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How long can the Central Banks' divergence last

Rotation and broadening in equities has started

CROSS ASSET INVESTMENT STRATEGY

JULY/AUGUST 2024

July/August 2024

TABLE OF CONTENTS

"Macro data, such as economic growth, labour markets and consumption, are key variables that would affect Central Banks' decisions to cut rates. Any volatility around these could impact the timing of policy decisions."

MONICA DEFEND
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GROUP CHIEF INVESTMENT OFFICER

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MATTEO GERMANO
DEPUTY GROUP CHIEF INVESTMENT OFFICER

TOPIC OF THE MONTH

How long can the Central Banks' divergence last

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KEY TAKEAWAYS

The divergence of Central Bank policy rates is unlikely to significantly impact exchange rates, as other core currencies are not weak relative to recent history and market expectations of terminal rates in Europe are similar to those in the US.

Global financial conditions are strongly influenced by US long-end yields, and there is a risk of the term premium rising if US deficit and debt projections deteriorate.

Although not in our baseline scenario, an energy supply and price shock would weaken European exchange rates and rapidly transmit to domestic inflation.

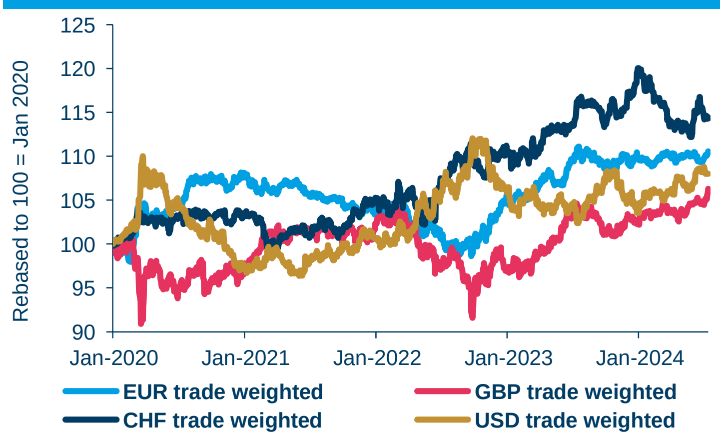
Central Bank policy rates can diverge.

The pace of disinflation in most advanced economies is following a similar path, albeit with differences in sticky components. **Central bank policy rates are unlikely to diverge significantly (our baseline), but this does not rule out the ECB and the BoE cutting rates faster than the Fed**, especially given their weaker growth outlook. The impact of this scenario would be steeper yield curves in the Eurozone and the UK, but not substantially weaker exchange rates, as some fear. A bigger risk to European exchange rates stems from (unanticipated) energy price shocks rather than lower relative interest rates. We explore why.

The US dollar has been exceptionally strong, but other core currencies (except the Yen) have also been strong in trade-weighted terms.

The global macro backdrop – inflation scares, geopolitical tensions and recession worries – together with US economic resilience, have supported the dollar versus core currencies, but the latter are not weak relative to recent history. Moreover, the difference in market expectations of terminal rates in Europe are now substantially higher than before the pandemic, and not materially different from expected US terminal rates. This should limit any sustained weakness in European exchange rates.

Core currencies outperformed in trade-weighted terms

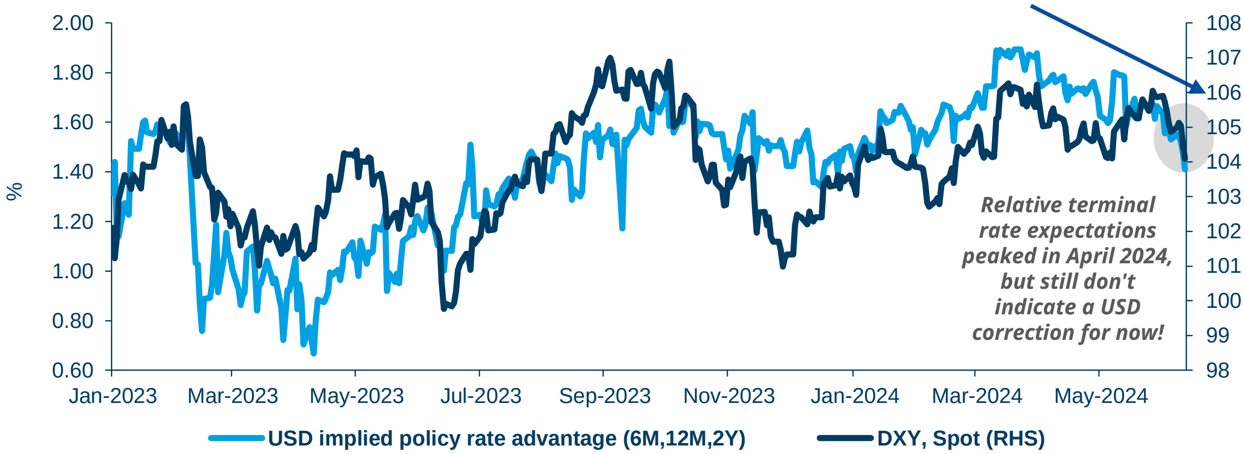


Source: Amundi Investment Institute, Bloomberg. Date as of 12 July 2024.

Fears about exchange rate depreciation are overdone.

