

Monthly Investment Insights

A bear hug for Chinese stocks



Source: Bloomberg

Many equity markets have fallen back into negative territory for the year and Chinese stocks entered a bear market in June, having fallen by more than 20% from January highs. Political developments in Italy and geopolitical posturing on tariffs have undermined investor confidence, resulting in bond markets experiencing some reprieve from what had been a move higher in yields. Going forward, we believe that strong earnings, stock repurchases and M&A will sooth investor concerns and allow stocks to outperform as an asset class.

While an all-out trade war is unlikely, the current angst around tariffs is somewhat justifiable given the risks posed. The Trump administration seems determined to show that it is delivering on its 'America First' pledge, particularly with the mid-term elections in November on the radar. US tariffs have been imposed on steel and aluminium imports for reasons of 'national security'. Key trading partners will be retaliating along WTO guidelines, with the Eurozone imposing reciprocal tariffs on goods ranging from jeans and whisky to motor bikes as of July 6th. Although we feel that further posturing is probable, agreements are likely to be found and investors have largely discounted the immediate risks. Importantly, as July progresses, we believe that second quarter earnings releases will become the focal point and remind investors that the corporate sector remains in rude health.

Above-trend economic growth in most regions is fuelling earnings and spurring corporate investment. We expect that the upcoming Q2 earnings season will surprise positively. US results are likely to be up in the region of 20% from a year earlier, while in the Eurozone, low double-digit gains are expected. The strong earnings environment has led to multiple compression and the improving valuation picture should help to entice fund flows. While the current market turbulence may have a bit further to run, the last few months represent a period of consolidation that sets the stage for a push higher in stocks once geopolitical fears subside.

Credit markets remain under pressure as M&A rises, with jumbo deals such as Disney's bid for 21st Century and AT&T's bid for Time Warner, vindicating our cautious stance on credit relative to stocks. Significant concessions are now being demanded in primary markets to get deals away, something we feel will define credit markets going forward and signals that spreads have passed their lows for the cycle. Consequently, as earnings are delivered and fears subside, equities are likely to outperform both credit and government bonds in the short to mid term.

Market Assessment

Key developments

- The US Federal Reserve signals two more rate hikes this year followed by four next year, as growth remains robust and inflation hits target
- The ECB confirms it will taper QE but maintains a dovish policy stance, with the first rate hike expected to be after the summer of 2019
- Tariff posturing intensifies, with the US implementing steel and aluminium tariffs and threatening escalation, while trading partners announce retaliatory measures

Zurich's view

Fundamentals favour equities as an asset class. Economic growth is above trend in most regions, fuelling earnings and spurring corporate investment. We expect that the upcoming Q2 earnings season will surprise positively and encourage a resumption of the equity rally. US stocks are likely to lead the way, while Japan and the Eurozone are now unloved with the potential to surprise.

We see little upside for credit markets and believe that the lows for spreads have passed. Leverage is excessive and still rising, with cash being transferred to shareholders in the form of stock repurchases and increasing M&A activity. The market is mature, with new issues under pressure and concessions increasing. This is not yet the end of the credit cycle, but upside is limited.

Bonds have benefitted from the risk-off sentiment. Economic prospects and slightly firmer inflation prints going forward suggest yields will rebound, helped by a more hawkish Fed and the ECB ending QE by year end. Peripheral spreads, particularly BTPs, remain elevated and will remain so until political and fiscal uncertainty in Italy subsides.

Key developments

Zurich's view

Global

- The global economy continues to expand at a solid pace, but growth is becoming less synchronised
- Emerging markets face stronger headwinds as central banks hike rates to stave off currency weakness
- Risks are material, with protectionism and Eurozone politics at the fore

The global economy is expanding at a solid pace but conditions have become more mixed, with DMs still growing at an above trend rate while activity in EMs has moderated. Fed tightening and a strong USD have triggered a wave of rate hikes in EMs, including Mexico, the Philippines, Hong Kong, Turkey and India in June. The response is appropriate, but tighter financial conditions will weigh on growth. China is loosening policy to stave off weaker domestic activity, which should partly compensate. Risks around protectionism have risen, with the US implementing targeted tariffs and a tit for tat response from trading partners. The direct impact of these measures is limited, but sentiment and investment could be hit, requiring a deft touch from central banks.

