monetary and financial conditions for a few quarters. A delayed pickup in real wage growth may put a floor on consumption. Inflation will continue to trend lower with upside risks linked to the recent surge in oil prices; core inflation will remain above the headline rate for several quarters before converging towards target by the end of next year.



For the UK economy, we anticipate flattish growth as monetary policy tightening takes its effect on the economy, slowing domestic demand on top of weaker external growth. A recession is unlikely, but the risk is increasing as rising oil/energy prices may place further upside pressure on inflation and push the BOE to tighten. While we expect inflation to trend lower, recent data show that core inflation remains sticky and ongoing high wage growth poses an upside risk in the near term.



Japan's summer data was a mixed bag. The manufacturing sector faces challenges due to reduced export demand, while the non-manufacturing sector primarily relies on foreign visitors. We still anticipate a mild economic contraction in Q3 and Q4, largely driven by the external sector. Inflation has moderated in sequential terms. Still, core CPI increased 0.8% in Q3 or 3.1% annualised, above BoJ's 2% target. This paves the way for further policy normalisation.



The Hungarian economy hasn't exited recession yet. We have revised down our growth forecasts for 2023 and 2024 from -0.4% to -0.8% and from 2.5% to 2.1% YoY, respectively. Household consumption will only gradually improve as inflation will remain at double-digit levels until the end of the year. Poor private investment and net exports will continue to weigh on growth (EU funds are still locked, the prolongation of windfall taxes, lower external demand and higher imports).



Poland posted a highly negative Q2 in terms of growth (-1.45% YoY). We have revised down our 2023 forecast from 0.8% to 0.5% YoY this year but kept 2024 unchanged at 2.3% YoY. Household consumption is expected to expand further from Q3 due to strong fiscal support and looser monetary policy. Private investment will continue to increase but net exports could be a drag on growth. As mid-October's election's outcome is uncertain, risks for growth in 2024 are significant.



The Mexican President López Obrador's pre-election 2024 budget will add fuel to the already surging economy. The pro-cyclical primary deficit is the widest in many years and will keep the economy growing above potential again next year (unless the US economy goes into a tailspin), keep inflation above target for the foreseeable future and the Bank of Mexico's rates high for longer. The easing path should not start until late Q2 24 (after 2 June general election).



Brazil's economic activity has been slowing in a resilient fashion and has benefited from a positive agricultural sector supply shock and solid labour market conditions. Annual inflation is rising purely because of unfavourable base effects and is slowing in sequential terms. The Central Bank of Brazil has continued to cut policy rates gradually, with inflation expectations and fiscal risks only being partially anchored despite the Lula administration submitting a balanced budget for next year.

# Still some inflation concerns on the easing cycle path

## Developed markets

**Last Federal Open Market Committee (FOMC) meeting kept rates unchanged. However, the Fed signaled that it could tighten monetary policy further in the case of persistently-above-trend growth, while its dot plot\* was more hawkish than previously and signaled a high policy rate for longer.** The US economy remains resilient in the Fed's assessment with new quarterly growth forecasts revised up from 1.0% to 2.1% this year and from 1.1% to 1.5% in 2024. Most FOMC members are still on the hawkish side and the surge in oil prices is also adding to inflation concerns.

**In contrast to most expectations, the ECB increased its key rates by 25bp in its last meeting, but at the same time it delivered a dovish message, suggesting that the terminal rate has probably been reached.** The ECB cut growth projections for this year and 2024, acknowledging that the tightening is being transmitted to the real economy stronger and faster than in previous cycles. At the same time, inflation is still assessed as being too high for too long, supporting the message of higher-for-longer rates.

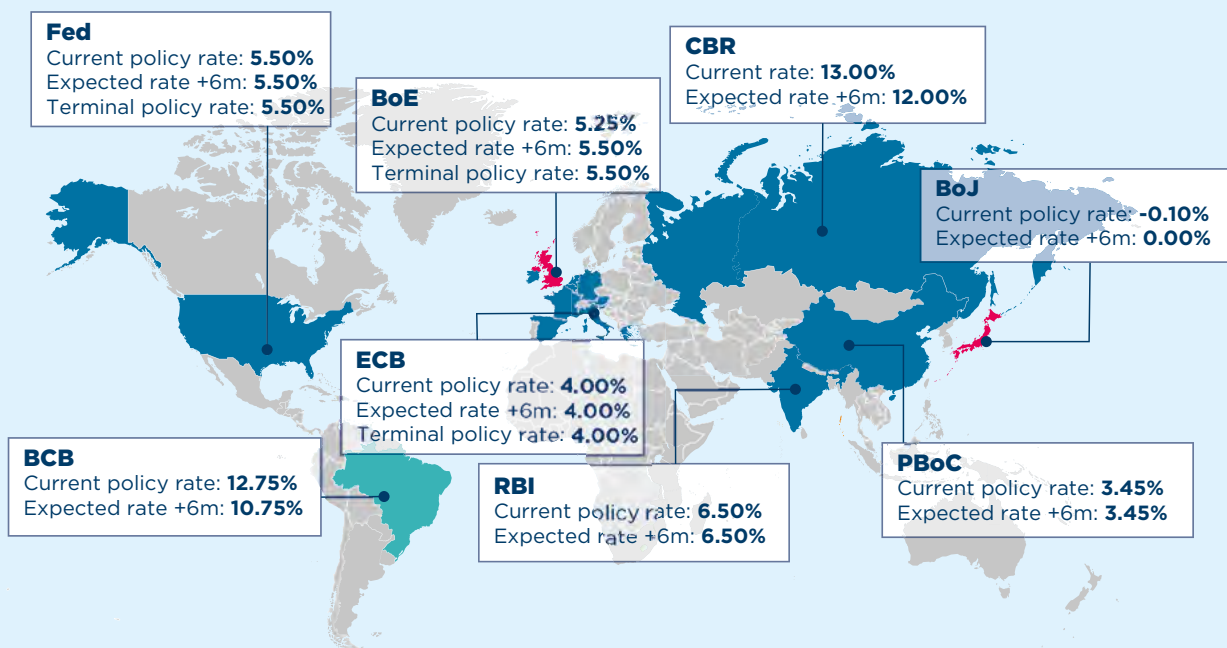
## Emerging markets

In September, global financial conditions continued to move tighter on the back of the Fed's renewed narrative of higher for longer. As a consequence, **we have witnessed some protracted weakness in Emerging Markets FX that is adding to higher EM inflation risks**, via imported goods, which could make EM CBs' job more challenging going forward. Against this backdrop, **we keep expecting the easing cycle, already started, to continue across EM**, with more CBs soon joining the early starters in LatAm and Eastern Europe, and in Asia later on. Having said that, global financial conditions, as well as a less pronounced disinflationary path, should suggest a higher degree of prudence in the easing speed. EM are mostly far away from the conditions of the Taper Tantrum episode and current account deficit positions are in many cases funded by adequate Foreign Direct Investments and CBs have proven timely in their commitment to keep inflation anchored through their recent massive hiking cycle. Yet, **EM CBs shouldn't be too complacent with their inflation dynamics or expectations, especially in such a global context.**

\* The Fed dot plot is a chart that shows where each FOMC member thinks interest rates will be on a specific time horizon.

