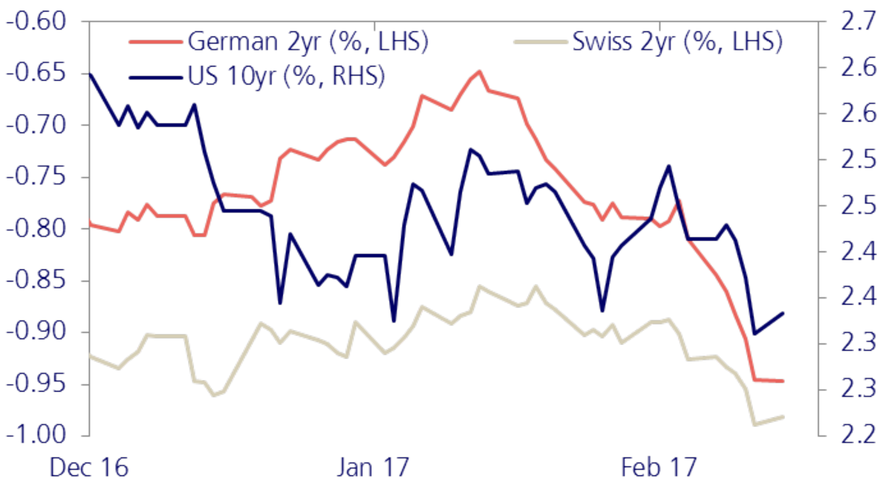
Monthly Investment Outlook

French election risks lead to defensive positioning in bonds



Source: Bloomberg

The continued rise in equity prices, taking many markets to new highs, is in part justifiable. Economic conditions have improved markedly in most parts of the world, with leading indicators pointing to further expansion ahead. The current earnings season has beaten expectations, with US earnings rising by 5.5% YoY in Q4, led by technology and financial companies, while the addition of buy-backs lifted EPS growth to just over 7% YoY. Japanese and European earnings have also surprised positively, with the latter up just over 10% YoY, but we would stress that all come from a low base, and current investor optimism now seems extended. While institutional investors have increased stocks to overweight, according to flow data, credit investors are less enthusiastic. We think this is justified given the stage of the cycle, with M&A, issuance and stock repurchases favouring equity holders. In addition, we are concerned by tighter lending standards in the US on credit card, auto, and small business loans, while auto loan delinquencies have started to rise. This is a typical late stage pattern. Though still too early to underweight credit, caution is warranted.

Given better economic growth and the sharp rise in headline inflation, the marked decline in bond yields is perhaps surprising. 2yr bond yields in Germany have fallen to record lows of –0.95%, while US 10yr Treasuries, at 2.32%, are back at the lower bound of their recent trading range. Although some of the move is accounted for by the unwinding of extreme short positions, the bulk can be attributed to the political concerns around the French election. While we think it unlikely that the National Front candidate, Marine Le Pen, will ultimately succeed, she is favourite to win the first round, with polls indicating around a 25% share of the vote, 5 points ahead of her two closest rivals, Fillon and Macron. With a pledge to leave the EU, bring back the franc and redenominate French debt to the new currency, the future of the Eurozone is potentially at stake. While we believe rising market fears are justified, we suspect that it will be one of her two challengers who will ultimately succeed in the second round. Fillon is most likely, with polls indicating that he would take close to 60% of the vote in the head-to-head second round runoff. However, with a judicial investigation hanging over him, and little faith in the pollsters, the road ahead has many potholes.

Market Assessment

Key developments

- MSCI World equity index hits a new high, while bond yields fall sharply
- Economic activity continues to surprise positively and headline inflation surges
- Increasing risks around the French election outcome push peripheral spreads higher

Zurich's view

A continuation of better than expected global economic data and the first decent earnings season in some time has supported fund flows and driven equity markets to new highs. It is notable, however, that credit markets have lagged and are showing increasing signs that the cycle is mature. For both asset classes the better economic backdrop will need to translate into higher earnings growth if momentum is to be maintained and rich multiples justified.

Despite the surge in headline inflation in most regions, bond yields have reversed course and fallen decisively. We suspect two factors have been at play. Short positions in some bond markets had become extreme, as investors bet on higher inflation, while the rise of Marine Le Pen in the French polls increases the risk of another populist surprise. While we believe that headline inflation will moderate in the months ahead, core readings are likely to tick up and should push yields higher once the French election has been decided.

We maintain a neutral view on risk assets, while seeing further spread widening in peripheral bonds and opportunities in some Asian equity markets. UK stocks are vulnerable to Brexit developments.

