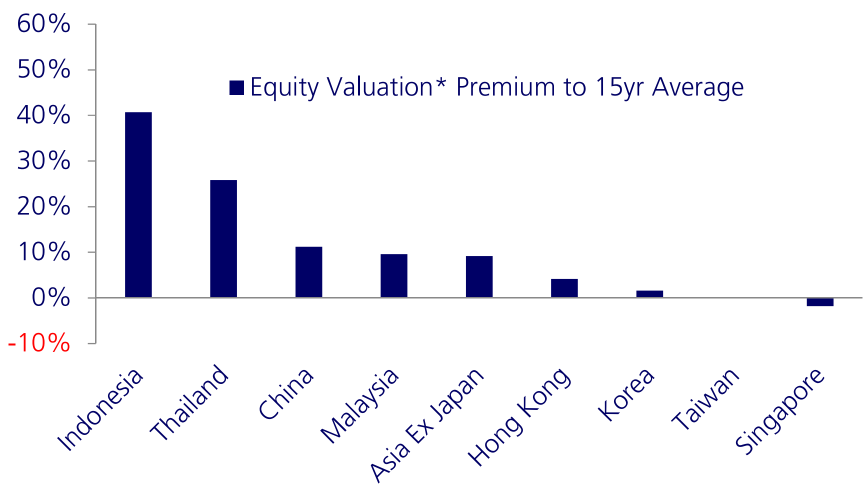
Monthly Investment Insights

Favouring equities and regional plays amid a benign macro backdrop



*Forward P/E shown for Asian MSCI indices; Source: Nomura, Datastream

We maintain a favourable view on risk assets, particularly on equities, compared to government bonds over the coming months. That said, after the strong run equities have had so far, further outperformance in global portfolios is likely to come from regional plays. We have a favourable view on the stock markets of Korea, Taiwan, Singapore and the Eurozone, especially when compared to those of China and the US.

The macro backdrop remains constructive for risk assets, particularly for equities, which we think are likely to outperform both corporate and government bonds. Indeed, a number of stock indices have already hit new highs and we expect this to continue. The earnings season, which is already underway in the US, is off to a decent start and is likely to confirm a healthy recovery in profits. While some of this is arguably already in the price, positive momentum is likely to persist amid low yields and abundant liquidity. It is also worth noting that sentiment indicators do not indicate exuberance and it seems that investors have been somewhat sceptical of the recent rally, which paradoxically implies that the rally can be sustained further as investor scepticism wanes. Within risk assets, we are more favourably disposed towards equities rather than credit, as tight credit spreads limit the upside in the latter. Government bond yields have stabilised after the short sharp selloff seen last month, as central banks have tried to soothe investor nerves that the unprecedented amount of monetary stimulus will only be reduced at a measured pace.

We believe that regional plays will be key to generate further outperformance. The Chinese stock market for example, which has already risen by over 30% this year, is likely to see a pause. We think that the baton will be passed from the Chinese stock market to stock markets that appear to be cheap and have lagged the rally. We think that markets that have strong fundamentals are likely to benefit the most. For example, strong export data in Korea, Taiwan and Singapore, suggests that exports of semiconductors and other electronic items should remain robust. Furthermore, stocks in these markets tend to be traditional hardware related technology stocks as opposed to internet stocks, which are more dominant in China. We also favour the Eurozone and believe that stronger economic momentum will translate into better earnings, which appears to be somewhat underappreciated currently. It is fair to say however, that the strength of the Euro since the beginning of the year is somewhat of a headwind to earnings, but investors appear to be overly pessimistic around this.

Market Assessment

Key developments

- Global growth maintains momentum and becomes more broad-based
- Central banks confirm intentions to reduce monetary stimulus
- Risk assets rally across the board, while government bond yields stabilise somewhat

Zurich's view

Global growth should remain strong, but is unlikely to accelerate further from current levels. It was encouraging to see stronger economic data out of the US, especially after data had been surprising negatively for some time. Encouraging data was also seen out of the Eurozone, China and Japan and it seems that the synchronised recovery is likely to continue for some time.

We think a gradual move towards removal of monetary stimulus is likely to prevent a further acceleration of economic activity. In particular, central banks need to be cautious and not remove stimulus too fast. In this context, it is encouraging to see that both the ECB and the Fed seem to be communicating that the removal of stimulus will be done at a measured pace, and should not be too disruptive. This is important as despite better growth momentum, inflation has failed to pick up materially yet, even in the US, despite a tight labour market.

