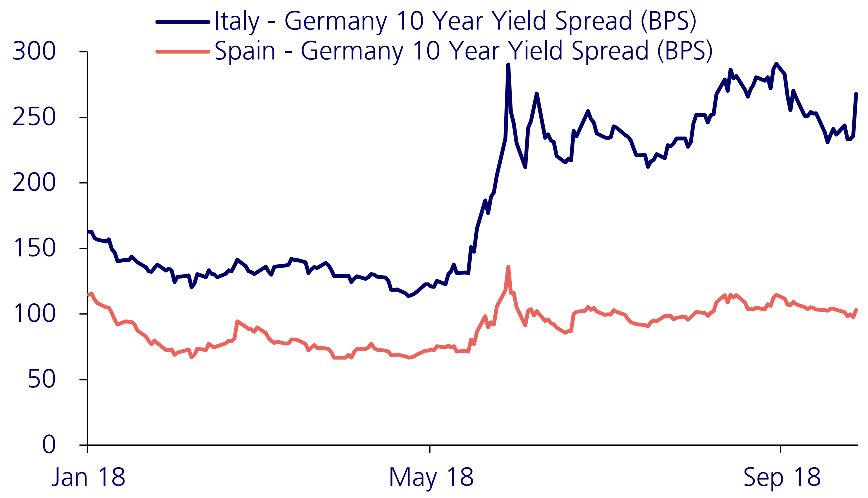
October 1, 2018

Monthly Investment Insights

A step backward for Italy



Source: Bloomberg

The implications for Italian and Eurozone equity markets from the announcement of the 2019 Italian budget deficit target of 2.4% are negative. Investors are unlikely to become more positive on Eurozone and Italian bank equities, or bonds issued by these entities, until the situation regarding Italy improves. Italian government bond spreads relative to Germany's are also likely to stay elevated at the high end of the range where they have been since late May. From an economic perspective, the impact on Italian business confidence, investment and hiring decisions risks prolonging Italy's weak economic performance. There is also a very high chance of a downgrade for Italy's sovereign debt by Moody's and S&P when they report later this month. Eventually, we expect financial market pressures are likely to build in Italian bond and equity markets and possibly in the banking system as well, forcing a change in policy.

On September 17, the US Treasury announced that it would impose 10% tariffs on an additional USD 200 billion of Chinese imports, with the rate to be increased to 25% in 2019. Despite this, the US S&P 500 hit all-time highs later in the month and the Shanghai CSI 300 index is up 6% since the announcement.

Whilst this market reaction appears puzzling at first, many Chinese and wider EM markets had already priced in a considerable amount of bad news in recent months. Chinese equity markets were in a bear market (a fall of at least 20%) as of early September, and the wider MSCI Emerging Markets Index was down by around 10% year-to-date. What's more, China's reaction was less aggressive than feared. It did impose retaliatory tariffs on USD 60 billion of US imports, but the size of the tariffs, between 5-10%, was at the low end of expectations. In addition, China has announced offsetting measures for the economy by loosening policy, as well as stated that it would reduce tariffs on imports from other countries.

For now, we are more inclined to focus on the global macro outlook and earnings fundamentals. In the US, economic conditions remain extremely robust. For example, weekly initial jobless claims are at a 48-year low, and small business confidence at an all-time high. Having raised rates by a quarter point on the 26th of September, we expect just one more rate hike this year by the Fed at the December meeting. Overall, despite our increased concerns around Italy, we think the outlook for global risk assets, especially equities is still positive.

Market Assessment

Key developments

- Italian government shocks investors with a 2.4% budget deficit target for 2019
- Chinese and US equity markets are resilient in September despite a further escalation in the trade dispute
- Economic growth is robust in developed markets, especially the US, whilst policy in EMs is constructive

Zurich's view

The resilience of global equity markets in response to the news this month that the US would impose tariffs of 10% on USD 200 billion of Chinese goods suggests that investors are rightly more focused on fundamentals such as the global macro and earnings outlook. These are still supportive for risk assets in our view. For example, US weekly initial jobless claims are at a 48-year low, and small business confidence at an all-time high.

However, the announcement of a 2.4% budget deficit target by the Italian government is not good news for Eurozone risk assets or periphery bond markets. It will act as a significant headwind for both over the next few months and raises long-term risks for the Italian economy as well.

In credit markets, we don't believe there is much upside left, especially relative to equities, as risk-reward is still skewed to the downside. Leverage continues to build up amid outflows for most parts of the credit markets, and certain parts of the market such as high yield remain very rich. We continue to maintain a favourable view on equities versus credit, especially in the US.

