Amundi
Investment Solutions

Trust must be earned

Investment Institute

2026 Investment Outlook

Keep it turning

NOVEMBER 2025 | **Cross Asset Investment Strategy Special Edition**

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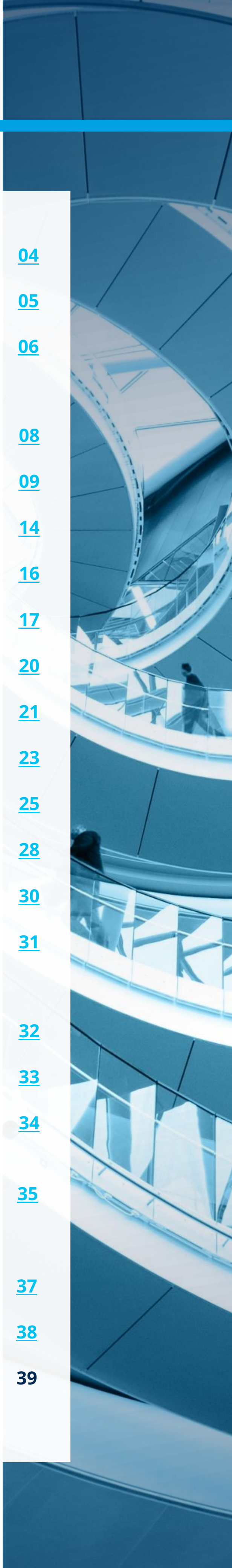


Monica Defend
Head of Amundi
Investment Institute

Controlled disorder

The economy is adapting to a new regime of “controlled disorder”. Tech-led transformation, fiscal stimulus and industrial policy are keeping activity alive and leading to the emergence of new winners. Inflation becomes a structural theme that investors must also factor into their allocations.

A diversification moment

Diversification remains the most effective defence in a world of concentrated equity markets and high valuations. Investor portfolios must rebalance across styles, sectors, sizes and regions to mitigate risks and capture opportunities, notably in Emerging Markets and European assets.

Vincent Mortier
Group Chief
Investment Officer

Philippe D’Orgeval
Deputy Group Chief
Investment Officer

Europe’s transformative turn

Europe’s journey continues as reforms, defence investment, and industrial policy redefine its investment landscape. We see opportunities emerging in euro credit, infrastructure and strategic autonomy themes that could reshape Europe’s financial ecosystem and help it move from modest growth toward a more self-sustaining long-term trajectory.

KEY CONVICTIONS 2026

Keep it turning

Main convictions for 2026

1

The cycle keeps turning: a transition, not a downturn

2026 will be a year of transition as the global economy adjusts to a regime of “controlled disorder”. AI-driven capex, industrial policy shifts, greater business resilience to tariffs and likely monetary easing should sustain activity and extend the cycle further. Investors will have to weigh equity concentration and valuation risks, rising public debt, structural geopolitical frictions, and sticky inflation from reshoring and the energy transition. Global GDP growth is set to moderate at 3% in 2026 but remain resilient.

2

Diversifying in an era of controlled disorder

“Controlled disorder”, where governments and businesses seek to maintain trade and investment flows, will redefine opportunities at a global level. Our base case for 2026 is mildly pro-risk, supporting equities and investment grade credit. With significant risk stemming from vulnerabilities and valuation excesses, portfolios should combine growth exposure with hedges — gold, selected currencies (JPY, EUR), and inflation-linked instruments — and a greater but selective allocation to private markets. Private credit and infrastructure are in the spotlight to improve income and inflation resilience, and to benefit from structural themes such as electrification, reshoring, AI and robust demand for private capital, particularly in Europe.

3

Equities: think global and look for sectors beyond the tech race

The tech capex cycle remains central, but the tech theme is broadening beyond the US to China, Taiwan, India, Europe and Japan. Concentration risk in US mega caps and the possibility of US exceptionalism fading argue for geographic and sector diversification. We favour combining AI exposure with defensive and cyclical themes: financials and industrials set to benefit from higher investment, defence names tied to security spending, and green transition stocks linked to electrification and grids.

4

The monetary fiscal interplay will drive fixed income opportunities

Policy choices will drive markets. US debt is unprecedentedly high, which adds risks to the Fed’s independence at a time when inflation is still above target. This balance of forces should keep US yields range-bound, favouring a tactical duration stance and inflation-protection. In 2026, European bonds remain a key call for global investors, with a focus on peripheral bonds and UK Gilts. In credit, we like euro investment grade, with solid fundamentals and are cautious on US high yield, which is exposed to regional banks and is consumer dependent. We believe the USD will continue to weaken, but the journey will not be linear.

5

Emerging Markets and Europe — two different engines of long-term opportunity

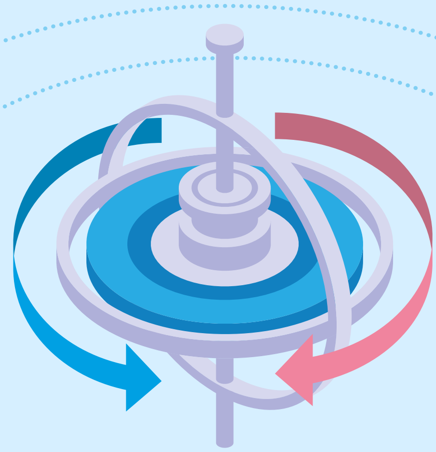
Emerging Markets and Europe are areas where short-term opportunities meet long-term themes. The EM rally has room to continue into 2026: a weaker dollar, potential Fed cuts, and the EM growth edge support EM bonds for income and selective EM equities. Europe’s appeal should increase throughout the year as reforms combined with defence and infrastructure spending turn into tangible opportunities, particularly in euro credit and small- and mid-cap equities (with a focus on domestic trends and compelling valuations).

Forces to keep the cycle turning…

Economic resilience to tariffs

Tech capex and industrial policy reorientation

Liquidity and central bank easing



Valuation and concentration risks, and extreme euphoria

Financial repression and fiscal dominance

Geopolitical risks amid controlled disorder

…and risks to balance

2026 Investment themes

Diversifying in an era of controlled disorder
We face an era of controlled disorder: a multipolar world reshaped by a tech revolution and fiscal divergence. Inflation risks have become more structural, driven by reshoring, the climate transition, and trade frictions. This calls for selective risk-taking and increased diversification in FX, gold, and real assets.

Thinking global: equities beyond the tech race
Robust earnings growth, Fed rate cuts, and stronger-than-expected economic resilience support the rally. Concentration and valuation risks call for a global, diversified search for the winners in this transformative era.

Powering sustainable growth
The AI story and tech transformation are driving rising energy demand amid the net-zero transition. This opens opportunities in climate-focused equities, sustainable infrastructure, and green bonds.

Bonds in the new policy order
High and rising US public debt, and a weaker US dollar, are likely to reinforce demand for global bond diversification. In this new paradigm, we favour European fixed income, and in the US, investment-grade credit, over more volatile US Treasuries.

The European journey continues
Reforms, the defence and infrastructure push, and industrial policies oriented toward strategic autonomy, can reshape Europe's macro-financial ecosystem. This can unlock opportunities in euro corporate credit, small and mid caps, and themes tied to defence, infrastructure, and strategic autonomy.

Shifting blocks in Emerging Markets
Growth premia and expected Fed cuts should support EM opportunities amid shifting geopolitical equilibria. EM bonds stand out for high income and diversification, while EM equities offer a diversified set of opportunities, spanning China's tech and rare earths to the 'Make in India' transformation.

SETTING THE SCENE

A new regime calls for a new mindset

A spirit of endurance has characterised the market rally of the past year and looks set to persist in 2026. So will some of the asset price paradoxes that are emerging as **the global economy transitions to a new innovation-led regime and as geopolitics enters a phase of controlled disorder.**

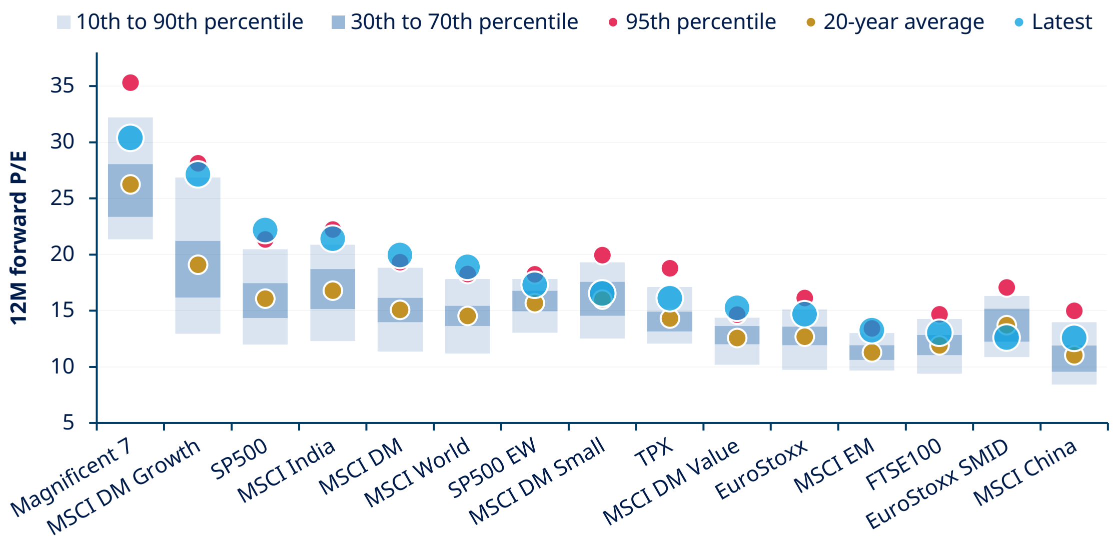
These shifts will alter the way that economic and investment cycles unfold. **Longer term, Artificial Intelligence (AI) may boost productivity and fundamentally transform economic and fiscal dynamics.** More immediately, we expect further massive capital expenditure on AI and related sectors, including data centres and the energy that powers the technology, even if the current pace may not be sustainable for too long.

Such investment will support global growth and ensure that a US slowdown next year does not turn into a downturn. **There are also reasons for optimism about Europe's outlook**, even if growth may be modest in 2026. German public spending on defence and infrastructure is a game changer, while the European Union is making progress on reforms and fiscal discipline that will help the continent surmount shocks. We also expect growth in China, India and emerging markets overall to continue to be resilient. And a Middle East push into AI will also generate investor interest.

This macroeconomic backdrop, easy financial conditions, AI enthusiasm and a decent earnings outlook suggest equity valuations could remain elevated for longer than might have previously been anticipated. **We will, however, be keeping a close eye on any signs that profits may start falling short of the lofty expectations that have fuelled equity gains**, especially given the risk that a spike in volatility could see market liquidity suddenly dry up.

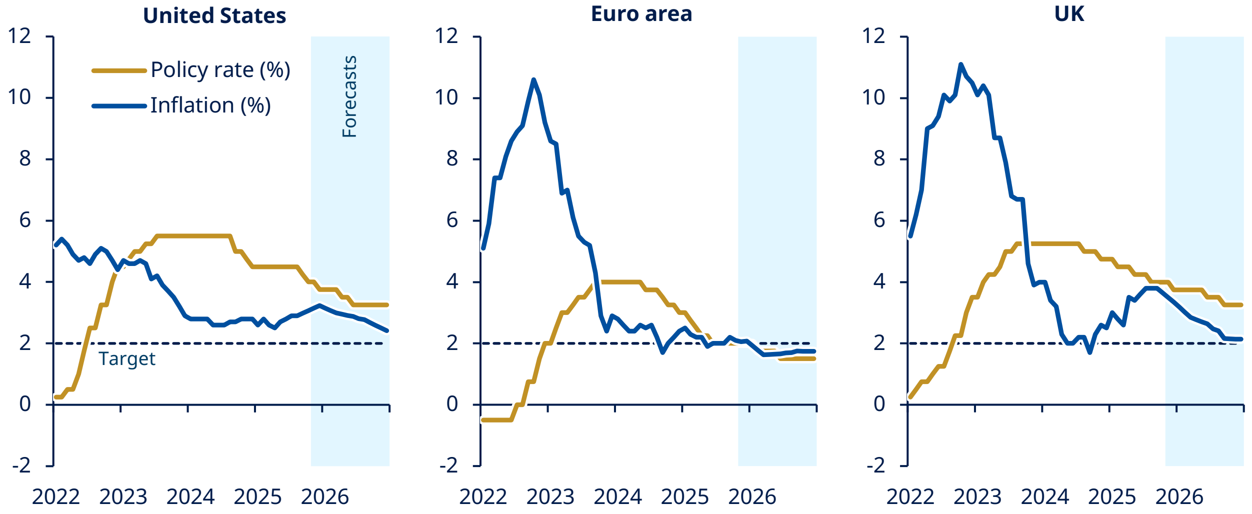
Monitoring such risks is vital given some of the companies that have driven the rally are vulnerable in the medium term to shocks from a new geopolitical order. **The hallmarks of this era are rivalry in a range of domains, including technology, but cooperation on select issues**, such as climate change or safeguards around artificial intelligence. And while the trade and financial connections that are the lifeblood of the global economy may be re-routed, there is little chance they will break down entirely. **Geopolitical risk will therefore be chronic but manageable**.

Equity valuations edge closer to historical high



Sources: Amundi Investment Institute, Bloomberg, data as of 06 November 2025. Analysis on a 20-year horizon.

Central banks' inflation dilemma



Sources: Amundi Investment Institute, LSEG Datastream. US Core CPE, Euro area HICP & UK CPI.

This backdrop will complicate the outlook for inflation. Global medium-term trends such as reshoring and the energy transition will generate price pressures even as the impact of shorter-term forces, including tariffs and wage pressures, filters through the economy. This is less of a problem in the euro zone, where we expect the European Central Bank to hit its inflation target. But **US inflation will remain higher for longer, with levels of around 3% expected in 2026.**

Inflation expectations have so far remained anchored due to the credibility that central banks built up over decades. But the independence of monetary policy can no longer be taken for granted in a world where politicians, even in major developed countries such as the United States, feel freer to advocate unorthodox policies.

Any sign that central bankers are bending to political pressure would jolt all asset classes, especially benchmark bond yields. But even without such a shock, **investors may have to rethink the benchmarks they use for asset allocation.** Real rates could stabilise at higher levels than was the norm over the last couple of decades. This may also be the case for valuations of any blue-chip indices that have a heavy weighting of innovation-related stocks.

Asset allocation will also have to adapt if the breakdown in some traditional market relationships persists. One of the most eye-catching of the past year was the simultaneous surge in gold prices and rally in equities. And the US dollar has moved more in tandem with riskier assets than other traditional safe havens. **We expect the dollar to continue to weaken.** This will benefit emerging market assets and we therefore continue to take a firmly global approach to equity investing. **The trend in gold also has scope to rise further given the structural shift towards a multipolar system and the need for portfolio diversifiers**.

