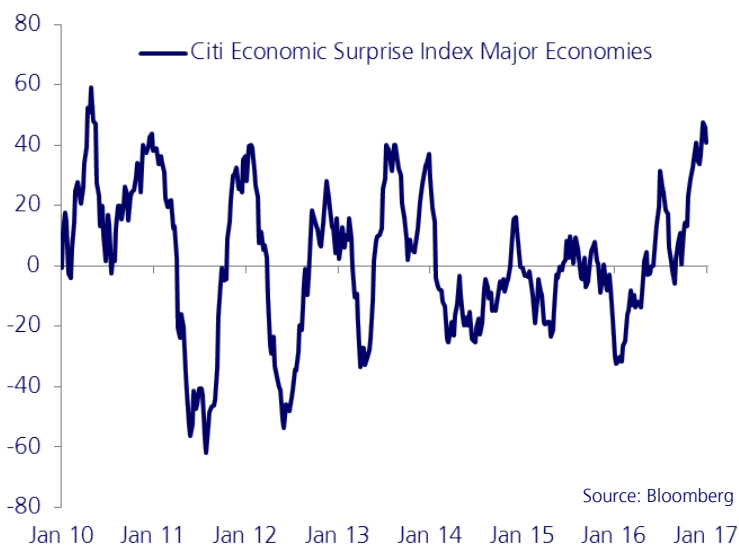


# Monthly Investment Outlook

## Improving economic outlook, but increasing political risks



Economic fundamentals have significantly improved in many regions of the world. Global PMIs have risen further and the G10 Citigroup Surprise Indicator, measuring economic surprises for the major economies, climbed to the highest level since 2010 at the beginning of the year. While we expect the economic environment to remain supportive, a further acceleration is unlikely in the near term. Emerging market assets have been among the main beneficiaries of better investor sentiment and stronger fundamentals. The MSCI Emerging Markets has retraced a large part of the Trump related losses, with the halt in the US dollar's climb offering a welcome breather and the rebound in commodity prices adding further support.

While economic fundamentals have improved, political risks remain high. Investors will increasingly focus on the French Presidential election in spring and the possibility of early elections in Italy. In both cases, the risk of a Euro-sceptic new government has the potential to disrupt the markets. As these risks are not yet fully priced in the government bond market, we expect spreads on French and Italian government bonds to widen relative to German Bunds. More uncertainty stems from the beginning of the Brexit negotiations between the UK and the EU. Theresa May has finally provided more details on her vision regarding the future of the UK. The intention to leave the EU single market increases the uncertainty both firms and investors face in the years ahead and will be a headwind for the UK economy. With Donald Trump having been inaugurated as the 45th President of the US, investors are still giving him the benefit of the doubt, ignoring the downside risks. Some of the recent rally in the US stock market can be explained by the hope for business-friendly policies. While still short on specifics, it seems likely that Congress will start debating some form of tax reduction for corporations, potentially fuelling expectations for further fiscal stimulus. On the other hand, Trump has maintained his protectionist rhetoric. The nomination of Peter Navarro as head of the new National Trade Council underlines the potentially aggressive stance of the Trump administration against China. The risk of a mutually harmful clash between the world's two largest economies has increased.

### Market Assessment

#### Key developments

- Global PMIs rise further, indicating a solid start for the world economy in 2017
- Donald Trump takes office as the 45th President of the United States
- Theresa May signals a move towards a "hard Brexit" while trying to keep options open

#### Zurich's view

The global economy has entered 2017 on solid footing. The rise in global PMIs indicates strong momentum, but a further acceleration is unlikely in the near term. Inflation has accelerated and is expected to rise further in the coming months driven by base effects. This has helped to lift bond yields around the globe, and in particular in the Eurozone where 10yr Bund yields have risen to the highest level in a year. While economic fundamentals remain supportive, political risks have increased. With the triggering of Article 50 moving closer, investors will increasingly focus on the possible fallout of Brexit uncertainty on the economy and companies' earnings. On the other side of the Atlantic, Trump sticks to his protectionist rhetoric, increasing the risk of a standoff with China, which would be detrimental for both.

We keep our neutral stance on equities vs. government bonds as well as our neutral position in credit, while favouring Chinese and Japanese equities vs. the UK. As political risks in Europe increase, we initiate an underweight in French and Italian government bonds vs. Bunds.