	Key developments	Zurich's view
Global	• Global economic data remain robust, showing resilience to emerging market turbulence • Monetary conditions tighten in most regions, though targeted stimulus in China is providing some offset • A further escalation in the US-China trade dispute looks likely as the underlying issues are not resolved	Global economic data remain robust, with limited impact from EM turbulence so far. Central bank balance sheets have peaked and policy rates are rising further, with rate hikes in the US, Russia, Turkey, Indonesia and the Philippines last month. In China, measures to bolster credit availability and infrastructure investment should help to support activity. The China-US trade dispute has escalated, with the US imposing a 10% tariff on USD 200bn of imports from China. China retaliated by less than expected, triggering a relief rally, but the underlying issues of intellectual property rights and the "Made in China 2025" plan remain. Bond yields have risen, helped by stronger wage and inflation prints in some regions and less dovish messaging from central banks, though concerns around Italy have resurfaced.
US	• The S&P 500 reaches a new all-time high while 10yr Treasury yields rise back above 3% • US firms and households remain very upbeat, and small business optimism climbs to a record high • President Trump imposes tariffs on another USD 200bn of imports from China	US stock markets continue to defy gravity despite increasing trade tensions with China. The US economy is in splendid shape, with manufacturing activity reaching the highest level in 14 years, according to the ISM Manufacturing Index. Services also showed a healthy rebound, with the ISM Non-Manufacturing Index rising to 58.5 in August from 55.7 the month before, though levels remain below those at the beginning of the year. The labour market indicates that the economy is reaching its capacity limits with the difficulty to fill open jobs at the highest level on record. Headline CPI inflation has ticked down to 2.7% YoY in August from 2.9%, but an acceleration of average hourly earnings growth to 2.9% helped to lift 10yr Treasury yields back above 3%, pushing spreads to other regions to new highs.
UK	• Economic growth and business activity have picked up over the summer • The EU rejects Theresa May's proposal regarding the future EU-UK relationship • Fuelled by a weaker currency, inflation is on the rise again	The weaker pound is again leaving traces in reaccelerating inflation rates, with CPI ticking up to 2.7% in August, weighing on households' purchasing power. Despite this, economic growth picked up over the summer and business sentiment recovered in August, with the Markit Composite PMI rising to 54.2 from 53.5, though Brexit uncertainty remains. The rejection of PM May's Chequers plan is a setback, but an agreement on the future relationship is not crucial at this point. The real obstacle remains the question of how to avoid a hard border between Northern Ireland and the Irish Republic. While a pragmatic solution is possible, time is quickly running out, increasing the risk of a no-deal Brexit, particularly given that the transition period is linked to agreeing on the divorce terms.
Eurozone	• Core bond yields rise as wage growth accelerates • The ECB emphasises that forward guidance will continue even after the first rate rise • Italian government bond spreads to remain at high end of recent trading range	The economic data over the past month have been mixed. Eurozone business confidence surveys continue to show softness in the manufacturing sector, but a more resilient service sector. Overall, the surveys are still consistent with above trend growth. Indeed, core bond yields have risen sharply over the past few weeks. The ECB has noted recently a pickup in wage growth and reiterated its conviction that core inflation will also rise as a result. Broadly speaking, we agree with this assessment. However, we would also note that risks to growth remain. These are centred around the ongoing China-US trade dispute, as well as closer to home, the Italian coalition government's aggressive spending targets for 2019, which will weigh on business confidence and local asset markets.
Switzerland	• The industrial sector continues to do well, but trade momentum is slowing and peak growth is likely to be behind us • Inflation is plateauing after a rapid rise higher, with very benign price pressures likely to remain • The SNB leaves policy unchanged, reiterating that the currency remains highly valued while cutting the inflation forecast	The SNB left policy unchanged in September. There had been speculation that it would turn more hawkish, given solid growth and rising inflation, but a stronger franc ruled that out. It maintained that the currency is highly valued and cut the 2020 inflation forecast to 1.2%, down from 1.6%. This is more in line with our view, and we continue to expect rates to be on hold well into 2019 H2. Data are still firm, with some indicators rebounding, and the industrial sector is still seeing healthy demand. Export momentum has slowed though, indicating that peak growth is behind us. The household sector is also weighing on growth. While sentiment has improved, consumption is sluggish and retail sales have slumped, down over 1.5% versus three months ago and still below prior highs.

