

**Investment
Institute**

Ride the policy noise and shifts

Cross Asset Investment Strategy Special Edition | MID-YEAR OUTLOOK

JUNE 2025 • Document for professional investors only

Marketing material for the exclusive attention of professional clients, investment services providers and any other professional of the financial industry

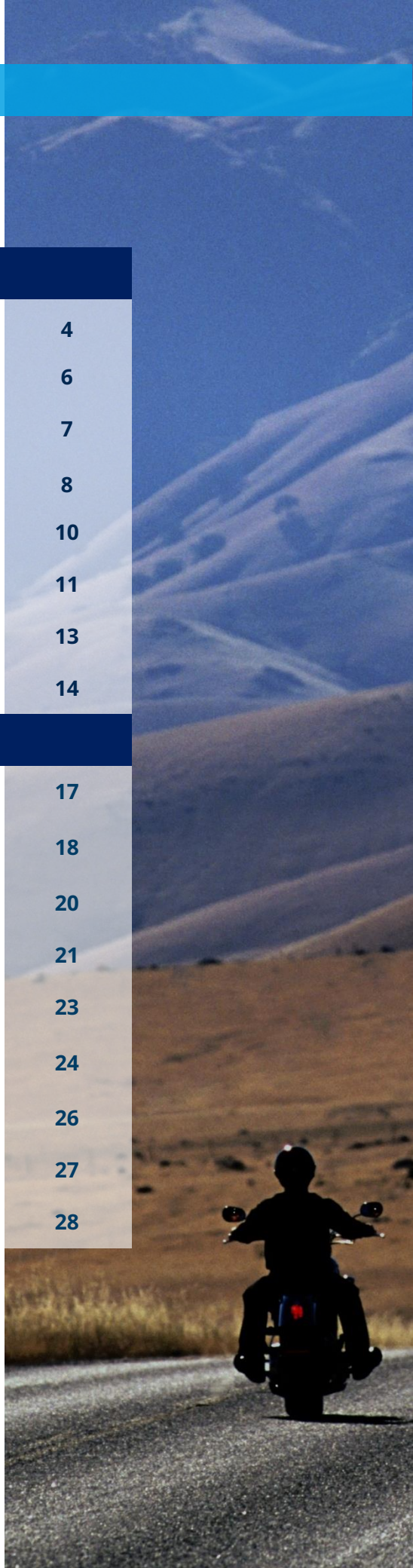
TABLE OF CONTENTS

Key convictions for 2025

Key insights: H2 2025 Outlook main convictions	4
Infographic: Mind the sequencing	6
Infographic: Main and alternative scenarios	7
Setting the scene: Ride the policy noise and shifts	8
Dynamic asset allocation: Allocating in a polarised world	10
Geopolitics: 'The Great Diversification' is underway	11
Macro: Three themes to watch	13
Infographic: DM and EM Outlook	14

Investment themes

Asset Class Views	17
Fixed Income: Tipping point for global fixed income investors	18
Currencies: Weaker US dollar ahead	20
Equity: Equities in the global trade rewiring	21
Infographic: Time for Europe	23
Emerging Markets: India and EM are winners of the rerouting shift	24
Private Markets: Private diversification still attractive	26
Hedge Funds: Healthier backdrop in H2	27
Forecasts	28





MONICA DEFEND
HEAD OF AMUNDI
INVESTMENT INSTITUTE

Opportunities in the great rewiring

Despite unpredictable policymaking, business resilience, and the reorganisation of global trade and financial systems, the expected rate cuts from central banks will create opportunities in global equities. We are focusing on themes such as European defence spending, US deregulation, corporate governance reform in Japan, and the 'Make in India' initiative.

Ride the policy noise in bonds

Government bond markets are being rattled by the threat of higher debt and rising inflation fears, keeping volatility high. Investors are likely to demand greater compensation for long-dated bonds, making yields appealing. The name of the game will be diversifying away from the US and into European and emerging market bonds.



VINCENT MORTIER
GROUP CHIEF
INVESTMENT OFFICER



PHILIPPE D'ORGEVAL
DEPUTY GROUP CHIEF
INVESTMENT OFFICER

Time for Europe

Upcoming reforms and investment plans aimed at achieving strategic autonomy are transforming Europe into an increasingly attractive destination for investors, supported by a stronger euro. Equity valuations are relatively appealing, especially among small caps; government bonds may benefit from a favourable growth and inflation mix; and credit supply and demand appear balanced, with the financial sector expected to outperform.

KEY INSIGHTS

H2 2025 Outlook main convictions

Per Breiehagen @Gettyimages

1

The toll of tariffs and fiscal policy on the US economy

We expect US real GDP growth to slow from nearly 3% in 2023–24 to 1.6% in 2025, largely due to weakened private demand. Higher tariffs will raise prices, dampening consumer sentiment and spending, while uncertainty will weigh on investment. Although fiscal measures and deregulation may provide some relief, the impact is likely to be limited, with average tariffs around 15% (as per our base case) leading to economic losses and a temporary resurgence in inflation. Amid the growth slowdown, the Fed is expected to cut rates three times in H2.

2

Higher geopolitical risks call for greater diversification

We are now in a more contentious geopolitical environment, with the US administration contributing to rising tensions through tariffs and reduced commitments to European security. This could further unify Europe, with leaders recognising the benefits of collective negotiation as they seek to diversify trading partners through new trade agreements. The US–China relationship is set to deteriorate further, though both nations will seek to avoid escalation. In this environment, diversification away from US assets is set to continue, favouring European assets in particular.

3

Asset allocation: mildly pro risk, adjusted with inflation hedges

Despite the sub-par growth outlook, we do not anticipate an earnings recession, as businesses show resilience. This, coupled with the Fed's anticipated rate cuts, supports a mildly constructive asset allocation with inflation protection. We favour global equities with a focus on valuations and pricing power, along with commodities, gold, and hedges against growth and inflation risks stemming from a world of geopolitical uncertainty. Infrastructure investments can offer stable cash flows. Currency diversification will be crucial amid shifting correlations between the USD, equities, and bonds.

4

Tipping point in bonds will favour European credit and EM bonds

Investors will demand a higher premium for US Treasuries, amid uncertainty on trade policies, rising public debt, and substantial bond supply. In developed markets, long-term yields will remain under pressure. Central Banks cutting rates will continue to support short-dated bonds, driving yield curve steepening. Investors will seek diversification across markets, favouring Europe and EM debt. Continue to play quality credit, with a preference for euro investment grade (financial and subordinated credit).

5

For equities, tariff impacts will drive sector selection

Equities may generate low single-digit returns in the second half, but rotations will continue. Europe's appeal is likely to become a structural theme, favouring also small- and mid-caps, where valuations remain highly attractive. Globally, sector selection will be key. We favour domestic and service-orientated sectors to reduce the risk from tariffs, with a focus on themes such as US deregulation, European defence and infrastructure, and the ongoing Tokyo Stock Exchange reform, which is generating a more investor-friendly environment.

6

India and EM are winners from the rerouting shift

Emerging market equities will be favoured in H2 2025, driven by recovering macro momentum and stabilising inflation. As US exceptionalism fades, India and ASEAN are emerging as key beneficiaries of the global supply chain rerouting. India's 'Make in India' initiative is attracting multinational corporations, particularly in defence and IT. With a focus on domestically-orientated sectors, these markets are not just manufacturing hubs but dynamic growth engines, poised to capitalise on structural shifts and expanding consumer bases.

7

Keep on diversifying with real and alternative assets

Extra selectivity is required given the surge of capital being invested in these segments. Overall, a challenging geo-economic backdrop will boost diversification through private assets, benefitting resilient domestic stories. Private debt and infrastructure are expected to remain the most attractive. Private debt may benefit from strong direct lending and fundraising, while infrastructure will attract investors seeking inflation protection.

H1 2025: mid-year in review

Macro views vs our H1 2025 outlook expectations



CONFIRMED

- Persistent **geopolitical** tensions.
- Challenges to US economic exceptionalism.
- Divergence between US soft and hard data (resilient, leading the Fed to pause).
- **Europe's** modest recovery.
- More policy support in **China**. Strong growth in **India**. Resilient **EM**.
- Persistent **disinflation trend**, particularly in Europe. Inflation risks in the US.

Financial markets views vs our H1 2025 expectations

- **Equities:** Positive view; rotation beyond US mega-caps (towards small caps and other markets).
- Constructive on **European assets**.
- **Bonds:** Curve steepening; positive on quality credit.
- Rate volatility and rising **equity volatility**.
- **Gold's** geopolitical hedge continues.
- **USD** weakness.




SURPRISE

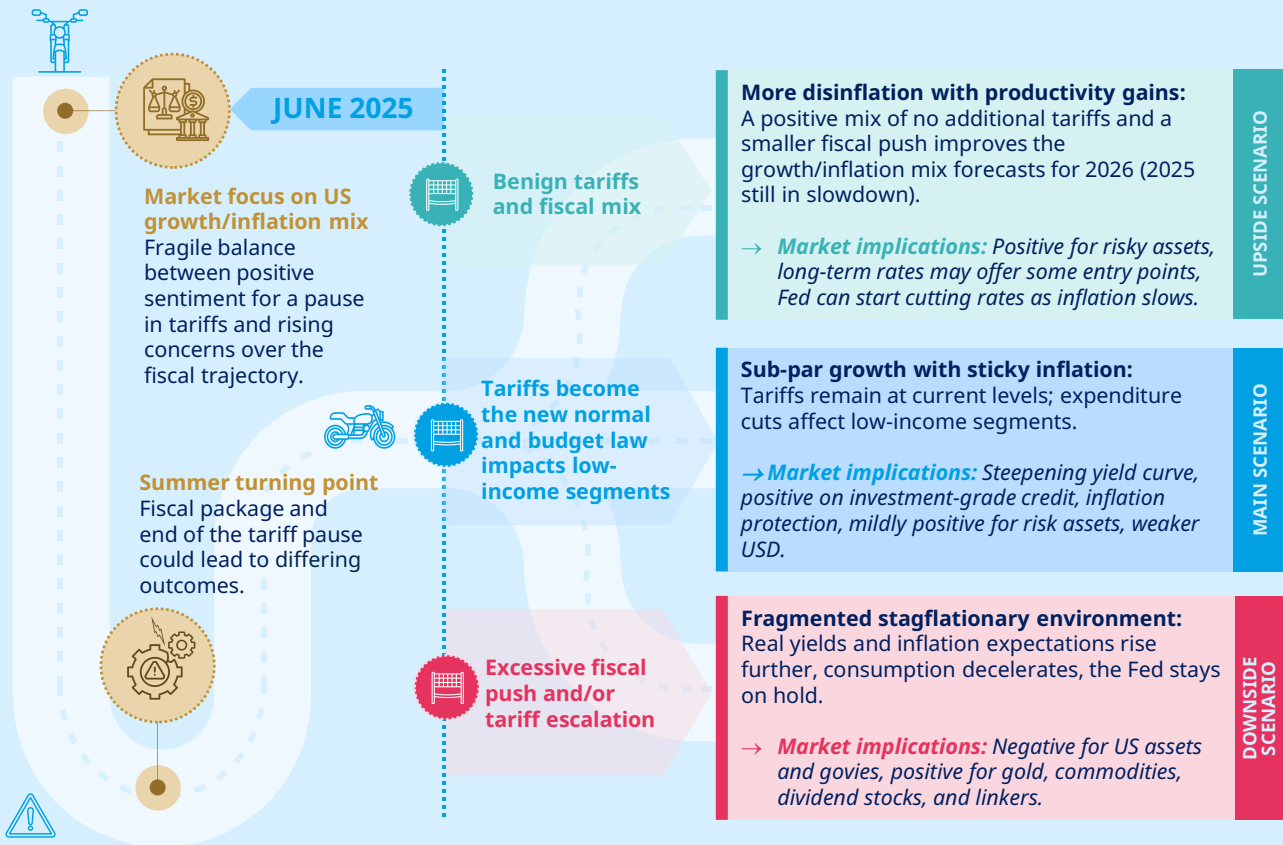
- Significantly higher **uncertainty** amid **trade war**. Tariff flip-flops.
- New **defence** paradigm in **Europe**. **Fiscal** push in **Germany**.
- Return of bond vigilantes due to increased **fiscal risks** (US).