US

- Economic activity remains strong while inflation is slowly creeping higher
- The Fed raises rates and signals two more rate hikes this year
- Stock markets continue to rise with the NASDAQ reaching a new all-time high

Economic momentum remains strong with both the ISM Manufacturing and Non-Manufacturing surveys rebounding from recent dip. In both cases new orders recovered, indicating solid business activity ahead, though neither index reached the levels seen earlier this year. Encouraged by strong economic activity and inflation slowly moving higher, the Fed increased the funds rate to 1.75%–2% and signalled two more rate hikes for this year. We suspect they will be in September and December as core PCE inflation has finally hit the Fed's 2% target. Meanwhile, stock markets are holding up well, with the S&P 500 in positive territory so far this month and the NASDAQ even climbing to a new all-time high despite increasingly aggressive rhetoric and the risk of escalating trade disputes.

UK

- The economy is recovering from the first quarter's weather-distorted soft patch
- Theresa May has avoided an open rebellion so far, but tension within her party remains high
- The BoE keeps rates on hold, but the majority to do so slims to 6-3 as the chief economist also votes for a rate hike

Stock market volatility has increased markedly as investors are torn between the supportive impact of higher energy prices and a weaker pound on one side and an increasingly uncertain outcome with regard to Brexit on the other. So far, Theresa May has managed to avoid an open rebellion within her party, but the differences are likely to resurface soon and both the stock market as well as the currency will face further turbulence. The economy is recovering from the weather-distorted first quarter, with household spending expected to pick up in Q2. Encouraged by better economic data, three members of the Monetary Policy Committee voted to raise interest rates at the BoE's meeting in June. If economic data continue to point towards a rebound a rate hike in the coming months could still be in the cards.

Eurozone

- The ECB announces a dovish taper with aggressive forward guidance, supporting Eurozone growth and inflation
- Germany and France present joint proposals to reform the Eurozone
- The new Italian government's 2019 budget could create tensions with the European Commission

The ECB announced a taper of QE asset purchases in Q4 2018, as we had been expecting for some time. However, it also committed to not raising interest rates for more than a year. This is a sensible strategy that should support growth and inflation, and prevent the euro from appreciating sharply. Meanwhile, Germany and France presented joint proposals to reform the Eurozone such as allowing the ESM to help governments without a full bailout programme in place. This is an encouraging development that, if implemented, would make the region more resilient to shocks. Nevertheless, near term political risks are high, as the new Italian government prepares its budget for 2019 and negotiates with the rest of the EU over how to deal with the migrant crisis.

Switzerland

- Peak growth is likely to be behind us, as survey data retreat from recent highs and the global industrial cycle moderates
- Unemployment falls to a cycle low, helping to underpin stronger dynamics in the domestic economy
- The SNB leaves policy unchanged and maintains a dovish stance while highlighting rising risk in the housing market

The SNB left policy unchanged in the quarterly meeting, as expected. The central bank reiterated that the currency is overvalued and negative rates and the ability to intervene in forex markets are still required to safeguard the recovery. The franc has spiked higher amid political risk in Italy and concerns around protectionism, showing that the SNB's strategy is the right one. Economic data remain firm, though key indicators have retreated from their recent highs, with peak growth likely to be behind us. The labour market has tightened notably, with the unemployment rate at a cycle low of 2.6%. Capacity pressures are rising but this is not reflected in higher inflation; core inflation remains at only 0.4%.

Japan

- Following a soft patch in Q1, the latest economic indicators confirm a recovery is underway
- The corporate earnings outlook remains conservative, while earnings revisions are starting to level out
- Despite low poll ratings for PM Abe's administration, we believe he will be re-elected as LDP party president this autumn

As anticipated, Japan's economy is recovering from its Q1 slump, with an improving outlook for the manufacturing sector, while service sector activity remains firm. External demand for Japanese products is still solid, even though US induced trade disputes may have a negative direct and indirect impact on Japanese exports. While polls do not yet indicate an improvement in sentiment toward the government, our base scenario assumes that PM Abe will prevail in upcoming elections for the LDP leadership. Given an unstable yen Japanese equities have rolled over, both on an absolute and relative basis, which is in line with the usual seasonal pattern. Earnings revisions remain negative, but are stabilising. We believe corporations are too cautious in their earnings outlook for this year.

