

Deal or no deal, prepare for a volatile summer

Global equities reached new record levels in July on expectations of trade deals, easing of US tariff threats and hopes of a short-term boost to US growth from the One Big Beautiful Bill Act (OBBBA). This has happened despite US tariffs moving higher (when compared with before Trump came to power), indicating some complacency in risk assets. On the other hand, bond yields in the US, the UK, Europe, and Japan are reflecting concerns over debt sustainability.

We think that, with so much uncertainty over policies, any good news regarding the economy and decisions on tariffs, such as the one with Japan, is being welcomed by the markets. However, Trump's transactional approach will persist even after agreements with trading partners are finalised. This policy uncertainty is perhaps most evident in the USD.

We outline below factors that could cause market turbulence this summer:

- **OBBBA - short-term gain, long-term pain, and social consequences.** In theory, the bill will likely boost consumption, investments and GDP growth in the short term, through front-loaded tax cuts. However, it would add more than \$3 trillion to US debt over 10 years and is likely to hurt the income of the most vulnerable households when social spending cuts will take effect in October 2026. Secondly, cuts to Medicaid mean that people may set aside additional funds for emergencies, impacting their spending patterns. Finally, in addition to increasing the deficit, the bill is likely to put further upward pressure on long-term rates.



VINCENT MORTIER
GROUP CIO

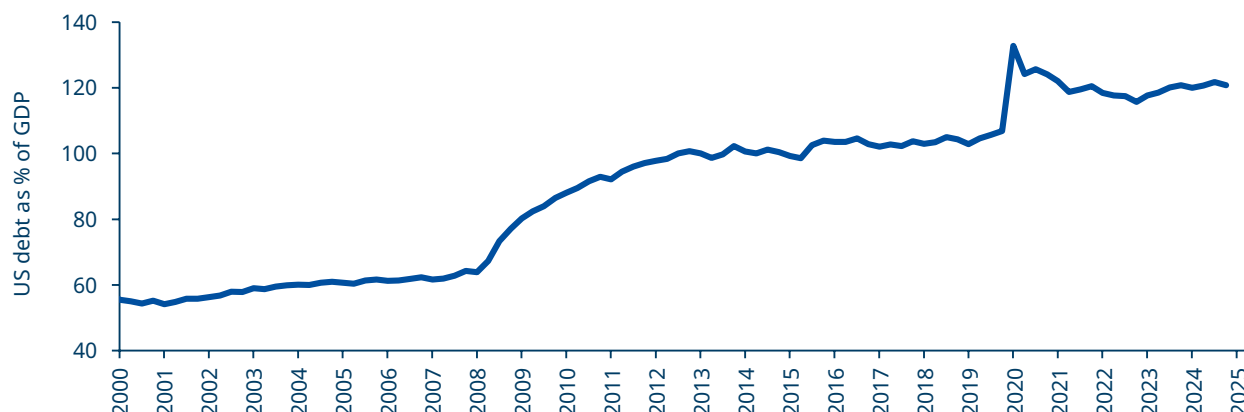


MONICA DEFEND
HEAD OF AMUNDI
INVESTMENT INSTITUTE



PHILIPPE D'ORGEVAL
DEPUTY GROUP CIO

US debt to GDP has been rising, and the latest OBBBA will only add to that burden



Source: Federal Reserve Bank of St. Louis, Amundi Investment Institute. Quarterly data shown above. Latest Q1 2025 data, available as of 26 June 2025.

The rosy scenario priced in the markets ignores any volatility stemming from Trump following through on his tariff threats, which may weigh on US growth.

- **US companies or consumers, someone will have to bear the cost of the higher tariffs.** If companies pass on the costs to consumers, then consumers' disposable income will be affected. So far, however, companies and importers are bearing the brunt. Corporate forward guidance this earnings season should provide more details on the impact of these tariffs on profitability, and whether companies are putting their capex plans on hold. In Europe, the focus is on how the strength of the EUR/USD exchange rate could affect corporate earnings in the regional currency. On the consumer side, weakness in personal consumption expenditure, moderation in real disposable income growth, and cooling — but not massively deteriorating — labour markets will make consumers more discerning with respect to discretionary spending.
- **Final tariffs and retaliation, if any, will affect growth expectations.** Given the still evolving situation, we will assess the final tariffs by the US, EU and other countries in estimating our growth forecasts. Q2 GDP data for the US and the Eurozone US-EU trade negotiations, particularly on tariffs and retaliation, will affect our growth projections. Any substantial increase in import duties raises the downside risks to US growth.

