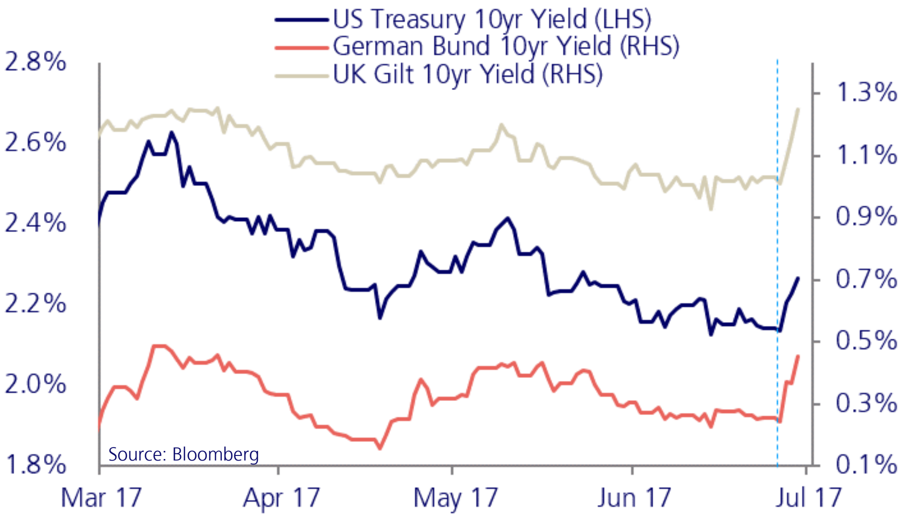
June 30, 2017

Monthly Investment Insights

Bond yields spike, but further gains are limited in the short term



Government bond yields have rebounded, as we had expected, from what were excessively low levels. A number of factors are at work here. Firstly, US economic data have lately been weaker than expected, with the Citigroup's US economic surprise index plunging from +58 to -79 over the last three months. This, in combination with declining commodity prices and falling inflation expectations, had pushed down yields globally. However, an apparently coordinated hawkish tone has recently emerged from the Fed, ECB and BoE, which, along with tentative signs of stabilisation in oil prices, has resulted in yields rebounding sharply over the last few days. Although we think that the move higher was somewhat overdue, we suspect that for yields to move sustainably higher from current levels, it will take evidence of higher growth and inflation prints that vindicate the central bank messaging.

On the growth front, we remain fairly upbeat, treating the recent weak patch in the US as transient. Moreover, very strong sentiment readings in the Eurozone, and some leading indicators in Japan, point towards a still healthy global expansion. However, we recognise that it is difficult to expect aggregate growth to accelerate further from here. We believe the steep recovery in global trade will continue to boost exports and keep the capex cycle intact, while consumption remains robust, despite the fact that wages are still not rising at a pace that could be expected at this stage of the cycle. To us, this is still the missing link in the expansion story, but we believe wage growth and inflation will ultimately rise, albeit in a more delayed manner than in previous cycles.

Global equity indices have largely moved sideways over the last month, while holding close to record levels. Notably, however, there have been significant differences within global stock market performance. Not only have the well-known US benchmark indices made new records, this has also been true for the UK's FTSE 100 index, the German DAX and mid-cap MDAX, as well as Japan's small cap index, Jasdaq. Overall, we continue to favour equities over government bonds, while sticking to our regional preference for the Eurozone, Japan and Asian emerging market stocks. While some technical warning signals are emerging as we approach a more challenging seasonal period, equity markets have shown resilience, with the wobbles in the technology sector, for example, being largely contained. The credit cycle is mature and credit offers little further upside, causing us to maintain our neutral stance.

Market Assessment

Key developments

- Global growth remains healthy, though a further acceleration seems unlikely
- Bond yields spike higher on hawkish central bank rhetoric and a rebound in oil prices
- With political risks having subsided, policy implementation is now moving into focus, particularly in the US, the UK and France

Zurich's view

We think the benign global economic and favourable earnings backdrop still argues for a 'Goldilocks' scenario — not too hot, but not too cold either. This underpins our favourable view of equities versus government bonds, with the latter appearing to be very expensive. Although some technical warning signs for equity markets have emerged and valuations are not cheap, flow data are encouraging and there is little sign yet of investor euphoria. While Japanese and Asian emerging equity markets are expected to continue outperforming, we believe the recent underperformance of Eurozone equities should also reverse.

However, we are not bullish across the board for risk assets. We remain neutral on credit, as we see limited upside amid rich valuations and weak fundamentals. That said, strong supply/demand dynamics imply it is too early to be bearish on credit. Recent events indicate that some creditors will continue to bear losses in future recapitalisation of weak European banks.