China

- Monetary policy is getting looser, as growth slows amid the impact of deleveraging
- The trade dispute with the US is a concern and may escalate further
- The currency is falling and the 'A' share equity index has now entered a technical bear market

Despite firm PMIs and GDP data, it is evident that China's economic growth is slowing. Retail sales, industrial production and infrastructure investment data for May were weaker than consensus had expected. We are not surprised as the deleveraging process had to take its toll. The PBoC cut its RRR by another 50bps, adding RMB 700bn of liquidity to the banks for both their debt-to-equity swap programs as well as to support SMEs. The trade dispute with the US seems to be escalating further following the initial tariffs of 25% on USD 50bn trade volume in both directions. The US administration has threatened to add another 10% of tariffs to 200bn of Chinese imports and to restrict investments into USD technology firms. Both the CNY as well as Chinese stock markets have reacted negatively.

Australia

- Senate approves personal income tax cuts, but positive effects on consumption are not expected before stage 2 in 2022
- Australian equities outperform global equities
- The Australian dollar reaches its lowest level in a year

In the residential property market, leading indicators point toward an orderly correction in prices. Investor mortgage approvals continue to decline, while owner-occupier lending is flattening. On the consumer front, sentiment has ticked up. The labour market participation rate has come down slightly and employment growth has stabilised at a decent pace. The RBA's business liaison survey is encouraging: ~25% of surveyed companies expect stronger wage growth, vs. ~10% at the beginning of the year. The central bank will patiently wait for wage growth to pick up and will probably stay on hold until H1 2019. Turning to markets, range-bound metal prices and ongoing US dollar strength are constant headwinds for the Australian dollar.

ASEAN

- Foreign outflows from ASEAN equities continue, driven by tighter financing conditions and political uncertainty
- Bank Indonesia (BI) hikes its policy rate for the third time this year and by 50bps
- Despite financial market volatility, economic data remain robust

Indonesian exports growth was 12.5% YoY in May, below the 28% import growth print. As a result, the trade deficit reached USD 1.5bn, weighing on the rupiah. BI will likely follow the Fed's lead and deliver more rate hikes in 2018-19. So far, tightening has not impacted growth, as consumption and investment are healthy. In Malaysia, foreign investors remain risk averse as policy uncertainty persists. The government has announced that it would stick to the 2.8% fiscal deficit target for 2018. We think that this target is achievable but challenges are likely to appear in the following years. Malaysian equities are likely to recover in the coming months, as economic policies are being clarified. Overall, a stabilisation in ASEAN currencies is required for local equity markets to strengthen.

Valuation snapshot (MSCI Indices)

Current trailing valuations

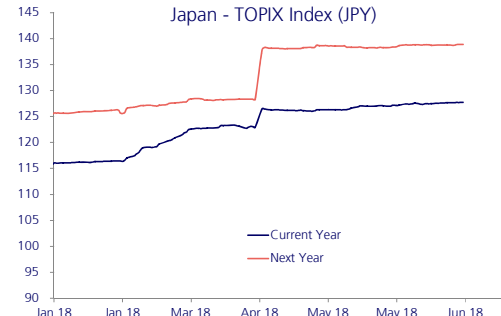
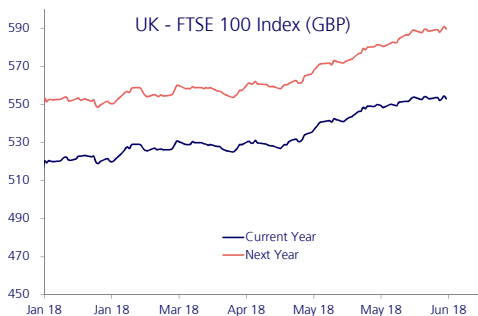
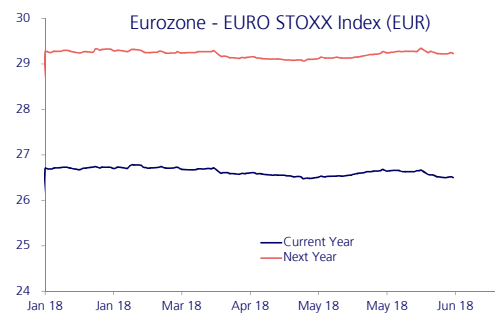
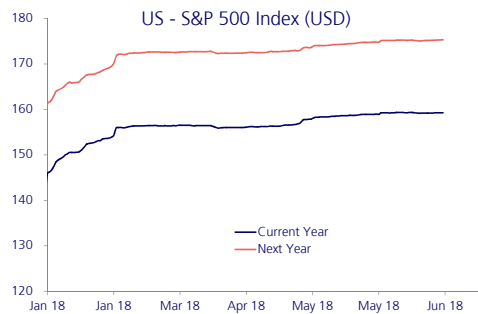
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	23.00	17.47	17.05	22.61	14.55	14.45	15.20	19.16	19.29
12m Trailing P/B	3.23	1.86	1.77	2.50	1.37	1.76	1.94	2.01	2.41
12m Trailing P/CF	15.32	9.03	10.57	14.44	7.86	9.30	8.63	7.73	8.69
Dividend Yield	1.95	3.14	3.98	3.23	2.03	2.60	1.70	2.78	2.31
ROE	14.03	10.64	10.40	11.07	9.42	12.16	12.77	10.50	12.47

