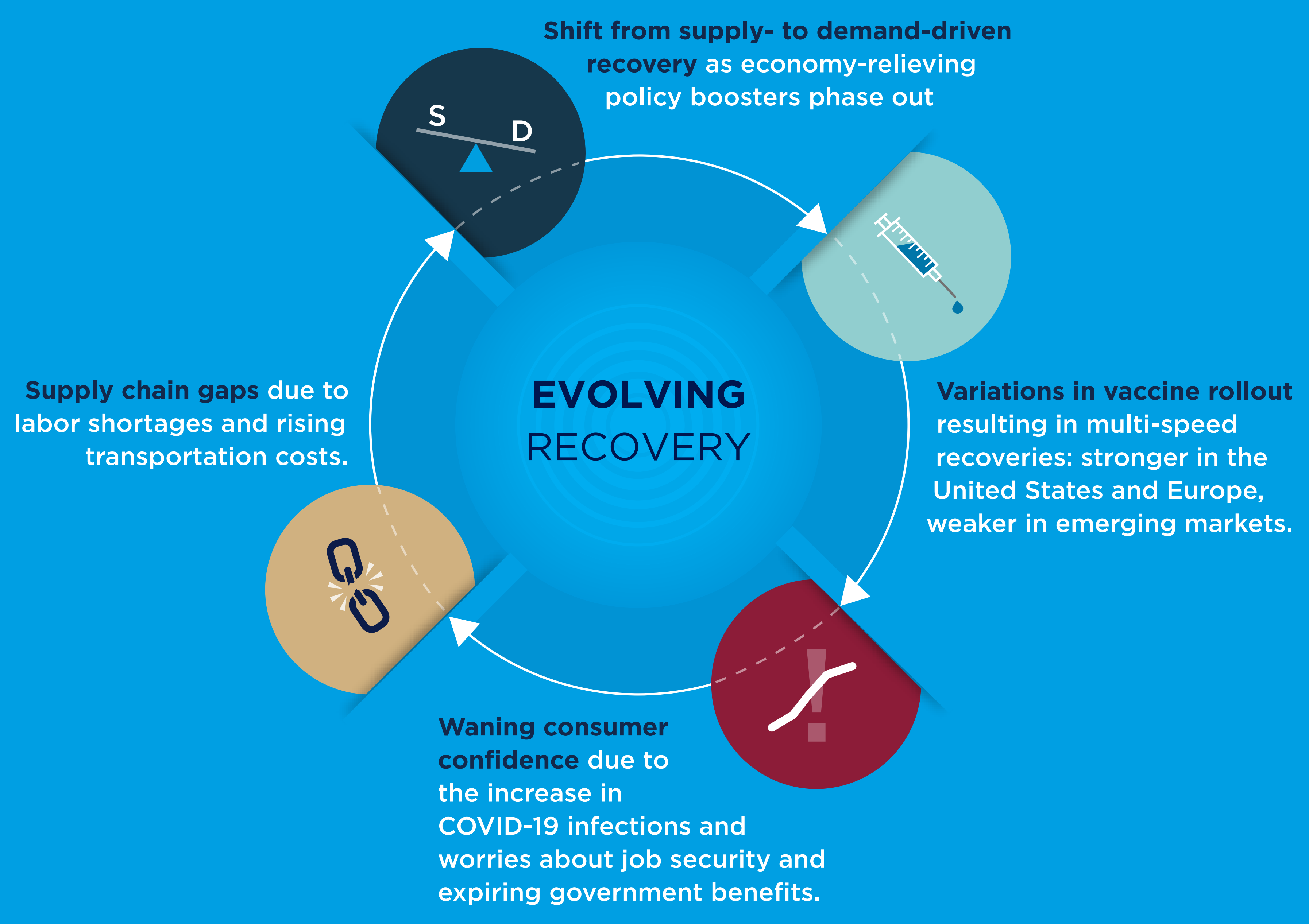
MARKET PERSPECTIVE

Confidence must be earned
Amundi ASSET MANAGEMENT

Navigating the Uncharted Recovery

Growing inflationary pressures and a potential for a slowdown in global growth.

