Press Release

2023 Mid-Year Global Investment Outlook: Opportunities beyond a precarious growth path

- **Narrow and uncertain path to growth: global growth to further decelerate and bottom out H2 2023, progressive recovery becoming more likely in H1 2024.**
- **Slowdown in inflation will be gradual, mainly in the core component. Inflation trending lower but should remain above central banks' targets until mid-2024. Limited risk of reacceleration as monetary policies should remain restrictive for an extended period.**
- **Quality will prevail: investors to enter H2 with caution and focus on quality across the board. Moving into 2024, outlook for earnings improvement reveals opportunities to add risk assets.**
- **Emerging markets from West to East: play Emerging Market growth advantage in equity and bonds to enhance diversification and foster medium-term return potential, with focus on Asia.**

Paris, 22nd June 2023 - Despite a more resilient start of the year, Amundi sees a further deceleration in growth in the second half (H2) of 2023, with divergence across regions. We forecast 2023 global GDP growth at 2.9%, with the **Emerging Markets and the Developed Markets growth gap remaining wide**, at 3.3% (though not increasing). We expect growth in developed markets to slow to 0.9% while emerging market GDP expansion should pick up to 4.2%.

For 2024, we forecast global, Developed Markets, and Emerging Markets real GDP growth at 2.5%, 0.5%, and 3.8%, and respectively.

Vincent Mortier, Group CIO of Amundi, said: *"Amid low visibility on the economic outlook, quality -- both for equity and bonds -- is the compass with which to navigate this uncertain phase. An end to Fed tightening and a possible US dollar depreciation bode well for Emerging Market assets as we enter the second half of the year."*

Monica Defend, Head of Amundi Institute added*: "A central bank pause supports the case for bonds. Investors will have to assess the inflation path and earnings outlook moving into 2024 to identify opportunities in equities. Investors should also explore divergences across markets and regions."*

CENTRAL SCENARIO: LOW GROWTH, DECELERATING INFLATION REMAINING HIGH

Most developed markets will feel the lag effect of monetary policy tightening during H2 2023. The corporate profit recession has not yet materialized and the outlook for consumers is worsening.

- **In Europe**, we expect inflation to stay significantly above target until mid-2024 but remain on a downward trend helped by below-potential growth in 2023 and 2024 which is a result of policy tightening. Sticky core inflation, coupled with tight credit conditions, will cap spending by the private sector. We forecast anemic growth in the Eurozone and the UK in 2023/2024.
- **In the United States**, the economy has been resilient so far but we expect a mild recession to materialize from Q4 2023. Consumer resilience will be a key variable to watch amid tightening credit conditions and inflation above target throughout the year.
- **In Emerging Markets**, economic conditions remain fragile overall, but growth trends should prove more resilient relative to developed economies. Asia, in particular, should take the lion's share of growth in 2023 (around 70%) and foreign direct investment should also significantly contribute. The region has also

emerged as more autonomous and less vulnerable. In China and India, moderate growth may signal structural changes towards more sustainable long-term growth models. We forecast China GDP growth of 5.7% in 2023 and 4.3% in 2024, and India's GDP to expand by 6.0% in 2023 and 5.5% in 2024.

CENTRAL BANK TIGHTENING CYCLE DRAWING TO A CLOSE

Inflation is trending lower, gradually slowly, especially core inflation. We don't see a return to a normal inflation regime in the immediate future, as core inflation is unlikely to converge to central banks' target until the second half of 2024.

The Fed and ECB rates are close to their cyclical peak, but with no cuts expected in 2023. Instead, we see a restrictive monetary policy stance for an extended period. Liquidity should therefore be monitored. Monetary policy is more mixed across EM, where most countries have hit peak rates and China is shifting to a more accommodative stance to support growth.

INVESTMENT IMPLICATIONS: QUALITY WILL PREVAIL

Markets have not yet repriced for a worsening outlook. Generally-expensive risky assets, with few exceptions like European Investment Grade or Chinese equities, coupled with high uncertainty on growth and inflation, call for a cautious asset allocation entering H2. Adding risk will require some of the uncertainty to fade and market prices to adjust to reflect economic and earnings outlook.

- Bonds and cash in focus**:** high quality bonds and cash are favoured. **Bonds** remain risk diversifiers overall and core government bonds retain good value. Investors should remain cautious on high yield and monitor corporate leverage and liquidity risk.
- In **EM fixed income**, yields and spreads are attractive. We are positive on hard currency bonds, and investors should seek entry points for local currency debt. EM high yield offers appealing valuations.
- **Equities: quality first.** We remain cautious on equity overall. Investors should search for low leverage, protected dividends, and earnings resilience. In **developed markets**, the current risk-reward profile is unattractive overall while concentration risk is high. After a challenging H1, **EM equity** should benefit from a better environment in H2. Earnings growth is back and valuations remain attractive, such as Chinese equities.
- **Emerging Markets from West to East:** emerging markets' growth advantage is attractive. EM assets are key to enhancing diversification and fostering medium-term return potential but selection remains crucial, EM is a fragmented universe. In H2 2023, we see **investment opportunities for both EM equities and fixed income**, notably in Asia and Latin America. With a medium-term horizon, build dedicated allocation to Asian assets, particularly China and India.

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Press Contact:

Amundi
Jaïs Mehaji
Tel: +44 (0) 7500 558 924
jais.mehaji@amundi.com

Amundi
Rachel Cohen
Tel: +44 (0) 2073 795151

Amundi-maitland@h-advisors.global

About Amundi

Amundi, the leading European asset manager, ranking among the top 10 global players[1], 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 €1.9 trillion of assets[2].

With its six international investment hubs[3], 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.

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[1] *Source: IPE "Top 500 Asset Managers" published in June 2022, based on assets under management as at 31/12/2021*
[2] *Amundi data as at 31/03/2023*
[3] *Boston, Dublin, London, Milan, Paris and Tokyo*

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