Markets' expectations for US profits this year have declined, compared with April, and are now closer to our estimates. Additionally, trade negotiations, and geopolitical risks could exacerbate volatility. While liquidity is sufficient in the markets at the moment, this could change if these risks materialise. Therefore, we believe investors should refrain from taking up directional risks in expensive segments. We are moving towards a more nuanced stance on risk, with scope for ample safeguards.

Amundi Investment Institute: Fed independence, trade negotiations, euro strength

Risks around Fed's independence are increasing again. The Fed would like to wait for clarity on tariffs and their inflation impact before taking any decision, and rightly so in our view, but pressures from the government to take policy actions may cause the market to question the bank's decisions. For now, we maintain our stance of three rate cuts this year. If inflation does stay persistently above the Fed's comfort level, we will also see a weakening of economic growth due to tariffs. The Fed may then choose to ignore inflation and focus on the growth part of its mandate.

The ECB appears comfortable with inflation but will likely be vigilant on tariffs.

Additionally, the bank will monitor the euro's strength (and the speed of appreciation), which, together with tariffs on exports to the US, could affect European competitiveness. For now, we keep our projection of two rate cuts this year but may re-evaluate if the US and EU settle on higher tariffs. In the UK, we are keeping a close eye on how the Bank of England responds to slowing growth, which may force it to ease more than our current expectation of reducing rates twice.

EU-US trade negotiation, along with any retaliation, is a major factor that could affect growth and inflation expectations for the region, thereby affecting ECB's policy decisions.

MONICA DEFEND

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While profit forecasts remain volatile and valuations stretched, we don't see a case for structural de-risking but focus on adding hedges to navigate any volatility during the summer.

- **In fixed income, attractive carry, a no-recession scenario,** and central banks in easing mode allow us to be positive on corporate credit. While liquidity in the market is ample at this stage, this could change amid any pressures from higher tariff rates. Thus, we focus on carry and quality in credit. Tactically, we are now close to neutral on overall duration.
- **US and European stocks rebounded from April lows, but during that time policy uncertainty has increased.** In both cases though, market breadth is narrow. We are keen to identify resilient business models less impacted by tariffs and focus on quality through balance sheet strength. In particular, we prefer Europe over the US, and we like Japan and the UK.
- **Emerging markets have been resilient and economic growth robust.** Tariff and trade negotiations could create volatility, leading us to be more selective. We like EM bonds with attractive real yields. In equities, we favour franchises that can capitalise on domestic demand and look for geographic diversification - emerging Europe, UAE, Latin America, India.
- **In multi asset, we remain slightly positive on equities and risk assets.** We combine this view by enhancing and maintaining dynamic safeguards that take into account sharp market movements. In FX, we stay cautious on the dollar, but acknowledge a potential for some near-term consolidation. At the other end, we are constructive on US and EU duration, and on commodities such as gold.

Uncertainty from geopolitics and/or trade negotiations and disappointment on earnings could trigger a correction in areas that are more expensive.

Overall risk sentiment

Risk off

Risk on



We think investors should be mildly positive on risk assets that offer a good combination of attractive valuations and earnings potential. This should be balanced with adequate portfolio stabilisers.

Changes versus previous month

- **Fixed income:** neutral on duration overall.
- **Multi asset:** We see a greater need for strengthening hedges on US equities. In addition, we refined our FX views but remain cautious on the USD. In EM, we downgraded AUD/TWD.
- **FX:** slightly cautious on the GBP, and less pessimistic on CNY.

Overall risk sentiment is a qualitative view towards risk assets (credit, equity, commodities) expressed by the various investment platforms and shared at the global investment committee. Our stance may be adjusted to reflect any change in the market and economic backdrop.

ECB= European Central Bank, DM= Developed Markets, EM = Emerging Markets, CBs = central banks, IG = investment grade, HY = high yield, HC = Hard Currency, LC = Local Currency. For other definitions see the last page of this document.