We continue to favour equities over credit and government bonds. Bond yields stabilised after selling off last month, and while we believe they will rise further, this is likely to require higher inflation prints to come through.

	Key developments	Zurich's view
Global	• The global economy continues to expand at a healthy pace, which is now also visible in stronger profit and investment growth • World trade growth shows signs of peaking, while remaining at a healthy level compared to the recent past • Central banks maintain hawkish rhetoric, despite soft inflation prints	The global economy continues to grow at a steady pace, with further signs that the expansion is broadening out to include investment and profits. As we had expected, the growth impulse now appears to be shifting from manufacturing towards services. This is also visible in world trade, which is showing signs of peaking, although it still remains at a healthy level compared to the last few years. Despite the better and more persistent growth picture, inflation has failed to pick up, with negative surprises in many regions, including in the US where the labour market has continued to tighten. Therefore, while central banks have maintained their hawkish rhetoric, removal of stimulus remains unlikely in the near term in most regions, with the US being the main exception.
US	• The ISM Manufacturing index jumps to the highest level in almost three years • New payrolls rebound to 222,000 reflecting the healthy employment situation • Republicans fail to gather enough votes in the Senate to replace Obamacare	The US economy has entered the third quarter on a solid footing. The ISM manufacturing index rose to the highest level in almost three years in July, with both new orders and employment showing strength. At the same time, activity in the service sector remains robust. The positive business environment is reflected in a healthy labour market which will help to support household spending. Wage growth has accelerated slightly but remains modest considering the tight labour market. Headline inflation has eased further but core CPI stabilized at 1.7% YoY. The Fed is expected to look through the transitory weakness in inflation as some of the major core components have started to climb recently. Accordingly, yields should gradually move higher in the second half of the year.
UK	• Business activity has weakened further and consumers have become more cautious • Inflation is peaking but the headwinds for households remain high • Employment keeps growing while wage growth remains modest	Both Manufacturing and Services PMIs indicate a further slowdown in business activity entering the second half of the year. Firms remain reluctant to invest given Brexit uncertainty while a number of banks begin to move jobs away from London. Retail prices rose by 3.5% YoY in June, down from 3.7% previously, indicating that the impact of the weaker pound on prices is slowly fading. However, while the slowdown in inflation reduces the pressure on households, consumers' purchasing power continues to be squeezed as real wage growth remains negative. On the positive side, the labour market remains healthy and jobless claims are growing only slowly. The slowdown in inflation should also help to alleviate the BoE's worries, thereby reducing the likelihood of an imminent rate hike.
Eurozone	• Economic data continue to point to robust growth • Hard data move closer in-line with robust business surveys • Investors get a wake-up call as Draghi says ECB will reduce QE	Economic data in the Eurozone continue to indicate an above trend pace of growth in the region, which should be supportive of corporate earnings, especially for domestically focused companies. The so-called `hard data` such as industrial production is now improving and moving closer into line with the various business surveys which have been extremely robust for a while now. As a result of the stronger outlook, various ECB policymakers, including ECB president Mario Draghi, have hinted in recent speeches that the ECB will reduce the size of its monthly QE asset purchases in 2018. We expect an announcement at either the September 7 ECB meeting or October 27 meeting on the modalities of how this will be done, with a reduction in the size of monthly asset purchases over the course of 2018 likely to take place.
Switzerland	• The manufacturing sector sees a rebound in activity, with external demand still strong • Domestic demand remains weak, and inflation fails to gain further momentum • The SNB stays on hold as pressures on the Swiss franc diminish	Data have rebounded on strong manufacturing activity. The sector is boosted by firm Eurozone demand and a better global trade environment. Other sectors lag behind, however, and sentiment and consumption remain sluggish. The reacceleration has therefore not been broad based, which limits further upside. While the franc has weakened against the Euro, it has strengthened against the USD, which we expect will weigh on exporters. Headline CPI inflation has ticked down, following a rapid rise in the prior months, but core inflation remains unchanged at 0.2% YoY, which is encouraging. With the 10yr yield now back at zero, we see limited further upside, as the SNB will be focused on maintaining a negative interest rate spread vs the Eurozone.

