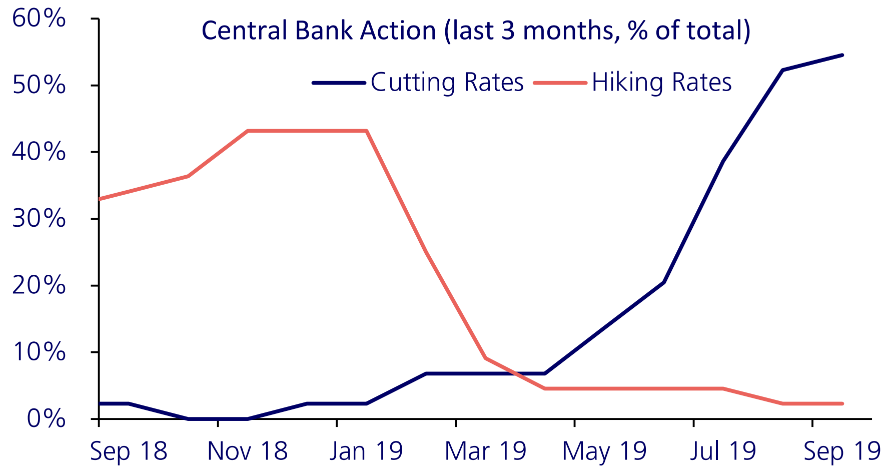
October 1, 2019

Monthly Investment Insights

Rate cuts boost risk assets, but now what?



Source: Bloomberg

As we had expected, investor sentiment has recovered from the hit it took in August following escalating US-China trade tensions. Equity markets have moved higher, underpinned by strong rotation, while bond yields have rebounded from their recent cycle lows. While sentiment has improved, equity investors have not yet taken a very bullish stance and are only cautiously engaging in new positions. Indeed, we believe a certain dose of scepticism seems warranted, as we are in the late stage of the economic cycle and are still expecting a mild global recession next year. Germany and Hong Kong are likely to be the first regions to register two quarters of shrinking GDP in a row, fulfilling the common definition of a technical recession, though for idiosyncratic reasons. Global manufacturing remains in its own recession and indeed has weakened further. While the global service sector had been holding up rather well until spring this year, it has also started to feel the pinch and we suspect will fall further.

The deteriorating global economic conditions encouraged investors to bet on monetary stimulus by the major central banks, and many of them have delivered (see chart). Last month the Fed cut by 25bps, while the ECB announced several easing measures including a rate cut, restarting QE and improving lending terms to banks. China's PBoC cut its newly created benchmark lending rate, the LPR, by 5bps, with more to come, while Bank Indonesia and Philippine's BSP cut their policy rate by 25bps. Among the major central banks, only the Bank of Japan and the Swiss National Bank have refrained from cutting, but both have indicated that that they may follow at a later stage.

With equities now running up against resistance, a new impetus is needed to inspire investors and drive markets higher. This could come from the trade front at this month's negotiations. Any positive remarks by the US and China that a trade deal is in the offing could induce a breakout in major indices. However, making investment decisions based on hopes for such an announcement comes with high risk. Other policy initiatives may also attract attention. Expanding fiscal policy to increase growth potential and productivity may be the missing link. There are encouraging signs that some measures are coming through, such as the green spending package in Germany, or the latest corporate tax cut in India. Major local Indian equity indices welcomed the move surging nearly 10%, showing that it is not only liquidity provisioning that can spur markets.

Market Assessment

Key developments

- Major central banks have cut their policy rates, while the ECB is restarting QE
- Equity investor sentiment has normalised following an overly bearish stance, though positioning remains light
- For risk assets to advance further, positive news from the trade front or a follow through of fiscal policy measures needs to be forthcoming

Zurich's view

Bulls and bears are fighting each other, which is visible even on an intra-day basis. The S&P 500 was just six points, or 0.2%, away from marking a fresh record high, but then backed off. Some major European equity indices are meandering within a six-month old trading range. It looks like it will be a binary outcome with either a strong momentum breakout to the upside occurring or the major indices rolling over again. It very much depends on how the trade war between the US and China develops. We maintain our constructive view for now, but keep monitoring our spectrum of various market indicators carefully. Meanwhile, government bonds look closer to fair value, with yields now less stretched.