- **Challenges to US assets** 'safe haven' status: the USD is now correlated with equities and decoupling from US Treasuries.
- **30Y government bonds yields** in DM at multi-year highs, versus historically low yields in China.
- **Deepseek** and accelerated China-US tech competition, leading to a rebound in Chinese equities.

Source: Amundi Investment Institute as of 10 June 2025. DM: developed markets. EM: emerging markets. CB: central banks. Economy and markets expectations refer to our [2025 investment outlook](#).

H2 2025 | Mind the sequencing

 Key events to watch



H2 2025 | Investment themes



Main and alternative scenarios

Scenarios for 2025	DOWNSIDE RISK SCENARIO	AMUNDI MAIN SCENARIO	UPSIDE RISK SCENARIO
	<i>Fragmented stagflationary environment</i>	<i>Sub-par growth with sticky inflation</i>	<i>More disinflation with productivity gains</i>
Probability	20%	70%	10%
Scenario	Geopolitical and/or trade war escalation (back to Liberation Day), severe supply chain disruptions, profit recession, and impact on labour markets. Upside risk to the US deficit due to further deterioration from lower growth.	Although in a significantly higher tariffs world (with average US tariffs at 15%), policy uncertainty subsides over time, with an orderly relocation of supply chains. Growth decelerates without major setbacks. US deficit around 6.5%.	Policy uncertainty subsides significantly, driven by a recovery in global trade dynamics; disinflation enables monetary policy normalisation. (With average US tariffs below 10%). Downside risk to the US deficit due to stronger growth.
World GDP	2.6-2.8%	2.8-3.0%	3.1-3.3%
US GDP	1.0%-1.3%	1.4%-1.8%	1.9%-2.1%
Euro GDP	0.3%-0.7%	0.8%-1.0%	1.2%-1.5%
China GDP	3.5%-4.0%	4.0%-4.5%	4.6%-5.0%
US CPI	3.2% - 3.5%	2.8% - 3.3%	2.4% - 2.7%
Euro CPI	1.5%-1.8%	1.8% - 2.2%	1.8% - 2.2%
China CPI	(-0.7%) - (-0.4%)	(-0.4%) - 0%	0% - 0.5%
Fed rate	3.00%	3.75%	3.75%
ECB rate	1.0%	1.5%	1.50%
Investment Implications	<ul style="list-style-type: none"> ▪ Risk off ▪ Inflation linkers ▪ Gold ▪ Cash 	<ul style="list-style-type: none"> ▪ Mildly risk on ▪ Positive on equity, credit IG, cautious HY ▪ Tactical on duration 	<ul style="list-style-type: none"> ▪ Risk on ▪ Positive on equity, credit IG and HY ▪ Neutral duration

Amundi Investment Institute, IMF, Bloomberg. The table shows reference projections based on information available as of 10 June of 2025. Assumptions on tariffs as of 10 June of 2025, at face value, tariffs are 10% universal, 30% on China (20% Fentanyl) and 10% reciprocal); under the section 232, 25% sectoral tariffs on Auto & Auto Parts, 50% on Steel and Aluminum (since the 4th of June). Sectoral tariffs on Canada and Mexico only for non-USMCA-compliant imports.

Factors to monitor



Credit stress due to policy lag effects leading to defaults



Liquidity risk in private credit amid rising complexity, deregulation and strong bank and non-bank linkages



Real estate stress on commercial banks and consumers



Volatility spikes for valuation reset and/or carry trade reversal

SETTING THE SCENE

Ride the policy noise and shifts

A rewiring of the global economy is forcing investors and policymakers to proceed with caution. Such prudence is justified. There may be superficial parallels with the trade shock delivered by the pandemic, but limited lessons can be drawn from the temporary disruptions that occurred at the start of the decade. Today, the US administration’s approach to commerce, security and international relations is ushering in structural changes that will outlast its tenure.

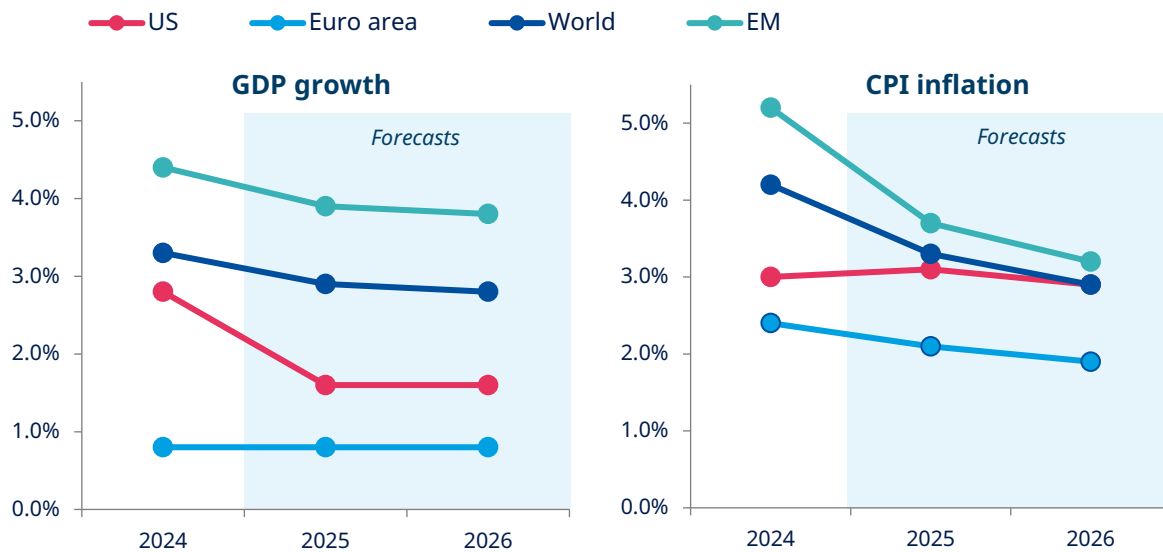
Enhancing the resilience of portfolios and diversification are paramount in the current environment.

It is all too easy to focus on the negative aspects of such shifts. It is true that unpredictable policymaking is an unfavourable backdrop for investment and consumption, and it increases the difficulty of forecasting how economies will perform. Even the International Monetary Fund is now producing ‘reference trajectories’ rather than projections. Uncertainty about the economic outlook, or even the rules of engagement when it comes to international trade and diplomacy, is also triggering elevated levels of market volatility.

But there are some positives that will influence asset prices. Most major economies have so far proved relatively resilient despite the flux. For example, US growth may slow to 1.6% this year, below its potential, but the Federal Reserve will probably manage the delicate balancing act that is required to avert recession while keeping inflation in check. Also, while the US administration has made tariffs and security its priority, planned tax cuts and deregulation are likely to mitigate the toll that trade levies may take on US economic activity in the coming year. **As a result, a corporate profit recession is unlikely.**

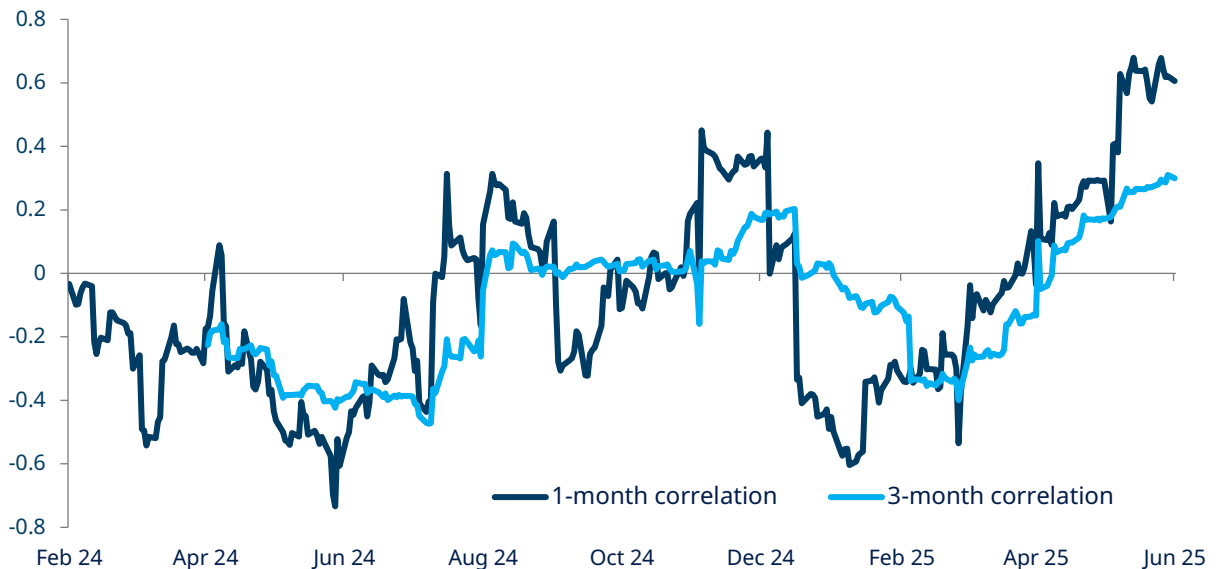
Europe is another source of optimism. Germany’s commitment to increasing investment and defence spending was a game-changer. There is also a broader political consensus that **the continent must press on with the changes** that are needed to ensure its international clout matches its economic heft, although this may take a little time. Even so, the European Central Bank has more leeway than the Federal Reserve to support growth given the inflation outlook on each side of the Atlantic. **The buoyancy of the single currency**, which looks likely to persist, reinforces this dynamic by making imports cheaper in euro-denominated terms.

Sub-par growth and more disinflation lie ahead



Amundi Investment Institute, IMF, Bloomberg. The table shows reference projections based on information available as of 10 June of 2025. Assumptions on tariffs as of 10 June of 2025, at face value, tariffs are 10% universal, 30% on China (20% Fentanyl and 10% reciprocal); under the section 232, 25% sectoral tariffs on Auto & Auto Parts, 50% on Steel and Aluminum (since the 4th of June). Sectoral tariffs on Canada and Mexico only for non-USMCA-compliant imports.

Correlation between the US dollar and US stocks has turned positive



Source: Amundi Investment Institute and Bloomberg, as of 2 June 2025. Chart shows rolling correlation on daily data of DXY index vs S&P500.

Still, caution is warranted on a few fronts. In Europe, concrete steps will need to be taken to follow through on politicians' encouraging rhetoric. Germany, for instance, will need to press ahead with passing budget legislation if extra fiscal stimulus is going to help growth next year. And national politics will have to be put aside to create the much-needed Savings and Investment Union.

Also, **not all countries have the same leeway as Germany to deploy fiscal policy. Investors are increasingly sensitive to rising fiscal burdens and are demanding a higher premium for holding very long-dated bonds, even for benchmark US Treasuries.** Governments can adjust issuance plans to reduce the supply of such debt. But shortening the average maturity profile of public debt carries its own risks, which may put limits on how much supply can be calibrated. This points to a **further steepening of benchmark yield curves.** Nor will central banks have the same scope to embark on the bond-buying sprees that they did in past decades, when inflation was tamer and there were fewer trade frictions.

Portfolio allocation is also becoming more complicated as **some familiar relationships between asset prices are breaking down.** For example, investors can no longer count on the US dollar to function as a natural hedge when stocks fall; riskier assets and the greenback have tended to fall in tandem in recent months. Nor can stock and bond prices be relied on to move in opposite directions.

Enhancing the resilience of portfolios becomes paramount in this environment. **Hedging to reduce foreign exchange risks is a topic of rising importance, especially for non-dollar investors.** And diversification is ever more imperative.

This is true within asset classes as well as across a portfolio. **Focusing on long-term themes,** rather than chasing day-to-day market swings, can help identify the segments of the equity market that may best withstand the current turbulence. Such trends include the **rise in European defence spending, US deregulation, and corporate governance reform in Japan.** It is also worth looking for **investment opportunities in emerging economies** whose strong domestic demand prospects offer some insulation against trade frictions. India is one of the prime examples of such an economy.