These market trends will also be driven by concern about high debt levels in the United States and other major developed countries. These worries will show up in the fixed income market, though the US administration's desire to prevent government yields rising too far or too fast means that **investors may need to be as wary of fighting the US Treasury as they are of taking on the Federal Reserve.**

As a result, **we favour US breakevens and expect any further steepening of the Treasury yield curve to occur only later in 2026.** Investment grade credit may also be attractive on both sides of the Atlantic, even though spreads against benchmark government bonds have already shrunk this year. By contrast, both US and European high-yield credit could be vulnerable. This will be particularly true if there is a loss of momentum in the forces that have kept the economy and markets turning so far.

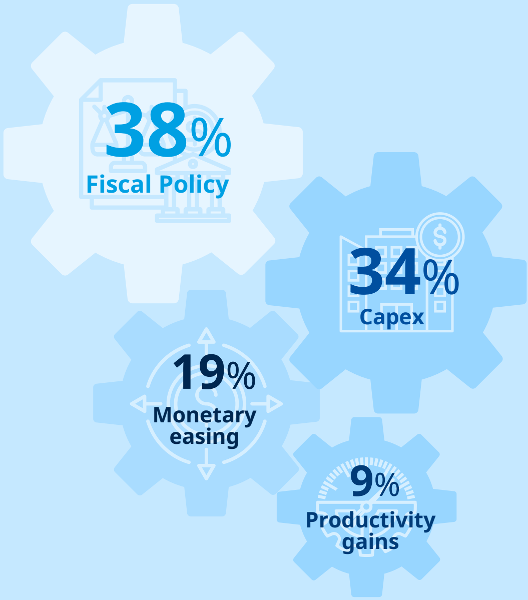
That, however, is no reason to avoid risk exposure as long as AI and fiscal policy are providing a buffer for economies. Proceeding with confidence amid such uncertainty requires a shift in investors' mindset but is likely to be the most worthwhile approach.

"Diversification and hedging will allow investors to mitigate risks while making the most of the opportunities that new technology will bring next year."

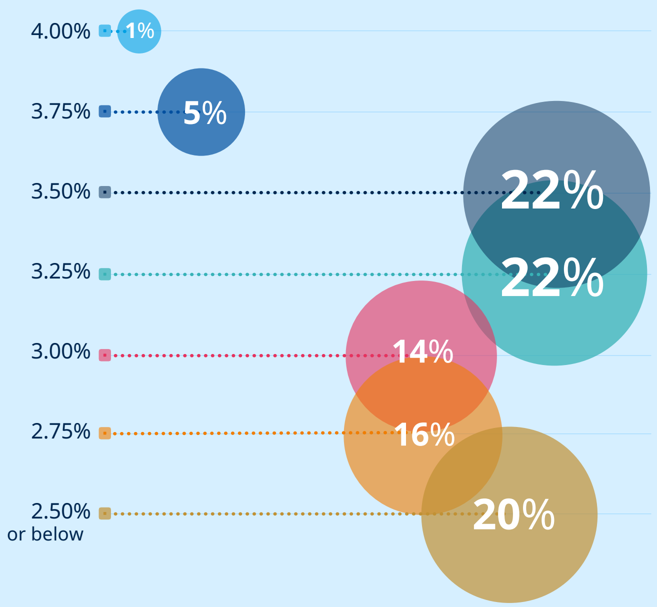
Hot Debates

During the **Amundi Investment Seminar** that took place in September 2025, we asked our investment professionals questions to help us define **what 2026 will be like for the economy and financial markets.**

What are in your view the main drivers of the cycle?



Where will the US Fed Funds rate (upper limit) be at the end of 2026?



What do you think could be the most disruptive force for markets in 2026?

Higher inflation	35%
Stagflation	29%
Political instability	12%
Politicisation of CBs*	12%

*Central Banks

63% of our investment professionals

agree that we are in a late economic cycle, while still in the early stages of a tech-driven financial cycle

MACROECONOMICS

Solving the macro puzzle: a transition not a downturn

In the 2026 Outlook, long-term shifts are forcefully entering the scene when evaluating near-term dynamics. This is a transition, not a downturn: an innovation-led era driven by AI capital expenditure, defence and industrial policies aimed at strategic autonomy, where the reallocation of capital, growth and risk is taking place. These forces are reshaping power balances and reconfiguring trade, which raises costs and moderates activity, yet without causing the collapse of globalisation.

It's too early to say whether AI-driven productivity gains will offset demographic headwinds, although US IT investment is cushioning the expected domestic demand weakness. High public-debt dynamics are, for now, muted by tax cuts (e.g., the One Big, Beautiful Bill) and higher defence and infrastructure spending. Growth has been resilient but remains fragile, and major economies are unlikely to sharply accelerate. Inflation risks are turning more structural, driven by strategic reshoring and the energy transition.

The cycle keeps turning, with a balance of risks

While the impact of tariffs is expected to increase, the effect so far has been limited. Growth has remained broadly resilient, yet next year's outlook is still fragile with persistent inflationary pressures. Trade is being rewired around security and supply value chains that are being reconfigured. **The main economic players are not expected to significantly accelerate their growth trends,** as they evaluate the advance of the technological transformation, mostly in the US, and the increase in defence spending in Europe. Meanwhile, China is balancing 'just enough' stimulus for domestic demand and providing support to its strategic sectors.

Inflation appears anchored, but pressures on central banks are building with the risk of de-anchoring inflation expectations, notably in the US. Monetary policy is broadly appropriate, but the risk of fiscal dominance (central banks pressured to accommodate fiscal expansion) is rising. The upside pressure on inflation in both advanced and emerging economies stems mainly from pro-cyclical fiscal policies but is also structurally driven by strategic reshoring and the energy transition. While the sympathy for easing is still there in a resilient, though fragile, growth environment, central banks should not risk missing their inflation target for long.

Trade deals in the making are not really downsizing policy uncertainty at a time when economic policies are weaponised to serve national security. We don't expect global trade to collapse or globalisation to revert, but we see some **fatigue in continuing to reconfigure supply chains. In these still early stages, this should result in higher costs and more moderate activity**.

FISCAL POLICY IN FOCUS IN 2026

Japan

Under the new PM Takaichi, Japan will switch to a more supportive fiscal stance. The next Supplementary Budget (FY25) will already see a net increase of 1-2% deficit. Additionally, Takaichi has suggested to drop the constraining fiscal rule, and prioritise growth. The BoJ may have to hike more to contain excessive yen depreciation. We expect one hike by the end of 2025 and one additional in mid-2026.

United Kingdom

The UK budget on 26 November is a key risk, as the government may need to cut over £30bn by FY29-30 to comply with fiscal rules, should the Office for Budget Responsibility significantly downgrade its productivity assumptions. The government appears poised to prioritise fiscal credibility and restore fiscal headroom. Stronger-than-expected consolidation may pose downside risks to both growth and inflation in 2026.

US resilience and its limits

US growth has held up despite ongoing policy uncertainties. Notably, in the first half of 2025, capital expenditure in tech and AI-related sectors has outpaced consumer spending as a source of expansion and will likely continue to support the US economy in the coming quarters as consumption softens, providing a floor to growth. Yet, as **the current pace of expansion in these sectors appears unsustainable,** we expect these investments to moderate from their current rapid pace, while broad productivity gains will take time to materialise. On the upside, investment may be further supported by a renewed deregulation push.

We anticipate a shallow slowdown in the first half of the year, followed by a recovery in the second half, with growth remaining below potential. Consumption will remain a key driver of the US economy but is likely to ease amid a cooling labour market, slowing real wage growth, and rising income inequality. **Inflation, only modestly affected by higher tariffs so far, is expected to rise gradually** as delayed tariff pass-through and the effects of immigration policy changes become clearer. Price pressures should then moderate into 2026, although inflation is likely to remain above target.

In this context, **fiscal policy is expected to be mildly consolidative amid uncertainty over tariff revenues**, while the **Federal Reserve is likely to continue easing policy gradually**, caught between the complex dynamics of the labour market (demographic and immigration changes) and the challenging inflationary environment (demand- and supply-driven factors as well as tariff pass-through).

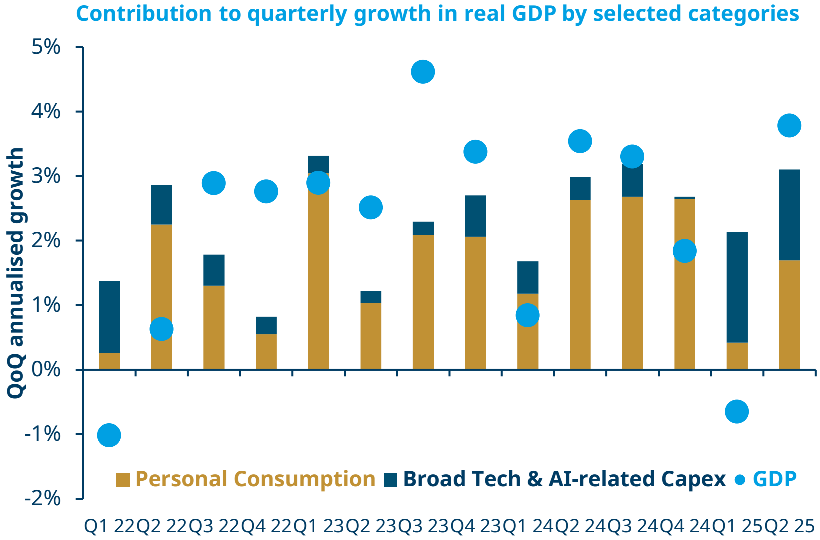
Europe, improvement in sight

In Europe, growth momentum has eased from its strong start in 2025 due to weak domestic demand. In 2026, **higher infrastructure and defence spending add upside risk** to an outlook that, in the face of weak external demand, still depends crucially on domestic demand resilience, monetary-policy support and timely, effective policy implementation.

The euro area could also benefit from tech and AI investment, which might help close some competitiveness gaps, but investment in these areas remains dwarfed in comparison with the US. Private investments will be needed to provide momentum, compounding public investment's key role in infrastructure. However, the **aggregate fiscal stance is likely to remain broadly neutral**, constrained by high debt levels and fiscal rules that push toward consolidation in many countries.

With inflationary pressures easing, growth below potential, and decelerating wage growth reducing second-round inflation risks, **European central banks will likely maintain an accommodative stance; the ECB, in our view,** is likely to ease more than markets currently expect.

Consumption and tech capex will continue to be key drivers of US growth



Tech & AI Capex

Tech & AI capex has supported GDP in recent quarters, raising questions on the sustainability of the trend. Yet tax cuts could further support this trend in 2026.

Consumption

Consumption has held up, buoyed by wealth effects for higher-income households, but a weakening jobs market points to downside risk.

Source: Amundi Investment Institute, Bloomberg. Broad Tech & AI refers to artificial intelligence technologies that are widely applicable across many industries, including equipment, information processing equipment, intellectual property, software, research and development, structures, and data centres. Other contributors to GDP growth, such as government spending, certain investments, and exports, are not detailed in the chart. Data as of 28 October 2025.

India: domestic demand remains the principal growth driver

Despite the recent GDP forecast upgrade, **we continue to expect some deceleration in Calendar Year (CY) 26**. 2025 growth looks resilient despite the US tariffs that disadvantage India versus regional players. For 2026, **we expect a lower level of tariffs, and growth to remain driven by domestic demand** as fiscal relief (Goods and Services Tax changes as well as lower income taxes) and the anticipated Eighth Pay Commission (expected by January 2026) should support household consumption.

Private investment recovery is still uneven and has recently disappointed amid elevated global uncertainty. Yet, **deregulation may revamp the investment cycle**. External headwinds pose the main downside risk without fiscal support. Headline inflation is expected to average around 4–5% in CY26, helped by a favourable monsoon season, benign global food and energy prices, and pass-through from the Goods and Services Tax. As growth decelerates from recent resilience and with higher, but not disruptive, inflation dynamics anticipated, the **RBI should depart from its recent neutral guidance and deliver an additional 50bps of cuts over the next 12 months.**

China: structural goals compete with near-term reflation needs

China's economic policy landscape remains shaped by the anti-involution campaign launched in mid-2025 to curb deflation, overcapacity and destructive price wars – initially in solar panels and e-commerce platforms and now extending to other sectors. While this drive aims to restore profitability, its impact is questionable and may be tempered by the strategic imperatives of the newly unveiled 15th Five-Year Plan (FYP). **The FYP raised 'developing a modern industrial system' to the top priority**, and reframed **science and tech goals toward strategic autonomy.**

Boosting domestic consumption is now a concrete target, yet macro policy remains selective and often reactive to external shocks. Plus, the push for self-reliant tech supply chains could at times override anti-involution objectives, with policymakers willing to tolerate some excess capacity as part of a broader decoupling preparedness strategy. The long-sought supply-demand balance that markets hope for will be tested in 2026, as structural goals compete with near-term reflation needs.

China's grip on critical minerals: the strategic battle for resource security

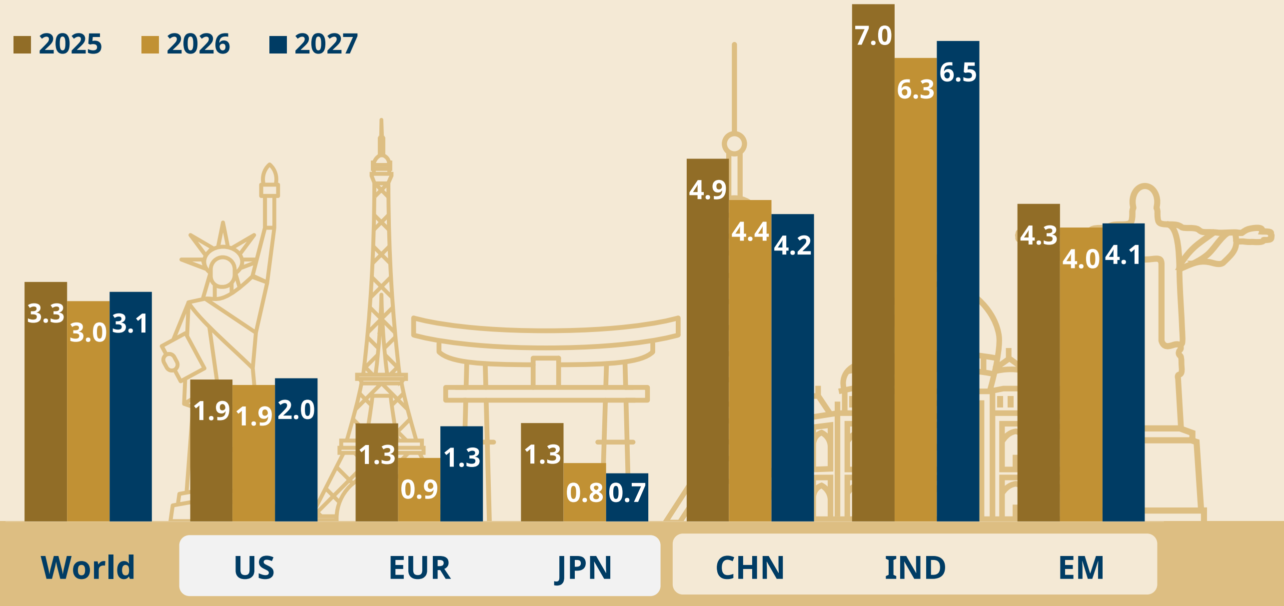
The US–China trade war narrative has lately evolved more clearly away from the tariffs domain, drawing **increased market attention to China's dominance in the global supply of critical minerals**. This universe spans copper, nickel, cobalt, lithium and graphite – essential for the green transition – as well as rare earth elements (REEs). Their exceptional magnetic, optical and catalytic properties have underpinned major technological advances for over a century, shaping industries from electronics to renewable energy. Currently, **China accounts for roughly 70% of global REEs extraction and 90% of processing**. While mining is relatively more diversified, it's paramount for the US to build its processing capacity or partner with countries or companies already at an advanced stage in the process.