Current trailing valuations relative to MSCI world

	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.22	0.93	0.90	1.20	0.77	0.77	0.81	1.01	1.02
12m Trailing P/B	1.43	0.82	0.78	1.11	0.61	0.78	0.86	0.89	1.06
12m Trailing P/CF	1.32	0.78	0.91	1.25	0.68	0.80	0.75	0.67	0.75
Dividend Yield	0.81	1.31	1.66	1.34	0.84	1.08	0.71	1.16	0.96
ROE	1.17	0.89	0.87	0.92	0.79	1.02	1.07	0.88	1.04

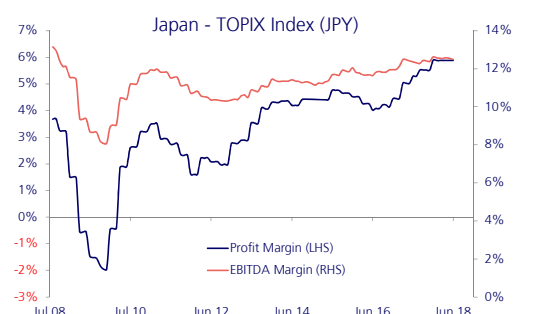
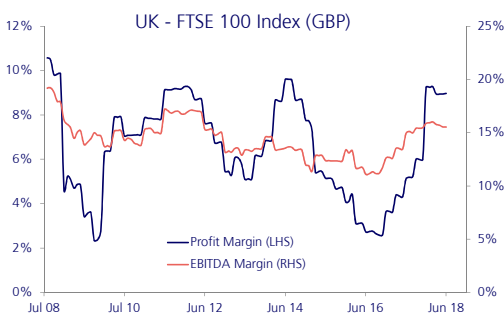
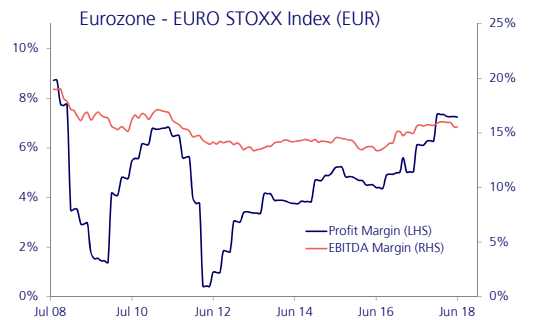
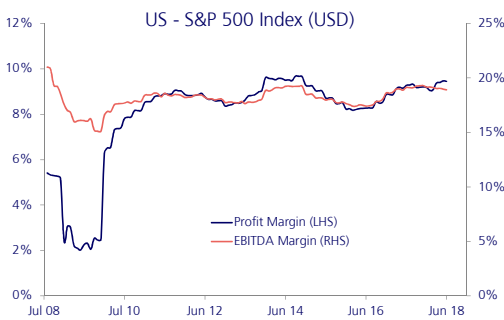
Source: Datastream

