Confidence must be earned
Amundi
ASSET MANAGEMENT

OCTOBER 2019

Global Investment Views

Pascal BLANQUÉ
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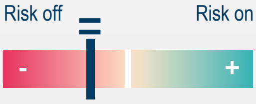
Overall risk sentiment

Risk off   Risk on



Defensive risk allocation. Markets are expecting very supportive central bank policy. In case of disappointment volatility will rise.

Changes vs. previous month

- Tactically reduced the short stance on equity, focus on quality and valuations
- In US bonds more positive on Credit IG
- In Euro credit more positive in financial

Overall risk sentiment is a qualitative view of the overall risk assessment of the most recent global investment committee.

Stay agile amid high uncertainty

Over the past few weeks markets have fluctuated between positive news around geopolitics (US-China trade talks, Italy and receding risks of no-deal Brexit) and not so good news around economic data (German recession, US manufacturing and Chinese slowdown). This led to a rebound in equities and a rise in core bond yields. A new wait and see phase has likely started during which markets will reassess recession fears and the pressures of trade dynamics on corporate balance sheets. Last year the key drivers of markets were inflation expectations and interest rates. Now, **the main factors causing market movements are expectations of recession and policy actions (monetary and fiscal)**. **On both, we believe the markets expect too much.** In our central scenario we do not think an economic recession will occur in next 12 months as domestic consumption remains strong (although manufacturing is weak). However, **corporate earnings may still be impacted,** which is a fragile environment for equities.

In addition, in our view, **markets are too optimistic with regards to their expectations of policy measures.** The ECB seems to have exceeded investor expectations by implementing easing measures. However, it is clear, that monetary policy has to go along with fiscal measures (the former alone is not sufficient to counteract low growth and low inflation). Regarding fiscal boost, we expect some fine tuning but not a substantial change in EU fiscal rules. **When expectations on policy actions are high, the risk for investors to be disappointed is also high,** causing volatility in most markets. Having said that, there are other **two alternative scenarios** that could play out in the future. The more negative one is that the **slowdown is more pronounced than expected** due to the ongoing trade war. This could affect capital expenditures or may even cause employee dismissals, particularly in the US where labour laws are flexible (however, in the short-term, businesses are reluctant to reduce staff as its expensive to replace workers), thereby affecting 'robust' consumption. Fear of recessionary risks could also lead to a recession, which could be directly negative for risk assets. There is also a third possibility – **central banks implement aggressive policies and fiscal measures are used as well**. This would further support risky assets. On the basis of these scenarios and the fact that we consider the first and the second the most likely ones at the moment (fragilities, with high valuations in many areas of the market and risks of disappointment), we believe that investors should **remain cautious and agile**.

We outline our four convictions – (1) **Interest rates will stay low leading to a continued hunt for yield** among investors, given that economic growth is likely to remain subdued. (2) **Trade and politics will remain in focus** with less globalisation ahead. Therefore, **the importance of domestic consumption** and related services in individual countries across the emerging and the developed world would increase. (3) **In equities, focus on fundamentals** and earnings will be back. (4) **Liquidity remains crucial** for investors as they should be aware of the trade-off between risk, return and liquidity that must be taken into account. **In conclusion**, our main message for investors is to try to preserve capital in this highly uncertain scenario and be agile in looking for opportunities amid volatility. Going forward, investors will have to assess the evolving probabilities of the different scenarios. Today, our base case of the markets expecting too much on the policy mix is the most likely. There are excessive fears of a recession and also the marginal effectiveness of monetary measures is diminishing. In addition, we believe there are political and economic limitations which would prevent a fiscal U-turn in Europe/Germany.

Beyond the short term, the current debate will lead to pro-growth policy combination with a "whatever it takes" approach. This means that ***we will see more efforts to bridge the gap between the fiscal and the monetary space****. Some sort of 'politicisation' of monetary policies and 'monetization' of the budgetary approach may emerge with different frameworks depending on countries and institutions. This could shape the market environment in light of a recession or in light of pre-emptive moves to avoid a recession. Investors will have to assess the short-term impact (yields declining even lower across asset classes) from the shift in expectations that may ultimately follow (including inflation).*

MACRO & STATEGY

Philippe ITHURBIDE
Global Head of Research

Monica DEFEND
Head of Strategy, Deputy Head of Research

Didier BOROWSKI
Head of Macroeconomic Research

Focus on corporate fundamentals, more than GDP

Growth looks likely to remain weak near term amid softer global manufacturing activity and this has been reflected in downward revisions to corporate activity as the reporting season recently highlighted. On a positive note the consumer side remains resilient.

