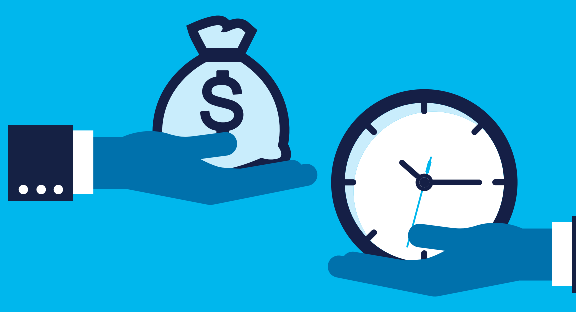
La confiance ça se mérite
Amundi
ASSET MANAGEMENT

Global Investment Views

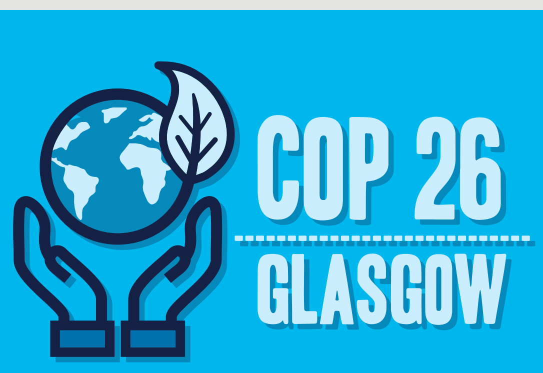
OCTOBER 2021

MOUNTING RISKS, BUYING TIME



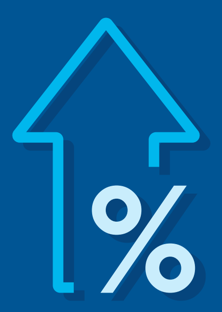
We see some concerns in the form of rising energy and food prices, and deceleration in Chinese growth. On the other hand, there is some positive data (US retail sales, Purchasing Managers' Index[1]) that gives central banks (CB) time to respond. In an environment where CB policies may diverge, investors should remain vigilant but not over-pessimistic.

INVESTMENT IMPLICATIONS



STAKEHOLDERS IN CLIMATE CHANGE

The recent uptick in oil and gas prices should not derail the long term commitment of governments to address climate change and social inequalities. For investors, investments linked to energy transition and reducing social inequalities will remain important.

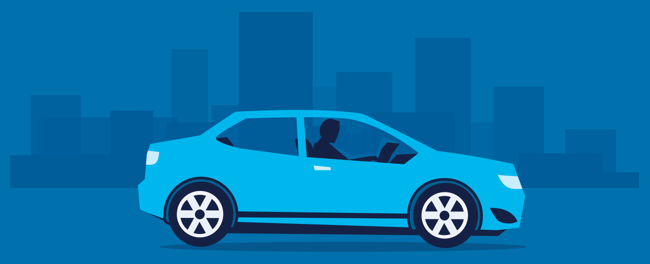


RISING YIELDS WARRANT A DEFENSIVE STANCE

Resurging consumer demand, inflation[2] and a potential tapering[3] of CB stimulus are likely to push yields upwards. However, this will not be a straight line. Investors should favour solutions that can be flexible on government bond allocation, favouring short duration maturities.

EXPLORE DIVIDEND THEME AND ROTATIONS

With an overall neutral and selective stance on equities, investors should favour Value[4] and Quality[5] in the US (renewable energy) and Europe (financial, industry). In addition, businesses that reward shareholders through dividends[6] and buybacks[7] and maintain sustainable earnings will be the winners.



CREDIT IS THE DRIVER OF RETURNS IN FIXED INCOME

Credit metrics and corporate fundamentals are improving but valuations in some segments remain high. Through a selective lens, we look for Emerging Markets bonds and European credit names (Investment Grade[8], High Yield[9] and subordinated debt[10]) that have a lower duration risk and can withstand pressures from higher yields.

STAY PRUDENT, WELL-DIVERSIFIED AND VALUATION-CONSCIOUS

We believe it is not a time for structural de-risking[11] as there is no evidence of a profit recession but investors should increase scrutiny of individual cases. There are opportunities in equities, value and dividend themes which enhance investor income, although sufficient hedges should be maintained. Search for yield continues in European peripheral debt[12], credit and selective Emerging Markets bonds, with an eye on regulatory actions in China. Finally, investors should ensure that their core fixed income allocation is resilient, underscoring the need to stay cautious on duration and balanced across portfolios.

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1. Purchasing Managers' Index (PMI): indicator of activity in the manufacturing sector in the United States based on a monthly survey of US industry purchasing managers. It is considered as such as a true bellwether for the State of health of the U.S. economy.
2. Inflation: the loss of a currency's purchasing power, as reflected by a broad and lasting increase in prices.
3. Tapering: reduction of the rate at which a central bank buys new assets.
4. Value: stocks considered underpriced given the performance of the underlying company.
5. Quality: investment strategy that seeks to identify companies with outstanding characteristics.
6. Dividends: the share of net profit distributed each year to shareholders, which can vary depending on the company's results.
7. Buyback: when a corporation purchases its own shares in the stock market.
8. Investment Grade: refers to securities issued by an issuer of negotiable debt securities (Treasury bonds...) or bonds for which the Standard & Poors rating is greater than or equal to BBB-. 'Investment grade' bonds are considered by the various rating agencies as having a low risk of non-repayment.
9. High Yield: Bonds with a lower credit rating but which therefore offer a higher return.
10. Subordinated debt: any type of loan that's paid after all other corporate debts and loans are repaid, in the case of borrower default.
11. De-risking: the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk.
12. Peripheral debt: refers to debt instruments issued by Spain, Portugal, Italy and Greece that have higher yields and more volatile spreads.

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