	Key developments	Zurich's view
Global	• Global growth remains steady, helped by a pickup in capex spending, but an acceleration from here is unlikely • Underlying inflation is subdued in most regions, and recent falls in oil prices will weigh on headline rates • Central banks remain accommodative despite more hawkish rhetoric	The global recovery remains on track and hard Q1 data confirm that the growth upswing has been supported by capex spending, with investment accelerating in many regions. This is encouraging and in line with the pickup in global trade. Going forward, further upside to growth is unlikely, given headwinds from low oil prices and a softer trade cycle. While growth has surprised positively, inflation is stuck at a low level. This partly reflects economic slack globally, but there has also been some genuine weakness, most notably in the US. Some of the weakness should be reversed, but a lower oil price has increased downside risks. We therefore continue to expect central bank stimulus to remain in place, with the key exception being the Fed.
US	• Weak inflation and a hawkish Fed increases the potential for a policy mistake • The ISM Non-Manufacturing signals a strong employment situation in the service sector • The pace of new payrolls slowed to 138'000 in May while April's number was revised down to 174'000	The labour market continues to strengthen with the unemployment rate falling to 4.3%, the lowest since 2001. The underemployment rate also fell, quickly approaching the last cycle's lows, indicating that slack has further diminished. The NFIB Small Business Survey's index of how hard it is to fill open positions has moved close to the highest on record. Despite the ever tighter labour market, wage growth, measured by average hourly earnings, has slowed to 2.5% YoY. Inflation has weakened as well, with headline CPI decelerating to 1.9% YoY. Looking through the current weakness, the Fed increased its target rate by another 0.25% and signalled its willingness to start reducing its balance sheet relatively soon. Given falling inflation expectations and some mixed economic signals the risk of the Fed being too aggressive has increased.
UK	• The Tories lose their absolute majority in parliament, weakening May both domestically and in negotiations with the EU • Household income is squeezed further as inflation rises and wage growth slows • The BoE's Monetary Policy Committee turns more hawkish, with three members voting for a rate hike	The latest NIESR estimate shows that economic momentum has remained weak in Q2, with a three-month rolling GDP growth rate of only 0.2% in May, the same as in April. A major reason is the continued squeeze of households' purchasing power. Retail prices were up 3.7% YoY in May, while weekly earnings growth slowed down to 2.1% (or only 1.7% excluding bonuses). In retail sales, the annual growth rate fell to a mere 0.6% (excluding fuel), the lowest since 2013. Despite the relatively soft economic environment, the BoE turned more hawkish at its latest meeting, with three members voting for a rate hike. This seems premature, particularly when considering both the increased political uncertainty after the Tories' loss of majority in parliament and the start of Brexit negotiations.
Eurozone	• The ECB gradually changes language, preparing the ground for tapering of QE in 2018 • Eurozone growth remains strong with business surveys still robust • Bond yields remain low for now on oil price weakness	At the ECB June meeting the assessment of risks to growth was changed from 'tilted to the downside' to 'broadly balanced'. The reference to keeping interest rates at low 'or lower' levels was removed. However, ECB President Mario Draghi emphasised that inflation dynamics were still subdued. Indeed, with oil prices declining sharply In June, Eurozone government bond yields fell as well. Looking ahead, the likelihood that the ECB will taper and eventually end QE in 2018 is growing, which should lead to higher bond yields medium term and possibly wider periphery spreads depending on the political news flow. In France, President Macron's absolute majority in parliament will make it easier to push through much needed reforms to the French economy. However, in Italy, there is still uncertainty over the date and likely outcome of the next election.
Switzerland	• Economic activity softens, though it remains at a healthy level • Inflation rises further, surprising on the upside as services prices strengthen • The SNB stays on hold, but signals a more hawkish tone in the financial stability report	The SNB left policy unchanged but adopted a hawkish tone in its financial stability report, signalling that it may raise the countercyclical capital buffer if house market imbalances do not ease. This supports our view that housing and construction will be lacklustre going forward, weighing on growth. It also highlights that rates are unlikely to turn positive any time soon, with the SNB considering precautionary action to tackle drawbacks. The data confirm that growth is slowing, and the PMI and the KOF slipped further in May. Exports are holding up, helped by the Eurozone recovery, but the trade-weighted franc is strong, limiting upside. We have therefore not changed our view that the SNB will keep rates on hold this year and well into next.

