Amundi
Investment Solutions

Trust must be earned

Tariffs U-turn, market U-turn

Even though the situation is fluid, a trade war de-escalation between the US and China and resilience in US labour markets have boosted sentiment. The sustainability of this rally depends on economic growth, and the outcome of trade negotiations. We remain mildly pro-risk.

Amundi Investment Institute

Marketing Communication

Fiscal deficit concerns affecting bond yields

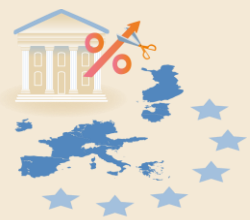
Markets are worried about high debt and high deficit (excess of expenditure over revenues) particularly in the US. In Europe, inflation is declining and this is usually positive for European government bonds and those in the UK.

US tariffs will impact equities

We expect US-China trade tariffs will affect economic activity and that would have an impact on markets. Still, some US segments are expensive, leading us to be positive on other less-expensive areas such as Europe, the UK, US value and Japan.

EM to benefit from a weaker dollar

A weakening US dollar and an easing of trade tensions paint a positive picture for EM assets in general. In particular, we like equities in EM Asia and Latin America (Brazil, Mexico). EM bonds such as those in India may also offer good prospects.



Monetary easing supportive of European credit

Decent economic growth in the region and ECB on an easing path are supportive factors for high quality credit. We think attractive yields are available in EU, and at a sector level, we like some banks. Short maturity credit currently also offers value.

Rebalance without increasing risks

We believe markets are being driven by sentiment. Hence, investors could consider exploring quality equities that are attractively priced for instance in Europe, EM and Japan. In addition, in our view portfolio stabilisers in the form of government bonds and gold should be maintained.

Glossary

1. **Bond:** is a fixed-income investment that represents a loan made by an investor to a borrower, usually corporate or governmental
2. **Equity:** is the remaining value of an asset or investment after considering or paying any debt owed; the term is also used to refer to capital used for funding or a brand's value
3. **ECB:** European Central Bank
4. **EU:** European Union
5. **Credit:** is a contractual agreement in which a borrower receives a sum of money or something else of value and commits to repaying the lender later, typically with interest
6. **EM:** Emerging Market

IMPORTANT INFORMATION

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