Amid the global pursuit of supply chain and technology autonomy (**supply chain bifurcation**), REEs have become an increasingly important geopolitical lever. Whenever US-China bilateral relations have soured, China has not hesitated to play the strategic 'export controls' card. **The implications of halting the movement of REEs are far-reaching – affecting modern manufacturing, green technology and defence capabilities alike.** Countries like the US are left with no other option than to accelerate the development of their own resilient supply chains. In this regard, Washington is, on one side, adopting a nationalistic strategy, subsidising its leading domestic producer; on the other, it has tapped its network of allies, expanding sourcing and production capacity in Australia, Japan, Thailand and Malaysia. The latest deals in Asia are indeed demonstrating that **tariffs are an opportunistic lever when other strategic objectives are at stake.**

The drive to diversify supply away from China is nothing but national security, an imperative that increasingly sidelines economic scale or cost efficiency. Securing critical mineral supply is not just an economic necessity – it is a strategic and geopolitical one.

Resilient growth amid controlled disorder

Amundi Investment Institute Projections



Macro/Financial scenarios and probabilities

BASE SCENARIO 60%

Resilient growth amid controlled disorder

We are in a transition – not a downturn – driven by AI capex, defence and industrial policies that reallocate capital and reshape trade, raising costs and moderating activity without collapsing globalisation.

It's unclear if AI productivity will offset demographic headwinds, although US IT investment is cushioning domestic demand. High public-debt pressures are tempered for now by tax cuts and higher defence and infrastructure spending.

Growth is resilient but unlikely to accelerate sharply, while inflation risks are becoming more structural due to reshoring and the energy transition. Concentration and stretched valuations are key risks to manage.

Market implications:
Strong focus on diversification, mildly positive for risk assets, weaker USD.

UPSIDE SCENARIO 10%

Fiscal-led upside/easing geopolitics

Easing geopolitical tensions, tariff relief, higher fiscal-driven investment in the US and Germany, deregulation, QE and broader signs of AI-led productivity gains are factors that could lift sentiment and improve the outlook.

Market implications:
Positive for equity and credit, negative for government bonds.

DOWNSIDE SCENARIO 30%

Political/financial shock

Political instability, a de-anchoring of inflation expectations, tightening liquidity, credit events,, or earnings/capex disappointments in a concentrated, expensive market could trigger a downturn.

Market implications:
Negative for risky assets and long-dated govies; positive for gold, commodities, and linkers.

Source: Amundi Investment Institute 2026 Investment Outlook. The chart presents the Amundi Investment Institute's reference projections based on information available as of 12 November 2025, and incorporates tariffs implemented up to that date in 2025.

Central bank easing to continue in 2026

Amundi Investment Institute, End-2026 rate expectations

FED

3.25%

One cut in December 2025 and two more by mid 2026.

Labour market to remain weak; 2026 growth below potential amid slowing consumption and disinflation, allowing the Fed to shift toward the central range of neutral rates.

ECB

1.5%

Two cuts expected by mid 2026.

Gradual domestic demand recovery, slowing wages and undershooting should support policy easing.

BoE

3.25%

One cut in December 2025 and two more in 2026.

Disinflation continues, with softer growth. Labour market softens as well as wage inflation, limiting risks of second-round effects, allowing the BOE to cut more.

BoJ

1.0%

One hike in December 2025 and one in June 2026.

Japanese yen is under renewed pressure given the government's expansionary fiscal stance. BoJ may have to hike twice more to contain excessive depreciation in the yen, but the terminal rate will stay relatively low.

PBoC

1.2%

Two small cuts expected in May and November 2026.

After a brief shift to a broad easing bias in September 2024, the PBoC has returned to gradual and selective easing. We expect it to have a long pause before resuming rate cuts, as CPI improves temporarily.

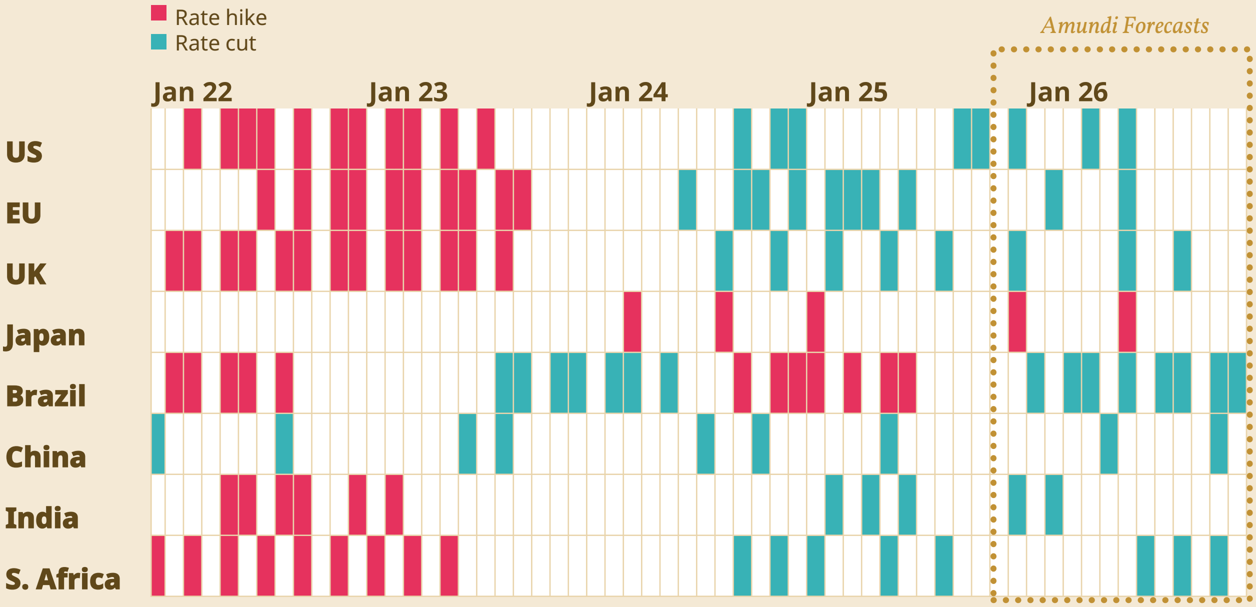
RBI

5.00%

One cut in Dec 2025 and one in Feb 2026

RBI will maintain a neutral stance, turning to easing only if necessary. Our outlook of resilient growth and inflation heading just above the target range pivot of 4% allows limited easing ahead.

Central banks' rate cuts and hikes



Source: Amundi Investment Institute as of 10 November 2025. CB Forecasts are by Amundi Investment Institute and are as of 10 November 2025. Fed: Federal Reserve, ECB: European Central Bank, BoE: Bank of England, BoJ: Bank of Japan. For the Federal Reserve, current rate refers to the upper bound of the target range. For the BoJ, current rate refers to the upper bound of the target range. For the ECB, current rate refers to the deposit facility. For the PBoC is the People's Bank of China Reverse Repurchase Notes 7 Day Rate. For RBI is the Repo rate. Forecasts are indicative and subject to the effective central bank calendar. Rate forecasts are by Amundi Investment Institute as of 12 November 2025 and refer to end-2026.

GEOPOLITICS

"Controlled Disorder" with room for accidents

We will remain in an environment of heightened geopolitical risk in 2026. This is a result of various megatrends still playing out, including: the transition to multipolarity, economic warfare, US–China competition, as well as the arms and technology race underway. The war in Ukraine and tensions in the Middle East are additional factors. As geopolitical risk remains elevated, so is the likelihood of downside surprises and tensions flaring up. However, geopolitics also defines trends that bring opportunities. While uncertainty will prevail, geopolitics in 2026 will bring both upsides and downsides for investors.

From 'Great Diversification' to 'Controlled Disorder'

Over the past year, diversification efforts by governments, central banks and investors saw the USD weaken, gold prices rally, and new trade and security deals emerge. As governments aim to bring order into a factious world, more tactical bilateral and multilateral agreements are likely, ensuring trade and investment flows continue.

The 'Controlled Disorder' emerging is a by-product of the new multipolar world order. Alternative alliances allow an escape route from economic friction by re-routing, but they also add risk because countries can be confrontational. Multiple alliance-building increases distrust, encouraging countries to hedge their bets and re-arm.

More protectionism, export controls and sanctions are likely as countries protect their interests and exert pressure on rivals. **The US will continue to use tariffs as a tool for various goals, while China will leverage control over rare earths and other chokepoints**. Other countries are introducing measures to protect industries (e.g., recent EU steel tariffs).

The more hostile global environment forces governments to reduce overreliances. Countries with resources others depend on (food, energy, rare earths) will have the upper hand. Efforts to reduce exposure to China's rare earths will accelerate; new agreements between the US, Australia and Japan are examples. Greater self-sufficiency will take years, however.

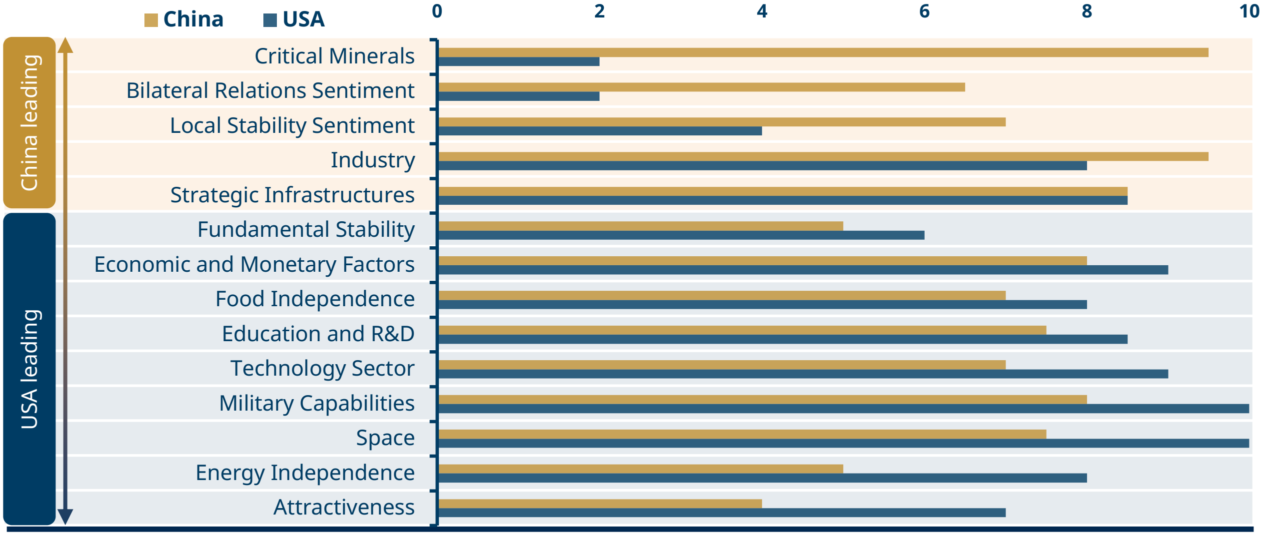
Questions over US exceptionalism will linger as the political uncertainty and 'democratic backsliding' intensify ahead of the mid-term elections. This uncertainty and high debt levels will contrast with ongoing spending in AI and deregulation.

US foreign policy will remain volatile, marked by Trump's beliefs, business interests and US strategic priorities. For example, Trump cares about US influence in Latin America. After having been ignored by previous US administrations, allowing China to make economic and diplomatic inroads, US involvement in Latin America will likely intensify at a time of important elections in the continent (e.g., Brazil).

Both the US and China realised their mutual dependencies in 2025. The US now understands that it can't do much without Chinese rare earths, while China's economic performance and social contract (political control in exchange for prosperity) depends on global trade. There is a limit to how much the US-China relationship will deteriorate in 2026. Tactical deals remain possible, but a material change in the relationship is unlikely.

The Great Power Competition will continue to fuel investments into the AI race — a contemporary iteration of the tech and space race witnessed during the Cold War. Control over AI, quantum computing and high-end chips is seen by the US and China as essential to securing superpower status. Investing in AI is therefore about power and survival**. The AI race will likely also redraw and reinforce geopolitical alliances as access to energy becomes critical.** Recent AI deals between the US and UK and the Gulf to host data centres are examples.

China will cement its lead over the US in some strategic areas over the next four years



Source: Amundi Investment Institute as of November 2025. The chart shows the geopolitical quantitative/qualitative assessment on a 1 to 10 scale of US and China positioning in key strategic areas.

Questions over Taiwan's political status will grow as the US reduces its military deterrence and support for Taiwan, and China expands its influence and geopolitical power. China's new confidence on the global stage will continue to make it less likely to bow to US demands. It will continue to try and position itself as the 'grown-up in the room' as the US remains fickle. It will woo countries to join China-led initiatives, while shoring up preparedness for competition with the US. The party recently doubled down on its national priority of developing a modern industrial system — a key advantage over the US's struggling industrial base.

The Russia–Ukraine war will likely see hybrid warfare intensify in Europe. Russia wants to erode morale and support for Ukraine. Conversely, European NATO countries will have to up their deterrence, increasing the likelihood they will shoot down Russian objects in European airspace, raising the escalation risk. The latter will also increase should the US decide to provide Ukraine with the ability to strike deeper into Russian territory. We do not anticipate an end to the war for the next several months. The goals of the various parties do not overlap. **Russia believes time is on its side and seeks the demilitarisation of Ukraine**, **while for Ukraine and Europe, a heavily armed Ukraine is essential.** The US doesn't have the leverage to end the war without imposing economic hardship on Russia. It is unlikely that recent US sanctions will succeed in increasing economic pain sufficiently. But they could put pressure on Russia's economy over the medium term, forcing Putin to be more open to making concessions.

Despite the many risks facing Europe, there are some positive signs. European leaders managed to convince Trump to align with European security interests. **The EU also made major progress in diversifying trade relations, while investments in defence are happening**. The difficult backdrop is paving the way for reforms that could make the EU more competitive. For example, Germany's chancellor recently signalled support to unify the bloc's capital markets. While the implementation of major reforms remains difficult, political momentum seems to be shifting. With no major election in 2026 (apart from Hungary), EU internal cohesion will likely prevail. For example, Bulgaria will adopt the euro in January.

The Middle East will see ongoing political uncertainty. Efforts to conclude the war in Gaza will face hurdles when it comes to demilitarising Hamas, while the re-emergence of Iran–Israel tensions is likely. The picture will be further complicated with elections in Israel in October. A different story is unfolding in the Gulf, where AI investments, diversified security agreements and close relations to the US paint better prospects.

