

Trade war complicating the Fed's job

The trade policy uncertainty caused by the US administration raises risks of transitory inflation, thereby complicating the Fed's task. Now, in addition to economic growth risks, the central bank will have to consider inflation expectations in the near term. We think a mildly positive risk stance is the way forward in the near term.



Amundi Investment Institute

Marketing Communication



Policy divergences boost case for European bonds

While the ECB and the BoE cut rates recently, the Fed did not, given the near term risks around inflation due to import tariffs. These temporary divergences and limited inflation risks in the EU should support government bonds in the region, and also in the UK.



Emerging markets in a world of tariffs

We believe there are ample opportunities within the EM equities and credit space that are less vulnerable to US tariffs and those that offer attractive yields. We like equities in countries such as India, and regions such as Latin America, and emerging Europe.



Rotation out of expensive equities is on track

The rotation out of expensive US segments is exacerbated by policy uncertainty. It will now depend on earnings strength. We find such resilient business models in US value, European small and mid caps and Japan.



Use the income potential in corporate credit

Corporate credit is offering decent income and investors should be careful in exploring the quality areas. For instance, European high credit and financials sector may offer good long term value.



Flexibility in times of high volatility

As the US challenges traditional alliances and global trade, markets could become volatile. This calls for exploring all levers available to investors to potentially generate that additional income through equity dividends and EM bonds. At the same time, safeguards such as gold and government bonds may offer diversification*.



Glossary

1. **BOE:** Bank of England
2. **ECB:** European Central Bank
3. **EM:** Emerging Market

IMPORTANT INFORMATION

*Diversification does not guarantee a profit nor protect against a loss.

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