We continue to prefer equities over credit, as tight credit spreads offer limited upside while credit fundamentals remain weak. The ECB meeting was supportive of sentiment, but we think it could spur more leveraging by corporates to generate shareholder returns. Indeed, September has already seen a surge in supply, indicating that further leverage build up is already occurring.

	Key developments	Zurich's view
Global	• Global manufacturing activity slows further and there are some signs that weakness is broadening out beyond manufacturing • Global central banks respond to the slowdown, cutting rates and signalling that more easing measures are to come • Bond yields rebound from stretched levels, but further upside from here is limited	The G3 flash manufacturing PMIs show that a rebound in global manufacturing activity remains elusive. Weakness also appears to be broadening out beyond manufacturing, with consumer sentiment and services activity taking a hit in some regions. Central banks have changed tack and a broad-based rate cutting cycle is underway. This will help to stabilise activity, particularly in emerging markets, but is unlikely to fuel a more material turnaround in the global economy. Trade uncertainty will remain a headwind and the economic cycle is extended in many regions, limiting upside to growth. Given that more profound actions are still lacking, global bond yields, which have rebounded from recent lows, are likely to remain capped.
US	• The Fed cuts its target rate by another 25bps to a range of 1.75-2.00%, leaving the door open for further easing • The ISM Manufacturing index dips below 50 for the first time since 2016, with new orders slumping • Core CPI inflation accelerates to the fastest rate since 2008	The S&P 500 rebounded from its recent setback as trade tensions eased somewhat while economic data remain mixed. The ISM Manufacturing index fell to 49.1 in August, dipping below 50 for the first time since 2016. Even worse, manufacturing new orders contracted to 47.2, matching the post-recession low. On a more positive note, the service sector shows resilience, although new export orders and employment weakened in August. Acknowledging weakening momentum and risks from the deteriorating trade environment, the Fed cut its target rate by another 25bps to a range of 1.75-2.00%. It left the door open for further easing but raised its projection for GDP growth in 2019 to 2.1%. The fact that core CPI inflation accelerated to 2.4% YoY, the highest rate since 2008, will make it more difficult to send very dovish signals in the near term.
UK	• Parliament opposes PM Johnson's Brexit plan and rejects his call for new elections • Sterling recovers as the risk of a no-deal Brexit at the end of October has receded • The economy, and particularly manufacturing, still faces significant domestic and external headwinds	Economic and political uncertainty continue to weigh on the UK economy with manufacturing being under particular pressure. The Manufacturing PMI dropped to 47.4 in August, the lowest level since July 2012. Both weaker domestic and global economic conditions led to a decrease in new orders, with a sharp hit to new export business. The service sector was a bit more resilient but the related PMI still receded to 50.6 from 51.4, indicating a loss of momentum. Meanwhile, sterling recovered from its recent setback as parliament passed legislation that would oblige PM Johnson to ask the EU for an extension of Art. 50 until January 31 if no withdrawal agreement has been passed by October 19. Parliament also rejected Johnson's call for a new general election.
Eurozone	• The ECB cuts interest rates and restarts QE • Liquidity operations for banks are also made more favourable • Eurozone data, especially PMIs, continue to deteriorate, increasing risks of recession	The ECB announced a range of easing measures at its September meeting. The deposit rate was cut further into negative territory and QE will restart in November with EUR 20bn of government and corporate bonds to be purchased per month. The ECB also made the terms of its latest liquidity operations for banks more favourable. While the announcements should help support investor risk appetite in the short term, they are unlikely to boost economic growth much or bring inflation towards the ECB's target in our view. Indeed, the latest PMI data point to further weakness in the Eurozone economy in the coming months. In other developments, Italy has avoided fresh elections, reassuring investors, with the formation of a coalition government between the 5 Star Movement and PD.
Switzerland	• The economy continues to expand but at a sluggish rate, with the manufacturing sector remaining under pressure • Inflation is weak and a stronger franc will weigh on price pressure in the coming months • The SNB slashes its growth and inflation forecasts and signals that it is prepared to cut rates further, should pressure on the franc intensify	The SNB left policy unchanged in September, in line with our expectation but contrary to the consensus view that it would follow the ECB with a rate cut. The decision was very dovish though. The inflation forecast was slashed and the SNB also changed the basis for negative interest rates on sight deposits. The exemption threshold for the tiering system was raised from 20 to 25 times minimum reserves. This was a pragmatic move by the SNB, allowing it to postpone a rate cut but putting in place measures that makes it easier to cut further, should the franc strengthen materially. This does not change our view that policy space is constrained, however, and the SNB will struggle to inject a more significant amount of stimulus, should it be needed.