	Key developments	Zurich's view
Japan	• Economic momentum remains firm despite a substantial downward revision of growth in Q1 • Monetary policy is expected to remain unchanged • Further outperformance of Japanese equities is dependent on the US bond market via the USDJPY link	We are not too concerned about the substantial downward revision of growth in Q1 from a sequential annualised rate of 2.2% to 1%, as it was driven by a change in inventory, which should reverse in Q2 and Q3. Monthly indicators like the all-industry activity index, the Eco Watchers Survey or exports show that Japan's economy remains resilient, though economic momentum is slowing, confirmed by the drop in the Manufacturing PMI for June from 53.1 to 52. PM Abe's public support rate has dwindled following some political scandals but does not pose a risk for the government. With the Nikkei 225index moving above 20,000 and the Jasdaq index marking a record high, Japanese equities have outperformed global equities since mid-April. However, the seasonal pattern argues for some
China	• Economic momentum is levelling out, but remains solid • Tighter credit and property market policy is taking its toll • The MSCI China keeps outperforming global equity markets	The fact that the Caixin Manufacturing PMI has fallen below 50 indicates a moderation of growth, which is fully in line with the government's target. Other PMIs show resilience, particularly in the important service sector. While house prices in the overheated bigger cities are levelling out following tightening measures, those in the smaller cities keep rising. The MSCI China keeps outperforming global equity markets, but remains susceptible to any change in bullish sentiment toward the mostly US listed Chinese internet stocks. The scheduled inclusion of 5% of the capitalisation of 222 'A'-shares to the MSCI universe will not have a major short-term impact, but needs to be applauded as a first step in acknowledging the importance of the world's second-biggest equity market.
Australia	• The labour market sees a lift in full-time job creation • Moody's downgrades 12 banks to AA3 from AA2, which should have little impact on funding costs • The price of iron ore rebounds above USD 60 per metric ton	Labour data are finally converging with upbeat business sentiment indicators. In 2017, full-time job growth is tracking at ~37k per month and is lifting across regions and sectors, which is encouraging. Even the mining-focused states are seeing better labour dynamics, as well as a stabilisation in investment. Turning to the housing market, we are reluctant to read the recent slowdown of price growth in Sydney and Melbourne as an early sign of a downturn. We think that real estate demand will remain solid and that the recent increase in mortgage rates will probably contribute to a slower growth in prices, not a collapse. As for equity markets, after a lacklustre performance in June, higher metal prices and steeper yield curves could act as upside catalysts.
Brazil	• Political turmoil is delaying the pension reform necessary to shore up fiscal accounts • Inflation is falling to a decade low and is now well below the central bank's target • The economy has turned the corner and a shallow recovery is at play	After another 100bps cut to 10.25%, the central bank signal its belief that in the face of uncertainty around the current reform process, a moderate reduction in the cutting pace is appropriate, indicating a 75bps cut for July. Although a shallow economic recovery is taking place, uncertainty around the country's reform agenda might slow it. The manufacturing index is experiencing a strong bounce and is now above 50 for the second month in a row. Retail sales seem to have bottomed out, job creation has occurred twice already this year and unemployment is about to peak. Confidence indices remain fragile and a double-dip is a risk if the political stalemate lingers. The trajectory of debt that remains a concern and it depends heavily on the passing of structural reforms. In this context, the presidential elections of 2018 might make or break the fiscal metrics.
Mexico	• The incumbent PRI party and the PAN win the gubernatorial elections • Economic growth remains unbalanced • Banxico hikes 25bps to 7%, but signals the end of the tightening cycle	The central bank hiked its reference rate by 25bps to 7%, stating that it is consistent with a convergence of inflation towards 3%. Considering that CPI has crept up to 6.3%, it is clearly a dovish signal. The presidential election race will heat up after tight regional elections that saw the incumbent PRI winning by a small margin. Additionally, the Fed is not done hiking and we don't see Mexican inflation receding rapidly. It is premature to talk about rate cuts. The economy is cruising along with bouncing confidence indices and a currency that retraced its depreciation. PMI have bounced back, but the services economy is losing momentum while the manufacturing side is not finding any traction. NAFTA renegotiation should occur over the summer and we expect modest changes.