	Key developments	Zurich's view
Japan	• Momentum of manufacturing activity is slowing • The timeframe for the BoJ's inflation target has been shifted back again to early 2020 • A stronger yen, political uncertainties and seasonal factors are headwinds for Japanese equities	While the Bank of Japan upgraded its assessment of the economy and its GDP growth forecast for this and next fiscal year, it has once again postponed reaching its inflation target to late fiscal year 2019. This leads us to believe that monetary easing will probably last for longer, though the pace of JGB buying may be slower than previously envisaged. Overall, the economy remains in good shape, though momentum in the manufacturing sector is beginning to slow. Wage growth is creeping higher, which is encouraging, but needs further confirmation. The Japanese equity market is facing the usual summer lull, with a stronger yen and political uncertainties weighing on the market. In this environment, we think companies will be careful around upwardly revising their outlook.
China	• China's economy is holding up surprisingly well, but we still expect momentum to weaken in H2 • The government is reinforcing its fight against financial risks • We believe outperformance of the MSCI China vs. global equities will take a breather	Economic growth has accelerated in Q2 according to the sequential growth rates of GDP statistics. While we recognize that growth remains firm, we believe that growth will slow somewhat in the second half of the year. Momentum of some leading indicators is already levelling out, and tighter credit and property market policies are expected to take their toll, even if a sharp slowdown should be avoided. The Central Financial Work Conference has established a new commission to tackle financial risks and to better coordinate the work of existing regulators under the auspices of the PBoC. The MSCI China stock index has continued to rally and has significantly outperformed global equities. We believe a pause, particularly in Internet related shares, would be healthy.
Australia	• As economic activity gains further traction, the RBA adopts a more hawkish tone, although it is unlikely to hike rates soon • At 1.9% YoY in Q2 from 2.1% in Q1, CPI stands at a decent level, albeit just below the RBA's target of 2 to 3% • The sovereign spread to US Treasuries rebounds above 40bps, and the AUD breaches above 0.80 USD	More economic green shoots have blossomed recently. Full-time employment growth has maintained a healthy pace across all states. Surveyed corporate conditions have reached a decade high, and hiring intentions have also increased. We think that the RBA will wait for a clearer signal on wage growth before it hikes rates, though. The housing market continues to send mixed signals. Building approvals, which lead residential investment by around 6 to 8 months, are rolling over, but house price growth in Sydney and Melbourne has accelerated again in June, and auction rates are back above 70% in the two cities. Finally, the recent rebound in iron ore prices has supported the currency. Further iron ore price upside seems limited though, given the high level of Chinese inventories.

Valuation snapshot (MSCI Indices)

Current trailing valuations

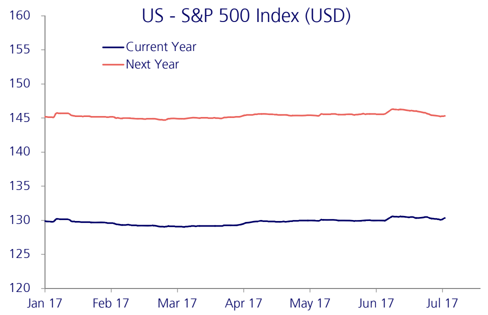
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	23.32	21.60	25.03	25.92	15.42	15.87	15.73	15.18	22.43
12m Trailing P/B	3.10	1.87	1.91	2.53	1.33	1.69	1.80	1.58	2.51
12m Trailing P/CF	14.21	7.81	8.31	13.83	8.62	9.91	7.56	6.27	10.11
Dividend Yield	1.99	3.04	3.81	3.10	2.08	2.63	1.85	3.30	2.05
ROE	13.30	8.64	7.64	9.76	8.63	10.66	11.44	10.41	11.19

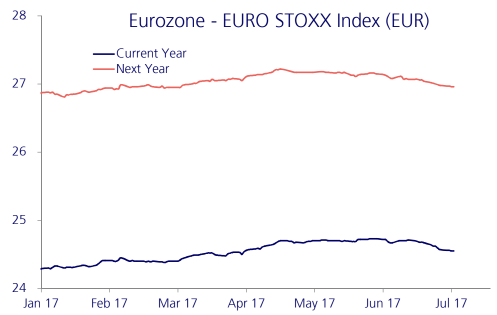
Current trailing valuations relative to MSCI world