	Key developments	Zurich's view
Japan	• Economic conditions have deteriorated as the consumption tax hike planned for October 1 has come closer • The Bank of Japan keeps monetary policy unchanged, but announces a re-assessment • Japanese equities outperformed in September	Economic conditions continue to deteriorate in Japan, as various business and confidence surveys are proving. Global trade issues may play a role, but we suspect the fear of negative impact from the consumption tax hike from 8% to 10% on October 1 in particular. However, there will be countermeasures with positive implications, like free childcare and various exemptions from the tax hike. Even though the economy may show negative growth in Q4, we suspect the impact will not be as severe as after previous tax hikes. Japan and the US have agreed on a trade deal, with details to be fixed by early next year. The Bank of Japan has kept monetary policy unchanged. Japanese equities have bounced higher compared to their global peers, following severe underperformance so far this year.
China	• China's economic momentum continues to deteriorate • Further stimulus is expected to be forthcoming in Q4 • Chinese equities are meandering sideways relative to their global peers	Data released for July and August confirm that economic growth momentum is deteriorating rapidly. Industrial production was up only 4.4% in August, a multi-year low, while manufacturing investment is barely growing at all. Retail sales have taken a beating due to tumbling auto sales. On the bright side, infrastructure investment is benefitting from local government bond issuance, while property investment is stable. High-tech investment, a prime target for policy makers, is also holding up well. We believe stimulus measures will intensify in Q4 and early next year, even though they will remain targeted in order to stick to the deleveraging ambitions. The MSCI China continues to meander sideways relative to global equities.
Australia	• Manufacturing and housing show some signs of recovery • Business and consumer sentiment remain downbeat • Australian equities rallied in line with global equities	Despite ongoing concerns over unfavourable global macroeconomics, the RBA sounded more positive in September. The manufacturing PMI rose robustly from 51.3 to 53.1, standing out among its global peers, whose manufacturing PMIs keep deteriorating. House prices improved while housing credit picked up following easing interest rates and lending conditions. That said, sentiment remains downbeat with both business and consumer confidence on a downtrend. Business investment stands at its weakest level in 25 years. Therefore, public and private consumption will probably be the main drivers of growth going forward. Australian stocks rallied roughly in line with global equities in September, pricing in accommodative global monetary policies.
ASEAN and India	• Manufacturing activities deteriorate • Singapore exports stabilise while Indonesia exports deteriorate • Bank Indonesia cuts its policy rate by 25bps, the third consecutive cut, while India announces large corporate tax cuts	With the manufacturing PMIs dipping further into contractionary territory, ASEAN production activities remain in the doldrums. After hitting its lowest level since the global financial crisis (GFC) in June, Singapore's non-oil exports bounced back by 6.7% MoM in August, mainly driven by a rise in exports to China. After holding up relatively well in the last few months, Indonesia exports stumbled again in August. Bank Indonesia has delivered three consecutive rate cuts since June in an effort to curb the economic downturn. Aiming to boost business sentiment and improve corporate earnings, India announced large corporate tax cuts, lowering the effective tax rate from 35% to 25.22%. Following the tax news, Indian equities rallied and bond yields rose amid concerns over a higher fiscal deficit.

Valuation snapshot (MSCI Indices)

Current trailing valuations

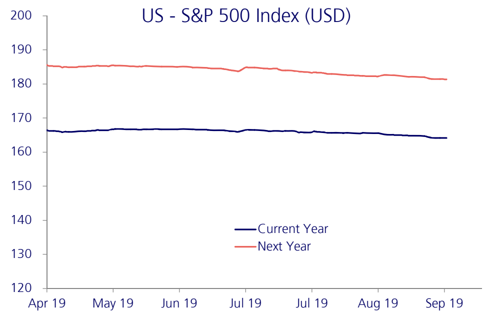
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	20.72	16.85	13.34	20.88	12.65	14.56	13.16	13.27	15.00
12m Trailing P/B	3.37	1.83	1.67	2.96	1.19	1.57	1.65	2.09	1.99
12m Trailing P/CF	13.59	9.29	8.70	10.33	8.04	9.29	7.64	9.80	7.57
Dividend Yield	1.97	3.35	4.82	2.97	2.60	2.96	2.17	3.66	3.31
ROE	16.27	10.83	12.49	14.16	9.42	10.81	12.52	15.74	13.28