FIXED INCOME

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HEAD OF
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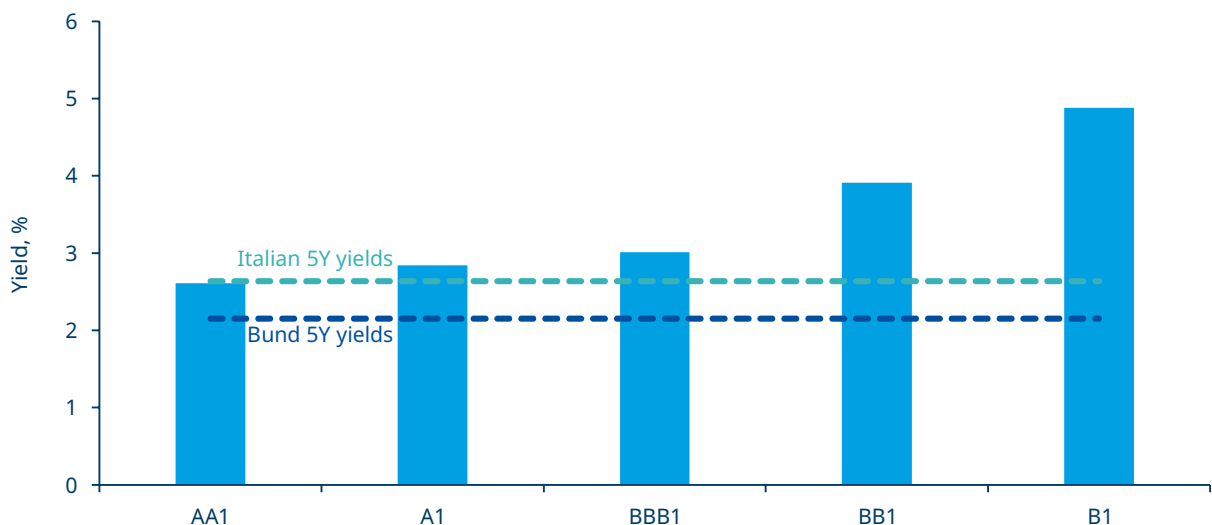
Balance carry and quality in credit

US macro data is holding well, and due to declining inflation, central banks such as the ECB and the BoE are on an easing trajectory. Even the Fed will eventually resume easing. At the same time, our base case is one of no recession in the US and Europe. However, exacerbated by uncertainties around international trade, growth will likely slow down. The fiscal lever becomes important in this context, with its aim to boost spending and security ambitions for instance in Germany.

This implies that the pressure on the long end of the curve will persist, creating steepening opportunities. Another key area to enhance income is carry in credit. We prefer to do this through the quality segments better equipped to withstand pressures from the economy and geopolitics.

Duration and yield curves	Corporate credit	FX
<ul style="list-style-type: none"> Tactically, we moved close to neutral on duration overall. This stance is mainly reflected through neutrality on the US and the EU. In the US, term premium and fiscal risks are getting more attention. However, we are constructive on Italian BTPs, and on UK duration amid a dovish BoE. We are also exploring the potential for barbell strategies along the UK curve.* On Japan duration, we remain cautious. 	<ul style="list-style-type: none"> In an environment of generally sufficient liquidity and decent corporate fundamentals, we are constructive on credit, primarily EU IG (carry is attractive vs. sovereign yields) and sub. debt. We explore businesses with low debt, medium-term maturities and BBB and BB-rated debt in the EU. Higher tariffs could lead to deterioration in fundamentals, leading us to focus on quality. 	<ul style="list-style-type: none"> We have downgraded GBP slightly following its strong performance. UK macro data and its potential impact on the Bank of England are important factors for us to monitor. We are less pessimistic on the CNY, given that the US tariffs on China (so far) have been better than we expected. We remain vigilant as the country navigates domestic issues and volatility on the trade front.

BBB and BB rated debt offer a good balance between yield and quality in EU credit



Source: Amundi Investment Institute, Bloomberg, as of 22 July 2025. Yield to worst shown for the ICE BOFA EU IG and EU HY indices. *Barbell strategy explores opportunities across the yield curve, mainly through short-term and long-term bonds in order to get higher yields and limit interest rate risk.

EQUITIES

AUTHORS

BARRY GLAVIN
HEAD OF EQUITY
PLATFORM

Focus on resilient market segments

While markets reached record levels in July, the returns this year have been driven by a handful of stocks in the US, as well as in Europe. This increases concentration risks, but on the other hand, it signals that there are market segments that have lagged behind. We are on the look-out for such segments and believe the main push to these businesses could come from how well they are able to maintain earnings resilience.

In addition, even though valuations in Europe are better vs. the US, the big question is how these valuations can be sustained in the face of tariff risks. And if volatility persists, our approach will be to focus on selection and diversify away from expensive areas in the US. We also aim to take advantage of such volatility with a focus on balance sheet strength of companies for example in Japan and Europe.