### Amundi's assessment of central bank rates trend, six-month ahead

➔ ■ Dovish ■ On hold ■ Hawkish



Source: Amundi Investment Institute as of 4 October 2023. Amundi's assessment of central bank rates trend is based on Amundi Institute's forward-looking judgement of policy rates direction, based on our intake from forward guidance and CB communication.

### KEY DATES

**26 October**  
ECB Governing Council meeting

**1 November**  
US Federal Open Market Committee (FOMC) meeting

**2 November**  
BOE Monetary Policy Committee meeting



## EU tariffs on Chinese electric vehicles not a certainty



**Anna ROSENBERG**  
Head of Geopolitics -  
Amundi Investment  
Institute

Following the recent announcement by European Commission Head Ursula Von Der Leyen that the EU will start an investigation into subsidies for Chinese electric vehicle (EV) makers, **there are now expectations that the EU will slap tariffs on Chinese EVs. That assessment is premature.** First and foremost, Von der Leyen's speech was a campaigning one. European elections are coming up next June and she is likely to seek another term. Therefore, her message probably had several intentions: to showcase her credential as a China-hawk to ensure US support; to demonstrate that, despite being German, she is willing to go against the wishes of the German automotive industry (which has significant exposure to the Chinese market); and lastly, to signal her intentions for the next term: developing an industrial policy to prepare Europe for the next phase of US/China competition. **In terms of the timeframe and likelihood of tariffs, the investigation could take several months.** At the earliest, provisional tariffs could be introduced within 9 months, most likely by the time the new commission is in place (next Autumn). In terms of the possible size, similar past investigations have resulted in duties in the range of 10%-20%. Current levies on e-cars are 10%; US duties on Chinese EVs are 27.5%. **In terms of the likelihood of implementation, there will be a lot of opposition from German industry.** The outcome of the investigation is also uncertain, car analysts think the industry is no longer heavily subsidised. Overall, if the Commission is really keen to introduce tariffs, it is difficult for any member state to block this. However, the Commission is unlikely to go against the interests of both France and Germany.

*“Assuming tariffs against Chinese EVs are certain is premature.”*

## POLICY



## The elusive compromise on EU fiscal rules



**Didier BOROWSKI**  
Head of Macro Policy  
Research - Amundi  
Investment Institute

At the last Ecofin meeting (on 16 September), all the EU ministers sought to reach an agreement before the end of the year on a reform of the Stability and Growth Pact. **According to the Spanish Presidency, a technical consensus has been reached on 70% of the EU Commission's proposals.** Agreement on the remaining 30% requires political negotiations. These negotiations (currently underway) are challenging, particularly between France and Germany. In a nutshell, France would like to have a common fiscal capacity to finance certain investments, while Germany wants binding rules on spending.

*“Without progress on the Capital Markets Union, financing the energy transition will be delayed.”*

**A «fair balance» must be struck between the reduction of public debt and the investment and incentives needed to carry out structural reforms.** The EU also needs (i) debt reduction criteria that are compatible with growth, (ii) mechanisms to guarantee compliance with the rules, and (iii) a fiscal framework that will enable the necessary investments to be financed. And all of this should be done with responses tailored to the specific characteristics of each member state, and with equal treatment for all countries.

**The problem with the current reform of the tax rules is that it does not offer a long-term solution for financing the EU's huge investment needs.** Indeed, less than 30% of the Next Generation EU funds have been mobilised so far. But these funds are unlikely to be extended and private investment is still hampered by the absence of a genuine Banking Union and a Capital Markets Union.

# Central and alternative scenarios

**DOWNSIDE SCENARIO**  
Global downturn

Prob. 20%

- Worsening Ukraine war impairs commodity trade.
- More protectionism and increased retaliation to protectionist measures.

**CENTRAL SCENARIO**  
Sharp slowdown in global growth

Prob. 70%

- Ukraine-Russia: de-escalation still likely in the coming 6 months.
- China-US tensions.
- More protectionism, near-shoring / friend-shoring.
- OPEC+ imposing a floor on oil prices.

**UPSIDE SCENARIO**  
Economic resilience

Prob. 10%

- De-escalation / ceasefire in Ukraine.
- Lower energy or food prices.



Geopolitics

- Sticky core inflation leads to tighter financial conditions.
- CB hike more than expected.
- Financial stress.
- Two sub-scenarios** with different paths for key rates: **modest recession:** inflation risks may still prevail; and **strong recession:** large rate cuts as soon as H1 2024. The second is the most likely.

- Inflation to slow gradually; sticky core inflation, should approach target by end-2024.
- DM CB status quo, no rate cuts before June 2024. Key rates likely to stay higher for longer.
- Fed Funds rate back to 3.75% by end-24 (-150bp) in line with the expected disinflationary trend of the core PCE deflator.
- ECB: no cuts before mid-2024.
- Many EM CB have hit peak rates. Rate cuts expected in some countries, particularly in LatAm.
- Very different fiscal policies in different countries. EU fiscal policies to tighten. The US fiscal impulse (IRA, CHIPS act) may continue to support growth in 2024. EM fiscal space constrained amid prudent stance. Moderate fiscal measures in China to contain the slowdown.

- CB status quo, key rates higher for longer.



Inflation and policy mix

- More widely spread recessionary outlook (global growth well below 2%).

- The global slowdown is becoming increasingly synchronised: very anaemic growth in Europe (with growing recession risks), shallow US recession in H1 2024, marked slowdown and rapid transition to a slower growth regime in China.
- Tightening credit conditions to hit DM economic activity in the coming quarters.
- Growth gap still tends to favour EM in 2024.

- In case of pronounced cyclical disinflation, we could see a faster-than-expected return to potential growth in 2024.
- IMF- or ECB-type scenario.



Growth path

- Climate transition measures postponed: more climate events hitting supply chains or food security.

- Climate change hampers growth and exacerbates stagflationary trends.

- Climate change policy and energy transition are top priorities and coordinated across regions.



Climate change

## Risks to central scenario

		PROBABILITY			
		← HIGH			→ LOW
		20%	20%	20%	15%
		<b>Geopolitical risk and war escalation</b>	<b>Deep profit recession</b>	<b>Macro financial risks triggered by tighter credit and liquidity conditions</b>	<b>Persistent stagflationary pressure (US / Europe)</b>
Market impact	+	<b>Positive</b> for DM govies, cash, gold, USD, volatility, defensive assets and oil.	<b>Positive</b> for cash, JPY, gold, quality vs growth, and defensives vs cyclicals.	<b>Positive</b> or US Treasuries, cash and gold.	<b>Positive</b> for TIPS, gold, commodity FX and real assets.
	-	<b>Negative</b> for credit, equities and EM.	<b>Negative</b> for risky assets and commodity exporters.	<b>Negative</b> for credit.	<b>Negative</b> for bonds, equities, DM FX and EM assets.

Source: Amundi Investment Institute as of 22 September 2023. DM: developed markets. EM: emerging markets. CB: central banks. USD: US dollar. TIPS: Treasury inflation-protected securities. FX: foreign exchange markets.

