Amundi ASSET MANAGEMENT | Investment Institute

December 2023

CROSS ASSET
INVESTMENT STRATEGY

TOPIC OF THE MONTH

Higher rates will start to bite the corporate sector in 2024

GLOBAL INVESTMENT VIEWS

Receding inflation good news but inflation fight not over

Trust must be earned

Amundi ASSET MANAGEMENT

Monica DEFEND
Head of Amundi
Investment Institute

"We think the US economy may already be slowing and we remain in the camp of those expecting a shallow recession in 2024."

Vincent MORTIER
Group Chief Investment Officer

"Markets may have gone too far too fast. We keep our positive stance on government bonds and a still cautious view on equities."

Matteo GERMANO
Deputy Group Chief Investment
Officer

"Divergences within Emerging Markets offer opportunities for investors willing to look for growth out of some over valued places."

December 2023

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Higher rates will start to bite the corporate sector in 2024

KEY TAKEWAYS: The impact of rate increases on businesses is expected to intensify in 2024. Businesses haven't been impacted much by higher rates so far because they have used the cash they collected during Covid and refinance needs have been limited. However, refinancing needs will rise in 2024. Small and medium-sized companies and lower-rated HY issuers will be most impacted. The spillover from higher rates will be more limited for IG companies.

Valentine AINOUZ
Head of Global Fixed Income Strategy - Amundi Investment Institute

Sergio BERTONCINI
Senior Fixed Income Strategist, Amundi Investment Institute

Corporate fundamentals are deteriorating, but from healthy levels.

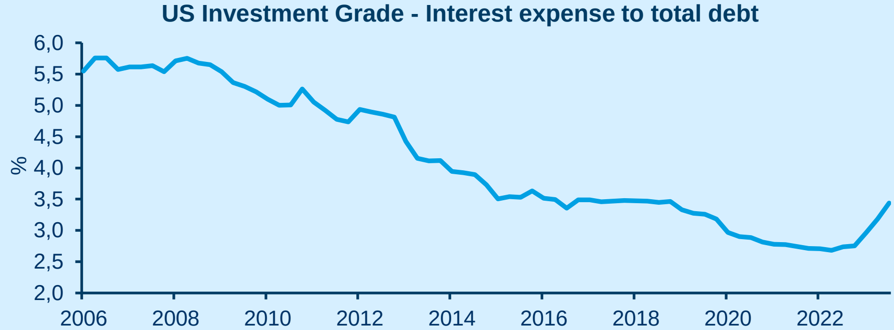
In the United States, as in Europe, companies emerged from the Covid crisis with solid fundamentals (high margins, high interest coverage rates, record levels of cash etc.). Companies benefitted from the low cost of debt, as a result of years of historically low interest rates. Indeed, businesses have not been too affected by the rate hike so far. Corporate fundamentals are now deteriorating, but from healthy levels (see chart).

Following two years of quite low supply, the gross issuance of non-financial corporate bonds is finally likely to increase in 2024, mostly driven by refunding needs. With less need for capex, dividends or M&A, net issuance should not record meaningful growth for both IG and HY.

No immediate wall of maturities is foreseen in credit markets in 2024, especially in high-beta segments, like US and EUR high yields. In Europe, while net issuance of non-financial IG is likely to remain modest, as in recent years, financials will probably confirm their leading role in 2024. However, as most of the targeted longer-term refinancing operations have already been repaid and a weaker growth outlook means lower lending activity needing to be refinanced, the extent to which financials' net supply could surprise to the upside appears lower than in 2023 and 2022.

So far, the demand side has been showing persistent flows into IG rather than HY, both in the US and in Europe: this is due to the attractive combination of absolute yield offered and duration risk, despite credit spreads not being at historically high levels. In the lower risk-free rate environment that we expect in 2024, supported by weaker growth and cycles in monetary policy turning, the demand for high-quality corporate bonds should remain resilient: IG corporates will still represent an attractive alternative to sovereign debt, especially accounting for the different supply volumes, estimated to remain high by historical standards in the sovereign debt market.

US Investment Grade - Interest expense to total debt



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

HY low-rated companies to drive an increase in default rates.

EUR HY default rates on an issuer and a par-weighted basis were respectively 2.7% and 1.2% in October, which is still very low historically and below the long-term median. Furthermore, the defaults were entirely represented by lowest-rated CCC names, while both B- and BB-rated names have remained at flat levels over the past year. There are many reasons to explain this benign cycle, especially for higher-quality issuers. Top-down factors are represented by 1) the sound starting point of fundamentals, 2) slowing, but still positive, economic growth and 3) the time needed for monetary policy transmission on limited refinancing needs, thanks to the record primary market activity during the pandemic years and accumulated cash. Benign bottom-up drivers are mainly represented by the very low weight of CCCs in Europe, no clear sector issue and distress ratios remaining quite low by historical standards.

"We expect defaults to remain concentrated in low-rated HY issuers."

We expect slightly higher defaults in 2024, albeit at levels closer to the long-term averages and still concentrated in low-rated names and SMEs. Our baseline scenario, assuming no recession in Europe but very low levels of growth, is for a 3.5%/4.0% level, with risks tilted to the upside in the case of a worsening macro environment. Even if the Eurozone avoids a recession, higher funding costs will be the most significant driver of defaults.

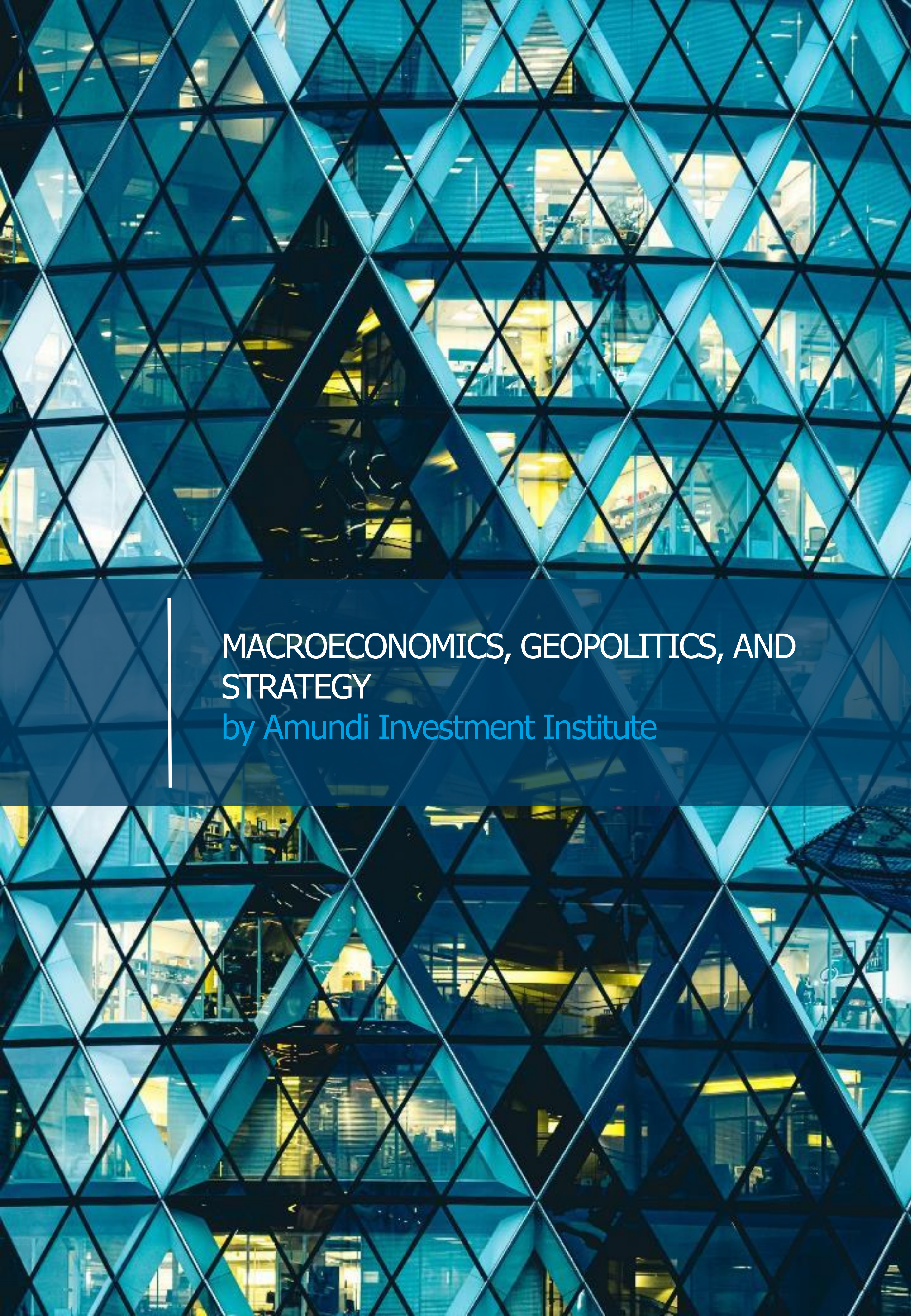
Maturity walls clearly matter but, in this respect, 2024 looks manageable, as in the last year companies have already started to address 2025 maturities, reducing their stock in the loan market and, to a lower extent, in the bond market. Our projections of scheduled maturities see 2025 and 2026 being more challenging than 2024. The transmission mechanism of higher rates into coupons takes time and the average coupon has only just reached 4.1% now versus 3.6% in 2022 and this rise is likely to continue but the aggregate impact on corporate fundamentals will take several years to play out, most probably in 2025 and 2026.