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	Key developments	Zurich's view
Global	• Global growth is expected to track above trend in Q1, supporting a tentative upswing in CAPEX spending • Inflation is rising rapidly, mainly on base effects from oil, though core rates are also edging up • Central banks are expected to look through the rise in headline inflation, with policy remaining accommodative	Data continue to point to brisk activity, with global growth likely to stay above trend in Q1. Global new orders rose further in January and G3 flash PMIs stayed strong in February, indicating that growth has not yet peaked. There are signs that global capex spending is engaging, and a broadening out of stimulus, with stronger fiscal spending in some regions, helps to support the expansion. Higher commodity prices and a modest trade pickup is benefitting EMs, with financial conditions still favourable. Inflation has risen sharply, mainly on base effects from oil prices. We expect this effect to peak in the next few months, with headline rates moderating thereafter. Underlying inflation remains weak in many regions, with central banks expected to stay accommodative.
US	• Business sentiment remains upbeat but consumers' income expectations have fallen • CPI inflation accelerates to 2.5% YoY, driven by higher energy prices, while Core CPI ticks up to 2.3% YoY • The Fed remains in a wait-and-see mode, looking for confirmation of a sustainable pickup in inflation	Economic momentum remains strong in the US. The service sector shows signs of stabilization at a high level. Manufacturing sentiment has further improved although the hard data do not yet reflect the upbeat mood with industrial production falling in January. While the outlook remains benign, households, the main driver of the recovery, are facing several headwinds. Rising inflation eats into consumers' purchasing power. Real average hourly wage growth has fallen to 0% YoY, indicating that the boost from lower energy prices is gone. At the same time, banks have started to tighten standards for credit card loans for the first time since 2010. Taking all this into account, we do not expect consumer spending to accelerate much from current levels.
UK	• The triggering of Art. 50 moves closer as the House of Commons passes the Brexit bill • Inflation is accelerating with producer input prices soaring by 20.5% compared with a year ago • Household spending and business investment are facing headwinds going forward	While the economy is holding up well so far, the Brexit impact is becoming increasingly visible. Inflation is accelerating with producer input prices indicating that the worst is still to come. One reason for the economy's solid performance in recent months is that households have been buying ahead of expected price increases. Retail sales have fallen three months in a row with the annual growth rate now at a modest 1.5%, down from the recent peak of 7.4%. The export sector, supported by the weaker pound, may partially offset the slowdown in growth momentum but with the triggering of Article 50 moving closer, both hiring and spending are unlikely to pick up given the uncertainty around the economic outlook.
Eurozone	• Government bond spreads widen as political risks increase • Macro data go from strength to strength, supporting earnings recovery • The ECB to continue with QE and look through spike in headline inflation	Eurozone government bond spreads have widened, especially for France and Italy, because of an increase in political uncertainty and risk ahead of the French presidential elections, which take place in two rounds on 23 April and 7 May. This has also led to a flight to safe havens such as German Bunds. However, the macro data have been strong recently, with business confidence at multi-year highs. For risk assets this suggests a binary outcome, with either a favourable political outcome that allows investors to focus back on the improving macro data and earnings outlook or an extremely negative one that calls into question the existence of the Eurozone. In terms of monetary policy, the latest ECB minutes confirmed that it intends to continue with QE through the whole of 2017.
Switzerland	• Rising consumer confidence indicates that the recovery is broadening out • The deflationary environment persists, despite a positive inflation print in February • European elections will put pressure on the franc, but we expect the SNB to lean against a stronger currency	The economy continues to expand at a decent pace, though some data have started to moderate following the upswing in 2016 H2. That said, consumer confidence has risen further, led by receding job market concerns and indicating that the export led recovery is now broadening out. CPI inflation turned positive in January, up 0.3% YoY, which is the highest rate since September 2011. While this is welcome, we do not think this marks a turn away from deflation, as the rise reflected higher energy prices. Core CPI inflation, as well as core import and producer price inflation, stayed negative. Given the deflationary backdrop, we anticipate the SNB to maintain its policy stance, with further FX interventions likely as political events in Europe put pressure on the franc.