	Key developments	Zurich's view
Japan	• As expected, PM Abe wins the LDP leadership election with a convincing majority • Severe weather conditions and natural disasters have taken their toll on GDP growth in Q3 • The MSCI Japan has rallied and started to outperform global stocks	Following his convincing LDP leadership election victory, PM Abe announced a reshuffling of his Cabinet and held trade talks with US President Trump. We have observed a shift in monetary policy discussions towards phasing out extreme stimulus, even though we believe it is too early to expect major changes before spring 2020, once the impact of the consumption tax hike in October 2019 becomes clearer. The worst typhoon in 25 years and a major earthquake in early September will negatively impact growth in Q3. As capex remains strong, we anticipate a recovery in Q4. Following strong selling by foreign investors, Japanese equities have moved back into the limelight again, equalising the underperformance of the prior three months versus the world, helped by a weaker yen.
China	• Trade issues with the US have moved to the next level • Infrastructure investment keeps falling, though relief measures have already been taken • The fall in Chinese stocks is levelling out, with domestic 'A'-shares benefitting more than the MSCI China	The trade dispute with the US is escalating towards a trade war, with the US imposing a 10% tariff on another USD 200bn worth of Chinese exports, which is expected to be raised to 25% as of 2019. China has retaliated, though in a more muted manner. Despite a weaker yuan versus the dollar, the net impact on growth will be negative next year. This is already reflected in our below consensus forecast of real GDP growth of 6.2% in 2019. Meanwhile, infrastructure investments have continued to tumble, though relief is in sight as credit to local governments increases and metropolitan transport projects are revamped. We expect a stabilisation towards year end. Other economic indicators have been mixed, with retail sales growth lacklustre, though service consumption remains brisk.
Australia	• Real GDP growth surges 3.4% YoY in Q2, registering the highest rate in six years • The labour market tightens as the quarterly underemployment rate falls 50bps to 13.4% • Iron ore and base metal prices rebound, but the Australian dollar remains on a downward trend	The buoyant Q2 GDP print was the result of decent growth for private consumption, combined with a surprising surge in residential building investment. Going forward, we expect these two positive drivers to subside. Indeed, the consumer saving rate has tumbled to its lowest level since 2007 and consumer confidence has ticked down, suggesting a slowdown in private consumption. In parallel, the residential property market is cooling, which should cap property investment growth. In contrast, we remain constructive on business capex and infrastructure investment. Finally, terms of trade have picked up and the Australian dollar has depreciated, which should boost exports. Overall, this argues for a decent but slightly lower pace of growth.
ASEAN	• Malaysian manufacturing activity improves, partly under the effect of the tax holiday, but also thanks to renewed export strength • Bank Indonesia hikes its repo rate by 25bps, bringing the cumulative rate hikes to 150bps this year • Indonesia strengthens policy action to contain its current account deficit, imposing tariffs on ~5% of its imports and delaying some infrastructure projects	The Indonesian authorities are showing determination in tackling external vulnerabilities. We expect the recent measures to take effect around 2019, and to weigh on domestic demand. Indeed, infrastructure investment has contributed significantly to growth in recent quarters, and a slowdown would hit headline GDP. In the short term, a stabilisation in investor sentiment towards EMs is needed to support Indonesian assets. There have been green shoots: base metal prices have rebounded sharply and EM Asia equities are stable MoM. However, a more powerful catalyst is needed to foster a turnaround in risk appetite. A depreciation of the US dollar, a positive economic surprise from China, or a negotiated outcome to the China-US trade dispute would support a more sustainable recovery.

Appendix 1

Valuation snapshot (MSCI Indices)

Current trailing valuations

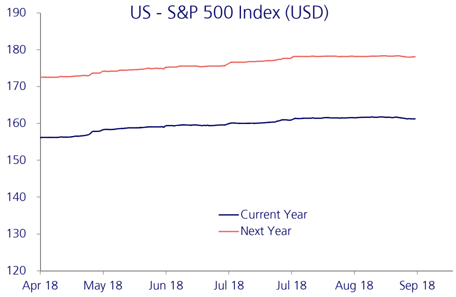
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	23.14	17.53	17.22	23.75	14.06	14.12	14.70	17.84	21.66
12m Trailing P/B	3.39	1.88	1.78	2.58	1.38	1.71	1.85	1.86	2.49
12m Trailing P/CF	16.31	8.75	10.16	14.65	7.96	9.07	7.46	8.83	8.79
Dividend Yield	1.89	3.14	3.98	3.10	2.15	2.74	2.00	3.20	2.16
ROE	14.65	10.71	10.35	10.88	9.81	12.13	12.60	10.42	11.51