Against this backdrop the **four most debated topics** within our Research team in order to assess future economic and market directions have been:

Trade war: Notwithstanding some steps forward on trade agreements between US and China, ahead of their September talks, the trade outlook remains challenging and represents the key risk factor.

Central banks: Markets continue to pressure Central Banks to deliver more and more liquidity to suppress financial volatility and set very high expectations on the fiscal side to structurally support the economic cycle. The ECB delivered a meaningful package of aggressive easing measures to support the inflation outlook, while the Fed will pencil its rate strategy on a meeting-by-meeting basis. As (geo) politics, not economic prints, dominates markets movement, this seems to us a reasonable approach.

Financial conditions: Central banks activity will ultimately affect FX, shaping financial conditions. This is a key factor to monitor as it drives corporate earnings cycles. Interest rates and currencies (so called "translation effect" for international sales) impact corporate profits. Currently, financial conditions are a primary source of risk for a profit recession (according to our analysis we attach a 30% probability to this risk event). The deterioration of global trade (due to tariff war) is reflected in the manufacturing and in wholesale sectors.

Given that wholesale and manufacturing sectors account for 2/3 of total sales, we might be approaching a turning point. If uncertainty persists it will further chill business investment (the global capex cycle has already halted) eventually hampering job creation and/or preservation. At that stage, the spill over to consumers would be fast. On a positive note, domestic retail sales bode well because they are primarily driven by domestic consumers and are resilient to external shocks.

Chinese growth: The Chinese data just released confirm our views of a decelerating GDP growth on the range floor at 6% YOY in H2 2019 and below 6% YoY in 2020 (at 5.8% YoY). The picture is not as dark as it might appear at a first glance: housing sector, retail sales ex-auto, infrastructure investments have been resilient in their weakness, if not moderately growing (supported by the special bonds issuances). We do expect the authorities will ramp up in their stimulus to accommodate the deceleration mentioned above. More stimulus has to come in the form of monetary policy easing, front-loading of local government special bonds, support for the auto sector (relaxing or removing purchase restrictions) and budget fund. More concessions to the US, on the trade front, should help to alleviate the short term pain coming from the external side, trying to avoid, for example, the introduction of the new tariffs or the increase of the existing tariffs rate (set to take effect on 15 October and December respectively). This latest objective is challenging; however, next trade talks could bring some temporary relief.

"At a time of scarce visibility on growth quality, focusing on GDP data might be misleading. Weak GDP numbers do not exclude profit recessions."

The strategist's view – Politics and Currencies in the spotlight

1) **Politics dominates investment backdrop in the UK and Italy**: GBPUSD broke the post-Brexit referendum level after UK Parliament prorogation news, reaching 1.2033, but was supported by the MPs move to pass a bill that would force Johnson to ask the EU to delay Brexit, in case of a no-deal. UK 10Y yield also touched all-time lows of 0.40%. However, there is still high uncertainty surrounding the outcome of Brexit (even after the extension). Therefore, yields and the GBP will remain under pressure. Elsewhere, BTP-Bund spread fell sharply below 150bps as the Italian government found a new majority in which Eurosceptic forces have been sidelined. This political development, the 'state contingent' forward guidance by the ECB on the duration of the QE, along with the ongoing search for yield support our positive view on the Italian debt.
2) **Volatile forex markets:** Although the USTW$ retraced in September so far, progress on trade talks and China's fiscal spending and reserve requirement ratio cut should prevent further deterioration of risk sentiment. The EURUSD broke the 1.10 level in August as global growth struggled to rebound. So far, lower rates differential with the US in the past months, cheap valuation and low positioning have struggled to push the currency higher. Without a stabilization on trade and global economic indicators, optimism towards the currency should remain muted.

MPs= Members of Parliament. USTW= Trade-weighted US dollar, a measure of the value of the US dollar relative to other world currencies.

