Amundi Investment Institute

Weekly Market Directions

5 April 2024

Trust must be earned

"We expect rotations within equity markets to benefit Europe and we continue to stay positive on Japan."

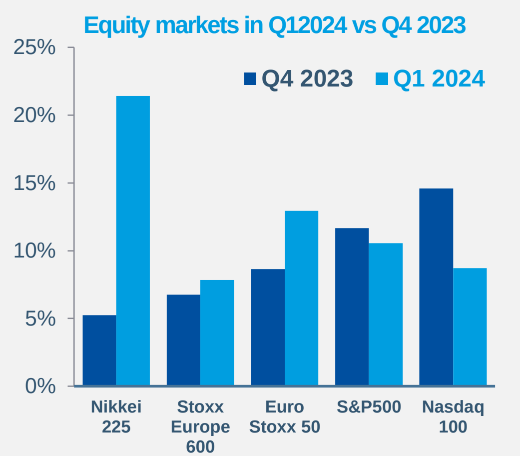
Monica Defend
Head of Amundi Investment Institute

Rotations at play in equity markets

In a strong start to the year, equity markets showed signs of rotation in favour of Europe and Japan.

European equities may benefit from appealing valuations, while Japan from the domestic investor demand.

During the week, tensions in the Middle East pushed oil to the highest level since October.



Source: Amundi Investment Institute, Bloomberg, as at 5 April 2024. Total return in local currency.

In 2024, the equity rally has weakened in the tech heavy Nasdaq Index which was the leader last year, now in favour of other regions. Large cap companies in the Eurozone and Japan posted double digit returns in Q1.

Moving forward, we think there could be a continuation of the broadening of the participants in the rally, which so far has been concentrated around few names. In particular, the fact that the expected slowdown will not end up in a recession could benefit some European cyclical and value stocks. We also continue to be positive on Japan amid resilient earnings and the revamp of the NISA* program that should support domestic demand.

*NISA is the Nippon Individual Savings Accoung tax-free stock investment program.

Actionable ideas

Go global in the search for potential equity opportunities
After the strong US dominance in 2023, the equity rally is moving global, with countries like Japan expected to continue to perform.

Look at European equity in the search for value
European equities could see a broadening of the rally. In particular value cyclical stocks could benefit from a stabilising economic outlook.

This week at a glance

During the week, US bond yields touched their highest levels since the start of the year after better than expected economic data in the US. Equities were negative amid increasing geopolitical tensions in the Middle East, which also pushed oil prices to the highest since October.

Equity and bond markets

Asset class performance year to date and week to date

		YTD	WTD
EQUITIES	World	6.8%	-0.90%
	United States	9.1%	-0.95%
	Europe	5.8%	-1.19%
	Japan	14.2%	-2.38%
	Emerging markets	2.1%	0.24%
BONDS	Global aggregate	-2.8%	-0.69%
	Euro aggregate	-0.9%	-0.53%
	Emerging markets	1.7%	-0.34%

Source: Bloomberg , data as at 05 Apr 2024
Please refer to the last page for additional information on the indices.

Government bond yields

2 and 10 years government bond yields and 1 week change

	2YR		10YR	
US	4.75	▲	4.40	▲
Germany	2.87	▲	2.40	▲
France	2.86	▲	2.91	▲
Italy	3.43	▲	3.81	▲
UK	4.22	▲	4.07	▲
Japan	0.20	▲	0.77	▲

Source: Bloomberg , data as at 05 Apr 2024
Trend represented refer to 1week changes. Please refer to the last page for additional information.

Commodities, FX and short term rates

Gold USD/oz	Crude Oil USD/barrel	EUR/USD	USD/JPY	GBP/USD	USD/RMB	Euribor 3M	T-Bill 3M
2329.75	86.91	1.08	151.62	1.26	7.23	3.89	5.21
+4.5%	+4.5%	+0.4%	+0.2%	+0.1%	+0.1%		

Source: Bloomberg , data as at 05 Apr 2024
Trend represented refer to 1week changes. Please refer to the last page for additional information.

Amundi Investment Institute Macro Focus

Americas

March US ISM manufacturing surprises on the upside, printing the highest level since September 2022.

The upside move in the US manufacturing index was helped by gains in particular in production, new orders and inventories. Despite some improvements, the employment sub-index continues to signal declining demand for workers. The price component rose to 55.8 from 52.5, firmly on increasing territory after remaining below 50 (expansion threshold) for the majority of 2023.

Europe

Eurozone inflation remains moderate but services inflation continues to be sticky.

Eurozone inflation eased more than expected by consensus in March, mainly due to the slowdown in food and energy prices, but also from moderation in core inflation. However, services inflation print remained unchanged for the fifth consecutive month at 4% YoY. France posted the biggest downward surprise in inflation (2.4% YoY from 3.2% in February).

Asia

Tokyo inflation slows.

Tokyo new core CPI (ex. fresh food and energy) came in at 2.9% YoY in March, the first below 3% reading since 2023. The March Tokyo print confirms the dis-inflationary direction of our forecasts. We expect national new core CPI to break below critical thresholds of 3% and 2%, in Q2 and Q3 respectively. These levels are not high enough to propel more hikes from the Bank of Japan.

Key Dates

9 Apr	Japan Consumer Confidence, US Small Business Optimism
10 Apr	US CPI Inflation, Minutes of Fed's March FOMC meeting
11 Apr	ECB Monetary Policy Committee, China CPI Inflation, US PPI

NOTES

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Equity and bond markets (chart)

Source: Bloomberg. Markets are represented by the following indices: World Equities = MSCI AC World Index (USD) United States = S&P 500 (USD), Europe = Europe Stoxx 600 (EUR), Japan = TOPIX (YEN), Emerging Markets = MSCI Emerging (USD), Global Aggregate = Bloomberg Global Aggregate USD Euro Aggregate = Bloomberg Euro Aggregate (EUR), Emerging = JPM EMBI Global Diversified (USD)

All indices are calculated on spot prices and are gross of fees and taxation.

Government bond yields (table), Commodities, FX and short term rates.

Source: Bloomberg, data as at 5 April 2024. The chart shows Global Bonds= Bloomberg Global Aggregate Bond Index, Global Equity = MSCI World. Both indexes are in local currency.

*Diversification does not guarantee a profit or protect against a loss.

GLOSSARY

CPI: Consumer price index

Dis-inflationary: Temporary slowing of the pace of price inflation

ISM: Institute for Supply Management surveys.

FOMC: Federal Open Market Committee

PPI: The Producer Price Index

MoM: Month over month growth.

Sector rotation: Shifting investments to certain industries in anticipation of the next stage of the economic cycle

Sticky inflation: Prices do not adjust as quickly to supply and demand changes.

YoY: Year over year growth. **YTD**: Year to date.

Discover more insights from the Amundi Investment Institute.

IMPORTANT INFORMATION

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