# Mood ON Mood OFF Indicator (MoMo)

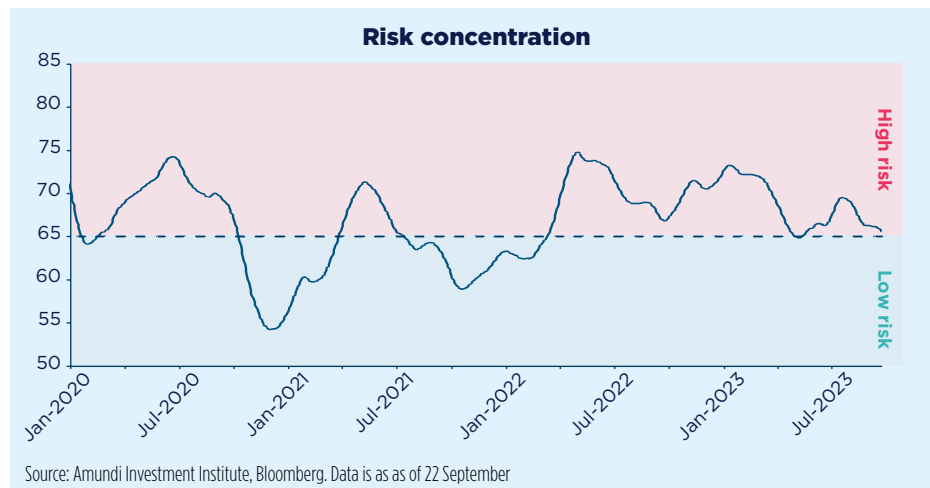


**Lorenzo PORTELLI**  
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## What is the model about?

- **The rationale:** MoMo is Amundi Investment Institute (AII)'s highest-frequency risk-sentiment tool. **Its main goal is to identify the best possible timing to enter a position in risky assets.**
- **Model setup:** the indicator is based on a two-step approach. The first step is an **analysis of cross-asset correlations** (involving the most risk-sensitive assets) to assess the level of **risk concentration** (as this would indicate rising systemic risks, see chart below). Secondly, in order to assess timing, the previous indicator is complemented with **additional tactical overlays**, gauging short-term stresses, based mainly on: institutional investor flows, credit stress and FX market dynamics.
- **Model output:** the MoMo indicator measures the probability of being in a "Risk Off" environment. It uses **pattern recognition algorithms to classify the selected set of tactical indicators based on past information:** the closer the variables are to past stressed periods, the higher the probability of being in a risk-off scenario. The risk-off probability is then used to drive tactical risk on/risk-off overlay strategies, whereby the higher the probability, the lower the risk exposure.

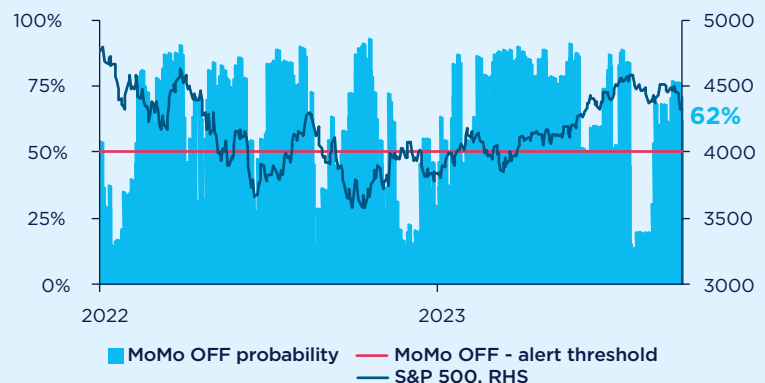
*“Highly volatile markets require investors to dynamically assess their risk exposure.”*



## What are the current signals?

- Starting from the middle of August, **MoMo has been persistently calling for a lower risk budget for asset allocation.**
- The main drivers of this signal are elevated risk concentration and institutional investors becoming risk-sellers, while the other high frequency measures span from neutral to a more pro-risk stance.
- **The current risk-off probability is 62% and suggests a defensive tilt.**

## MoMo OFF probability and S&P 500 since 2022

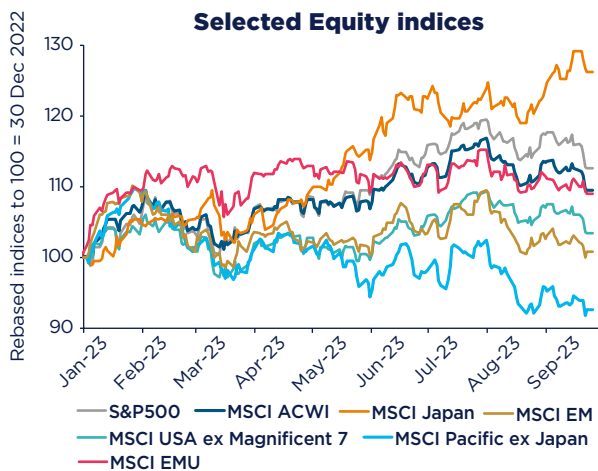


# Equities in charts

## Developed markets

### Fading performance since July's Fed rate hike

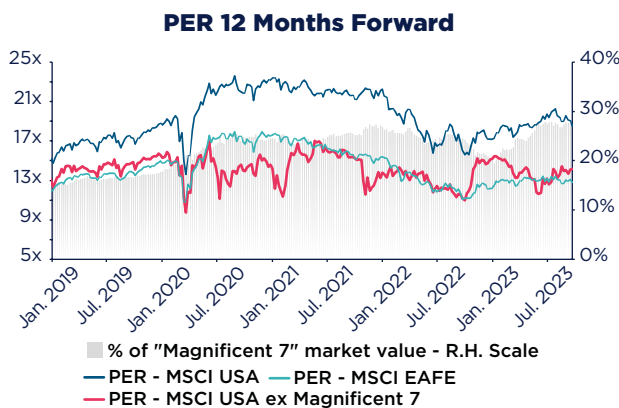
EMU has been trendless since February. The US has done better year-to-date but has been more volatile and, ex the «Magnificent 7\*» has barely been better than EM.



Source: Amundi Investment Institute, Datastream. Data is as of 25 September 2023. \* Amazon, Apple, Google (Alphabet), Meta, Microsoft, Nvidia and Tesla.

### MSCI USA Valuation and the Magnificent 7

Excluding the Magnificent 7 (27% of MSCI USA capitalisation), the US Price-to-Earnings ratio is much more in line with MSCI EAFE, even if it is more pricey.



Source: Amundi Investment Institute, Datastream. Data is as of 25 September 2023. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.



**“US mega cap valuations are increasingly under scrutiny.”**

**Éric MIJOT**  
Head of Global Equity Strategy -  
Amundi Investment Institute

## Emerging markets

### China's earnings recovery to benefit GEM

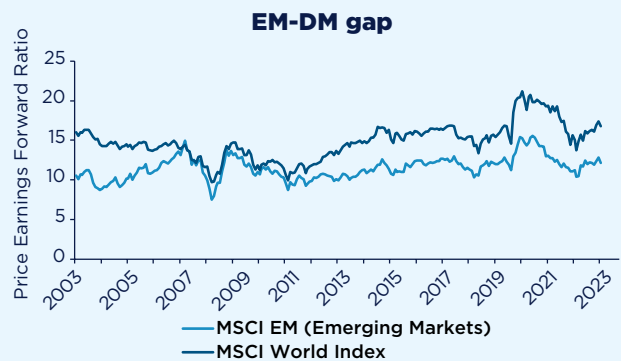
Q2 2023 reporting season closed with negative numbers for Global Emerging Markets. However, our earnings per share (EPS) growth expectations for the next 12 months remain quite positive, thanks to China's earnings recovery.