MULTI-ASSET

Still cautious, but with some tactical equity upgrade

Given our scenario of a late cycle environment with extra-dovish central banks and trade risks, we adopt **a defensive and agile stance** in terms of risk allocation. Our pre-summer view of favouring US duration to **de-risk the portfolio** has been nicely rewarded by the markets. We stay cautious on equities, **although with a tactical upgrade**, and constructive on credit, mainly on Euro IG. Strong directional calls may carry excessive risk and we believe it is more appropriate to focus on relative value opportunities.

High conviction ideas

We stick to **two main convictions** against an economic backdrop that remains weak (but still with no global recession in sight) and dovish central banks. Firstly, we are maintaining **a generally cautious risk allocation** across the board, as valuations are not cheap and areas of uncertainty persist. Secondly, **we think investors should be agile when they see opportunities in the market** and readjust their exposure. On the first, we maintain a selective and cautious view on equities, given pressures on earnings growth, even without a recession. Investors should also continue to consider hedging strategies. However, we have been agile **in tactically reviewing and upgrading our view on equities (US in particular)** in anticipation of a possible rebound. One way investors could preserve a flexible equity risk allocation is by implementing option strategies. In **credit**, we favour Euro IG over US IG, as US credit looks too leveraged and pricey compared to fundamentals. In fixed income, we remain positive on US 5y vs German 5y, as we think there is limited room for German yields to fall further given 5y Eonia is already pricing in further rate cuts. We became more positive on US Treasuries, when rates recently returned to back above 1.80% on the 10y. On Italian BTPs we moved our preference from the 10-year to the 30-year, as most of the positive newsflow stemming from the formation of the new government is already priced into the former. However, as this view increases the duration risk, we believe investors should consider to partially hedge the increased exposure. **In EM bonds**, we believe attractive carry, low US rates, subdued inflation, dovish Fed and EM Central Banks are all supportive of spread exposure (but hedging the duration risk). We keep our positive **stance on EMB HC**, but we think that Euro-based investors should consider partially hedging the USD exposure given the recent strong rally of the currency. **In currencies,** we maintain a preference for an FX basket of higher-carry EM currencies vs South African Rand and the South Korean Won, and in DM we still like the Norwegian Krone vs EUR (based on a strong outlook for Norwegian economy).

Risks and hedging

While geopolitical events (US-China, Brexit) are hard to forecast, we must assess them in order to manage risks and seek opportunities. We suggest investors remain agile and risk aware as we are in a less-directional market phase. Liquidity risk may also resurface should central banks disappoint. To deal with these risks, investors should run **well-diversified portfolios**. Secondly, investors should **actively hedge** risks (using Gold, Yen and US Treasuries) to avoid forced selling during periods of turmoil. Thirdly, **"stress-testing"** portfolios allows investors to assess the potential effects of adverse market movements. Lastly, **cash or highly-liquid government bonds** (US duration) may act as liquidity buffers in case of heightened volatility.

Amundi Cross-Asset Convictions

	1 month change	---	--	-	0	+	++	+++
Equities	↗			■				
Credit							■	
Duration						■		
Oil					■			
Gold						■		
Euro cash				■				
USD cash						■		

Source: Amundi Research. The table represents cross-asset assessment on a 3-6 month horizon, based on views expressed at the most recent global investment committee. The outlook, changes in outlook and opinions on the asset class assessment reflect the expected direction (+/-) and the strength of the conviction (+/++/+++). This assessment is subject to change. USD = US Dollar, JPY = Japanese Yen, Schatz = 2Y German Treasury Bond, EMB = EM Bonds, HC= Hard Currency.

Matteo GERMANO
Head of Multi-Asset

> ***In this phase of slowdown and uncertainty, it is important to remain agile. Investors should consider recalibrating their equity stance to a less underweight position.***

FIXED INCOME

Eric BRARD
Head of Fixed Income

Yerlan SYZDYKOV
Global Head of Emerging Markets

Kenneth J. TAUBES
CIO of US Investment Management

With supportive central banks, IG credit continue to offer opportunities, but selection and liquidity management all more important.

Selectivity and liquidity remain in focus

Over recent weeks the likelihood of a heightened trade war, no-deal Brexit and a return of Italian political crisis has receded. Against this more supportive risk backdrop, central banks are taking central stage. While, the ECB delivered a comprehensive monetary easing package including rate cuts of 10 bps and an asset purchase programme, and tiering system for banks, markets continue to expect massive monetary easing by central banks that may be unrealistic. All in all, **this calls for a flexible approach** to duration management and a still positive view on credit, with selection and liquidity management in focus.