## Key developments

## Zurich's view

### Global

- Global growth improves further, albeit at a more gradual pace
- Trade flows start to normalize, with stronger exports in many regions
- Inflation rises as headwinds from low oil prices diminish

Global growth is estimated to have risen above trend in 2016 Q4, and the recovery is now visible in stronger trade flows, particularly in Asia. Global new orders rose further in December, indicating that the upswing will last into Q1. This was also confirmed by the strong G3 flash PMIs in January. CPI and PPI inflation have risen in most regions, mainly reflecting base effects from energy prices. These will peak in Q1, likely resulting in a further sharp rise in inflation, triggering calls for tighter policy. We expect policy makers to look through this, however, as underlying inflation dynamics remain weak in many regions.

### US

- Donald Trump is inaugurated as the 45th President of the United States, holding up his protectionist rhetoric
- US small business optimism soars to its highest level in more than a decade, signalling firms' increased willingness to invest
- Auto sales jump to the highest level since 2005, underlining the current strength of household spending

The US economy entered 2017 on solid footing. In line with the regional sentiment indicators, the ISM Manufacturing index picked up to the highest level in two years. Strong new orders point towards a continuation of the positive trend. Small business optimism showed the biggest monthly jump on record, reaching the highest level since 2004. Rising optimism among small firms is crucial as they represent roughly 80% of the labour market in the US. Consumers remain upbeat as well, supported by rising wages. However, as inflation is also picking up, growth in real income is expected to remain relatively modest. Given the already strong levels of consumer spending, in particular on durables, a further significant acceleration is unlikely in the near term.

### UK

- Theresa May signals the UK will leave the EU single market while trying to keep her options open
- The Supreme Court confirms the High Court's ruling that the parliament has to vote on Brexit
- Inflation has accelerated significantly, while producer input prices indicate there is more to come

The UK economy has so far coped better than expected with Brexit uncertainty thanks to the consumer. While investment has softened and net trade has not picked up despite a weak pound, household spending has remained solid. Part of this can be explained by consumers buying ahead of expected price increases. A survey-based measure of inflation expectations has recently risen to the highest on record. Producer input prices have soared by 15.8%, indicating steep price increases ahead. We expect growth to slow in the coming months, dragged down by the inflation headwind for consumers and the reluctance of firms to invest as the future relationship with the EU remains uncertain.

### Eurozone

- Growth and inflation pick up
- The ECB continues with QE
- Government bonds spreads likely to widen on political risks

Encouragingly, hard data such as industrial production have caught up with the robust business sentiment of the past few months in the Eurozone. However, headline inflation is also trending up on base effects from higher oil prices and will likely continue to move up over the next few months. This will add to upward pressure on Eurozone bond yields, though continued QE purchases by the ECB will put a lid on how high bond yields can move. Political uncertainty created by the forthcoming elections in France and the Netherlands and possibly Italy will also likely add to volatility in Eurozone government bond markets and lead to spread widening. On a more positive note, the stronger macro outlook and steepening of yield curves should support Eurozone banks and other companies' earnings.

### Switzerland

- The recovery is firming, helped by improving domestic demand
- Exports benefit from the global cycle and a weaker franc
- Inflation fails to pick up, with the SNB expected to leave policy unchanged

The Swiss economy continues to benefit from improving external demand. The manufacturing PMI ended 2016 on a strong note, led by a further rise in output and new orders. Consistent with this, exports surged, up almost 10% MoM in December, likely helped by the weaker franc against the dollar. Sentiment has also improved, and the ZEW survey returned to its pre-2015 high in January. Inflation, by contrast, remains weak, with core CPI still in deflation. This shapes our view that the SNB will leave policy unchanged, in spite of stronger growth.

## Key developments

## Zurich's view

### Japan

- Japan's economic expansion is well balanced
- While monetary policy remains stable, fiscal stimuli will prevail
- Japanese equities have underperformed following recent yen appreciation

Most economic indicators confirm that Japan's moderate economic expansion remains intact. The manufacturing PMI continues to crawl higher, remaining above the 50 mark for the fifth month in a row in January, while exports are bouncing higher and consumer confidence remains firm. Both fiscal and monetary policy should remain supportive. We expect both the manufacturing sector and parts of the non-manufacturing sector to contribute to healthy capex plans. The negative impact from potential US trade restrictions is a risk, but should not unravel the brighter domestic economic outlook. The performance of Japanese equities is still highly dependent on the USDJPY rate and the US bond market outlook. We believe recent underperformance should soon come to a halt.