Ultimately, **we expect default rates to peak at lower levels, but probably for a prolonged period of time**. In our view, low-quality issuers will keep driving the trend, while high-quality names, representing the dominant share of the EUR speculative grade markets, will remain resilient. Moreover, a historical denominator of default cycles is the presence of a 'problematic' sector or sectors. For example: retail/consumer services/hotels in the pandemic crisis, energy in 2016, and telecoms/technology in 2001. Current distress ratios show no specific sectoral stories potentially driving the cycle. Finally, we believe that **small and medium companies will be impacted more than the mid-high-rated names of the HY market** while distress ratios remain quite low by historical standards and bank lending standards remain in highly restrictive territory, alongside the much more rapid impact of higher rates through loans.

In the US, we expect HY default rates to reach slightly higher levels than in Europe, at 5.5/6%, mostly driven by the lowest-rated names. Contrary to some rating agencies' baseline scenarios for a peak in Q1/Q2 followed by a downtrend in H2, we expect defaults to plateau at these levels.

3.5/4%	5.5/6%	CCCs
Default rates expected for Euro HY in 2024.	Default rates expected for US HY in 2024.	We expect defaults to remain concentrated in this space, which has a very low weight in Europe.

Source: Amundi Investment Institute as of 28 November 2023.



MACROECONOMICS, GEOPOLITICS, AND STRATEGY

by Amundi Investment Institute

2024 growth outlook: more cautious than the IMF

Mahmood PRADHAN
Head of Global Macroeconomics - Amundi Investment Institute

Annalisa USARDI, CFA
Senior Economist – Amundi Investment Institute

"We think the US economy may already be weaker than perceived and already slowing."

Following 3.1% growth in 2023, we expect global growth to slow to 2.4% in 2024, well below the IMF's expectations of 2.9% in 2024 and the historical (2000–19) average of 3.8%. The weaker performance of advanced economies is one of the main reasons for this divergence. Indeed, we expect them to decelerate from 1.5% this year to 0.7% in 2024, while the IMF forecasts advanced economy growth at 1.4% next year. **Our pessimistic view is driven by a mild recession in the United States (0.7%) and lacklustre growth in the Euro Area (0.3%).** Meanwhile, in 2024 the IMF anticipates a soft-landing scenario in the United States (1.5%) and almost back-to-potential growth for the Euro Area (1.2%). **Regarding the UK, we broadly share the IMF's view, expecting 0.5% in 2024 compared to the IMF's 0.6%.** Our weaker outlook for the United States is also the main reason why we differ from Bloomberg consensus estimates.

We think the US economy may already be weaker than perceived and is already slowing, as suggested by weaker coincident and forward-looking indicators. In particular, **domestic demand will continue to deteriorate:** consumption will progressively slow as tighter credit conditions, depleted excess savings and weaker labour prospects curb spending. **Also investment,** which has been strongly supported by incentives so far, **will significantly slow,** as companies, particularly small businesses, face very high borrowing costs, higher economic uncertainty and weaker demand. **Regarding Europe**, **we have significantly lower expectations (+0.3%) compared to the IMF (+1.2%), but we are almost aligned with the consensus (+0.7%)**. The Eurozone is already slowing in line with a deterioration in financial conditions, demand and business confidence. However, with household balance sheets remaining strong and a recent pickup in savings, we do not expect a deep recession, but we also do not see any strong domestic support for growth in a weakening global growth environment and in a context where fiscal policy will be less supportive. The outlook for investment will also remain subdued given monetary policy is expected to be restrictive for an extended period.

2024 YoY % growth	Amundi	IMF
World	*2.4*	*2.9*
Developed countries	*0.7*	*1.4*
United States	*0.7*	*1.5*
Eurozone	*0.3*	*1.2*
United Kingdom	*0.5*	*0.6*

Source: Amundi Investment Institute, IMF. Data is as of 14 December 2023 and forecasts as of 14 December 2023.

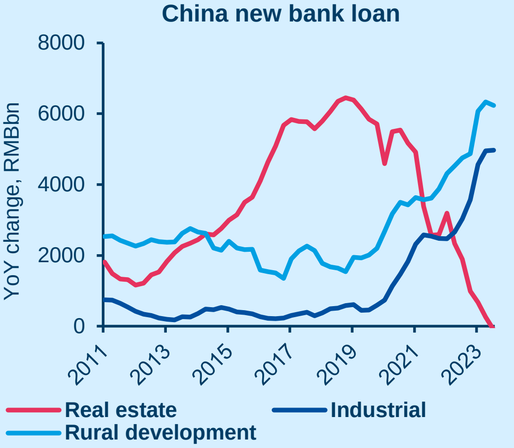
CHINA

Policy adjustment continues

Claire HUANG
Senior EM Macro Strategist - Amundi Investment Institute

"A cyclical upturn in 2024 will be limited."

Market-friendly initiatives have recently stepped into the spotlight. China will allow visa-free entry for citizens from five EU countries and Malaysia, starting from 1 December. Regulators are further supporting property developers and urging banks to fund private-owned entities**. A supplementary budget of 0.8% of GDP, dedicated to infrastructure, has been approved** and we expect additional funding for urban renewal and affordable housing. **These are responsive defences aimed to soften the blow of ongoing deleveraging.** The push to temper the "two excessives", real estate and Local Government Financing Vehicle (LGFV) sectors, could suppress growth. We hold our below-consensus forecast, believing a cyclical upturn in 2024 will be limited by the secular forces of debt deleveraging.

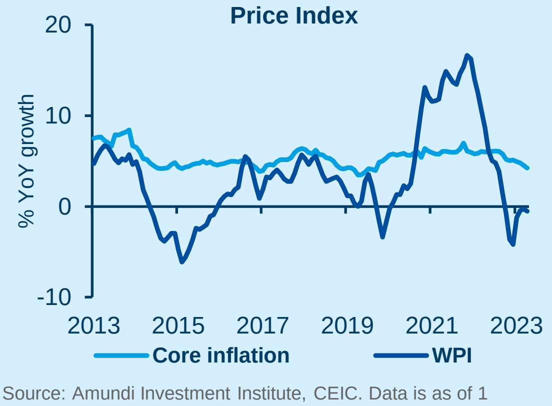


Source: Amundi Investment Institute, PBoC, CEIC. Data is as of September 2023.

INDIA

Industrial Production setback in a robust cycle

The economic cycle remains quite robust although the latest Industrial Production figures are showing a mild softening across sectors. On the one hand, the trends for Capital Goods and Infrastructure/Construction goods remain robust or marginally softer. On the other hand, consumer goods production remains weak, highlighting **some dichotomy between investment and consumption.** India's inflation was well-behaved at Headline and Core levels, printing at 4.9% YoY and 4.2% YoY, respectively, in October. Headline inflation is expected to rise above 5% in November. Important ballots in five states are taking place in the next two months and **pre-election initiatives are increasing** (e.g. the Free Food Scheme was extended for the next 5 years). While these measures shouldn't threaten the fiscal deficit target, they could over time divert expenditure from more productive items.



Source: Amundi Investment Institute, CEIC. Data is as of 1 October 2023.

Alessia BERARDI
Head of Emerging Macro and Strategy Research – Amundi Investment Institute

"No fiscal slippage despite more pre-elections measures announced."

Macroeconomic snapshot

After a strong Q3 performance, we expect the US economy to progressively weaken. In particular, domestic demand will continue to deteriorate, as both consumption and investment gradually slow, due to tighter credit conditions. We expect a mild recession in H1 24. In the meantime, inflation will gradually decelerate thanks to weakening services inflation, which has so far remained sticky.

The weak Q3 print across several Eurozone countries provided evidence that the economy is already slowing, in line with the deterioration of financial conditions, demand and business confidence already reported. Weaker global growth and less supportive fiscal policy will ensure growth remains flat for the next few quarters. Inflation will progressively slow towards target, although this will be faster for headline inflation than for core.

The UK economy is slowing and expected to move towards flatter growth over the next few quarters, with domestic demand slowing as the effect of a quick deterioration in the labour market, weaker capex spending (due to tight monetary policy taking its toll on the real economy), a weak external environment and ongoing elevated inflation. However, inflation is expected to moderate going forward, moving closer to the target around year-end 2024.

The first estimate of Japan's Q3 GDP was weaker than we expected, falling by 0.5% from Q2. This, however, has not changed our view of an ongoing above-trend recovery. Indeed, despite the volatile growth performance, the underlying trend has improved. In particular, exports have surprised on the upside, while business capex is expected to accelerate following record-high corporate earnings, a full capacity utilisation rate and a labour shortage.

The Romanian economy is decelerating but continues to outperform compared to CEE3 and real GDP growth should remain around 3% YoY, supported by a tight labour market and loose fiscal policy. As 2024 is a multi-election year, pension reforms voted by the Parliament are likely to be implemented and are just waiting for the President’s signature. Regarding monetary policy, the NBR will likely remain cautious, especially as the pace of disinflation is slow and uncertain.