DM bonds

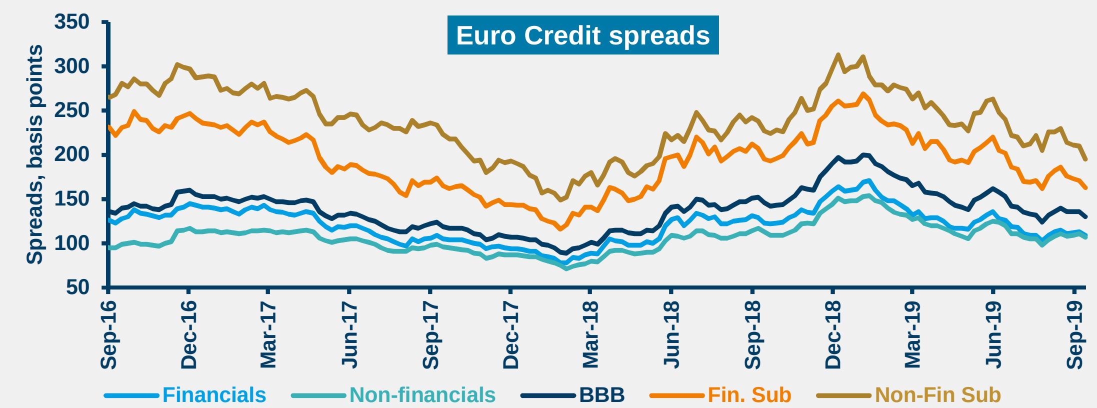
In **global fixed income**, we maintain our neutral view on duration but investors should continue to seek opportunities at curve levels, as well as at the country allocation level, with a long US/short Germany stance for instance. **Among sovereigns**, we remain positive on the main peripheral European countries (Spain and Italy where we believe investors should consider some profit taking), supported by monetary easing by the ECB and a new coalition in Italy willing to find agreement with the EU commission on the 2020 budget. Regarding **inflation**, the Euro breakeven rate has picked up following the recent easing by ECB and we see possibility of an additional pick-up. On inflation, we keep a positive view on US break even. **In credit,** we favour EUR IG credit, where we have become more positive in **the financial sector, in particular in subordinated debt financial and senior financials** (Europe). Euro credit investors can also seek opportunities in the primary market. The recent ECB move plays in favour of IG credit. **From a US investor perspective**, the 10y Treasury yield declined inside of 1.50%, driven by risk-off sentiment and a global thirst for yield, and then rebounded, but we still see room for further rebound. Expectations for aggressive Fed cuts are too high in our view. So, we think investors should remain active in tactically adjusting the duration exposure when the market expectations get extreme. We expect the treasury curve to steepen, given the dramatic run in long term UST yields. On **US credit,** we **prefer higher quality carry and lower risk assets**. We favour **securitised credit** over corporate credit on expectations of strength in consumer and services sectors. In this regard, asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS) and seasoned agency MBS pools look attractive. US IG corporate market remains strong. Massive recent corporate bond issuances, both HY and IG, were met with even greater global demand, signalling that the appeal for US assets is still high.

EM bonds

We think investors should become **more cautious** by lowering duration and increasing the cash levels to address potential lower liquidity. Our top convictions remain Brazil, Egypt, Indonesia, Serbia and Ukraine (due to improving outlook and interesting yields), but we are cautious on China (growth slowdown). In credit, we have been seeking selective opportunities in IG and also HY.

FX

We remain positive on **USD and JPY**, given that the former provides deep liquidity, safety and good yield, whereas the latter is the main risk-off protective currency. We are negative towards the British Pound (Brexit). The outlook for the Chinese Renminbi and South Korean Won is also weak, in light of the global slowdown and trade frictions.



Source: Bloomberg and Amundi Research, as of 13 September 2019.

The breakeven inflation rate is the difference between the yield of a nominal bond and an inflation linked bond, with the same maturity.

Amundi ASSET MANAGEMENT

EQUITY

Seek opportunities in high quality / value names

Overall assessment

Global economic growth could slow down but a recession is unlikely, in our view, given strong domestic consumption (services) in the US, Europe and the emerging world, and dovish global central banks. While the S&P 500 fell in August, now the markets are back to pre-summer highs. Going forward earnings expectations will decide whether markets break upwards or fall from here. However, earnings continue to be revised down and **selectivity remains key to identifying companies with sustainable balance sheets**.