When Central Bank policy rates diverge, there are typically two main risks that may make rate cuts unsustainable: **1) exchange rate depreciation and 2) inflation pass-through from exchange rate depreciation.** While monetary policy rate differentials matter, both risk factors seem less of a worry in this cycle. First, **exchange rate volatility has been unusually low**, despite the Fed becoming incrementally hawkish in 2024 relative to most other Central Banks. US disinflation has allowed the Fed to maintain its bias towards cuts, which has contained both the distribution of expected inflation and forward US rates.

Relative terminal rates expectations support the USD



Source: Amundi Investment Institute, Bloomberg. Date as of 12 July 2024. USD implied policy rate advantage = US expected policy rate – G10FX policy rates (using DXY constituents' weights), where policy rate is the average between 6M, 12M, and 2Y.

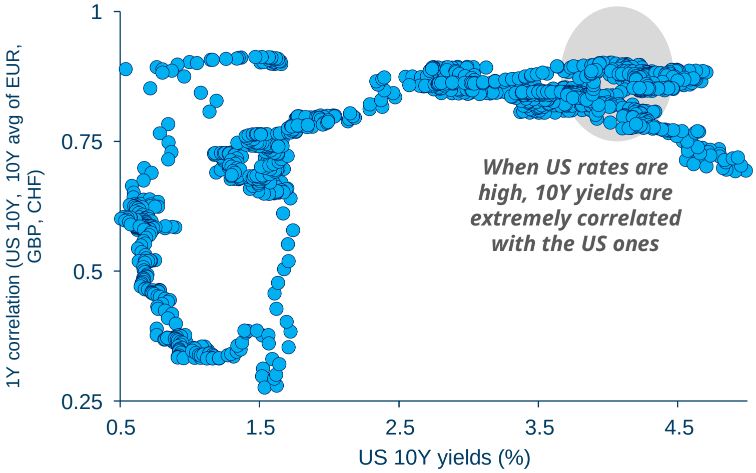
Second, **the inflation pass-through of exchange rate depreciation is estimated to be relatively low** (around 0.10 percentage points for a 1 percentage exchange rate point depreciation in the Euro Area). A related third factor is that **the ECB and the BoE are not easing their restrictive policy stances in response to a growth shock.** Such support for growth would, over time, strengthen their exchange rates. Fourth, the absolute level of yields matters. **Euro and UK terminal rates are expected to be substantially higher than pre-pandemic levels.**

Policy rate divergence would, however, imply steeper yield curves in Europe.

Global financial conditions at the long end are strongly influenced by US long-end yields (primarily reflecting the size of US markets), particularly since the pandemic.

Thus far, global markets have benefitted from the absence of any substantial term premium in the US because policy rates have been expected to fall (with inflation) and the US is continuing to attract foreign capital. But there is a **significant risk that the term premium could rise over the medium term**, possibly by a significant amount, **if the US deficit and debt projections continue to deteriorate.** This is the real risk that European Central Banks will have to manage: a much steeper yield curve than would materialise from going a little faster with rate cuts. Moreover, the absolute level of yields also matters.

European 10Y yields correlation with US 10Y



Source: Amundi Investment Institute, Bloomberg. Data as of 12 July 2024.

With the end of QE and the era of negative-yielding government debt outside the US, **higher US yield levels will likely have larger spillovers.** Any substantial and sharp rise in the US term premium, perhaps due to market concerns about debt issuance and fiscal paralysis in the US, could in turn also have **strong FX effects.** Here we would worry about low-yielding currencies, such as the Yen.

Although it's not our baseline, **another energy shock would also impact exchange rates.** Our baseline sees oil and gas prices on a gradual and slow downward trajectory. But an energy supply and price shock would weaken European exchange rates and rapidly transmit to domestic inflation. As most commodities are priced in US Dollars, the resilience of trade-weighted exchange rates would not help contain imported inflation.

MACROECONOMICS, GEOPOLITICS, AND STRATEGY

MACROECONOMIC FOCUS

China’s policy choices in a divided world

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China's policy landscape is being reshaped by two predominant forces: external geopolitical pressures and a distinct internal governance philosophy. **Heightened tensions, particularly with the US, have steered China towards a strategy focused on self-reliance.** Consequently, China is compelled to reinforce its industrial policies, aiming to secure its supply chain independence and bolster manufacturing capabilities.

Internally, a critical reassessment among policymakers, informed by the drawbacks of past stimulus measures, **has underscored the necessity of rebalancing the economy.** The global context conveniently supports this shift, which provides a persuasive justification for the government’s leaning towards austerity and structural reforms over stimulus measures.