The South African Reserve Bank (SARB) remained on hold this month, with rates at 8.25% despite a re-acceleration of inflation. A weak growth environment, lower oil prices and ZAR’s recent recovery are likely the reasons why there were no further hikes. However, due to tight global financial conditions, uncertainty on inflation, fiscal challenges and high volatility among financial markets and assets, the SARB will likely remain cautious. The beginning of the easing cycle will remain data dependant.

Turkey’s central bank raised rates again this month by 500bps to 40%. Additional hikes are probable. However, inflation is still expected to rise, likely peaking in Q2 2024 at around 70/80% YoY. The lira continued to depreciate but at a slower pace. This tightening of monetary policy (+3,150bps since June) will weigh on H2 real GDP growth, but the first half of the year was very solid, thus the impact will be more visible for 2024 figures.

After a very robust 1H, Brazil's economy is finally showing a more pronounced slowdown as tight monetary policy bites hard. Meanwhile, disinflation is progressing nicely and Brazil should be the first LatAm country whose inflation falls into its target range by year-end. The BCB, however, is determined to keep cutting at a gradual pace (50bps) in light of fiscal concerns and to keep pressure on Lula’s administration to respect the fiscal rules as initially proposed.

DM and EM Central Banks cautiously turning dovish

Developed markets

The latest ECB committee meeting was dovish. Christine Lagarde acknowledged the recent deterioration of the macroeconomic environment (fewer new jobs are being created) and the further tightening of financing conditions. Monetary policy tightening is affecting the economy more than expected.

During its press conference, a dovish Powell stated that the FOMC might be done with rate hikes. This belief was reinforced by a downside surprise in October CPI. However, given the recent easing of financial conditions, we expect the Fed to maintain a tightening bias for its policy rate and to "proceed carefully" for the time being, with further tightening to remain on the table if needed.

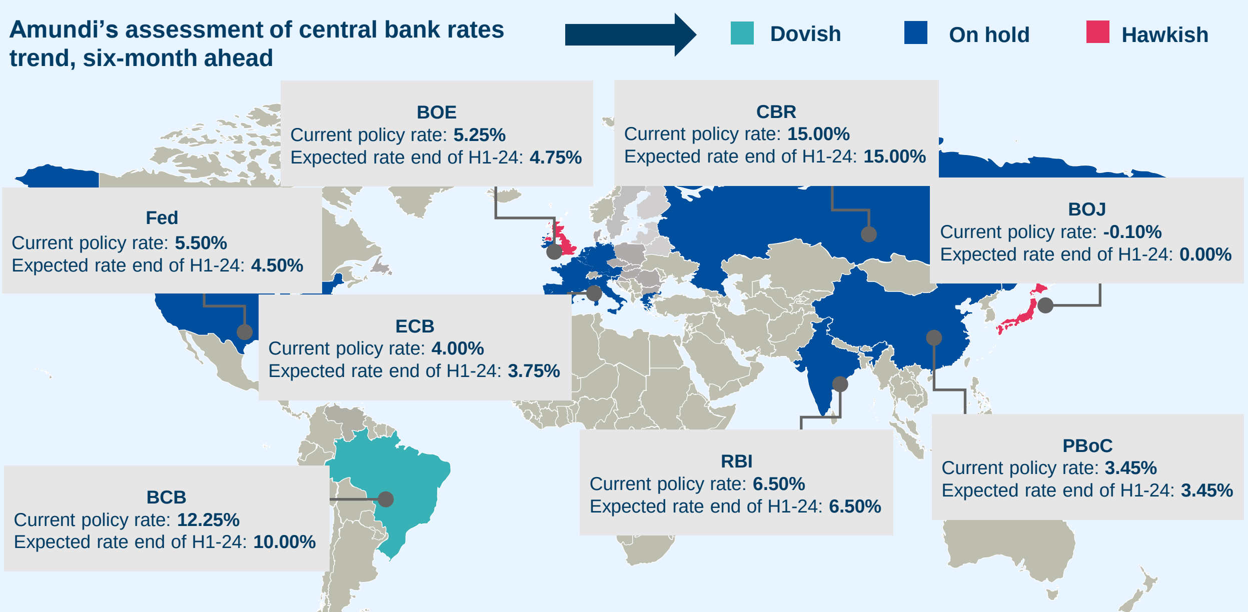
We believe that the BoE terminal rate has been reached at its current level. The tightening bias was maintained, but, barring some majorly unpleasant data surprises between now and the year-end, the rate cycle appears to be over.

Unlike other G4 central banks, the BOJ is not done with rate hikes. We are convinced that strength in domestic inflation will result in YCC being eased further and negative rates being withdrawn in the coming quarters**.**

Emerging markets

Over the last month, the market narrative has moved from envisaging a "higher for longer" Fed to expectations that US monetary policy will become less hawkish. EM Central Banks have responded by continuing their monetary policy conduct as planned, mainly based on the evolution of their domestic economies. Indeed, in support of policy easing, which has either started or is yet to start, **inflation dynamics in October broadly indicated a benign disinflationary trend across EM**. Yet a few changes are worth mentioning with respect to our previous expectations. The first one concerns the National Polish Bank (NBP). In September, the **NBP boldly started what we call a "mini easing cycle"**, but this was abruptly called off at its latest monetary policy meeting. Contrary to our expectations of ongoing gradual easing, the NBP is now likely to pause until the first quarter of 2024. Meanwhile, based on its latest monetary policy meeting minutes, **we anticipate a first cut from Mexico's central bank in Q1 24 rather than Q2 24** and the pace of easing will increase moving forward. The new projection assumes an even more dovish stance, compared to the Federal Reserve which is not expected to start easing until Q2 24.

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



Source: Amundi Investment Institute as of 13 December 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	31 January	1 February	25 January
	US Federal Open Market Committee (FOMC) meeting	BOE Monetary Policy Committee meeting	ECB Governing Council meeting

GEOPOLITICS

Elections in Taiwan – what to expect for geopolitics

Anna ROSENBERG
Head of Geopolitics - Amundi Investment Institute

“Elections in Taiwan will shape China/Taiwan and US/China relations alike.”

There will be many elections in 2024**. Geopolitically, the most significant ones will be in Taiwan (January) and in the US (November).** There are other important elections also on the timetable, taking place in the EU, India, Ukraine, Russia, Mexico, Venezuela, South Africa and the UK.

As Taiwan heads for the polls, much will be at stake for China/Taiwan and China/US relations. We expect William Lai from the ruling DPP to win the January vote. There is still a small window of opportunity for the opposition to come together but, at the time of writing, this seems unlikely given growing friction. **Should our base case play out and William Lai wins the vote, this will likely have negative implications for China/Taiwan and US/China relations.** For example, Lai has nominated the ‘de-facto’ US ambassador Hsiao Bi-khim as his running mate; Beijing sees this ‘independence + independence’ ticket negatively. While we don’t expect tensions between Taiwan and China to escalate, there is more room for error and accidents in the Taiwan Strait. **Should the opposition win, relations between China and Taiwan would likely steady, while US/Taiwan relations would begin a new chapter.** The US is unlikely to act in any meaningful way should a more Beijing-friendly government seek to gradually improve ties with China.

POLICY

Sword of Damocles threatens German green investments

Didier BOROWSKI
Head of Macro Policy Research - Amundi Investment Institute

“The German coalition's constitutional setbacks will be echoed in the ongoing negotiations on EU fiscal rules.”

On 15 November, the German Constitutional Court (GCC) ruled that the **off-budget fund set up to finance urgent climate and energy transition measures (CTF) does not comply with Germany’s ‘debt brake’ rule**, which limits central government’s net structural borrowing to 0.35% of GDP. In recent years, off-budget entities have become the cornerstone of fiscal policy. According to the Bundesbank, they have scope for deficits amounting to around €400bn (10% of GDP). The result of the GCC ruling was an estimated budget shortfall of €17bn in 2024. On 13 December, the three parties of the coalition announced a compromise, combining spending cuts with sources of additional revenue. **On the expenditure side**, spending on the CTF will be cut by €12bn in 2024 and will reach a total of €45bn by 2027. Planned subsidies for the solar industry will be reduced, and a bonus for consumers who buy an electric vehicle earlier than planned will be phased out. However, the remaining volume of the CTF is still substantial (€160bn for 2024-27), an amount deemed sufficient by the coalition to finance its projects. **On the revenue side**, the carbon price on heating and transport fuels will be increased. Nevertheless, **the debt brake rule could be suspended next year** for two reasons: (i) reconstruction aid for regions hit by flooding in 2021, and (ii) aid to Ukraine. This fiscal consolidation could slow GDP growth by 0.5 % points in 2024. The fiscal problems linked to the debt brake rule will inevitably resurface next year.