DM equities

In Europe, corporate fundamentals remain solid, although forward earnings visibility has deteriorated. Valuations seem fair and attractive in some areas and we believe heightened volatility and market dislocations (growth/value, cyclical/defensive) could provide investment opportunities. At a sector level, **quality/value names are displaying mispricing** in industrials and consumer discretionary. We are positive but selective on health care and telecoms as they provide some reasonable safety to an equity portfolio. However, we are negative on sectors such as utilities and consumer staples, which are typically seen as bond proxies, due to high valuations. We see certain opportunities in the **domestic sector in the UK**, that should be evaluated on a case-by-case basis.

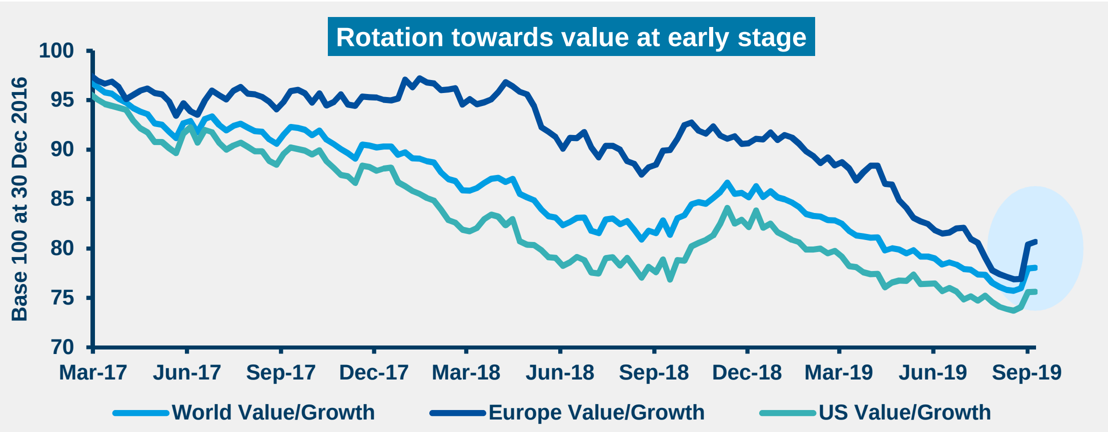
In the US, the consumer remains robust, although the recent spike in oil prices is concerning. Companies may also be affected by oil prices, but it remains to be seen whether this increase is sustained (despite concerns, the supply could be restored and US production has also grown dramatically).

From a style perspective, **we are cautious on growth due to high valuations**, particularly in the med-tech, software and consumer discretionary sectors.

We are becoming **more positive but remain selective on high-quality stocks in the cyclical sectors** as valuations are attractive. The **outperformance of the defensive vs cyclical may be coming to an end** in our view, and perhaps risk on cyclicals are now on the upside. We believe the bond-proxies have high valuations and we remain negative towards them. However, we continue to like good quality opportunities in the real estate sector. In the special value situations space, we are positive on **names that offer a mix of value and growth**, and where we believe there are improving fundamentals that could lead to a valuation re-rating. At an overall sector level, we are **constructive on financials, consumer discretionary and real estate**. However, we are negative towards industrials, utilities and information technology.

EM equities

While we are still **constructive on EM equity in the medium term, we prefer to be overall more cautious in the short term**, as oil price spikes (drone attack in Saudi Arabia) and trade tensions inevitably have negatively affected the asset class through manufacturing, exports and earnings expectations. Therefore, we would favour self-help countries for the next few months (such as **Brazil, Indonesia, Russia and India**) and look less favourably on China. As far as the sector allocation, we favour the tech hardware sector in Korea and Taiwan (well positioned to benefit from any uptick in the global economic growth).



Source: Bloomberg and Amundi Research, as of 20 September 2019.

With lower visibility on corporate earnings it is important to focus on quality names in cyclical sectors at attractive valuations.