### China

- China's economic upswing is starting to moderate
- The booming property market is losing steam
- Stricter regulatory measures are curbing capital outflows

The latest pickup in GDP growth to 6.8% YoY in Q4 does not reflect that the economy is indeed starting to lose some steam. Industrial production and fixed asset investment growth has been moderating, while the service sector remains brisk. We believe that a slowdown in the property market from overheated conditions, particularly in the tier-1 and some tier-2 cities, will have a negative impact on growth this year. However, we do not expect the slowdown to be severe as fiscal support should kick in to enable steady growth before the Communist Party Congress later this year. A trade war with the US remains a risk. Our view remains supportive for Chinese equities, as valuation remains fair, foreign investors are underweight and southbound flows should gain some steam.

### Australia

- Q4 headline CPI came in at 1.5% YoY, in line with the RBA's forecast, and is likely to rise further in 2017
- Australia posted its first positive monthly trade balance in over two years, helped by coal, metals and minerals
- The equity market continues to see materials outperform, and although financials have paused for now, we see more upside

Q4 underlying inflation remains subdued, but we expect it to creep up in 2017 due to its positive correlation with terms of trade. Full-time job growth was strong in November and December and vacancies have risen, which we find encouraging. Consumer surveys have signalled tighter current financial conditions, which might be the result of a slight increase in mortgage rates. Individuals are optimistic about the economic outlook, though. This optimism is shared by businesses: the ratio of PMI new orders to inventories stands at a multi-year high. In equity markets, Q4 bank earnings could disappoint investors' high expectations as higher rates should impact the bottom line with a lag. However, the trend remains bullish for materials and financials.

### Brazil

- Economic activity has bottomed out but growth will be muted despite our above consensus projections
- The central bank is now more aggressive and is accelerating the pace of rate cuts as inflation recedes
- As fiscal metrics deteriorate, the reform agenda will remain key to improving the long-term outlook

With inflation quickly heading down well into the central bank limits, the central bank has geared up the pace of its rate cuts with a 75bps reduction. The deep negative output gap will open the door for an aggressive monetary easing as inflation expectations are now anchored. Still, the economic data are pointing towards a bottom, with less negative retail sales, less job reduction and improving confidence indices. The external component has totally adjusted, with a record trade balance surplus since 1980 and a current account deficit that ended the year at 1.3% of GDP versus a 3.3% deficit in 2015. The commodities revival is another positive inflection for exports. Reforms are going through but need to be monitored as the debt dynamic remains negative and the corruption probe can always impact leaders.

### Mexico

- The central bank intervenes in the currency market for the first time in a year as the peso reaches a new low
- Despite the external uncertainty, released domestic economic data have remained strong
- Inflation is picking up and is just reaching its highest level since 2009 on gasoline price liberalization

Despite NAFTA political noise, economic data have remained brisk, with a strong consumption component and an improving manufacturing one. Retail sales are up by more than eleven percent on a yearly basis and rose nine out of the last eleven months. Remittances grew the most since 2006 while 2016 job creation was 50% higher than the historical average. However, inflation has picked up to its highest level since 2009 due to the liberalization of gasoline prices, a persistently weak currency and a 10% hike in the minimum wage. There is also a clear risk of second round effects in the pipeline. Combined with the planned fiscal austerity, the central bank tightening campaign will impact economic growth in 2017 and uncertainty will take its toll on FDI and domestic confidence.

Valuation snapshot (MSCI Indices)