Source: Amundi Investment Institute, Factset. Data is as of September 2023.

### EM and DM's Price Earnings gap has widened

Global Emerging Markets remain cheap in terms of 12m price earnings compared to Developed Markets. The gap has widened in the recent years and is now quite large.



Source: Amundi Investment Institute, Factset. Data is as of 31 August 2023.

**“After a negative Q2 2023 reporting season, EPS growth expectations for the next 12 months remain positive due to China.”**



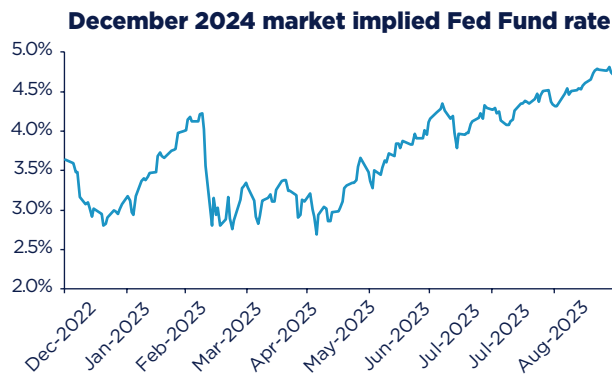
**Alessia BERARDI**  
Head of Emerging Macro Strategy -  
Amundi Investment Institute

# Bonds in charts

## Developed markets

### Market shifting to the higher for longer scenario

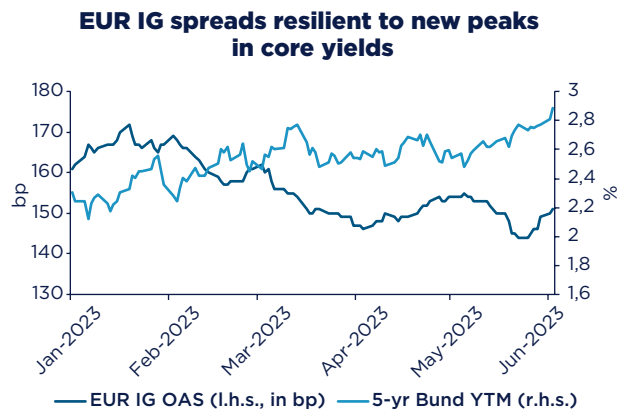
The soft-landing scenario being priced into markets, together with the recent upward revision communicated by Fed on its dot plot, led implied policy rates for 2024 higher, ultimately supporting the recent rise in bond yields.



Source: Amundi Investment Institute, Bloomberg. Data is as of 29 September 2023.

### IG spread resilient to recent rates volatility

EUR IG corporate bonds proved to be resilient to recent spikes in core yields, as well as versus other risky assets, thanks to persisting demand not only targeting spreads but absolute levels of yield even more.



Source: Amundi Investment Institute, Bloomberg. Data is as of 29 September 2023. YTM: yield to maturity. OAS: Option Adjusted spreads



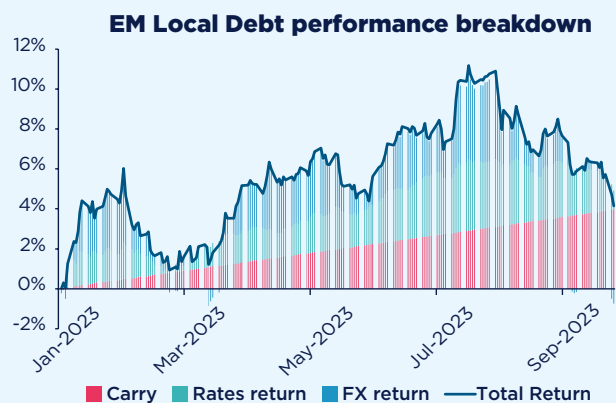
*“Upward revision on the Fed’s dot plot led implied policy rates for 2024 higher, ultimately supporting the recent rise in bond yields.”*

**Valentine AINOUIZ**  
Head of Global Fixed Income Strategy - Amundi Investment Institute

## Emerging markets

### EM local debt remains positive YTD

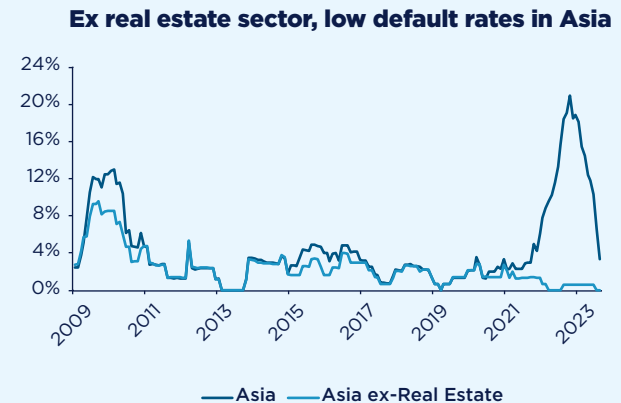
Emerging Market local bonds’ year-to-date performance has been positive, mainly for carry and curve contributions. The positive FX contribution has nullified recently.



Source: Amundi Investment Institute, Bloomberg. Data is as of 26 September 2023.

### Benign Asia ex Real Estate HY default outlook

The default rate for Asian high yield (BOFA Index) is around 3.36% and is concentrated in China’s real estate sector.



Source: Amundi Investment Institute, BOFA. Data is as of 31 August 2023.



*“The positive FX contribution has vanished, but EM local debt remains positive.”*

**Alessia BERARDI**  
Head of Emerging Macro Strategy - Amundi Investment Institute



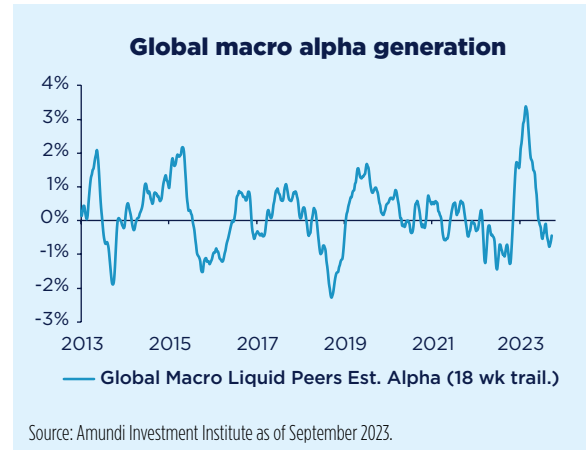
# Global macro at an inflection point



**Jean-Baptiste BERTHON**  
Senior Cross Asset Strategist -  
Amundi Investment Institute

*“Global liquidity is set to tighten again, which will be good news for Global Macro.”*

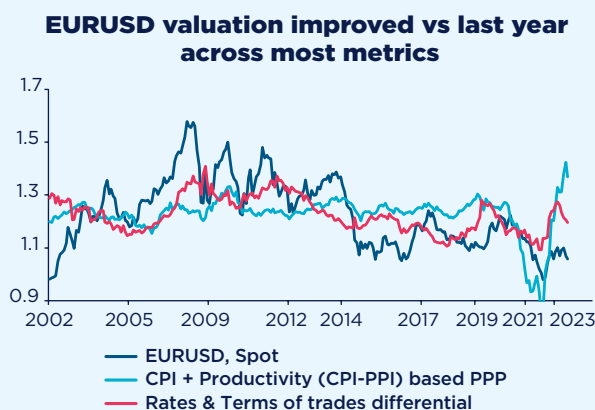
The environment for top-down managers has been challenging year-to-date, marked by a succession of macro turns, poor market directionality, multiple false starts, a pain trade for equities, extreme bond volatility and big swings in cross-asset correlations. **Global liquidity has also re-accelerated after the SVB crisis - rarely good news for top-down managers as it generates anomalies while altering asset differentiation.** As usual, these phases of macro inflection, with limited clarity and greater economic surprises, are uncomfortable for these styles. Alpha gains accumulated until early 2023 were retraced later on, with opportunities concentrating in fixed income markets. Managers remain cautious and are positioned for a deteriorating environment. With liquidity set to tighten again and central banks reaching their peaks, a greater focus is on assets' fundamentals and trend opportunities are gradually returning, so the backdrop will become more supportive.