Earnings estimates - Full fiscal years



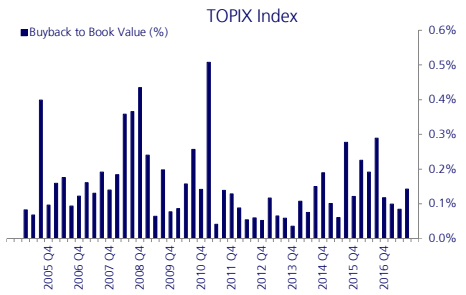
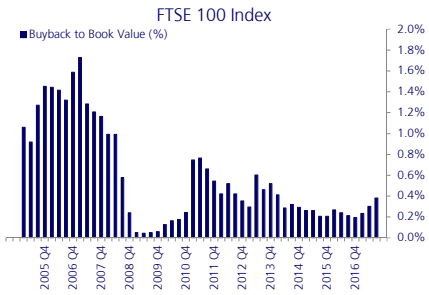
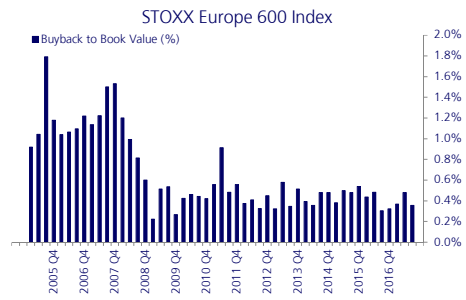
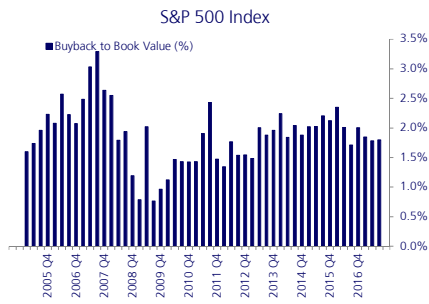
Source: Bloomberg

Historical margins



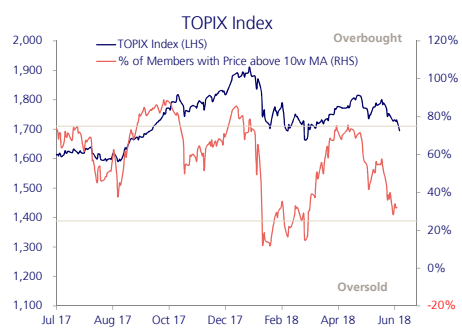
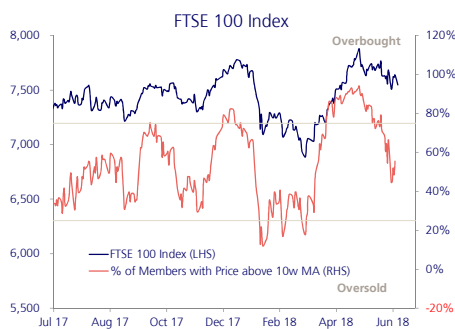
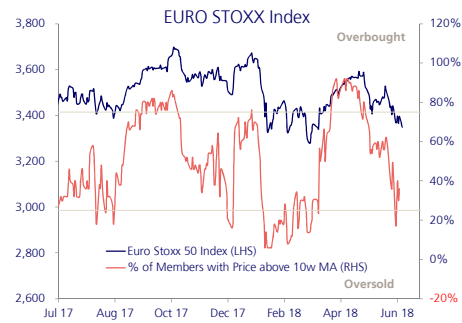
Source: Bloomberg