Turbulence may be a feature of markets for a while as the new geoeconomic order takes shape. But the **uncertainty and policy noise are creating opportunities that are already evident.**

DYNAMIC ASSET ALLOCATION

Allocating in a polarised world

Our economic-financial cycle models (ref. in the chart below) suggest that a **late-cycle scenario is the most likely outcome, indicating a mildly risk-on allocation**. Incorporating geopolitical insights from historical parallels shows a greater likelihood of polarised outcomes, with potential shifts towards positive recovery phases and a significant probability (34%) of negative phases (contractions) that should be factored into asset allocation. The new normal of tariffs* contributes to a persistent inflationary backdrop, increasing the risk of adverse outcomes such as **stagflation** or even higher inflation (**hyperinflation**). This heightens fragilities, as rising inflation will affect production costs through higher purchasing prices, putting pressure on profit margins. Consequently, we expect earnings growth to decelerate to 6%, but not an earnings recession, as recent results remain encouraging.

We favour a mild **risk-on allocation designed to withstand an inflationary regime** with downside risks, considering expensive market valuations and growth concerns. This involves a **well-diversified equity approach with a focus on valuations, pricing power, and margins** to identify areas that can withstand inflationary pressures, **alongside tactical duration management**. In **credit**, we favour **quality**, especially in Europe, where the risk/return profile is compelling. With stagflation risk, **hedges against equity downside** should be considered, while commodities and **gold** are becoming key hedges in case of hyperinflation. We also look at asset classes that thrive in inflation, such as **infrastructure**, which offers stable cash flows and benefits from government spending. **FX** will also play an increasingly relevant role, as changing USD correlation patterns will call for higher currency diversification and hedging.

Commodity focus

Constructive outlook:

Within our base scenario of multi-speed growth with no recession expected in the coming quarters, we believe commodities will continue to benefit from structural and cyclical factors.

Oil market volatility:

We maintain our targets of \$63-68 for Brent and \$60-65 for WTI based on current supply dynamics. Following Israel's attack on Iran, we expect oil volatility to remain high, with upside risks if tensions escalate. However, this could prompt the US and OPEC to increase production to curb inflationary pressure.

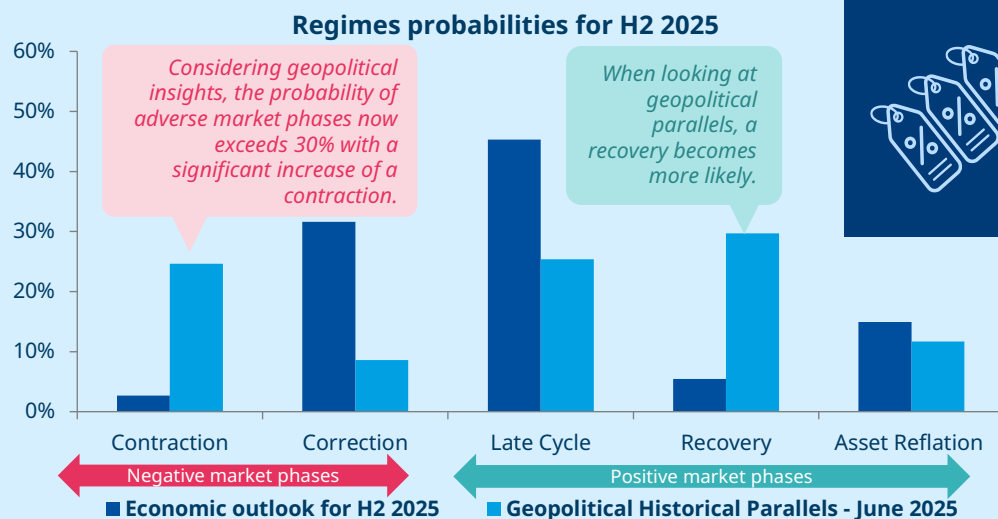
Base metals recovery:

The base metals sector is poised for mid single-digit upside, as inventories decline below historical averages, indicating a rebalancing of demand and supply that could lead to price pressures, in our view.

Gold as a strategic asset:

Gold serves as a key hedge against US fiscal and monetary policies, potential dollar debasement, and an excess supply of US assets. Gold prices could remain supported, even above our target of \$3,400, amid heightened geopolitical risks stemming from the Israel-Iran conflict.

A geopolitical perspective on the potential cycle evolution



~ 20%
probability of hyperinflation** considering the geopolitical outlook

Geopolitical Historical Parallels: we have analysed historical geopolitical parallels to gain insights into how this cycle could evolve. While these past periods share similarities with projected 2025 dynamics, each had a unique context. In addition, the world in 2025 is likely to face new challenges and opportunities, particularly in AI, climate change and shifting global power dynamics. Source: Amundi Investment Institute. Probabilities derived from Amundi proprietary models "Advanced Investment Phazer" and "Inflation Phazer". *Tariffs as detailed in the assumption of our macro trajectories on page 28. **Hyperinflationary with US CPI >6%. For phases definition see our paper "[Advanced Investment Phazer: a guide to dynamic asset allocation](#)".

GEOPOLITICS

'The Great Diversification' is underway

We are now firmly in the riskier, messier, more factious world we [predicted](#). **While the US president is not the cause of the geopolitical shifts underway** over the last few years, **his administration is accelerating some drivers**. For example, tariffs are intensifying economic friction, while the reduction of US commitments to Europe's security and ambitions in space are contributing to a new arms race. The US, under Trump, has also emerged as an additional disruptor.

Geopolitics is changing the macro and market environment

As investors, we need to look at geopolitical risk like we look at debt. High debt levels do not need to result in a debt crisis, but they increase vulnerabilities. Geopolitics is also changing the macro and market environment. **The current level of US domestic political uncertainty alongside geopolitical risk alters how companies, consumers, and investors make decisions**, which then has economic, and again political, implications. This uncertain backdrop will shape the next twelve months.

Politics will continue to hit global investors where they are most exposed: in US assets. Concerns over the US's fiscal position will linger, alongside doubts over how the US will weather the changes underway. **Domestic politics will remain volatile** as Trump will double down on societal issues that rally the MAGA base as mid-term elections approach.

After Trump's tariff ambitions faced pushback from financial markets and the courts, many leaders will be reluctant to cede much ground in negotiations. This will likely cause **more tariff-related pressure**. Negotiations will take time and trigger retaliation, if unsuccessful. Our current economic assumptions are based on an average US tariff rate of 15%, but this rate is likely to remain in flux.

Governments, companies, and investors will diversify away from the US

As a result, 'The Great Diversification' will play out as governments, companies, and investors diversify away from the US. Governments will seek to sign new trade and security deals while central banks will continue to diversify their currency reserves. **Companies will wait to see how tariff negotiations play out to decide how to adjust their supply chains and final manufacturing destinations** and how to get away with doing the bare minimum to satisfy Trump's demands for on-shoring in the US.

The diversification trend is playing out across asset classes & geographies

- Central bank reserve managers expect the share of the USD in global reserves to fall to around 55% in the next decade, while the renminbi's share is expected to increase to 5.6% ([OMFIF](#)).
- The renminbi has now surpassed the USD in China's cross-border transactions.
- Payment systems and platforms bypassing the USD and SWIFT are mushrooming in Asia and are being developed by BRICS members.
- Gold prices are at an all-time high.
- Demand for Eurozone bonds has been steadily increasing while European assets are attracting more capital flows.
- 64% of Chinese FDI was allocated to emerging markets in 2024, but 53.2% of China's investment in high-income countries was allocated to Europe.

Source: Amundi Investment Institute, Bloomberg, OMFIF, Mercator Institute for China Studies

'Winners and losers' will not be clear until tariff negotiations and the re-routing process are completed but Europe is likely to remain a net winner from US uncertainty. **While political risks remain, Europe is growing more united**, as leaders understand they are stronger together than as individual member states. Improving EU-UK ties is a case in point. Upcoming elections in Hungary in April 2026 could also bring a power shift, possibly removing one of the EU's biggest political hurdles as Viktor Orbán's party is trailing in the polls. The EU is amplifying its trade relations, as recent deals with the UK and Mercosur, and progress on a trade deal with India, illustrate. **There is momentum towards single and financial market integration and creating an environment that could make the euro more attractive.**

However, the EU will have to provide more clarity on how spending needs (e.g. defence, infrastructure, technology) will be funded despite constrained fiscal space. Reforms and reducing bureaucracy are essential to further integration, **but political hurdles are abundant.**

While political risks remain, Europe is growing more united, as leaders understand they are stronger together than as individual member states.

Developments in the Russia-Ukraine war will only emphasise the need for Europe to step up its own defence. A continuation of the conflict alongside talks is the most likely scenario for the next several months. Putin's and Ukraine's war aims do not overlap and there is no easy landing zone. If a ceasefire is achieved, it most likely will leave the door open for further Russian military activity. Most scenarios lead to Europe having to do the heavy lifting for its own and Ukraine's security.

The US-China relationship will continue to decline for as long as China poses a strategic economic, military and technological threat to the US. **Our analysis comparing the US and China in various categories** ranging from technology to industrial and military capabilities **suggests that China is 'catching up'** with the US in many areas and leading in others (e.g. rare earths). **Some of Trump's actions**, like undermining research institutions and expelling migrants, are **eroding some of the US's competitive advantages over China**: attractive demographics and research innovation.

The US and China will likely stay in a scenario of 'tense understanding' for the next several months. Both sides will avoid further escalation but also accept that the Great Power Competition does not allow much space for ties to improve significantly. **The US will continue to try and squeeze China economically, meaning there is a low likelihood of a grand bargain, which would see tariff levels come down sharply.** This doesn't mean there could not be 'mini deals' – for example, even if fentanyl tariffs come down as part of talks, the US would likely impose additional tariffs or export controls in other areas to maintain economic pressure. **China in turn is growing more confident on the global stage**, openly challenging the US, as recent deals in the US's 'backyard' – Latin America – demonstrate.

The Middle East will continue to see significant changes, but much will depend on how the recent escalation between Iran and Israel develops. There are various scenarios, one in which diplomacy resumes as Iran realises its regime stands the best chance of surviving by seeking a deal. There is a range of escalation possibilities, with Iran retaliating, kicking off a broader regional war involving other powers and the US. Israel may also decide that now is the time to force political change in Iran once and for all. At the time of writing, our view is that diplomacy will likely resume after retaliations between Iran and Israel play out.

Despite sanctions relief, **Syria** will remain volatile given the difficult domestic situation and various competing geopolitical interests. Equally, the ceasefire with the Houthis will remain fragile, sustaining concerns for shipping in the Red Sea.

We expected **Saudi Arabia** to have more political influence in the region under Trump and this has played out. While Saudi Arabia fears Iran, the Gulf is first and foremost interested in political stability to achieve its economic objectives.

MACRO

Three macro themes to watch in H2 2025

1 | One Big Beautiful Bill Act (OBBA) impact on debt and low-income

The budget reconciliation process is unlikely to be resolved until late summer, but proposals in the OBBA raise two major concerns. First, debt is expected to rise by \$3 to \$5 trillion over the next decade, depending on the permanence of certain tax cuts. Second, expenditure cuts will primarily affect lower-income segments, such as Medicaid and SNAP*.

Two significant implications. First, **whatever budget is approved, it will impact spending and taxes.** And second, **expenditure cuts impacting low-income groups while tax cuts benefit higher-income groups will further reduce aggregate consumption.** Rising debt will continue to pose risks for longer-term yields and this could make the Fed's task even more difficult if rate cuts do not ease financial conditions.

\$3 to 5 Trillion

Increase debt over the next decade due to the One Big Beautiful Bill Act (OBBA) if passed



2 | Fed's dilemma amid weak demand



Private demand will be the main driver of US growth this year and next. We expect weak consumer sentiment—triggered by tariffs and policy uncertainty—to lead to prolonged weak consumer spending, likely at half the 3% annual pace of the last two years, posing downside risk to our growth projections.

