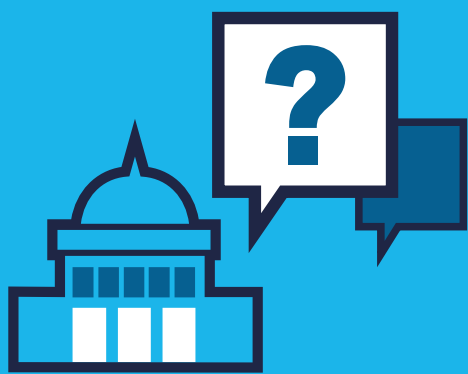




APRIL 2021

BUBBLES, TANTRUMS AND THE VALUE¹ ROTATION



Rising US bond yield amid hopes of economic recovery are causing the markets to question whether the Fed will pause its bond-buying programme (taper tantrum²), but the central bank is unlikely to do it in the short-term. However, the Fed's stance to stay accommodative is creating some fears about the return of inflation and this has implications for investors.

KEY INVESTMENT THEMES



US INFLATION SHOWS SIGNS OF LIFE

A demand resurgence and an increase of food prices are signs of a possible return of inflation. Hence, investors should stay cautious and agile in their government bond exposure, by using flexible fixed income solutions.



COCKTAIL OF EARNINGS RECOVERY AND CYCLICAL STOCKS

We expect economic improvement to boost profitability this year. Investors should explore Cyclical³ and Value stocks (Europe, Japan, financials) that will benefit from earnings growth, but should stay focused on stock selection.



CASE FOR EMERGING MARKET INVESTING REMAINS STRONG

Despite near-term volatility, EM fixed income may remain an engine of returns for global investors. In equities, certain markets such as those in EM Asia offer exposure to growth at attractive prices, but bottom-up⁴ analysis is key.



SEARCH FOR YIELD CONTINUES IN CREDIT

Credit metrics may improve in light of recovering corporate fundamentals. In addition, central banks should continue their asset buying programs, but investors should not lose sight of credit selection and look for relative value across regions.

FAVOUR EQUITIES OVER BONDS AND STAY DIVERSIFIED



Investors should play the recovery through equities but avoid expensive areas, such as hyper growth and expensive tech stocks, that display stretched valuations. The rotation towards value and cyclical markets will continue. In equities, EM Asia and Japan, the most cyclical stocks are favoured. Credit is still an important component of fixed income portfolios. Going forward, investors should track the pace of US bond yield movements and make provisions for higher inflation. A dynamic, agile approach, coupled with highly diversified portfolios, would allow for optimum diversification and enhanced sustainable returns.

Amundi
ASSET MANAGEMENT

Discover Amundi Investment insights on our Research Center
<http://amundi.com>



1. Value: Stocks considered underpriced given the performance of the underlying company

2. Taper tantrum: Surge in yields as a result of central bank announcing a winding down of Quantitative Easing

3. Cyclical: Investment whose price movements follow that of the wider economy.

4. Bottom-up: Investment strategy focusing on the analysis of individual stocks and rather than on macroeconomic cycles and market cycles.

IMPORTANT INFORMATION

Diversification does not guarantee a profit or protect against a loss. Unless otherwise stated, all information contained in this document is from Amundi Asset Management and is as of 29th March 2021.

The views expressed regarding market and economic trends are those of the author and not necessarily Amundi Asset Management, and are subject to change at any time based on market and other conditions and there can be no assurances that countries, markets or sectors will perform as expected. These views should not be relied upon as investment advice, as securities recommendations, or as an indication of trading on behalf of any Amundi Asset Management product. There is no guarantee that market forecasts discussed will be realised or that these trends will continue. Investments involve certain risks, including political and currency risks. Investment return and principal value may go down as well as up and could result in the loss of all capital invested. This material does not constitute an offer to buy or a solicitation to sell any units of any investment fund or any services.

Amundi Asset Management - Amundi AM, French joint stock company (Société par actions simplifiée) with a capital stock of 1 086 262 605. Portfolio management company approved by the French Financial Markets Authority (Autorité des marchés Financiers - AMF) under no.GP 04000036 Head office: 90, boulevard Pasteur, 75015 Paris - France

Date of First Use: 29th March 2021.