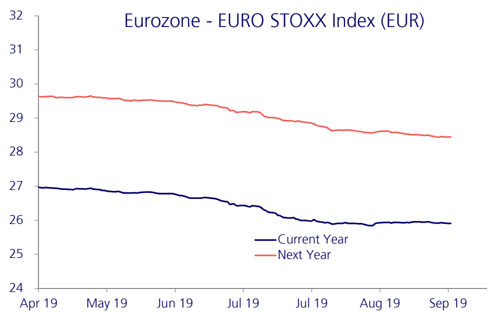
Current trailing valuations relative to MSCI world

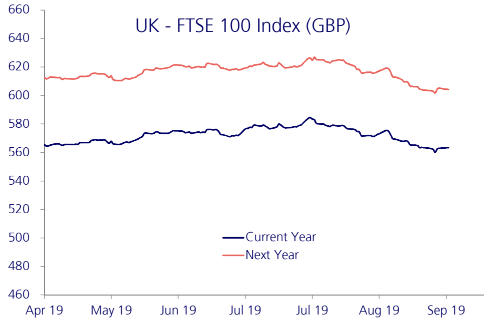
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.19	0.97	0.77	1.20	0.73	0.84	0.76	0.76	0.86
12m Trailing P/B	1.50	0.81	0.74	1.31	0.53	0.70	0.73	0.93	0.88
12m Trailing P/CF	1.23	0.84	0.79	0.93	0.73	0.84	0.69	0.88	0.68
Dividend Yield	0.77	1.31	1.89	1.16	1.02	1.16	0.85	1.43	1.29
ROE	1.26	0.84	0.96	1.09	0.73	0.83	0.97	1.22	1.03