Tariff uncertainty will also exacerbate risks for investment spending, disappointing earlier expectations that deregulation would encourage more investment. Near-term inflation risks are on the upside but not as high as current consumer expectations suggest. Financial market expectations seem more reasonable, as **tariffs are likely to negatively impact growth more than inflation.** This implies high nominal yields reflect higher real interest rates—again more worrying for growth.

The Fed's dilemma is more complicated, but with an impending growth slowdown the Fed should be able to look through temporarily high inflation (providing inflation expectations remain anchored) and reduce rates significantly this year.

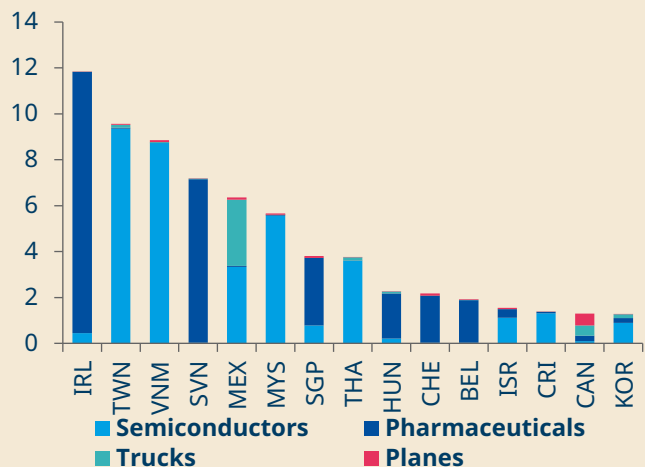
3 | Tariffs across sectors and countries

Uncertainty about tariff levels is expected to persist due to the complexities of trade negotiations. Reciprocal tariffs have decreased from Liberation Day rates to a 10% universal baseline for most countries. Although a court ruling challenged the use of IEEPA for imposing tariffs, Trump can replace it with Section 122 executive power.

Sectoral tariffs on strategically important industries are under Section 232 investigations. While essential resources like copper, timber, and critical minerals may be permanently exempt, key manufacturing sectors such as semiconductors, pharmaceuticals, trucks, and commercial aircraft could face higher tariffs of 25%. Given these complexities, tariff uncertainty is likely to continue. **In our base case we assume 15% average tariffs.**

Pending sectoral tariff exposure

Exports to US, % of GDP



UN Comtrade, IMF. Data of 2024 are used. Data as of 10 June 2025.

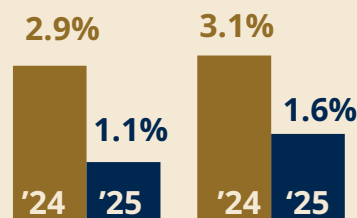
Macroeconomic outlook | DM



Tariffs and debt – a bad cocktail.

Growth is expected to decelerate significantly from the almost 3% pace in 2023-24 to below potential, driven by private demand. This is both because of **1. the direct impact of tariffs on consumption** - higher prices tax consumption when consumer sentiment is already weak, leading to a deceleration in spending - and **2. uncertainty adversely affecting investment**. The US fiscal push and prospective deregulation might lift investments, but the overall net effect should be muted.

Even if the US average tariff rate ends up being lower than feared, it will remain much higher than it was in previous decades, implying sizeable economic losses on the price and costs front, with inflation diverging from target again, albeit temporarily. Against this backdrop, we expect three cuts from the Fed in H2.

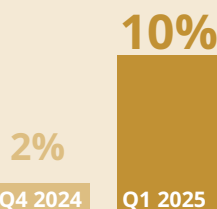


Average Real GDP and Real Personal Consumption Expenditures in 2025 have both slowed down compared to the 2023-2024 average.

Source: AII, REfinitiv Eikon Datastream



Europe's recovering demand



Euro area banks are reporting a moderate net increase in demand for consumer credit and other lending to households.

Source: ECB.

The gradual recovery of domestic demand is currently facing challenges due to heightened uncertainty in trade. However, **progressively easier monetary policy is expected to support growth**. While credit flows and demand have been relatively subdued till Q1 25 despite a cumulative 175 basis points cut from their peak in less than a year, there are **signs of optimism as we see an uptrend in private credit growth which we expect to continue**.

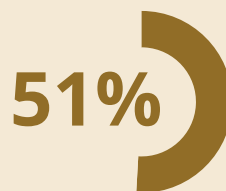
Consumption is anticipated to experience a modest recovery. Investments have been lagging, due to the elevated cost of capital and ongoing uncertainty, but headwinds should dissipate in the months to come: a reduction in trade uncertainty, coupled with lower interest rates, would serve as a catalyst for a stronger pickup in H2 2025.



Japan: in a regime change

Despite the recent triple whammy of weaker wage growth, the US tariff shock, and a decline in Q1 GDP, we still believe the outlook for Japan has fundamentally changed. **Wage growth** is likely to rebound to 3%, reflecting the outcome of the FY2025 Shunto negotiations. As **headline inflation** is expected to ease due to a decline in rice prices, **real wage growth will turn positive again, backing consumption**.

The recovery in private consumption has primarily been driven by the younger population, who have benefited the most from recent wage increases. Additionally, senior citizens may benefit from moderate interest rate hikes, which could result in improved returns on bank savings. In H2, we expect that the Bank of Japan will continue to wind down its balance sheet.



of household financial assets are held in currency and deposits at end-2024. Household liabilities are 1/6 of financial assets.

Source: BoJ, Amundi Investment Institute.

Macroeconomic outlook | EM



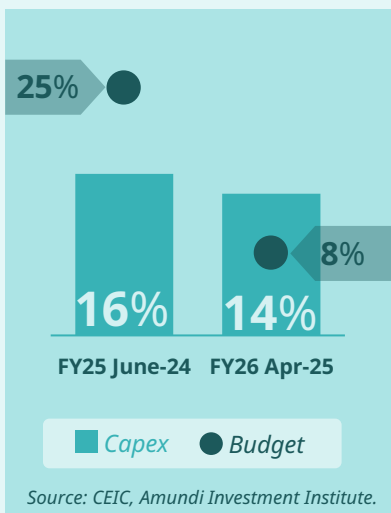
China: policy boost to weaken

Chinese growth has been well supported by exports and consumption so far this year. Despite a brief halt in trans-Pacific trade during the 145% tariff period, shipments rebounded forcefully after the US/China détente. Part of this could be a second-round frontloading for H2 orders. Domestically, the consumer trade-in subsidies have led to surges in home appliances, furniture, consumer electronics sales. That said, the front-loaded fiscal spending is coming to an end without a supplementary budget. In addition, we do expect a mild reference Policy Rate reduction in H2 by 20 basis points. We expect a normalisation in exports and consumption growth in H2, which will reveal the existing weak spots in the economy—deflationary pressures and renewed housing price weakness.

+39%_{yoy}

home appliance retail sales growth accelerated further, on the back of government subsidies for consumer goods trade-in.

Source: CEIC, Amundi Investment Institute.



India's capex and budget target are converging

Despite stronger-than-expected macro momentum in Q1 CY25, we have only slightly raised our growth expectations for the current year to 6.6% from 6.3%, assuming that global policy uncertainty persists. Investments, particularly in construction and public capital expenditure, have picked up significantly, while consumption is supported by a favourable inflationary environment.

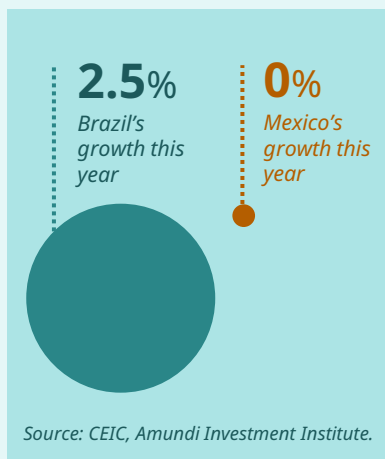
The most volatile component, food prices, is dragging down headline inflation, whereas core prices are experiencing mild increases. Excluding the unfavourable base effects anticipated at the beginning of next year, inflation remains well behaved, allowing the RBI to consider further easing; however, following the front-loaded cut by 50 basis points in June, the room now is much more limited.



LatAm – Brazil and Mexico on two separate trajectories

Brazil's central bank (BCB) is likely done hiking rates, with the SELIC at 14.75%, despite strong growth year-to-date (YTD) thanks to a resilient labour market and very robust agricultural output. However, the second half of the year should still bring softer economic activity, with growth expected to average 2.5% this year as high rates take effect. We anticipate that the BCB will start unwinding the high rates in early 2026, provided the fiscal stance does not disappoint again.

Meanwhile, the Bank of Mexico (Banxico) is loosening its still-tight stance quickly, given the soft outlook. We expect a stagnant (0%) economy in 2025, battered by a high degree of uncertainty in trade relations with the US and significant fiscal consolidation.



Investment Convictions for H2 2025

ASSET CLASS VIEWS

FIXED INCOME

CURRENCIES

EQUITY

TIME FOR EUROPE | INFOGRAPHIC

EMERGING MARKETS

PRIVATE MARKETS

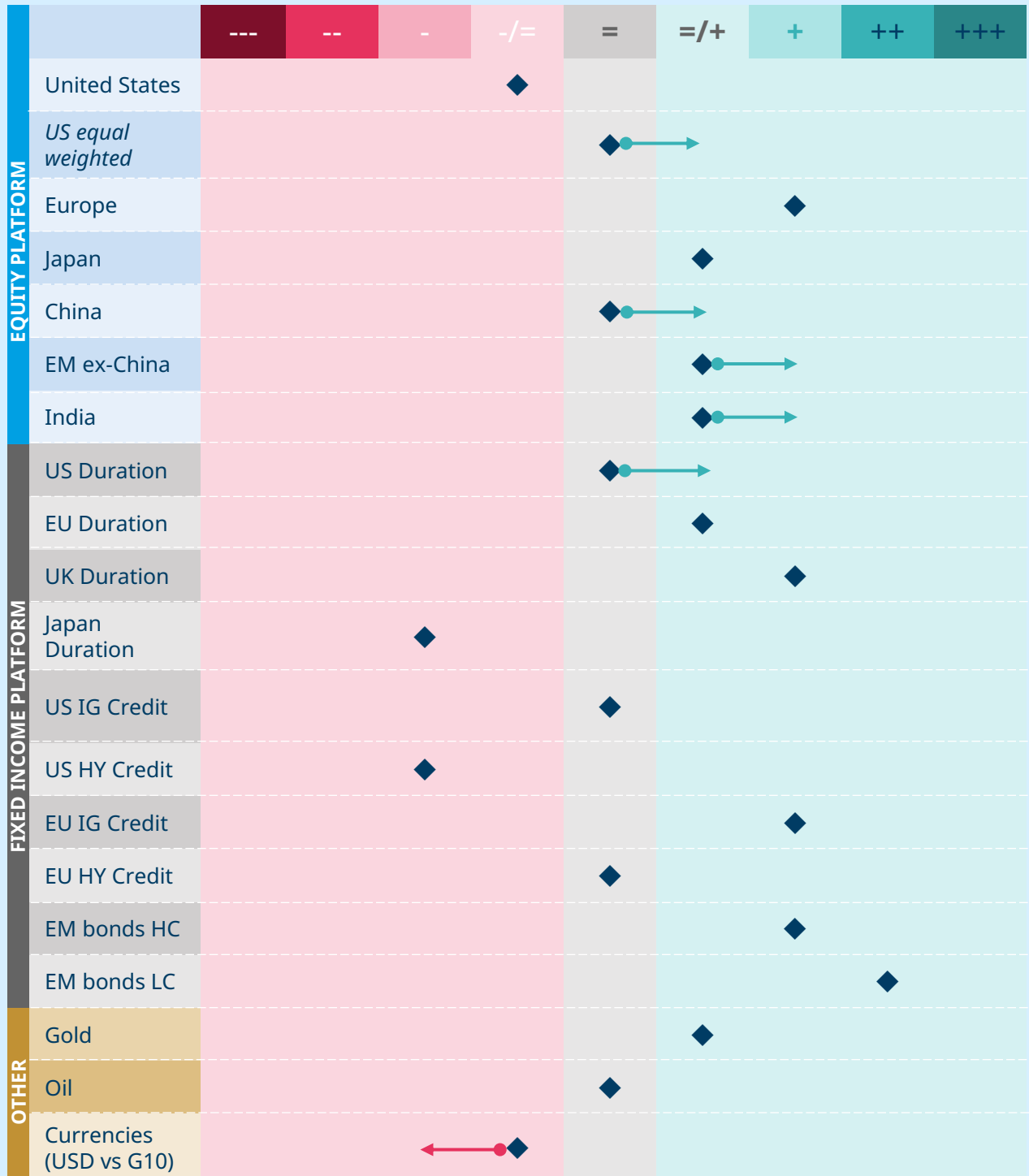
HEDGE FUNDS

FORECASTS

Amundi
Investment Solutions

Trust must be earned

Amundi Asset Class views



◆ Stance at June 2025 → Expected direction of views for H2

Source: Summary of views expressed at the most recent global investment committee (GIC) and updated as of 11 June 2025. The table shows absolute views on each asset class and are expressed on a 9 scale range, where = refers to a neutral stance. This material represents an assessment of the market at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation regarding any fund or any security in particular. This information is strictly for illustrative and educational purposes and is subject to change. This information does not represent the actual current, past or future asset allocation or portfolio of any Amundi product. FX table shows absolute FX views of the GIC.