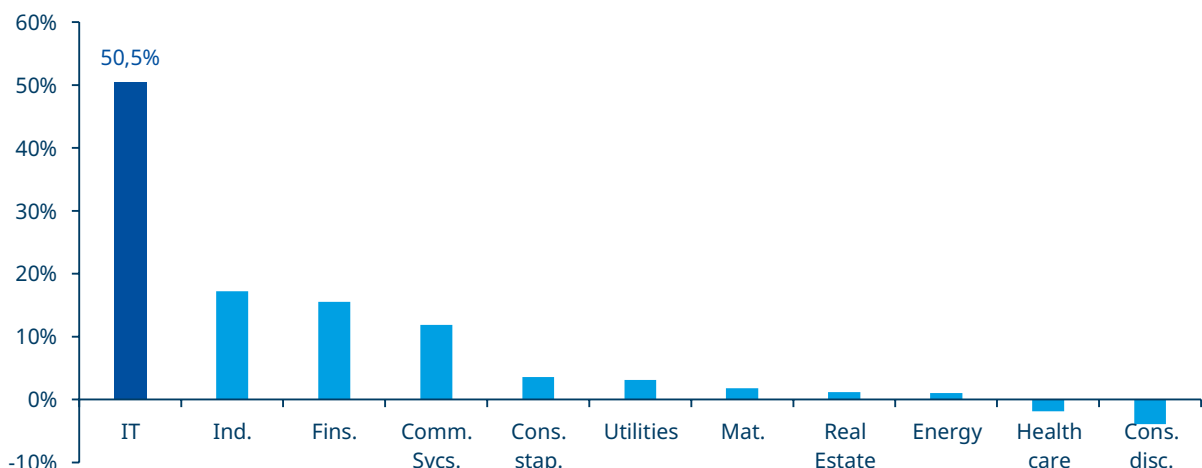
Global convictions

- We believe over the past months there has been a lot of noise on the tariff fronts. As a result, many quality names have de-rated, leading us to enhance our views on these, underlining the role of selection.
- We maintain our barbell views, and are constructive on Europe, particularly small and mid-caps. Some European businesses should be able to adjust to a trade war with the US, given the diversification of their revenues. We also like UK stocks due to the high dividends on offer.
- We are positive on Japan where valuations are very attractive. The recently concluded trade agreement with the US only adds to this sentiment. Japan is also home to high-quality international companies.

Sector and style convictions

- We are positive on defensive sectors such as consumer staples and pharmaceuticals. On the latter, we turned slightly more positive through some quality opportunities in the personal care business available at attractive prices. On the other hand, we also explore quality cyclical businesses in the industrials and materials sectors. Overall, we tend to maximise idiosyncratic risks.
- In the US, we see high dispersion and the premium for the Mag 7 as too high. Hence, we stay cautious on US growth and tech names as we believe they are driven more by sentiment and less by fundamentals.

Technology accounted for around half of S&P 500 returns this year*



Source: Amundi Investment Institute, Bloomberg. Calculations based on the % share of sectors in the S&P 500 index, as on 17 July 2025. *YTD returns as on 17 July 2025.

EMERGING MARKETS

AUTHORS

EM strength tested by trade volatility

Global trade has remained strong in the first half of the year, and we've witnessed front-loading in exports to the US because of tariffs. Looking ahead, stronger EM growth (vs. DMs) will likely persist amid a generally contained inflationary backdrop, but tariff-related newsflow with respect to any US trade deals with EMs (for instance with Indonesia) and new announcements by the US could create volatility.

Hence, trade deals are important but we also take into account market liquidity, domestic consumption environment and the fiscal strength of these countries to form our views across EMs. For instance, while we are seeing that Chinese GDP growth was better than expected and indicates the country may meet government's growth target this year, domestic consumption issues persist.

**YERLAN
SYZDYKOV**
GLOBAL HEAD OF
EMERGING MARKETS

EM bonds

- In general, we are constructive on corporate credit and are mindful of earnings outlook which may be affected by macro uncertainty. HY offers opportunities but we are selective across countries.
- We are also positive on HC debt, but prefer HY over IG, with a selective stance in markets in Sub-Saharan Africa, emerging Europe and Latin America.
- Expectations of a weakening dollar and under-control inflation provide a constructive anchor for LC debt. In particular, we like LatAm countries such as Brazil, Mexico, Peru and Colombia.