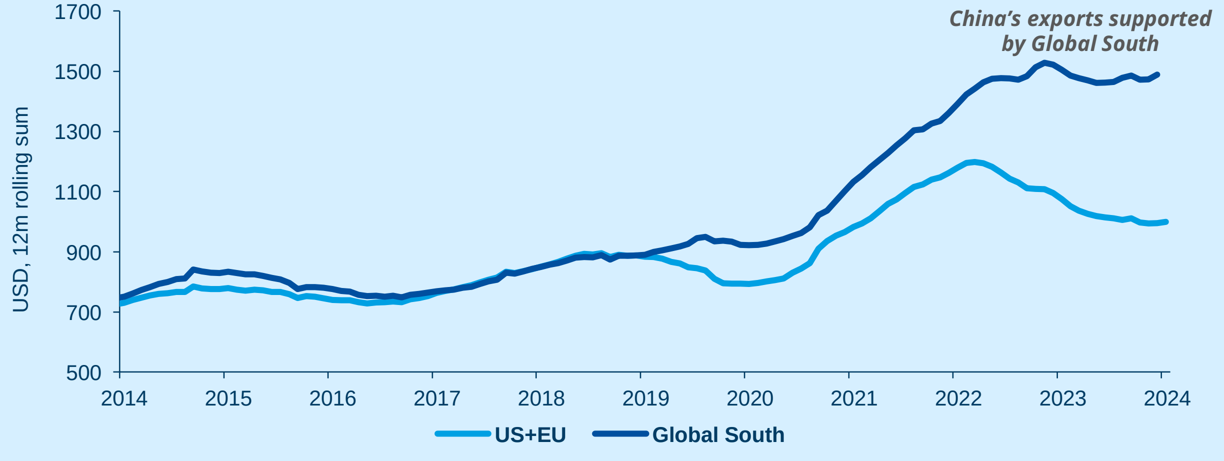
Investors must therefore adjust to recalibrations in China’s future policies which aim to:

1. **Prevent excessive financialisation**, potentially reversing some past liberalisation efforts that resulted in unconstrained expansion of capital;
2. **Strengthen industrial production capacities**, particularly at critical points in the global supply chain;
3. **Selectively open up the economy** to strike a balance between national security and economic development.

Given these strategic choices, the outlook for traditional stimulus measures, commonly favoured by the markets, appears limited. Instead, **China is likely to maintain modest fiscal deficits with a strong emphasis on fiscal discipline**, complemented by gradual monetary easing. Policies are likely to act as a force that depresses inflation, warranting cautious assessment.

China's shift away from stimulus reliance demands new analytical models.

Geopolitical pressures are leading to changing dynamics in China’s exports



Source: CEIC, Amundi Investment Institute. The Global South broadly comprises Africa, Latin America and the Caribbean, Asia excluding Israel, Japan, and South Korea, and Oceania excluding Australia and New Zealand. Data is as of July 2024.

MACROECONOMIC SNAPSHOT

The US economy started to show signs of growth moderation in H1 and we expect this to continue in H2, driven by slowing domestic demand, particularly consumption. With the labour market slowing and wage growth softening, we also expect inflation to continue along a moderating path, although at a slower pace than seen during 2023.

Economic activity in the Eurozone will progressively firm during the year converging towards potential, supported by real income improvement as delayed wage growth catches up with inflation and restores purchasing power, while investments will likely catch up later in the year. Inflation will progress in its descent towards target, with stickiness in services.

Ongoing restrictive monetary policy and the constrained fiscal space will mean the UK faces a subdued medium-term growth outlook. The recovery towards potential will be supported by a continuing decline in inflation and improving real income, putting a floor on consumption and gradually increasing investments.

All eyes are on the BoJ for clues of further monetary policy normalisation. While markets priced in additional rate hikes this year, we believe it is premature to tighten given it is still in the early stage of an economic regime change. While wages have shown signs of improvement, underlying inflation measures have either plateaued or cooled further.

Following the Q2 China GDP miss, PBoC resumed its easing cycle and cut its policy rates by 10bp in July. We expect fiscal expenditure to accelerate, facilitated by the increased issuance of government bonds. Incremental easing efforts are expected to revive China's growth temporarily, but in light of structural headwinds, the economic slowdown will resume afterwards.

India's inflation remains within the RBI's target, albeit staying in the upper half throughout the forecast period. A favourable base effect will bring it down to the central target or below during the summer. RBI's updated neutral rate estimate of 1.4-1.9%, supported by a potential growth rate of around 7%, reinforces a gradual approach to monetary policy easing.

The Mexican economy is no longer expanding as strongly as in 2023 in line with the historical pre- and post-election dynamics – robust fiscal spending will need to come off further. Alongside more benign core inflation as of late, Banxico's easing door has opened a bit wider and we expect it to deliver a cut in August. But AMLO's busy last month in office (September) and the approaching US elections (5 November) will make further rate cuts a policy- and politics-dependent event.

The macro environment is doing well with Brazil's economic activity accelerating, inflation gradually moderating (sequentially as the annual comparison is dealing with unfavourable base effects) and the BoP (Current Account Balance) is in a solid position. However, the BCB had to 'interrupt' its easing cycle due to deteriorating inflation expectations reflecting the highly uncertain fiscal situation. The recent announcement to freeze spending is very welcome but markets will await delivery first.