Shares buybacks



Source: Bloomberg

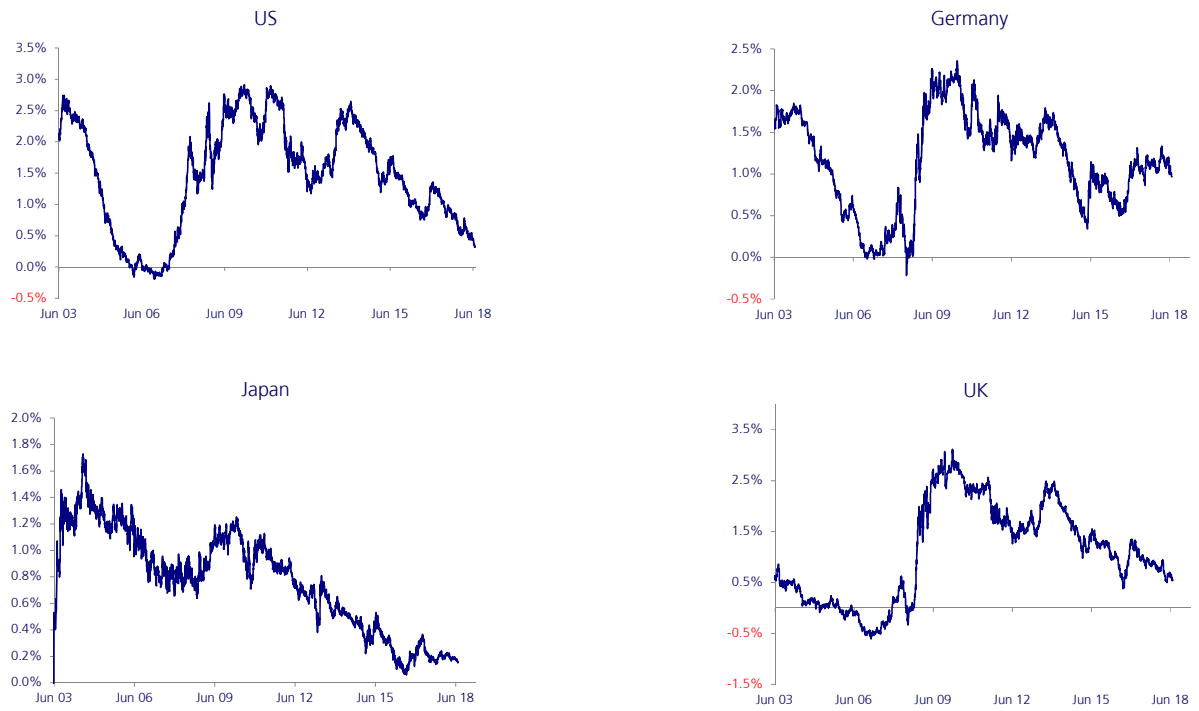
Overbought / Oversold



Source: Bloomberg

Appendix 3

Yield Curve Steepness (2yr-10yr)



Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

Country	Spread over US Treasury (bps)			
	Jul-18	1m ago	3m ago	1yr ago
UK	-157	-162	-142	-105
Germany	-254	-252	-227	-184
Switzerland	-290	-296	-275	-233
Japan	-280	-285	-275	-222
Australia	-23	-20	-17	29
China	65	74	98	126
South Korea	-27	-20	-14	-9
Malaysia	137	128	117	162
Indonesia	496	409	382	453
Thailand	-25		-39	17
Philippines	123	n/a	n/a	n/a
Brazil	885	851	697	n/a
Mexico	479	494	457	449
Colombia	375	370	375	412
Peru	275	277	204	324

Generic Government Yields (10yr)

Country	Spread over German Bund (bps)			
	Jul-18	1m ago	3m ago	1yr ago
France	38	32	23	35
Netherlands	16	18	15	19
Belgium	40	39	28	34
Austria	28	30	22	25
Ireland	52	59	42	n/a
Italy	248	230	129	169
Spain	106	106	69	107
Portugal	152	149	114	256