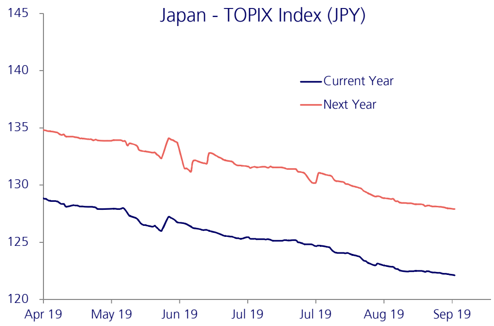
Source: Datastream

Earnings estimates - Full fiscal years



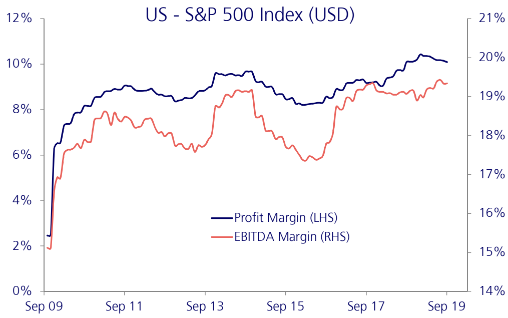


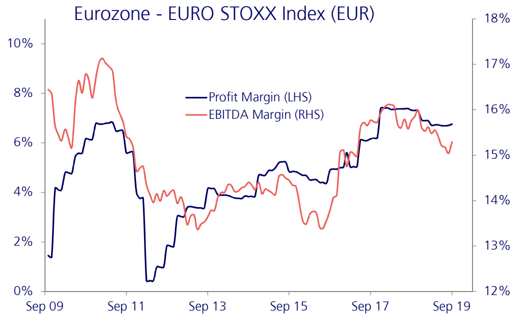


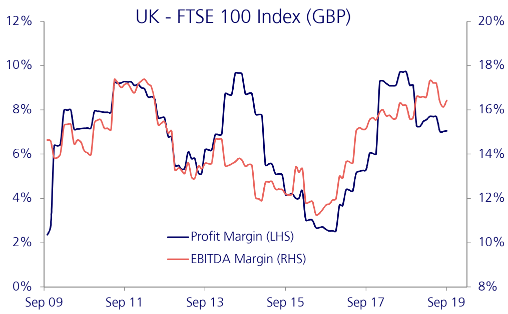


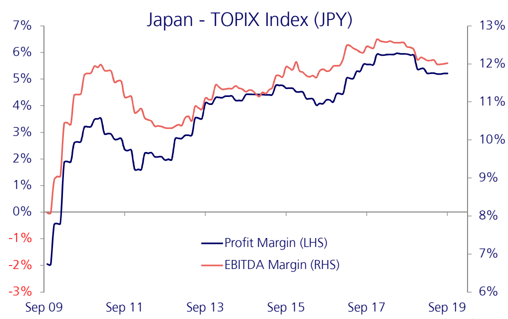
Source: Bloomberg

Historical margins



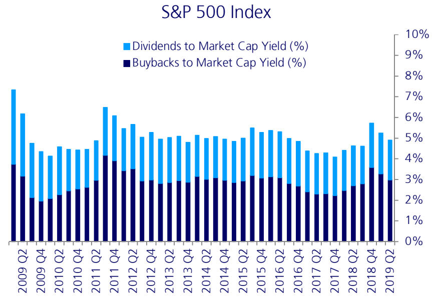


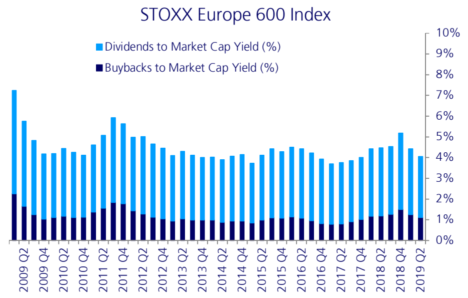


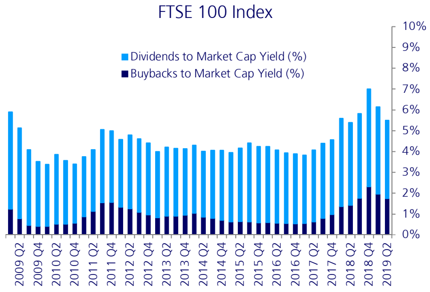


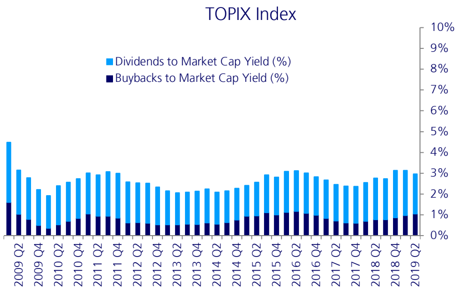
Source: Bloomberg

Dividends and shares buybacks



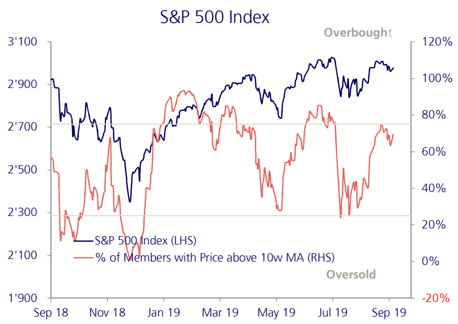


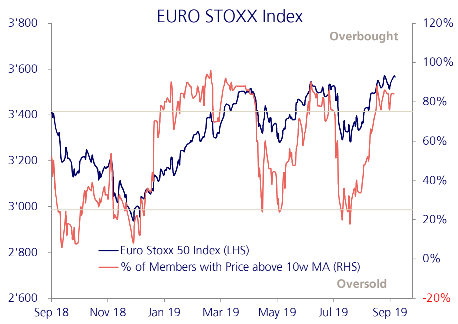


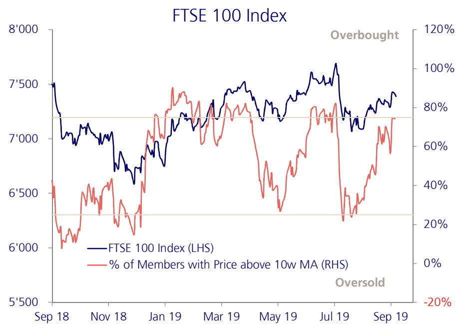


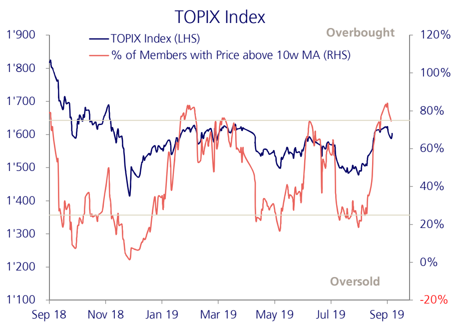
Source: Bloomberg

Overbought / Oversold





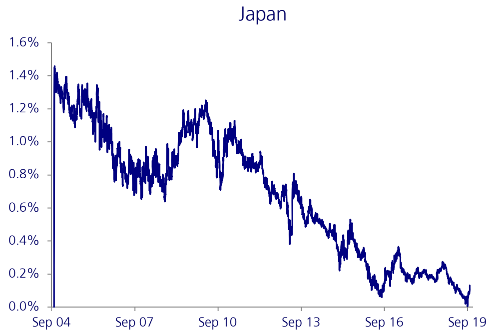


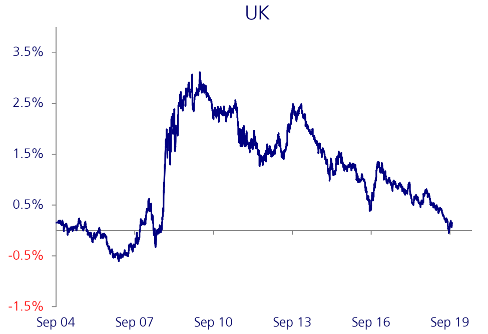


Source: Bloomberg

Appendix 3

Yield Curve Steepness (2yr-10yr)





Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Oct-19	1m ago	3m ago	1yr ago
UK	-118	-102	-126	-150
Germany	-226	-220	-233	-261
Switzerland	-244	-251	-258	-304
Japan	-188	-177	-210	-295
Australia	-76	-61	-67	-42
China	141	156	121	54
South Korea	-28	-20	-43	-70
Malaysia	156	181	168	99
Indonesia	556	584	534	493
Thailand	-26		3	-25
Philippines	233	n/a	n/a	n/a
Brazil	531	n/a	538	851
Mexico	516	550	539	484
Colombia	426	456	397	382
Peru	249	267	265	249

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Oct-19	1m ago	3m ago	1yr ago
France	30	30	28	36
Netherlands	14	16	16	11