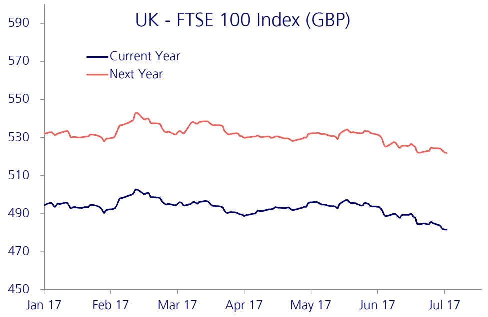
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.13	1.04	1.21	1.25	0.74	0.77	0.76	0.73	1.08
12m Trailing P/B	1.40	0.84	0.86	1.14	0.60	0.76	0.81	0.71	1.13
12m Trailing P/CF	1.32	0.73	0.77	1.29	0.80	0.92	0.70	0.58	0.94
Dividend Yield	0.83	1.26	1.58	1.29	0.86	1.09	0.77	1.37	0.85
ROE	1.24	0.81	0.71	0.91	0.81	0.99	1.07	0.97	1.04

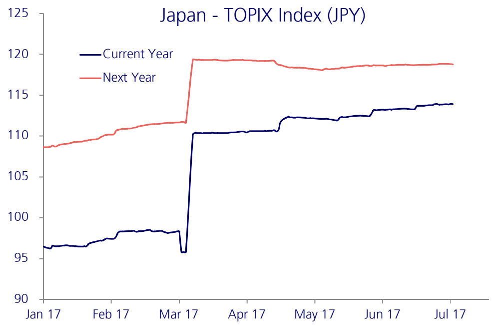
Source: Datastream

Earnings estimates - Full fiscal years



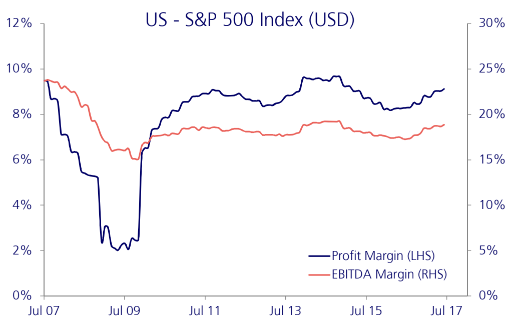


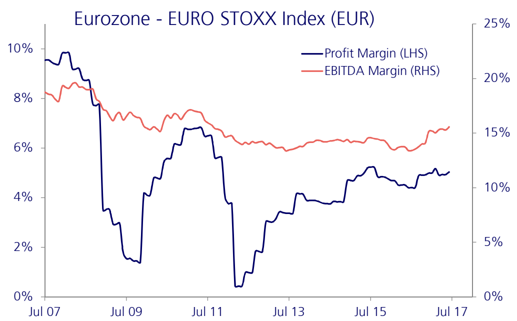


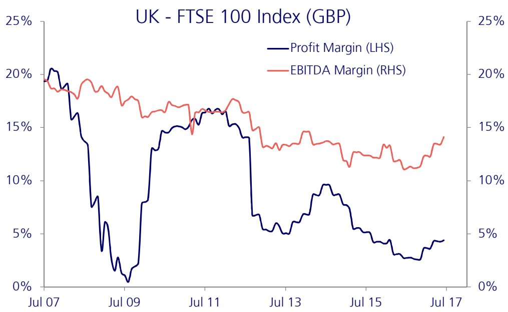


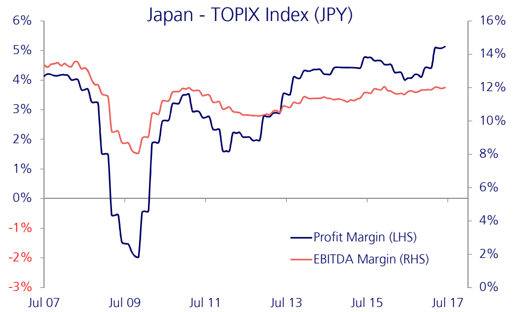