Kasper ELMGREEN
Head of Equities

Yerlan SYZDYKOV
Global Head of Emerging Markets

Kenneth J. TAUBES
CIO of US Investment Management

Amundi asset class views

	Asset class	View	1M change	Rationale
EQUITY PLATFORM	**US**	=	▲	Earnings concerns and escalating trade tensions could be negative for manufacturing. However, consumption remains robust. We have a neutral view on US equity at the moment and within the US equity market we are cautious on growth.
EQUITY PLATFORM	**Europe**	=/+		Equities valuations are relatively attractive but the market remains exposed to trade war escalation and Brexit uncertainties. However, corporate fundamentals remain solid even if earnings visibility has deteriorated, and heightened volatility and market dislocations may provide opportunities. Recent dovish measures by ECB should be supportive.
EQUITY PLATFORM	**Japan**	-/=		We are cautious on Japanese equities. Valuations are attractive and so are dividend yields. Corporate governance standards are also improving. However, earnings' sensitivity to global manufacturing and forex appreciation are headwinds that underpin our cautious view.
EQUITY PLATFORM	**Emerging markets**	-/=		Consensus earnings growth expectations are stabilizing but selectivity is important. Strong domestic demand, soft landing in China, and favourable monetary and fiscal policies should be supportive. However, trade war escalation, idiosyncratic risks, RMB depreciation and Fed policy stance vs market expectations remain key risks. Domestic growth resilience is a key theme in focus.
FIXED INCOME PLATFORM	**US govies**	=/+		As expected the Fed cut rates by 25 bps in its September Federal Open Market Committee meeting. Two additional cuts are expected be delivered in December and the first half of next year. This supports our bull steepening scenario. With the treasury yields readjusting as market reprice the possible Fed cuts, it is key to be active in duration management.
FIXED INCOME PLATFORM	**US IG Corporate**	=/+	▲	Dovish central banks are overall supportive of the credit market. We believe corporate credit remains stable and could present opportunities. The demand for US credit is high and new issues have been well absorbed by the market. However, given lingering macro uncertainties, we prefer to keep a cautious attitude on credit risk, favouring high quality carry and increasing the focus on liquidity assessment.
FIXED INCOME PLATFORM	**US HY Corporate**	=		Although US HY spreads are tighter than the long-term average, the spreads still exceed the cost of default. However, increase in idiosyncratic risks is apparent and we continue to focus on selection and liquidity management.
FIXED INCOME PLATFORM	**European govies**	-/=		Despite the recent ECB measures, markets are aggressively pricing cuts to the deposit rate in the next 12 months. This should prevent any rise in core yields. We remain constructive on the main peripheral European countries (Spain and Italy) fuelled by ECB action, a new political coalition in Italy and the ongoing search for yield.
FIXED INCOME PLATFORM	**Euro IG Corporate**	++		We are positive on Euro IG, particularly on the subordinated and senior debt in financials in Europe. Good corporate fundamentals, improving technicals, the appetite for yield and ECB support will continue to drive the market. However, liquidity conditions in the secondary market remain a key area to monitor.
FIXED INCOME PLATFORM	**Euro HY Corporate**	+		ECB support is favourable for the market and we prefer high yield for carry opportunities. However, we continue to focus on selection, idiosyncratic risks and liquidity.
FIXED INCOME PLATFORM	**EM Bonds HC**	+		Uncertainties around global outlook, trade war and China growth have deteriorated sentiment and risks. Recent oil price spikes as a result of drone attack in Saudi Arabia was also negative. However, we think that this environment of low growth and low rates could still be somewhat positive for EM fixed income. In the near future markets expectations will mostly be driven by interest rates and CBs decisions rather than growth, which will be expected to be just decent.
FIXED INCOME PLATFORM	**EM Bonds LC**	=		We continue to favour rates while being cautious on currencies. Our key argument is that risks to global growth remain on the downside, pressuring EM currencies, whilst the absence of inflationary pressures will keep the door wide open for policy rate cuts from central banks.
OTHER	**Commodities**			Trade disputes' escalation and slowing economic growth remain the most relevant concerns for the curbing of commodities' demand. We believe the recent drone attack on Saudi Aramco's facilities should not have a material impact on the long-term prices. As OPEC will flexibly manage supply to stabilize oil prices even in case of shocks, we maintain a USD55-65/bbl range for the WTI. For gold, we maintain our 12M target at c. $1550/ounce due to easing financial conditions, USD weakness and an end to Fed balance-sheet reduction. For base metals, we expect a 4-5% total return in 12M.
OTHER	**Currencies**			EUR/USD is still driven by the global growth regime and given that our macro scenario foresees a continuation in the current moderate slowdown on DM economies, the rate is expected to remain close to current levels. However, if global demand and trade situation improve, then the currency may move higher. But for now we decrease our 12M target to 1.13 from 1.14. The JPY should remain stable as global growth prospects are still concerning and volume of global trade is expected to weaken further. USD/JPY 12M target lowered to 104. GBP/USD is likely to remain under pressure as the probability of a no-deal Brexit increased significantly.