Belgium	32	36	35	38
Austria	25	26	26	21
Ireland	53	62	46	53
Italy	137	170	197	283
Spain	70	81	60	106
Portugal	71	83	68	143

Source: Bloomberg, ZIG

Economic data

US	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Trend*
ISM Manufacturing (Index)	59.5	57.5	58.8	54.3	56.6	54.2	55.3	52.8	52.1	51.7	51.2	49.1		down
ISM Non-Manufacturing (Index)	60.8	60.0	60.4	58.0	56.7	59.7	56.1	55.5	56.9	55.1	53.7	56.4		down
Durable Goods (% MoM)	1.5	-4.4	0.6	1.1	0.5	-2.6	1.7	-2.8	-2.3	1.8	2.0	0.2		up
Consumer Confidence (Index)	135.3	137.9	136.4	126.6	121.7	131.4	124.2	129.2	131.3	124.3	135.8	134.2	125.1	up
Retail Sales (% MoM)	3.9	4.8	4.0	1.4	2.6	1.9	3.8	3.8	3.0	3.3	3.6	4.1		up
Unemployment Rate (%)	3.7	3.8	3.7	3.9	4.0	3.8	3.8	3.6	3.6	3.7	3.7	3.7		up
Avg Hourly Earnings YoY (% YoY)	3.0	3.2	3.4	3.5	3.4	3.4	3.4	3.3	3.4	3.4	3.4	3.5		up
Change in Payrolls ('000, MoM)	108.0	277.0	196.0	227.0	312.0	56.0	153.0	216.0	62.0	178.0	159.0	130.0		up
PCE (% YoY)	2.0	1.9	2.0	2.0	1.8	1.6	1.5	1.6	1.5	1.6	1.7	1.8		up
GDP (%, QoQ, Annualized)	2.9			1.1			3.1			2.0				

UK	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Trend*
PMI Services (Index)	53.9	52.2	50.4	51.2	50.1	51.3	48.9	50.4	51.0	50.2	51.4	50.6		up
Consumer Confidence (Index)	-9.0	-10.0	-13.0	-14.0	-14.0	-13.0	-13.0	-13.0	-10.0	-13.0	-11.0	-14.0	-12.0	down
Unemployment Rate (%)	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.8	3.9	3.8			down
CPI (% YoY)	2.4	2.4	2.3	2.1	1.8	1.9	1.9	2.1	2.0	2.0	2.1	1.7		down
GDP (% YoY)	1.6			1.5			2.1			1.3				