Source: Bloomberg

Historical margins



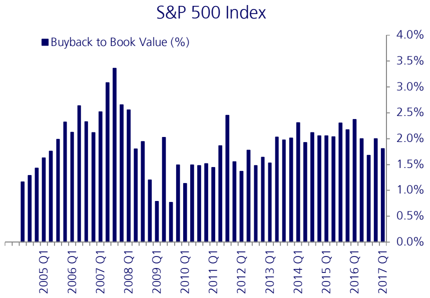


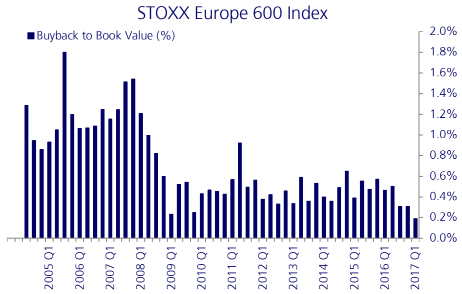


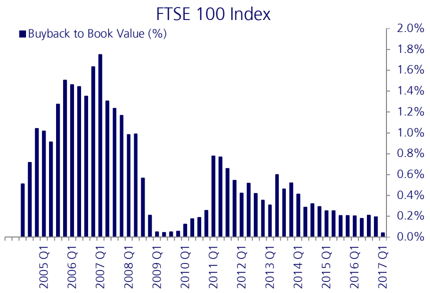


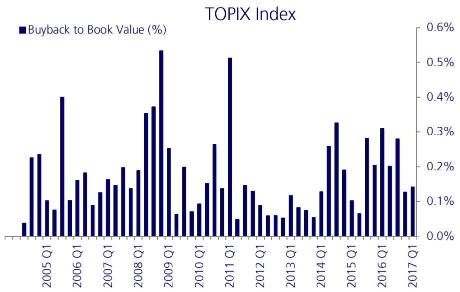
Source: Bloomberg

Shares buybacks



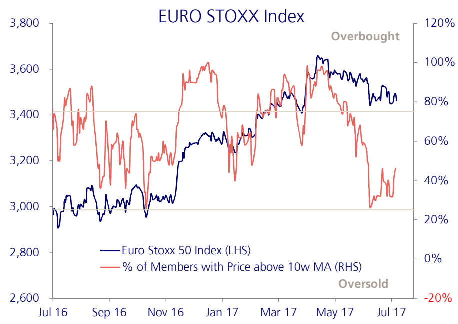


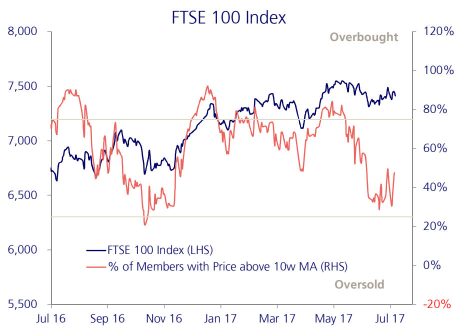


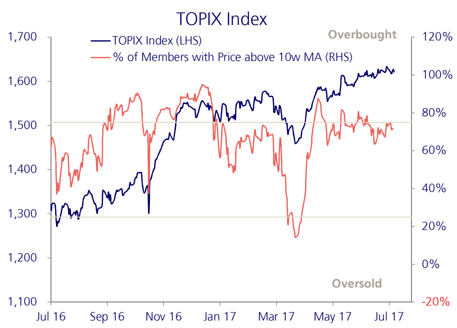


Source: Bloomberg

Overbought / Oversold

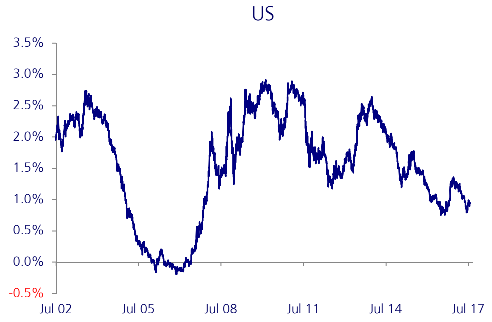


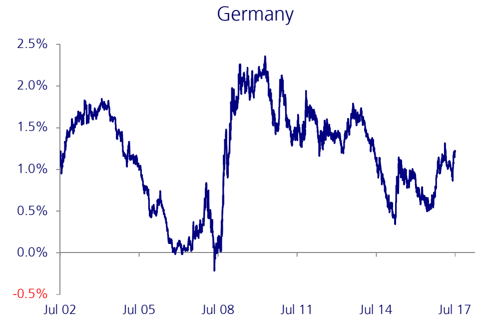


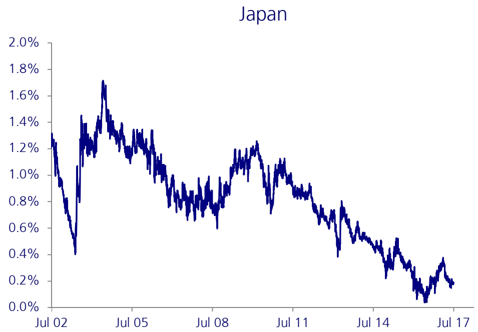


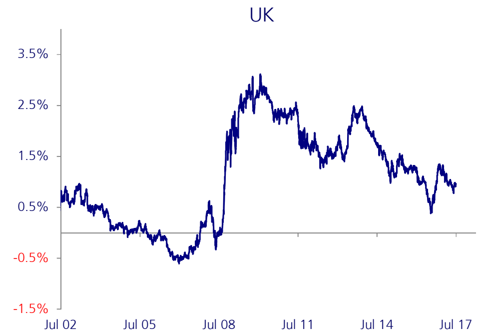
Source: Bloomberg

Yield Curve Steepness (2yr-10yr)









Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Jul-17	1m ago	3m ago	1yr ago
UK	-110	-112	-120	-79
Germany	-177	-184	-196	-159
Switzerland	-226	-233	-239	-207
Japan	-223	-216	-226	-177
Australia	37	15	29	36
China	129	131	119	131
South Korea	-9	-9	-9	-15
Malaysia	167	169	177	210
Indonesia	464	462	477	546
Thailand	15		43	56
Philippines	175	n/a	n/a	n/a
Brazil	768	855	n/a	1,039
Mexico	456	453	495	443
Colombia	465	419	393	608
Peru	324	333	339	421

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Jul-17	1m ago	3m ago	1yr ago
France	27	36	52	22
Netherlands	11	21	23	11
Belgium	28	35	46	24
Austria	16	27	29	18
Ireland	31	42	54	54
Italy	157	169	197	129
Spain	98	113	133	118
Portugal	244	270	323	306

Source: Bloomberg, ZIG

Economic data

US	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Trend*
ISM Manufacturing (Index)	52.8	52.3	49.4	51.7	52.0	53.5	54.5	56.0	57.7	57.2	54.8	54.9	57.8	down
ISM Non-Manufacturing (Index)	56.1	54.9	51.7	56.6	54.6	56.2	56.6	56.5	57.6	55.2	57.5	56.9	57.4	up
Durable Goods (% MoM)	-4.8	4.1	0.6	-0.5	6.1	-4.6	0.3	0.3	1.4	2.4	-0.8	-0.1	6.5	up
Consumer Confidence (Index)	97.4	96.7	101.8	103.5	100.8	109.4	113.3	111.6	116.1	124.9	119.4	117.6	117.3	up
Retail Sales (% MoM)	3.2	2.3	2.1	3.2	4.0	3.7	4.0	5.6	4.7	4.8	4.5	4.1	2.8	down
Unemployment Rate (%)	4.9	4.9	4.9	4.9	4.8	4.6	4.7	4.8	4.7	4.5	4.4	4.3	4.4	down
Avg Hourly Earnings YoY (% YoY)	2.5	2.6	2.5	2.7	2.5	2.5	2.5	2.4	2.5	2.3	2.3	2.4	2.3	down
Change in Payrolls ('000, MoM)	297.0	291.0	176.0	249.0	124.0	164.0	155.0	216.0	232.0	50.0	207.0	152.0	222.0	up
PCE (% YoY)	1.6	1.6	1.7	1.7	1.8	1.7	1.7	1.8	1.8	1.6	1.5	1.4		down
GDP (%, QoQ, Annualized)	1.4			3.5						1.4				

UK	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Trend*
PMI Services (Index)	52.3	47.4	52.9	52.6	54.5	55.2	56.2	54.5	53.3	55.0	55.8	53.8	53.4	up
Consumer Confidence (Index)	-1.0	-12.0	-7.0	-1.0	-3.0	-8.0	-7.0	-5.0	-6.0	-6.0	-7.0	-5.0	-10.0	down
Unemployment Rate (%)	4.9	4.9	5.0	4.8	4.8	4.8	4.8	4.7	4.7	4.6	4.6	4.5		down
CPI (% YoY)	0.5	0.6	0.6	1.0	0.9	1.2	1.6	1.8	2.3	2.3	2.7	2.9	2.6	up
GDP (% YoY)	1.7			2.0						2.0			1.7	down