To conclude, geopolitical trends will continue to impact the economy and markets. National security priorities are increasingly intertwined with company valuations, in some strategic sectors, and expectations for productivity and economic growth. Geopolitics will continue to put pressure on public finances and inflation — the current environment makes it hard for governments to stop spending on AI and defence, while geopolitical diversification is about national security, not only efficiency. In this environment, gold will still benefit.

DYNAMIC ASSET ALLOCATION

Still risk on, balancing risks

For 2026, the cross-asset stance remains **moderately pro-risk yet increasingly diversified**. The late cycle continues to reward quality and profitability mainly. However, stretched valuations and rising policy and geopolitical risks call for **selectivity and hedging**.

Within our regional equity ranking framework, **profitability and leverage are the key differentiators** — consistent with an AI-led investment supercycle, where **capital intensity and monetisation capacity define leadership.** The US and EMs lead, supported by superior profitability and balanced leverage, while Japan and Europe lag slightly. In adjusting relative valuations for profitability and debt quality, the US premium versus EMU remains, though it is more aligned with the structural profitability gap. That said, **sector and style allocation will drive performance in 2026**. We are positive **on financials, industrials, defence and green-transition sectors, complemented by small and mid-caps in Europe,** which show renewed activity in capital goods and defence-related segments.

From an asset allocation perspective, **we remain agile on duration and selective within fixed income**, maintaining a neutral stance on sovereigns, but with a **clear preference for investment grade credit, where risk-adjusted returns remain attractive**. For real-return resilience, we favour a greater allocation to **alternative income and inflation hedges — including private credit, infrastructure and a broader commodities exposure**.

Finally, **diversification should structurally include selected currencies such as JPY, EUR and gold, alongside selective emerging FX**. Overall, the 2026 allocation balances risk-seeking with prudence: **participation in the tech-led recovery but meaningfully hedged against high downside risks.**

COMMODITY FOCUS

A constructive stance

Under the assumption of no economic recession in 2026, we reiterate a constructive view for commodities, which help to diversify asset allocation and provide some hedging against inflationary spikes.

Oil anchored by fundamentals

We maintain our targets of $63–68 for Brent and $60–65 for WTI based on current supply dynamics. Despite geopolitical escalation in the Middle East and tariff retaliations on Russian oil exports to Asia, oil prices remain relatively quiet and anchored to fundamentals, according to our expectations. Without a supply disruption or recession, oil should remain within these ranges.

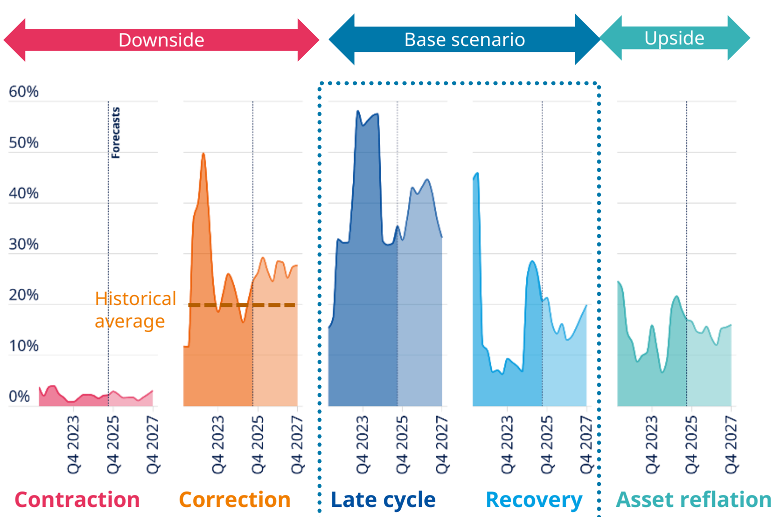
Selective base metals

The base metals sector — at least some specific segments related to AI energy infrastructure, defence, and the green transition — will remain long-term winners.

Gold as a structural hedge

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 2026 target of $4,200, as our three-year horizon is around $5,000.

Potential cycle evolution, with probability of correction above historical average



The probability of adverse market phases (contraction and correlation) remains significant moving into 2026, at around 30%.

The base scenario is for a late cycle with some recovery features, which supports a risk on stance.

The probability of higher upside is around 10% moving into H2.

Historical Parallels: The current environment represents a hybrid of historical episodes: 1970s macro complexity fused with 1990s technological disruption, layered on a post-2008 debt overhang and geopolitical fragmentation with relevant exceptions. The geopolitical picture today has more important players than in the past; USD or US assets in general are less exceptional, like the 70s; High tech spillovers seem broader and more profound in global economic penetration than in the 90s revolution; New commodities and metals are replacing the traditional base metals universe.

Source: Amundi Investment Institute. Probabilities derived from Amundi proprietary models "Advanced Investment Phazer". For phases definition see our paper "Advanced Investment Phazer: a guide to dynamic asset allocation".

EQUITY

Think global beyond the tech race

The innovation wave behind the equity rally goes beyond AI: quantum computing and advanced semiconductors are becoming strategic assets, and AI adoption is rising across industries. The shift is global — China's innovation and supply chains, Taiwan's chip leadership, India's IT services role and AI-related capital goods in Europe. In 2026, leadership should broaden from chips to power and grids, with Europe and Japan re-rating via capital returns and capex. As US markets are already highly AI-concentrated, investors should play tech globally and diversify into low-correlated themes such as global financials, Japan governance trades, European defence and small-mid cap stocks.

AI & tech: redefining the global economic landscape

Artificial intelligence (AI) and related technologies have become core drivers of capex and corporate earnings, reshaping the structure of the economy worldwide. We believe that in the second half of this decade, they will fuel a **new capital expenditure cycle aimed at boosting productivity in ageing societies and preserving competitiveness amid geopolitical tensions. Beyond AI, quantum computing and advanced semiconductors are becoming strategic assets.**

Although direct AI investment is still modest (around 1% of US GDP), it is triggering significant second-round effects: higher demand for hardware and software, faster obsolescence, greater energy use and rising infrastructure needs. **As AI is integrated across industries, its impact will extend well beyond tech while varying regionally.**

> *"The tech capex supercycle is no longer just a US story — China is catching up, and global adoption across industries is turning this into a global opportunity."*

United States: leading the surge, supported by strong profitability, but concentration risk is still extreme, and valuation is elevated

The US dominates tech and AI capex, driven by policy support and a strong innovation ecosystem. Firms are investing aggressively — partly for strategic, national-security reasons amid US-China rivalry.

US AI supremacy is reflected by the outsized weighting of US stocks in global benchmarks, with the **US now representing almost two-thirds of the MSCI ACWI market cap**. At the sector level, the picture is similar: **Information Technology and Communication Services — which lead the AI charge —** together exceed the peak weights seen during the TMT boom. In addition, infrastructure constraints, particularly energy supply, represent an important bottleneck for future growth.

That raises the question of whether this current scenario is a bubble, like the late 90s and early 2000s. US equity valuations may be elevated, but they are underpinned by robust earnings. Indeed, year-to-date returns in US equities have not been driven by re-rating but by EPS growth, especially from the Mega Tech names. Current margins are also much higher than they were in the dot-com bubble. Lastly, the Fed has resumed its accommodative stance, with more rate cuts to come, which is another key supporting factor for equities.

Of course, risks remain. Beyond market concentration, questions persist over whether massive capex is sustainable and can be monetised. We also note that while much investment to date has been funded from cash, the US tech sector's debt issuance rose significantly in 2025. Key risks to monitor are a more hawkish Fed, in the case of inflation surprises, and/or weaker than expected profitability.

EQUITY

Asia: Chinese tech has room to rise further in the broadening of the tech rally

Asia's tech role is diverse. **China balances supply discipline with strong innovation ambitions**. Unlike the US, China is not experiencing a tech super cycle; instead, it is pursuing sustainable growth through policies aimed at curbing subsidies, reducing excess capacity and limiting regional competition.

China continues to invest heavily in AI and related technologies, especially in supply chains and semiconductor manufacturing, with Taiwan playing a pivotal role in global chip production.

Within equities, Chinese tech offers more appealing valuations than US tech and shows stronger growth, making it an attractive diversification for the tech story.

India is gradually carving out its role by leveraging strong product development skills and synergies with IT-enabled services. Alignment between the private sector and government on tech innovation suggests steady progress, positioning India as a key player in Asia's broader tech ecosystem.

Europe: no pure AI/tech champions, but plenty of opportunities in industrial, small- and mid-caps

Europe lacks a dominant AI champion and trails the US and China in IT spending, risking a widening competitiveness gap. Energy supply concerns, especially in the UK, and slower fiscal support for tech investments constrain Europe's AI potential.

Still, Europe holds pockets of opportunity, particularly in electrification, AI-related capital goods, and **small- to mid-cap companies** focused on domestic markets. These could benefit from a gradual productivity and innovation catch-up, provided Europe addresses infrastructure and skills development challenges. **European financials can also benefit from rising financial requirements in a still supportive rate environment.**

Japan: The AI boom has helped the Japanese market, particularly boosting AI-related data-centres and semiconductor stocks. Japanese equities are further **supported by corporate governance reforms** that are driving higher returns on equity, reducing excess cash and cross-holdings, and improving shareholder returns. A **still-weak yen makes Japan an appealing play on global manufacturing**.

Going global in search for sector opportunities

A wave of AI capex should not only support the tech sector but also related sectors, which are more reasonably priced. As noted above, AI investment requires more power generation and transmission, and higher prices could increase margins more than markets are currently anticipating. In this light, we continue to favour broadening strategies.

Most favoured sectors in 2026

Financials
- Earnings outperform; attractively valued with high distribution yields.
- Regional tailwinds: Germany/EU reforms, US deregulation, Japanese corporate reform.

Industrials
- Benefit from long-term themes: Defence, Capex, Electrification.
- Some opportunities from infrastructure build-out, nearshoring, OBBB (One Big, Beautiful Bill).

Communication Services
- Strong relative earnings trend.
- Positive in the US (Media).

Healthcare (long-term view)
- Favoured long-term from ageing populations and rising wellbeing demand and AI (faster, cheaper R&D)
- Near-term caution from high US political risk.

Least favoured sectors in 2026

Energy
- Concerns on oversupply weighing on oil price and earnings remain weak. Valuation is not cheap, so there is no buffer. Powering the AI theme is done through Utilities sector.

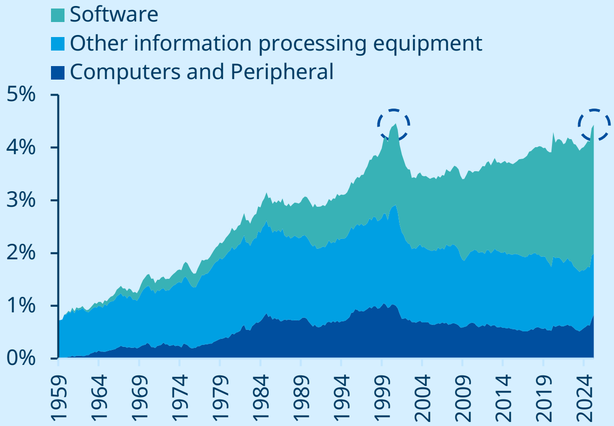
Materials
- Exposed to any escalation in tariffs and a slowdown in global trade.
- Earnings momentum is weak.

Equities in the tech race

A US tech capex supercycle is playing out

In the US, tech and AI investments are emerging as a defining force in economic dynamics, fueling a new capital expenditure supercycle.

Tech investments as % of US GDP

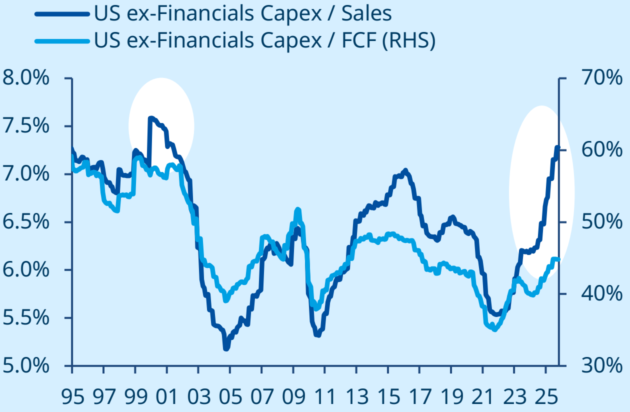


Source: Amundi Investment Institute on Bloomberg. Data as of 27 October 2025. Seasonally-adjusted series.

We are not yet at the apex of the Capex cycle

While capex/sales has risen sharply, it remains below peak TMT-era ratios, and capex relative to free cash flow shows an even larger gap compared to that period, leaving room for further expansion.

US ex Financials Capex ratio to Sales and to Free Cash Flow

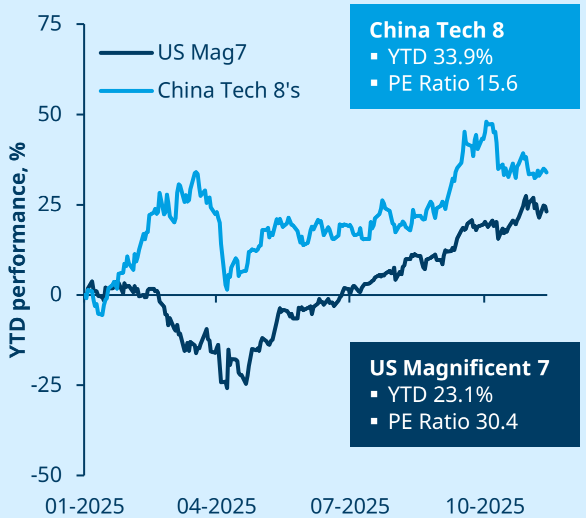


Source: Amundi Investment Institute on Datastream. Data as of 27 October 2025. FCF is Free Cash Flow.

Chinese tech is also gaining ground

Chinese tech has outperformed in 2025, and momentum may continue. China's new Five-Year Plan reaffirms tech self-reliance as a top priority, and consensus expects China's Tech-8 to outpace the US's Mag-7 in earnings growth in 2026, with China's relative valuations looking compelling.

YTD performance, %

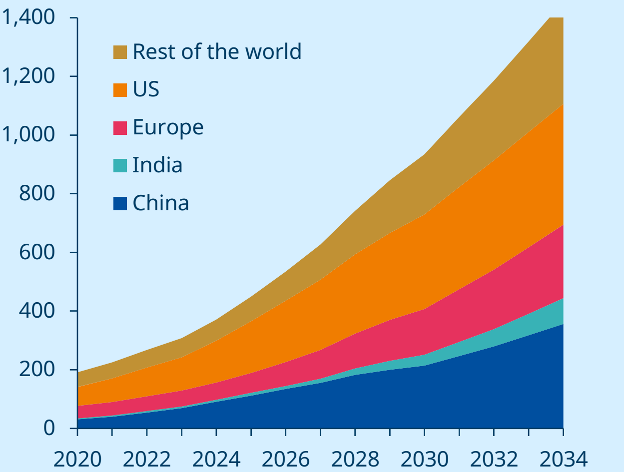


Source: Amundi Investment Institute on Bloomberg. Data as of 12 November 2025. PE ratio is the 12 Month Forward PE Ratio. China Tech 8 is Bloomberg Intelligence basket including the 8 largest China tech stocks, US Magnificent 7 is a basket of the 7 US largest tech related companies.