EM equities

- We are mindful of volatility due to trade negotiations and based our stance on domestic, country-specific, and idiosyncratic factors.
- For example, while we are generally cautious on the MENA region, we are positive on the UAE, where we see attractive, reasonably priced businesses. We are also positive on emerging Europe.
- In Asia, we believe the Indian markets and the technology sector in Taiwan are likely to perform well, although trade negotiations with the US could act as a near-term dampener.

Main convictions from Asia

Asian markets have weathered the Middle-East conflicts, US fiscal uncertainties and renewed tariff scares, well so far. Both domestic and international factors provided anchoring for markets. Domestically, Asian economies have been resilient, with export growth holding up thanks to receding tariffs, while domestic demand was supported by incremental policy easing. Externally, buoyant global risk sentiment and dollar depreciation have kept financial conditions easy, supporting a re-rating of Asian assets.

Despite this resiliency, we see some risks for Asian economies in H2. An uncertain trade outlook, coupled with slowing end-demand from the US and China, will likely keep Asian central bankers' fingers on the easing button. We stay constructive on Asian rates in general but see opportunities to benefit from price movements. Asia credit continues to offer selective opportunities, where financials companies in Hong Kong, India and Australia are particularly attractive owing to their valuations.

Asian equities rebounded strongly together with global markets recently. The impressive re-rating has, however, brought valuations back to rich levels, making us a bit more selective. This is particularly true for Korea. India remains supported by solid fundamentals, but valuations, too, have become a hurdle. We continue to seek selective opportunities in China but keep the overall stance as neutral.

MULTI-ASSET

Positive on risk, mindful of Trump factor

Even as US economic activity is decelerating, there are many sources of volatility coming from trade, consumption and Trump’s policies on tariffs. On the other hand, the recently approved OBBBA and any resilience in US data could provide a near-term fillip to risk assets. In the Eurozone (EZ), growth will be heterogeneous and supported by the German fiscal boost. With this in mind, we maintain our slightly constructive stance on risk assets, but acknowledge the need for dynamic protections and fine-tuned our FX views.

Equities are displaying strong momentum on the back of tailwinds in the form of a dovish Fed and an improving manufacturing sector in the EZ. This allows us to be positive on the asset class and we remain diversified. We like US, European and UK equities. We also see greater need for strengthening of protections in the US amid an earnings season that could be volatile. The UK offers a good diversification benefit in the broader European region, along with attractive valuations and a defensive market. In EMs, we stay positive on China owing to a combination of tech-related and quality opportunities.

In fixed income, we stay optimistic on US 5Y, and on European duration due to continued disinflation. A small positive stance is also maintained on UK gilts, given weak growth and a supportive BoE, although we are pessimistic on Japanese bonds. In EU IG, strong corporate fundamentals indicate decent outlook for the asset class, while EM spreads offer a good carry at this stage.

We are monitoring any consolidation in the USD but maintain our negative stance. We reduced our positive views on the EUR/USD, and are no longer optimistic on the USD/CHF. At the same time, we raised our conviction on NOK/USD. The NOK depreciated excessively recently owing to a dovish central bank, and, we see space for a tactical rebound. In EM, we no longer like the AUD/TWD due to low carry and high volatility.

AUTHORS

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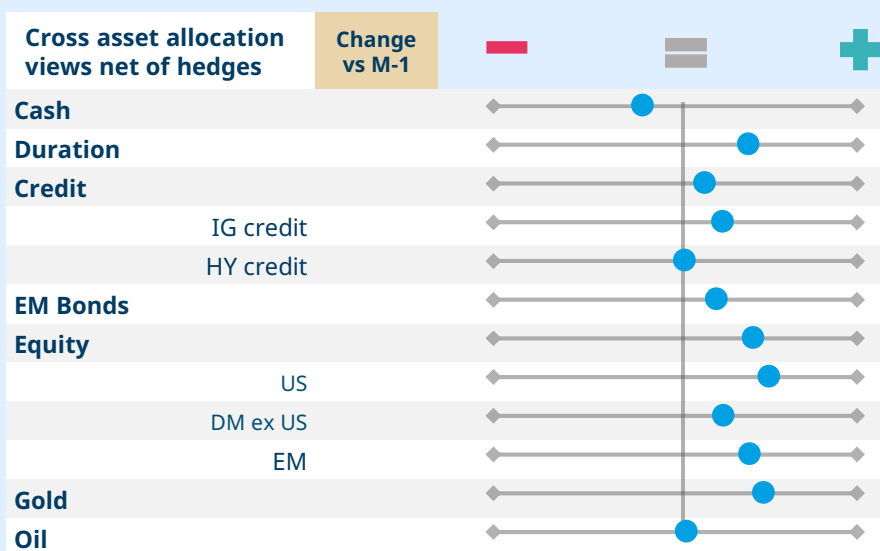
HEAD OF MULTI-ASSET STRATEGIES

JOHN O'TOOLE

HEAD OF MULTI-ASSET INVESTMENT SOLUTIONS

“We think investors should consider taking advantage of low volatility to strengthen safeguards, particularly on US equities.”

