Weekly Market Directions

Trust must be earned

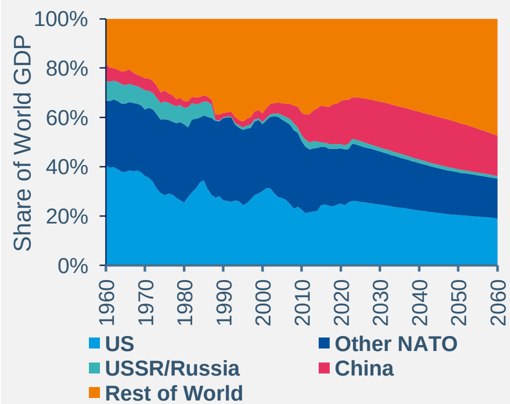
"Invest globally, look for potential opportunities in emerging markets, and balance equities with government bonds to navigate uncertainty from US elections and geopolitical hotspots."

Monica Defend
Head of Amundi Investment Institute

Geopolitics in focus as NATO leaders meet

- Geopolitics will be increasingly relevant for investors as we enter the hottest phase of US elections.
- After reaching new highs, equity markets may take a pause as uncertainty rises with US elections.
- The global geopolitical reordering may benefit some Emerging Markets, like India.

NATO Members' Share of Global Economy Declining



Source: Amundi Investment Institute on Bloomberg Economics data & forecasts, based on current US dollar exchange rates.

The recent NATO summit in Washington discussed key geopolitical issues, such as the war in Ukraine and China's increasing influence. However, we note that NATO's economic power is declining, with its members' share of global GDP now below 50% and projected to decrease further in the coming decades, while countries in the emerging markets are increasing their economic power.

As geopolitics takes centre stage and we enter the intense phase of the US elections, with scrutiny surrounding the Biden presidential race, we expect market uncertainty to rise.

A diversified* global stance, including investments in emerging markets, may help navigate this phase and capitalise on opportunities that may arise from the geopolitical reshuffling.

Actionable ideas

Multi Asset investing to navigate uncertainty
Investing globally, across different asset classes including Emerging Markets and commodities like gold, may help navigate uncertainty amid geopolitical hotspots.

Emerging Markets
The geopolitical realignment presents potential opportunities for Emerging Markets arising from supply chain reallocation, near shoring, investments in technology. India, for example, is among the countries that are benefitting from the global reordering.

This week at a glance

During the week, softer than expected US inflation data led US Treasury yields to move lower, as market expectations for the Fed to cut rates in September increased. The US equity market saw a rotation that favoured the rest of the market outside the mega caps following the inflation report.

Equity and bond markets

Asset class performance year to date and week to date

		YTD	WTD
EQUITIES	World	14.0%	1.34%
	United States	17.7%	0.87%
	Europe	9.4%	1.45%
	Japan	22.3%	0.36%
	Emerging markets	9.8%	1.69%
BONDS	Global aggregate	-1.5%	1.06%
	Euro aggregate	-0.4%	0.47%
	Emerging markets	4.0%	1.04%

Source: Bloomberg , data as at 12 Jul 2024
Please refer to the last page for additional information on the indices.

Government bond yields

2 and 10 years government bond yields and 1 week change

	2YR		10YR	
US	4.45	▼	4.18	▼
Germany	2.82	▼	2.49	▼
France	2.98	▼	3.15	▼
Italy	3.30	▼	3.79	▼
UK	4.07	▼	4.11	▼
Japan	0.33	▼	1.06	▼

Source: Bloomberg , data as at 12 Jul 2024
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

Commodities, FX and short term rates

Gold USD/oz	Crude Oil USD/barrel	EUR/USD	USD/JPY	GBP/USD	USD/RMB	Euribor 3M	T-Bill 3M
2411.43	82.21	1.09	157.83	1.30	7.25	3.66	5.34
+0.8%	-1.1%	+0.6%	-1.8%	+1.3%	-0.2%		

Source: Bloomberg , data as at 12 Jul 2024
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

Amundi Investment Institute Macro Focus

Americas

US inflation cooled down in June

In June, US inflation declined by 0.1% month-on-month to 3.0% year-on-year. This slowdown was mainly driven by lower energy prices. The US Core Inflation, which excludes food and energy, rose at the lowest pace since August 2021, with core goods experiencing deflation, while core services moderated. Shelter inflation also showed signs of softening. The data may support a September rate cut by the Federal Reserve.

Europe

The UK economy grew more quickly than expected and above market expectations.

Expansion in activity was supported by all three major sectors, with particular strength in services, the largest contributor to monthly GDP growth. Within the service sector, the strongest growth contributions came from the wholesale and retail industry, in line with reported retail sales. Additionally, production and construction output increased.

Asia

Asia central banks edge towards easing

The Bank of Korea kept its policy rate unchanged at 3.5%, but we expect it to deliver its first cut in October. Overall, with rising expectations of a Fed cut in September, central banks in the region are increasingly signalling easing. Among them, in the Philippines, the Bangko Sentral ng Pilipinas is one of the central banks that could potentially cut rates even before the Fed. We also expect the People's Bank of China to resume rate cuts in August.

Key Dates

15 Jul	China GDP, EZ industrial production
17 Jul	UK CPI , Fed beige book
18 Jul	ECB policy rates, Japan trade balance

NOTES

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Equity and bond markets (chart)

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

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

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

Source: Bloomberg, data as **12 July 2024**. The chart shows Global Bonds= Bloomberg Global Aggregate Bond Index, Global Equity = MSCI World. Both indexes are in local currency.

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

GLOSSARY

CPI: Consumer Price Index a measure of inflation.

Core Inflation: The change in prices of goods and services, except for those from the food and energy sectors**.**

ECB: European Central Bank

FED: Federal Reserve

GDP: Gross Domestic Product

NATO: North Atlantic Treaty Organization

TOPIX: Tokyo Stock Price Index

S&P 500 index: It is a commonly used measure of the broad US stock market.

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IMPORTANT INFORMATION

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