

Weekly Market Directions


Trust must be earned


“European bonds have performed strongly over the second half of the year and remain appealing heading into 2025 thanks to projected ECB rate cuts.”

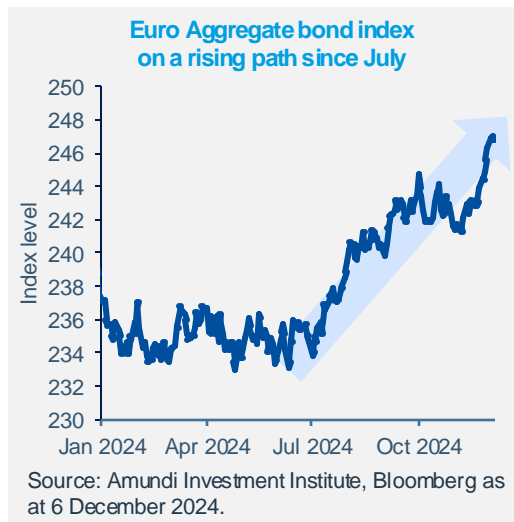
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European bonds shine ahead of ECB meeting

We expect slowing inflation and a weak recovery in Europe in 2025.

The ECB is most likely to cut rates further over the upcoming meeting.

The economic backdrop is supportive for global cross-asset investing.



The Euro Aggregate bond index has been on a rising path in the second half of the year, with a performance of around +5%. The appeal of European bonds remains strong due to slowing inflation and anticipated rate cuts by the ECB. This will also benefit French bonds, which have experienced some volatility in recent days amid [political uncertainty](#) which led Prime Minister Michel Barnier to resign. The French debt market is characterised by high liquidity and depth, and all major rating agencies have reaffirmed France's quality rating, with the latest being S&P maintaining its assessment of 'AA-/A-1+' and a stable outlook. The outlook on peripheral bonds also remains stable and does not show any signs of contagion from France, further backing the appeal of European bonds.

Actionable ideas



European aggregate bonds

With further easing expected from the ECB, European government bonds and high quality credit markets should stay in demand.



Multi-asset investing

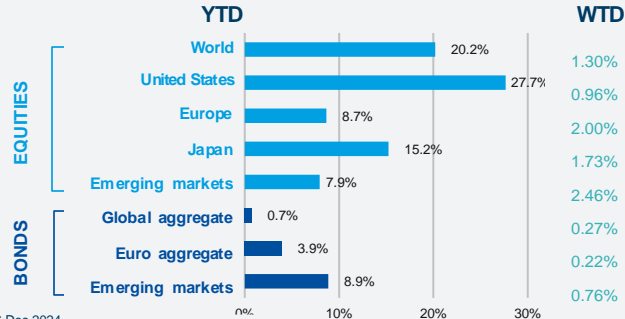
Multi-asset investors can exploit opportunities across asset classes, including exposure to European fixed income.

This week at a glance

Both equity and bond markets closed positively. Chinese stocks surged in anticipation of potential policy support ahead of Wednesday's meeting. Meanwhile, bond yields remained stable, as investors await key economic data before upcoming central bank meetings.

Equity and bond markets

Asset class performance year to date and week to date



Source: Bloomberg, data as at 06 Dec 2024. 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

Country	2YR	10YR
US	4.11 ▼	4.15 ▼
Germany	2.00 ▲	2.11 ▲
France	2.17 ▲	2.88 ▼
Italy	2.35 ▲	3.19 ▼
UK	4.26 ▲	4.27 ▲
Japan	0.59 ▲	1.05 ▲

Source: Bloomberg, data as at 06 Dec 2024. Please refer to the last page for additional information on the indices. 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
2633.37	67.20	1.06	150.00	1.27	7.27	2.87	4.40
-0.4%	-1.2%	-0.1%	+0.2%	+0.1%	+0.4%		

Source: Bloomberg, data as at 06 Dec 2024. Please refer to the last page for additional information on the indices.

Amundi Investment Institute Macro Focus

Americas



Mixed signals from November ISM indices

November ISM manufacturing index raised to 48.4 from 46.5, remaining in contractionary area, supported by improving forward-looking indicators such as the new orders component, which raised into expansionary territory for the first time in eight months. Tariffs loom as a worry among respondents. The services index slipped to 52.1 from 56.0, still in expansionary area, with a slowing employment component. The two indices combined point to decent, but moderating US growth.

Europe



EZ retail trade pauses in October

The volume of retail trade declined by 0.5% MoM in October. It is the first monthly contraction since June and could be a payback after the strong summer acceleration, a sort of pause and savings rebuilding ahead of the holiday season. Also, it could signal uncertainty among consumers despite accelerating wages and falling inflation. This data supports our expectation of a gradual consumption pick up heading into 2025.

Asia



Asia central bank's balancing act

The Reserve Bank of India defied market expectations of a rate cut by holding the repo rate unchanged at 6.5% at its December meeting, indicating in its forecasts that the growth slowdown will be shallow and transitory. The move is also a balancing act considering that inflation is likely to rebound on higher food prices, while its currency is under pressure due to extended dollar assets strength.



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 **6 December 2024**. The chart shows the Euro Aggregate bond index.

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

GLOSSARY

CPI: Consumer Price Index.

ECB: European Central Bank.

EZ: Eurozone.

Euro Aggregate Bond Indices: A market-weighted index of euro denominated investment-grade fixed-income securities excluding euro zone treasury and euro zone government related securities, with maturities greater than one year

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

GDP: Gross Domestic Product.

ISM Manufacturing Index: Outlines whether manufacturing and the economy as a whole are expanding or contracting.

MoM: month on month.

PPI: Producer Price Index.

Repo rate: Represents the interest rate at which commercial banks can borrow money by selling their securities to the central bank

YoY: year on year.

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