	Key developments	Zurich's view
Japan	• Japan's economic conditions remain solid • The latest Manufacturing PMI rose to 53.3, up from a cyclical trough of 47.4 in May 2016 • Japanese equities have underperformed since mid-December 2016, following a phase of yen appreciation	Real GDP growth has lost some steam during last year, as sequential annualised growth fell from 2.3% in Q1 to 1% in Q4. In YoY terms, Japan's real GDP was up 1% in 2016. Private and public sector demand as well as external demand contributed positively. However, private consumption has been a bit lacklustre recently, while corporate investment is picking up steam on rising earnings prospects, not least due to the weaker yen. While CPI based inflation remains stable around zero, producer prices and inflation expectations are starting to pick up steam. The equity market has remained rangebound for more than two months. Despite solid fundamentals and attractive demand/supply conditions, it will be difficult to break to the upside unless the yen weakens further.
China	• Economic growth momentum remains strong into 2017 • Aggregate financing surged to a record high in January, as shadow banking experiences a revival • The MSCI China was among the top performers since the start of the year	As always in Q1, it is difficult to get the full picture of the state of China's economy due to the different timing of the Lunar New Year, which distort statistics, if they are published at all. However, it seems China's economy has entered the year on rather solid footing. Credit has been surging, as the PBoC was not able to curb shadow banking activities, despite marginally hiking the repo rate and some lending facility rates, and taking a tougher stance on direct bank lending. The next major event to watch is the National People's Congress in March, where the government will define its working plan for the year. The MSCI China has strongly outperformed its global peers so far this year, as expected.
Australia	• Household consumption and confidence indicators remain soft, but business confidence and conditions surge • The RBA revises its 2016-17 GDP growth forecast down, but maintains its 2017-18 forecast and expects stronger growth in 2018-19 • Australian financial stocks bounce 8% MoM	Full-time job creation has lost some steam and private sector wage growth has sunk further. This does not augur well for underlying inflation. The RBA acknowledged consumption weakness, but also indicated its unwillingness to encourage stronger lending growth. Another blow to the RBA's expectations was the weakness of the private CAPEX outlook survey, as the drag of mining investment was estimated to run into 2018. However, investment intentions in services have ticked up. This should strengthen the divergence in regional growth and real estate price dynamics. Overall, we think that patience is warranted to see the boost in income filter through to domestic demand. We are encouraged by the robustness of business confidence surveys, which include firmer intentions to hire.
Brazil	• Weak Q4 economic data point to the eighth consecutive GDP decline, with a negative carry over for 2017 • Widespread disinflation and anchored inflation expectations allow the central bank to ease further • Fiscal policy continues to be the country's main vulnerability	It seems that 4Q16 GDP will show its eighth consecutive decline and will extend the longest and deepest recession ever recorded in Brazil. Household consumption had its worst year on record, mainly due to the sharp increase in unemployment and credit contraction. The deep negative output, coupled with a stronger currency, have contributed to widespread disinflationary forces. Anchored inflation expectations allowed the central bank to deliver another 75bps rate cut to 12.25% and have opened the door for deeper and faster cuts over the coming months. Fiscal reforms are on track, but one needs to be vigilant as they remains Brazil's main vulnerability in a context of declining approval ratings for Temer.
Mexico	• Economic growth was solid in Q4 and GDP grew by 2.3% in 2016 • Inflation is deteriorating further, with notable FX pass-through effects • The central bank pro-actively raised its reference rate by 50bps to 6.25% and introduced an FX hedge program	Despite the renegotiation of NAFTA, set to start in June, economic data have remained brisk, with decent Q4 GDP growth that was boosted by a solid services sector. The imbalance among sectors continues however, with services expanding by 3.4% and industrial production remaining flat. Inflation has deteriorated further to 4.7%, with a noticeable FX pass-through into the core component. Despite the currency appreciating, the central bank hiked its reference rate by 50bps to 6.25% and indicated that it will keep hiking over the course of 2017. We find it very positive to see Banxico being pro-active, as all its prior tightening decisions were pushed by a weaker currency and now it seems that anchoring inflation expectations will be, as it should, the main focus.

Valuation snapshot (MSCI Indices)

Current trailing valuations

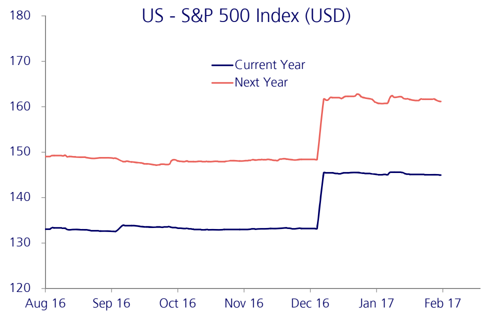
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	22.87	20.79	26.17	22.92	17.05	14.96	13.88	21.73	23.09
12m Trailing P/B	2.85	1.70	1.70	2.40	1.35	1.54	1.60	1.59	2.49
12m Trailing P/CF	12.65	7.90	10.55	13.05	8.55	8.47	6.01	6.94	10.02
Dividend Yield	2.09	3.42	4.14	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