Power limits: a risk to tech expansion

The real bottleneck for the tech transformation is energy: AI and data-centre growth will sharply increase electricity demand and, without rapid scaling of reliable, clean power, plus grid upgrades and storage, expansion risks being constrained or powered by fossil fuels, undermining sustainability goals.

Incremental generation needed to meet data-center demand, Terawatt-hours



Source: Amundi Investment Institute on Bloomberg NEF. Data as of 27 October 2025.

RESPONSIBLE INVESTING

Powering sustainable growth

Industrial growth driven by strategic autonomy is reshaping the opportunity set, particularly for responsible investors. Trade tensions, export controls and security policies are encouraging governments and companies to onshore and diversify supply chains as well as energy sources. AI-led digitalisation — from smart grids and data centres to the automation of manufacturing processes — is underpinning this trend. Opportunities include companies benefiting from accelerated spending linked to energy supply (e.g., grid upgrades, nuclear power, water usage), digital infrastructure (AI-linked critical technologies), battery storage and the responsible processing of critical minerals. Specifically, key responsible investment themes for 2026 include:

Electricity demand is accelerating as industrial electrification, data-centre expansion and EV adoption rise. Transmission networks must be expanded, grids modernised, and storage scaled up, especially as 40% of grids in advanced economies are over 20 years old. Grid investment should benefit distribution equipment manufacturers and utility companies. For example, US utilities expect 2-3% demand growth driven by electrification, data needs and onshoring. We focus on utilities that address climate challenges, benefit from market stability and pursue strategies aligned with a pathway close to 1.5°C. We see opportunities in the US and among Korean transformer manufacturers supplying the US, Europe and the Middle East.

Industrials are improving factory efficiency, automating processes and expanding data centres. These businesses face structural demand growth, amplified by advances in AI technologies that boost demand for equipment and electricity. Examples of businesses set to benefit include a European capital goods company providing electrical and building-management equipment to data centres and a US equipment rental company exposed to infrastructure, reshoring (construction), power generation and data-centre growth.

Water is a major part of data centres' energy transition footprint, used mainly for cooling. It circulates through pipes to absorb heat from equipment, moves to cooling towers and is recirculated. Advanced water-based cooling cuts electricity use, enables waste heat reuse and lowers emissions. Operators optimise water-use intensity with monitoring, leak detection and optimisation software. The European capital goods company noted above also benefits from rising demand for water-based cooling in AI systems.

A nuclear revival is supported by policy, regulatory frameworks and capacity targets. AI workloads are a key demand driver. US tech companies are increasingly powering data centres with nuclear energy; thus, we favour Korean nuclear-equipment companies for their on-time delivery records and market positions.

Copper cleantech demand is set to at least double by 2040 (to 12 million tonnes versus 6 million tonnes in the 2021 baseline year), as copper is the preferred mineral for electricity networks and is essential for solar panels, wind turbines and EV batteries. Supply is relatively inelastic (new mines have long lead times) thus, medium-term prices should stay strong, benefiting mining companies such as Chilean miners. Finally, **EV sales growth is driving robust demand for EV batteries**, particularly in China (c. 54% penetration), though US tax changes or/and a subsidy rollback in China could slow growth. However, even a more modest demand trajectory, coupled with tight supply, should support copper prices through 2026.

+12%

Global grid investment projected to reach to US$777bn by 2030. [1]

+9%

US data centres could consume up to 9% of US **electricity generation** by 2030, more than double today's share. [2]

+200%

Copper cleantech could lift overall **copper demand** to 34 million tonnes (Mt) from 25 Mt in the 2021 baseline year. 3

+32/18%

Global battery EVs /hybrid EVs sales surged by c. 32%/18% in the 9 months to September 2026. [4]

Sources: Amundi 2026 Investment Outlook. 1. New Energy Outlook: Grids, "Significant Investment Needed to Ready the Global Power Grid for Net Zero", BloombergNEF report (Bloomberg's new energy service), December 2024. 2. Electric Power Research Institute, May 2024. 3. IEA, Global Critical Minerals Outlook 2026. 4. CNEV (China New Energy Vehicles) Post, EU, US Motor Intelligence, data nine months to September 2026.

FIXED INCOME

Fixed income in the new policy order

We see a continuation of the diversification trend seen in 2026. Fixed income investors may be underestimating the risk stemming from US expansionary fiscal policy. We see opportunities in inflation break-evens, and yield curve steepening later in the year. Quality credit becomes a core allocation for fixed income investors, thanks to sound fundamentals and a better risk-return profile compared to Treasuries. European bonds remain a key call for 2026, with a focus on peripheral bonds and investment grade credit, particularly in financials.

Rising US fiscal risks call for a focus on inflation and investment grade credit

Foreign holdings of US Treasuries, at almost $9 trillion, are close to record highs, but we believe **international investors may be too optimistic about the long-term persistence of US exceptionalism** at a time when US deficits and debt are rising and inflation risk persists. Investment in AI (as discussed previously) could raise US potential growth above 2%, but even if AI does boost productivity, it may not be enough to offset worsening demographics. **US debt is unprecedentedly high, which also adds risk to Fed independence.**

US bond yields have fallen in anticipation of rate cuts. We believe the weakening labour market warrants cuts down to 3.25%, but the market is periodically pricing in cuts to below 3% by the end of 2026. **Monetary policy this dovish, in our view, would increase expected inflation and increase the term premium.**

This backdrop calls for a **disciplined, tactical approach to duration**, as yields will likely stay range-bound throughout the year. Inflation becomes a key call, favouring **break-evens, while steepening opportunities should emerge later in the year**, after rates have been cut. The 2-10Y spread could still widen to 120bp, especially if the Fed proves more dovish than we expect.

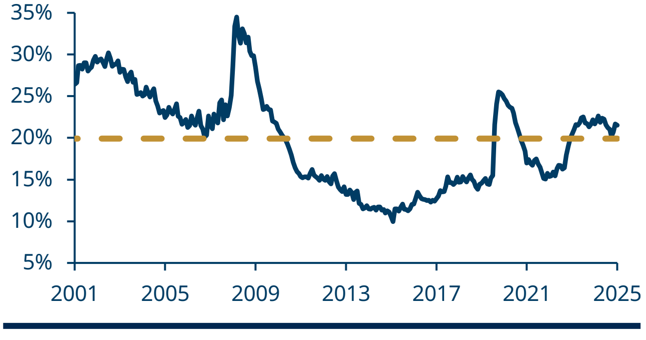
To diversify away from US Treasuries, **investment grade (IG) credit is an increasingly relevant asset class** and should benefit from limited supply and disciplined balance-sheet management. We see potential for some further spread tightening against government bonds. We are cautious on US high yield bonds, which may suffer from concerns about private debt, regional banks and the impact of tariffs on operating cash flow.

Balancing US debt issuance ultimately tests Fed independence

US debt strategy leans on short-term issuance, instead of long bonds, reducing the cost within the near term, but rates ultimately roll over risk and could increase pressure to push the Fed into deeper cuts: testing the central bank's independence.

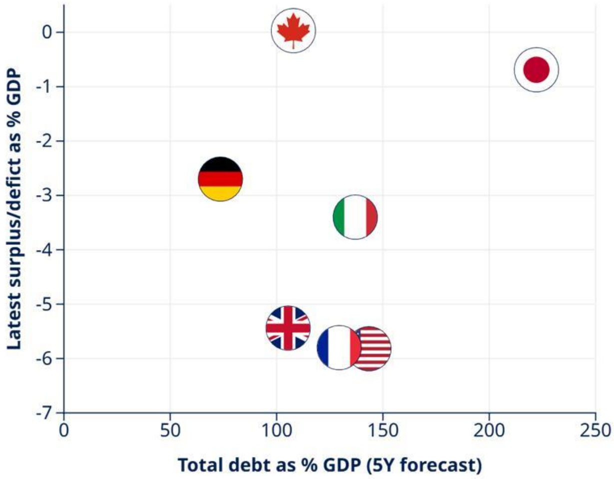
The CBO estimates the One Big Beautiful Bill (OBBB) will add $3.4tn to the deficit over the next decade. The Treasury says it can hold issuance steady "for at least the next several quarters" – possible if the gap is funded with bills. Bills are 21.5% of debt, near historic averages. In 2026 interest payments will total $1.1tn (3.2% of GDP) as the average federal debt rate has risen to about 3.5%.

Bills as % of outstanding marketable Treasury debt



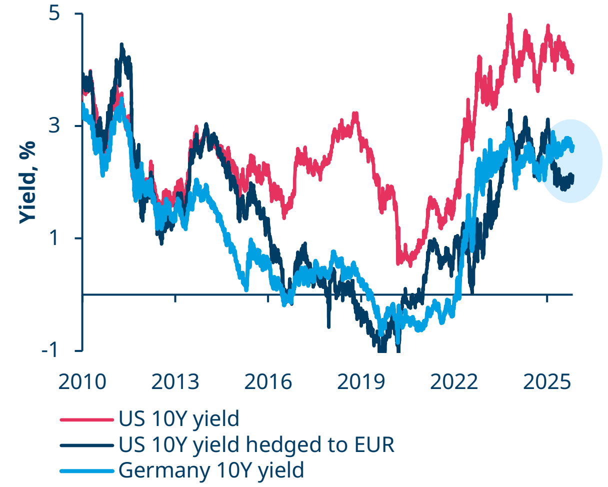
Source: Amundi Investment Institute on US Treasury Department. Data as of 30 September 2026. CBO is the Congressional Budget Office.

Fiscal room is shrinking across the G7



Source: Amundi Investment Institute, Bloomberg, IMF. Total Debt as % of GDP includes all financial liabilities of a government, either central plus local governments debt. Data as of November 2025.

European bonds appealing vs US



Source: Amundi Investment Institute, Bloomberg. Data as of 31 October 2025.

Bond vigilantes will impose fiscal discipline

Elsewhere in the G7, debt levels are also elevated. With the exception of Japan, which does not rely on foreign investors (although we remain cautious on JGB), most other G7 governments are wary of bond vigilantes and reluctant to add fiscal stimulus. The UK shows why; in a higher inflation environment, QE would not be able to deliver lower long rates. Attempts to inflate debt away would result in higher expected inflation, and hence higher long-end yields. **This discipline makes us bullish on Gilts, which are still near their cheapest levels in a decade against Treasuries.**

Rising appeal of European bonds

Germany has ample fiscal space and a pressing need to address both weak economic performance and new security requirements. Germany's sizeable projected debt issuance over the next 5 to 10 years will **expand EU government bond markets and provide a large opportunity set for global investors**.

Support for European bonds will also come from the ECB, which we see has scope to follow the Fed's lead and cut rates to a terminal rate of 1.5% by mid-2026. **A narrowing yield differential between 10Y Bunds and Treasuries and expectations of ECB cuts will favour European bonds versus the US**. This can further support the repatriation of assets by European investors and rising demand from international investors willing to diversify into an expanding market with more predictable fiscal rules. **Within Europe, we are even more optimistic about peripheral governments.**

Fiscal discipline in Italy and Spain could allow spreads relative to Germany to continue narrowing. France's spread is a confirmation of the credibility of the European fiscal framework. While a return to the parity seen before 2007 looks unlikely, it is possible the Italy-Germany 10Y spread could fall below 70bp, while the Germany-Spain spread may reach 40bp. We also see opportunities in euro investment-grade credit, with room for further spread compression, particularly in financials.

KEY INVESTMENT IMPLICATIONS

Positive on US 10Y break-evens
The weaker dollar and tariffs alone could boost prices, while demand will be stimulated by expansionary fiscal and monetary policy and higher investment. The decline in 10Y break-evens to 2.25% should reverse, with a return to the 2.5% peaks of the past two years looking possible.

Positive on EU peripheral debt, German 10Y Bunds, and Gilts versus US Treasuries
We prefer European bonds to US Treasuries: anticipated ECB cuts and an expanding European bond market should draw investor demand. UK Gilts also look attractive relative to US Treasuries, while euro-area peripherals offer the strongest conviction given yield pickup and improving fundamentals.

Continue to favour IG credit
Spreads still offer reasonable value versus swaps, and disciplined issuance means credit will benefit at least from carry, and possibly from further capital gains.

CURRENCIES

USD weakness: stretched but not done

The US dollar caught many investors off guard in 2025, given the prevailing narrative of renewed 'US exceptionalism' following the US elections. The assumption that pro-business deregulation and aggressive tariffs would widen the US growth advantage proved misplaced. But now that expectations have reset and momentum outside the US has weakened, the sustainability of the USD correction is being questioned. While macro fundamentals no longer appear as a clear drag on the USD, they remain, in our view, insufficient to reverse the structural forces at play. We continue to position for a weak, albeit non-linear, USD in 2026.

Beyond relative value: the USD's global dominance still cuts both ways

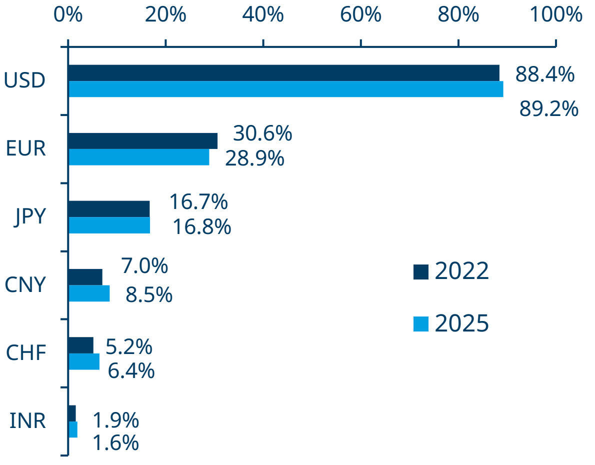
The September BIS Triennial Survey confirmed that 'de-dollarisation' remains overstated: the USD still features in about 89.2% of global FX transactions, up from 88.4% in 2022. Yet full de-dollarisation is not required for the dollar to weaken. Four arguments suggest that FX may extend beyond relative value, and this will likely mean depreciation ahead for the USD.

First, weak growth abroad, if contained, will likely offer an opportunity to diversify fixed income exposure beyond US debt. As global yields have normalised – the share of negative-yielding debt has fallen to zero from over 30% in 2019 – a contained decline in the rates differential could paradoxically coincide with FX appreciation.

Second, an increasingly unorthodox policy mix – persistent fiscal deficits, higher inflation tolerance, and measures such as the Genius Act and SLR reform – **risks suppressing US real rates and reviving concerns about financial repression.** As stablecoin issuers and deregulated banks absorb Treasury supply, nominal yields may stay capped despite rising inflation expectations, leaving currency depreciation as the main adjustment mechanism.