## CURRENCIES

# Uncertainty on Fed actions is supporting the USD

As US inflation surprised on the upside in August, markets are again pricing the need for the Fed to engineer a recession (higher for longer, with real rates explaining most of the move in US yields). **This backdrop is supportive for the USD, as both stocks and bonds underperform and there are few alternatives to the greenback in the search for diversification.** While the move may continue in the short term, we keep seeing limited room for a huge USD appreciation. In a difference to last



Source: Amundi Investment Institute, Bloomberg. Data is as of 30 september 2023.

year, fundamentals out of the US have improved substantially in 2023 and **we see further uncertainty over the Fed as the only credible source of further risk-premium from here.** Any element confirming the Fed is done with monetary tightening (from lower inflation to evidence of a US slowdown) should gradually translate into a lower USD, in our view.



**Federico CESARINI**  
Head of DM FX -  
Amundi Investment Institute

*“In our view, while the move may continue in the short term, we keep seeing limited room for a huge USD appreciation.”*





# GLOBAL INVESTMENT VIEWS



# Bond yields attractive as inflation stabilises



**Vincent MORTIER**  
Group Chief Investment  
Officer



**Matteo GERMANO**  
Deputy Group Chief  
Investment Officer

Risk assets have been in wait-and-see mode since summer's end, but they are still pricing in a soft-landing scenario in which inflation continues to fall without any damage to economic growth. While we believe inflation will decelerate, the job of central banks is not done yet as they try to balance the 'higher-for-longer' mantra with economic growth.

UST 10Y yields reached new highs for the past 15 years as markets maintained the view of no economic downturn. However, we think pressures on US consumption, Chinese growth and the real estate sector, and on Europe will challenge this Goldilocks scenario:

- **Resilience of the US consumer, which represents 70% of GDP, is now giving way to weakness** - The effect of tightening financial conditions, receding consumer savings and loosening labour markets will be bigger than the impact of any fiscal boost.
- **The inflation trend will decelerate**, but higher energy prices recently and costs of production - for instance, in Europe - could affect inflation expectations, which must be monitored.
- **Policy difficulties** - The last leg of inflation is harder to correct without a slowdown. We maintain our call for a mild US recession, starting in 1H24, and sluggish growth in Europe.
- **China is key for global growth** - China's supportive policies do not change our view of slowing growth, which would affect other EM. However, countries such as India, Indonesia and Brazil are relatively shielded and should get a boost from domestic consumption.



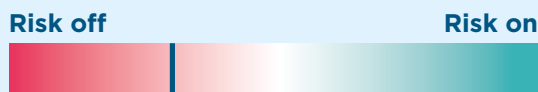
*“Markets have not priced in the risks related to the credit cycle, volatility in inflation figures (to the upside and downside), and any kind of landing for the US economy. We maintain our quality bias.”*

From an investment perspective, the following areas should be explored

- **Economic outlook favours a mildly cautious stance in cross asset.** We are constructive on US Treasuries, while we believe risky asset valuations are stretched, although the gap is closing slightly. Being cautious doesn't mean ignoring tactical ideas that match our long-term convictions. Relatively better fundamentals in EU IG allowed us to tactically raise our stance in line with our preference for high-quality. HY instead could suffer from a tough environment for corporations. On DM equities, our view is still prudent, but we believe EM may offer opportunities, with ample divergences. In addition, hedges on USTs and equities should be maintained, along with a marginally positive view on gold for diversification.
- **Select government bonds offer value amid expectations of Fed rate cuts in 2024.** We are active and are monitoring government debt, a potential increase in UST supply and disengagement of foreign UST demand – for instance, from Japan. On core Europe, we are neutral, but we stay cautious on Japan. IG credit is an interesting source of income, while HY markets still incorporate a too benign scenario. Low-rated segments, such as CCC, are witnessing higher defaults in the US and Europe, leading us to stay cautious.
- **Limited upside in DM equities; Japan a brighter spot** – Earnings were a surprise this season and we noted that communications from top managements are becoming more cautious with respect to top lines and more consistent with our cautious views on the economy. We are defensive on the US and Europe, particularly growth and large caps. However, we like value in the US and Europe and are close to neutral on Japan. Overall, we prefer to stay disciplined and only gradually build positions once the economic direction is confirmed.
- **A lot of value to be captured in EM through selection** – We are constructive on EM vs DM at similar ratings, both in bonds (LC and HC) and equities. EM are less vulnerable than in the past and their growth prospects are also better. However, slowing momentum in China would affect some countries, and we acknowledge that not all EM have the same fiscal strength. We like Brazil, Mexico, India, Indonesia, and those that present limited risks from China slowdown.



**Overall risk sentiment**



Pressures on consumption and tight lending conditions in the US and EU lead us to stay slightly defensive on risk assets.

**Changes from previous month:**

- Cross assets: adjusted stance on select yield curves; tactically positive on EU IG.
- Fixed income: active across the curves; neutral Europe duration.
- Equities: vigilant on the consumer sectors in China.

*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. How is the China slowdown affecting India? What is your view on the Indian economy?**

Compared to other EM countries, **India is more insulated from a slowdown in China.** Moreover, its economic momentum remains quite robust, supported by domestic demand (household consumptions as well as investments). Indeed, we have revised up GDP growth for CY 2023-24 to 6.4% and 5.8% YoY, respectively, from 6.0% and 5.5% YoY. Strong growth momentum reflected in positive earnings expectations is in line with the GEM aggregate (9% vs 12%).

### Investment consequences:

- **We hold a positive stance on India equity**, benefitting from a positive outlook on earnings (with better revisions compared to Asia), which helps counterbalance the less supportive valuations backdrop.

**2. What is your assessment of the recent oil price spike? And how do you think this will affect US inflation?**

**We believe that oil prices are overshooting and we do not expect them to keep doing this for much longer.** Therefore, our target for Brent remains \$85-90/bbl. Although they should decline soon, the current levels add unwanted uncertainty. By incorporating the last developments on energy, 2023 average CPI moves from 4% to 4.2-4.3%. We also expect higher 1Q24 CPI. Even if the impact on YoY CPI is quite mild, a continuous rise in energy prices gives CBs another argument to keep rates higher for longer.

### Investment consequences:

- Oil: Brent prices anchored around an \$85-90/bbl target.
- Copper price target: \$8,500/t (3M), \$8,700/t (12M).