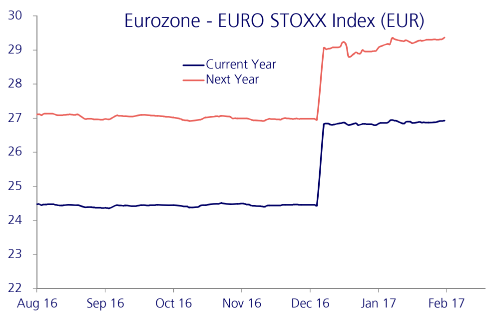
Current trailing valuations relative to MSCI world

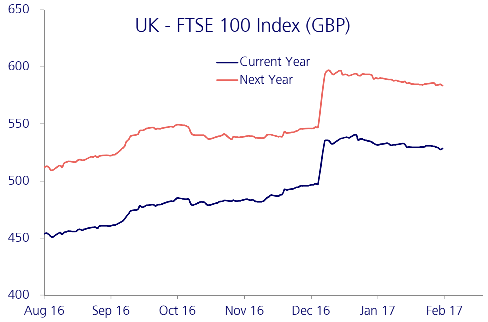
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.11	1.01	1.27	1.11	0.82	0.72	0.67	1.05	1.12
12m Trailing P/B	1.37	0.81	0.81	1.15	0.65	0.74	0.77	0.76	1.19
12m Trailing P/CF	1.25	0.78	1.04	1.29	0.84	0.84	0.59	0.68	0.99
Dividend Yield	0.82	1.35	1.63	1.35	0.81	1.14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

