



Monthly Market Video: July

Interview with **Federico Cesaraini, Head of DM FX, Cross-Asset Strategist** and **Monica Defend, Head of Amundi Investment Institute.**

Federico Cesaraini (FC): Monica, Amundi's mid-year Outlook is titled "Riding the policy noise and shifts." Can you explain why this captures your view for the rest of the year?

Monica Defend (MD): Absolutely. The most evident policy shift is around tariffs. In April, US tariffs reached their highest level in over a century. Since then, we've seen both retaliations and rollbacks. On the fiscal front, Germany's historic step to raise spending, along with the recent US bill proposal, has set a new course. Most recently, escalations in the Middle East are also contributing to rising uncertainty. These geoeconomic shifts are top of mind for many investors—and rightly so—as they will shape the outlook not just for the months ahead, but the years to come. Yet, rather than focusing on the uncertainty this reset brings, we would like to focus on how to ride this policy noise in search of opportunities.

FC: So, looking at the next six months, how do you see the economic outlook evolving.

MD: The summer will be a pivotal moment, with the end of the tariff pause and the approval of the US fiscal bill. The outcome, in our view, will lead to lower US growth in the United States, almost halving compared to 2024. Higher tariffs will push prices up, dampening consumer sentiment and spending. However, thanks to fiscal measures, deregulation, and expected Fed rate cuts, we don't anticipate this slowdown will trigger a recession. In Europe, progressively easier monetary policy is expected to support growth. Other points of optimism include Germany's commitment to increase investment and the broader political consensus across the continent on issues such as defence spending.

Meanwhile, countries in Asia are emerging as winners from the global supply chain rerouting. In particular, in India, where the 'Make in India' initiative is attracting multinational corporations, particularly in defence and IT.

FC: With this outlook in mind, how do you see markets evolving? What are your top investment convictions for the rest of the year?

MD: I have four main convictions.

First, uncertainty around trade policies, rising public debt, and substantial bond supply mean US Treasury long-term yields are likely to remain under pressure. So, in fixed income, investors should diversify* across markets, favouring European credit and emerging market bonds, in particular in Local Currencies.

Second, Europe's appeal is becoming a structural theme, driven by sectors like defence, electrification, and infrastructure. We also see opportunities in European small- and mid-caps, which are particularly attractive due to their valuations.

Third, Emerging Markets will benefit from a weaker dollar and stabilising inflation. In equities, India and Indonesia are long-term winners. In the short term, China may benefit from additional stimulus.

Finally, real assets, in particular infrastructure and private debt, are becoming essential diversification pillars, driving the next investment wave, particularly in Europe.

FC: It sounds like there are many opportunities out there. What should investors keep in mind as they navigate these changes?

MD: In today's world of geopolitical uncertainty, enhancing the resilience of portfolios becomes paramount. Investors should look at commodities and gold, which can help in an environment of high inflation risks. At the same time, with the US dollar expected to weaken further, managing currency risks will be key.

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