**3. What is your assessment of valuations from a cross asset perspective?**

From our perspective, current levels are discounting a very supportive scenario, which is more optimistic than ours is. Valuations are not supportive for risky assets, due to the recent rally and deteriorating economic fundamentals. This is the case particularly in equity and HY credit, while IG credit valuations appear less stretched. Government bonds appear undervalued, assuming our central scenario of the Fed cutting rates in 2024 more than markets expect.

### Investment consequences:

- Cautious on equity and HY credit.
- Favour government bonds, IG credit and cash.

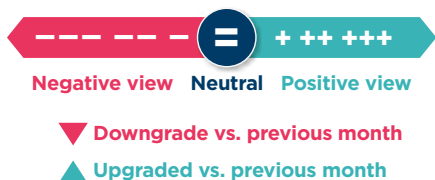
**“We see inflation trending lower but remaining above central bank targets in 2024. The process will not be linear and the recent surge in oil prices is adding further uncertainty, supporting an argument for keeping rates higher for longer.”**



**Monica DEFEND**  
Head of Amundi  
Investment Institute

# Amundi asset class views

	Asset Class	Current view	Change vs. m-1	Rationale
<b>EQUITY PLATFORM</b>	US	-		The top of the market has stayed expensive and select large cap names have driven the returns of the index. We think these valuations do not take into account the effects of slowing consumption and tight financial conditions on economic growth, leading us to stay defensive.
	US value	+		The divergence between value and rest of the market continues. We prefer to select attractively priced stocks that display higher earnings quality, pricing power and balance sheet strength. We find such names in the banking and energy sectors but focus on durability of business models.
	US growth	--		US growth could be affected by worries around 'higher-for-longer' rates and any change in sentiment, given their already high valuations. We remain cautious.
	Europe	-/=		Valuations are fair in Europe, but economic activity is likely to be sluggish. We remain cautious and explore sectors (retail banks) that can withstand the slowdown, benefit from higher rates and maintain strong balance sheets. However, we avoid businesses that were led higher merely by euphoria, such as around AI, without any improvement in their earnings profiles.
	Japan	=		Improving corporate governance is a positive and we like value names that should gain from a mild increase in yields. We are cautious on global economic activity and its impact on exports.
	China	=		The country is moving towards a new growth model driven less by debt and more by domestic consumption. While the measures announced by the government to support the housing sector should provide near-term support, we remain neutral waiting to see the full impact on growth.
	Emerging markets ex China	=/+		Valuations are attractive and earnings growth also paints an attractive picture for the medium term. Slowdown in China could affect EM more reliant on exports to the country. There are opportunities beyond China in countries such as India, Indonesia and Brazil. Earnings expectations and domestic growth remain robust in these countries.
<b>FIXED INCOME PLATFORM</b>	US govies	=/+		We are marginally positive on duration, in line with our expectations of rate cuts by the Fed in 2024 and a mild recession. But we are flexible, and in our decision-making, we consider inflation. In addition, we stay active to explore different maturities across the US yield curve.
	US IG corporate	=/+		IG fundamentals are solid, but we are monitoring leverage and cash ratios, favouring businesses that maintain stable profit and debt levels. At a sector level, we like financials and are also looking for attractive new issues in line with our preference for quality.
	US HY corporate	-		We see a risk of fundamentals deteriorating in HY, particularly for CCC-rated issuers, and are also vigilant on default rates. There is a need to focus on quality and avoid segments with high leverage and where higher funding costs will significantly affect margins.
	European govies	=		The ECB seems to have reached the end of its rate hike cycle, but taming inflation and inflation expectations are still its priorities. We are neutral on European duration but are managing this stance actively to take into account future policy actions, any weakness in the EZ economy and inflation prints.
	Euro IG corporate	=/+		Sentiment is positive on the back of a strong primary market of late and fair valuations. Corporate fundamentals remain robust for now, but we are seeing some marginal signs of weakness. From a sector perspective, we like financials and businesses with low leverage.
	Euro HY corporate	-		Tighter financial conditions and a 'higher-for-longer' rates environment will be more painful for low-quality segments, leading us to be cautious. We are particularly cautious on energy, transportation and real estate and avoid names with excessive refinancing needs.
	China govies	=		Decoupling between the US and China creates diversification opportunities for Chinese debt but there is a need to assess the near-term slowdown and subsequent support measures.
	EM bonds HC	=/+		HC debt is fairly valued and offers attractive carry. We like countries with strong government finances and focus on HY, where we see more value in good quality credit, which could prove more resilient in an environment of a global slowdown.
	EM bonds LC	+		LC bond yields moved up slightly and now provide appealing entry points in terms of spread. We prefer high-yielding countries that offer a strong carry cushion and robust economic growth prospects to offset high volatility and potential geopolitical risks.
<b>OTHER</b>	Commodities			Oil has risen in recent months on the back of OPEC+ production cuts but we do not expect prices to sustainably overshoot our target of around \$90/bbl for Brent. The more OPEC cuts now, the more it will seek to release capacity later. For gold, the big driver would come when the Fed cuts rates (unlikely near term). We keep our medium-term target at \$2,000/oz.
	FX			The USD benefitted from resilience shown by the US economy, but we maintain that the dollar will weaken as we get close to 2024. Inflation surprises to the upside and a potentially hawkish Fed could challenge our views, although we see low probabilities on both.



Source: Amundi as of September 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.

# Seek opportunities in credit and bond curves

Markets have remained range-bound on the back of news flow around a resilient US, DM monetary policy and China's housing sector. Even though US growth found support in resilient consumption and fiscal spending not expected at the beginning of the year, these factors seem to be fading which allows us to stay cautious. Nonetheless, **investors should consider exploring ideas on the quality side of credit and be vigilant on yield curves across geographies.** This should be done via a balanced approach, using the EM lever, and keeping a diversified stance.

## High conviction ideas

The backdrop for DM equities such as the US is characterised by a weakening labour market, higher oil prices working as a tax on the consumer, and rising consumer delinquencies. Even in Europe, growth is expected to stay subdued, owing to the weak industrial cycle, while Japan continues to be exposed to the global slowdown. But we continue to be positive on EM amid improving prospects for select countries in Asia and Latin America.

UST valuations are now more attractive in light of a weaker macro backdrop. In addition, we keep our Canadian swap curve steepening views. Across the Atlantic, we maintain a slightly optimistic view on Europe duration, Swedish bonds and on Italian BTPs, which have been supported by domestic retail demand and expectations of negative net issuance in the near future. Overall, our active approach allowed us to adjust our relative views on UK gilts vs Australian 10Ys. **In the process, we reduced our positive**

## outlook on gilts and are no longer negative on Australia.

The RBA should refrain from hiking rates substantially because of domestic economic weakness. But we remain defensive on JGBs.

Meanwhile, close to peak inflation in most EM and CBs approaching the end of tightening cycles allow us to stay optimistic on select EM bonds (South Africa, Indonesia, Mexico, etc). **While we maintain a cautious stance on US HY, we prefer to balance this with a constructive view on EU IG,** to have a neutral stance on credit overall. The demand for IG credit remains highly supportive, which makes timing the spread widening difficult to assess, despite increasing default rates and migration of ratings. FX offers multiple relative value ideas in EM as well as DM. In the former, we stay constructive on MEX/EUR to capture the attractive carry, on the BRL/USD and on the INR/CNH owing to positive macro story for India. In DM, we are negative on the EUR vs the JPY. But compared with the GBP, we are positive on the EUR and the CHF.