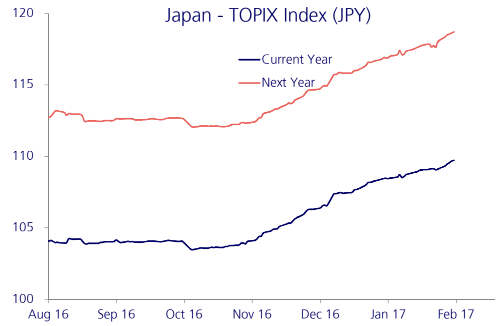
Source: Datastream

Earnings estimates - Full fiscal years



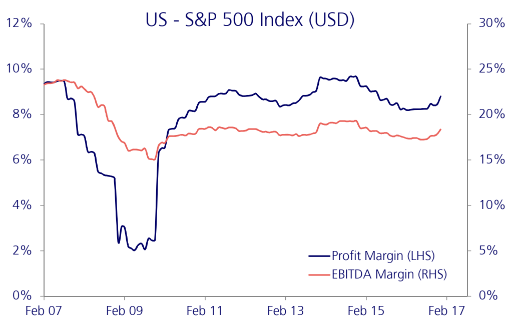


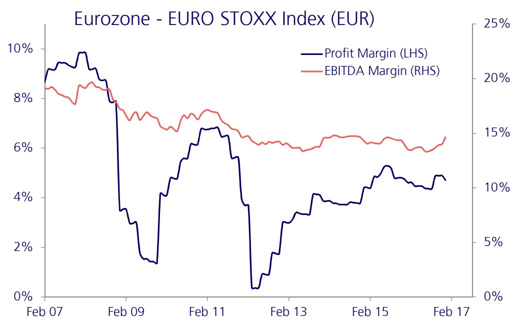


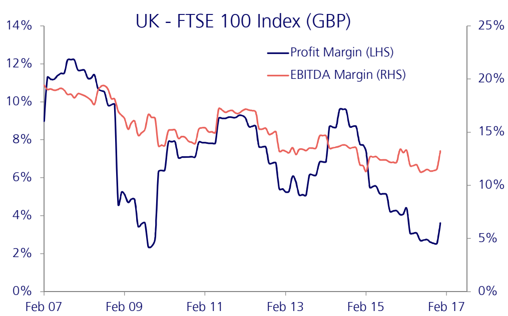


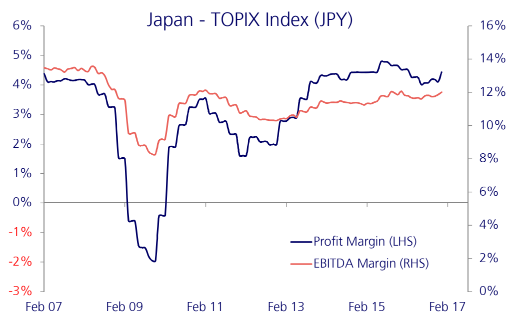
Source: Bloomberg

Historical margins



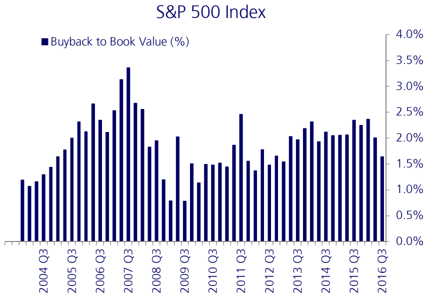


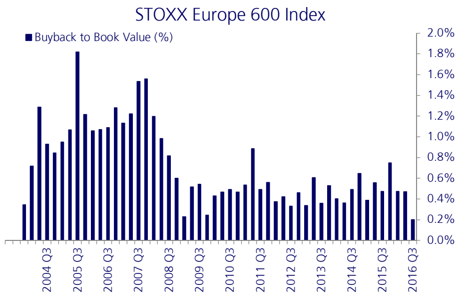


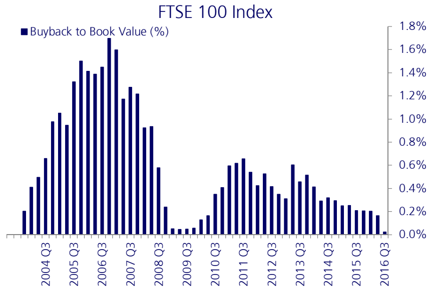


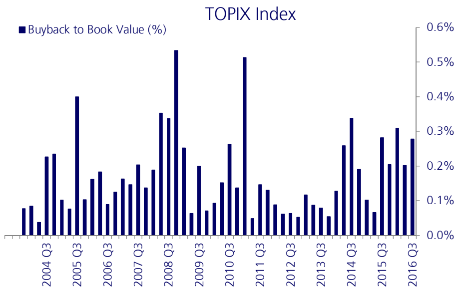
Source: Bloomberg

Shares buybacks



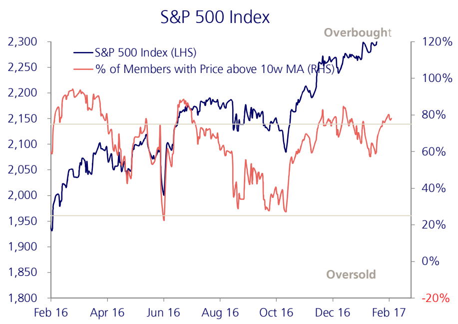


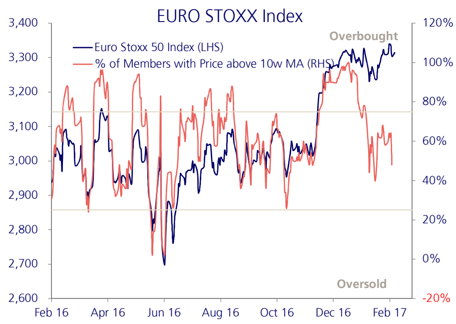


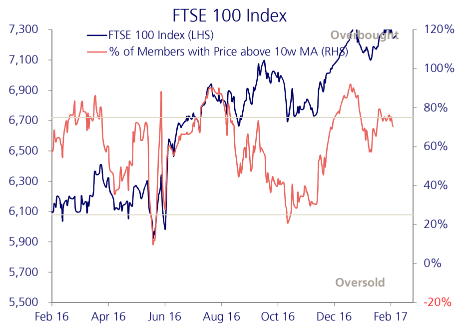


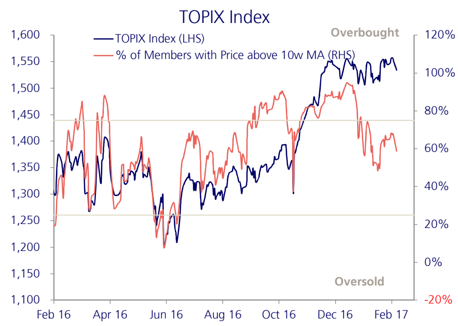
Source: Bloomberg

Overbought / Oversold





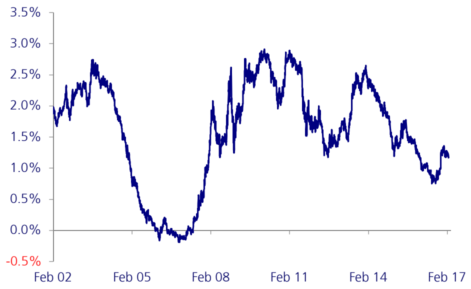




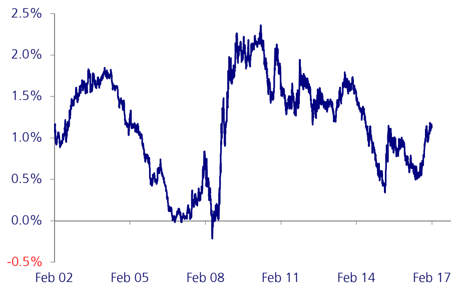
Source: Bloomberg

Yield Curve Steepness (2yr-10yr)

US



Germany



Japan

UK

Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Feb-17	1m ago	3m ago	1yr ago
UK	-118	-101	-92	-36
Germany	-213	-202	-207	-162
Switzerland	-255	-254	-245	-214
Japan	-229	-240	-227	-183
Australia	37	29	41	62
China	98	88	70	115
South Korea	-18	-30	-15	1
Malaysia	168	167	217	218
Indonesia	520	514	591	650
Thailand	33		31	34
Philippines	172	n/a	n/a	n/a
Brazil	790	831	961	n/a
Mexico	494	504	502	436
Colombia	462	430	501	722
Peru	376	357	340	576

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Feb-17	1m ago	3m ago	1yr ago
France	69	57	48	35
Netherlands	27	14	16	14
Belgium	51	55	35	48