FIXED INCOME

Tipping point for global fixed income investors

KEY TAKEAWAYS

Government bond markets are being shaken by the threat of higher debt and potentially rising inflation, with volatility expected to remain high at least until there is more clarity. We expect investors to demand higher compensation for long-dated bonds as a result.

Higher rates and slower growth may start undermining speculative credit in the second part of the year, while the outlook for investment grade is brighter, thanks to solid fundamentals and a balanced supply and demand.

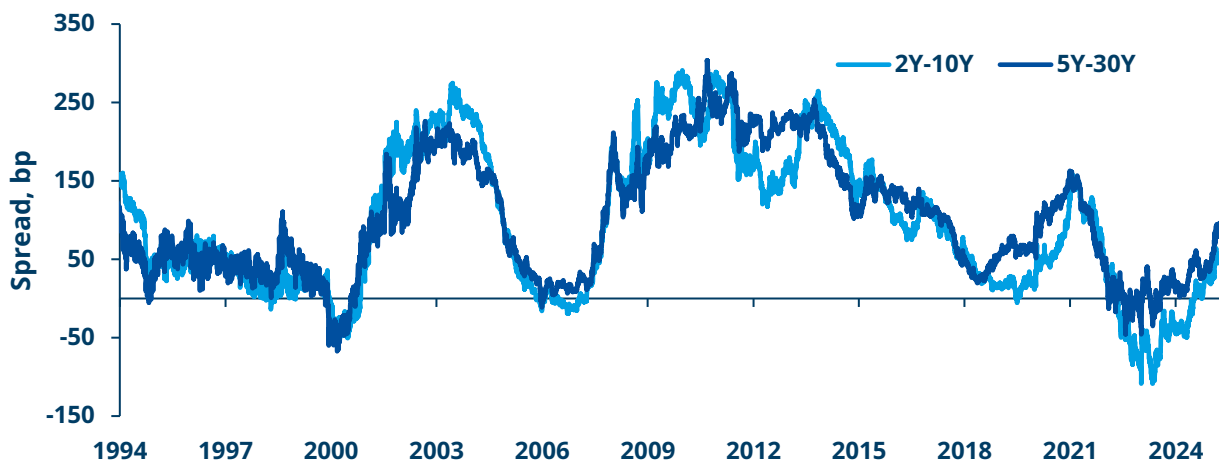
As global capital reallocates amid a shifting geo-economic order, USD weakness is likely to remain the long-term trajectory. Non-US dollar investors should consider hedging their portfolios to mitigate currency risks.

Government bonds: it is all about curve steepening

Following the Great Financial Crisis, investors faced a prolonged period of massive quantitative easing and controlled interest rates. Now, **the combination of quantitative tightening by central banks and huge and rising debt requiring heavy issuance by governments is driving yields higher.** While Chinese bonds are hitting historical lows in a deflationary environment, long-term yields in developed markets are reaching levels not seen in decades, driven by historically high levels of public debt.

In H2, **US Treasuries are likely to be subject to two contrasting drivers.** On the one hand, tariffs and tariff uncertainty are likely to weigh on growth. The soft survey data could well translate into soft economic data over the second half. On the other hand, stubborn fiscal deficits mean bond issuance is likely to remain high, while we do not expect foreign demand for US government bonds to increase in the new geo-economic regime, as uncertainty about the economic and debt trajectory is undermining investor confidence.

US curve steepening set to continue



Source: Amundi Investment Institute and Bloomberg, as of 12 June 2025

As a result, we expect US yield curves to pivot, with yields falling below the 10Y area, and rising above the 15Y maturities. This suggests that both the 2-10Y and the 5-30Y spreads could rise over time to the 160bp area seen during early 2021. The 10-year US Treasury yield is likely to stay in the 4%–4.75% range over the next six months, making the 4.5% level an attractive entry point for investors willing to lock in high yields. In an environment of lower growth and sticky inflation, both nominal and inflation-adjusted bonds in the intermediate part of the US curve (5-year) could benefit, with yields falling towards 3.6% and 1.2% by year-end, respectively.

While the 10-year US Treasury yield is likely to stay range-bound, we expect curves to steepen.

In Europe and the UK, growth is softening more quickly, and inflation pressures are abating. This leaves central banks more room for manoeuvre than in the US, where the Fed is in a wait-and-see position due to the uncertain inflation outlook. While supply is rising in Germany, due to fiscal expansion plans, budget deficits are constraining spending in parts of Europe. As a result, we see yields falling across the curve (albeit more in the front end than in the 10Y and particularly in the 30Y area). We see German 2Y yields trailing down to 1.55% by year-end, while 10Y yields may fall to around 2.35%. Peripheral yields may fall even further, given a favourable supply-demand outlook.

By contrast, we still see Japanese yields (2–10 year) rising, because we believe that the Bank of Japan will continue to wind down its balance sheet, particularly through 5–10year JGBs. We look for 2-Year JGB yields to rise to 0.8% by year-end, while 10-year yields could reach 1.6%.

Global picture remains positive for the credit markets

Investment grade corporate bonds are likely to perform well in the current economic environment, even if historically tight spreads limit the scope for capital gains, and credit will remain an income and carry story. **We favour European high-quality credit versus the US, while we have a neutral view on high yield** as weaker growth could push spreads higher towards the end of the year, but default rates should remain low and concentrated in the lowest rating categories. In the second part of the year, credit fundamentals could be impacted by (1) higher tariffs and (2) downside risks to growth, even if central bank easing supports demand for corporate bonds. The supply and demand outlook is also balanced, with lower volumes of net supply for European credit. Most gross issuance should be done for refinancing, as the volume of redemptions is high. In terms of sectors, we believe that **banks could offer attractive opportunities**, because they are more insulated from the risk of tariffs and have sound profits and balance sheets. Subordinated bank paper could prove one of the most interesting segments.

Key Investment Implications



Steeper yield curve

We expect steeper yield curves and rate volatility ahead. This offers opportunities to diversify into European bonds (Bunds and peripheral bonds), favoured by the growth and inflation mix.



Quality credit for income

Continue to play quality credit, with preference for Euro Investment Grade. Financial and subordinated credit remain our sector convictions.



Global flexible approach

Flexibility to ride the yield curve opportunities, diversify across markets in developed and EM space, and keep a flexible duration approach.

CURRENCIES

Weaker US dollar ahead

High US interest rates, rising term premium, and falling global growth historically, have provided a very simple message for FX investors: buy every dip in the USD. That is because **USD funding has often dried up and the USD itself has stabilised global allocations, reducing volatility.** Yet 2025 suggests that the melody of our past sometimes plays a new tune: **since 'Liberation Day', the USD correlation structure has changed significantly.**

Initially, the USD declined with US equities due to downward revisions in growth and earnings forecasts, but it failed to strengthen when selling pressures on US Treasuries intensified. In our view, this break in correlations will continue:

- **The US is coming to a point where the cost of new debt no longer justifies itself.** Rising US interest rates now reflect rising fiscal risks rather than sound economic fundamentals.
- **There is little evidence of USD scarcity globally.** Foreign ownership of USD assets reached \$31 trillion in 2024, and the US Net International Investment Position (NIIP) hit record lows of \$26 trillion. Capital repatriation or international diversification may accelerate from here.
- **Hedging activity will likely intensify.** Leaving the USD unhedged helped to mitigate returns volatility in the past, but this is now changing. Foreign investors will likely reconsider their hedge ratios and there are **plenty of alternatives to US Treasuries on a FX hedged basis.**

We focus on undervalued currencies, particularly in

countries with significant positive international investment positions, while dynamically **managing the beta of our FX allocation**, given the risks to global growth. **The JPY and EUR screen the best, CHF is already rich, while Scandies and AUD look relatively more attractive in the cyclical FX space.**

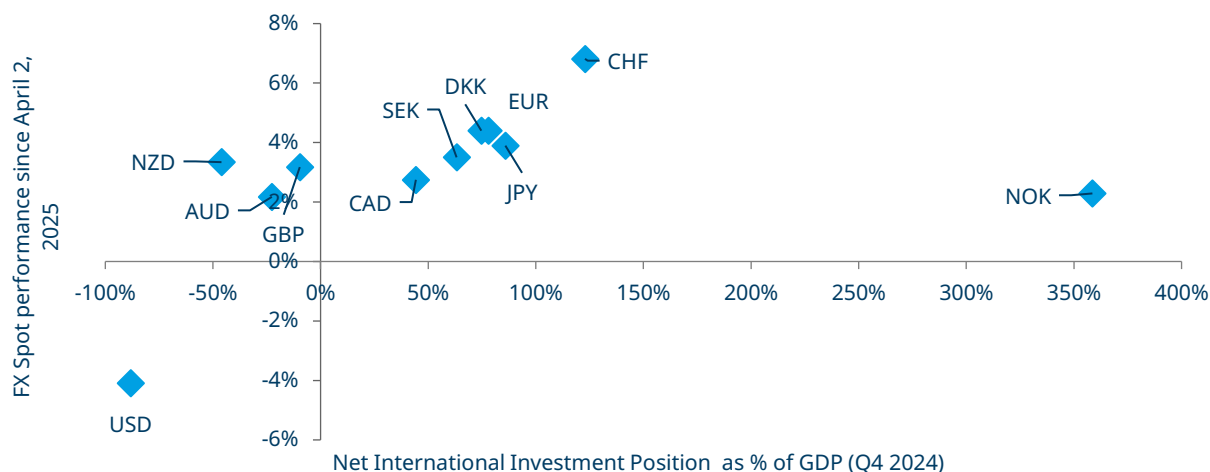
USD weakness favours emerging currencies

The growth gap between emerging markets and developed markets remains favourable for emerging economies, slightly exceeding historical averages. In this context, **emerging currencies stand to benefit.**

We maintain a **positive outlook on economies** less exposed to trade, particularly those **benefiting from domestic demand, such as India and Indonesia.** Both countries are supported by strong domestic demand and a booming tech sector. We expect the Chinese yuan (CNY) to remain strong, as we believe the incentives for Chinese policymakers to actively devalue the renminbi (RMB) are low: the consequences of currency depreciation could hit potential deals with other economic blocs, which are crucial for offsetting the decline in exports to the US.

Commodity exporters' currencies will remain subject to price fluctuations driven by external shocks. A temporary rise in oil prices can support MXN and COP. In Brazil, more prudent fiscal and tighter monetary policy will lead to growth moderation in the second half of the year. Brazil and Colombia are under fiscal scrutiny to meet primary budget targets, while Mexico's budget will face challenges due to revenue pressures from slow growth.

US Net International Investment Position and FX Spot Performance



Source: Amundi Investment Institute, LSEG, Workspace, Datastream, as of 26 May 2025. Net International Investment Position measures the gap between a nation's stock of foreign assets and a foreigner's stock of that nation's assets.

