

Weekly Market Directions



Trust must be earned



“We believe the Federal Reserve will weigh the inflation numbers in the context of the weakening labour markets. We expect the Fed to continue to ease monetary policy.”

Monica Defend

Head of Amundi Investment Institute

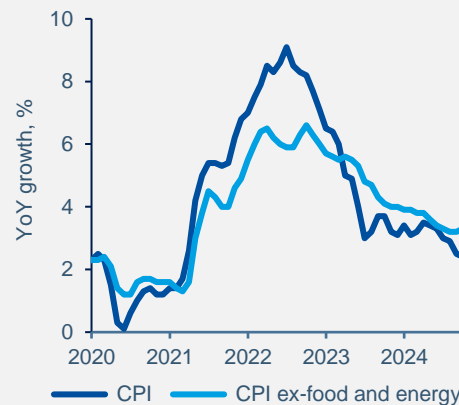
All eyes on inflation

While inflation for September was above market expectations, one data point doesn't make a long-term trend.

The latest number only reiterates our views of the challenges the Fed may face in taming last-mile of inflation.

An outlook with Central Banks moving to cut rates is supportive for the fixed income asset class.

US inflation stronger than expected



Source: Amundi Investment Institute, Bloomberg, 10 October 2024.

US consumer price inflation (CPI) rose above market expectations, underlining the pitfalls of assuming that inflation is completely dead. In particular, growth in the core CPI (CPI-excluding food and energy) accelerated to 3.3%. Having said that, the data is in line with our view of a gradual decline in inflation and an overall trend of a lower trajectory. But, as we have mentioned earlier, volatility around inflation numbers is likely to continue. From a monetary policy perspective, we maintain that the Fed will not look at these latest numbers in isolation. The trend still shows steady progress in controlling price increases. At the other end, the central bank will be mindful of any deterioration in labour markets and hence on economic growth. Our stance remains that the Fed is likely to continue to reduce rates, with an eye on incoming data.

Actionable ideas



Global bonds

Slowing economic growth and falling inflation in developed world paints a constructive picture for government bonds in regions such as Europe and the UK.



Corporate credit offers attractive income potential

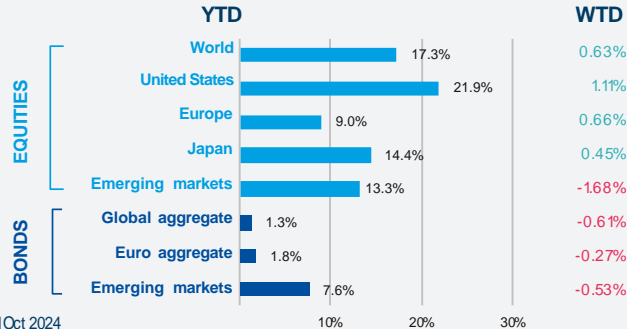
Continued monetary easing by developed market central banks raises the appeal of quality credit in regions such as Europe and emerging markets.

This week at a glance

Equities rose over the week as markets digested mixed US economic data and prepared for the earnings season. Meanwhile, the US 10-year bond yields were back above 4%. Stronger inflation figures led the markets to reassess expectations on Fed rate cuts.

Equity and bond markets

Asset class performance year to date and week to date



Source: Bloomberg, data as at 11Oct 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	3.96	▲	4.10	▲
	Germany	2.23	▲	2.27	▲
	France	2.43	▲	3.04	▲
	Italy	2.69	▲	3.56	▲
	UK	4.17	▲	4.21	▲
	Japan	0.41	▲	0.95	▲

Source: Bloomberg, data as at 11Oct 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
2656.59	75.56	1.09	149.13	1.31	7.07	3.18	4.63
+0.1%	+1.6%	-0.3%	+0.3%	-0.4%	+0.0%		

Source: Bloomberg, data as at 11Oct 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 update and job market softening

In our view, recent data shows ongoing disinflation in the US, despite CPI slightly above expectations. Core inflation is still impacted by shelter costs, easing to 4.9% year-on-year. Shelter's significant weight in the CPI means it contributes notably to overall inflation. Meanwhile, weekly unemployment claims rose above expectations, suggesting a softening labour market, potentially influenced by recent hurricanes.

Europe



Eurozone investor sentiment surges

After several negative signals, the Sentix index for Eurozone investor sentiment unexpectedly increased in October. This increase, driven by improved expectations, comes despite ongoing dissatisfaction with the current situation, which has hit a new low after four months of decline. We think that while challenges suggest weak growth in the short term, the economic outlook should improve in the next 6-12 months as monetary policy is eased.

Asia



RBI holds rates steady

As expected, the RBI decided not to ease rates. Despite positive figures over the summer, Indian inflation is expected to rise to the upper end of the RBI's target range for the remainder of the year, hovering around 5% year-on-year. The recent softening of the economy aligns with our 6.8% GDP growth forecast for 2024. We anticipate the RBI may start rate cuts by year-end, but significant easing is limited in our view.



NOTES

Page 2

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 **11 October 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

Conference Board: US economic index of growth

CPI: Consumer Price Index a measure of inflation.

Core CPI measures price changes in a basket of goods and services, excluding food and energy

RBI (Reserve Bank of India) is the central banking institution of India

Disinflation: A decrease in the rate of inflation

Fed (Federal Reserve): is the central banking system of the United State

GDP: Gross Domestic Product

PPI: Producer price inflation

Sentix Index: Economic indicator that can be used to forecast the development of a country's or region's gross domestic product

Discover [more insights](#) from the Amundi Investment Institute.



IMPORTANT INFORMATION

This document is solely for informational purposes.

This document does not constitute an offer to sell, a solicitation of an offer to buy, or a recommendation of any security or any other product or service. Any securities, products, or services referenced may not be registered for sale with the relevant authority in your jurisdiction and may not be regulated or supervised by any governmental or similar authority in your jurisdiction.

Any information contained in this document may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices.

Furthermore, nothing in this document is intended to provide tax, legal, or investment advice.

Unless otherwise stated, all information contained in this document is from Amundi Asset Management SAS and is as of **11 October 2024**. Diversification does not guarantee a profit or protect against a loss. This document is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The views expressed regarding market and economic trends are those of the author and not necessarily Amundi Asset Management SAS and are subject to change at any time based on market and other conditions, and there can be no assurance that countries, markets or sectors will perform as expected. These views should not be relied upon as investment advice, a security recommendation, or as an indication of trading for any Amundi product.

Investment involves risks, including market, political, liquidity and currency risks.

Furthermore, in no event shall any person involved in the production of this document have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

Date of first use: **11 October 2024**.

Doc ID: 3933842

Document issued by Amundi Asset Management, "société par actions simplifiée"- SAS with a capital of €1,143,615,555 - Portfolio manager regulated by the AMF under number GP04000036 – Head office: 90-93 boulevard Pasteur – 75015 Paris – France – 437 574 452 RCS Paris – www.amundi.com

Photo credit: ©iStock/Getty Images Plus

MSCI Disclaimer available [here](#)