Austria	23	23	30	28
Ireland	70	70	63	n/a
Italy	193	177	172	133
Spain	145	113	129	143
Portugal	369	368	340	294

Source: Bloomberg, ZIG

Economic data

US	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Trend*
ISM Manufacturing (Index)	48.6	49.7	51.7	50.7	51.0	52.8	52.3	49.4	51.7	52.0	53.5	54.5	56.0	up
ISM Non-Manufacturing (Index)	54.0	54.3	54.9	55.7	53.6	56.1	54.9	51.7	56.6	54.6	56.2	56.6	56.5	up
Durable Goods (% MoM)	3.7	-3.3	2.0	3.2	-2.9	-4.3	3.6	0.2	0.3	5.0	-4.7	-0.8	1.8	down
Consumer Confidence (Index)	97.8	94.0	96.1	94.7	92.4	97.4	96.7	101.8	103.5	100.8	109.4	113.3	111.8	up
Retail Sales (% MoM)	2.6	3.6	1.7	3.0	2.2	2.8	2.4	2.2	3.3	4.2	3.9	4.4	5.6	up
Unemployment Rate (%)	4.9	4.9	5.0	5.0	4.7	4.9	4.9	4.9	4.9	4.8	4.6	4.7	4.8	down
Avg Hourly Earnings YoY (% YoY)	2.5	2.4	2.4	2.6	2.3	2.5	2.6	2.5	2.7	2.5	2.5	2.5	2.4	down
Change in Payrolls ('000, MoM)	126.0	237.0	225.0	153.0	43.0	297.0	291.0	176.0	249.0	124.0	164.0	157.0	227.0	down
PCE (% YoY)	1.6	1.7	1.6	1.6	1.6	1.6	1.6	1.7	1.7	1.8	1.7	1.7		up
GDP (%, QoQ, Annualized)			0.8			1.4			3.5					

UK	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Trend*
PMI Services (Index)	55.6	52.7	53.7	52.3	53.5	52.3	47.4	52.9	52.6	54.5	55.2	56.2	54.5	up
Consumer Confidence (Index)	4.0	0.0	0.0	-3.0	-1.0	-1.0	-12.0	-7.0	-1.0	-3.0	-8.0	-7.0	-5.0	down
Unemployment Rate (%)	5.1	5.1	5.1	5.0	4.9	4.9	4.9	4.9	4.8	4.8	4.8	4.8		down
CPI (% YoY)	0.3	0.3	0.5	0.3	0.3	0.5	0.6	0.6	1.0	0.9	1.2	1.6	1.8	up
GDP (% YoY)			1.8			2.0			2.2					