Eurozone	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Trend*
PMI Manufacturing (Index)	52.8	52.0	51.7	52.6	53.5	53.7	54.9	55.2	55.4	56.2	56.7	57.0	57.4	up
PMI Services (Index)	52.8	52.9	52.8	52.2	52.8	53.8	53.7	53.7	55.5	56.0	56.4	56.3	55.4	up
IFO Business Climate (Index)	108.6	108.3	106.6	109.7	110.6	110.5	111.0	110.0	111.2	112.2	113.1	114.6	115.2	up
Industrial Production (% MoM)	0.7	-0.7	1.7	-0.6	0.1	1.6	-0.9	0.1	-0.1	0.4	0.3	1.3		up
Factory Orders GE (% MoM)	-0.2	-0.6	1.0	0.0	3.2	-1.9	6.1	-6.7	3.5	1.1	-2.2	1.0		down
Unemployment Rate (%)	10.1	10.0	9.9	9.9	9.8	9.7	9.6	9.6	9.4	9.4	9.3	9.3		down
M3 Growth (% YoY, 3 months MA)	5.1	5.1	5.0	5.1	4.5	4.7	5.0	4.8	4.6	5.3	4.9	4.9	5.0	up
CPI (% YoY)	0.1	0.2	0.2	0.4	0.5	0.6	1.1	1.8	2.0	1.5	1.9	1.4	1.3	down
Core CPI (% YoY)	0.9	0.9	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.7	1.2	0.9	1.1	up
GDP (% QoQ)	0.3			0.4						0.5				

Switzerland	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Trend*
KOF Leading Indicator (Index)	101.2	102.2	99.8	101.6	103.9	102.3	102.3	102.0	106.9	107.1	106.3	102.0	105.8	down
PMI Manufacturing (Index)	51.5	51.5	51.6	54.4	55.2	55.9	56.2	54.6	57.8	58.6	57.4	55.6	60.1	up
Real Retail Sales (% YoY)	-3.3	-3.0	-2.5	-2.1	-0.4	0.9	-3.5	-0.8	0.4	2.6	-0.9	-0.3		up
Trade Balance (Billion, CHF)	3.5	2.7	2.8	4.3	2.5	3.4	2.7	4.8	3.0	3.0	2.0	3.4	2.8	down
CPI (% YoY)	-0.4	-0.2	-0.1	-0.2	-0.2	-0.3	0.0	0.3	0.6	0.6	0.4	0.5	0.2	down

Japan	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Trend*
Nomura Manufacturing PMI (Index)	48.1	49.3	49.5	50.4	51.4	51.3	52.4	52.7	53.3	52.4	52.7	53.1	52.4	down
Machine Orders (% YoY)	-0.9	5.2	11.6	4.3	-5.6	10.4	6.7	-8.2	5.6	-0.7	2.7	0.6		down
Industrial Production (% YoY)	-1.6	-4.2	4.5	1.5	-1.2	4.4	3.1	3.2	4.7	3.5	5.7	6.5		up
ECO Watchers Survey (Index)	41.2	45.1	45.6	44.8	46.2	48.6	51.2	48.6	48.5	50.6	50.4	50.1	49.9	up
Jobs to Applicants Ratio (Index)	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.5	up
Labour Cash Earnings (% YoY)	1.4	1.2	0.0	0.0	0.1	0.5	0.5	0.3	0.4	0.0	0.5	0.6		down
Department Store Sales (% YoY)	-3.5	-0.1	-6.0	-5.0	-3.9	-2.4	-1.7	-1.2	-1.7	-0.9	0.7	0.0	1.4	up
Money Supply M2 (% YoY)	3.3	3.3	3.2	3.4	3.6	3.8	3.9	4.0	4.1	4.2	4.0	3.8	3.9	down
CPI Ex Food & Energy (% YoY)	0.5	0.3	0.2	0.0	0.2	0.1	0.0	0.1	-0.1	-0.3	-0.3	-0.2	-0.2	down
Exports (% YoY)	-7.4	-14.0	-9.6	-6.9	-10.3	-0.4	5.4	1.3	11.3	12.0	7.5	14.9	9.7	up

China	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Trend*
PMI Manufacturing (Index)	50.0	49.9	50.4	50.4	51.2	51.7	51.4	51.3	51.6	51.8	51.2	51.2	51.7	down
Industrial Production (% YoY)	6.2	6.0	6.3	6.1	6.1	6.2	6.0			7.6	6.5	6.5	7.6	up
Retail Sales (% YoY)	10.6	10.2	10.6	10.7	10.0	10.8	10.9			10.9	10.7	10.7	11.0	up
PPI (% YoY)	-2.6	-1.7	-0.8	0.1	1.2	3.3	5.5	6.9	7.8	7.6	6.4	5.5	5.5	down
Exports (% YoY)	-6.8	-6.5	-3.8	-10.4	-7.9	-1.5	-6.2	7.3	-1.9	16.0	7.5	8.3	11.3	up
CPI (% YoY)	1.9	1.8	1.3	1.9	2.1	2.3	2.1	2.5	0.8	0.9	1.2	1.5	1.5	neutral
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			6.9	neutral
PMI Non Manufacturing (Index)	50.0	49.9	50.4	50.4	51.2	51.7	51.4	51.3	51.6	51.8	51.2	51.2	51.7	down
Aggregate Financing (Billions, CNY)	1647.9	479.1	1460.5	1711.5	886.5	1832.8	1626.0	3720.2	1086.4	2136.3	1383.4	1065.9	1776.2	down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Economic data