EQUITY

Equities in the global trade rewiring

We expect developed market equities to generate low single-digit returns over the second half of 2025, as deregulation and central bank easing offset the headwinds of tariffs and fiscal policy. Yet the biggest opportunities for investors lie in sector selection rather than beta. As tariffs benefit some sectors and penalise others, we expect style and sector divergence to increase. We favour domestic and service-orientated sectors to mitigate tariff impacts, and we are positive on European mid-caps, equal-weighted US stocks, and high-dividend equities in Japan.

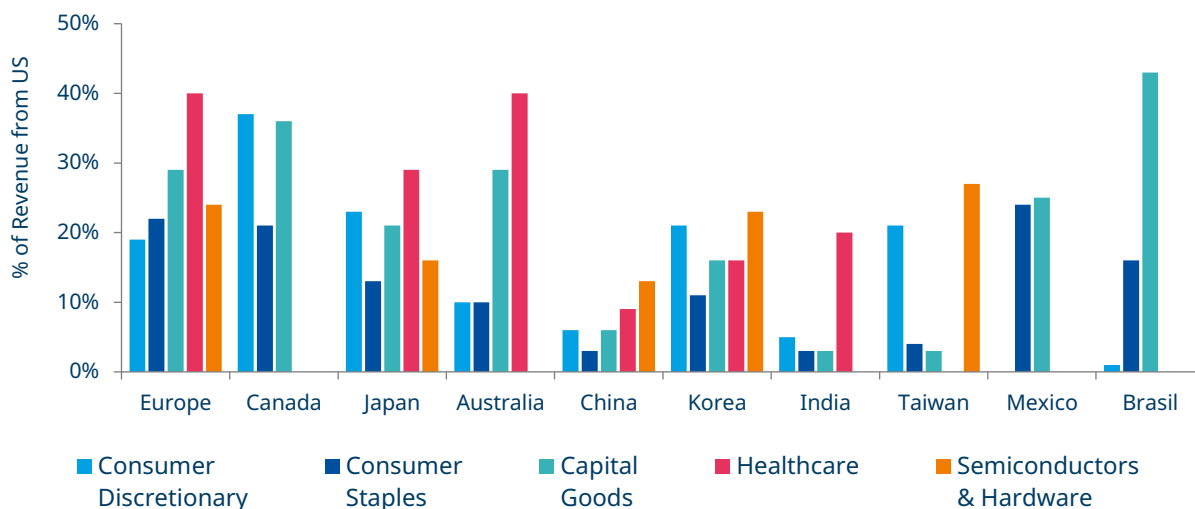
A profit recession is not our base case, even if higher tariffs could increase producer prices and reduce margins. In the US, projected economic growth of 1.6% in 2025 and 2026 suggests EPS growth of around 6% annually, with earnings supported by a weaker USD. However, **US sectors that depend heavily on imports** (such as autos and pharmaceuticals) **could suffer weaker growth as margins fall.** Global growth of 2.9% should lead to **earnings growth of 2% in Europe, but sectors that are heavily dependent on the US should face pressure** (such as healthcare, parts of industrials, and technology).

Valuations have become richer. The US P/E ratio dipped to what we consider fair value in April but has since surged back to historic highs. European and Japanese P/Es have bounced from 12-year lows to average levels and could rise further if Section 899 of the US budget bill increases taxes on foreign investors, **prompting capital to flow out of the US.** Sectors are important for valuations as well as earnings. Across the globe, **domestically-orientated sectors could see multiples expand** as investors put a premium on companies whose earnings are protected from tariffs.

Equities may generate low single-digit returns in the second half of 2025, but sector selection is paramount. We favour domestic and service-orientated sectors to reduce the risk from tariffs.



Average company % revenue earned from the US



Source: Amundi Investment Institute on Bloomberg Intelligence. Data as of 31 May 2025.

Main Developed Market equity convictions for H2

REGIONS		GLOBAL STYLES		GLOBAL SECTORS	
-- -/- - -/ = =/+ + +/+ ++		-- -/- - -/ = =/+ + +/+ ++		-- -/- - -/ = =/+ + +/+ ++	
USA	◆	Growth	◆	Financials	◆
Europe	◆	Value	◆	Cons. Discr.	◆
EMU	◆	Small caps	◆	IT	◆
UK	◆	Quality	◆	Industrials	◆
Japan	◆	Low Vol.	◆	Materials	◆
Pac. ex Jp	◆	Momentum	◆	Energy	◆
EM	◆	High Divid.	◆	Cons. Staples	◆
				Health Care	◆
				Comm. Serv.	◆
				Utilities	◆
				Real Estate	◆

Source: Amundi Investment Institute, as of 14 June 2025. Global styles and Global Sectors refers to views on MSCI World factor and sectors indexes. Views on a 9 scale level.

Rebalance Away from US Concentration

The MSCI ACWI is heavily concentrated in US stocks (64%), with a few dominating the market. The P/E premium for the US market compared to the MSCI ACWI ex-US is above 50%, which is notably high. The recent 'Sell America' trade highlighted that the dollar loses its protective role for foreign investors during a downturn in the US stock market. Therefore, it's wise to gradually reduce this concentration risk, potentially by using equally weighted indices.

Capitalise on Regional Opportunities

We favour a gradual, opportunistic approach to diversifying into other regions. Europe performed well in Q1, bolstered by the German government's budget announcements for defence and infrastructure. Given the strong year-to-date performance, some consolidation may occur. Yet, with appealing relative and absolute valuations, along with evolving earnings drivers, long-term investors should continue to look for opportunities in European markets. Japan is benefiting from its emergence from deflation and ongoing corporate reforms, making the valuation gap with Pacific ex-Japan worth exploring without currency hedging.

Emerging markets should also thrive if global growth and volatility stabilise.

Tailor Styles to Regional Strengths

Our regional style selection is tailored accordingly. In the US, we favour equal weighting. In Europe, mid-caps are well-positioned, being more domestic and industrial, and trading at a discount despite higher earnings growth than large caps. In Japan, small caps are performing well amid a rising yen, while value and high dividend styles benefit from corporate reform.

Balance Cyclical and Defensives

Sector-wise, we favour a mix of cyclicals and defensives, prioritising domestic and service-orientated sectors to mitigate tariff impacts. We prefer Financials and Communication Services over Energy and Materials, with Utilities acting as a hedge. Key themes include AI, Defence, Infrastructure, US deregulation, and Japan's Tokyo Stock Exchange (TSE) reform.

Focus on Resilient Margins

Finally, we will focus on companies with strong and stable margins capable of absorbing rising tariffs.

Key investment convictions



Equities up, with volatility

Without a recession, it's reasonable to expect equity indices to rise above current levels within a year. However, expect volatility in the meantime, as markets are pricing in a perfect US landing scenario, while the Fed remains reactive.



Diversify to reduce risk

Our approach aims to shield against tariff impacts while diversifying away from concentration risk. We focus on US deregulation, European rearmament and infrastructure, and the ongoing TSE reform in Japan.



Favour Europe and Japan

Regionally, Japan offers a tactically interesting opportunity, especially versus Pacific ex-Japan, Europe is appealing for long-term investors. We also favour mid-caps and prefer Financials and Communication Services over Commodity plays.

Time for Europe



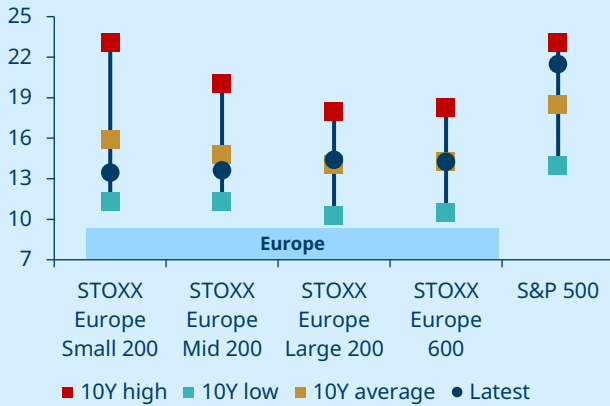
EQUITIES

The rotation toward Europe is a structural theme, supported by the U-turn from Germany on its fiscal policy and spillovers in the region.

Mid-caps (more domestic and industrial) should benefit from European Capex and offer attractive valuations.

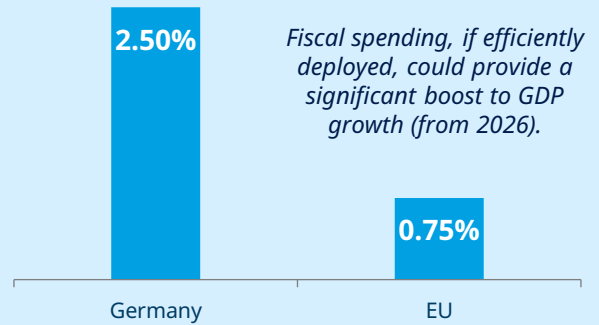
Focus on long-term plays. Industrials, notably via the themes of **defence** and **electrification**, are key long-term themes in Europe.

European equity valuation by size 12-month forward PE vs US



Source: Amundi Investment Institute, LSEG, Datastream. Data as of 11 June 2025.

Impact of German infrastructure spending on German and EU (GDP gains by 2035)



Source: Amundi Investment Institute on European Commission. Assumptions are that the infrastructure fund is fully debt-financed and allocated to productive projects, and factoring in a linear spending profile starting in the second half of 2025, the model simulations show that compared to the baseline. Data as of 19 May 2025.

BONDS

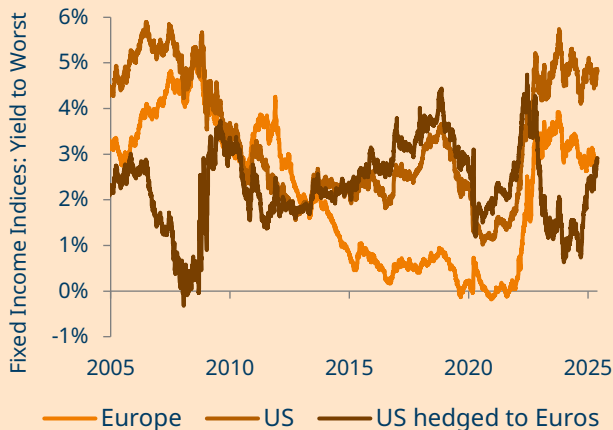


Sub-par growth and the ECB's easing stance reinforce our **positive outlook on duration for European bonds**.

Fundamentals for corporate bonds remain robust. Although spreads may be tight, the attractive carry offers a compelling entry point for investors.

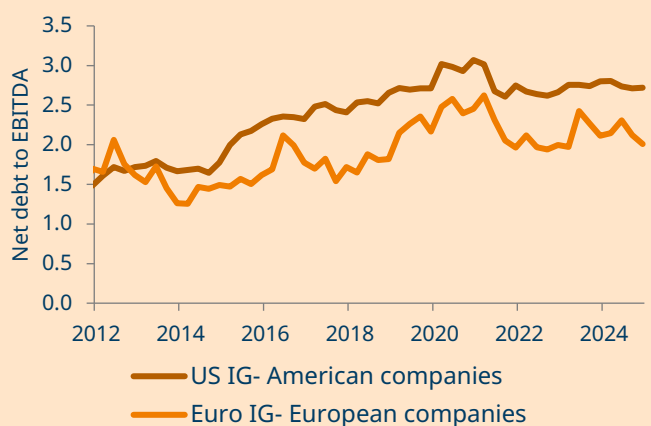
The euro's recent appeal as a safe haven may boost **portfolio rebalancing towards European bonds** amid increasing volatility in USD bond investing.

Similar carry in the US and Europe after hedging



Source: Amundi Investment Institute, Bloomberg. Data is as of 26 May 2025.

Robust fundamentals for Euro credit



Source: Amundi Investment Institute, Datastream. US IG and Euro IG exclude energy, utilities and basic materials. Quarterly data as of Q4 2024.

India and EM are winners of the rerouting shift

We maintain a positive outlook on emerging market (EM) equities for H2 2025, driven by recovering macro momentum, stabilising inflation, and central banks on an easing path. While growth remains positive and earnings decelerate to low single digits, the key narrative is the fading US exceptionalism, highlighted by a weakening dollar and declining trust in US policy, which enhances the attractiveness of EM through repatriation and diversification flows.