Eurozone	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Trend*
PMI Manufacturing (Index)	52.3	51.2	51.6	51.7	51.5	52.8	52.0	51.7	52.6	53.5	53.7	54.9	55.2	up
PMI Services (Index)	53.6	53.3	53.1	53.1	53.3	52.8	52.9	52.8	52.2	52.8	53.8	53.7	53.7	up
IFO Business Climate (Index)	107.3	105.7	107.1	106.9	107.9	108.8	108.4	106.4	109.5	110.5	110.4	111.0	109.9	up
Industrial Production (% MoM)	2.7	-1.5	-1.0	1.5	-1.1	0.6	-0.6	2.0	-0.8	0.2	1.5	-1.6		down
Factory Orders GE (% MoM)	0.5	-0.9	2.8	-1.9	0.2	-0.4	0.4	0.9	-0.4	5.0	-3.6	5.2		up
Unemployment Rate (%)	10.4	10.4	10.2	10.2	10.1	10.1	10.0	10.0	9.8	9.7	9.7	9.6		down
M3 Growth (% YoY, 3 months MA)	5.1	5.1	5.2	4.8	4.9	5.1	5.2	5.0	5.1	4.5	4.8	5.0	4.9	up
CPI (% YoY)	0.3	-0.2	0.0	-0.2	-0.1	0.1	0.2	0.2	0.4	0.5	0.6	1.1	1.8	up
Core CPI (% YoY)	1.0	0.8	1.0	0.7	0.8	0.9	0.9	0.8	0.8	0.8	0.8	0.9	0.9	up
GDP (% QoQ)			0.5			0.3			0.4					

Switzerland	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Trend*
KOF Leading Indicator (Index)	99.9	102.7	103.8	102.7	101.8	101.2	102.2	99.8	101.6	103.9	102.2	102.1	101.7	up
PMI Manufacturing (Index)	50.2	51.1	53.0	53.1	55.3	51.5	51.5	51.6	54.4	55.2	55.9	56.2	54.6	up
Real Retail Sales (% YoY)	-0.5	-1.0	-1.5	-2.0	-2.0	-3.2	-3.1	-2.6	-2.2	-0.8	0.8	-3.5		up
Trade Balance (Billion, CHF)	3.5	3.8	2.1	2.4	3.3	3.5	2.8	2.9	4.3	2.6	3.5	2.7	4.7	up
CPI (% YoY)	-1.3	-0.8	-0.9	-0.4	-0.4	-0.4	-0.2	-0.1	-0.2	-0.2	-0.3	0.0	0.3	up

Japan	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Trend*
Nomura Manufacturing PMI (Index)	52.3	50.1	49.1	48.2	47.7	48.1	49.3	49.5	50.4	51.4	51.3	52.4	52.7	up
Machine Orders (% YoY)	8.4	-0.7	3.2	-8.2	-11.7	-0.9	5.2	11.6	4.3	-5.6	10.4	6.7		down
Industrial Production (% YoY)	-4.2	-1.2	0.2	-3.3	-0.4	-1.5	-4.2	4.5	1.5	-1.4	4.6	3.2		up
ECO Watchers Survey (Index)	46.6	44.6	45.4	43.5	43.0	41.2	45.1	45.6	44.8	46.2	48.6	51.2	48.6	up
Jobs to Applicants Ratio (Index)	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4		up
Labour Cash Earnings (% YoY)	0.0	0.7	1.5	0.0	-0.1	1.4	1.2	0.0	0.0	0.1	0.5	0.5		down
Department Store Sales (% YoY)	-1.9	0.2	-2.9	-3.8	-5.1	-3.5	-0.1	-6.0	-5.0	-3.9	-2.4	-1.7	-1.2	up
Money Supply M2 (% YoY)	3.2	3.2	3.2	3.4	3.4	3.5	3.4	3.3	3.5	3.7	3.9	4.0	4.1	up
CPI Ex Food & Energy (% YoY)	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)	-12.9	-4.0	-6.8	-10.1	-11.3	-7.4	-14.0	-9.6	-6.9	-10.3	-0.4	5.4	1.3	up

