



### Press Release

## **2024 Global Investment Outlook: slower and fragmented growth will offer sequential opportunities**

- Investors need to navigate a fragmented economic outlook and higher volatility risk in 2024.
- Global growth will decelerate, driven by slowing developed economies and a mild recession in the US in H1. Growth differential between Emerging and Developed Markets will reach a five year-high. India will grow faster than China.
- A reversal in monetary policy is expected, with Fed rate cuts towards the end of the first half. Fiscal policy will be less supportive in Developed Markets, amid high debt, and targeted to energy transition.
- Investors should focus on sovereign debt, quality credit and hard currency emerging market debt at the start of the year. Fed pivot will support risk assets, with Asian equities benefitting.

**Paris, 23<sup>rd</sup> November 2023** – Amundi expects a fragmented outlook in 2024, with global growth gradually weakening while inflation should temper but remain above central banks' targets, until the end of the year. Assuming the Middle East crisis remains contained, this weaker global economic outlook will be mainly driven by a slowdown in Developed Markets (DM). We forecast 2024 global GDP growth at 2.5% and expect growth in DM to average 0.7% versus 3.6% in Emerging Markets (EM).

For 2025, we forecast global, DM, and EM real GDP growth at 2.7%, 1.5%, and 3.6% respectively.

**Vincent Mortier, Group CIO of Amundi, said:** *"Investing in 2024 will be all about quality sovereign & corporate bonds, and seeking growth through Asian equities, as this region should benefit from better economic prospects than the others. Investors should also seek opportunities through companies positioned on promising long-term themes such as the energy transition or supply chain relocations. Nevertheless, investors will have to wait until the second half of the year to consider European stocks."*

**Monica Defend, Head of Amundi Investment Institute, added:** *"Turning tides in growth, inflation, and monetary policy will generate opportunities for investors to add on risk assets during the year."*

### **CENTRAL SCENARIO: SLOWING AND FRAGMENTED GROWTH**

The growth differential between Developed and Emerging Markets should reach a five-year high. The US will face a mild recession in the first half of 2024, while Eurozone growth will remain mildly positive and Japan should somewhat moderate. Emerging Markets remain more resilient but show higher fragmentation, with Asia standing out as a clear beneficiary of investment flows.

- **United States** – We expect the US will face a mild recession in the first half of 2024, as tight financial conditions begin to impact consumers and businesses. In H2, growth should stabilise below potential and inflation move closer to target. Our forecast is a 0.6% growth rate in 2024 and 1.6% in 2025.
- **Europe** – Growth in the Eurozone should remain low, with mixed dynamics across countries, as fiscal policy becomes more restrictive on top of already tight monetary policy. We expect both the Eurozone and the UK to grow by 0.5% in 2024, and by 1.2% and 1.3% in 2025, respectively.
- **Emerging Markets** are heading towards a cyclical downturn amid weak global demand. In **China**, additional fiscal stimulus will not reverse the trend towards lower growth (3.9% in 2024 and 3.4% in 2025). **India** emerges as a new power offering bright economic prospects amid strong domestic demand and investments (6.0% growth in 2024 and 5.2% in 2025). Finally, countries at the centre of new supply chain routes in Asia or rich in natural resources in Latin America should do better.

## CENTRAL BANKS: ASSESSING THE TIME FOR A DOVISH TURN

With weaker demand, inflation should converge towards Central Banks' targets by the end of 2024. Risks for higher inflation remain in an era of disorderly energy transition and global realignment, that could drive a surge in energy and food prices. These risks could halt or reverse the process in place.

We expect DM Central Banks will remain on a hawkish pause over H1, until inflation appears further under control. Inflation in the US will influence the Fed's response, thus determining the depth of the recession. We expect the Fed and the ECB to bring interest rates down by an overall 150 and 125 basis points respectively in 2024. In Emerging Markets, disinflation is ongoing and Central Banks have some room to cut rates but little room for error in re-anchoring inflation.

## INVESTMENT IMPLICATIONS: DYNAMIC ASSET ALLOCATION IN TURNING TIDES

In 2024, investors will need to navigate a fragmented economic outlook. The high disparity in valuations and the drying up of excess liquidity will lead to higher equity volatility. Lower growth and inflation may favour a return to a negative bond-equity correlation, which is good news for diversification and multi-asset portfolios. Real and alternative assets (such as macro and fixed income hedge funds) may further add to traditional diversification. Gold can provide protection from geopolitical risk and some commodities can hedge against inflation.

- **Fixed income is king amid peaking rates** – Quality bonds (sovereign or corporate) are the favoured asset class entering 2024. Gradually add duration and focus on investment grade credit, EM debt in hard currencies and Euro high yield short-term. Add more EM local currency debt after the Fed starts cutting rates and the US dollar weakens. US high yield may be pressured by high refinancing costs in H1 and could come back when financial conditions ease in H2.
- **Resilience in Equities** – Entering 2024, stay defensive and focused on dividend sustainability, quality, and low volatility. Favour value in the US and Japan. When the Fed starts cutting rates, turn to more cyclical markets and sectors, such as Europe, Emerging Markets, and small caps. Themes to watch in equity will be the energy transition, healthcare, and artificial intelligence.
- **Emerging Markets are a key performance engine** – At the start of the year, favour fixed income hard currency debt, then add local currency debt when the Fed pivots. EM Equity should benefit from a rebound in earnings, particularly in Asia. Throughout the year, look at long-term (India) and nearshoring stories, as well as winners in the energy transition (commodity exporters like Brazil) and technological advances (China).
- **Currency management** will be a key factor in 2024, given expectations of a weaker US dollar.

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### About Amundi

Amundi, the leading European asset manager, ranking among the top 10 global players<sup>1</sup>, offers its 100 million clients - retail, institutional and corporate - a complete range of savings and investment solutions in active and passive management, in traditional or real assets. This offering is enhanced with IT tools and services to cover the entire savings value chain. A subsidiary of the Crédit Agricole group and listed on the stock exchange, Amundi currently manages more than €1.95 trillion of assets<sup>2</sup>.

With its six international investment hubs<sup>3</sup>, financial and extra-financial research capabilities and long-standing commitment to responsible investment, Amundi is a key player in the asset management landscape.

Amundi clients benefit from the expertise and advice of 5,400 employees in 35 countries.

*Amundi, a trusted partner, working every day in the interest of its clients and society*



<sup>1</sup> Source: IPE "Top 500 Asset Managers" published in June 2023, based on assets under management as at 31/12/2022

<sup>2</sup> Amundi data as at 30/09/2023

<sup>3</sup> Boston, Dublin, London, Milan, Paris and Tokyo