Main and alternative scenarios

	Probability 70% **MAIN SCENARIO** Resilient multi-speed growth	Probability 20% **DOWNSIDE SCENARIO** Renewed stagflationary pressure	Probability 10% **UPSIDE SCENARIO** More disinflation with productivity gains
GEOPOLITICS	▪ Ukraine/Russia: ongoing fighting (no ceasefire in sight). ▪ Israel: Higher risk of escalation. But military conflict to stay local. ▪ China/US: a controlled downward trajectory. ▪ More protectionism, friend-shoring	▪ Worsening Ukraine war. ▪ Widening conflict in the Middle East. ▪ More protectionism and increased retaliation to protectionist measures.	▪ De-escalation / ceasefire in Ukraine. ▪ Permanent ceasefire between Israel and Hamas ▪ Lower energy / food prices.
INFLATION & POLICY MIX	▪ Disinflation trend in place but slower, sticky core (services) ▪ DM CBs: Fed funds rate -50bp by end-2024, ECB -75bp. ▪ Most EM CBs at peak rates. ▪ Different fiscal policies: restrictive stance in the EU; still supportive in the US; moderate targeted measures in China.	▪ Sticky or resurging inflation leads to tighter financial conditions. ▪ Financial stress. ▪ Central Banks initially refrain from cutting rates because of inflation. A possible recession could lead to rate cuts, but only later.	▪ Faster disinflation. ▪ More rate cuts than in the central scenario.
GROWTH PATH	▪ Resilient multispeed growth: slow recovery in Europe; a mild deceleration in the US; controlled slowdown in China. ▪ Growth gap still favours EM.	▪ Recessionary outlook.	▪ Growth returning to potential earlier. ▪ US potential growth revised up.
CLIMATE CHANGE	▪ Climate change hampers growth and exacerbates stagflationary trends.	▪ Further policy delays imply more adverse climate events.	▪ More decisive policy measures to address transition to Net Zero.

Risks to main scenario

LOW ← Probability → HIGH

	10%	15%	20%	20%
	Market disruption triggered by credit event or other accidents	**CBs wrongly calibrating monetary policy leading to a recession**	**Geopolitical crisis with global spillovers**	**Reacceleration of inflation (US)**
MARKET IMPACT	**Positive** for US Treasuries, cash and gold. **Negative** for credit.	**Positive** for cash, JPY, gold, quality vs growth, and defensives vs cyclicals. **Negative** for risky assets and commodity exporters.	**Positive** for DM govies, cash, gold, USD, volatility, defensive assets and oil. **Negative** for credit, equities and EM.	**Positive** for TIPS, gold, commodity FX and real assets. **Negative** for bonds, equities, DM FX and EM assets.

Source: Amundi Investment Institute as of 16 July 2024. DM: developed markets. EM: emerging markets. CB: central banks. USD: US dollar. TIPS: Treasury inflation-protected securities. FX: foreign exchange markets..

GLOBAL INVESTMENT VIEWS

GLOBAL INVESTMENT VIEWS

AUGUST 2024

Rotation and broadening in equities has started

US mega caps significantly outperformed the rest of the US markets in the first half of the year, driven by better-than-expected economic activity, AI exuberance and superior earnings. Looking ahead, we see a potential for a rally-broadening, which will not be linear and is likely to have multiple legs. Some early signs of this rotation materialised recently after the July CPI report raised the chances of a Fed rate cut in September, while most recently fears on restrictions on the chip industry further supported this trend. This opens up opportunities into areas and segments (small caps, Europe, Japan) that have been left behind. Earnings trajectory is now key as well as themes such as:

- **Mild deceleration expected in the US in the second half**. Economic data and surveys point to this direction. The main feature of this deceleration would be a rebalancing in labour markets, weakening consumption and the dichotomy between affluent and low-income consumers.
- **Little room for errors in monetary policy**. Cutting rates too early risks inflation resurfacing later, while delaying cuts may require sharper reductions in the future. Hence, central banks including the Fed, the ECB and the BoE are being patient and are basing their decisions on incoming data, which according to us confirms the disinflation path.
- **Fiscal profligacy and high levels of govt. debt will affect rates**. Both Biden and Trump are likely to be fiscally expansionary. As we get closer to the US elections, the narrative on how deficit spending will affect borrowing costs in long term will likely get louder. To promote self-sufficiency and domestic economic growth, Europe may need to boost investments in the region.

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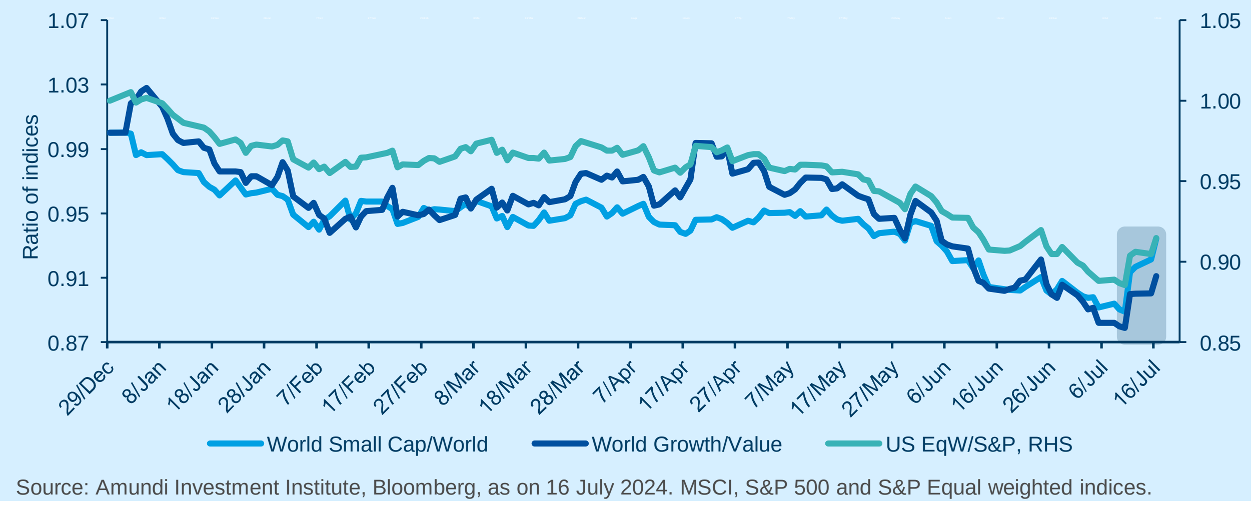
Rate cuts and earnings trajectory will be key for the rally-broadening to continue



Source: Amundi Investment Institute, Bloomberg, as on 16 July 2024. MSCI, S&P 500 and S&P Equal weighted indices.