Australia	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Trend*
AiG Manufacturing (Index)	51.8	56.4	46.9	49.8	50.9	54.2	55.4	51.2	59.3	57.5	59.2	54.8	55.0	up
AiG Service (Index)	51.3	53.9	45.0	48.9	50.5	51.1	57.7	54.5	49.0	51.7	53.0	51.5	54.8	up
Westpac Consumer Confidence (% MoM)	-1.0	-3.0	2.0	0.3	1.1	-1.1	-3.9	0.1	2.3	0.1	-0.7	-1.1	-1.8	down
Building Approvals (% YoY)	-4.7	5.7	15.5	-4.1	-23.6	-3.1	-10.2	-9.4	-4.9	-20.3	-17.2	-19.7		down
Employment Change ('000, MoM)	6.8	38.3	-17.3	-23.2	13.2	45.3	16.3	5.7	7.9	52.8	49.2	38.0	14.0	up

Brazil	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Trend*
CPI (% YoY)	8.8	8.7	9.0	8.5	7.9	7.0	6.3	5.4	4.8	4.6	4.1	3.6	3.0	down
Industrial Production (% YoY)	-7.3	-5.3	-6.2	-4.8	-4.1	-7.3	-1.2	0.0	1.6	-0.6	1.7	-4.3	4.0	up
Retail Sales (% YoY)	-9.0	-4.8	-5.6	-5.5	-5.7	-8.1	-3.8	-4.9	-1.2	-3.7	-3.2	1.7	2.4	up
Trade Balance (Millions, USD)	3975.0	4577.0	4140.0	3802.0	2346.0	4756.0	4415.0	2724.0	4560.0	7145.0	6969.0	7661.0	7195.0	up
Budget Balance Primary (Billions, BRL)	-60.6	-32.2	-53.4	-62.9	-67.1	3.4	-80.4	-105.2	0.3	-54.2	-54.3	-15.4	-67.0	up

Chile	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Trend*
IMACEC Economic Activity Index (% YoY)	1.32	0.87	2.96	1.45	-0.26	1.02	0.59	1.45	-1.39	0.28	0.10	1.31		up
CPI (% YoY)	4.20	4.00	3.40	3.10	2.80	2.90	2.70	2.80	2.70	2.70	2.70	2.60	1.70	down
Retail Sales (% YoY)	0.96	4.59	0.23	7.41	5.15	4.97	4.10	3.85	-1.18	6.00	-0.40	5.59		up
Industrial Production (% YoY)	-4.68	-2.47	3.10	-0.46	-7.19	-0.09	1.29	-1.23	-8.03	-8.31	-4.20	0.10		down
Unemployment (%)	6.90	7.10	6.90	6.80	6.40	6.20	6.10	6.20	6.40	6.60	6.70	7.00		up

Mexico	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Trend*
PMI (Index)	48.2	48.8	49.8	50.9	50.2	48.7	48.3	48.5	46.5	46.7	44.7	48.5	54.1	up
CPI (% YoY)	2.5	2.7	2.7	3.0	3.1	3.3	3.4	4.7	4.9	5.4	5.8	6.2	6.3	up
Retail Sales (% YoY)	9.4	7.9	8.9	8.1	9.3	11.2	9.0	4.9	3.6	6.1	1.4	4.1		down
Indutrial Production (% YoY)	1.4	-0.6	3.7	0.1	-0.5	4.4	1.8	4.5	1.3	8.5	-1.5	5.0		up
Remittances (Millions, USD)	2306.8	2241.4	2269.0	2374.2	2220.4	2371.1	2338.6	2062.3	2056.9	2520.3	2306.0	2586.4		up

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Zurich Insurance Company Ltd
Investment Management
Mythenquai 2
8002 Zurich

173001631 (01/16) TCL

ZURICH®