Current trailing valuations

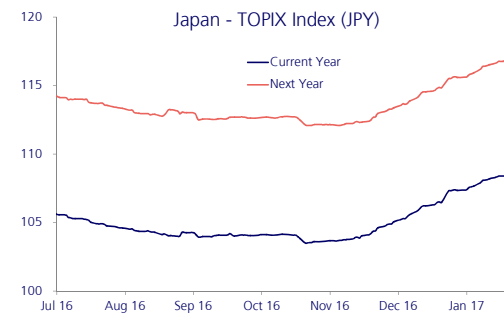
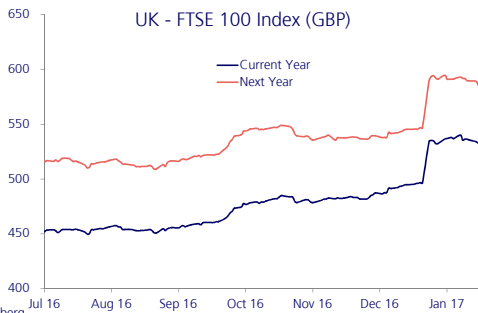
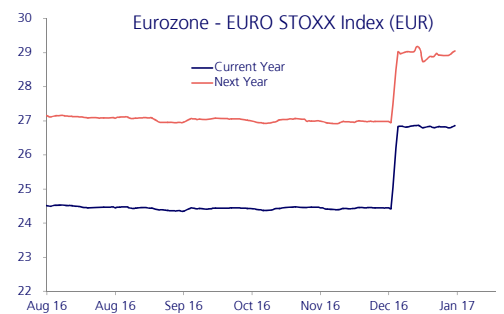
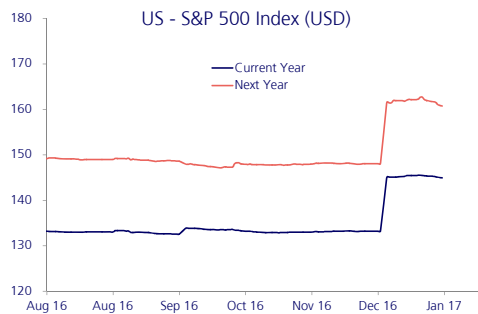
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	22.87	20.79	26.17	22.92	17.05	14.96	13.88	21.73	23.09
12m Trailing P/B	2.85	1.70	1.70	2.40	1.35	1.54	1.60	1.59	2.49
12m Trailing P/CF	12.65	7.90	10.55	13.05	8.55	8.47	6.01	6.94	10.02
Dividend Yield	2.09	3.42	4.14	3.43	2.05	2.89	2.20	3.38	1.89
ROE	12.46	8.17	6.49	10.45	7.94	10.30	11.56	7.33	10.77

Current trailing valuations relative to MSCI world

	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.11	1.01	1.27	1.11	0.82	0.72	0.67	1.05	1.12
12m Trailing P/B	1.37	0.81	0.81	1.15	0.65	0.74	0.77	0.76	1.19
12m Trailing P/CF	1.25	0.78	1.04	1.29	0.84	0.84	0.59	0.68	0.99
Dividend Yield	0.82	1.35	1.63	1.35	0.81	1.14	0.87	1.33	0.74
ROE	1.24	0.81	0.64	1.04	0.79	1.02	1.15	0.73	1.07

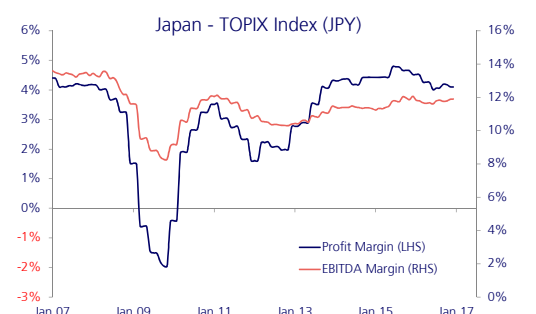
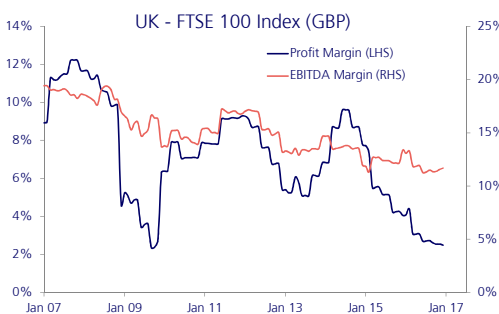
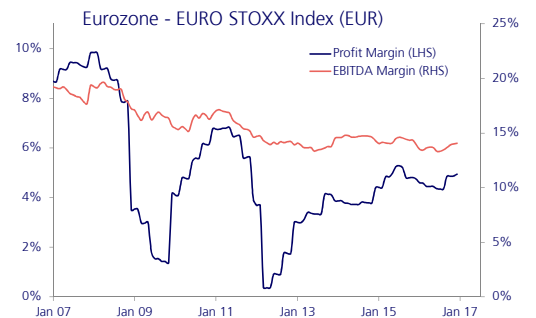
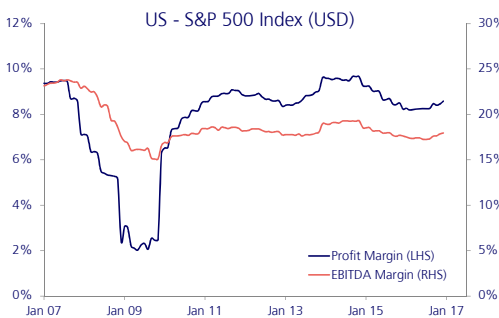
Source: Datastream