Appendix 1

Valuation snapshot (MSCI Indices)

Current trailing valuations

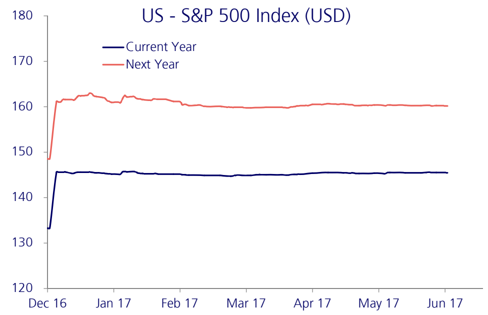
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	24.11	21.95	24.04	25.26	16.73	15.88	15.22	16.37	23.86
12m Trailing P/B	3.11	1.88	1.84	2.58	1.33	1.67	1.74	1.66	2.49
12m Trailing P/CF	14.00	8.02	8.29	13.90	8.60	9.64	7.21	5.80	9.69
Dividend Yield	2.00	3.03	3.91	3.15	2.05	2.68	1.95	3.24	1.96
ROE	12.89	8.58	7.65	10.22	7.95	10.51	11.41	10.11	10.45

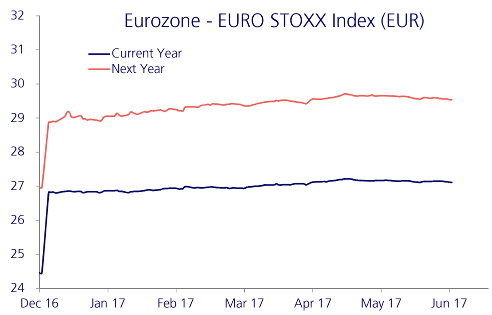
Current trailing valuations relative to MSCI world

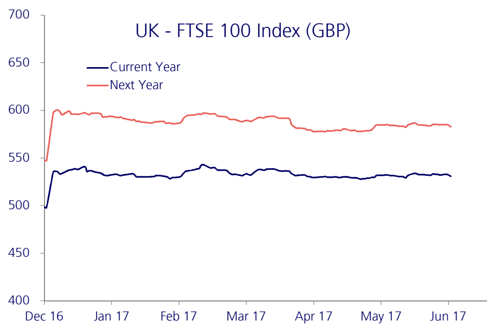
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.13	1.03	1.13	1.19	0.79	0.75	0.72	0.77	1.12
12m Trailing P/B	1.39	0.84	0.83	1.16	0.60	0.75	0.78	0.74	1.12
12m Trailing P/CF	1.31	0.75	0.78	1.30	0.80	0.90	0.67	0.54	0.91
Dividend Yield	0.83	1.26	1.62	1.31	0.85	1.11	0.81	1.35	0.81
ROE	1.23	0.82	0.73	0.98	0.76	1.00	1.09	0.97	1.00