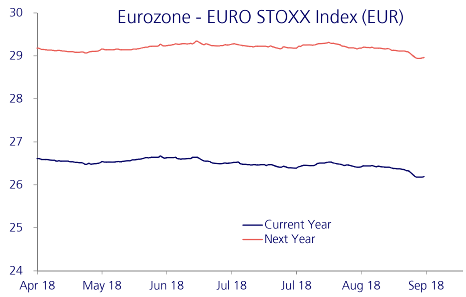
Current trailing valuations relative to MSCI world

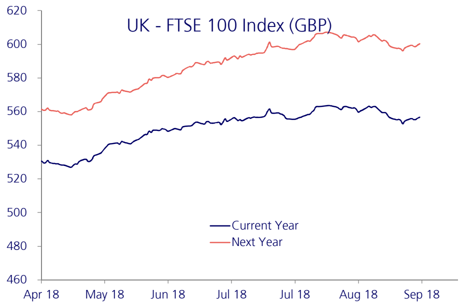
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.22	0.92	0.91	1.25	0.74	0.74	0.77	0.94	1.14
12m Trailing P/B	1.45	0.80	0.76	1.11	0.59	0.73	0.79	0.80	1.07
12m Trailing P/CF	1.37	0.74	0.86	1.23	0.67	0.76	0.63	0.74	0.74
Dividend Yield	0.79	1.32	1.67	1.30	0.90	1.15	0.84	1.34	0.91
ROE	1.19	0.87	0.84	0.88	0.80	0.99	1.02	0.85	0.94