Central and alternative scenarios

	DOWNSIDE SCENARIO Global downturn (Prob. 20%)	CENTRAL SCENARIO Sharp slowdown in global growth (Prob. 70%)	UPSIDE SCENARIO Economic resilience (Prob. 10%)
Geopolitics	▪ Worsening Ukraine war. ▪ Extension of the conflict in the Middle East (Iran). ▪ More protectionism and increased retaliation to protectionist measures.	▪ Ukraine-Russia: ongoing fighting (ceasefire less likely). ▪ Israel: Conflict likely to remain local. ▪ China/US: a controlled downward trajectory. ▪ More protectionism, near-shoring / friend-shoring.	▪ De-escalation / ceasefire in Ukraine. ▪ End of the Israel-Hamas war. ▪ Lower energy or food prices.
Inflation and policy mix	▪ Sticky core inflation leads to tighter financial conditions. ▪ CBs continue to hike. ▪ 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 end-Spring ▪ Fed Funds rate back to 3.75% by end-24 (-150bp) in line with the expected disinflationary trend of the core PCE deflator. ECB (-125bp), with a first rate cut in June 2024. ▪ Most EM CBs 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) to lose steam 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.
Growth path	▪ 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 to still favour EM in 2024-25.	▪ In case of pronounced cyclical disinflation, we could see a faster-than-expected return to potential growth in 2024, particularly in Europe, where household savings are abundant. ▪ IMF- or ECB-type scenario.
Climate change	▪ 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.

Risks to central scenario

HIGH ← PROBABILITY → LOW

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

Nelson-Siegel yield curve fair value model update

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

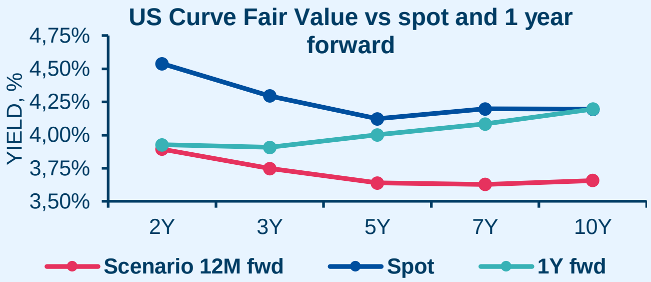
"The long end of the US yield curve is undervalued in the scenario of a mild US recession in H1 24 and Fed rates reaching 4% by the end of 2024."

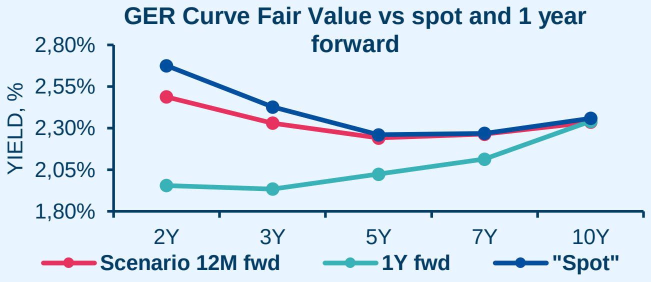
The 2024 fundamental scenario flags under-valuation across the US curve

- **Economy and inflation:** 2024 will see a gradual weakening in global growth, with inflation tempering. **The US is expected to face a recession in H1 as stringent financial conditions begin to impact consumers and businesses.** In the Eurozone, growth should remain low with heterogeneous dynamics across countries, as fiscal policy becomes progressively more restrictive on top of already tight monetary policy.
- **Monetary policy:** **both the Fed and the ECB are expected to have reached their terminal rate and to start delivering cuts at the end of H1 2024.** More specifically, the scenario for the US is 1.50% of easing throughout next year (starting in May), while for the European Central Bank the cutting cycle would consist of a 1.25% reduction, taking place at every meeting from June onwards. In terms of balance sheet management, the Fed is expected to continue its Quantitative Tightening into 2024 but at a potentially reduced scale from 2023, bringing the Central Banks' assets / debt ratio from 23% to 20%. The ECB is expected to continue not reinvesting the maturing assets under its asset purchasing programme with a possible earlier end to the reinvestment of securities bought under the PEPP* programme, resulting in a reduction to its balance sheet / debt ratio from 56% to 46%.
- **Market's long-term inflation expectations:** in the context of next year's very sluggish economy in both the US and the Eurozone, amid the normalisation of inflation towards Central Banks' targets, **5Y5Y inflation swaps are expected to move to lower levels from the historically elevated ones reached in 2023, in line with more subdued nominal growth.**

Fair value yield curves – 2024 scenario

- US fair values flag an undervaluation across the yield curve, particularly at the long end. The main drivers are lower Fed rates for year-end 2024 than the market is currently pricing, as well as Amundi's 5y5y inflation swap target, which is below current levels.
- The German curve is fairly valued at the long end as current market pricing for ECB rates and long-term inflation expectations have moved closer to Amundi's scenario for 2024. However, we see a reduction of rate volatility being a catalyst for yields to shift even lower from here.





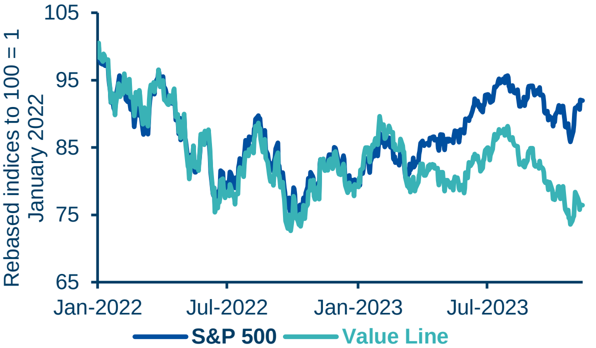
Source: Amundi Investment Institute, Bloomberg. Data is as of 1 December 2023.

Equities in charts

Developed markets

US mega cap and November rally

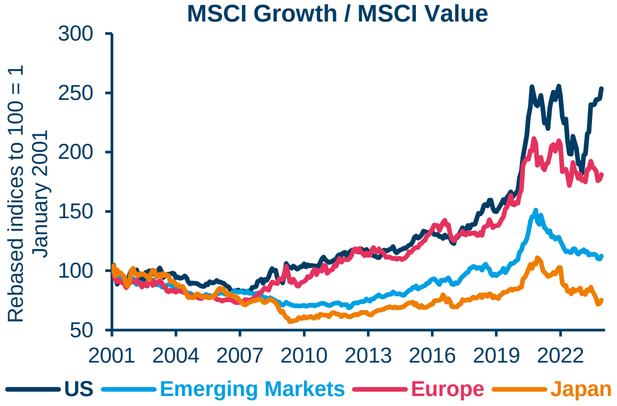
The November rebound again increased the gap between the market capitalisation-weighted S&P500 and equally weighted Value Line indices.



Source: Amundi Investment Institute, Datastream. Data is as of 23 November 2023. The Value Line Geometric Composite index is an equal-weighted index which contains a mix of roughly 1700 stocks from the major North American market indexes.

Growth vs Value: the US anomaly

The November rebound has extended the gains for Growth/Value in the US, which returned to previous highs in contrast to other regions.



Source: Amundi Investment Institute, Datastream. Data is as of 23 November 2023.

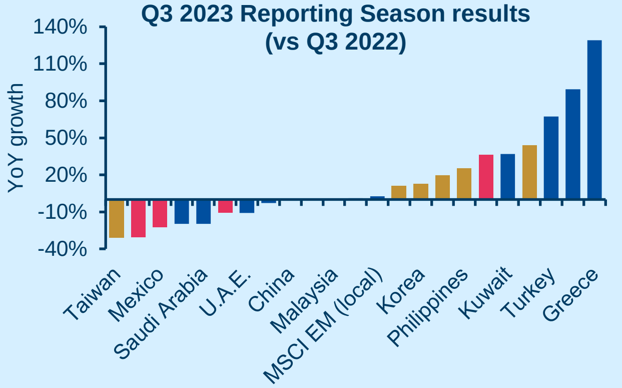
"American exceptionalism played out again in November."

Eric MIJOT
Head of Global Equity Strategy - Amundi Investment Institute

Emerging markets

EM Q3: flattish quarter

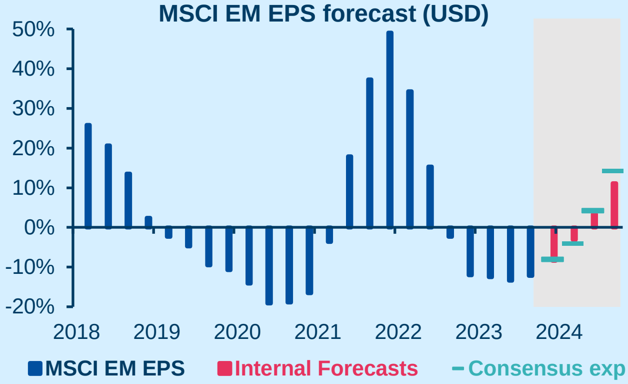
The Q3 reporting season has been quite flat overall (81% of the companies had reported as of 14 November), albeit more positive for CEEMEA and EM Asia countries.



Amundi Investment Institute, Capital IQ. Data is as of 14 November 2023. Blue bars: CEEMEA; red bars: LatAm; brown bars: Asia.

GEM EPS seem to have bottomed out

Our internal forecast for the next 12 months: Global Emerging Markets Earnings Per Share growth in USD remain positive, close to 11%, showing that the bottom is behind us.



Source: Amundi Investment Institute, Bloomberg and Factset. Data is as of 24 November 2023.

"GEM's EPS forecasts for 2024 are positive, showing signs of a rebound."