We believe it's essential to go back to basics, be aware of valuations and stay disciplined. Markets have been going too far in some areas, but when the trigger (lower growth, liquidity crisis, earnings disappointment) comes, the moves could be sharp and rapid. Hence, investors should differentiate between what is rich in valuations and what shows potential for sustainable growth. We outline our four main areas of investment conviction below:

- **Cross asset. Risks around US elections and additional fiscal spending could affect yields of medium/long maturity bonds.** Hence, we remain positive on duration in fixed income in the US and Europe, but have adjusted our stance mildly. After new political leadership took charge in Mexico, we downgraded Mexican bonds but are still overall slightly positive on EM debt. **Divergences are increasingly visible in equities**, allowing us to turn constructive on Japan. We remain mildly positive on the US, European small caps and the UK, but have fine-tuned our views in favour of the improving domestic UK economy. Finally, geopolitical tensions and continued demand for gold allowed us to become constructive on the metal.
- **Inflation readings in the US and Europe are supportive of rate cuts, allowing us to stay constructive on** US Treasuries and UK gilts. In core Europe, we are slightly positive, but maintain an active stance. On Japan, we are vigilant on BoJ communication and are close to neutrality now. TIPS also offer long term value. Quality remains the story in credit and we continue to prefer Investment Grade over High Yield in the US and Europe. While we are slightly positive on EU IG we have trimmed this view to take into account tactical market movements.
- **Segments of US equities are expensive, but valuations need a catalyst to play out**. Hence, we remain cautious on such expensive segments, and instead prefer equal-weighted US markets, value and quality. In Europe, we retain our barbell approach favouring defensives, and quality cyclicals exposed to mega-trends such as energy transition, electrification etc.
- **The Emerging Markets outlook is supported by sound domestic demand and the Fed pivot.** But we are selective and assess individual risks, including those linked with geopolitics. In particular, we prefer hard currency and local debt and countries with attractive real yields, such as India and Brazil. In equities, we like South Korea, India, Brazil and South Africa.

Rally broadening, backed by the Fed put and improving earnings, could ignite a resurgence in previously neglected segments.

Overall risk sentiment

Risk off **Risk on**

Slight risk-on stance, exploring market segments that have been left behind in the rally and may benefit from an improving earnings outlook.

Changes vs previous month

- Cross asset: Positive on Japanese equities and some adjustments in the UK; Upgraded gold and downgraded oil.
- Fixed income: Marginally constructive on EU core and upgraded Japan duration.
- FX: Optimistic on GBP.

*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 (GIC) held on **17 July 2024**. It reflects views over a one month horizon, from one GIC to the other. Our stance may be adjusted to reflect changes 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,. BTPs = Italian government bonds, JBGs = Japanese government bonds. For other definitions see the last page of this document.

Three hot questions

1

How would politics in the UK, France shape their economies?

The UK is likely to benefit from political stability after the strong mandate awarded to the Labour party. But it doesn't have any significant room for fiscal stimulus and the new government seems to acknowledge that. We might see small stimulus measures amid strained public services and low productivity. In France, following the election results, yields on bonds have declined, but markets are now tracking how the hung parliament plays out. Our near term growth and inflation forecasts are unchanged. We think the country has limited scope for massive fiscal boosts to demand as it faces medium-term fiscal consolidation requirements under European Commission rules.

Investment Implications

- UK: Positive on equities on cheap valuations, defensive play; positive on Gilts and on GBP/USD.

2

What's the reason behind Fed, ECB policy divergences?

We expect the divergence between the Fed and the ECB to be temporary, reflecting marginal differences in the pace of growth and deflation and different economic backdrops. While the US economic growth would 'decelerate' to its potential levels in the near term, in Europe it is 'converging up' towards its potential growth. In addition, domestic demand in Europe is still below its pre-pandemic trend. Thus, the ECB has a bigger incentive to cut rates aggressively because policy rates are still overly restrictive. But eventually the Fed will cut because if inflation returns to its 2% target, then the Fed has no incentive to keep rates restrictive. Hence, any gains in the USD should be limited.

Investment Implications

- Duration: constructive on US and EU core duration.
- EUR/USD target 1.12 for Q4 2024.

3

What are your views on China and the recent Third Plenum?

Domestic demand in China remains weak but exports are robust. And this could become tricky for China going ahead as US is its major export destination and a country with which China is in a geopolitical competition. Hence, China has a strong incentive to diversify its exports but doing this would not be easy. On the domestic front, the Communist Party recently concluded its third Plenum, which reiterated the focus on modernisation, sustainable and high quality development, and focus on high value manufacturing and technology. We think the government will not repeat previous mistakes of massive stimulus. Instead, it is fine with accepting short-term volatility, that could pave way for more stable long-term growth.