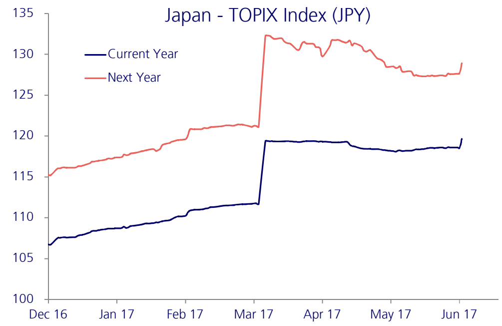
Source: Datastream

Earnings estimates - Full fiscal years



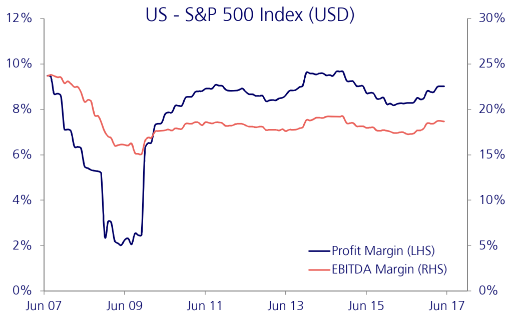


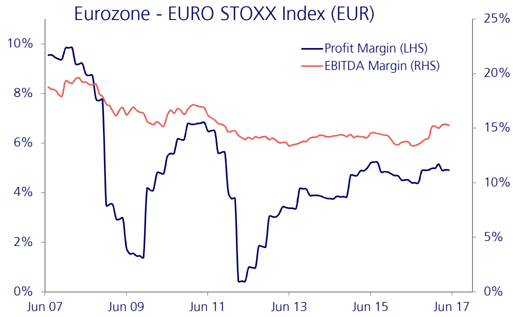


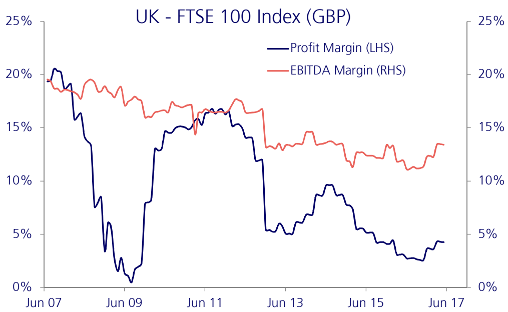


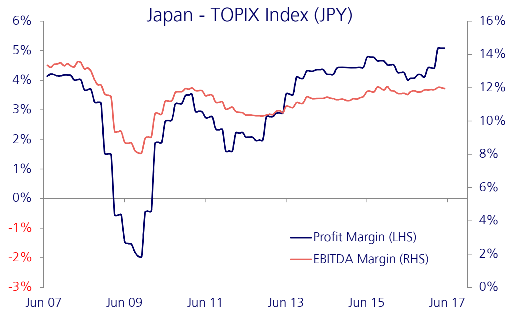
Source: Bloomberg

Historical margins





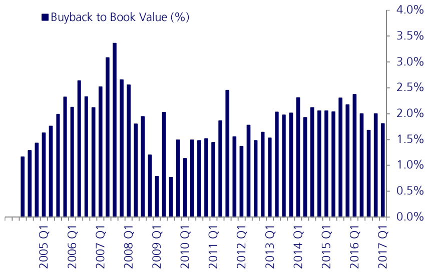




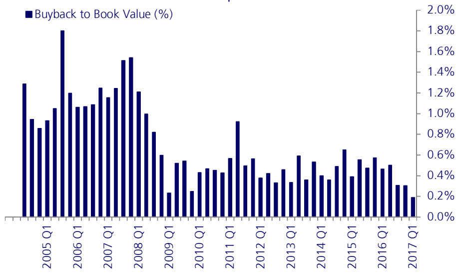
Source: Bloomberg

Shares buybacks

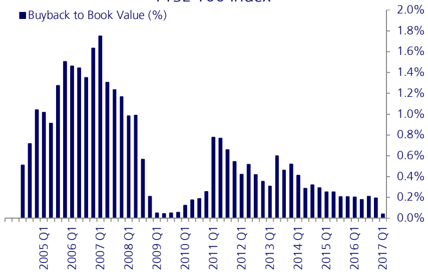
S&P 500 Index



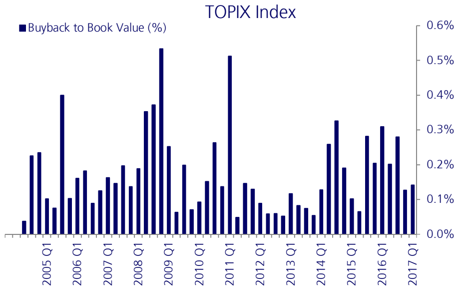
STOXX Europe 600 Index



FTSE 100 Index



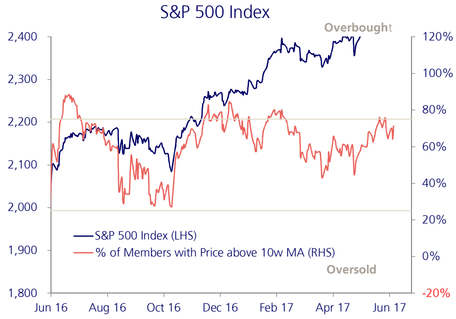
TOPIX Index



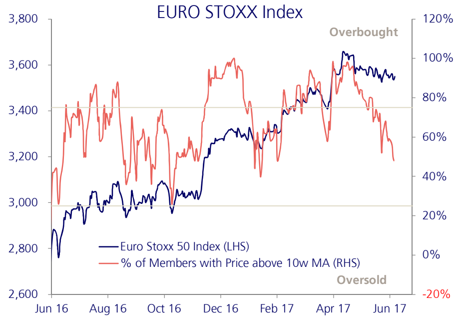
Source: Bloomberg

Overbought / Oversold

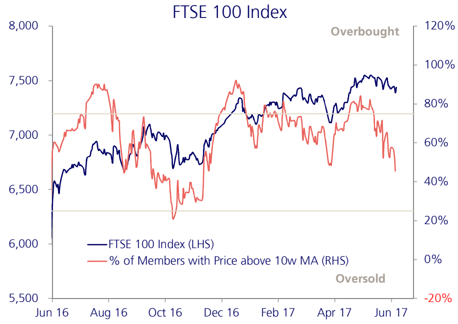
S&P 500 Index



EURO STOXX Index



FTSE 100 Index

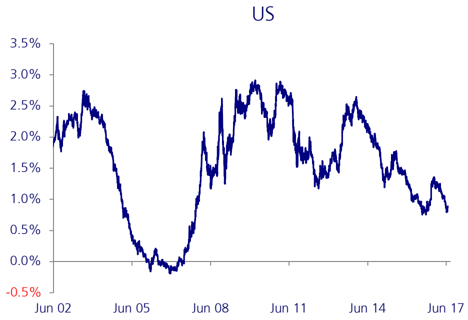


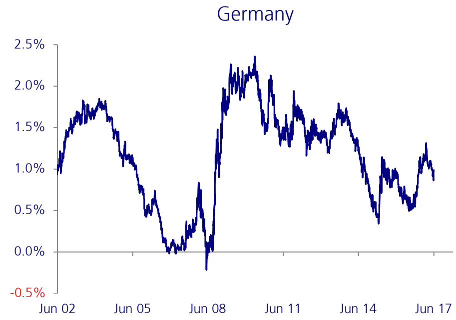
TOPIX Index

Source: Bloomberg

Appendix 3

Yield Curve Steepness (2yr-10yr)





Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Jun-17	1m ago	3m ago	1yr ago
UK	-104	-123	-125	-57
Germany	-183	-195	-206	-164
Switzerland	-231	-239	-248	-204
Japan	-218	-221	-232	-175
Australia	26	17	31	49
China	129	142	91	136
South Korea	-7	0	-20	-6
Malaysia	165	163	176	223
Indonesia	458	470	466	597
Thailand	16		30	39
Philippines	181	n/a	n/a	n/a
Brazil	837	853	768	1,060
Mexico	446	508	464	439
Colombia	417	408	427	600
Peru	329	348	338	456

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Jun-17	1m ago	3m ago	1yr ago
France	35	44	64	34
