



Press Release

2023 Global Investment Outlook

A glimmer of light after the storm

- **Risks will continue to abound, ranging from geopolitical tensions to high inflation**
- **Regional divergences intensify amid tug-of-war between monetary and fiscal policies**
- **Global growth to slow to 2.2%, stagflation the dominant theme**
- **But valuations are becoming appealing: entry points for bonds, followed by equities in 2023 H2**
- **Seek out long-term ESG themes, such as energy transition, net zero, and food security**

London, 24th November 2022 – Amundi publishes its Global Investment Outlook for 2023.

After a rocky 2022, investors are nervously watching geopolitical tensions, the European energy crisis and sticky inflation. But the outlook may clear as the Fed pivot nears and as valuations become attractive.

Amundi expects global growth to slow next year to 2.2%, down from 3.4% in 2022, with several developed and emerging countries suffering stagnation.

In Europe, the energy shock, compounded by inflationary pressures related to the aftermath of the Covid crisis, remains the main dampener on growth. The ensuing cost-of-living crisis will drag Europe into recession this winter before a slow recovery. But that doesn't mean inflation will abate.

In the US, the Fed's aggressive tightening has increased the risk of recession in H2, while again failing to dent inflation.

This *low growth-high inflation* environment will spread to emerging markets, with China the exception. We've cut China's GDP forecast to 4.5% from 5.2%. That's a lot better than China's anaemic growth levels of 2022 (3.2%) and is based on hopes of a stabilisation in the housing market and a gradual re-opening of the economy.

Inflation will stay stubbornly high through most of 2023. Central banks will continue their 'whatever it takes' policy to avoid a 1970-style crisis. Tightening has further to go, but at a slower pace than in 2022. The European Central Bank and the Bank of England sounded a dovish note in their latest communications, suggesting less aggressive tightening ahead. In Japan, we see the rise of

the dollar eventually forcing the central bank to start tightening. The level of the Fed terminal rate will be critical, raising the odds of a US recession if it ends up close to 6%.

Investment implications

Given decelerating global growth and a profit recession in the first half of 2023, investors should remain defensive for now with gold and Investment Grade credit the favoured asset classes. However, they should be ready to adjust through the year to exploit market opportunities that will emerge, as valuations get more attractive. Headwinds should subside in the second half of 2023, favouring an improvement in the business cycle and a gradual addition of more risk assets in portfolios.

- “Bonds are back” with a focus on high-quality credit, while paying attention to forex in a world of diverging policies, as well as to liquidity risks and corporate leverage.
- As bonds regain diversification qualities after the surge in yields in 2022 and looming recession risks next year, a revival of the 60-40 portfolio allocation is in sight.
- Equities should offer entry points when they have repriced in the coming months, with a preference for US and a quality/value/high dividend tilt. Investors should gradually increase exposure to European and Chinese, cyclical and deep value stocks.
- Persistent inflation means higher allocation to real assets that are resilient to inflation, such as infrastructure. While private debt has started to reprice, it enjoys strong fundamentals for most parts, and real estate can be a good diversifier.
- Differences between emerging markets will intensify in 2023. Countries with a more benign inflation and monetary outlook such as in Latin America and EMEA are attractive. A Fed pivot should boost the appeal of EM equities generally later in the year.
- Long-term ESG themes will continue to benefit from the aftermath of the Covid-19 crisis and the Ukraine war. Investors should get exposure to energy transition and food security, as well as re-shoring trends provoked by geopolitics. Social themes will be back in focus, as the deteriorating labour market and inflation demand more attention to social factors.

Vincent Mortier, Group CIO of Amundi, said: *“2023 will be a two-speed year, with plenty of risks to watch out for. Bonds are back, market valuations are more attractive, and a Fed pivot in the first part of the year should trigger interesting entry points.”*

Monica Defend, Head of the Amundi Institute added: *“Investors face steep challenges next year, a slowdown in global growth, the energy shock in Europe, persistent inflation, and recession risks in the US and Europe. Investors should be defensive going into 2023 but be ready to take advantage of opportunities in bonds and equities as headwinds subside in the second half of the year. Alongside inflation, geopolitics remains pivotal in shaping macroeconomic trends over the next quarters.”*

About Amundi

Amundi, the leading European asset manager, ranking among the top 10 global players¹, offers its 100 million clients - retail, institutional and corporate - a complete range of savings and investment solutions in active and passive management, in traditional or real assets.

With its six international investment hubs², financial and extra-financial research capabilities and long-standing commitment to responsible investment, Amundi is a key player in the asset management landscape.

Amundi clients benefit from the expertise and advice of 5,400 employees in 35 countries. A subsidiary of the Crédit Agricole group and listed on the stock exchange, Amundi currently manages nearly €1.9 trillion of assets³.

Amundi, a trusted partner, working every day in the interest of its clients and society

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¹ Source: IPE "Top 500 Asset Managers" published in June 2022, based on assets under management as at 31/12/2021

² Boston, Dublin, London, Milan, Paris and Tokyo

³ Amundi data as at 30/09/2022