Alessia BERARDI
Head of Emerging Macro Strategy – Amundi Investment Institute

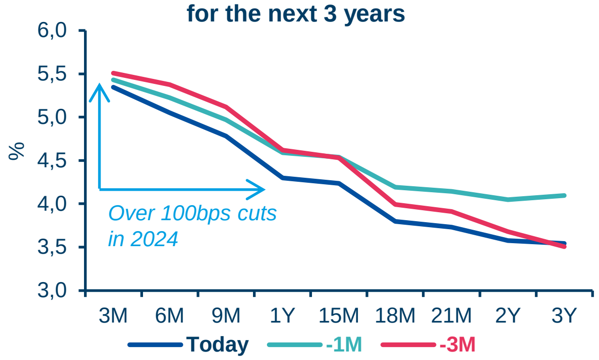
Bonds in charts

Developed markets

Yields are moving into a new range

Following the dovish Fed stance and the weak CPI report, the market is now pricing more than 100bp of Fed cuts in 2024.

Market expectations for Fed policy rates for the next 3 years

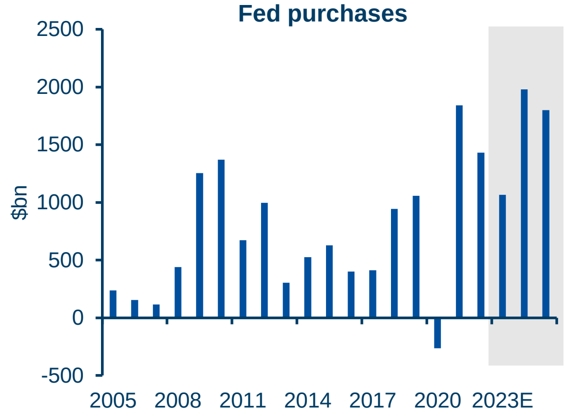


Source: Amundi Investment Institute, Bloomberg. Data is as of November 2023. –1M and -3M indicate the corresponding expectations 1 month ago and 3 months ago, respectively.

Substantial increase in net coupon issuance

High deficits lead to huge refinancing needs.

Net Treasury coupon issuance net of Fed purchases



Source: Amundi Investment Institute, Datastream. Data is as of 23 November 2023.

“We expect the US economy backdrop to deteriorate. It should drive Treasury demand.”

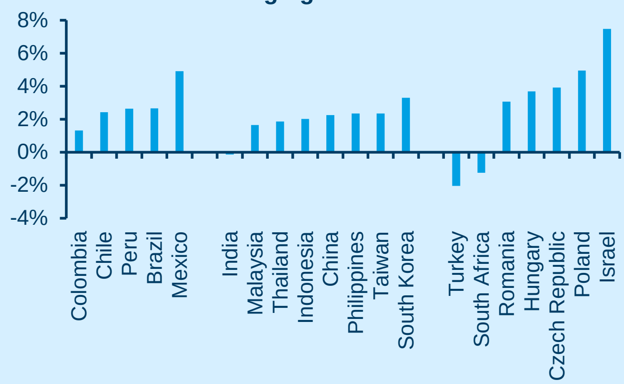
Valentine AINOUZ
Head of Global Fixed Income Strategy - Amundi Investment Institute

Emerging markets

A weakening USD favours EM FXs

In November Emerging Markets FXs rallied, benefitting from the weakening USD, with limited exceptions in the EMEA region (Turkey and South Africa).

Emerging Markets FX

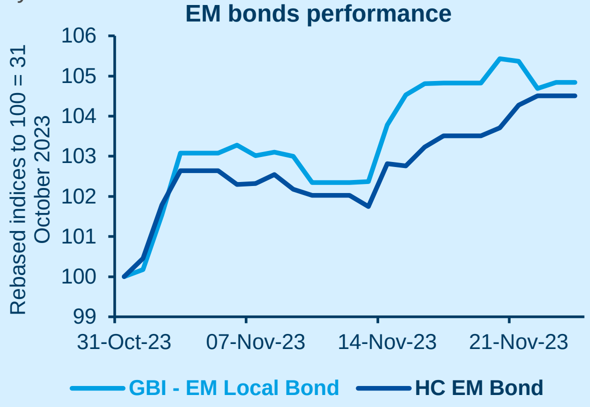


Source: Amundi Investment Institute, Bloomberg. Data is as of 31 October 2023.

EM bonds’ November rally

EM bonds, both in local currency and USD, also rallied during the month, helped by the lower US 10y bond yield.

EM bonds performance



Source: Amundi Investment Institute, Bloomberg and Factset. Data is as of 24 November 2023. GBI: Government Bond Index; HC: Hard Currency.

“November has seen both EM FX and EM bonds rally.”

Alessia BERARDI
Head of Emerging Macro Strategy – Amundi Investment Institute

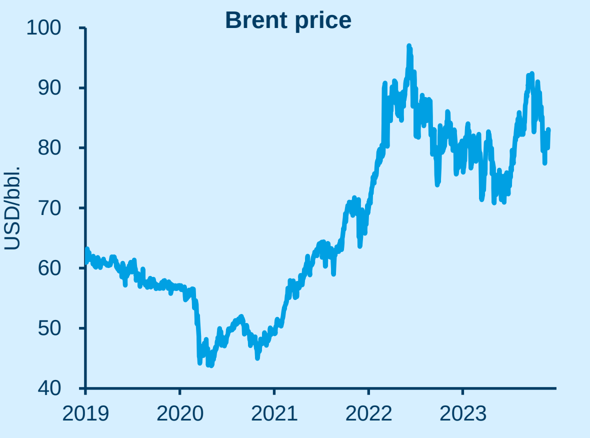
COMMODITIES

Oil weakness feels like *déja vu*

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

"The balance of forces keeping prices in a range will be slightly higher than today."

Recent oil price weakness was driven by fading catalysts. Oil prices were boosted this summer by OPEC+ cuts at a time when jet fuel demand was surging. This is now old news particularly as weaker OPEC discipline has become more visible. Oil prices were also boosted by the Middle East crisis, with evidence increasingly suggesting the crisis would remain local. Yet, selling pressure looks excessive once more. Investors now have light positions, valuations are cheap, stocks are low and demand shows no sign of a material decline. We see OPEC+ as marginally supporting markets at its delayed meeting. **Amid fading support from geopolitics and a modest deficit in 2024, oil prices are already caught in our \$85/b-\$90/b Brent target range for 2024**, bounded by a balance of negative and positive forces. This implies a slight upside.

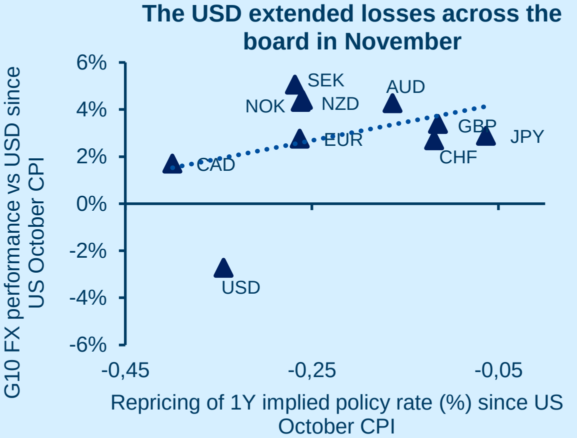


Source: Amundi Investment Institute, Bloomberg. Dara is as of 29 November 2023.

CURRENCIES

What a month for the USD, but for how long?

A battery of weaker-than-expected US economic data was responsible for a violent shift in market behaviour in November. **The "higher for longer" narrative abruptly disappeared**, the Fed was repriced more than other central banks and the USD sold off across the board, with no exceptions. While we see fundamental reasons for the trend to extend over the course of 2024 (expensive valuation is a headwind once the Fed's cutting cycle begins), we find it hard to believe the process will be linear.



Source: Amundi Investment Institute, Bloomberg. Data is as of 28 November 2023.

December may still offer negative seasonality for the USD, yet the easing of financial conditions seems premature given the approaching economic recession. **We expect the USD to be choppy entering 2024** and not to materially weaken until the first rate cut is delivered.

Federico CESARINI
Head of DM FX - Amundi Investment Institute

"We expect the USD to be choppy entering 2024 and not to materially weaken until the first rate cut is delivered."