Netherlands	20	22	25	23
Belgium	33	37	52	38
Austria	26	31	21	36
Ireland	40	48	67	73
Italy	167	188	199	150
Spain	106	126	134	138
Portugal	264	286	365	321

Source: Bloomberg, ZIG

Economic data

US	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Trend*
ISM Manufacturing (Index)	51.0	52.8	52.3	49.4	51.7	52.0	53.5	54.5	56.0	57.7	57.2	54.8	54.9	down
ISM Non-Manufacturing (Index)	53.6	56.1	54.9	51.7	56.6	54.6	56.2	56.6	56.5	57.6	55.2	57.5	56.9	down
Durable Goods (% MoM)	-3.0	-4.8	4.1	0.6	-0.5	6.1	-4.6	0.3	0.3	1.4	2.4	-0.9	-1.1	down
Consumer Confidence (Index)	92.4	97.4	96.7	101.8	103.5	100.8	109.4	113.3	111.6	116.1	124.9	119.4	117.6	up
Retail Sales (% MoM)	2.3	3.0	2.3	2.1	3.2	4.0	3.7	4.0	5.6	4.7	4.8	4.6	3.8	down
Unemployment Rate (%)	4.7	4.9	4.9	4.9	4.9	4.8	4.6	4.7	4.8	4.7	4.5	4.4	4.3	down
Avg Hourly Earnings YoY (% YoY)	2.3	2.5	2.6	2.5	2.7	2.5	2.5	2.5	2.4	2.5	2.3	2.4	2.4	down
Change in Payrolls ('000, MoM)	43.0	297.0	291.0	176.0	249.0	124.0	164.0	155.0	216.0	232.0	50.0	174.0	138.0	down
PCE (% YoY)	1.6	1.6	1.6	1.7	1.7	1.8	1.7	1.7	1.8	1.8	1.6	1.5		down
GDP (%, QoQ, Annualized)		1.4			3.5						1.2			

UK	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Trend*
PMI Services (Index)	53.5	52.3	47.4	52.9	52.6	54.5	55.2	56.2	54.5	53.3	55.0	55.8	53.8	up
Consumer Confidence (Index)	-1.0	-1.0	-12.0	-7.0	-1.0	-3.0	-8.0	-7.0	-5.0	-6.0	-6.0	-7.0	-5.0	neutral
Unemployment Rate (%)	4.9	4.9	4.9	5.0	4.8	4.8	4.8	4.8	4.7	4.7	4.6	4.6		down
CPI (% YoY)	0.3	0.5	0.6	0.6	1.0	0.9	1.2	1.6	1.8	2.3	2.3	2.7	2.9	up
GDP (% YoY)		1.7			2.0						2.0			

