Weekly Market Directions

Amundi Investment Solutions

Trust must be earned

"In light of the uncertainty on inflation and on policies of the new US administration, we think investors should maintain a flexible stance on US Treasuries and explore bonds in regions such as Europe."

Monica Defend
Head of Amundi Investment Institute

Bond yields on the rise

A change in market expectations on US inflation and economic activity has driven the recent surge in bond yields.

We believe the Fed will ease policy, but will get vigilant on incoming data that could affect its decisions.

Bond yields are attractive from a historical perspective, but flexibility is key as uncertainty is high.

US Treasury yields already close to previous year highs

Source: Amundi Investment Institute, Bloomberg as of 9 January 2025.

Bond yields started the year with strong upward moves, and reached close to the highs seen in April last year. This latest upward trend, which has been evident from September amid Trump's election campaign and his eventual victory, has been partly driven by resilience in the US economy. More recently, data around labour markets and the services sector and potential policies of the new administration have flamed concerns that disinflation in the US will be affected. This, along with worries of excess Treasuries supply, pushed bond yields higher. The trend was also evident in UK bond yields. Looking ahead, any strength in US labour markets and upside surprise to inflation could cause the Fed to alter its course on policy and cut rates by less than previously expected. We think the overall inflation path will likely remain downwards, but there are some risks.

Actionable ideas

Global bonds and credit
With rising uncertainty on economic policies, bond investors could benefit from broadening the opportunity set across global regions both in the sovereign and credit spaces.

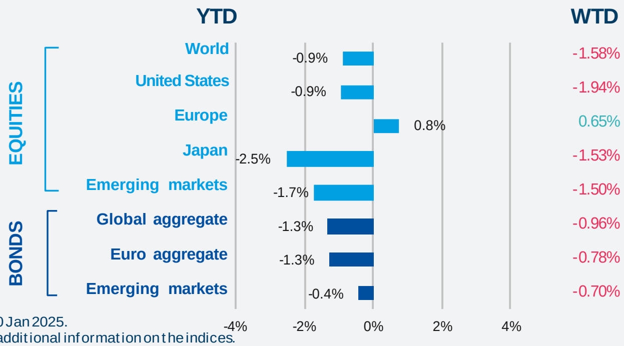
Emerging market fixed income
Emerging market debt offers ample opportunities that are less linked with the US and provide attractive yields for long-term investors.

This week at a glance

European equities started the year on a positive note, but bond yields rose, notably in the US and UK. Concerns over inflation and government finances pushed UK yields higher. In commodities, gold rose amid uncertainty around US inflation and policies of the new administration.

Equity and bond markets

Asset class performance year to date and week to date



Source: Bloomberg, data as at 10 Jan 2025.
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	4.38	▲	4.76	▲
Germany	2.28	▲	2.59	▲
France	2.48	▲	3.43	▲
Italy	2.63	▲	3.77	▲
UK	4.53	▲	4.84	▲
Japan	0.64	▲	1.19	▲

Source: Bloomberg, data as at 10 Jan 2025.
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
2689.76	76.57	1.02	157.73	1.22	7.33	2.77	4.32
+1.9%	+3.5%	-0.6%	+0.3%	-1.7%	+0.2%		

Source: Bloomberg, data as at 10 Jan 2025.
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

Amundi Investment Institute Macro Focus

Americas

Mixed labour data point to a moderating US job market
US job openings rose in November but other indicators in the same report point to a softening of labour markets. For instance, job hiring dropped in November. In addition, we believe workers are feeling less comfortable to leave their current jobs in search of better ones (perhaps because it is taking longer to find a new job). This is a good indicator of a possible moderation in wage growth ahead. Overall, our view of a softening, but not sharply deteriorating, labour market remains in place.

Europe

Eurozone inflation accelerated but the trend is lower
Preliminary estimates for CPI were in line with consensus. Headline inflation accelerated slightly to 2.4% in December (from 2.2% in November). One of the main drivers was energy and fuel prices. Although the services component remained quite elevated, the trend over the last few months has been lower. Therefore, overall inflation is likely to maintain its downward path. Energy prices will play a crucial role in this.

Asia

India released advance estimate of GDP
The government released its first estimate for GDP growth for the fiscal year 2025 (1 April 2024 to 31 March 2025) at 6.4%, year-on-year. This is below the growth figure of the previous fiscal year 2024. The recent estimate implies a decent pick up in the economy in the second half of the current fiscal year. However, due to a stalling economic momentum visible for October/November, we expect some further downside revision in the second estimate later.

Key dates

15 Jan US and UK CPI, EZ industrial production

16 Jan US retail sales, UK industrial production

17 Jan EZ CPI, China GDP

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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 **10 January 2025**. The chart shows US ten-year Treasury yields.

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

GLOSSARY

CPI: Consumer Price Index.

EZ: Eurozone.

Fed (Federal Reserve): The central banking system of the United States.

GDP: Gross Domestic Product.

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IMPORTANT INFORMATION

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