GLOBAL INVESTMENT VIEWS

Receding inflation good news but inflation fight not over

Vincent MORTIER
Group Chief
Investment Officer

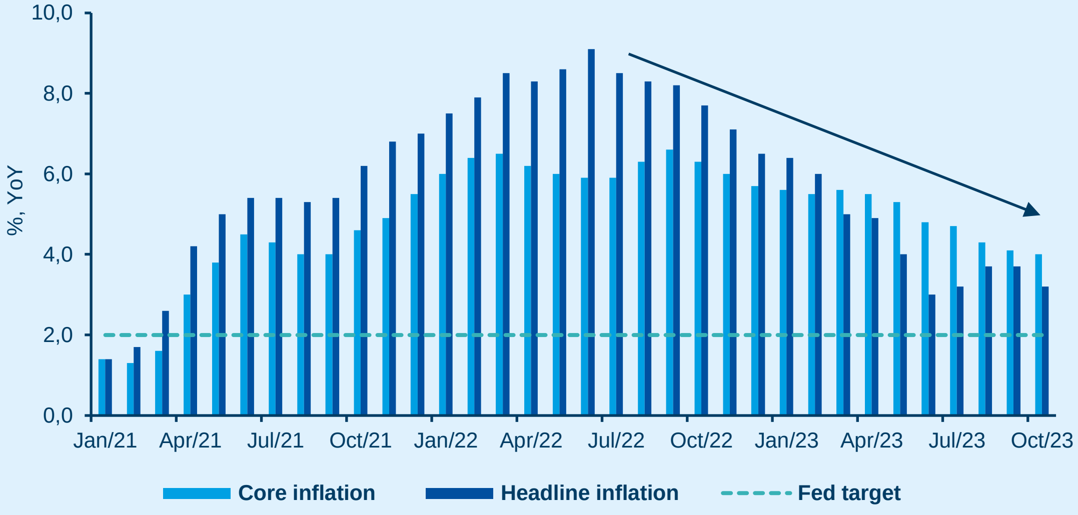
Matteo GERMANO
Deputy Group Chief
Investment Officer

November saw a recovery in risk assets on the back of continuing disinflation and indications that the Fed is close to peak rates, leading US and European yields to retreat. The big questions now are: how long until the victory on inflation is declared? and how will growth evolve?

We think the following factors help with addressing these points:

- **Subdued US economic outlook.** We slightly upgraded our 2023 forecast for US growth to 2.4%, but we still expect a mild recession in 1H24, given that financial conditions in the real economy are tight.
- **Euro Area likely to see sluggish growth without a recession**, but the growth starting point is lower vs the US. Limited fiscal capacities – ie, in Germany – and EU fiscal rules add to the uncertainty.
- **Central banks actions to be guided by data.** Borrowing costs in the economy and strength of labour markets matter more to CBs. The Fed and ECB will monitor how these factors affect end-consumption and inflation (falling oil prices positive for this).
- **Companies becoming cautious.** Surveys indicate caution on companies' employment and capex plans. The latest corporate results also highlight weak consumer demand.
- **A multi-polar world, with continued US-China rivalry.** A managed decline in US-China relations is likely, irrespective of who wins US elections next year. Secondly, the Israel-Hamas war should stay localised. Overall geopolitical risks could be high.

US inflation coming down, but still above targets



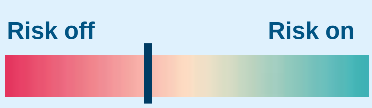
Source: Amundi Investment Institute, Bloomberg, as of 22 November 2023.

"The 'perfect' scenario priced in by the markets seems a bit excessive. Investors should stay defensive, with a slightly positive stance on duration, a cautious view on equities, and explore long-term value in EM".

We believe in maintaining a cautious stance through the following pillars:

- **Cross asset.** We aim to balance our long-term convictions (for example, positive on duration) with tactical opportunities across asset classes and strengthening of hedges. Hence, we keep a cautious stance on DM equities, but we acknowledge potential for a marginal upside. In EM, rising country divergences lead us to be more selective now, focusing on long-term growth prospects in India, Mexico and Brazil. In our view, EM bonds, both HC and LC, now offer better value. As geopolitical risks will likely persist into 2024, we raised our stance on oil, but we moved to neutral on gold. In FX, after the recent appreciation, we see limited upside for the MXN vs the EUR tactically, but we keep our positive long-term growth outlook on Latin America.
- **The slide lower in yields confirms our views that there is lot of value to be exploited in government bonds**. We stay positive on US duration, but are neutral on Europe and cautious on Japan, with an active stance overall. Corporate credit is becoming a sphere where we see increasing divergences, with the default environment deteriorating in low-rated segments, such as CCC. But balance sheets of IG businesses look stable. Thus, we favour a quality tilt. Regionally, we prefer EU IG and think US HY is very expensive.
- **The recent recovery doesn't alter our cautious stance on DM equities**. However, if expensive segments – eg, US growth, large caps – are excluded, the valuation of the broader US markets looks less extreme. In addition, we are positive on attractively priced areas, such as value, quality in the US, as well as in Europe. The current earnings season confirms this view, wherein many companies missed their sales forecasts, in both the US and Europe. This indicates that consumption pressures are getting more broad-based.
- **The disinflationary trends in DM and their subsequent impacts on CB policy would act as a tailwind to EM assets.** HC and LC debt offer good carry, but we are monitoring any potential strength in the USD. In HC and corporate debt, we prefer HY over IG, although in the former, we remain biased towards quality. Equities also offer opportunities, particularly Asian equities, beyond China. We continue to like India, Indonesia and Brazil amid prospects for strong growth.

Overall risk sentiment



Our risk sentiment stays slightly defensive and well-diversified, with opportunities in government bonds and select EM assets.

Changes vs previous month

- Cross assets: More positive on EM bonds; consolidate equities stance; slight upgrade to oil; downgrade gold to neutral. In FX, no longer positive on MXN.
- Equities: Valuations more extreme for US large caps vs the broader markets.

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.

ECB= European Central Bank, DM= Developed Markets, EM = Emerging Markets, CBs = central banks, IG = investment grade, HY = high yield, HC = Hard Currency, LC = Local Currency. For other definitions see the last page of this document.

Three hot questions

1. How do you see the fiscal situation evolving in Germany after the constitutional court ruling?

The court's ruling questions the fiscal spending plans of the EZ's largest economy. While for now the government has suspended 'debt brakes' by declaring 2023 to be an emergency year, in the long term, there is no easy fix. We think the coalition faces a difficult choice of reducing planned spending, raising taxes or revisiting the debt brake rule altogether. Separately, the EC* published fiscal policy guidance on the budgetary plans of member states. Nine countries would run deficits above 3% of GDP next year. But for now, the EC will monitor the situation until next spring.

Investment consequences:

- Fixed income: neutral core Europe duration, peripheral debt.
- Equities: slightly cautious Europe; marginally positive on quality, value.

2. Do you think the latest mini-stimulus in China could affect the country's economic growth profile?

The stimulus involves issuance of additional sovereign debt to be spent on infrastructure and construction. There would, of course, be some boost to growth, which led us to upgrade our forecasts slightly: to 5.2% and 3.9% for 2023 and 2024, respectively. But it won't completely offset lower demand and deleveraging in the real estate sector. If the government wants to achieve higher growth for next year, the country needs a bigger, expansionary policy, which seems unlikely at this stage. This is because of a structural shift towards debt discipline in the long term.

Investment consequences:

- China: neutral equities and bonds.
- EM Asia (excluding China): marginally positive.

3. How do you see the outlook for corporate credit in an environment of slowing growth?

In an environment of pressures on cash flows and earnings, and high interest costs, companies with higher refinancing needs and low profitability would be more affected, but this is not a concern in IG. For instance, defaults in global HY have risen, led primarily by CCC-rated names. Corporate fundamentals, such as interest coverage, are deteriorating, but they remain healthy for high-rated names.

Investment consequences:

- Cautious US HY, slightly positive IG.
- Regionally, favour EU IG.

"Economic indicators for the EZ, along with tightening lending standards, point to a weakening of economic activity, complicated by fiscal constraints. But inflation appears to be falling to the ECB's target by end-2024".

Monica DEFEND
Head of Amundi Investment Institute

 Marketing material for general public. *European Commission.