Eurozone	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Trend*
PMI Manufacturing (Index)	53.2	52.0	51.8	51.4	50.5	49.3	47.5	47.9	47.7	47.6	46.5	47.0	45.7	down
PMI Services (Index)	54.7	53.7	53.4	51.2	51.2	52.8	53.3	52.8	52.9	53.6	53.2	53.5	52.0	down
IFO Business Climate (Index)	104.0	102.9	102.4	101.3	99.9	98.9	99.8	99.4	98.2	97.5	95.8	94.3	94.6	down
Industrial Production (% MoM)	-0.5	-0.1	-1.2	-1.0	1.7	0.0	-0.3	-0.5	0.8	-1.4	-0.4			down
Factory Orders GE (% MoM)	0.1	0.1	-0.7	0.9	-2.2	-3.8	0.5	0.5	-2.0	2.7	-2.7			up
Unemployment Rate (%)	8.0	8.0	7.9	7.9	7.8	7.8	7.7	7.6	7.6	7.5	7.5	7.4		down
M3 Growth (% YoY, 3 months MA)	3.6	3.9	3.8	4.1	3.7	4.2	4.6	4.7	4.8	4.5	5.1	5.7		up
CPI (% YoY)	2.1	2.3	1.9	1.5	1.4	1.5	1.4	1.7	1.2	1.3	1.0	1.0	0.9	down
Core CPI (% YoY)	1.0	1.2	0.9	0.9	1.1	1.0	0.8	1.3	0.8	1.1	0.9	0.9	1.0	down
GDP (% QoQ)	0.2			0.3			0.4			0.2				

Switzerland	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Trend*
KOF Leading Indicator (Index)	101.3	99.4	99.1	96.4	97.2	94.6	96.7	97.1	93.9	95.0	96.0	95.5	93.2	down
PMI Manufacturing (Index)	59.9	57.8	57.7	57.5	54.3	55.4	50.3	48.5	48.6	47.7	44.7	47.2	44.6	down
Real Retail Sales (% YoY)	-2.9	1.4	-0.4	-0.4	-0.2	-0.1	-0.8	-0.6	-0.7	0.9	1.5	-1.4		up
Trade Balance (Billion, CHF)	2.3	3.5	4.7	2.0	3.0	2.9	3.1	2.3	3.2	4.0	3.7	1.6		up
CPI (% YoY)	1.0	1.2	0.9	0.7	0.6	0.6	0.7	0.7	0.6	0.6	0.3	0.3		down

Japan	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Trend*
Nomura Manufacturing PMI (Index)	52.5	52.9	52.2	52.6	50.3	48.9	49.2	50.2	49.8	49.3	49.4	49.3	48.9	down
Machine Orders (% YoY)	-7.0	4.5	0.8	0.9	-2.9	-5.5	-0.7	2.5	-3.7	12.5	0.3			up
Industrial Production (% YoY)	-2.5	4.2	1.9	-2.0	0.7	-1.1	-4.3	-1.1	-2.1	-3.8	0.7	-4.7		down
ECO Watchers Survey (Index)	47.3	47.7	49.0	48.2	44.8	46.7	46.7	47.0	44.3	43.3	41.7	42.6		down
Jobs to Applicants Ratio (Index)	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6		down
Labour Cash Earnings (% YoY)	0.7	1.1	1.7	1.5	-0.6	-0.7	-1.3	-0.3	-0.5	0.4	-1.0			up
Department Store Sales (% YoY)	-3.0	1.6	-0.6	-0.7	-2.9	0.4	0.1	-1.1	-0.8	-0.9	-2.9	2.3		up
Money Supply M2 (% YoY)	2.8	2.7	2.3	2.4	2.3	2.3	2.4	2.5	2.6	2.3	2.3	2.4		down
CPI Ex Food & Energy (% YoY)	0.1	0.2	0.1	0.1	0.3	0.3	0.3	0.5	0.3	0.3	0.4	0.4		neutral
Exports (% YoY)	-1.4	8.2	0.1	-3.9	-8.4	-1.2	-2.4	-2.4	-7.8	-6.6	-1.5	-8.2		down