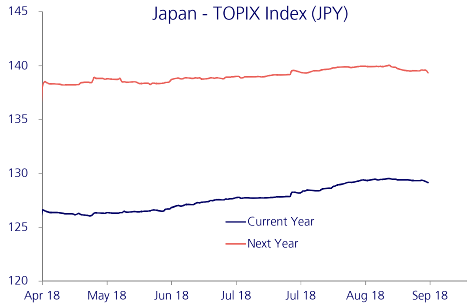
Source: Datastream

Earnings estimates - Full fiscal years



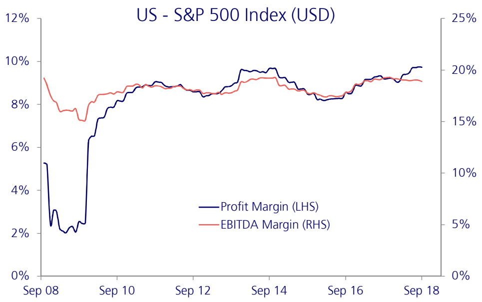


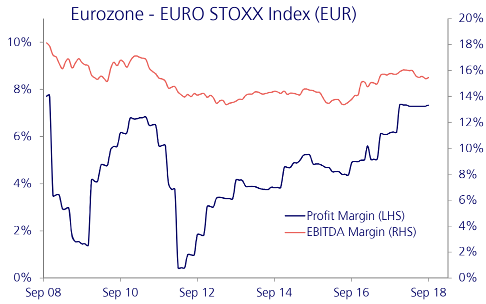


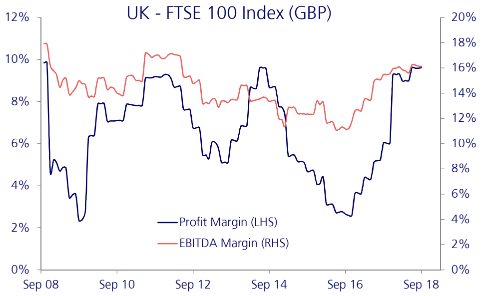


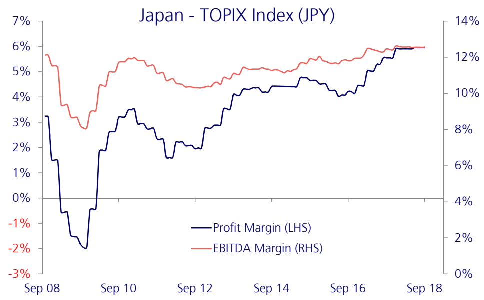
Source: Bloomberg

Historical margins





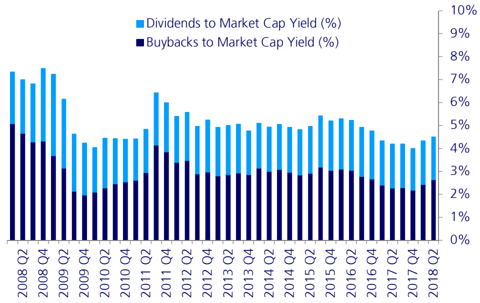




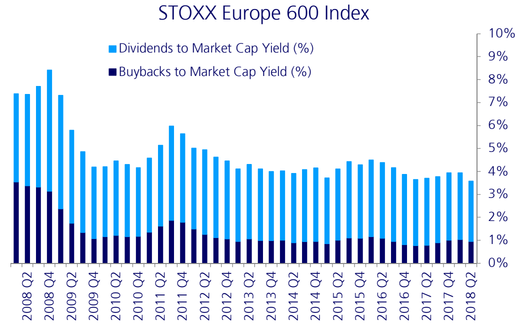
Source: Bloomberg

Dividends and shares buybacks

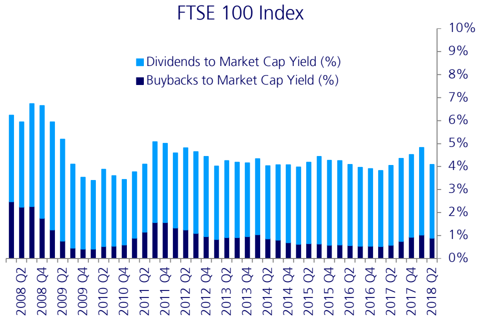
S&P 500 Index



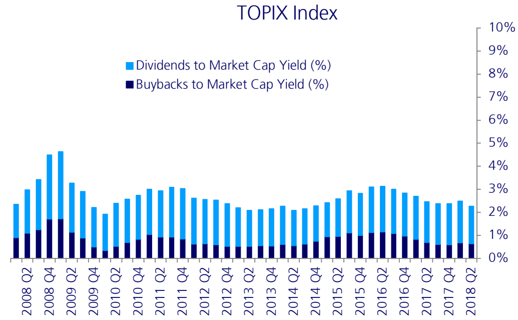
STOXX Europe 600 Index



FTSE 100 Index



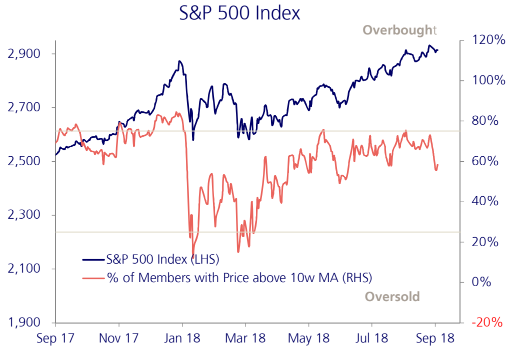
TOPIX Index



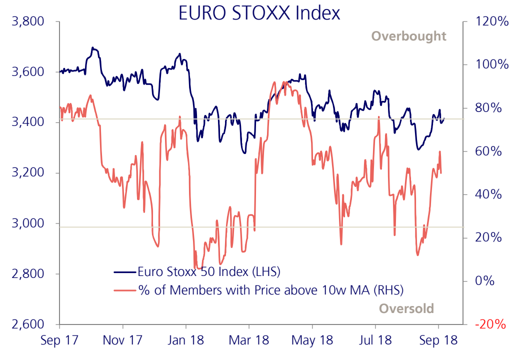
Source: Bloomberg

Overbought / Oversold

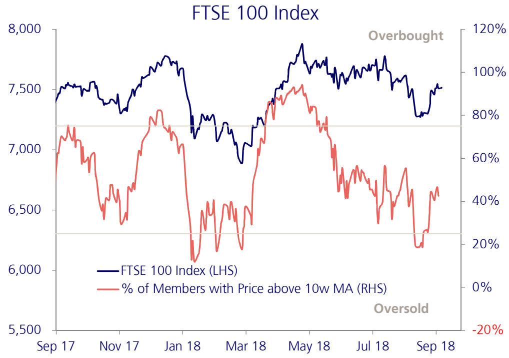
S&P 500 Index



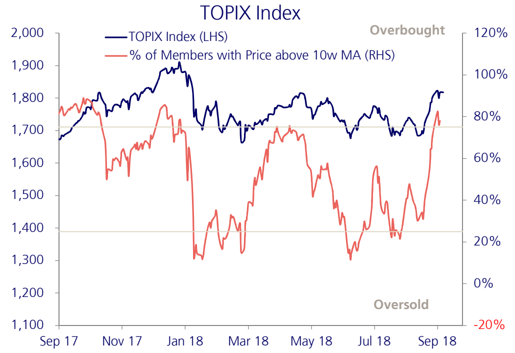
EURO STOXX Index



FTSE 100 Index



TOPIX Index

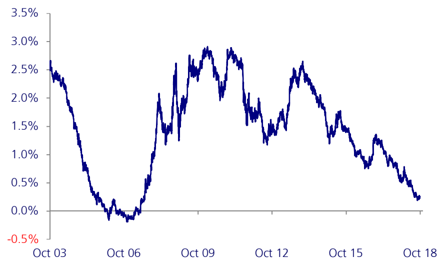


Source: Bloomberg

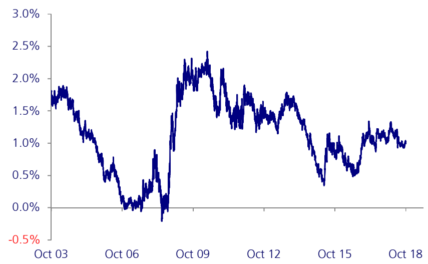
Appendix 3

Yield Curve Steepness (2yr-10yr)

US



Germany



Japan

UK

Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Oct-18	1m ago	3m ago	1yr ago
UK	-149	-143	-159	-97
Germany	-259	-253	-254	-187
Switzerland	-303	-296	-294	-236
Japan	-295	-275	-280	-227
Australia	-42	-34	-22	51
China	54	73	67	129
South Korea	-73	-55	-25	4
Malaysia	99	118	137	159
Indonesia	492	534	501	416
Thailand	-29		-27	-4
Philippines	97	n/a	n/a	n/a
Brazil	867	934	860	n/a
Mexico	485	506	481	454
Colombia	380	397	372	424
Peru	252	258	272	296

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Oct-18	1m ago	3m ago	1yr ago