Earnings estimates - Full fiscal years



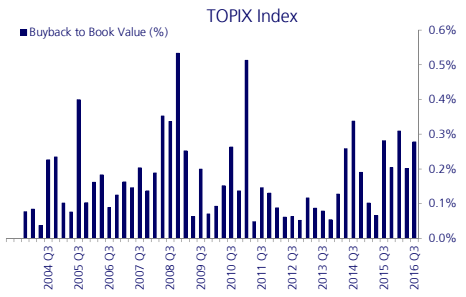
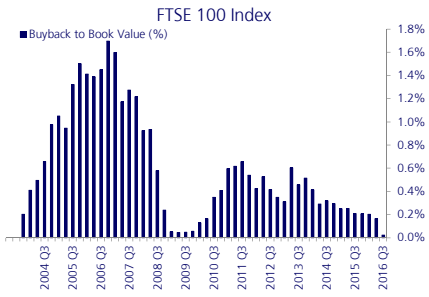
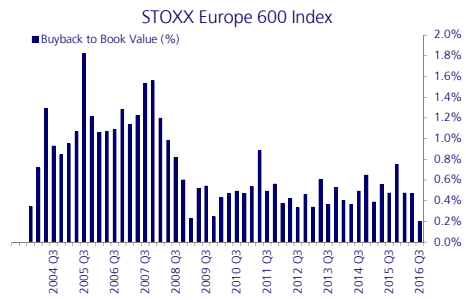
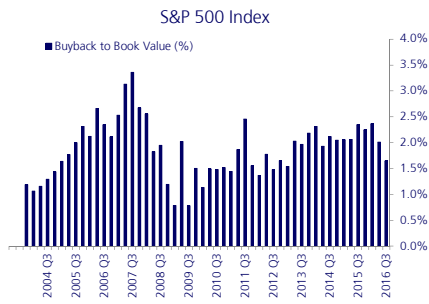
Source: Bloomberg

Historical margins



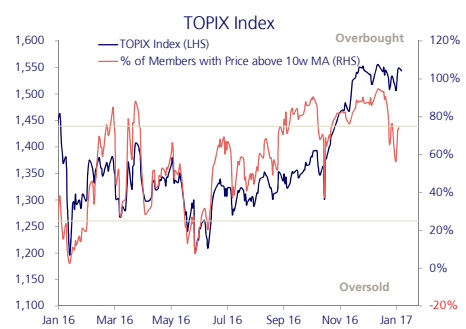
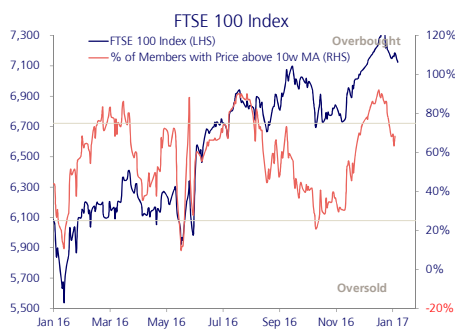
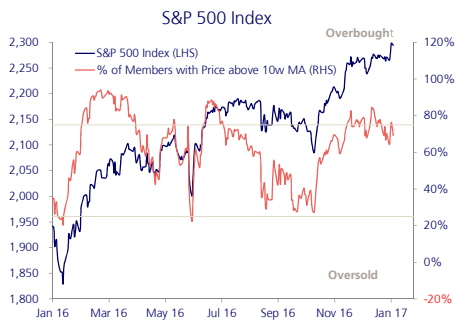
Source: Bloomberg

Shares buybacks



Source: Bloomberg

Overbought / Oversold



Source: Bloomberg

# Appendix 3

## Yield Curve Steepness (2yr-10yr)



Source: Bloomberg

## Spread Snapshot

Generic Government Yields (10yr)