Investment Implications

- Neutral on Chinese equities and government bonds.

Macro data such as economic growth, labour markets and consumption are key variables that would affect central banks' decisions to cut rates. Any volatility on these could impact the timing of policy decisions.

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MULTI-ASSET

Stay risk-on but well-diversified

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Softening economic activity in the US is reflected in the rebalancing labour markets and weakening consumption. This is happening at a time when the US fiscal deficit is increasingly in focus. In Europe, we expect growth returning towards potential during the year, although there could be some vulnerabilities. This mixed environment calls for a mildly positive stance on risk assets, but investors should diversify their risks. From a structural perspective, they should also consider sources of portfolio stability, such as gold, in times of deficits and geopolitical tensions.

We are positive on equities and moved up slightly on Developed Markets, following the marginal upgrade of Japan. Japan is witnessing improving corporate governance and potential buybacks that could support the markets. We are also constructive on the US, European small caps and the UK. But we recalibrated our UK views and diversified towards mid and small caps to take into account a better domestic economic environment, earnings growth potential and attractive valuations. In Emerging Markets, divergences keep us positive on select countries such as India and South Korea.

In bonds, we are constructive on duration overall, but have slightly reduced our views on the US in light of risks around fiscal policy and our diversification efforts. This allowed us to become more positive on core European bonds because we think the market is not fully pricing in the rate cuts by the ECB. We also continue to see value in Italian BTPs, but believe Japanese bonds could come under pressure from inflation and a less dovish stance of the BoJ.

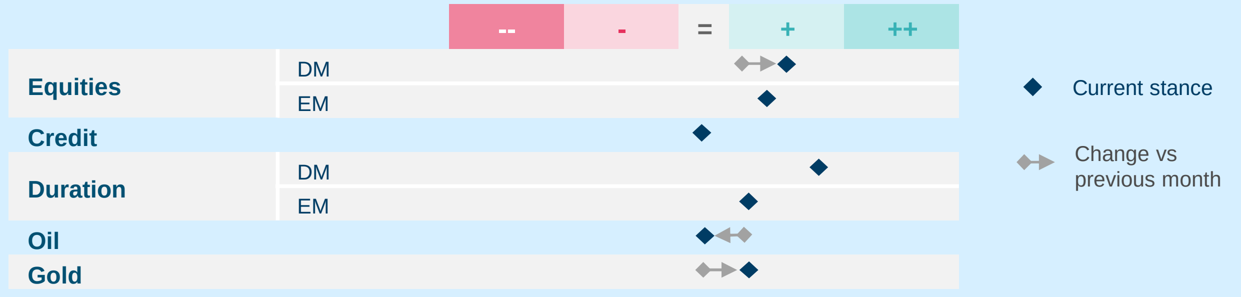
We adjusted our stance in favour of EU duration in light of mild risks of excessive fiscal spending in the US if Republicans win the elections.

EM bonds in general continue to present opportunities, but on Mexico now we see risks around extreme reforms and concentration of power after the landslide victory of Claudia Sheinbaum. We are monitoring the policies closely. In DM credit, fundamentals for EU IG companies remain healthy.

We maintain that the USD is a good diversifier and we are positive in the near term vs select G10 FX. In commodities, we do not see significant upside in oil in light of OPEC's plan to raise production and supply in Q4. However, we became positive on gold amid geopolitical risks and support coming in from central banks' demand.

Finally, we think investors should consider portfolio protection in US duration and in select corners of DM equities such as the US and UK.

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 held on 17 July 2024. 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, NIRP =.Negative interest rate policy, DM = Developed markets, EM = Emerging markets. For other definitions and currency abbreviations see the last page.

FIXED INCOME

Fed gaining confidence in easing policy

The downshifting of the US economy along with declining price pressures are indicative of the upcoming Fed pivot. Similarly, inflation is falling in Europe but some components such as core and services inflation remain a bit sticky. Hence, while central banks seem to be on the path to cut policy rates, any volatility on inflation or economic resilience could mean they would remain patient. On the fiscal side, deficits are important determinants of the premium for holding government debt in the long term. Given the high deficits in US and Europe, the risks of geopolitical tensions and of trade tariffs and barriers (these are inflationary), we think an active stance is crucial to navigate the medium term. There are opportunities in developed and emerging markets, with a tilt towards select government bonds and corporate credit.

Global & European fixed income

- This is a time to be strategically positive on core EU duration. We are flexible in adjusting this stance to consider inflation volatility. We are positive on UK and breakevens.
- On Japan, we are tactically moving towards neutrality, even though longer term we stay cautious.
- In credit, we look for quality through EU IG. But in HY, we are cautious mainly via consumer and real estate sectors, although there is value in BB-rated debt.