The pending sectoral tariffs present risks, but they also fuel localised supply chain initiatives that benefit EM.

We favour selective positioning in domestically-orientated sectors across regions: Turkey and South Africa offer compelling domestic consumption plays in retail and automotive, while undervalued Asian markets like South Korea, Indonesia, and the Philippines present opportunities, with the latter two backed by young demographics and expanding middle classes. Commodity price stabilisation limits support for LatAm exporters, reinforcing our preference for **domestic industries that benefit from reduced foreign competition.**

The rerouting of global supply chains continues to shape EM dynamics, where India and ASEAN emerge as key beneficiaries. India's manufacturing push through initiatives like 'Make in India' attracts multinational corporations, particularly in defence, IT services, and consumer goods. ASEAN economies benefit from their strategic ties with the US and expanding middle-class consumption. Meanwhile, Turkey and Mexico's strategic locations have kept them as re-routing hotspots.

The rerouting trend underscores the importance of EMs not just as manufacturing hubs but as dynamic markets with growing consumer bases. Against this backdrop, EM equities are well-positioned to benefit from structural shifts, provided investors focus on resilient sectors and countries adapting to global economic realignments.

India: the steadfast winner in global supply chain shifts

While near-term market valuations remain stretched relative to the broader EM universe following the Indian equity market's sharp recovery in recent months, we view certain segments of the market—including large-cap equities—as offering better relative value at the present juncture.

We are positive on industrials, consumer discretionary, and financials, where we see an underlying recovery in consumption and public investment trends as well as an easing in domestic liquidity conditions within the broader economy.

Recovery in consumption is supported by supportive policies (e.g pay increases for civil servants) and a noticeable decline in inflationary pressures, while Capex intentions are on the rise.

While preferring domestic stories, it's notable to see India's effort towards a multi-tranche trade agreement with the US, leveraging on the advantages of being a first mover.

China: balancing domestic challenges with global aspirations

Corporate China faces challenging dual pressures: persistent domestic deflationary forces dragging on profitability while increased US rivalry limits access to high-income markets.

In this environment, we favour defensive positioning in domestic demand-driven names, as policymakers continue efforts to shore up confidence and stimulate internal consumption. In the long term, Corporate China is compelled to diversify markets to reduce 'Japanification' risks domestically and rebrand as global players to mitigate geopolitical risks from sanctions.

Companies successfully exploring and exploiting global markets will emerge as winners, while domestically-focused sectors like healthcare (benefiting from an ageing population), renewable energy, and consumer services offer defensive positioning against external pressures.

EMERGING MARKETS

BONDS

EM bonds to benefit from the EM – DM growth differential and dollar weakness

The **outlook for Emerging Market (EM) bonds, encompassing both hard currency and local currency, is cautiously optimistic for the next six months.** Several factors, including moderating inflation, improving economic momentum and easing monetary policy, are expected to maintain a favourable environment for these assets. A weaker US dollar is also expected to benefit EM, facilitating the servicing of dollar-denominated debt and enhancing potential returns. However, challenges such as geopolitical tensions and trade tariffs continue to pose significant concerns, potentially through a reacceleration of inflation.

Hard currency bonds are likely to benefit from the growth gap between EM and Developed Markets (DM), which is projected to stabilise slightly above historical averages in the coming months. Emerging market bonds still offer yields that exceed those of DM, providing a buffer against the volatility of US Treasury yields, which are on the rise. Although the spread between EM yields and US Treasuries is tight, the high **carry environment offers some protection against potential losses.** Additionally, **low volatility enhances the risk-adjusted expected returns of this asset class. Default rates are expected to remain contained.**

Particularly favoured are countries with **strong fiscal discipline, stable political conditions, and improving credit profiles.** Average inflation in EM is expected to stabilise in the second half of 2025, with a potential peak in the first quarter of 2026 due to base effects. This scenario could support bonds issued by **Brazil, Mexico, Colombia, and South Africa,** where real interest rates are attractive.

EM local currency bond views

In Brazil, the central bank has likely finished with rate hikes and may begin to reverse the high rate of 14.75% in early 2026, contingent on clear improvements in the economy and inflation. We expect a relatively conservative fiscal stance in 2025, although the fiscal approach in 2026 will be influenced by the elections in October 2026.



In Mexico, Banxico is responding to a soft economic outlook—growth is nearing a technical recession—while inflation remains mostly within target ranges, aided by pronounced fiscal consolidation despite a wait-and-see approach from the Federal Reserve.



In Colombia, inflation has been gradually decreasing, allowing the central bank to implement rate cuts. However, concerns over a loose fiscal stance have led to caution, with authorities awaiting the right signals before making further moves. We anticipate some spending cuts soon, though these may not fully mitigate fiscal risks, allowing monetary authorities to continue cutting rates with occasional pauses.



In South Africa, after three attempts, the budget has finally been adopted, easing tensions surrounding South African assets. Additionally, negotiations on tariffs with the Trump administration appear to be progressing positively. On the monetary front, authorities are communicating a new inflation target centred around 3%, replacing the current target of 3%-6%. The SARB has successfully navigated various domestic and external shocks that have impacted the economy, and its credibility remains strong. If the new target is adopted, markets are likely to respond positively.



In Turkey, nominal yields are quite high, but real yields remain negative. As happened in the April meeting, the central bank is proving more orthodox, mindful of inflation expectations that pose risks to the disinflation process, FX depreciation and pass-through effects, rising core goods prices driven by resilient domestic demand, depletion of FX reserves, and risks stemming from global trade tensions. We continue to expect the central bank to maintain a cautious stance and resume easing only in the summer, contingent on lower inflation.

PRIVATE MARKETS

Private diversification still attractive

Private markets: infrastructure and private debt will likely continue to attract flows and may deliver performance. A bottoming process should gain traction for real estate and private equity over H2.

While noise from policy shifts may decrease after the summer, we expect uncertainty to remain high, leading to above-par volatility. Tariffs might become more targeted, potentially denting global growth; however, a **recession is likely to be avoided due to the shift toward more business-friendly policies in the US** as Trump starts to eye the mid-term elections. Inflation is likely to remain uncertain due to policy changes in trade, fiscal stance, and immigration. This may delay Fed easing, while other central banks should have more flexibility to act.

We thus anticipate increased corporate activity and deal flow, albeit constrained, with a gradual recovery in corporate risk appetite. Liquidity and credit conditions are expected to stay healthy, although US interest rates could remain elevated longer than in other regions. Investors will likely become more selective, with differentiation between segments affected by policy shifts and those that remain insulated. Investors will continue seeking enhanced portfolio diversification, benefiting private assets. We expect the industry to further adapt to growing demand with new means, such as evergreen funds or secondaries, to provide more liquidity and dynamic allocations. Selectivity will be the name of the game amid huge capital flows into these markets.

Private equity remains under pressure from limited deal flow and modest corporate activity, but valuation opportunities may help establish a bottom. Fundraising is constrained by uncertainty, and the trend toward smaller deals is expected to continue, with low exit activity, especially through IPOs. However, secondary markets are likely to further expand as investors seek liquidity. A stabilising corporate risk appetite could lead to increased private transactions.

Private debt is expected to show resilience thanks to declining rates and benign credit conditions, especially in the EU, amid volatile listed bond markets. Fundraising started strongly this year, particularly in the EU, driven by direct lending and distressed debt. While the policy environment remains a drag, private credit's floating rates, higher seniority, and stronger protections are likely to continue to attract interest.

In real estate, a bottoming process is gradually taking shape, creating valuation opportunities, particularly in the EU. Yields have stabilised in prime locations. The retail segment will likely stay resilient, while the office sector should stabilise for well-located assets. In contrast, logistics is facing challenges due to supply chain and trade stresses. Residential and healthcare sectors, benefiting from demographic trends, continue to show strong fundamentals.

Infrastructure continues to attract investors seeking protection against inflation, driven by trends in energy security, reshoring, and AI. While geopolitical and US policy shifts may affect deal activity, the sector should stay resilient, as private capital is key for critical projects, particularly in Europe.

Private Markets views for H2 2025

	Infrastructure	Private equity	Private debt	Real estate
2025 outlook	+	=	+	+/=
Inflation protection	++	=	++	+
Diversification benefit	+++	+	+	++

Source: Amundi Investment Institute, as of 11 June 2025.

HEDGE FUNDS

Healthier backdrop in H2

Hedge fund returns remained nearly flat year-to-date (-0.3% for the HFRI FoHF as of April). CTAs and Special Situations lagged, while Global Macro, L/S Equity Neutral, and EM-focused strategies outperformed. Easing policy uncertainty may facilitate broader themes with more fundamental pricing, but investor caution could limit market directionality. **Overall, the alpha backdrop is likely to be better than in H1, albeit constrained.** We still favour L/S Equity Neutral, EM FI, and Global Macro, and we now see more appeal for L/S Credit.

L/S Equity: A return to normalcy opens more micro trends, but with limited potential. Stock correlations have reverted to average, indicating more catalysts but also limited dispersion due to investor hesitance. Consequently, stock-picking opportunities have improved, but they still lack depth. We anticipate more sector trading amid shifting US policy focus and favour neutral styles.

Merger Arbitrage: M&A activity has proved resilient, with average deal sizes rebuilding, particularly in tech, but focusing on more conventional operations. Tighter deal spreads point to average conditions for H2.

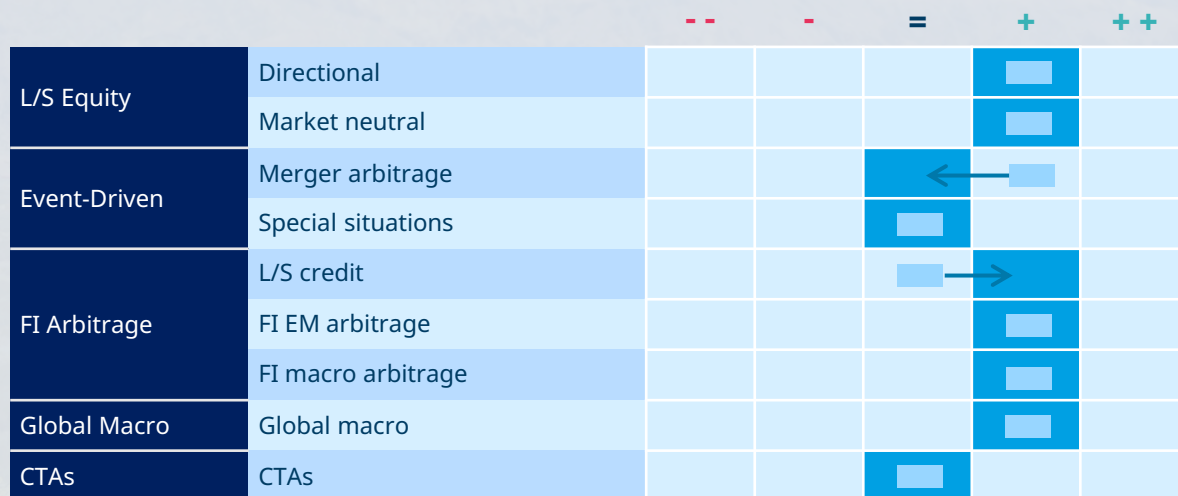
L/S Credit: Alpha is improving as credit stress reduces cross correlations. Valuation opportunities look modest, but net carry remains supportive. We favour EU managers, who are displaying greater confidence and focusing on safer papers while capitalising on deep value securities.

EM Credit: Provides access to beta at an attractive risk/reward, amid easing trade uncertainty, the prospect of EM rate easing, and a weaker dollar. Net carry also remains appealing. However, we expect mediocre pure alpha potential, as evidenced by flows concentrating on broad indices rather than more targeted EM segments.

Global Macro: We see a more favourable backdrop, with a focus on traditional macro drivers. We see more market timing in FX markets, with plentiful correlation anomalies, as bonds and gold become range-bound. Conservative managers' positions limit downside risks.

