


Trust must be earned


"The Fed cut rates as expected. Our priority is understanding how it intends to reconcile support for a weakening labour market with some inflation concerns, particularly in light of rising political pressure to loosen policy."

Monica Defend

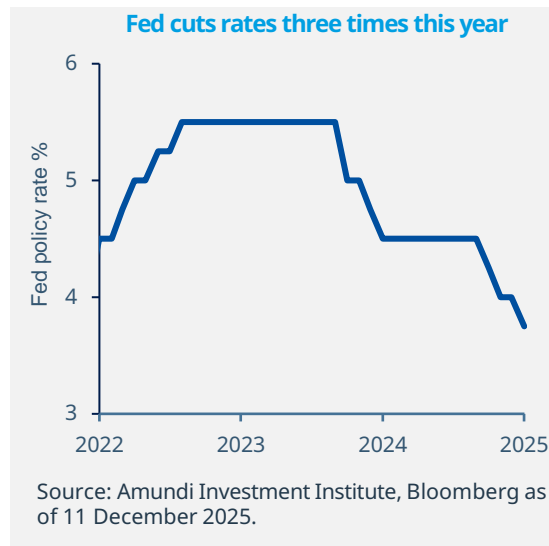
Head of Amundi Investment Institute

Fed cuts, keeps a balanced tone

With its recent rate cut decision, the Fed has lowered its benchmark rate for a total of 75bp this year.

The Fed emphasised that the "extent and timing" of future decisions would be based on the incoming data around employment, inflation, and economic activity.

The Fed also initiated purchases of T-bills to maintain liquidity in the markets.



The Federal Reserve (Fed) reduced its target federal funds rate by 25bp at its December policy meeting. Chair Powell acknowledged that risks to both sides of the Fed's dual mandate — inflation and labour markets — remain. However, we believe some signals from the Fed suggest labour markets are weaker than current data indicates. For instance, Chair Powell pointed out that current data may be overstating monthly payroll growth. We believe such concerns may explain why the majority of FOMC members voted for the rate cut, with one member dissenting in favour of a larger cut and two members voting for no change. Looking ahead, we maintain our projection of two rate cuts next year because of weakening consumption and softening labour markets. Inflation, which remains above the Fed's 2% target, is likely to slow from current levels, but tariffs are a risk we are monitoring.

**Key
dates**

16 Dec

US nonfarm payrolls, US housing starts and building permits

18 Dec

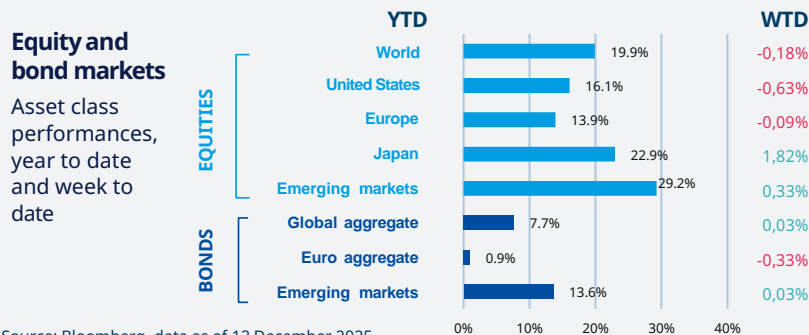
BoE and ECB interest rate decision, US inflation rate

19 Dec

BoJ interest rate decision, Japan inflation rate

This week at a glance

Global equities were mixed last week amid the Fed rate cut and the bank's dovish tone. Hawkish comments by ECB member Isabel Schnabel paved the way for a sell-off in European bonds. Gold climbed again, testing the record highs reached in October, supported by expectations of further US monetary easing.



Source: Bloomberg, data as of 12 December 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	3,52	▼	4,19	▲
Germany	2,15	▲	2,86	▲
France	2,36	▲	3,58	▲
Italy	2,27	▲	3,55	▲
UK	3,74	▼	4,52	▲
Japan	1,06	▲	1,95	▲

Source: Bloomberg, data as of 12 December 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	Crude Oil	EUR/USD	USD/JPY	GBP/USD	USD/RMB	Euribor 3M	T-Bill 3M
USD/oz	USD/barrel	USD	JPY	USD	RMB	3M	3M
4299,63	57,44	1,17	155,81	1,34	7,06	2,08	3,62
+2,4%	-4,4%	+0,8%	+0,3%	+0,3%	-0,2%		

Source: Bloomberg, data as of 12 December 2025.
Please refer to the last page for additional information on the indices.

Amundi Investment Institute Macro Focus

Americas



Employment cost index eased in Q3

The Employment Cost Index rose 0.8% QoQ in Q3 2025, with a 3.6% YoY increase – the slowest pace since Q2 2021 – continuing a slowing path. Other indicators on wage dynamics also point to gradually cooling wage growth and inflationary pressures, reflecting cooling labour demand which has clearly slowed.

Europe



EZ growth proved resilient in Q3

EZ Q3 real GDP growth was revised up to 0.3% from 0.2% QoQ as originally reported. Analysis of spending components shows that the area's expansion was largely driven by government spending and investment, whereas private consumption stayed relatively subdued, showing signs of deceleration. PMIs point to positive growth also in Q4, showing somewhat higher resilience to trade and domestic political uncertainty, especially on the investment front.

Asia



Small policy rate cuts ahead for China

China's Central Economic Work Conference (CEWC) explicitly acknowledged the imbalance of strong supply, but weak demand, pledging to revive negative investment growth and reiterating reflation as a key objective for monetary policy. While pledging to maintain same policy easiness in 2026 as in 2025, CEWC implies reduced easing bias. The meeting reaffirms our views of small policy rate cuts, with the first cut likely in May.

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 **12 December 2025**. The chart shows US Fed Funds target rate (upper bound).

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

GLOSSARY

BoE: Bank of England

BOJ: Bank of Japan

Bp: Basis points

ECB: European Central Bank

Employment cost Index: Quarterly economic series that measures changes in the cost of labour for employers in the US

EZ: Eurozone

Fed: Federal Reserve

FOMC: Federal Open Market Committee

PMI: Purchasing Managers' Index

QoQ: Quarter on Quarter

T-bills: US government debt securities with short-term maturity of up to one year.

YoY: Year on Year

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