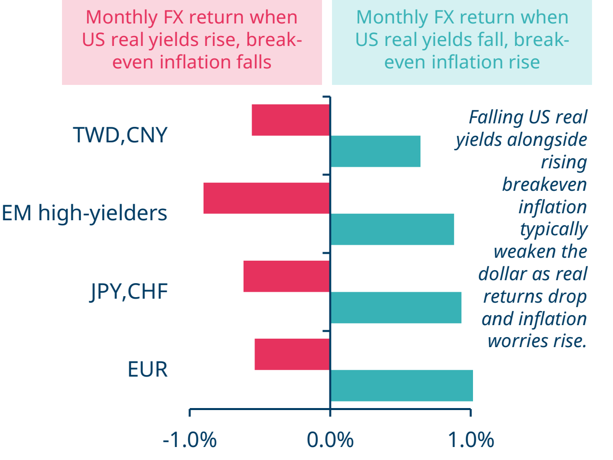
"Structural forces will continue to point to a weaker US dollar, benefitting in particular Asian currencies."

Foreign exchange market turnover by currency, 2025 vs 2022 (daily averages)



Source: Amundi Investment Institute on BIS 2025 Triennial Central Bank Survey. USD – US dollar, EUR – Euro, JPY – Japanese yen, CNY – Chinese Renminbi, CHF – Swiss Franc, INR – Indian Rupee.

The move in US real rates and inflation expectations is key for FX



Data: Bloomberg, Amundi Investment Institute calculation. Data as of October 24, 2025. USD – US dollar, JPY – Japanese yen, EUR – Euro, CHF – Swiss Franc, CNY – Chinese Renminbi, TWD – Taiwan Dollar.

Third, the USD's safe-haven appeal is less reliable. In a 'growth shock' (not our base case), where US equities and US yields decline together, the dollar's correlation with risk assets would turn positive, limiting its diversification role.

Given the heavy US weighting in global indices, even modest equity outflows may translate into USD sales unless fully reinvested into US Treasuries, which now face greater competition from other sovereign markets. This is a dynamic we see as supportive for core G10 FX, but it requires, at the same time, selection among high-carry FX, whose beta to growth remains dominant.

Fourth, the USD still screens as expensive versus its long-term valuation, and few currencies, like the EUR and EMFX carry, really benefited from its correction in 2025. Asian FX and selected currencies within trade-surplus countries (Euro, Australian Dollar), have the potential to drive the next step.

G10 FX: domestic divergences beneath a USD-led narrative

The outlook for the Eurozone remains weak and largely relies on prospective reforms. Yet the low debt-service burden of the private sector argues against an aggressive ECB rate-cut cycle. A backdrop we see compatible with **stronger EURUSD and EURCHF** but would likely require a lower EUR versus cyclical currencies (the Skandies, Australian Dollar) and the JPY, after the outsized EUR rally in 2025.

In the UK, the upcoming fiscal tightening is likely to restrain growth and reinforce dovish pressures on the Bank of England. With a negative net international investment position, sterling remains dependent on foreign inflows, suggesting **GBP crosses will struggle to outperform** until growth surprises on the upside or fiscal confidence is restored.

Japan remains the clearest case where policy distortions cap FX potential. Despite normalised yields and cheap valuations, the BoJ's reluctance to lift real rates sustains 'debasement risk.' In our view, dislocations should gradually clear, but only a harder landing or a credible signal that policy normalisation will continue can actually translate into sustained JPY appreciation.

EM FX: Carry remains our friend

The winners are likely to remain currencies whose central banks have limited space for rate cuts relative to what is priced in by the market — we like Brazilian real in LATAM and South African Rand in CEEMEA. Selection, though, remains key. While softening trade tensions between the US and China are somewhat reassuring, countries with weak FX reserves, poor central bank credibility, and high foreign-currency-denominated debt will likely prove vulnerable to pullbacks should risk sentiment reverse.

What could go wrong

The key risk to our bearish USD view would be a repeat of the 2021-2022 pattern and a halt to the US yield-curve steepening process. Then, the US economy overheated, and markets believed the Fed would prioritise inflation control 'at any cost', driving real yields higher and compressing inflation expectations. A similar shift would restore the USD's cyclical appeal and likely mark the turning point in the current downtrend.

DIGITAL ASSETS AND CRYPTOCURRENCIES

Digital assets: anchored dollarisation, structural repricing

USD-backed stablecoins, now above $300bn, **anchor blockchain activity to the dollar, limiting de-dollarisation but also creating artificial demand for US debt under the GENIUS Act**. By contrast, the ECB's digital euro project keeps monetary control public and debt demand organic, suggesting a less politically managed backdrop and lower macro-risks for the EUR.

Meanwhile, Bitcoin's expanding institutional adoption and growing US policy support reinforce perceptions that the USD's purchasing power is eroding under higher inflation tolerance. While this backdrop could sustain positive momentum into 2026, with prices potentially approaching $150,000 in H1, the halving cycle that began in April 2024 appears mature, and a **phase of consolidation or correction** is likely to follow.

"Instead of pushing cryptocurrencies to the sidelines, policymakers are now looking for ways to safely integrate them into the broader financial system."
Cryptocurrencies Break Into The Mainstream 2025

EUROPE

Europe's journey continues

Europe is at a turning point. Growth, overall, is modest, but reforms are in progress, and the new German fiscal stance is a game-changer. The aim is to redirect industrial policy towards energy, infrastructure and defence to foster strategic autonomy. While these measures may not immediately lift growth, they could transform the European macro-financial ecosystem in the medium term, enabling a sustainable economic recovery. That, in turn, could strengthen demand for European assets: small- and mid-caps, and short-dated European bonds look attractive amid monetary easing, while themes related to defence, strategic autonomy, and the AI ecosystem should benefit equity investors.

Europe's trajectory into 2026 will be defined by execution

The policy choices of the past two years on **energy security, critical raw materials, defence-industrial cooperation and digital transformation now need to translate into permitted projects, functioning markets and operational resilience.**

The direction of travel is clearer: a phased decoupling from Russian gas, a sustained effort to reduce single-point dependencies on China in semiconductors and rare earths, a renewed push to make the Single Market work better for scale industries, and a pragmatic recalibration of the EU's regulatory agenda rather than wholesale rollbacks.

Yet the challenges are real: bottlenecks in heavy rare-earth separation and magnet manufacturing, legal and political constraints on joint defence procurement, and the complex task of upgrading power grids for an electrified, AI-enabled economy. The coming years are likely to bring episodic tension over export controls, trade measures, and national politics, but in 2026-27 we should see the first visible signs of delivery where plans become concrete.

Supply chains and industrial resilience: Europe faces a two-speed challenge

Short-term shocks, illustrated by semiconductor disruptions linked to export controls, can reverberate through autos, medical technology, and aerospace within weeks. Long-term constraints are more structural: **heavy rare-earth processing and high-performance magnet production remain concentrated in China. Several member states are now treating these as strategic vulnerabilities** rather than routine procurement issues. In 2026, de-risking policies will likely intensify with more concrete actions, for example, on permitting, offtake frameworks, recycling build-outs and early agreements with third-country partners.

Redrawing Europe's energy grid

The agreed trajectory to phase out Russian gas imports by early 2028 will redraw Europe's energy map. It will improve planning and also **push the grid to the centre of the transition.** Cross-border interconnectors, digital substations and flexibility markets move from technical footnotes to national priorities. 'Grids for 2040' and the revision of TEN-E regulation set out the blueprint; in 2026, the test will be to accelerate permitting and coordinate across borders at speed under a coherent funding framework.

> *"In 2026, we should see the first visible signs of delivery: where Europe's plans become concrete."*

Scaling Europe's defence capacity

Europe's defence rearmament is advancing very unevenly. The target for 40% joint procurement by 2030 signals intent, but legal carve-outs and national industrial considerations still dominate decision-making. High-profile cooperative projects in air, space and unmanned systems must navigate work-share disputes and export licensing realities. **True, the mood is shifting, with readiness and production capacity now becoming central criteria.** However, the challenge for 2026 will be whether member states can translate shared threat assessments into shared orders and predictable timelines.

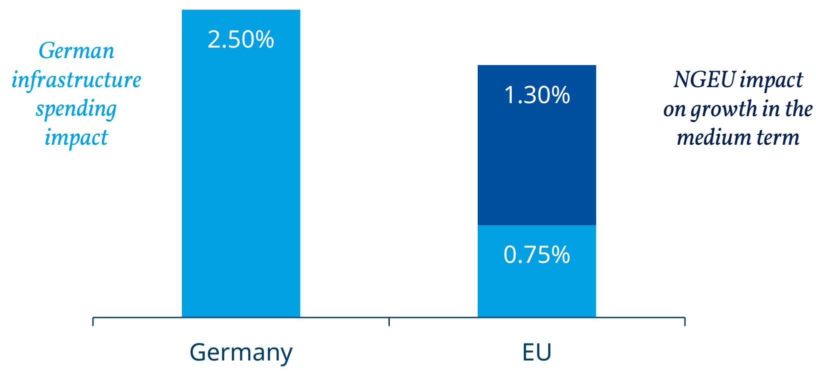
Unclogging the Single Market

The EU's regulatory stance is evolving. Rather than dismantling the green and due diligence framework, policymakers are **adjusting the scope and timing to maintain direction while easing frictions.** In parallel, there is renewed attention to the **Single Market's plumbing** – removing barriers in services, improving cross-border data flows, and standard-setting that supports scale. For many businesses, 2026 will mark the start of a new era, with a greater focus on **consistent enforcement of rules** rather than on new ones, and on shortened administrative pathways. Simplification has become the watchword.

Realising AI's potential

As verticalisation and automation take hold, AI is moving from a general-purpose promise to being embedded in sectors. The challenge for European companies will be to ramp up their use of AI tools. **In manufacturing**, this means predictive maintenance, quality inspection, and digital twins integrated into factory software. **In energy**, it means grid forecasting and the orchestration of distributed resources at the edge. **In healthcare and public services**, it means safer, narrower deployments that reduce bottlenecks and paperwork. The constraint has been less an issue of imagination than of infrastructure, specifically data quality, compute access and skills. Through 2026, incremental progress is likely as sector teams pair domain expertise with AI tools, supported by clearer standards and public-sector pilots.

Impact of German infrastructure spending compounds NGEU impact, EU GDP level gains by 2033



Source: Amundi Investment Institute on European Commission and ECB. 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 November 2025.

Positive progress in Europe

Strategic energy shift:
A defined pathway to end Russian pipeline and LNG imports by early 2028 reduces the risk of a reversion to pre-war energy dependencies and anchors long-term planning.

Critical Raw Materials acceleration:
The CRM Act and the emerging 'ReSourceEU' agenda establish pillars – recycling, European processing capacity, and strategic partnerships – while exploring pooled purchasing and stockpiling for selected materials and magnets.

Crisis response capability:
Coordinated responses to semiconductor shocks, crisis meetings, temporary workarounds, and inventory policies are becoming more routine, shortening reaction times.

Defence industrial targets:
A measurable objective for joint procurement focuses the debate on delivery rather than symbolism.

Grid momentum:
The elevation of grid investment and digitalisation to a competitiveness issue signals a shift from planning to implementation.

Savings and Investment Union:
The comprehensive EU package on pensions* is expected to be presented for adoption in November 2025. These reforms aim to strengthen supplementary pensions via measures like automatic enrolment, clearer communication and smarter investment, with some measures possible from 2027 to help tackle inadequate retirement savings.

* Including Institutions for Occupational Retirement Provision (IORPs) and the Pan-European Personal Pension Product (PEPP)

Investing in Europe's reform momentum

Against this backdrop, investors should consider the **effect that the short-term outlook has on asset prices, as well as the expected medium- to long-term impact of ongoing reforms**. **In fixed income, short-term economic dynamics are likely to predominate**, while the attractiveness of **European equities depends more on the impact of ongoing reforms,** particularly in undervalued segments such as small caps. A structurally weaker USD, our expectation, could encourage investors to reallocate capital to Europe; this trend would accelerate if reforms succeed in lifting long-term productivity.

"A weaker dollar together with the German fiscal push and some expected cyclical recovery may further turn the capital spotlight to Europe."

For 2026, we remain positive on European fixed income. Growth is below potential, inflation is trending down to below the ECB's targets, and valuations relative to the US are appealing. For 2026, we will keep a tactical duration approach, favouring the front end of the German yield curve as these bonds can benefit from further monetary easing.

We continue to expect the **2-10Y curve to steepen further and seek opportunities in euro peripherals.**

Further monetary easing could also support European credit. Here we favour euro investment grade, which we believe will continue to benefit from **controlled supply and solid fundamentals**.

On equities, we favour small- and mid-caps (SMID). With roughly two-thirds of sales generated domestically, these companies are less exposed to US tariffs and other external shocks. They currently trade at multi-year low valuations relative to large caps, and we expect ECB easing to be the catalyst for their outperformance.

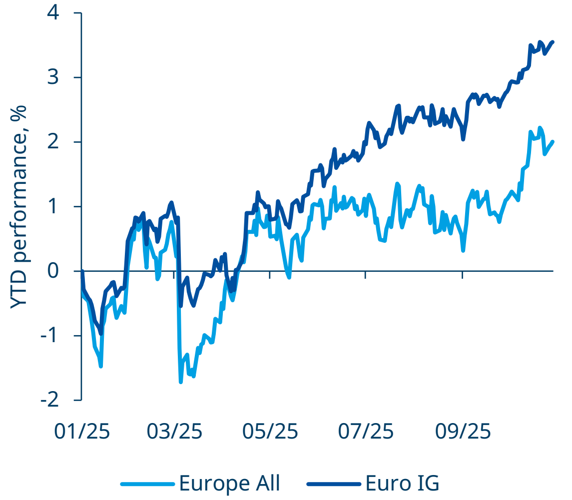
Sector-wise, a steeper yield curve should benefit **financials,** which — despite strong year-to-date outperformance — do not appear overvalued. **Opportunities are also available in the industrial space** in relation to the electrification and AI themes.

KEY INVESTMENT IMPLICATIONS

European bonds (particularly short maturities) will benefit from monetary easing. Expect further steepening of the curve and exploit opportunities in IG credit.

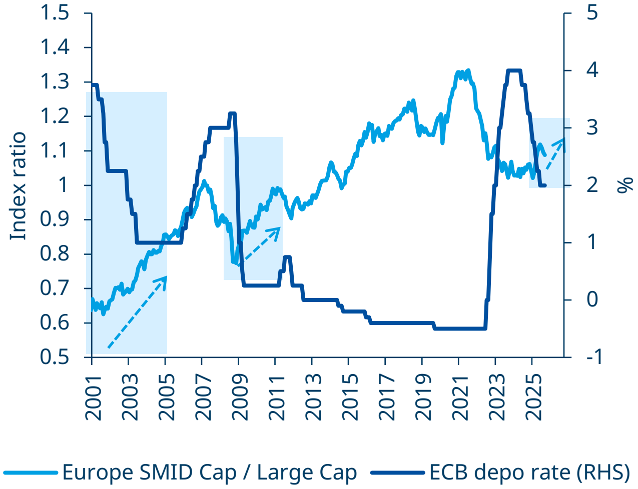
Equities will benefit from the global diversification trend triggered by a structurally weaker USD. Small- and mid- caps are a sweet spot, together with financials, defence and strategic autonomy**.**

Euro IG: outperformance may continue from controlled supply and solid fundamentals



Source: Amundi Investment Institute and Bloomberg, as of 30 October 2025. Europe All= Bloomberg Euro Aggregate Index, Euro IG = Bloomberg Euro Aggregate Credit Index.