## Risks and hedging

Uncertainty around global growth and inflation is presenting risks in equities and fixed income. We think investors should keep protection on USTs and on equities. Outside of financial assets, gold presents a valid hedge in case of a deep recession/geopolitical crisis. We see limited upside, given its fair valuations and the Fed's 'higher-for-longer' narrative.



**Francesco SANDRINI**  
Head of Multi-Asset  
Strategies

*“We stay cautious on risk assets, but aim to benefit from tactical opportunities emerging, for example, in EU IG, where corporate fundamentals are better.”*

### Amundi Cross-Asset convictions

■ Current stance → Change vs. previous month

		---	--	-	=	+	++	+++
Equities	DM			■				
	EM					■		
Credit					→ ■			
Duration	DM					■		
	EM					■		
Oil					■			
Gold						■		



**John O'TOOLE**  
Multi-Asset  
Investment Solutions

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, CB = central banks, BTP = Italian government bonds.

# Favour EM equities, with a focus on India



**Fabio DI GIANSANTE**  
Head of Large Cap Equity



**Yerlan SYZDYKOV**  
Global Head of Emerging Markets



**Kenneth J. TAUBES**  
CIO of US Investment Management

## Overall assessment

As markets assess the economic path ahead, we are noticing declines in consumer confidence in the US and Europe and pressures on corporate earnings. Equity valuations for the broader markets (Europe slightly better than the US) are not consistent with our outlook and a select number of stocks are driving returns. Despite that, pockets of value persist in the US, Europe and EM. We remain focused on identifying such names through our fundamental and ESG analysis.

## European equities

**High interest rates are affecting not just consumers but also businesses and their internal returns.** This environment keeps us cautious on consumer discretionary (autos, etc) and cyclical technology businesses. However, we think the value vs growth gap is wide: we like energy and financials (retail banks) that display strong balance sheets, dividend yields and are benefitting from high interest rates. At the same time, **a combination of quality cyclical and defensive businesses is key in this phase.** In the former, we look for industrial names that are trading at attractive prices with respect to their earnings potential and are facilitating the energy transition. Conversely, we are cautious on tech and are concerned about the valuations of some AI-driven stocks, given the cyclical nature in many of their end-markets.

## US equities

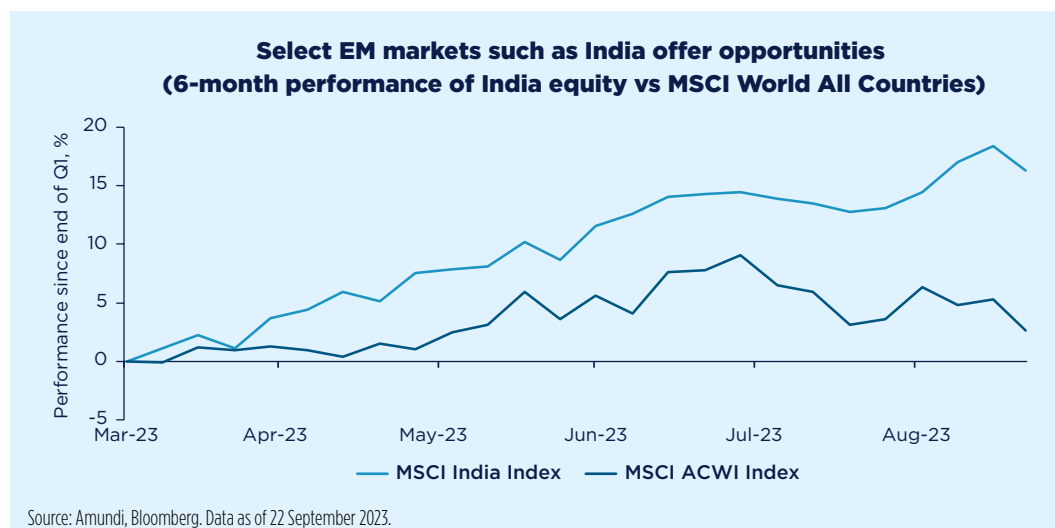
Hard data and some leading indicators on the economy are starting to show weakness. This,

coupled with higher rates and higher energy prices, is putting pressure on the consumer. **We think cyclical and consumer parts of the market will start to reflect these issues** and we are becoming cautious on them. But there is a wide dispersion in valuations, which increases the importance of selection. In addition, some segments are overly inflated vs others that haven't yet fully realised their potential. We stay cautious on such mega caps and tech names. But we like value and quality, and dividend stocks, and prefer the cheapest stocks within each style with respect to their earnings potential. Sector-wise, we are constructive on life science tools, energy and materials, which should benefit from the electrification-related developments in infrastructure. We also like large banks with stable deposit bases and those that used technology to improve their value propositions.

## US equities

We expect robust economic activity in some LatAm countries and selectively in Asia. While valuations remain attractive, selection is key. We are monitoring the stimulus measures in China but for the moment **prefer to play the EM story through Brazil, supported by the already-started easing cycle and still appealing valuations,** and India. In terms of sector allocation, we continue to prefer real estate and consumer discretionary, but observe important divergences among countries. Overall, we maintain our preference for value over growth.

*“While we are cautious on DM equities, we see pockets of value in select EM, owing to their strong domestic consumption.”*



# Bonds are attractive on a long-term perspective

## Overall assessment

With yields at historically high levels and inflation expected to slow, with still present recession risks, government bond markets offer good opportunities. But hawkish CBs and concerns on debt supply keep us agile on duration. We also explore carry in EM and DM, with a quality bias.

## Global & European fixed income

The ECB's rapid rate hike cycle has resulted in a consistent decline in demand for loans to businesses and households, among other things. But near-term fragilities in the bond market and upside risks to inflation **keep us very active on duration, on which we are marginally cautious - neutral on core Europe and significantly defensive on Japan.** We are also monitoring yield movements to incorporate future policy actions into our decision-making. In credit, we are slightly constructive, mainly through financials, subordinated debt and IG. From a regional perspective, we prefer Europe but are neutral on the UK and US. In Europe, spreads are fair in IG and leverage seems to be under control. However, we are cautious on HY, especially on sectors such as energy, transportation and real estate.

## US fixed income

Markets have accepted the Fed's message of 'higher-for-longer' rates, and subsequently bond yields have drifted higher. **These yield levels, coupled with a slowing economy, allow us to be positive on duration.** We are constructive on the intermediate part of the UST curve, but

remain active, taking into account concerns on the fiscal deficit. In addition, TIPS are attractive for long-term investors. We note that the housing market is being supported by a robust consumer so far and an acute housing supply/demand mismatch. We prefer securitised credit but are becoming vigilant after the recent rally. In corporate credit, primary market activity has been strong and we see potential to benefit from new issue premia by favouring higher quality parts. Even in HY we look for quality in general. From a sector perspective, we like financials over industrials and other non-financials.

## EM bonds

**We are constructive on EM debt** and believe lower Chinese growth is being offset by higher forecasts for LatAm and other Asian countries. But we are monitoring concerns on DM rates and dollar strength which could affect returns. On HC, we stay positive, particularly HY, where carry is attractive. LC also offers value and we like Mexico, Brazil, India and Indonesia. However, we are turning cautious on Sub-Saharan Africa, owing to the recent coups in West and Central Africa.