Source: Bloomberg, ZIG

Economic data

US	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Trend*
ISM Manufacturing (Index)	56.7	56.5	59.3	60.2	58.5	58.2	59.3	59.1	60.8	59.3	57.3	58.7		down
ISM Non-Manufacturing (Index)	57.2	54.3	55.2	59.4	59.8	57.3	56.0	59.9	59.5	58.8	56.8	58.6		down
Durable Goods (% MoM)	7.1	-7.4	2.7	4.7	-4.1	2.2	3.2	-4.2	4.5	2.7	-1.0	-0.6		down
Consumer Confidence (Index)	117.3	120.0	120.4	120.6	126.2	128.6	123.1	124.3	130.0	127.0	125.6	128.8	126.4	down
Retail Sales (% MoM)	3.5	3.7	3.7	5.2	5.3	6.1	5.3	3.9	4.5	5.1	4.8	5.9		up
Unemployment Rate (%)	4.3	4.3	4.4	4.2	4.1	4.1	4.1	4.1	4.1	4.1	3.9	3.8		down
Avg Hourly Earnings YoY (% YoY)	2.3	2.2	2.3	2.6	2.2	2.3	2.4	2.4	2.5	2.6	2.6	2.8		up
Change in Payrolls ('000, MoM)	239.0	190.0	221.0	14.0	271.0	216.0	175.0	176.0	324.0	155.0	159.0	223.0		down
PCE (% YoY)	1.5	1.4	1.3	1.4	1.5	1.5	1.5	1.5	1.5	1.8	1.8	2.0		up
GDP (% QoQ, Annualized)	3.1			3.2			2.9			2.0				
UK	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Trend*
PMI Services (Index)	53.4	53.8	53.2	53.6	55.6	53.8	54.2	53.0	54.5	51.7	52.8	54.0		down
Consumer Confidence (Index)	-10.0	-12.0	-10.0	-9.0	-10.0	-12.0	-13.0	-9.0	-10.0	-7.0	-9.0	-7.0	-9.0	up
Unemployment Rate (%)	4.4	4.3	4.3	4.3	4.3	4.3	4.4	4.3	4.2	4.2	4.2			down
CPI (% YoY)	2.6	2.6	2.9	3.0	3.0	3.1	3.0	3.0	2.7	2.5	2.4	2.4		down
GDP (% YoY)	1.8			1.7			1.3			1.2				
Eurozone	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Trend*
PMI Manufacturing (Index)	57.4	56.6	57.4	58.1	58.5	60.1	60.6	59.6	58.6	56.6	56.2	55.5	55.0	down
PMI Services (Index)	55.4	55.4	54.7	55.8	55.0	56.2	56.6	58.0	56.2	54.9	54.7	53.8	55.0	down
IFO Business Climate (Index)	102.7	104.3	104.2	104.4	104.9	105.2	105.0	104.8	104.2	103.4	102.2	102.3	101.8	down
Industrial Production (% MoM)	-1.0	1.4	1.2	-0.3	0.1	1.5	-0.2	-0.6	-0.8	0.6	-0.9			up
Factory Orders GE (% MoM)	0.7	-0.5	3.5	0.6	0.8	0.4	2.6	-3.5	-0.2	-1.1	-2.5			down
Unemployment Rate (%)	9.0	9.0	9.0	8.9	8.8	8.7	8.7	8.7	8.6	8.6	8.5			down
M3 Growth (% YoY, 3 months MA)	4.9	4.6	5.0	5.2	5.0	4.9	4.6	4.6	4.3	3.7	3.8	4.0		down
CPI (% YoY)	1.3	1.3	1.5	1.5	1.4	1.5	1.4	1.3	1.1	1.3	1.3	1.9	2.0	up
Core CPI (% YoY)	1.1	1.2	1.2	1.1	0.9	0.9	0.9	1.0	1.0	1.0	0.8	1.1	1.0	down
GDP (% QoQ)	0.7			0.7			0.7			0.4				
Switzerland	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Trend*
KOF Leading Indicator (Index)	105.3	107.4	104.3	106.1	109.4	110.3	111.4	107.6	108.3	105.1	103.3	100.0	101.7	down
PMI Manufacturing (Index)	60.0	60.3	61.4	62.2	61.5	64.6	65.6	65.3	65.5	60.3	63.6	62.4	61.6	down
Real Retail Sales (% YoY)	1.7	-0.1	-1.2	0.3	-2.1	0.4	1.6	-0.4	0.2	-1.0	2.9	-0.1		up
Trade Balance (Billion, CHF)	2.8	3.5	2.2	2.8	2.3	2.6	2.6	2.1	3.2	1.7	2.2	2.8		down
CPI (% YoY)	0.2	0.3	0.5	0.7	0.7	0.8	0.8	0.7	0.6	0.8	0.8	1.0		up
Japan	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Trend*
Nomura Manufacturing PMI (Index)	52.4	52.1	52.2	52.9	52.8	53.6	54.0	54.8	54.1	53.1	53.8	52.8	53.0	down
Machine Orders (% YoY)	-5.2	-7.5	4.4	-3.5	2.3	4.1	-5.0	2.9	2.4	-2.4	9.6			up
Industrial Production (% YoY)	5.2	4.5	5.0	2.5	5.7	3.6	4.5	2.9	1.6	2.4	2.6	4.2		up
ECO Watchers Survey (Index)	49.9	51.0	49.6	49.6	49.9	52.4	53.9	49.1	48.4	51.7	50.9	47.7		down
Jobs to Applicants Ratio (Index)	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6		up
Labour Cash Earnings (% YoY)	0.4	-0.6	0.7	0.9	0.2	0.9	0.9	1.2	1.0	2.0	0.6			down
Department Store Sales (% YoY)	1.4	-1.4	2.0	4.4	-1.8	2.2	-0.6	-1.2	-0.9	0.1	0.7	-2.0		up
Money Supply M2 (% YoY)	3.9	4.0	4.0	4.1	4.1	4.0	3.6	3.4	3.2	3.1	3.2	3.2		down
CPI Ex Food & Energy (% YoY)	-0.2	-0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.3	0.3	0.1	0.1		neutral
Exports (% YoY)	9.7	13.4	18.1	14.1	14.0	16.2	9.4	12.3	1.8	2.1	7.8	8.1		down
China	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Trend*
PMI Manufacturing (Index)	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3	50.3	51.5	51.4	51.9	51.5	up
Industrial Production (% YoY)	7.6	6.4	6.0	6.6	6.2	6.1	6.2			6.0	7.0	6.8		up
Retail Sales (% YoY)	11.0	10.4	10.1	10.3	10.0	10.2	9.4			10.1	9.4	8.5		up
PPI (% YoY)	5.5	5.5	6.3	6.9	6.9	5.8	4.9	4.3	3.7	3.1	3.4	4.1		down
Exports (% YoY)	10.3	6.4	4.9	7.9	6.3	11.5	10.9	10.8	43.7	-2.9	12.6	12.6		down
CPI (% YoY)	1.5	1.4	1.8	1.6	1.9	1.7	1.8	1.5	2.9	2.1	1.8	1.8		down
RRR (%)	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	16.0	16.0	16.0	down
GDP (% YoY)	6.9			6.8			6.8			6.8				neutral
PMI Non Manufacturing (Index)	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3	50.3	51.5	51.4	51.9	51.5	up
Aggregate Financing (Billions, CNY)	1771.8	1195.6	1489.5	1833.5	1035.7	1619.6	1139.8	3061.0	1167.1	1357.2	1575.0	760.8		down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Appendix 5