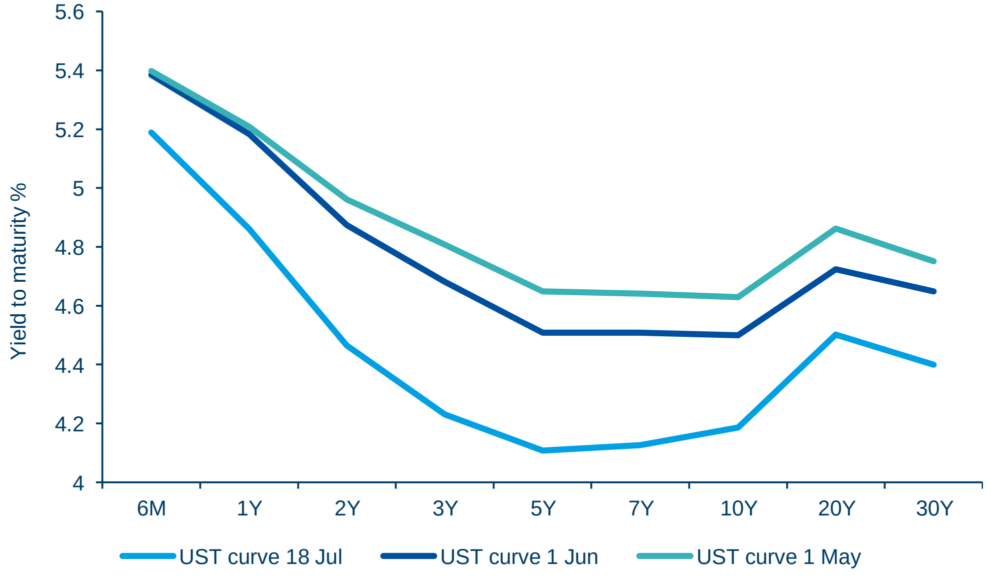
US fixed income

- Amid concerns on soft landing of the economy and potential flight to quality, we stay positive and active on USTs and also on TIPS.
- Our view on yield curve steepening is maintained, and we think the short and mid maturity parts of the curve offer attractive value.
- We are raising our quality bias in corporate credit where we prefer IG to HY and financials.
- Securitised credit is attractive but we are monitoring housing market.

EM bonds

- Robust outlook for domestic demand and potential easing by the Fed are positive for EM debt. We are selective and prefer idiosyncratic stories.
- India offers long-term potential and in Brazil we find that carry is attractive. But we are monitoring fiscal risks in Brazil and how LatAm countries balance their relations with US and China.
- We also like HY and low-beta countries such as Turkey, Egypt, Uzbekistan.

Falling inflation is pulling the Treasury curves down



Source: Amundi Investment Institute, Bloomberg, as on 18 July 2024.

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EQUITIES

Earnings resilience essential for rotations to sustain

Equity markets are being driven mainly by rate cut expectations, politics, and economic momentum. The Federal Reserve is expected to cut rates due to slowing inflation, recent mixed economic data and weakening labour markets, which supports our view of a decelerating economy. Despite this, US large caps have remained strong, driven by rate cut expectations and following the narrative that bad news is good for the markets. However, we are starting to see signs of rotation. For this rotation to continue, the earnings season will be crucial. Earnings growth in the mega caps has likely peaked, at a time when earnings for the rest of the market should recover. Geopolitics may also affect sentiment towards tech stocks. This could open up opportunities in US value, Europe, the UK, and emerging markets stocks.

European Equities

- We are positive on staples and health care sectors due to attractive valuations and robust balance sheets. We also like banks with strong capital positions and above-market earnings growth.
- We raised our views on industrials (electrical equipment) linked with green transition and AI.
- Businesses with no pricing power and sectors with intense competition are displaying profit warnings. Hence, we keep a quality bias.

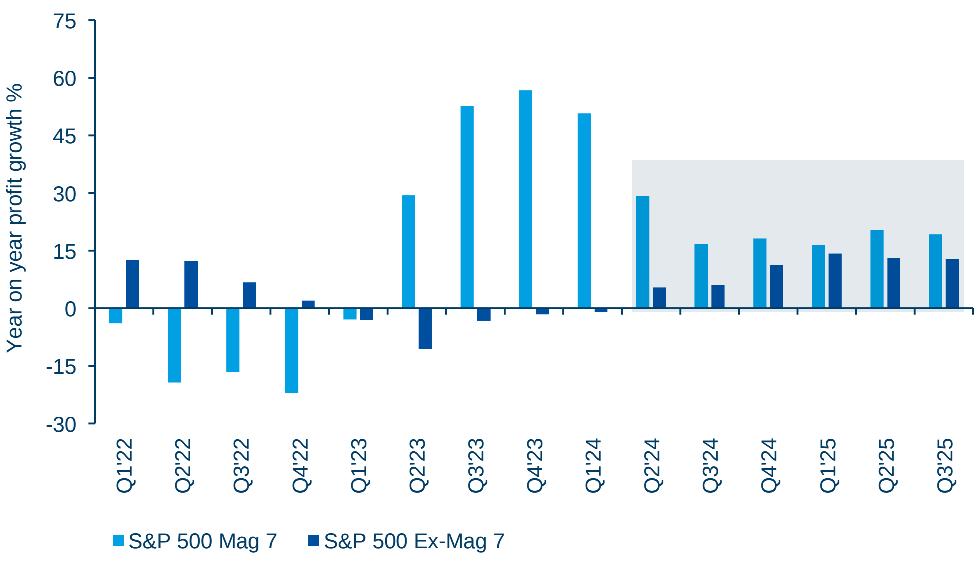
US & Global Equities

- US mega cap valuations have risen dramatically but we saw some signs of this changing after the June CPI was released.
- We are cautious on market-cap weighted indices and favour an equal weighted approach, and value, quality businesses that can deliver sustainable earnings.
- From a long-term view, we are mindful of any upward pressures in companies' cost of financing due to worsening fiscal deficits and rising government debt.

