Amundi Investment Institute

Weekly Market Directions

Amundi Investment Solutions

Trust must be earned

"Renewed security challenges in a fragmented world indicate that Europe must strengthen its strategic autonomy. NATO's latest declaration to raise defence spending may present such an opportunity for the region."

Monica Defend
Head of Amundi Investment Institute

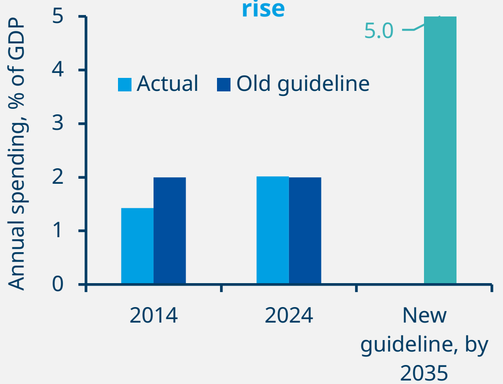
NATO pledges for more defence outlay

The new world order, intensified by threats like the Russia-Ukraine war, is driving calls for higher defence spending.

This is a reminder for Europe to invest more in defence, infrastructure and enhance integration of its institutions.

From an economic perspective, this may be positive for the region's economic growth in the long term.

NATO defense spending on the rise



Source: Amundi Investment Institute, NATO, as on 25 June 2025. 2014 and 2024 data for NATO Europe and Canada. 2024 data refers to estimates.

In June 2025, the NATO committed to allocating 5% of member countries' GDP annually to defence and related security spending by 2035. Financing this is a big question, particularly for Europe, and Germany appears best positioned. Government's intention is evident from its plans to raise more debt and from the approval of the German budget by the Chancellor's cabinet. While there is clear recognition of the need to do so in other countries such as France, Italy and Spain, fiscal space is limited. This suggests that, at some point, common debt at the EU level may be necessary. Another proposal made earlier this year is a European Defence Mechanism. Overall, increased defence and infrastructure investment, joint debt issuance, and deeper EU integration, may enhance confidence in European markets and the euro.

Actionable ideas

European defence
The renewed push in Europe to invest more in the defence sector may open up opportunities in the equity space linked with the sector

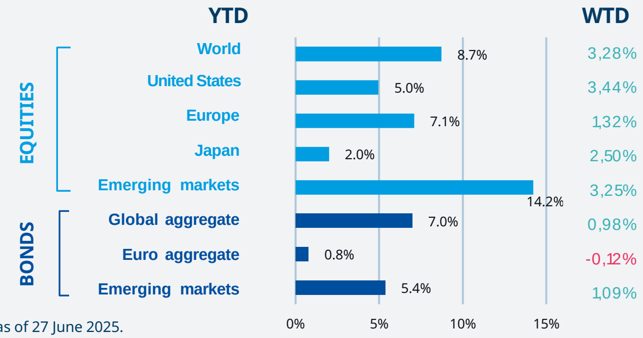
Global equities
In an environment of rotation outside expensive segments, equities in areas like Europe, the UK and Japan currently look attractive.

This week at a glance

Global equities rose on the back of optimism on trade talks between the US and its main trading partners. Oil prices plunged owing to easing geopolitical tensions, following a cease-fire between Israel and Iran. The situation remains fluid. In bond markets, US yields declined on renewed expectations of Fed rate cuts, given weak economic data.

Equity and bond markets

Asset class performances, year to date and week to date



Source: Bloomberg, data as of 27 June 2025.
Please refer to the last page for additional information on the indices.

Government bond yields

2 and 10-year government bond yields, and 1 week change

	2YR		10YR	
US	3,75	▼	4,28	▼
Germany	1,86	▲	2,59	▲
France	2,14	▼	3,26	▲
Italy	2,09	▼	3,47	▼
UK	3,84	▼	4,50	▼
Japan	0,75	▲	1,43	▲

Source: Bloomberg, data as of 27 June 2025.
Please refer to the last page for additional information on the indices.
Trend represented refers to 1-week changes. Please refer to the last page for additional information

Commodities, FX and short-term rates, levels and weekly changes

Gold USD/oz	Crude Oil USD/barrel	EUR/USD	USD/JPY	GBP/USD	USD/RMB	Euribor 3M	T-Bill 3M
3274,33	65,52	1,17	144,65	1,37	7,17	1,94	4,30
-2,8%	-12,6%	+1,7%	-1,0%	+2,0%	-0,1%		

Source: Bloomberg, data as of 27 June 2025.
Please refer to the last page for additional information on the indices.

Amundi Investment Institute Macro Focus

Americas

US consumer showing signs of fatigue

The third update to the US GDP growth for the first quarter came in below market expectations at -0.5% mainly due to decelerating growth in services spending. The overall data supports our view that US consumption and labour markets are important factors to monitor when it comes to economic activity. However, we maintain a scenario of no recession in the country.

Europe

Eurozone PMI held steady in June

The preliminary data for composite PMI came in at 50,2 in June. A number above 50 means expansion, and below 50 shows contraction. The overall data was similar to May but the services component of the index showed a slight improvement. Manufacturing, however, stayed in contraction territory. We also noticed divergences across countries, with Germany showing signs of improvement possibly due to sentiment around fiscal stimulus.

Asia

China's industrial profits fell in May

Profits for industrial firms declined by 9.1% year-on-year, reflecting pressures in both domestic and export markets. Although a tariff truce between the US and China took effect around mid-May, some damage had already been done. Looking ahead, the latest trade talks between the two countries are expected to benefit industrial exporters. However, the overall trade environment is likely to remain volatile.

Key Dates

30 June Japan and India industrial production, UK GDP

1 July EZ CPI, US ISM, Indonesia CPI, South Korea trade balance

3 July US labour markets, EZ PMI

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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 of **27 June 2025.** The chart shows US monthly CPI against the Bloomberg consensus of economists.

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

GLOSSARY

European Defence Mechanism: A proposal that encourages joint purchase of important military equipment to respond collectively to security challenges.

Fed: Federal Reserve System, the US's central banking system

NATO: North Atlantic Treaty Organization

EZ: Eurozone

GDP: Gross domestic product

PMI: Purchasing Managers Index

CPI: Consumer Price Index

YoY: Year on Year

Discover more insights from the Amundi Investment Institute.

IMPORTANT INFORMATION

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