Economic data

Australia	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Trend*
AiG Manufacturing (Index)	55.0	56.0	59.8	54.2	51.1	57.3	56.2	58.7	57.5	63.1	58.3	57.5	57.4	down
AiG Service (Index)	54.8	56.4	53.0	52.1	51.4	51.7	52.0	54.9	54.0	56.9	55.2	59.0		up
Westpac Consumer Confidence (% MoM)	-1.8	0.4	-1.2	2.5	3.6	-1.7	3.6	1.8	-2.3	0.2	-0.6	-0.6	0.3	down
Building Approvals (% YoY)	1.8	-9.9	-12.7	0.6	17.3	20.1	-4.4	14.4	-0.8	15.6	1.9			up
Employment Change ('000, MoM)	28.5	32.3	54.2	20.7	9.5	62.7	33.9	36.0	-6.5	2.1	18.3	12.0		down

Brazil	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Trend*
CPI (% YoY)	3.0	2.7	2.5	2.5	2.7	2.8	3.0	2.9	2.8	2.7	2.8	2.9		down
Industrial Production (% YoY)	4.5	0.9	2.8	4.0	2.5	5.5	4.7	4.6	5.8	2.2	1.2	8.9		down
Retail Sales (% YoY)	2.6	2.9	3.1	3.6	6.2	2.6	6.0	4.0	3.1	1.5	8.0	0.6		down
Trade Balance (Millions, USD)	7195.0	6298.0	5599.0	5178.0	5201.0	3546.0	4998.0	2816.0	5002.0	6420.0	5935.0	5981.0		up
Budget Balance Primary (Billions, BRL)	-51.1	-44.6	-45.5	-53.3	-30.5	-30.0	-65.6	18.6	-45.8	-57.6	-26.8	-47.9		down

Chile	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Trend*
IMACEC Economic Activity Index (% YoY)	0.99	2.71	2.52	2.34	3.45	3.56	2.79	4.01	4.05	4.47	5.86			down
CPI (% YoY)	1.70	1.70	1.90	1.50	1.90	1.90	2.30	2.20	2.00	1.80	1.90	2.00		down
Retail Sales (% YoY)	4.17	3.65	5.57	3.81	3.43	5.56	4.24	3.86	3.55	3.90	7.42			down
Industrial Production (% YoY)	-1.24	3.41	4.33	0.55	3.84	2.33	0.10	5.26	8.84	8.72	7.57	3.61		up
Unemployment (%)	7.00	6.90	6.60	6.70	6.70	6.50	6.40	6.50	6.70	6.90	6.70	7.00		up

Mexico	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Trend*
PMI (Index)	54.8	51.5	53.7	52.5	52.4	52.5	52.5	51.6	52.9	53.5	51.4	51.0		down
CPI (% YoY)	6.3	6.4	6.7	6.4	6.4	6.6	6.8	5.6	5.3	5.0	4.6	4.5		down
Retail Sales (% YoY)	0.4	0.4	-0.2	-0.3	-0.1	-1.5	-2.0	0.5	1.2	1.2	3.3			up
Industrial Production (% YoY)	2.3	3.5	4.0	2.5	2.9	2.6	-0.1	1.3	0.7	-2.4	5.6			up
Remittances (Millions, USD)	2417.0	2490.7	2479.7	2349.3	2642.7	2258.6	2604.2	2216.6	2198.3	2620.6	2716.9			down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

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