Eurozone	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Trend*
PMI Manufacturing (Index)	51.5	52.8	52.0	51.7	52.6	53.5	53.7	54.9	55.2	55.4	56.2	56.7	57.0	up
PMI Services (Index)	53.3	52.8	52.9	52.8	52.2	52.8	53.8	53.7	53.7	55.5	56.0	56.4	56.3	up
IFO Business Climate (Index)	107.7	108.6	108.6	106.6	109.7	110.6	110.5	111.0	109.9	111.1	112.2	113.0	114.6	up
Industrial Production (% MoM)	-1.0	0.5	-0.7	1.7	-0.6	0.1	1.6	-0.9	0.2	-0.1	0.2	0.5		down
Factory Orders GE (% MoM)	0.5	-0.2	-0.6	1.0	0.0	3.2	-1.9	6.1	-6.7	3.5	1.1	-2.1		up
Unemployment Rate (%)	10.2	10.1	10.0	9.9	9.9	9.8	9.7	9.6	9.5	9.4	9.4	9.3		down
M3 Growth (% YoY, 3 months MA)	4.9	5.1	5.1	5.0	5.1	4.5	4.7	5.0	4.8	4.7	5.3	4.9	5.0	up
CPI (% YoY)	-0.1	0.1	0.2	0.2	0.4	0.5	0.6	1.1	1.8	2.0	1.5	1.9	1.4	down
Core CPI (% YoY)	0.8	0.9	0.9	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.7	1.2	0.9	up
GDP (% QoQ)		0.3			0.4						0.6			

Switzerland	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Trend*
KOF Leading Indicator (Index)	101.8	101.2	102.2	99.8	101.6	103.9	102.3	102.3	102.0	106.8	107.2	106.3	101.6	up
PMI Manufacturing (Index)	55.3	51.5	51.5	51.6	54.4	55.2	55.9	56.2	54.6	57.8	58.6	57.4	55.6	up
Real Retail Sales (% YoY)	-2.0	-3.3	-3.0	-2.6	-2.1	-0.4	0.9	-3.5	-1.1	0.4	2.1	-1.2		up
Trade Balance (Billion, CHF)	3.3	3.5	2.7	2.8	4.3	2.5	3.4	2.7	4.8	3.0	3.0	2.0	3.4	down
CPI (% YoY)	-0.4	-0.4	-0.2	-0.1	-0.2	-0.2	-0.3	0.0	0.3	0.6	0.6	0.4	0.5	up

Japan	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Trend*
Nomura Manufacturing PMI (Index)	47.7	48.1	49.3	49.5	50.4	51.4	51.3	52.4	52.7	53.3	52.4	52.7	53.1	down
Machine Orders (% YoY)	-11.7	-0.9	5.2	11.6	4.3	-5.6	10.4	6.7	-8.2	5.6	-0.7	2.7		down
Industrial Production (% YoY)	-0.6	-1.6	-4.2	4.5	1.5	-1.2	4.4	3.1	3.2	4.7	3.5	5.7		up
ECO Watchers Survey (Index)	43.0	41.2	45.1	45.6	44.8	46.2	48.6	51.2	48.6	48.5	50.6	50.4	50.1	up
Jobs to Applicants Ratio (Index)	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.5	1.5		up
Labour Cash Earnings (% YoY)	-0.1	1.4	1.2	0.0	0.0	0.1	0.5	0.5	0.3	0.4	0.0	0.5		down
Department Store Sales (% YoY)	-5.1	-3.5	-0.1	-6.0	-5.0	-3.9	-2.4	-1.7	-1.2	-1.7	-0.9	0.7	0.0	up
Money Supply M2 (% YoY)	3.3	3.3	3.3	3.2	3.4	3.6	3.8	3.9	4.0	4.1	4.2	4.0	3.9	up
CPI Ex Food & Energy (% YoY)	0.5	0.5	0.3	0.2	0.0	0.2	0.1	0.0	0.1	-0.1	-0.3	-0.3		down
Exports (% YoY)	-11.3	-7.4	-14.0	-9.6	-6.9	-10.3	-0.4	5.4	1.3	11.3	12.0	7.5	14.9	up