Amundi asset class views

	Asset class	View	Change m-1	Rationale
EQUITY PLATFORM	US	-/=	▲	We stay cautious on US equities but acknowledge that valuations outside the mega caps are better. The latest earnings season highlighted how management guidance is becoming cautious on indications of weak overall demand and fading consumer confidence.
EQUITY PLATFORM	US value	+		Although we are aware of weak economic growth ahead, we maintain that value is a long-term phenomenon. This should be combined with quality, favouring businesses that can maintain margins and those that would benefit from structural themes: for instance, around infrastructure.
EQUITY PLATFORM	US growth	--		Growth continues to display expensive valuations and would be affected more in case of sharp falls in markets, and if liquidity dries up. We are defensive, particularly on unprofitable growth.
EQUITY PLATFORM	Europe	-/=		We believe a weak internal and external demand outlook could start to affect companies and the latest results season confirms our thinking. This leads us to stay balanced, with a positive view on consumer staples and industrials. We focus on businesses with strong pricing power and the capacity to maintain margins.
EQUITY PLATFORM	Japan	=		Japan is witnessing improving domestic economic activity on the back of a moderate recovery in private consumption. However, a deeper-than-expected global slowdown could affect exports.
EQUITY PLATFORM	China	=		Weak demand is likely to persist amid government deleveraging efforts and debt discipline. This could create short-term pain but would lead to more sustainable long-term growth. The latest stimulus is meant to minimise this pain but would be unable to offset weak consumption.
EQUITY PLATFORM	Emerging markets ex China	=/+		EM are witnessing many structural trends (near-shoring/friend shoring, increasing foreign investments in Asia, rise of India, etc) that could alter industries and, in the process, present opportunities. Countries such as India, Indonesia, Brazil offer large domestic markets, along with strong potential for exports. We are positive and acknowledge the divergences at play in EM.
FIXED INCOME PLATFORM	US govies	=/+		Slowing inflation and indications that the Fed may be at peak rates paint an attractive picture for bonds. But we are mindful of public debt supply and the US fiscal deficit. Hence, we are constructive amid attractive yields and an upcoming slowdown, even as we stay active.
FIXED INCOME PLATFORM	US IG corporate	=/+		Corporate fundamentals (ie, interest coverage, etc) are strong but deteriorating from healthy levels. We keep an eye on sales growth and how that compares with leverage in this segment. Our preference remains for names that can maintain stable sales and cash flows.
FIXED INCOME PLATFORM	US HY corporate	-		A deteriorating default outlook, led by CCC-rated debt, leads us to confirm our view that this transition towards a higher-rates environment could be more painful for low-rated segments. The situation could be aggravated for businesses with higher refinancing needs in 2024.
FIXED INCOME PLATFORM	European govies	=		Disinflation in Europe is improving the case for duration. But we are neutral in light of the ECB's data-dependent approach on inflation, which although falling, remains above the bank's target. On peripheral debt we are also neutral for now. BTP yields have fallen in line with core Europe, and as a consequence of positive newsflow around Italy's credit rating.
FIXED INCOME PLATFORM	Euro IG corporate	=/+		While valuations are reasonable in EU IG, we remain focused on idiosyncratic risks, favouring names that can maintain cash flows: for instance, in the financials sector. We also think BBB-rated debt offers a good balance between yield, quality and liquidity.
FIXED INCOME PLATFORM	Euro HY corporate	-/=	▲	We are cautious and are monitoring the default outlook. However, we see limited refinancing needs, and believe the low-rated CCC debt is a small part of the overall EU HY universe. Overall, we favour the higher rated (BB and above) parts and short maturity debt.
FIXED INCOME PLATFORM	China govies	=		We are monitoring overall government debt levels and how the latest stimulus could affect balance sheets. We are neutral and believe the PBoC will keep rates low in medium term.
FIXED INCOME PLATFORM	EM bonds HC	=/+		In general, Fed close to a pivot and falling inflation are positive for EM debt, along with strong economic growth. We are selective regarding corporate debt and HY (over IG) as we expect a stronger rebound amid attractive valuations and carry.
FIXED INCOME PLATFORM	EM bonds LC	=/+		We are mildly optimistic on LC debt but are monitoring dollar movements and domestic inflation pressures. We like countries with high carry and real yields.
OTHER	Commodities			Recent oil price weakness has resulted from intensifying concerns over weak supply discipline from OPEC+. We think these are excessive, and OPEC+ members may act in the near future. The demand side also remains fine – for now. We maintain our medium-term target for Brent at $85-90/bbl, but do not rule out episodes of spikes in the near term.
OTHER	FX			The market moving away from the 'higher for longer' Fed rates narrative points to a weaker USD, particularly as US inflation declines. We maintain our EUR/USD target of 2Q24 at 1.09. On the JPY/USD, we stay slightly constructive, with a target of 141 for Q2 next year.

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Negative view Neutral Positive view

▼ Downgrade vs. previous month

▲ Upgraded vs. previous month

Source: Amundi as of November 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.

Focus on duration and EM divergences

The evolution of DM and EM economies, progress on inflation, and risks related to consumption and geopolitics drive our stance. We are cautious on risk assets, owing to some of the aforementioned points. Despite that, we do not rule out the potential for a tactical rally in select corners but believe these should not drive investors' convictions. Instead, they should stay balanced, favouring duration and exploring opportunities in EM assets to benefit from strong growth prospects. At the same time, geopolitical risks highlight the need to stay well-diversified.

High conviction ideas. We are cautious on US and European equities but stay positive on EM. However, we think this is a time to consolidate EM views, given the increasing divergences. For instance, we are seeing signs of a slowdown in China, but see strong growth prospects in India, Brazil and Mexico. Brazil should benefit from favourable earnings dynamics and commodity exports, whereas India is a structural/long-term story of domestic demand and reforms.

We keep our constructive stance on US duration. But after the Fed's less-hawkish comments, we see better value in intermediate parts of the yield curve. In Canada, we keep our curve steepening views. We also stay positive on European duration, given a weak economic outlook, and on Italian BTPs. Limited foreign holdings, favourable supply dynamics, and demand from domestic retail investors keep us constructive, on BTPs along with recent actions by rating agencies. However, in Asia, we stay cautious on JGBs amid increasing inflation and expectations that the BoJ could end its negative interest rates policy soon. This view also acts as a diversifier of our overall positive stance on duration.

In EM bonds, we marginally raised our stance via a selection of LC debt and we are now positive on HC as well. Declining US inflation and expectations on Fed policy should be supportive.

On corporate credit, EU IG remains our favourite pick. While there has been some deterioration in fundamentals, the overall situation is still healthy. Lower supply is also positive. However, we remain negative on US HY due to a worsening default outlook and expensive valuations.

In FX, we are no longer positive on the MXN vs the EUR after the peso's recent ascent but continue to like the BRL/USD and INR/CNH. In DM, we expect the USD to weaken vs the EUR. We also like the EUR/GBP, USD/CHF and AUD/ USD. We are more constructive on oil, which could gain from the rise in tensions in the Middle East. But we are neutral on gold, which benefitted earlier from geopolitical uncertainty.

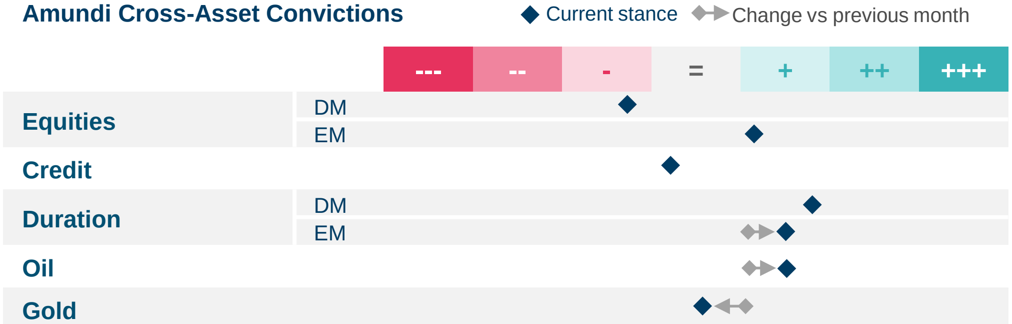
Risks & hedging. While we maintain a defensive stance on DM equities, optionality and hedges may allow investors to capture any potential upside in equities without changing their overall stance. In FI, we maintain our protection on bonds to guard against any higher-than-expected inflation and hawkish views from the Fed.

Francesco SANDRINI
Head of Multi-Asset Strategies

John O'TOOLE
Head of Multi-Asset Investment Solutions

"We see better prospects in EM bonds and believe in maintaining a well-diversified stance that could safeguard portfolios from any increase in geopolitical tensions".

Amundi Cross-Asset Convictions



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, BTP = Italian government bonds, BoJ = Bank of Japan, JGB = Japanese govt. bonds, BoE = Bank of England. For other definitions and currency abbreviations see the last page of this document.

The bonds story has just started, stay agile

Overall assessment. The cumulative effect of monetary tightening will weigh on aggregate demand next year, which is why we think recession risks are high in the US. As a result, investors should focus on government bonds, and look for segments that offer a mix of quality and attractive yield.

Global & European fixed income. The European economy is being affected by slowing external demand and internal fiscal constraints. At the same time, inflation is not fully under control. As a result, although we stay neutral on duration, we are very active and see pressures from both sides on yields. In Japan, we are cautious but stay vigilant. We increasingly favour quality in credit and maintain a slight positive stance through financials, subordinated debt, and BBB-rated and IG. But, we are cautious on the energy, transportation and real estate sectors. We also observe significant divergences between IG and HY. Highly leveraged issuers, SMEs in particular, would have to refinance their debt at higher costs over the coming two years. CCC-rated issuers, which have led the increase in default rates recently, are more at risk. Thus, we stay attentive to any contagion to other ratings band.

US fixed income. Core yields have come down in the past few weeks as the Fed maintained rates at current restrictive levels and as inflation declined. We keep a positive duration bias, with an active stance, and a keen eye on fiscal deficit and supply of USTs. TIPS also offer value to long-term investors. In securitised credit, agency MBS spreads are attractive when compared with history. But we stay agile in adjusting our stance according to changes in spreads. Importantly, we see value in selective non-residential and CRE* securitised (multi-family housing) markets. These are supported by still-strong consumer balance sheets and an acute housing supply/demand mismatch. Regarding corporate credit, our preferences for IG over HY and financials over non-financials are maintained. Even where we think there are bottom-up ideas in HY, we lean towards higher quality.

EM bonds. Sentiment towards EM debt has been improving, following weak US data and Fed communication. While we were ahead of the market in judging this, we see interesting times looking forward. Geopolitics/politics, global supply chain reallocations, and idiosyncratic risks (Argentina) could also have a role to play. In HC, we prefer countries with a carry cushion, while on LC, selectivity is key. Regionally, we favour LatAm and like Indonesia on growth/inflation dynamics.

FX. We are vigilant on Fed actions, even as we stay positive on the JPY, NOK and CHF. Yen has been suffering lately, but a hard-landing of US economy and change in BoJ stance could offer support. In EM, we like the MXN, BRL, IDR and INR.

