

Weekly Market Directions

21 June 2024


Amundi
Investment Solutions

Trust must be earned


“Political uncertainty can amplify short-term market movements. However, markets tend to recover once the political situation clarifies and the focus comes back to corporate earnings.”

Monica Defend

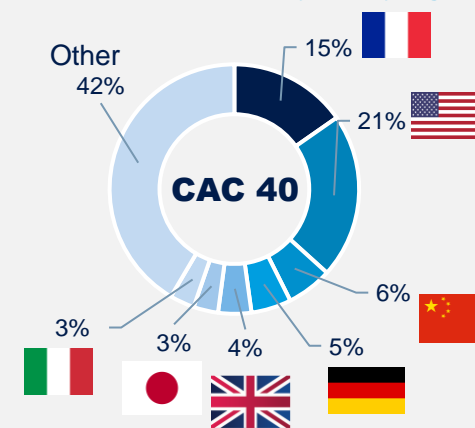
Head of Amundi Investment Institute

French markets amid snap elections

French markets mildly suffered after the announcement of elections amid high political uncertainty.

Uncertainty will fade once the political situation clarifies, just as it has in similar election phases.

After the recent movement, sound global French companies could offer opportunities for long-term investors.

CAC40 revenue exposure by country/ region


Source: Amundi Investment Institute, Factset, 19 June 2024.

After the snap election call, the French equity market has underperformed the European one, but it has shown recent stabilisation and remains positive year-to-date. The spread between French government bond yields and the German Bund has widened, but it is also stabilising in recent days.

Markets dislike political uncertainty and closely monitor public finance developments. Sectors more sensitive to political risk, such as financials and utilities, are most affected, while Consumer Staples and Healthcare have remained resilient. As the French market consists mainly of international companies, with over 80% of sales coming from outside France, its behaviour should align with international equities once political uncertainty diminishes.

Actionable ideas



Global equities

A mildly constructive global outlook with regional differences, coupled with the Central Bank's plan to cut rates, should be positive for global equities.

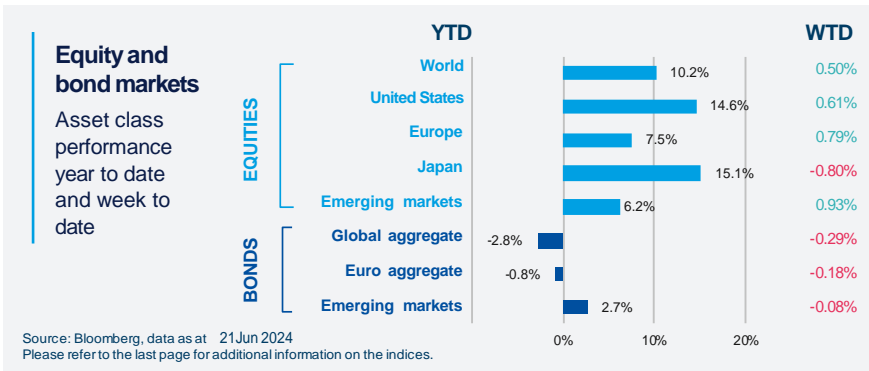


Multi asset investing

In phases of high uncertainty multi asset investing may benefit from the safe haven appeal of government bonds and from the exposure to a broad range of asset classes and sectors.

This week at a glance

During the week, US markets touched new highs on the back of artificial intelligence-induced enthusiasm. European equities partially recovered from previous declines amid a stabilisation of the political newsflow. Oil prices were driven up by signs of robust US demand ahead.



Government bond yields
2 and 10 years government bond yields and 1 week change

		2YR		10YR	
	US	4.73	▲	4.26	▲
	Germany	2.78	▲	2.41	▲
	France	3.08	▲	3.21	▲
	Italy	3.48	▼	3.94	▲
	UK	4.16	▲	4.08	▲
	Japan	0.30	▼	0.97	▲

Source: Bloomberg, data as at 21 Jun 2024
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
2321.98	80.73	1.07	159.80	1.26	7.26	3.69	5.36
-0.5%	+2.9%	-0.1%	+1.5%	-0.3%	+0.1%		

Source: Bloomberg, data as at 21 Jun 2024
Trend represented refer to 1 week changes. Please refer to the last page for additional information.

Amundi Investment Institute Macro Focus

Americas



US retail sales for May point to subdued consumption.
Retail sales growth in May came in below expectations at 0.1%, month-on-month. The number affirms our views that consumption in the US is likely to moderate in the second quarter. Looking ahead, given that consumption constitutes a large part of the US economic growth, any moderation in consumption will likely affect economic activity in the second half of the year.

Europe



Eurozone survey points to moderate expansion.
A preliminary survey of business activity in the Eurozone (PMI) showed a decline in June compared to May, but it remained above the threshold indicating economic expansion. The survey indicated softer but still expanding services activity, while weakness in manufacturing persisted. These readings are in line with our view of a mild and gradual expansion for the Eurozone this year.

Asia



Inflation data for Japan was lower-than-expected
May inflation data came in below consensus expectations. Inflation (excluding energy and fresh-food prices) was 2.1%, year-on-year, compared with expectations of 2.2%. The return of inflation towards the Bank of Japan's target is progressing marginally faster than expected. This supports the view that the bank is likely to keep interest rates unchanged in the near term.



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 **21 June 2024**. The chart shows Global Bonds= Bloomberg Global Aggregate Bond Index, Global Equity = MSCI World. Both indexes are in local currency.

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

GLOSSARY

CPI: Consumer price index, **Real GDP:** Gross Domestic Product adjusted for price changes. **PCE:** Personal Consumption Expenditure

German Bunds: Debt securities issued by the German government to generate revenue with which to finance expenditures.

MoM: month over month growth **OPEC:** Organization of the Petroleum Exporting Countries

Purchasing Managers' Indices (PMIs): PMIs are economic indicators derived from monthly surveys of private sector companies. A reading above 50 indicates an improvement of the economic outlook, while a reading below 50 indicates a deterioration

QoQ: quarter on quarter. **Real income:** Income after accounting for inflation. **YoY:** Year over year growth, **YTD:** Year to date **RBI:** Reserve Bank of India

Sentix Economic Index: An indicator that can be used to forecast the development of a country's or regions gross domestic product (GDP)

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