Country	Spread over US Treasury (bps)				
	Jan-17	1m ago	3m ago	1yr ago	
UK	-101	-121	-55	-36	
Germany	-201	-224	-165	-160	
Switzerland	-254	-263	-216	-217	
Japan	-240	-240	-187	-182	
Australia	24	32	56	71	
China	88	62	90	97	
South Korea	-30	-35	-10	6	
Malaysia	168	178	179	193	
Indonesia	514	553	542	634	
Thailand	23		31	50	
Philippines	158	n/a	n/a	n/a	
Brazil	831	n/a	968	n/a	
Mexico	504	499	454	412	
Colombia	430	466	556	706	
Peru	357	394	386	574	

Generic Government Yields (10yr)

Country	Spread over German Bund (bps)			
	Jan-17	1m ago	3m ago	1yr ago
France	60	48	32	31
Netherlands	16	15	12	11
Belgium	55	33	25	44
Austria	26	22	19	24
Ireland	74	54	48	n/a
Italy	184	161	157	109
Spain	116	118	112	119
Portugal	372	356	318	255

Source: Bloomberg, ZIG

## Economic data

US	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Trend*
ISM Manufacturing (Index)	47.9	48.6	49.7	51.7	50.7	51.0	52.8	52.3	49.4	51.7	52.0	53.5	54.5	up
ISM Non-Manufacturing (Index)	55.2	54.0	54.3	54.9	55.7	53.6	56.1	54.9	51.7	56.6	54.6	56.2	56.6	up
Durable Goods (% MoM)	-3.9	3.7	-3.3	2.0	3.2	-2.9	-4.3	3.6	0.2	0.3	5.0	-4.8	-0.4	down
Consumer Confidence (Index)	96.3	97.8	94.0	96.1	94.7	92.4	97.4	96.7	101.8	103.5	100.8	109.4	113.7	up
Retail Sales (% MoM)	2.9	2.8	3.6	1.7	3.0	2.2	2.8	2.4	2.2	3.3	4.2	3.9	4.1	up
Unemployment Rate (%)	5.0	4.9	4.9	5.0	5.0	4.7	4.9	4.9	4.9	4.9	4.8	4.6	4.7	down
Avg Hourly Earnings YoY (% YoY)	2.6	2.5	2.5	2.4	2.5	2.3	2.5	2.6	2.4	2.6	2.4	2.4	2.5	down
Change in Payrolls ('000, MoM)	271.0	168.0	233.0	186.0	144.0	24.0	271.0	252.0	176.0	208.0	135.0	204.0	156.0	down
PCE (% YoY)	1.4	1.6	1.7	1.6	1.6	1.6	1.6	1.6	1.7	1.7	1.8	1.6		up
GDP (% QoQ, Annualized)	0.9			0.8			1.4			3.5				up
UK	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Trend*
PMI Services (Index)	55.5	55.6	52.7	53.7	52.3	53.5	52.3	47.4	52.9	52.6	54.5	55.2	56.2	up
Consumer Confidence (Index)	2.0	4.0	0.0	0.0	-3.0	-1.0	-1.0	-12.0	-7.0	-1.0	-3.0	-8.0	-7.0	up
Unemployment Rate (%)	5.1	5.1	5.1	5.1	5.0	4.9	4.9	4.9	4.9	4.8	4.8	4.8		down
CPI (% YoY)	0.2	0.3	0.3	0.5	0.3	0.3	0.5	0.6	0.6	1.0	0.9	1.2	1.6	up
GDP (% YoY)	1.7			1.8			2.0			2.2				up
Eurozone	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Trend*
PMI Manufacturing (Index)	53.2	52.3	51.2	51.6	51.7	51.5	52.8	52.0	51.7	52.6	53.5	53.7	54.9	up
PMI Services (Index)	54.2	53.6	53.3	53.1	53.1	53.3	52.8	52.9	52.8	52.2	52.8	53.8	53.7	up
Ifo Business Climate (Index)	108.4	107.3	106.0	107.0	106.8	107.9	108.8	108.3	106.3	109.5	110.5	110.4	111.0	up
Industrial Production (% MoM)	-0.3	2.6	-1.6	-0.8	1.5	-1.4	0.8	-0.6	1.9	-0.8	0.1	1.5		down
Factory Orders GE (% MoM)	-0.3	0.5	-0.9	2.8	-1.9	0.2	-0.4	0.4	0.9	-0.4	5.0	-2.5		up
Unemployment Rate (%)	10.4	10.4	10.3	10.2	10.2	10.1	10.1	10.0	10.0	9.9	9.8	9.8		down