France	34	36	34	28
Netherlands	11	13	16	11
Belgium	36	38	38	27
Austria	21	23	27	16
Ireland	52	53	50	n/a
Italy	264	291	234	165
Spain	101	115	100	114
Portugal	138	160	144	192

Source: Bloomberg, ZIG

Economic data

US	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Trend*
ISM Manufacturing (Index)	60.2	58.5	58.2	59.3	59.1	60.8	59.3	57.3	58.7	60.2	58.1	61.3		up
ISM Non-Manufacturing (Index)	59.4	59.8	57.3	56.0	59.9	59.5	58.8	56.8	58.6	59.1	55.7	58.5		down
Durable Goods (% MoM)	4.7	-4.1	2.2	3.2	-4.2	4.5	2.7	-1.0	-0.3	0.9	-1.2	4.5		up
Consumer Confidence (Index)	120.6	126.2	128.6	123.1	124.3	130.0	127.0	125.6	128.8	127.1	127.9	134.7	138.4	up
Retail Sales (% MoM)	5.2	5.3	6.1	5.3	3.9	4.5	5.1	4.8	6.4	6.1	6.7	6.6		up
Unemployment Rate (%)	4.2	4.1	4.1	4.1	4.1	4.1	4.1	3.9	3.8	4.0	3.9	3.9		neutral
Avg Hourly Earnings YoY (% YoY)	2.6	2.2	2.3	2.4	2.4	2.5	2.6	2.6	2.7	2.8	2.7	2.8		up
Change in Payrolls ('000, MoM)	14.0	271.0	216.0	175.0	176.0	324.0	155.0	175.0	268.0	208.0	147.0	201.0		down
PCE (% YoY)	1.5	1.6	1.6	1.6	1.6	1.7	2.0	1.9	2.0	2.0	2.0	2.0		up
GDP (%, QoQ, Annualized)	2.8			2.3			2.2			4.2				

UK	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Trend*
PMI Services (Index)	53.6	55.6	53.8	54.2	53.0	54.5	51.7	52.8	54.0	55.1	53.5	54.3		up
Consumer Confidence (Index)	-9.0	-10.0	-12.0	-13.0	-9.0	-10.0	-7.0	-9.0	-7.0	-9.0	-10.0	-7.0	-9.0	down
Unemployment Rate (%)	4.3	4.3	4.3	4.4	4.3	4.2	4.2	4.2	4.2	4.0	4.0			down
CPI (% YoY)	3.0	3.0	3.1	3.0	3.0	2.7	2.5	2.4	2.4	2.4	2.5	2.7		up
GDP (% YoY)	1.8			1.4			1.1			1.2				