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Negative Neutral Positive

▼ Downgraded vs. previous month ▲ Upgraded vs. previous month

Source: Amundi, as of 19 September 2019, views relative to a EUR-based investor. This material represents an assessment of the market environment 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. IG = Investment grade corporate bonds, HY = High Yield Corporate; EM Bonds HC / LC = EM bonds hard currency / local currency. WTI= West Texas Intermediate.

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AMUNDI Investment Insights Unit

The Amundi Investment Insights Unit (AIIU) aims to transform our CIO expertise, and Amundi's overall investment knowledge, into actionable insights and tools tailored around investors' needs. In a world in which investors are exposed to information from multiple source s, we aim to become the partner of choice for the provision of regular, clear, timely, engaging and relevant insights that can help our clients make informed investment decisions.

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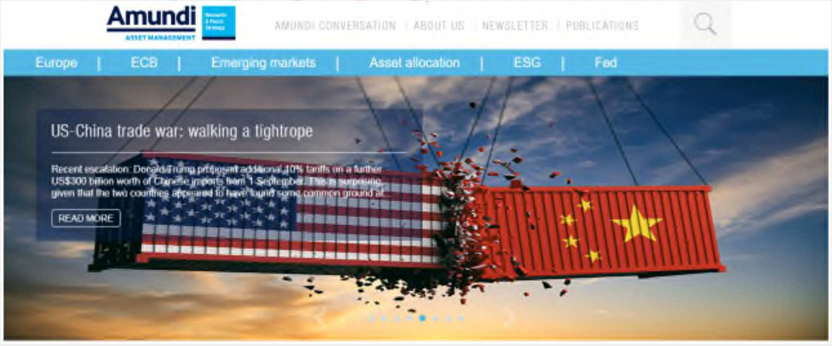

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Definitions

- **Asset purchase programme**: A monetary policy measure wherein central banks purchase securities from the market to increase money supply and encourage lending and investment.
- **Tiering system for banks:** A mechanism that allows banks to park their excess funds with the ECB. Under this, a portion of banks' deposits are exempted from negative rates.
- **Credit spread:** differential between the yield on a credit bond and the Treasury yield. The option-adjusted spread is a measure of the spread adjusted to take into consideration possible embedded options.
- **Yield curve bull steepening:** A bull steepening is a yield-rate environment in which short-term rates are decreasing at a rate faster than short-term rates. This causes the yield curve to steepen.
- **Curve flattening:** A flattening yield curve may be a result of long-term interest rates falling more than short-term interest rates or short-term rates increasing more than long-term rates
- **Cyclical vs. defensive sectors:** cyclical companies are companies whose profit and stock prices are highly correlated with economic fluctuations. Defensive stocks, on the contrary, are less correlated to economic cycles. MSCI GICS cyclicals sectors are: consumer discretionary, financial, real estate, industrials, information technology and materials, while defensive sectors are consumer staples, energy, healthcare, telecommunications services and utilities.
- **Duration**: a measure of the sensitivity of the price (the value of principal) of a fixed income investment to a change in interest rates, expressed as a number of years.
- **FX:** FX markets refer to the foreign exchange markets where participants are able to buy and sell currencies.
- **QE:** Quantitative easing (QE) is a type of monetary policy used by central banks to stimulate the economy by buying financial assets from commercial banks and other financial institutions. QT: Quantitative tightening is the opposite of quantitative easing.
- **Stress-testing**: Stress testing is a computer simulation technique used to test the resilience of institutions and investment portfolios against possible future financial situations/shocks.
- **Front-loading of bonds**: Issuing as many bonds as possible at the start of the year, when there is ample liquidity in the market.
- **Volatility:** a statistical measure of the dispersion of returns for a given security or market index. Usually, the higher the volatility, the riskier the security/market.

Important Information

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