Small- and mid-caps to benefit from lower rates



Data: Bloomberg, Amundi Investment Institute calculation. Data as of October 24, 2025

EMERGING MARKETS

Shifting blocs in Emerging Markets

In 2025, Emerging Markets (EMs) have largely muddled through a highly uncertain global environment marked by geopolitical tensions, trade disputes and broad policy uncertainty. Their resilience has benefited from easier financial conditions — weaker dollar and a more accommodative Fed — and from front-loaded export demand. Domestically, strong labour markets as well as monetary policy easing have supported growth. Importantly, we see no signs of fiscal dominance, even in countries with exceptional fiscal stories such as Brazil or Colombia.

The cyclical picture remains broadly unchanged: EM growth will likely trend sideways while still outpacing developed markets. Inflation edging closer to central bank targets should allow cautious easing to continue, particularly if the Fed cuts rates as US growth slows and inflation recedes. Structurally, EMs face three converging forces: geopolitical realignment, supply-chain reconfiguration and an intensifying technological race – each presenting both opportunities and risks.

Asia will remain the primary growth engine, even if its largest economies, China and India, moderate from strong 2026 growth. In China, top-down measures to curb excesses (the “anti-involution” push) will continue to address overcapacity; in India, authorities will seek to balance growth between household demand with capex.

The Monroe Doctrine is making a comeback in the Western Hemisphere under President Trump. Some countries will move closer to the US, while others will prefer to deepen ties with the Global South, while not alienating the US Administration. The BRICS project is expected to deepen further, not really as an alternative and insulated economic block, but as an alternative and overlapping supply chain.

The LatAm region will see a slew of elections over the coming months and quarters. The right swinging political pendulum should usher in more business-friendly administrations promoting more orthodox policies post elections.

Brazil: With elections only toward the end of 2026, the incumbent administration will need to balance electoral considerations with fiscal discipline. Proposed income tax reform and quasi-fiscal measures may improve electoral prospects while helping to keep fiscal targets on track.

Mexico: The priority will be renegotiating aspects of USMCA to attract nearshoring FDI and revive capex, which has weakened recently amid uncertainty. A refreshed USMCA could resemble a customs union arrangement, accompanied by (relatively) low tariff rates.

KEY INVESTMENT IMPLICATIONS

EM assets to remain in demand

Improving sentiment, persistent growth premia vs DMs, attractive valuations and solid macro fundamentals create broad opportunities. Key cross-cutting risks remain a stronger dollar and higher US Treasury yields.

Attractive yields in HC debt, selective in LC debt

The macro backdrop and attractive yields support HC debt. In LC debt, we favour Central and Eastern Europe, selective parts of LatAm and India, Philippines and Korea for carry and valuation.

Value and momentum at play

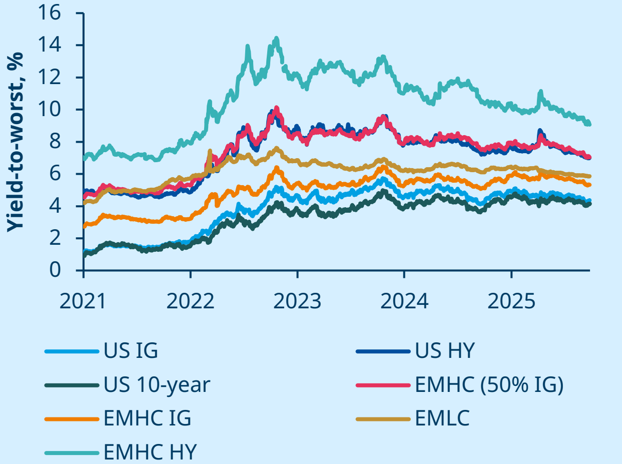
A slight recovery in macro momentum and earnings at single-digit growth favour value and momentum styles, benefiting EMEA and selectively LatAm, while Asia is more sector/earnings driven, linked to digital assets, China tech and areas benefiting from AI.

HC= Hard Currency, LC= Local Currency, FDI = foREIGN Direct Investments, USMCA = United States-Mexico-Canada Agreement

EM bonds: attractive yields and improving fundamentals

Attractive yields in EM bonds...

Liquidity in money market funds exceeds $7 trillion – a record high. With yields falling as the Fed is expected to cut rates, demand for income should rise, and EM bonds stand out with higher, more attractive yields.



Source: Amundi Investment Institute, Bloomberg. EM bond indices are from JPMorgan; US corporate bond indices are from Bloomberg. All indices are in USD. Data as 14 of October 2025.

...to benefit global investors

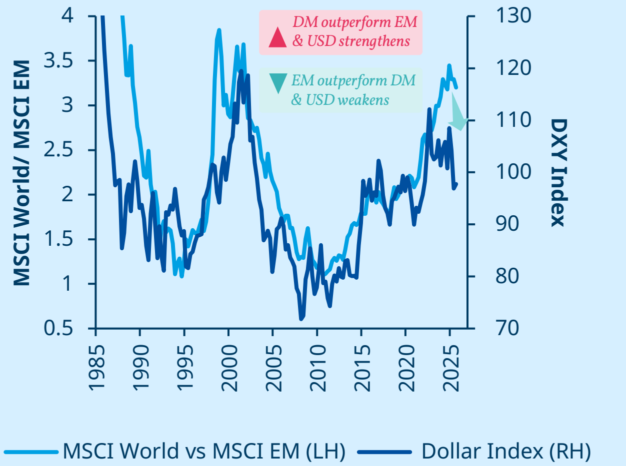
EM debt has matured: stronger fundamentals, tighter spreads and lower volatility. With US bond volatility rising, EM debt offers an attractive allocation option for global investors.

Source: Amundi Investment Institute, Bloomberg, internal elaboration. Data as of 29 September 2025.

EM equities: renewed momentum supported by USD weakness

Dollar weakness is a structural boost...

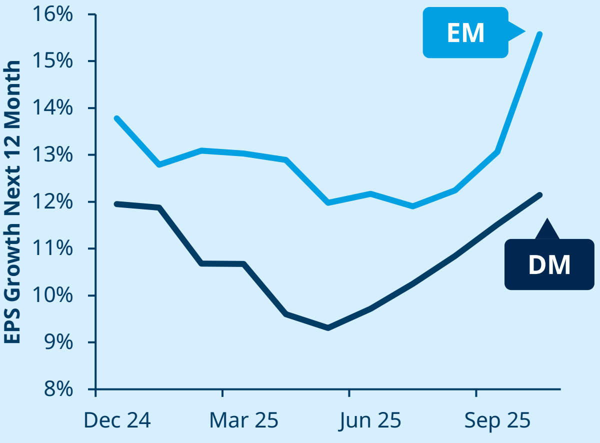
After 15 years of EM equity underperformance versus the World Index, 2025 marked a reversal, supported by the start of a dollar-weakening phase. We believe this trend can continue, and is also supported by the EM growth premium versus DM.



Source: Amundi Investment Institute, Bloomberg. Data as of 6 November 2025.

...backed by supportive EPS growth outlook

EM appeal is gaining traction, supported by improving consensus expectations for 2026 earnings per share growth. While we believe these expectations may be overly optimistic, we also expect EPS growth to remain supportive in 2026, particularly in Brazil, India and Taiwan.



Source: Amundi Investment Institute, IBES consensus forecasts on Next 12 month EPS Growth. Data as of 6 November 2025.

PRIVATE MARKETS

Easier backdrop, sharper selectivity

A revival in corporate activity – supported by lower rates, resilient growth, deregulation, expanding German capex and mid-market consolidation – will lift deal flow and reopen exit channels. After a digestion period of lower deal activity and fundraising, valuations are now more competitive, making private opportunities relatively attractive for investors seeking diversification away from concentrated and rich listed markets. Persistent tail risks – from debt and deficits to geopolitics – reinforce the need for diversification, a dynamic that should continue to favour private assets. **We favour private debt and infrastructure** – for similar reasons outlined previously: inflation protection, compelling themes such as energy security, reshoring and AI, and robust demand for private capital, particularly in Europe. **We also see selective opportunities in private equity and real estate.**

Private debt benefits from a favourable yield advantage and supportive credit conditions. Rising M&A activity should boost direct lending volumes, while benign credit markets sustain origination. Although private debt spreads have compressed, they remain wider than public equivalents, and an easing rate cycle should ease borrower stress and keep defaults muted. Attention on potential linkages between banks and private asset pools is growing, but the risk is not yet systemic. As assets under management expand, greater selectivity is required as returns will be increasingly idiosyncratic and manager-dependent. Disciplined selection, rigorous underwriting, strong covenants, high-quality sponsors and operational expertise will determine outcomes.

"Easing conditions and revived corporate activity make Private Assets more attractive versus crowded public markets, but growing AUM and idiosyncratic risks require discipline, quality underwriting and execution."

Private equity (PE) is gradually reviving. The fundraising and dealmaking slowdown should ease as primary markets reopen. Exit strategies will become more fluid with stabilising rates and secondary market innovations that can increase distributions. Resilient corporate profitability and moderate leverage support external growth, while lower funding costs improve buyout economics. Reshoring and deregulation trends add tailwinds, and investors are likely to use PE to access domestic, high-quality SMEs. Competitive pressure helped reset valuations and create opportunities, but the recovery will be gradual: persistent dry powder and prior exits focused on top-tier assets will cap returns. Expected growth sectors include the mid-market, healthcare, AI and data infrastructure, renewables and cybersecurity.

Secondary markets should become increasingly appealing. Institutional demand for liquidity and portfolio rebalancing, and more sophisticated buyers, will drive volume, with the US likely to remain dominant. Expect more deal variety – stapled transactions, GP-led restructurings, single asset sales – and improving price discovery. With global liquidity benign, core income-producing assets should trade near fair value and command strong bids, while stressed segments such as late-stage venture and lagging real estate will offer valuation entry points. Execution will be decisive: buyers with balance sheets, sector expertise and flexible structuring will capture the best secondary opportunities.

Private markets views for H1 2026

	Infrastructure	Private equity	Private debt	Real estate
2026 outlook	+	+/=	+	+/=
Inflation protection	++	=	++	+
Diversification benefit	+++	+	+	++

Source: Amundi Investment Institute, as of 18 November 2025.

HEDGE FUNDS

Balancing macro and micro alpha generation

Hedge fund returns are up +7.2% year-to-date (HFRI FoHF as of September). CTAs and Fixed Income strategies lagged, while EM-focused, L/S Equity and Global Macro strategies outperformed. **There is a paradox at both macro and market levels**: near term risks appear low – uncertainties have eased, growth and inflation are closer to balance, private sector fundamentals are healthy, and economic volatility is reduced – yet medium-term threats remain significant, including rich valuations, rising debt and deficits, potential dollar debasement, disruptive technology shifts and a more multipolar geopolitical landscape. Until this split is resolved, investors are driven toward micro-level analysis and away from large directional bets.

Temporary constraints but medium-term upside for Macro styles. Macro managers captured concentrated moves in gold, the dollar and rate curves in Q1 and Q3, but subdued economic volatility has narrowed the exploitation of regional and relative dispersion. Many macro themes have matured, and clear valuation dislocations are scarcer. Nevertheless, fundamental pricing remains robust – a key support for managers – and we expect new opportunities to arise as the above paradox resolves, and as central banks increasingly debate equilibrium rates. We continue to favour EM managers and remain positive on Global Macro, which should find fresh opportunities next year. We keep CTAs neutral as a core allocation; the recent absence of trends across equities, bonds and FX was unusual and appears to be normalising.

Security selectors enjoying a favourable environment. The focus on micro drivers, amid weaker cross-asset differentiation, increases selection opportunities. A broader menu of themes enables better portfolio diversification. Strong fundamental pricing is an obvious benefit for fundamental strategies. Opportunities are more balanced between longs and shorts, and are supported by specific catalysts – AI and tech advances, reshoring, and elevated EU defence and capex spending. After the strong rally in stocks, we favour L/S Equity neutral strategies, though we expect greater volatility going forward. Alpha potential in L/S Credit appears limited today – although absolute strategies still offer appealing access to HY carry at an affordable risk. Greater sensitivity to credit conditions after recent defaults should enhance alpha prospects over time.

Event-driven strategies are experiencing a revival, notably merger arbitrage and special situations, and to a lesser extent, distressed and restructuring. The M&A uptick is supported by the cycle, ample liquidity, softer rates, deregulation and moderate corporate leverage, while deal breakups remain scarce. The variety of deal maturities offers complementary risks and rewards. US acquisitions tend to be more vanilla with tighter merger spreads. In contrast, Europe offers appealing mid-market opportunities, with cheaper stock valuations, resulting in higher merger spreads. Thus, regionally, we favour European merger arbitrage.

Hedge fund views for 2026

Scale: - - | - | = | + | + +

		Stance at Nov 2025	Stance for H1 2026
L/S Equity	Directional	+	=
	Market neutral	+	+
Event-Driven	Merger arbitrage	+	+
	Special situations	=	=
FI Arbitrage	L/S credit	+	=
	FI EM arbitrage	+	+
	FI macro arbitrage	+	+
Global Macro	Global macro	+	+
CTAs	CTAs	=	=

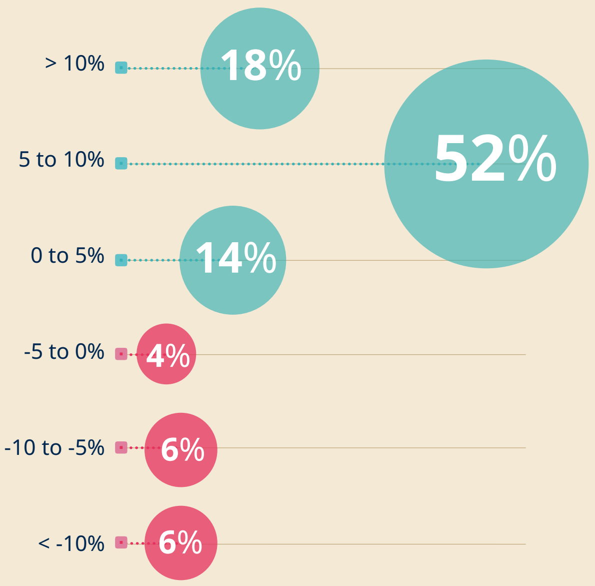
Source: Amundi Investment Institute, 18 November 2025.

Stance at Nov 2025 | Direction of change | Stance for H1 2026.