M3 Growth (% YoY, 3 months MA)	4.7	5.1	5.1	5.2	4.8	4.9	5.1	5.1	5.0	5.1	4.5	4.8	5.0	down
CPI (% YoY)	0.2	0.3	-0.2	0.0	-0.2	-0.1	0.1	0.2	0.2	0.4	0.5	0.6	1.1	up
Core CPI (% YoY)	0.9	1.0	0.8	1.0	0.7	0.8	0.9	0.9	0.8	0.8	0.8	0.8	0.9	neutral
GDP (% QoQ)	0.5			0.5			0.3			0.4				up
Switzerland	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Trend*
KOF Leading Indicator (Index)	97.0	99.9	102.7	103.8	102.7	101.8	101.2	102.2	99.8	101.6	103.9	102.2	102.1	up
PMI Manufacturing (Index)	50.4	50.0	51.6	53.2	54.7	55.8	51.6	50.1	51.0	53.2	54.7	56.6	56.0	up
Real Retail Sales (% YoY)	-1.8	-0.5	-1.0	-1.5	-2.1	-2.0	-3.2	-3.1	-2.8	-2.2	-0.7	0.9		up
Trade Balance (Billion, CHF)	2.5	3.5	3.8	2.1	2.4	3.3	3.5	2.8	3.0	4.3	2.7	3.5	2.7	down
CPI (% YoY)	-1.3	-1.3	-0.8	-0.9	-0.4	-0.4	-0.4	-0.2	-0.1	-0.2	-0.2	-0.3	0.0	neutral
Japan	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Trend*
Nomura Manufacturing PMI (Index)	52.6	52.3	50.1	49.1	48.2	47.7	48.1	49.3	49.5	50.4	51.4	51.3	52.4	up
Machine Orders (% YoY)	-3.6	8.4	-0.7	3.2	-8.2	-11.7	-0.9	5.2	11.6	4.3	-5.6	10.4		down
Industrial Production (% YoY)	-2.1	-4.2	-1.2	0.2	-3.3	-0.4	-1.5	-4.2	4.5	1.5	-1.4	4.6		up
ECO Watchers Survey (Index)	48.7	46.6	44.6	45.4	43.5	43.0	41.2	45.1	45.6	44.8	46.2	48.6	51.2	up
Jobs to Applicants Ratio (Index)	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4		up
Labour Cash Earnings (% YoY)	0.0	0.0	0.7	1.5	0.0	-0.1	1.4	1.2	0.0	0.0	0.1	0.5		down
Department Store Sales (% YoY)	0.1	-1.9	0.2	-2.9	-3.8	-5.1	-3.5	-0.1	-6.0	-5.0	-3.9	-2.4	-1.7	up
Money Supply M2 (% YoY)	3.1	3.2	3.2	3.2	3.4	3.4	3.5	3.4	3.3	3.5	3.7	3.9	4.0	up
CPI Ex Food & Energy (% YoY)	0.8	0.6	0.6	0.6	0.5	0.5	0.5	0.3	0.2	0.0	0.2	0.1	0.0	down
Exports (% YoY)	-8.0	-12.9	-4.0	-6.8	-10.1	-11.3	-7.4	-14.0	-9.6	-6.9	-10.3	-0.4	5.4	up
China	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Trend*
PMI Manufacturing (Index)	49.7	49.4	49.0	50.2	50.1	50.1	50.0	49.9	50.4	50.4	51.2	51.7	51.4	up
Industrial Production (% YoY)	5.9			6.8	6.0	6.0	6.2	6.0	6.3	6.1	6.1	6.2	6.0	down
Retail Sales (% YoY)	11.1			10.5	10.1	10.0	10.6	10.2	10.6	10.7	10.0	10.8	10.9	up
PPI (% YoY)	-5.9	-5.3	-4.9	-4.3	-3.4	-2.8	-2.6	-1.7	-0.8	0.1	1.2	3.3	5.5	up
Exports (% YoY)	-1.6	-15.2	-28.0	7.5	-5.3	-6.9	-6.8	-6.5	-3.8	-10.4	-7.9	-1.5	-6.2	up
CPI (% YoY)	1.6	1.8	2.3	2.3	2.3	2.0	1.9	1.8	1.3	1.9	2.1	2.3	2.1	up
RRR (%)	17.5	17.5	17.5	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	neutral
GDP (% YoY)	6.8			6.7			6.7			6.7				neutral
PMI Non Manufacturing (Index)	49.7	49.4	49.0	50.2	50.1	50.1	50.0	49.9	50.4	50.4	51.2	51.7	51.4	up
Aggregate Financing (Billions, CNY)	1815.1	3475.8	831.2	2393.1	780.9	677.0	1647.9	479.1	1460.5	1711.5	886.5	1832.8	1626.0	up