China	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Trend*
PMI Manufacturing (Index)	50.1	50.0	49.9	50.4	50.4	51.2	51.7	51.4	51.3	51.6	51.8	51.2	51.2	down
Industrial Production (% YoY)	6.0	6.2	6.0	6.3	6.1	6.1	6.2	6.0			7.6	6.5	6.5	up
Retail Sales (% YoY)	10.0	10.6	10.2	10.6	10.7	10.0	10.8	10.9			10.9	10.7	10.7	up
PPI (% YoY)	-2.8	-2.6	-1.7	-0.8	0.1	1.2	3.3	5.5	6.9	7.8	7.6	6.4	5.5	down
Exports (% YoY)	-6.9	-6.8	-6.5	-3.8	-10.4	-7.9	-1.5	-6.2	7.5	-1.7	16.4	8.0	8.7	up
CPI (% YoY)	2.0	1.9	1.8	1.3	1.9	2.1	2.3	2.1	2.5	0.8	0.9	1.2	1.5	down
RRR (%)	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	neutral
GDP (% YoY)		6.7			6.7						6.9			up
PMI Non Manufacturing (Index)	50.1	50.0	49.9	50.4	50.4	51.2	51.7	51.4	51.3	51.6	51.8	51.2	51.2	down
Aggregate Financing (Billions, CNY)	677.0	1647.9	479.1	1460.5	1711.5	886.5	1832.8	1626.0	3720.2	1086.4	2136.3	1383.4	1062.5	down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Economic data

Australia	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Trend*
AiG Manufacturing (Index)	51.0	51.8	56.4	46.9	49.8	50.9	54.2	55.4	51.2	59.3	57.5	59.2	54.8	up
AiG Service (Index)	51.5	51.3	53.9	45.0	48.9	50.5	51.1	57.7	54.5	49.0	51.7	53.0	51.5	down
Westpac Consumer Confidence (% MoM)	8.5	-1.0	-3.0	2.0	0.3	1.1	-1.1	-3.9	0.1	2.3	0.1	-0.7	-1.1	down
Building Approvals (% YoY)	-3.5	-4.4	5.5	15.0	-3.8	-23.9	-3.6	-10.4	-10.1	-6.2	-19.9	-17.2		down
Employment Change ('000, MoM)	5.9	13.9	32.0	-17.4	-23.0	11.6	46.1	15.9	4.7	7.9	53.0	46.1	42.0	up

Brazil	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Trend*
CPI (% YoY)	9.3	8.8	8.7	9.0	8.5	7.9	7.0	6.3	5.4	4.8	4.6	4.1	3.6	down
Industrial Production (% YoY)	-6.7	-7.4	-5.5	-6.3	-5.0	-4.4	-7.5	-1.4	-0.2	1.4	-0.7	1.4	-4.5	down
Retail Sales (% YoY)	-6.9	-9.0	-4.8	-5.6	-5.5	-5.7	-8.1	-3.8	-4.9	-1.2	-3.7	-3.2	1.9	up
Trade Balance (Millions, USD)	6433.0	3975.0	4577.0	4140.0	3802.0	2346.0	4756.0	4415.0	2724.0	4560.0	7145.0	6969.0	7661.0	up
Budget Balance Primary (Billions, BRL)	-13.2	-60.6	-32.2	-53.4	-62.9	-67.1	3.4	-80.4	-105.2	0.3	-54.2	-54.3	-15.4	up

Chile	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Trend*
IMACEC Economic Activity Index (% YoY)	2.53	1.32	0.87	2.96	1.45	-0.26	1.02	0.59	1.45	-1.39	0.28	0.10		down
CPI (% YoY)	4.20	4.20	4.00	3.40	3.10	2.80	2.90	2.70	2.80	2.70	2.70	2.70	2.60	down
Retail Sales (% YoY)	0.49	0.96	4.59	0.23	7.41	5.15	4.97	4.10	3.85	-1.18	6.00	-0.40		down
Industrial Production (% YoY)	-3.14	-4.68	-2.47	3.10	-0.46	-7.19	-0.09	1.29	-1.23	-8.03	-8.31	-4.20		down
Unemployment (%)	6.80	6.90	7.10	6.90	6.80	6.40	6.20	6.10	6.20	6.40	6.60	6.70		up

Mexico	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Trend*
PMI (Index)	51.0	49.1	49.2	49.8	51.0	50.2	48.7	48.4	48.5	46.4	46.2	44.5	47.6	down
CPI (% YoY)	2.6	2.5	2.7	2.7	3.0	3.1	3.3	3.4	4.7	4.9	5.4	5.8	6.2	up
Retail Sales (% YoY)	8.6	9.4	7.9	8.9	8.1	9.3	11.2	9.0	4.9	3.6	6.1	1.4		down
Indutrial Production (% YoY)	0.7	1.4	-0.6	3.7	0.1	-0.5	4.4	1.8	4.5	1.3	8.5	-1.7		down
Remittances (Millions, USD)	2476.2	2306.8	2241.4	2269.0	2374.2	2220.4	2371.1	2338.6	2062.3	2056.9	2520.3	2306.0		up

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Disclaimer and cautionary statement

Zurich Insurance Company Ltd
Investment Management
Mythenquai 2
8002 Zurich

173001631 (01/16) TCL

ZURICH®