Eurozone	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Trend*
PMI Manufacturing (Index)	58.1	58.5	60.1	60.6	59.6	58.6	56.6	56.2	55.5	54.9	55.1	54.6	53.2	down
PMI Services (Index)	55.8	55.0	56.2	56.6	58.0	56.2	54.9	54.7	53.8	55.2	54.2	54.4	54.7	down
IFO Business Climate (Index)	103.8	105.1	105.3	105.0	105.0	104.3	103.6	102.5	102.4	102.0	101.7	103.9	103.7	up
Industrial Production (% MoM)	-0.3	0.1	1.4	-0.1	-0.7	-0.8	0.4	-0.8	1.4	-0.8	-0.8			down
Factory Orders GE (% MoM)	0.7	0.8	0.2	2.6	-3.6	-0.2	-0.7	-1.5	2.6	-3.9	-0.9			down
Unemployment Rate (%)	8.9	8.8	8.7	8.6	8.6	8.6	8.5	8.4	8.2	8.2	8.2	8.1		down
M3 Growth (% YoY, 3 months MA)	5.2	5.0	4.9	4.6	4.6	4.3	3.7	3.8	4.0	4.5	4.0	3.5		up
CPI (% YoY)	1.5	1.4	1.5	1.4	1.3	1.1	1.3	1.3	1.9	2.0	2.1	2.0	2.1	up
Core CPI (% YoY)	1.1	0.9	0.9	0.9	1.0	1.0	1.0	0.8	1.1	0.9	1.1	1.0	0.9	up
GDP (% QoQ)	0.7			0.7			0.4			0.4				

Switzerland	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Trend*
KOF Leading Indicator (Index)	104.4	106.1	108.0	110.1	106.5	105.1	102.6	103.2	100.0	100.4	101.6	98.9	102.2	down
PMI Manufacturing (Index)	62.2	61.5	64.6	65.6	65.3	65.5	60.3	63.6	62.4	61.6	61.9	64.8	59.7	down
Real Retail Sales (% YoY)	0.3	-2.1	0.4	1.6	-0.4	-0.2	-1.0	3.0	0.4	0.2	-0.9	0.4		down
Trade Balance (Billion, CHF)	2.8	2.3	2.6	2.6	2.1	3.2	1.7	2.3	2.9	2.6	2.2	2.1		up
CPI (% YoY)	0.7	0.7	0.8	0.8	0.7	0.6	0.8	0.8	1.0	1.1	1.2	1.2		up

Japan	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Trend*
Nomura Manufacturing PMI (Index)	52.9	52.8	53.6	54.0	54.8	54.1	53.1	53.8	52.8	53.0	52.3	52.5	52.5	down
Machine Orders (% YoY)	-3.5	2.3	4.1	-5.0	2.9	2.4	-2.4	9.6	16.5	0.3	13.9			down
Industrial Production (% YoY)	2.5	5.7	3.6	4.5	2.9	1.6	2.4	2.6	4.2	-0.9	2.2	0.6		down
ECO Watchers Survey (Index)	49.6	49.9	52.4	53.9	49.1	48.4	51.7	50.9	47.7	48.2	47.5	48.1		down
Jobs to Applicants Ratio (Index)	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6		up
Labour Cash Earnings (% YoY)	0.9	0.2	0.9	0.9	1.2	1.0	2.0	0.6	2.1	3.3	1.6			up
Department Store Sales (% YoY)	4.4	-1.8	2.2	-0.6	-1.2	-0.9	0.1	0.7	-2.0	3.1	-6.1	-0.2		down
Money Supply M2 (% YoY)	4.1	4.1	4.0	3.6	3.4	3.2	3.1	3.2	3.2	3.1	2.9	2.9		down
CPI Ex Food & Energy (% YoY)	0.0	0.0	0.1	0.1	0.1	0.3	0.3	0.1	0.1	0.0	0.0	0.2		down
Exports (% YoY)	14.1	14.0	16.2	9.4	12.3	1.8	2.1	7.8	8.1	6.7	3.9	6.6		down