Datasource: Bloomberg

\*Trend = Last 3m - Previous 3m

## Economic data

<b>Australia</b>	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Trend*
AiG Manufacturing (Index)	51.9	51.5	53.5	58.1	53.4	51.0	51.8	56.4	46.9	49.8	50.9	54.2	55.4	up
AiG Service (Index)	46.3	48.4	51.8	49.5	49.7	51.5	51.3	53.9	45.0	48.9	50.5	51.1	57.7	up
Westpac Consumer Confidence (% MoM)	-0.8	-3.5	4.2	-2.2	-4.0	8.5	-1.0	-3.0	2.0	0.3	1.1	-1.1	-3.9	down
Building Approvals (% YoY)	-1.8	-5.1	-0.9	-3.0	4.1	-3.1	-5.1	4.9	9.0	-6.7	-24.0	-4.8		down
Employment Change ('000, MoM)	6.9	-10.5	0.7	25.1	-3.0	17.2	9.5	24.1	-15.2	-23.5	16.6	37.1	13.5	up

<b>Brazil</b>	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Trend*
CPI (% YoY)	10.7	10.7	10.4	9.4	9.3	9.3	8.8	8.7	9.0	8.5	7.9	7.0	6.3	down
Industrial Production (% YoY)	0.0	-12.0	-13.5	-9.4	-11.3	-6.7	-7.4	-5.5	-6.3	-5.0	-4.6	-7.3	-1.1	up
Retail Sales (% YoY)	0.0	-7.2	-10.6	-4.2	-5.7	-6.9	-9.0	-4.8	-5.6	-5.5	-5.7	-8.1	-3.5	down
Trade Balance (Millions, USD)	6240.0	915.0	3042.0	4431.0	4862.0	6433.0	3969.0	4576.0	4138.0	3813.0	2340.0	4758.0	4415.0	down
Budget Balance Primary (Billions, BRL)	0.0	-123.8	-28.3	-52.8	-10.0	-13.2	-60.6	-32.2	-53.4	-62.9	-67.1	3.4	-80.4	up

<b>Chile</b>	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Trend*
IMACEC Economic Activity Index (% YoY)	2.13	1.09	3.25	2.47	1.54	2.31	1.07	0.75	2.59	1.47	-0.44	0.81		down
CPI (% YoY)	4.40	4.80	4.70	4.50	4.20	4.20	4.20	4.00	3.40	3.10	2.80	2.90	2.70	down
Retail Sales (% YoY)	1.85	3.35	7.32	1.43	7.96	0.49	0.95	4.59	0.23	7.41	5.15	4.97		up
Industrial Production (% YoY)	-3.29	-7.39	1.23	4.03	-2.86	-1.26	-3.48	-1.50	2.90	-0.20	-7.40	-1.42		down
Unemployment (%)	5.80	5.80	5.90	6.30	6.40	6.80	6.90	7.10	6.90	6.80	6.40	6.20		down

<b>Mexico</b>	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Trend*
PMI (Index)	51.4	51.8	51.8	51.5	51.2	51.4	49.4	49.1	49.8	51.0	50.1	48.8	47.7	down
CPI (% YoY)	2.1	2.6	2.9	2.6	2.5	2.6	2.5	2.7	2.7	3.0	3.1	3.3	3.4	up
Retail Sales (% YoY)	3.4	5.2	9.6	6.4	10.6	8.6	9.4	7.9	8.9	8.1	9.3	11.2		up
Industrial Production (% YoY)	3.1	0.4	3.4	-1.7	2.8	0.6	1.3	-0.4	3.6	0.2	-0.6	4.3		down
Remittances (Millions, USD)	2200.7	1932.8	2082.0	2189.4	2170.5	2476.2	2306.8	2241.4	2269.0	2378.2	2216.4	2362.9		up

Datasource: Bloomberg

\*Trend = Last 3m - Previous 3m



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