## FX

We maintain our slightly cautious USD view but are vigilant on rates. We like the NOK, AUD and the JPY that should catch up on the back of the recent change in the BoJ's narrative. In EM, we like high-carry FX (MXN, BRL), the IDR and INR.



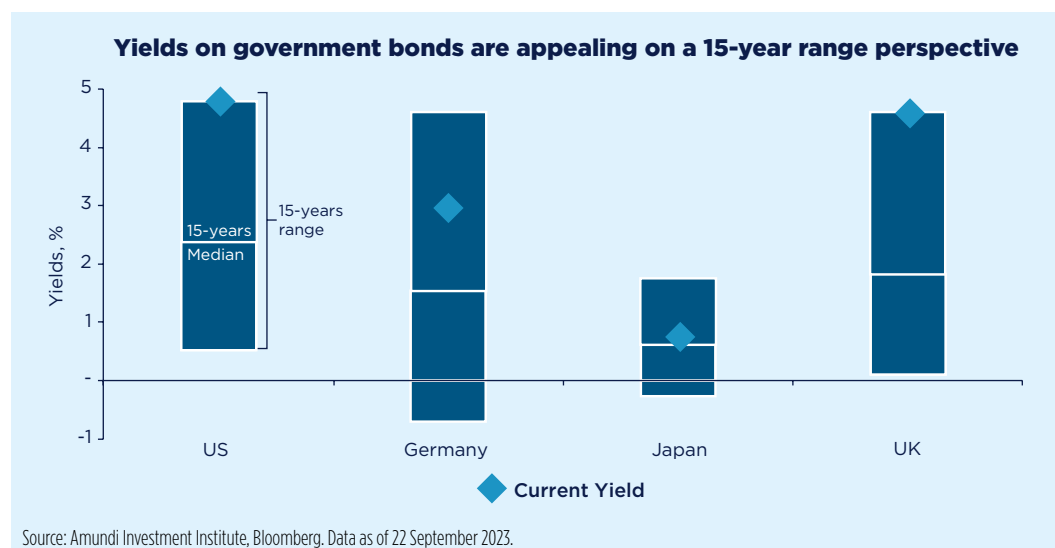
**Amaury D'ORSAY**  
Head of Fixed Income



**Yerlan SYZDYKOV**  
Global Head of Emerging Markets



**Kenneth J. TAUBES**  
CIO of US Investment Management



*“High core yields, slowing inflation and a potentially weak economic activity create a positive backdrop for bonds such as US Treasuries.”*





# Macroeconomic forecasts

Macroeconomic forecasts as of 9 October 2023

Annual averages, %	Real GDP growth, YoY, %			Inflation (CPI, YoY, %)		
	2022	2023	2024	2022	2023	2024
<b>Developed countries</b>	<b>2.6</b>	<b>1.4</b>	<b>0.6</b>	<b>7.4</b>	<b>4.7</b>	<b>2.5</b>
United States	2.1	2.1	0.3	8.0	4.1	2.5
Eurozone	3.4	0.6	0.5	8.4	5.7	2.6
Germany	1.9	-0.2	0.4	8.6	6.3	2.7
France	2.5	0.9	0.5	5.9	5.8	2.8
Italy	3.8	0.8	0.5	8.7	6.3	2.3
Spain	5.8	2.3	0.8	8.3	3.5	2.8
United Kingdom	4.1	0.5	0.5	9.0	7.4	2.9
Japan	1.0	1.9	1.5	2.5	3.2	1.9
<b>Emerging countries</b>	<b>4.0</b>	<b>4.1</b>	<b>3.6</b>	<b>8.7</b>	<b>6.2</b>	<b>5.8</b>
China	3.0	4.9	3.7	2.0	0.4	1.3
India	6.9	6.5	6.0	6.7	6.2	5.9
Indonesia	5.3	5.2	4.8	4.2	3.7	3.3
Brazil	2.9	3.2	1.6	9.3	4.7	3.9
Mexico	3.9	3.4	2.1	7.9	5.6	4.4
Russia	-2.1	2.1	1.5	13.8	5.8	5.6
South Africa	1.9	0.6	1.0	6.9	6.0	5.1
Turkey	5.4	3.7	3.0	72.0	53.4	56.8
<b>World</b>	<b>3.4</b>	<b>3.0</b>	<b>2.4</b>	<b>8.2</b>	<b>5.6</b>	<b>4.5</b>

Central bank official rates forecasts, %

	4 October 2023	Amundi +6m.	Consensus +6m.	Amundi +12m.	Consensus +12m.
United States*	5.50	5.50	5.65	4.00	5.12
Eurozone**	4.00	4.00	3.92	3.25	3.58
United Kingdom	5.25	5.50	5.90	4.50	5.75
Japan	-0.10	0.00	0.00	0.00	0.10
China***	3.45	3.45	3.40	3.45	3.40
India****	6.50	6.50	6.43	6.25	6.02
Brazil	12.75	10.75	10.75	9.00	9.25
Russia	13.00	12.00	12.14	9.00	10.25

Source: Amundi Investment Institute. Forecasts are as of 4 October 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, %

	4 October 2023	Amundi +6m.	Forward +6m.	Amundi +12m.	Forward +12m.
United States	5.09	4.20-4.40	4.88	3.80-4.00	4.68
Germany	3.21	2.60-2.80	2.86	2.40-2.60	2.61
United Kingdom	4.97	4.30-4.50	4.70	4.10-4.30	4.69
Japan	0.07	0.10-0.20	0.15	0.20-0.40	0.22

### Ten-year bond yield forecasts, %

	4 October 2023	Amundi +6m.	Forward +6m.	Amundi +12m.	Forward +12m.
United States	4.75	3.70-3.90	4.81	3.60-3.80	4.81
Germany	2.95	2.40-2.60	2.95	2.30-2.50	2.94
United Kingdom	4.62	3.80-4.00	4.63	3.70-3.90	4.67
Japan	0.81	0.80-1.00	0.92	0.80-1.00	1.02

## Exchange rates

	6 October 2023	Amundi Q1 24	Consensus Q1 24	Amundi Q3 24	Consensus Q3 24
EUR/USD	1.06	1.09	1.10	1.16	1.12
EUR/JPY	157	153	153	152	150
EUR/GBP	0.87	0.88	0.87	0.89	0.87
EUR/CHF	0.96	0.98	0.97	1.03	0.99
EUR/NOK	11.56	11.65	11.14	11.43	10.86
EUR/SEK	11.61	11.74	11.45	11.58	11.38
USD/JPY	149	141	139	132	132
AUD/USD	0.64	0.65	0.67	0.70	0.69
NZD/USD	0.60	0.60	0.62	0.62	0.63
USD/CNY	7.30	7.20	7.20	6.90	7.05

Source: Amundi Investment Institute. Forecasts are as of 6 October 2023.

# Amundi Investment Institute

In an increasing complex and changing world, investors need to better understand their environment and the evolution of investment practices in order to define their asset allocation and help construct their portfolios.

This environment spans across economic, financial, geopolitical, societal and environmental dimensions. To help meet this need, Amundi has created the Amundi Investment Institute. This independent research platform brings together Amundi's research, market strategy, investment themes and asset allocation advisory activities under one umbrella; the Amundi Investment Institute. Its aim is to produce and disseminate research and Thought Leadership publications which anticipate and innovate for the benefit of investment teams and clients alike.

**Mid-year outlook:  
Opportunities lie beyond  
precarious path to growth**



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