China	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Trend*
PMI Manufacturing (Index)	50.8	50.2	50.0	49.4	49.5	49.2	50.5	50.1	49.4	49.4	49.7	49.5	49.8	up
Industrial Production (% YoY)	5.8	5.9	5.4	5.7			8.5	5.4	5.0	6.3	4.8	4.4		down
Retail Sales (% YoY)	9.2	8.6	8.1	8.2			8.7	7.2	8.6	9.8	7.6	7.5		up
PPI (% YoY)	3.6	3.3	2.7	0.9	0.1	0.1	0.4	0.9	0.6	0.0	-0.3	-0.8		down
Exports (% YoY)	13.9	14.3	3.9	-4.4	9.2	-20.8	13.8	-2.8	1.0	-1.3	3.3	-1.0		down
CPI (% YoY)	2.5	2.5	2.2	1.9	1.7	1.5	2.3	2.5	2.7	2.7	2.8	2.8		up
RRR (%)	15.5	14.5	14.5	14.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.0	down
GDP (% YoY)	6.5			6.4			6.4			6.2				down
PMI Non Manufacturing (Index)	50.8	50.2	50.0	49.4	49.5	49.2	50.5	50.1	49.4	49.4	49.7	49.5	49.8	up
Aggregate Financing (Billions, CNY)	1180.2	592.8	1363.7	1151.5										neutral

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Economic data

Australia	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Trend*
AiG Manufacturing (Index)	57.1	54.7	50.8	50.0	52.5	54.0	51.0	54.8	52.7	49.4	51.3	53.1	54.7	up
AiG Service (Index)	52.5	51.1	55.1	52.1	44.3	44.5	44.8	46.5	52.5	52.2	43.9	51.4		up
Westpac Consumer Confidence (% MoM)	-3.0	1.0	2.8	0.1	-4.7	4.3	-4.8	1.9	0.6	-0.6	-4.1	3.6	-1.7	down
Building Approvals (% YoY)	-12.7	-13.4	-33.9	-21.0	-27.6	-11.0	-23.2	-22.2	-18.3	-25.0	-28.2	-21.5		down
Employment Change ('000, MoM)	17.4	25.4	38.9	17.8	33.7	9.8	27.0	28.2	40.4	1.0	36.4	34.7		down

Brazil	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Trend*
CPI (% YoY)	4.5	4.6	4.1	3.8	3.8	3.9	4.6	4.9	4.7	3.4	3.2	3.4		down
Industrial Production (% YoY)	1.6	-2.4	0.7	-1.2	-3.7	-2.2	2.2	-6.1	-3.7	7.6	-5.9	-2.5		up
Retail Sales (% YoY)	4.1	0.2	1.9	4.5	0.7	1.9	4.0	-4.4	1.8	1.0	0.1	4.3		up
Trade Balance (Millions, USD)	4971.0	6121.0	4062.0	6639.0	2192.0	3673.0	4990.0	6061.0	6422.0	5019.0	2293.0	3284.0		down
Budget Balance Primary (Billions, BRL)	-39.2	-6.1	-50.6	-68.0	26.0	-45.0	-62.2	-28.0	-47.6	-30.1	-30.3	-63.6		up

Chile	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Trend*
IMACEC Economic Activity Index (% YoY)	2.07	4.36	3.33	3.12	1.91	1.14	1.73	1.90	2.31	1.52	3.20			down
CPI (% YoY)	3.10	2.90	2.80	2.60	2.21	2.20	2.48	2.43	2.76	2.70	2.57	2.58		up
Retail Sales (% YoY)	1.72	8.02	-0.12	1.57	0.02	0.05	0.94	-0.72	3.30	-1.20	1.76			down
Industrial Production (% YoY)	-3.15	2.00	0.36	1.60	-0.90	-3.55	-0.80	0.69	-0.17	-2.94	2.63	1.38		up
Unemployment (%)	7.10	7.10	6.80	6.70	6.80	6.70	6.90	6.90	7.10	7.10	7.20	7.20		up

Mexico	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Trend*
PMI (Index)	51.1	50.0	49.8	49.0	49.8	53.7	50.6	52.0	49.1	48.6	48.9	47.4		down
CPI (% YoY)	5.0	4.9	4.7	4.8	4.4	3.9	4.0	4.4	4.3	4.0	3.8	3.2		down
Retail Sales (% YoY)	2.7	2.5	3.8	-0.5	0.7	2.5	1.6	1.6	2.8	1.0	2.1			down
Indutrial Production (% YoY)	2.3	2.5	1.6	0.2	1.3	0.8	2.8	-0.4	0.7	-0.8	3.0			down
Remittances (Millions, USD)	2718.1	3017.3	2964.8	2991.2	2455.6	2438.4	2958.0	2937.0	3282.1	3183.5	3270.3			down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

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