China	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Trend*
PMI Manufacturing (Index)	49.4	49.0	50.2	50.1	50.1	50.0	49.9	50.4	50.4	51.2	51.7	51.4	51.3	up
Industrial Production (% YoY)			6.8	6.0	6.0	6.2	6.0	6.3	6.1	6.1	6.2	6.0		down
Retail Sales (% YoY)			10.5	10.1	10.0	10.6	10.2	10.6	10.7	10.0	10.8	10.9		up
PPI (% YoY)	-5.3	-4.9	-4.3	-3.4	-2.8	-2.6	-1.7	-0.8	0.1	1.2	3.3	5.5	6.9	up
Exports (% YoY)	-15.2	-28.0	7.5	-5.3	-6.9	-6.8	-6.5	-3.8	-10.4	-7.9	-1.5	-6.2	7.9	up
CPI (% YoY)	1.8	2.3	2.3	2.3	2.0	1.9	1.8	1.3	1.9	2.1	2.3	2.1	2.5	up
RRR (%)	17.5	17.5	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			6.7					down
PMI Non Manufacturing (Index)	49.4	49.0	50.2	50.1	50.1	50.0	49.9	50.4	50.4	51.2	51.7	51.4	51.3	up
Aggregate Financing (Billions, CNY)	3475.8	831.2	2393.1	780.9	677.0	1647.9	479.1	1460.5	1711.5	886.5	1832.8	1626.0	3737.7	up

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Economic data

Australia	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Trend*
AiG Manufacturing (Index)	51.5	53.5	58.1	53.4	51.0	51.8	56.4	46.9	49.8	50.9	54.2	55.4	51.2	up
AiG Service (Index)	48.4	51.8	49.5	49.7	51.5	51.3	53.9	45.0	48.9	50.5	51.1	57.7	54.5	up
Westpac Consumer Confidence (% MoM)	-3.5	4.2	-2.2	-4.0	8.5	-1.0	-3.0	2.0	0.3	1.1	-1.1	-3.9	0.1	down
Building Approvals (% YoY)	-5.2	-0.9	-1.7	4.6	-3.7	-4.6	5.1	8.6	-6.2	-24.3	-4.4	-11.4		down
Employment Change ('000, MoM)	2.1	-8.5	24.4	-3.8	17.9	9.0	23.3	-15.8	-26.4	16.5	37.1	16.3	13.5	up

Brazil	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Trend*
CPI (% YoY)	10.7	10.4	9.4	9.3	9.3	8.8	8.7	9.0	8.5	7.9	7.0	6.3	5.4	down
Industrial Production (% YoY)	-12.0	-13.4	-9.5	-11.3	-6.7	-7.4	-5.5	-6.3	-5.0	-4.6	-7.3	-1.2	-0.1	up
Retail Sales (% YoY)	-7.2	-10.6	-4.2	-5.7	-6.9	-9.0	-4.8	-5.6	-5.5	-5.7	-8.1	-3.8	-4.9	up
Trade Balance (Millions, USD)	915.0	3042.0	4431.0	4862.0	6433.0	3969.0	4576.0	4138.0	3813.0	2340.0	4758.0	4415.0	2725.0	up
Budget Balance Primary (Billions, BRL)	-28.3	-52.8	-10.0	-13.2	-60.6	-32.2	-53.4	-62.9	-67.1	3.4	-80.4	-105.2	0.3	down

Chile	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Trend*
IMACEC Economic Activity Index (% YoY)	1.09	3.25	2.47	1.54	2.31	1.07	0.75	2.59	1.47	-0.44	0.81	1.20		down
CPI (% YoY)	4.80	4.70	4.50	4.20	4.20	4.20	4.00	3.40	3.10	2.80	2.90	2.70	2.80	down
Retail Sales (% YoY)	3.36	7.33	1.43	7.95	0.49	0.96	4.59	0.23	7.41	5.15	4.97	4.10		up
Industrial Production (% YoY)	-7.39	1.23	4.03	-2.86	-1.26	-3.48	-1.50	2.90	-0.20	-7.40	-1.30	0.32		down
Unemployment (%)	5.80	5.90	6.30	6.40	6.80	6.90	7.10	6.90	6.80	6.40	6.20	6.10		down

Mexico	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Trend*
PMI (Index)	51.6	51.8	51.5	51.2	51.4	49.3	49.1	49.8	51.1	50.2	49.0	48.6	49.0	down
CPI (% YoY)	2.6	2.9	2.6	2.5	2.6	2.5	2.7	2.7	3.0	3.1	3.3	3.4	4.7	up
Retail Sales (% YoY)	5.2	9.6	6.4	10.6	8.6	9.4	7.9	8.9	8.1	9.3	11.2	9.0		up
Indutrial Production (% YoY)	0.3	3.5	-1.6	2.4	0.7	1.4	-0.6	3.8	0.2	-0.4	4.5	1.8		up
Remittances (Millions, USD)	1932.8	2082.0	2189.4	2170.5	2476.2	2306.8	2241.4	2269.0	2374.2	2220.4	2371.1	2336.4		up

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

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