China	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Trend*
PMI Manufacturing (Index)	52.4	51.6	51.8	51.6	51.3	50.3	51.5	51.4	51.9	51.5	51.2	51.3	50.8	down
Industrial Production (% YoY)	6.6	6.2	6.1	6.2			6.0	7.0	6.8	6.0	6.0	6.1		down
Retail Sales (% YoY)	10.3	10.0	10.2	9.4			10.1	9.4	8.5	9.0	8.8	9.0		down
PPI (% YoY)	6.9	6.9	5.8	4.9	4.3	3.7	3.1	3.4	4.1	4.7	4.6	4.1		up
Exports (% YoY)	7.9	6.3	11.5	10.9	10.6	43.5	-3.0	12.1	12.1	11.2	12.1	9.8		up
CPI (% YoY)	1.6	1.9	1.7	1.8	1.5	2.9	2.1	1.8	1.8	1.9	2.1	2.3		up
RRR (%)	17.0	17.0	17.0	17.0	17.0	17.0	17.0	16.0	16.0	16.0	15.5	15.5	15.5	down
GDP (% YoY)	6.8			6.8			6.8			6.7				down
PMI Non Manufacturing (Index)	52.4	51.6	51.8	51.6	51.3	50.3	51.5	51.4	51.9	51.5	51.2	51.3	50.8	down
Aggregate Financing (Billions, CNY)	1833.5	1035.7	1612.8	1148.1	3055.0	1165.1	1349.4	1582.4	763.6	1181.6	1040.0			down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Appendix 5

Economic data

Australia	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Trend*
AiG Manufacturing (Index)	54.2	51.1	57.3	56.2	58.7	57.5	63.1	58.3	57.5	57.4	52.0	56.7	59.0	down
AiG Service (Index)	52.1	51.4	51.7	52.0	54.9	54.0	56.9	55.2	59.0	63.0	53.6	52.2		down
Westpac Consumer Confidence (% MoM)	2.5	3.6	-1.7	3.6	1.8	-2.3	0.2	-0.6	-0.6	0.3	3.9	-2.3	-3.0	down
Building Approvals (% YoY)	1.3	19.1	23.3	-2.7	15.6	1.4	17.4	1.4	4.6	1.8	-5.6			down
Employment Change ('000, MoM)	24.4	9.7	63.3	34.0	41.8	-6.1	5.2	19.4	14.3	60.7	-4.3	44.0		up

Brazil	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Trend*
CPI (% YoY)	2.5	2.7	2.8	3.0	2.9	2.8	2.7	2.8	2.9	4.4	4.5	4.2		up
Industrial Production (% YoY)	3.9	2.5	5.5	4.7	4.6	5.8	2.0	1.1	9.0	-6.6	3.4	4.0		down
Retail Sales (% YoY)	3.6	6.2	2.6	6.0	4.0	3.1	1.5	8.0	0.6	2.7	1.4	-1.0		down
Trade Balance (Millions, USD)	5178.0	5201.0	3546.0	4998.0	2816.0	5002.0	6420.0	5935.0	5981.0	5882.0	4227.0	3775.0		down
Budget Balance Primary (Billions, BRL)	-53.3	-30.5	-30.0	-65.6	18.6	-45.8	-57.6	-26.8	-47.9	-57.9	-29.2	-76.9		down

Chile	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Trend*
IMACEC Economic Activity Index (% YoY)	2.34	3.45	3.56	2.79	4.09	4.20	4.72	6.20	4.89	4.90	3.32			down
CPI (% YoY)	1.50	1.90	1.90	2.30	2.20	2.00	1.80	1.90	2.00	2.50	2.70	2.60		up
Retail Sales (% YoY)	3.81	3.43	5.56	4.24	3.86	3.55	3.90	6.17	2.91	6.17	0.13			down
Industrial Production (% YoY)	0.55	3.84	2.33	0.10	5.26	8.84	8.72	7.57	3.66	5.08	-1.65	-1.77		down
Unemployment (%)	6.70	6.70	6.50	6.40	6.50	6.70	6.90	6.70	7.00	7.20	7.30	7.30		up

Mexico	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Trend*
PMI (Index)	52.3	52.5	52.5	52.4	51.6	52.9	53.5	51.3	51.3	52.3	50.4	51.6		down
CPI (% YoY)	6.4	6.4	6.6	6.8	5.6	5.3	5.0	4.6	4.5	4.7	4.8	4.9		up
Retail Sales (% YoY)	-0.3	-0.1	-1.5	-2.0	0.5	1.2	1.2	3.3	2.5	3.7	4.2			up
Indutrial Production (% YoY)	2.5	2.9	2.6	-0.1	1.3	0.7	-2.4	5.4	2.7	2.2	2.5			down
Remittances (Millions, USD)	2489.2	2842.5	2420.8	2760.6	2267.6	2244.4	2674.8	2760.9	3155.9	3140.7	2866.5			down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

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