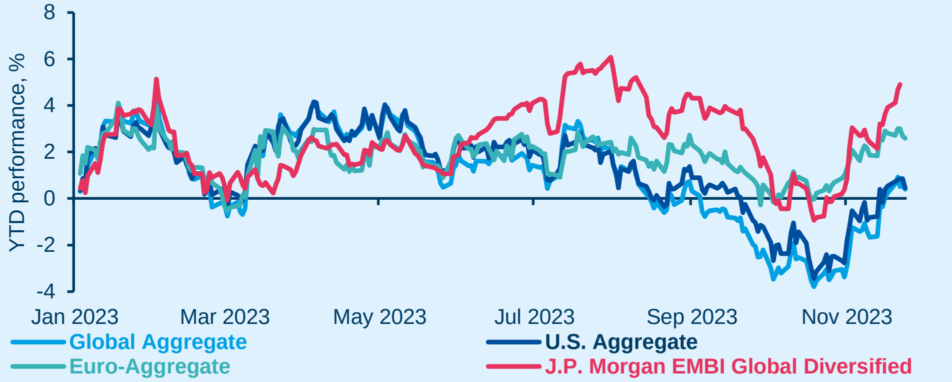
Amaury D'ORSAY
Head of Fixed Income

Yerlan SYZDYKOV
Global Head of Emerging Markets

Kenneth J. TAUBES
CIO of US Investment Management

"We have maintained for a while that quality credit and government. bonds offer strong value & the recent fall in core yields is an affirmation of that".

In November, major bond indices are back in positive territory YTD



Source: Amundi Investment Institute, Bloomberg, as on 24 November 2023. All indices in USD, except for Euro Aggregate which is in EUR. *CRE = Commercial real estate. SME = Small and medium sized enterprises.

Seek opportunities outside expensive mega caps

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. The recent recovery in equities is not matched by forward guidance from companies (in the US and Europe) which are showing concerns on weak demand, even as cost pressures persist. We think markets could increasingly differentiate between attractively priced companies that are beating expectations through high pricing power and those that are merely riding the tide. Thus, we prefer robust businesses, in DM and EM, that have strong balance sheets.

European equities. As consumers' real incomes come under pressure, pricing power of companies are likely to be tested. Companies that are missing earnings estimates and have high price elasticity of demand and weak balance sheets are more likely to be affected by a market sell-off. Thus, we maintain a balanced approach, seeking to blend quality cyclical businesses and defensives. In the latter, we marginally raised our views in staples and see potential in some discretionary names after the recent weakness. Elsewhere, we like renewable energy and believe the bubble in the sector has burst. This should give way to long-term winners that can capitalise on consumer demand for clean, renewable energy. Retail banks also offer good potential. However, we avoid segments where profits are too dependent on government actions. Tech is another area where we are not positive.

US equities. We are witnessing a dichotomy where valuations and earnings potential in some segments are high vs the rest and this allows us to be selective. For instance, mega cap valuations are extreme but outside these, equal weighted indices have not risen so strongly. Thus, we favour segments such as quality, value and those that are exposed to structural themes: electrification and automation. A lot of infrastructure is being built around greening and electric vehicles, but instead of betting on any cycle, we like to pick our stocks. In addition, a simplistic cyclicals vs defensives choice can be misleading because of wide variations in valuations. Hence, we stay balanced and explore defensives that are attractively priced, but not just the traditional ones. Sector-wise, our convictions are in energy (the sector has been underinvested in the past years and offers opportunities), materials, financials, life science tools. In banks, there are opportunities, but we are monitoring credit risk.

EM equities. Robust EM growth, earnings expectations, and attractive valuations keep us positive on equities. While geopolitical rivalry between the US and China should continue, the recent Xi Jinping and Biden meet indicated some moderation. We are also monitoring global geopolitical risks and impacts on oil prices: this is important for exporting EM countries. Regionally, we like Mexico and Brazil, and select Asian countries, such as Indonesia and India. At a sector level, we prefer real estate and consumer discretionary, but with important differences among countries.

"Weak corporate guidance from the latest results season affirms our stance to stay away from risky, expensive segments and tilt towards quality".

Mega cap valuations are extreme, but equal weighted indices look less expensive

Source: Amundi Investment Institute, Current Price to Earnings ratio. Data as of 24 November 2023.

Macroeconomic forecasts

Macroeconomic forecasts as of 14 December 2023						
Annual averages, %	**Real GDP growth, YoY, %**			**Inflation (CPI, YoY, %)**		
	2023	**2024**	**2025**	**2023**	**2024**	**2025**
Developed countries	**1.5**	**0.7**	**1.4**	**4.7**	**2.6**	**2.1**
United States	2.4	0.7	1.5	4.2	2.6	2.1
Eurozone	0.5	0.3	1.0	5.5	2.4	2.2
Germany	*-0.1*	*0.2*	*0.7*	*6.1*	*2.4*	*2.3*
France	*0.8*	*0.5*	*1.1*	*5.8*	*2.8*	*2.1*
Italy	*0.7*	*0.5*	*0.8*	*6.0*	*2.3*	*2.1*
Spain	*2.3*	*1.1*	*1.5*	*3.4*	*2.7*	*2.2*
United Kingdom	0.5	0.5	1.3	7.4	2.9	2.3
Japan	1.8	1.6	1.4	3.2	2.0	1.3
Emerging countries	**4.1**	**3.6**	**3.7**	**5.8**	**5.7**	**4.2**
China	5.2	3.9	3.4	0.3	0.9	1.5
India	6.9	5.8	5.9	5.7	5.6	6.0
Indonesia	5.0	4.9	4.7	3.7	3.3	3.7
Brazil	3.0	1.5	2.0	4.6	3.7	3.6
Mexico	3.4	2.1	2.2	5.5	4.2	3.9
Russia	3.2	1.6	2.0	5.9	6.2	4.5
South Africa	0.5	1.0	1.3	6.0	5.1	3.6
Turkey	3.6	2.9	3.6	53.4	57.3	23.7
World	**3.1**	**2.4**	**2.8**	**5.4**	**4.4**	**3.4**

Central Banks' official rates forecasts, %					
	14 December 2023	**Amundi Q2 24**	**Consensus Q2 24**	**Amundi Q4 24**	**Consensus Q4 24**
United States*	5.50	4.50	5.30	4.00	4.74
Eurozone**	4.00	3.75	3.85	2.75	3.21
United Kingdom	5.25	4.75	5.30	4.00	4.79
Japan	-0.10	0.00	0.00	0.00	0.19
China***	3.45	3.45	3.40	3.25	3.40
India****	6.50	6.50	6.35	6.00	5.90
Brazil	12.25	10.00	9.75	9.25	9.25
Russia	15.00	16.00	14.05	12.00	10.70

Source: Amundi Investment Institute. Forecasts are as of 14 December 2023. CPI: consumer price index. *: Upper Fed Funds target range. **: Deposit rate. ***: One-year loan prime rate. ****: Repurchase rate. Q2 2024 indicates end of June 2024; Q4 2024 indicates end of December 2024.

Financial market forecasts

Bond yields

Two-year bond yield forecasts, %

	14 December 2023	Amundi Q2 24	Forward +6m.	Amundi Q4 24	Forward +12m.
United States	4.93	3.80-4.00	4.61	3.60-3.80	4.39
Germany	3.00	2.50-2.70	2.61	2.20-2.40	2.31
United Kingdom	4.65	3.60-3.80	4.25	3.40-3.60	4.13
Japan	0.12	0.10-0.20	0.22	0.10-0.20	0.30

Ten-year bond yield forecasts, %

	14 December 2023	Amundi Q2 24	Forward +6m.	Amundi Q4 24	Forward +12m.
United States	4.56	3.70-3.90	4.57	3.70-3.90	4.56
Germany	2.63	2.40-2.60	2.63	2.30-2.50	2.62
United Kingdom	4.26	3.80-4.00	4.26	3.70-3.90	4.29
Japan	0.86	0.80-1.00	0.97	0.80-1.00	1.07

Exchange rates

	14 December 2023	Amundi Q2 24	Consensus Q2 24	Amundi Q4 24	Consensus Q4 24
EUR/USD	1.08	1.09	1.10	1.15	1.12
EUR/JPY	157	153	155	155	155
EUR/GBP	0.86	0.88	0.88	0.89	0.88
EUR/CHF	0.94	0.98	0.97	1.03	0.99
EUR/NOK	11.84	11.89	11.28	11.76	11.00
EUR/SEK	11.27	11.83	11.33	11.92	11.20
USD/JPY	145	141	141	135	136
AUD/USD	0.66	0.65	0.68	0.69	0.70
NZD/USD	0.61	0.59	0.62	0.62	0.64
USD/CNY	7.15	7.20	7.10	6.90	7.00

Source: Amundi Investment Institute. Forecasts are as of 14 December 2023.

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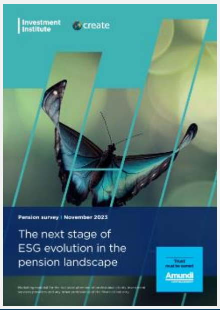

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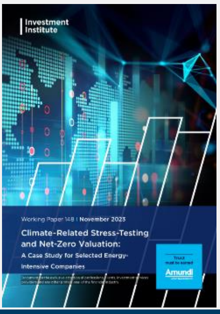

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