CTA: Improved market directionality and reduced contrarian behaviour will be more supportive in H2. However, investor caution may limit full trend-following deployment. A low degree of conviction regarding the quality of market trends in the next few months keeps us neutral.

Hedge fund views for H2 2025



Source: Amundi Investment Institute, as of 11 June 2025.

Stance at May 2025

Direction of change →

Stance for H2 2025.

FORECASTS

Macroeconomic trajectories

Macroeconomic forecasts						
Annual averages, %	Real GDP growth, YoY, %			Inflation (CPI), YoY, %		
	2024	2025	2026	2024	2025	2026
Developed countries	1.7	1.3	1.2	2.7	2.6	2.4
United States	2.8	1.6	1.6	3.0	3.1	2.9
Eurozone	0.8	0.8	0.8	2.4	2.1	1.9
<i>Germany</i>	-0.2	0.2	0.5	2.5	2.0	1.8
<i>France</i>	1.1	0.6	0.8	2.3	1.4	1.7
<i>Italy</i>	0.5	0.6	0.6	1.1	1.7	1.9
<i>Spain</i>	3.2	2.4	1.5	2.9	2.3	1.9
United Kingdom	1.1	0.8	0.8	2.5	2.8	2.4
Japan	0.1	1.2	0.6	2.7	2.8	2.3
Emerging countries	4.4	3.9	3.8	5.2	3.7	3.2
China	5.0	4.3	3.9	0.2	-0.2	-0.2
India	6.7	6.6	6.4	4.9	3.5	5.6
Indonesia	5.0	4.8	5.2	2.3	2.0	3.3
Brazil	3.4	2.5	1.5	4.4	5.4	4.7
Mexico	1.5	0.0	1.0	4.7	3.8	3.6
Russia	4.4	1.3	1.5	8.4	9.0	5.7
South Africa	0.6	1.0	1.3	4.4	3.6	4.5
Turkey	3.2	3.0	3.4	60.0	34.6	21.4
World	3.3	2.9	2.8	4.2	3.3	2.9

Central banks' official rates forecasts, %					
	10 June 2025	Amundi	Consensus	Amundi	Consensus
		Q4 2025	Q4 2025	Q2 2026	Q2 2026
United States*	4.50	3.75	4.00	3.25	3.50
Eurozone**	2.00	1.50	1.75	1.50	1.75
United Kingdom	4.25	3.75	3.75	3.75	3.75
Japan	0.50	0.75	0.75	0.75	0.75
China***	1.40	1.20	1.33	1.20	1.32
India	5.50	5.25	5.45	5.25	5.40
Brazil	14.75	14.75	14.75	12.75	13.25
Russia	20.00	16.00	17.00	14.00	13.50

Amundi Investment Institute, IMF, Bloomberg. The table shows reference projections based on information available as of 10 June of 2025. Assumptions on tariffs as of 10 June of 2025, at face value, tariffs are 10% universal, 30% on China (20% Fentanyl and 10% reciprocal); under the section 232, 25% sectoral tariffs on Auto & Auto Parts, 50% on Steel and Aluminum (since the 4th of June). Sectoral tariffs on Canada and Mexico only for non USMCA compliant imports.

FORECASTS

Financial market forecasts

Bond yields

Two-year bond yield forecasts, %

	12 June 2025	Amundi Q4 25	Forward +6m	Amundi Q2 26	Forward +12m
United States	3.91	3.5	3.92	3.5	3.9
Germany	1.82	1.6	1.89	1.6	2.0
United Kingdom	3.87	4.0	4.0	3.9	4.0
Japan	0.76	0.85	0.86	0.85	1.0

Ten-year bond yield forecasts, %

	12 June 2025	Amundi Q4 25	Forward +6m	Amundi Q2 26	Forward +12m
United States	4.36	4.35	4.3	4.5	4.6
Germany	2.48	2.4	2.4	2.5	2.7
United Kingdom	4.48	4.5	4.5	4.5	4.8
Japan	1.45	1.55	1.5	1.65	1.7

Equities forecast at Q4 2025

MSCI Index levels at	US	Europe	EMU	UK	Japan	Pacific ex-Japan	World	World AC
5 June 2025	5 680	2 193	327	2 507	1 678	1 495	3 890	887
Lower bound	5 200	2 040	300	2 320	1 490	1 330	3 590	830
Upper bound	6 270	2 390	360	2 660	1 920	1 590	4 250	1010

Exchange rates

	12 June 2025	Amundi Q4 25	Consensus Q4 25	Amundi Q2 26	Consensus Q2 26
EUR/USD	1.16	1.16	1.15	1.20	1.17
EUR/JPY	166	161	161	157	160
EUR/GBP	0.85	0.86	0.86	0.85	0.86
EUR/CHF	0.94	0.96	0.94	0.99	0.95
EUR/NOK	11.51	11.39	11.47	11.14	11.12
EUR/SEK	10.94	10.95	10.80	10.60	10.70
USD/JPY	143	138	140	135	136
AUD/USD	0.65	0.67	0.66	0.70	0.68
NZD/USD	0.61	0.60	0.61	0.62	0.62
USD/CNY	7.17	7.20	7.20	7.00	7.15

Source: Amundi Investment Institute. Forecasts are as of 10 June 2025. Q4 2025 indicates end of December 2025; Q2 2026 indicates end of June 2026.

AUTHORS

CHIEF EDITORS



MONICA DEFEND
HEAD OF AMUNDI INVESTMENT INSTITUTE



VINCENT MORTIER
GROUP CIO



PHILIPPE D'ORGEVAL
DEPUTY GROUP CIO

EDITORS



CLAUDIA BERTINO
HEAD OF INVESTMENT INSIGHTS, PUBLISHING AND CLIENT DEVELOPMENT, AII*



LAURA FIOROT
HEAD OF INVESTMENT INSIGHTS & CLIENT DIVISION, AII*



SWAHA PATTANAİK
HEAD OF PUBLISHING AND DIGITAL STRATEGY, AII*

AUTHORS

VALENTINE AINOZ
HEAD OF GLOBAL FIXED INCOME STRATEGY, AII*

ALESSIA BERARDI
HEAD OF EMERGING MACRO STRATEGY, AII*

JEAN-BAPTISTE BERTHON
SENIOR INVESTMENT STRATEGIST, AII*

DIDIER BOROWSKI
HEAD OF MACRO POLICY RESEARCH, AII*

FEDERICO CESARINI
HEAD OF DM FX STRATEGY, AII*

DEBORA DELBÒ
SENIOR EM MACRO STRATEGIST, AII*

CLAIRE HUANG
SENIOR EM MACRO STRATEGIST, AII*

ERIC MIJOT
HEAD OF GLOBAL EQUITY STRATEGY, AII*

LORENZO PORTELLI
HEAD OF CROSS ASSET STRATEGY, AII*

MAHMOOD PRADHAN
HEAD OF GLOBAL MACROECONOMICS, AII*

ANNA ROSENBERG
HEAD OF GEOPOLITICS, AII*

GUY STEAR
HEAD OF DEVELOPED MARKETS STRATEGY, AII*

AYUSH TAMBİ
SENIOR EQUITY STRATEGIST, AII*

ANNALISA USARDI, CFA
SENIOR ECONOMIST, HEAD OF ADVANCED ECONOMY MODELLING, AII*

DESIGN & DATA VISUALIZATION

CHIARA BENETTI
DIGITAL ART DIRECTOR AND STRATEGY DESIGNER, AII *

VINCENT FLASSEUR
GRAPHICS AND DATA VISUALIZATION MANAGER, AII*

DEPUTY EDITOR

CY CROSBY TREMMEL
INVESTMENT INSIGHTS SPECIALIST, AII*

LEADERSHIP TEAM

DOMINIQUE CARREL-BILLIARD
HEAD OF REAL & ALTERNATIVE ASSETS

AMAURY D'ORSAY
HEAD OF FIXED INCOME

BARRY GLAVIN
HEAD OF EQUITIES

JOHN O'TOOLE
HEAD OF MULTI-ASSET INVESTMENT SOLUTIONS

FRANCESCO SANDRINI
HEAD OF MULTI-ASSET STRATEGIES

YERLAN SYZDYKOV
GLOBAL HEAD OF EMERGING MARKETS

ACKNOWLEDGMENTS

We also would like to thank Mickael Bellaiche, Sergio Bertoncini, Pierre Brousse, Pol Carulla, Ujjwal Dhingra, Silvia Di Silvio, Patryk Drozdziak, Delphine Georges, Lauren Stagnol.

Always get
the latest data

View the digital version of this document, scan the code with your smartphone or

[CLICK HERE](#)



Trust must be earned

Amundi Investment Institute



In an increasing complex and changing world, investors need to better understand their environment and the evolution of investment practices in order to define their asset allocation and help construct their portfolios.

This environment spans across economic, financial, geopolitical, societal and environmental dimensions. To help meet this need, Amundi has created the Amundi Investment Institute. This independent research platform brings together Amundi's research, market strategy, investment themes and asset allocation advisory activities under one umbrella; the Amundi Investment Institute. Its aim is to produce and disseminate research and Thought Leadership publications which anticipate and innovate for the benefit of investment teams and clients alike.

Get the latest updates on:



NEW: June 2025

- Geopolitics
- Economy and Markets
- Portfolio Strategy
- ESG Insights
- Capital Market Assumptions
- Cross Asset Research

[Visit our Research Center](#)

Visit us on



Amundi

Investment Solutions

Trust must be earned

DEFINITION ABBREVIATIONS

Currency abbreviations: USD – US dollar, BRL – Brazilian real, JPY – Japanese yen, GBP – British pound sterling, EUR – Euro, CAD – Canadian dollar, SEK – Swedish krona, NOK – Norwegian krone, CHF – Swiss Franc, NZD – New Zealand dollar, AUD – Australian dollar, CNY – Chinese Renminbi, CLP – Chilean Peso, MXN – Mexican Peso, IDR – Indonesian Rupiah, RUB – Russian Ruble, ZAR – South African Rand, TRY – Turkish lira, KRW – South Korean Won, THB – Thai Baht, HUF – Hungarian Forint, COP – Colombian Peso.

IMPORTANT INFORMATION

The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties (including, without limitation, any warranty of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msциbarra.com). The Global Industry Classification Standard (GICS) SM was developed by and is the exclusive property and a service mark of Standard & Poor's and MSCI. Neither Standard & Poor's, MSCI nor any other party involved in making or compiling any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall Standard & Poor's, MSCI, any of their affiliates or any third party involved in making or compiling any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

This document is solely for informational purposes. This document does not constitute an offer to sell, a solicitation of an offer to buy, or a recommendation of any security or any other product or service. Any securities, products, or services referenced may not be registered for sale with the relevant authority in your jurisdiction and may not be regulated or supervised by any governmental or similar authority in your jurisdiction. Any information contained in this document may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. Furthermore, nothing in this document is intended to provide tax, legal, or investment advice. Unless otherwise stated, all information contained in this document is from Amundi Asset Management S.A.S. and is as of 16 June 2025. Diversification does not guarantee a profit or protect against a loss. This document is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The views expressed regarding market and economic trends are those of the author and not necessarily Amundi Asset Management S.A.S. and are subject to change at any time based on market and other conditions, and there can be no assurance that countries, markets or sectors will perform as expected. These views should not be relied upon as investment advice, a security recommendation, or as an indication of trading for any Amundi product. Investment involves risks, including market, political, liquidity and currency risks. Furthermore, in no event shall Amundi have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages due to its use. **Date of first use: 17 June 2025.**

Document issued by Amundi Asset Management, “société par actions simplifiée”- SAS with a capital of €1,143,615,555 - Portfolio manager regulated by the AMF under number GP04000036 - Head office: 91-93 boulevard Pasteur, 75015 Paris - France - 437 574 452 RCS Paris - www.amundi.com.

DOC ID : 4588037

Cover image by Per Breiehagen @Gettyimages

Additional images: Istockphoto @ GettyImages: bluejayphoto, Kesu01, Paulo Hoepfer, poco_bw, Sanjay Dey / EyeEm

Amundi Investment Institute photo by Marco Bottigelli @Gettyimages

Icons from TheNounProject.com