EM Equities

- EM companies are likely to experience a revitalisation in earnings particularly in 2H. Our long-term convictions are in South Korea and India, despite some high valuations.
- We are slightly more positive on South Africa after the new coalition government and on Brazil.
- More broadly, we are assessing how geopolitical tensions with the US (after the Nov. elections) could affect Chinese equities and other EM.

Earnings growth for non-magnificent stocks could favour rotation



Source: Amundi Investment Institute, Bloomberg, 18 July 2024. External forecasts start from Q2 2024.

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VIEWS

Amundi asset class views

In focus this month

- **EU core bonds:** As inflation declines and the ECB cuts rates, it is time to become gradually positive on core govies which should also provide some cushion if the economic environment deteriorates.
- **GBP:** We turned slightly positive, given the stable economic outlook that could affect BoE rates decisions.

Equity and global factors

Regions	Change vs. M-1	--	-	=	+	++
US				◆		
Europe					◆	
Japan	▲				◆	
EM					◆	
China				◆		
EM ex China					◆	
India					◆	

Global Factors	Change vs. M-1	--	-	=	+	++
Growth			◆			
Value					◆	
Small caps					◆	
Quality					◆	
Low Volatility				◆		
Momentum				◆		
High Dividend				◆		

Fixed income & FX

Govies	Change vs. M-1	--	-	=	+	++
US					◆	
EU core	▲				◆	
EU periph.				◆		
UK					◆	
Japan	▲			◆		

Credit	Change vs. M-1	--	-	=	+	++
US IG				◆		
US HY			◆			
EU IG					◆	
EU HY			◆			

EM Bonds	Change vs. M-1	--	-	=	+	++
China govt.				◆		
India govt.					◆	
EM HC					◆	
EM LC				◆		
EM corp.					◆	

FX	Change vs. M-1	--	-	=	+	++
USD					◆	
EUR			◆			
GBP	▲			◆		
JPY					◆	
CNY			◆			

Source: Summary of views expressed at the most recent global investment committee held on **17 July 2024**. Views relative to a EUR-based investor. Views range from double minus to double positive, = refers to a neutral stance. This material represents an assessment of the market 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. FX table shows absolute FX views of the Global Investment Committee.

▼ Downgrade vs previous month
▲ Upgrade vs previous month

FORECASTS

Macroeconomic forecasts

Macroeconomic forecasts as of 24 July 2024						
Annual averages, %	Real GDP growth, YoY, %			Inflation (CPI), YoY, %		
	2023	2024	2025	2023	2024	2025
Developed countries	**1.6**	**1.5**	**1.5**	**4.7**	**2.8**	**2.3**
United States	2.5	2.3	1.7	4.1	3.3	2.5
Eurozone	0.6	0.8	1.2	5.4	2.4	2.2
Germany	*0.0*	*0.2*	*1.0*	*6.1*	*2.4*	*2.3*
France	*0.9*	*0.9*	*1.3*	*5.7*	*2.5*	*2.1*
Italy	*1.0*	*0.8*	*0.9*	*5.9*	*1.4*	*2.2*
Spain	*2.5*	*2.1*	*1.6*	*3.4*	*3.2*	*2.2*
United Kingdom	0.1	0.8	1.3	7.5	2.4	2.1
Japan	1.9	0.6	1.4	3.3	2.4	2.0
Emerging countries	**4.3**	**4.2**	**4.0**	**5.8**	**5.4**	**4.0**
China	5.2	4.8	3.7	0.2	0.4	0.5
India	7.8	6.6	6.1	5.7	4.8	5.8
Indonesia	5.0	5.1	4.9	3.7	2.8	3.2
Brazil	2.9	2.0	2.3	4.6	4.3	3.5
Mexico	3.2	1.8	1.5	5.6	4.5	3.8
Russia	3.6	3.0	1.5	6.0	7.3	5.7
South Africa	0.7	0.8	1.4	5.9	5.2	4.6
Turkey	4.5	4.5	2.5	53.4	59.0	28.9
World	**3.2**	**3.1**	**3.0**	**5.3**	**4.4**	**3.4**

Central Banks' official rates forecasts, %					
	24 July 2024	Amundi Q4 24	Consensus Q4 24	Amundi Q2 25	Consensus Q2 25
United States*	5.50	5.00	5.35	4.25	4.75
Eurozone**	3.75	3.00	3.70	2.50	3.15
United Kingdom	5.25	4.25	5.14	3.75	4.65
Japan	0.10	0.10	0.25	0.50	0.50
China***	3.35	3.15	3.25	2.85	3.25
India****	6.50	6.25	6.20	6.00	5.95
Brazil	10.50	10.50	10.25	10.00	9.50
Russia	16.00	16.00	16.15	14.00	13.65

Source: Amundi Investment Institute. Forecasts are as of 24 July 2024. CPI: consumer price index. *: Upper Fed Funds target range. **: Deposit rate. ***: One-year loan prime rate. ****: Repurchase rate. Q4 2024 indicates end of December 2024; Q2 2025 indicates end of June 2025.

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