Amundi Multi Asset Investment Views*



▼ Downgrade vs previous month
▲ Upgrade vs previous month

Source: Amundi, as of 17 July 2025. Changes M-1 include from previous month. The table represents the main investment convictions (including hedging) of the Multi Asset Platforms. *The views are expressed relative to a Reference Asset Allocation (with benchmark 45% equity, 45% bonds, 5% commodities, 5% cash) with “=” being neutral. The + and – may not sum-up due to potential use of derivatives in the implementation. This is an assessment at a specific time, and it can be subject to change at any time. This information is not intended to be a forecast of future results and should not be relied upon by the reader as research, investment advice or a recommendation regarding any fund or any security in particular. This information is for illustrative purposes and does not represent the actual current, past or future asset allocation or portfolio of any Amundi product.

Amundi views by asset classes

Equity Views

Equities	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
US					◆					
<i>US Growth</i>			◆							
<i>US Value</i>							◆			
Europe								◆		
<i>Europe SMID</i>								◆		
Japan							◆			
EM							◆			
Global Factors	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
Growth					◆					
Value							◆			
Small Cap						◆				
Quality						◆				

Fixed Income Views

Duration	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
US						◆				
EU						◆				
UK								◆		
Japan				◆						
Overall	▼					◆				
Credit	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
US IG						◆				
US HY				◆						
EU IG								◆		
EU HY						◆				
Overall							◆			
FX	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
USD					◆					
EUR							◆			
GBP	▼				◆					
JPY								◆		
CNY	▲				◆					

▼ Downgrade vs previous month

▲ Upgrade vs previous month

Source: Summary of views expressed at the most recent global investment committee (GIC) held **17 July 2025**. The table shows absolute views on each asset class and are expressed on a 9 scale range, where = refers to a neutral stance. This material represents an assessment of the market at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation regarding any fund or any security in particular. This information is strictly for illustrative and educational purposes and is subject to change. This information does not represent the actual current, past or future asset allocation or portfolio of any Amundi product. FX table shows absolute FX views of the GIC.

Emerging Markets Views

EM Bonds	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
China govt.						◆				
India govt.								◆		
EM HC								◆		
EM LC									◆	
EM corp.								◆		
EM Equity	Change vs M-1	---	--	-	-/=	=	=/+	+	++	+++
EM							◆			
<i>EM Asia</i>							◆			
<i>Latin America</i>								◆		
<i>Emerging EMEA</i>								◆		
EM-ex China							◆			
China						◆				
India							◆			

Source: Summary of views expressed at the most recent global investment committee (GIC) held 17 July 2025.

▼ Downgrade vs previous month
▲ Upgrade vs previous month

DEFINITION ABBREVIATIONS

Currency abbreviations: USD – US dollar, BRL – Brazilian real, JPY – Japanese yen, GBP – British pound sterling, EUR – Euro, CAD – Canadian dollar, SEK – Swedish krona, NOK – Norwegian krone, CHF – Swiss Franc, NZD – New Zealand dollar, AUD – Australian dollar, CNY – Chinese Renminbi, CLP – Chilean Peso, MXN – Mexican Peso, IDR – Indonesian Rupiah, RUB – Russian Ruble, ZAR – South African Rand, TRY – Turkish lira, KRW – South Korean Won, THB – Thai Baht, HUF – Hungarian Forint.

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Marketing material for professional investors.

Amundi Investment Institute

In an increasing complex and changing world, investors need to better understand their environment and the evolution of investment practices in order to define their asset allocation and help construct their portfolios.

This environment spans across economic, financial, geopolitical, societal and environmental dimensions. To help meet this need, Amundi has created the Amundi Investment Institute. This independent research platform brings together Amundi's research, market strategy, investment themes and asset allocation advisory activities under one umbrella; the Amundi Investment Institute. Its aim is to produce and disseminate research and Thought Leadership publications which anticipate and innovate for the benefit of investment teams and clients alike.

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