

MARKET PERSPECTIVE

Market & Economic Outlook 2021

After a tumultuous 2020 that had many eager to ring in a new year, in our view early indications suggest that we have reason for cautious optimism.



PANDEMIC RELIEF FOR A BRUISED ECONOMY

As we expect vaccine distribution to help drive economic reopening and recovery, pent-up consumer demand may contribute to outsized growth in beaten-down services sectors such as travel, entertainment, lodging and food services. We believe the consumer has significant capacity to spend.

ESG MAY FIND FAVOR

Biden has designated climate change as one of his top four priorities and this may lead to greater investor focus on ESG mandates and company ESG profiles. Many of Biden's priorities should enhance ESG improvement among companies, particularly with regard to environmental or labor policy.



CONTINUED EASY MONETARY POLICY

We expect the Federal Open Market Committee (FOMC) to extend asset purchase programs into 2021. A continued 'lower for longer' interest rate policy should help support economic activity, particularly the auto and housing markets, over the next few years.

US DOLLAR

We believe rising deficits are a certainty given Biden's commitment to increased spending and no significant reversal of Trump's tax cuts. The US dollar (USD) remains overvalued, in our view.



WHAT WE EXPECT TO SEE



EQUITY MARKETS

Equity markets have continued to be more attractive than fixed income. The S&P 500 Index could see broader participation from cyclical stocks, which have historically included more value stocks.



CYCLICAL VALUE AND GROWTH

While the dominance of large growth stocks is likely to regress, cyclical growth and value stocks could benefit from market transitions and infrastructure spending.



FIXED INCOME

Fixed income markets may sustain losses, especially longer-maturity government bonds, as the yield curve steepens.



THE US DOLLAR

The Federal Reserve's rate cuts and commitment to low rates, combined with rising deficits, could impact the USD in the intermediate and longer term.

HOW TO STAY AHEAD?

Read the full market outlook for 2021 to discover how Amundi may help you stay ahead of the curve.

Visit amundi.com/usinvestors to learn more.

Important Information.

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