

Inflation trends, central banks and geopolitics to drive markets

Government policies and international relations, in addition to central banks, are increasingly becoming crucial in shaping economic outlooks. With a diversified¹ approach, we are mildly constructive on risk assets including equities and credit.



Amundi Investment Institute



Central bank divergences in sight in near term

Unlike the ECB, the Fed held rates unchanged after its recent policy meeting. But we think as inflation falls the Fed could be inclined to reduce rates. This may make US Treasuries attractive.



US consumption is important for equities

Any weakness in US consumption could affect the country's stocks. Instead of exploring expensive sectors, we see potential opportunities in US value, and globally in Europe and UK where outlook is improving.



Declining price pressures are supportive of credit

Quality credit in the EU and US may offer a good balance of extra income and high liquidity. However, we are cautious on businesses with excessive debt on their balance sheets.



Global macro conditions support EM assets

Prospects of lower rates in the developed world and robust EM growth are positive for EM debt and equities. In debt, we like India and Mexico for that extra income, and in equities South Korea, Indonesia and India may do well.



Focus on pricing power, earnings strength

We prefer a quality-based approach in equities and credit, in favour of companies with strong pricing power. But this should be matched with portfolio protections and gold to account for any increase in volatility.



Glossary

- 1. Inflation:** Increase of the general level of prices for goods and services, decreasing purchasing power as a result.
- 2. Central bank:** Institution that manages the currency and monetary policy of a country or monetary union, ensuring economic and financial stability.
- 3. US Treasuries:** Refer to government bonds issued by the United States.
- 4. Price Pressure:** The change in price when large quantities of a security are traded
- 5. Value:** Refers to an investment strategy in undervalued companies, with a price deemed too low and with an attractive potential of recovery.
- 6. Earning strength:** A business's ability to generate profits over the long haul,
- 7. EM** = Emerging markets,
DM = Developed markets.
- 8. Fed** = Federal Reserve

IMPORTANT INFORMATION

¹ Diversification does not guarantee a profit or protect against a loss.

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