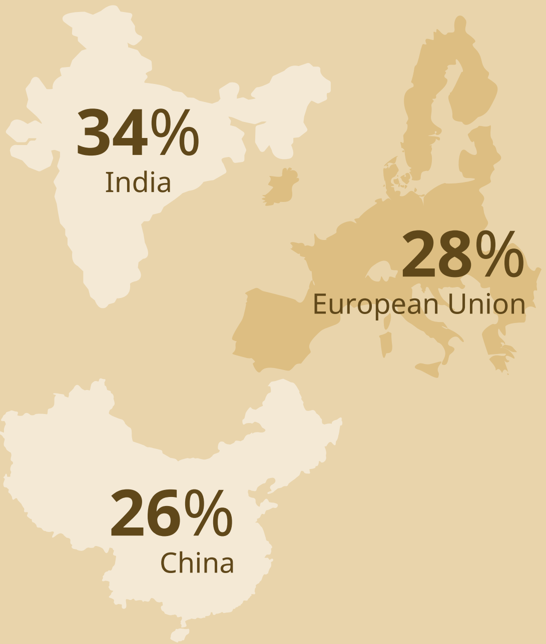
Investment Convictions

During the **Amundi Investment Seminar** that took place in September 2025, we asked our investment professionals questions to help us define **what 2026 will be like for investments.**

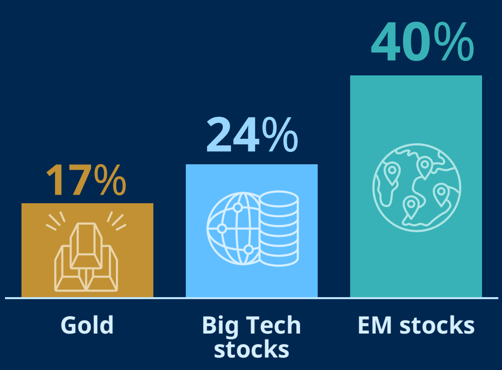
What total returns do you expect the S&P500 to deliver in 2026?



Which country/region will benefit the most from the "Great Diversification"?



What will be the key driver of positive returns in 2026 in a global balanced portfolio?



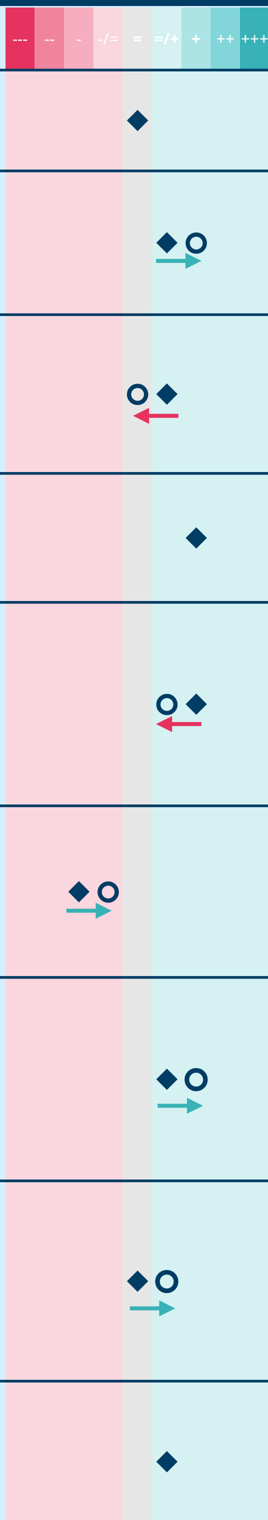
What is the main challenge facing Big Tech Sector in 2026?

ASSET CLASS VIEWS

Equity views for H1 2026

Stance at 17 November 2025
Expected direction of move in H1 2026
Direction of change for H1 2026

Equity Views



US

US equal weighted

Overall neutral, adding to equal weight to go beyond concentration risk
The Fed is cutting rates while no recession is expected. This pro-cyclical stance is favourable for the US and Big Tech is now the high-beta segment of the MSCI World. Historically, a burst has never happened when the Fed is cutting rates; however, beyond the high valuation of the S&P 500, concentration is a clear risk. We favour an equal-weighted approach.

Europe

Europe Small and Mid Caps

Moving to neutral in H1, before adding in H2; focusing on opportunities in SMID amid Germany's fiscal plan and ECB rate cuts
Europe's earnings lag, and a stronger euro hasn't helped. We move towards neutral in H1 and await new entry points in H2 to benefit from longer-term themes.
Being more domestically driven, SMIDs are less affected by US tariffs, while more exposed to Germany's plan and Ukraine's reconstruction. Cheap, with supportive earnings, and set to benefit from ECB cuts, we favour European small and mid caps.

Japan

Moving to neutral in H1, before adding in H2 during pro-growth policies
The election of the new pro-nominal-growth Prime Minister supports Japanese equities. Determination to secure its way out of deflation and the persistence of corporate reforms remain medium-term arguments, but we will reduce this positive view in H1 in favour of emerging markets and the US.

Pacific ex Japan

Cautious, but profitability will improve the outlook
With lagging earnings growth and P/E well above its historical average in absolute and relative terms, the region (especially Australia which represents 63% of the MSCI Pacific ex Japan Index) is not currently attractive, but profitability should improve.

EM

Slightly positive, with selectivity
EM equities benefit from the growth premium towards EM and Fed rate cuts. However, selectivity is key: geopolitical re-equilibration, US tariffs, and divergences between domestic and external dynamics mean outcomes will vary; notable pockets of opportunity in LatAm, Eastern Europe, and select Asian countries.

China

Neutral for now, but with room for improvement
Broad Chinese equities may benefit from rising domestic demand amid low yields in bonds, while foreign investor flows could remain sluggish due to global uncertainty. Capital is likely to flow selectively into areas of clear comparative advantage, particularly the EV supply chain, renewable energy and the tech sector.

India

Slightly positive, to benefit from long-term growth
Indian equities offer long-term growth potential. The most compelling opportunities are in infrastructure projects that address real bottlenecks, manufacturing plays linked to global supply-chain shifts, and financial-inclusion technologies.

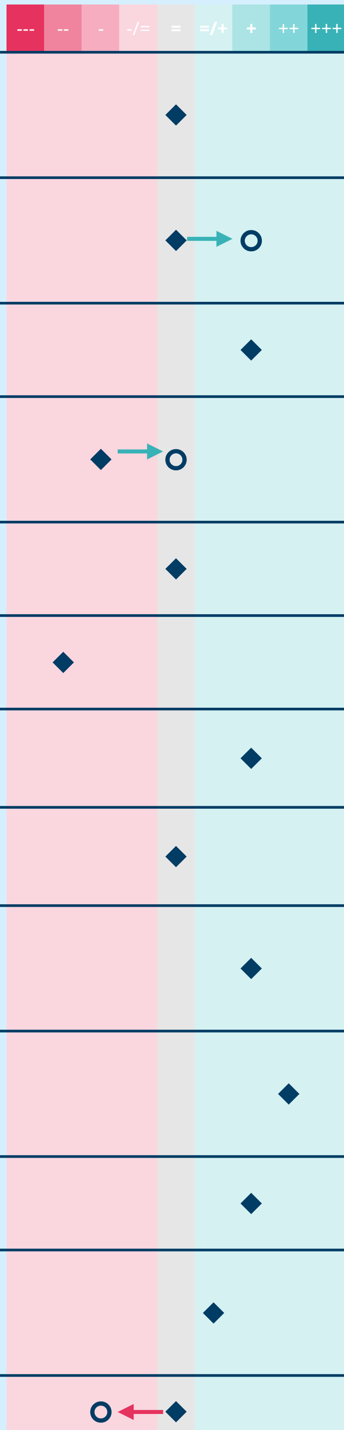
Source: Amundi Investment Institute, as of 17 November 2025. DM: developed markets. EM: emerging markets.

ASSET CLASS VIEWS

Fixed income views for H1 2026

◆ Stance at 17 November 2025
○ Expected direction of move in H1 2026
→ Direction of change for H1 2026

Fixed Income & FX Views



US Duration	**Neutral, wait for higher entry** 2Y yields factor in overly aggressive rate cuts, and break-evens look too low. We look for higher yields as an entry point; however, weaker consumer demand could eventually justify lower yields.
EU Duration	**Front-end will benefit from ECB rate cuts** Weak growth could lead the ECB to cut rates twice more by mid-2026, and markets are not yet discounting this. However, only the front end of the curve will benefit.
UK Duration	**Positive duration amid continued rate cuts** Weak growth and continued interest rate cuts should lead UK spreads to tighten relative to the rest of the G7.
Japan Duration	**Short duration bias** Expansionary fiscal policy and further rate hikes from the Bank of Japan justify continued short positions for now and a move toward neutrality after yields have repriced.
US IG Credit	**Neutral while spreads are near-historic tights** Spreads are near-historic tights and higher capex could boost supply, but credit fundamentals are strong.
US HY Credit	**Overall, expensive and vulnerable** Expensive pricing makes the market vulnerable to bad news for regional banks and consumer-dependent businesses.
EU IG Credit	**Favour investment grade with strong balance sheet management** Balance-sheet management remains defensive, while supply is moderate. Flows into the asset class should continue to narrow spreads.
EU HY Credit	**Cautious of vulnerable corporate weakness** More vulnerable to signs of corporate weakness than European investment grade bonds, and supply remains high.
EM bonds HC	**EM HC remains attractive** We remain constructive on EM HC bonds, which offer attractive yields. Technicals remain supportive. With tight spreads, we are selective with a preference for high yield.
EM bonds LC	**Positive, with selectivity** Local-currency EM yields are expected to move down further in a scenario of under control inflation and easing monetary policy. Prefer CEEMEA, marginally LatAm, and selective on Asian markets.
EM Corp.	**Positive with quality bias** In emerging market corporate credit, we continue to explore high carry and balance that with quality.
EM FX vs USD	**Long EM FX while the USD weakens** Emerging FX may gain in a weaker USD environment. We favour high-carry currencies in LatAm, CEEMEA and Asia and are cautious in low-yielding currencies in Asia.
USD vs G10	**Continued USD weakness in sight** We continue to position for a weak, although non-linear, USD in 2026.

Source: Amundi Investment Institute, as of 17 November 2025. DM: developed markets. EM: emerging markets. 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. * Represents a consolidated view of multiple EM currencies.

FORECASTS

Macroeconomic forecasts

Macroeconomic forecasts						
Annual averages, %	**Real GDP growth, YoY, %**			**Inflation (CPI), YoY, %**		
	2025	**2026**	**2027**	**2025**	**2026**	**2027**
Developed countries	**1.6**	**1.4**	**1.6**	**2.6**	**2.4**	**2.1**
United States	1.9	1.9	2.0	2.9	3.0	2.2
Eurozone	1.3	0.9	1.3	2.1	1.7	1.8
Germany	*0.3*	*0.8*	*1.1*	*2.1*	*1.9*	*1.9*
France	*0.6*	*0.6*	*1.1*	*1.1*	*1.8*	*1.9*
Italy	*0.5*	*0.6*	*0.6*	*1.9*	*1.7*	*1.8*
Spain	*2.8*	*1.9*	*1.8*	*2.4*	*2.0*	*2.2*
United Kingdom	1.2	0.9	1.3	3.3	2.7	2.2
Japan	1.3	0.8	0.7	3.1	2.1	2.0
Emerging countries	**4.3**	**4.0**	**4.1**	**3.6**	**3.2**	**2.8**
China	4.9	4.4	4.2	0.0	-0.2	-0.2
India	7.0	6.3	6.5	2.2	4.3	4.5
Indonesia	4.9	4.9	5.1	1.9	3.2	2.8
Brazil	2.2	1.7	2.1	5.0	3.9	3.6
Mexico	0.7	1.3	1.9	3.8	3.5	3.8
Russia	1.0	1.1	1.6	8.8	5.9	5.0
South Africa	1.2	1.4	1.8	3.3	3.3	3.0
Turkey	3.5	3.0	3.7	35.4	26.1	19.3
World	**3.3**	**3.0**	**3.1**	**3.2**	**2.9**	**2.5**

Source: Amundi Investment Institute, IMF, Bloomberg. The table shows reference projections based on information available as of 12 November 2025, and incorporates tariffs implemented up to that date.

Central banks' official rates forecasts, %					
	11 November 2025	**Amundi Q2 2026**	**Consensus Q2 2026**	**Amundi Q4 2026**	**Consensus Q4 2026**
United States*	4.00	3.25	3.50	3.25	3.10
Eurozone**	2.00	1.50	1.95	1.50	2.00
United Kingdom	4.00	3.50	3.60	3.25	3.40
Japan	0.50	0.75	0.78	1.00	0.95
China***	1.40	1.30	1.25	1.20	1.20
India***	5.50	5.00	5.24	5.00	5.23
Brazil	15.00	13.25	13.38	11.25	12.11
Russia	16.50	13.00	13.14	11.00	10.70

Source: Amundi Investment Institute. Forecasts are as of 12 November 2025. CPI: consumer price index. * Upper Fed Funds target range. ** Deposit rate. ***People's Bank of China Reverse Repurchase Notes 7 Day Rate. Q2 2026 indicates end of June 2026; Q4 2026 indicates end of December 2026. Current rates and Consensus are from Bloomberg.

FORECASTS

Financial markets forecasts

Bond yields

Two-year bond yield forecasts, %

	17 November 2025	Amundi Q2 26	Forward +6m	Amundi Q4 26	Forward +12m
United States	3.6	3.5	3.6	3.5	3.6
Germany	2.0	1.6	2.1	1.6	2.2
United Kingdom	3.8	3.7	3.8	3.6	3.9
Japan	0.9	1.1	1.1	1.1	1.2

Ten-year bond yield forecasts, %

	17 November 2025	Amundi Q2 26	Forward +6m	Amundi Q4 26	Forward +12m
United States	4.1	4.4	4.2	4.5	4.3
Germany	2.7	2.7	2.8	2.8	2.9
United Kingdom	4.5	4.4	4.7	4.4	4.8
Japan	1.7	1.9	1.9	1.8	2.0

Equities forecast at Q4 2026

MSCI Index levels at	US	Europe	EMU	UK	Japan	Pacific ex-Japan	World	World AC
11/11/2025	6,432	2,265	338	2,764	2,030	1,552	4,325	991
Low bound	5,809	2,066	310	2,480	1,870	1,396	3,933	901
High bound	7,340	2,570	390	2,990	2,260	1,760	4,890	1,130

Exchange rates

	14 November 2025	Amundi Q2 26	Consensus Q2 26	Amundi Q4 26	Consensus Q4 26
EUR/USD	1.16	1.22	1.20	1.19	1.21
EUR/JPY	179	176	173	165	171
EUR/GBP	0.88	0.90	0.88	0.88	0.87
EUR/CHF	0.93	0.98	0.95	0.99	0.95
EUR/NOK	11.65	11.30	11.40	10.99	11.25
EUR/SEK	10.96	10.88	10.80	10.45	10.70
USD/JPY	154	144	145	138	142
AUD/USD	0.65	0.69	0.68	0.70	0.68
NZD/USD	0.57	0.59	0.61	0.60	0.61
USD/CNY	7.10	7.0	7.0	6.8	6.95

Source: Amundi Investment Institute. Forecasts are as of 11 November 2025. Q2 2026 indicates end of June 2026; Q4 2026 indicates end of December 2026.

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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.

IMPORTANT INFORMATION

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