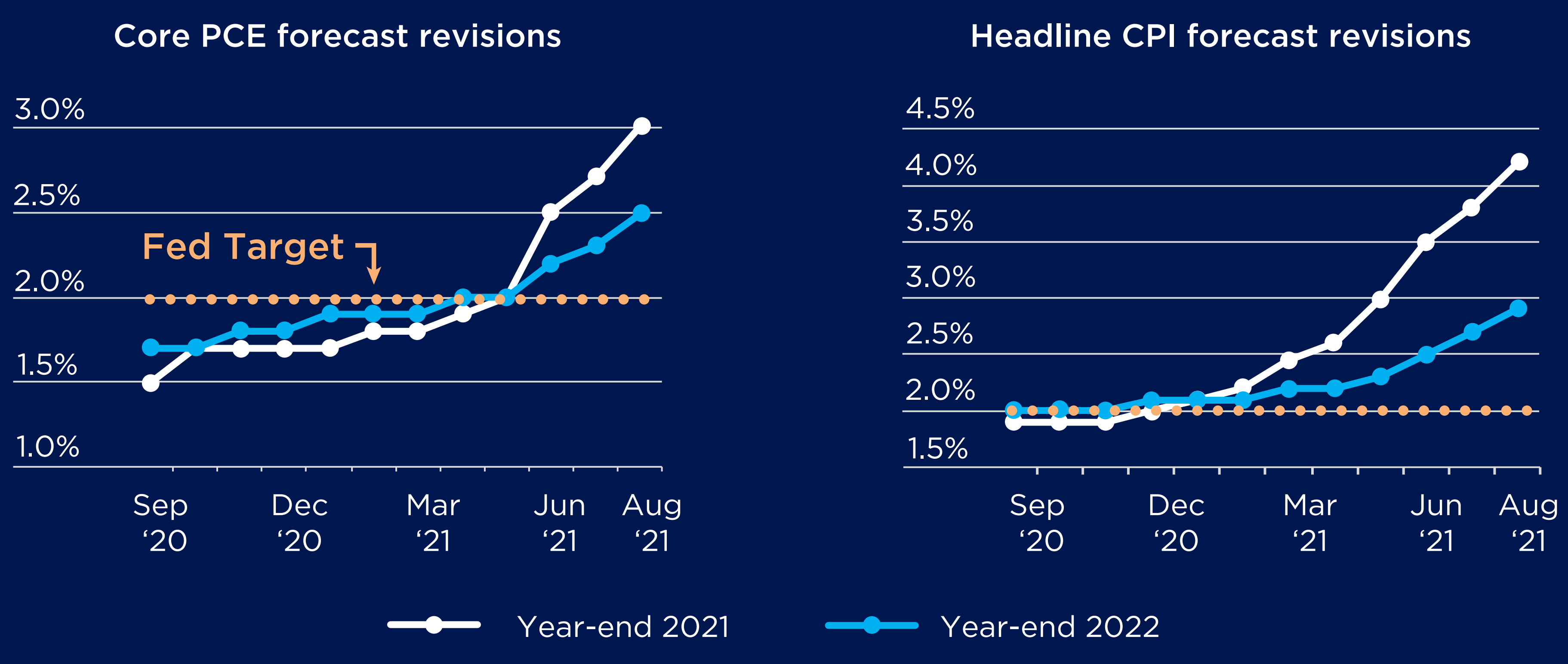


Growing Inflation

- Inflation may remain higher than expected as organizations increase wages to attract and retain workers.
- Reversing a 20-year trend, China's rising shipping and goods prices are contributing to global inflation.
- Persistent inflation above 3% would be progressively detrimental to risky assets.

Inflation Forecasts Defy Fed Predictions

Central banks will neglect inflation risk for as long as possible, and they will archive it as a temporary effect. We believe the Fed will raise interest rates in 2022 to counter inflation trends. 2022's forecasts are lower than 2021's, but both are above the Fed's stated target.



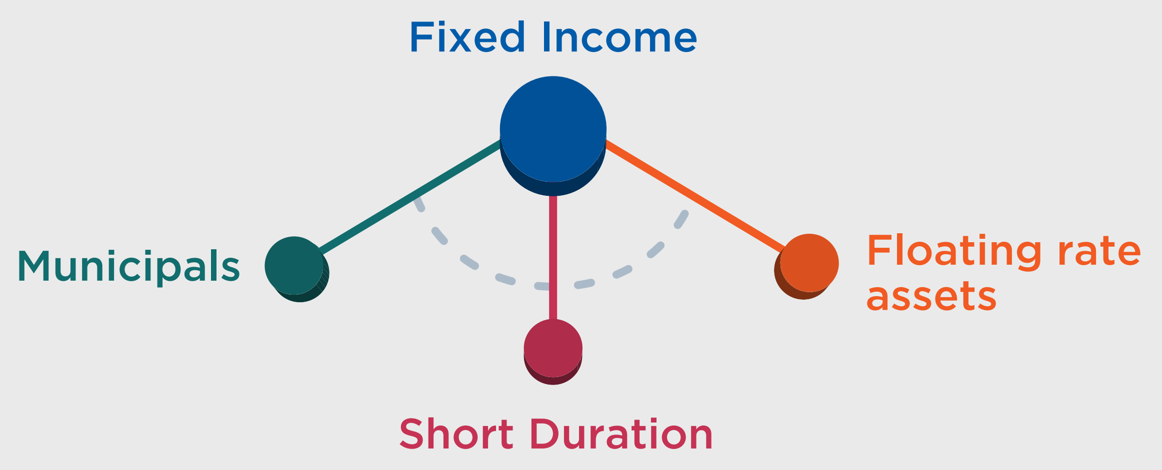
Source: Bloomberg monthly survey of economists as of 8/31/21. Economists forecasted both 2021 and 2022 year-end inflation rates each month. Core PCE = Personal Consumption Expenditures less food and energy. Headline CPI = **Consumer Price Index** all items.

How can investors position their portfolios?

To face the challenges of higher, more volatile rates, investors should consider inflation, enhance diversification, and focus on quality.

Greater focus on interest rate sensitivity

Investors should examine opportunities among shorter-duration, higher-yield fixed income assets and those using targeted yield curve positioning. To hedge against higher rates, they can also consider funds with exposure to floating rate assets and TIPS.



Careful equity selection: value over growth

Higher inflation should benefit cyclical stocks such as energy and financials.	Traditionally defensive sectors, such as utilities, may struggle in a rising interest rate environment as bond yields become more attractive.	Hyper-growth stocks are risky as valuations are stretched and are likely to compress as interest rates (and the cost of capital) increase.