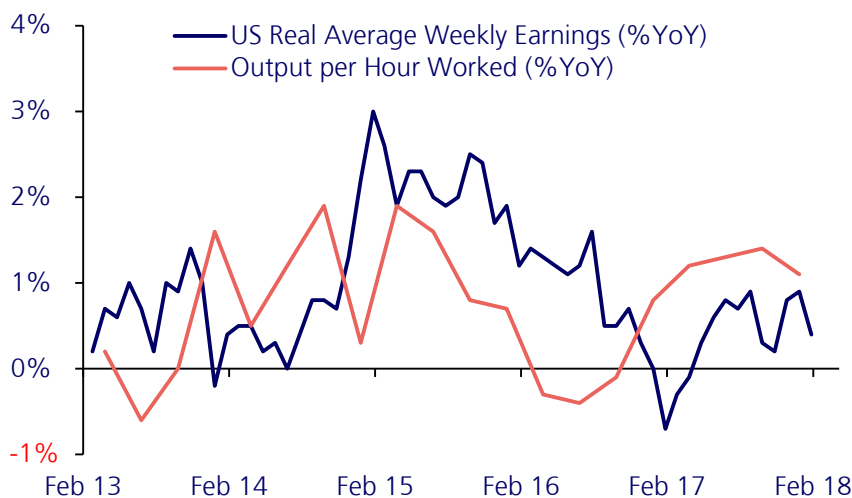


Monthly Investment Insights

Rising US wages should not be a concern



Source: Bloomberg

As [anticipated in last month's Investment Insights](#) the bull market did indeed catch its breath suffering the most severe correction in years. The sell-off was partially triggered by fears about accelerating wage growth and inflation, potentially followed by a more rapid normalisation of monetary policy. Investors have significantly revised up the expected path for the Fed's target rate from less than two rate hikes to three in 2018 – in line with the Fed's own projection. Expectations for 2019 have been revised higher as well. US inflation remained stubbornly low during most of last year despite an ever tighter labour market and a shrinking output gap. In January, however, both wage growth and inflation accelerated considerably, stoking fears of higher inflation, pushing up bond yields and putting pressure on equities. The pickup in inflation was broad-based and driven by both core and non-core components. We do expect inflation to rise further over the course of the year, not least because last year's massive price cuts in mobile phone services will fall out of the annual comparison in March. Nevertheless, we caution against simply extrapolating the current rate of acceleration as some of the structural factors need time to build up. In addition, [while inflation is accelerating in the US it is still far from central bank targets in many other regions](#), particularly in Japan and the Eurozone.

Growth in average hourly earnings picked up to 2.9% YoY in January from an upwards revised 2.7% the month before. Although this is the highest rate since 2009 it has to be put into perspective with rising productivity. Real average weekly earnings were up 0.9% YoY in December. At the same time, output per hour worked was up 1.1% YoY. As long as real wage growth is compensated by higher productivity, rising wages will not necessarily lead to higher inflation rates. Higher inflation partially reflects companies' increasing pricing power as indicated by recent business surveys. Sales growth has accelerated to more than 7% YoY in Q4, the fastest growth rate in six years. Faster sales growth will help to lift earnings without having to expand margins even further. Therefore, as long as inflation is rising only modestly and the Fed is not overreacting to the latest pickup, the stock market should remain well supported by a positive earnings outlook. Given that the Fed has already pencilled in higher inflation rates for this year and next in its forecasts, it is unlikely to significantly lift both its inflation projection and the future rate path in the near term. Nevertheless, the FOMC will feel confirmed by the latest development and will continue to gradually normalise monetary policy.

Market Assessment

Key developments

- Stock markets rebound strongly after suffering the worst sell-off in years, fuelled by unwinding short volatility positions
- Global growth remains strong, with inflation beginning to pick up in some regions
- Government bond yields rise on inflation fears and expected monetary policy normalisation

Zurich's view

The most severe stock market correction in years removed some of the excesses that have built up over the past few months. Most equity indices moved from overbought to oversold territory, while sentiment indicators show that investor optimism has given way to a more cautious stance regarding the outlook for risk assets. Meanwhile, fundamentals remain supportive for equities and we would expect the bull market to continue as investors keep buying the dips, although the dips could become deeper as indicated by the recent sell-off. The global growth momentum remains robust and corporate earnings show a positive picture, in particular in the US and the Eurozone.

Accelerating inflation in the US and investors' revising up their expectations for the Fed's future rate path have lifted bond yields in the US to the highest level in years. While we do expect yields to creep higher over the course of the year they have reached a level where the near-term risk-reward trade-off looks more attractive. At the same time, we continue to prefer equities relative to credit.

Global

- Global activity remains strong, though economic data have recently become more mixed
- Inflation surprises on the upside in some regions, but is unlikely to become a problem globally
- Central banks continue to normalise policy, with financial conditions becoming slightly less favourable

The G3 manufacturing PMIs edged down in February, led by the Eurozone and Japan, and broader economic data have become more mixed. We see this as a healthy stabilisation, however, following a period of very strong momentum, and anticipate global growth to remain firm over the coming months. World trade ended 2017 on a strong note, leaving the annual growth rate at 4.5%, and solid leading trade indicators in Asia suggest that positive dynamics will persist. Price pressures have firmed, with inflation surprising positively in some regions, but wage growth remains subdued globally and we don't expect inflation to become a problem. Central banks continue to normalise policy, which is now also putting upward pressure on global bond yields.

US

- The ISM Non-Manufacturing index reaches a 13-year high, indicating continued strength in the service sector
- Wage growth accelerates to a post-recession high, while unemployment remains at 4.1%
- Congress extends government funding and the debt ceiling after another brief partial government shutdown

The severe stock market sell-off contrasts with the positive business environment. The ISM Non-Manufacturing index rose to 59.9 in January, the highest level since 2005. Strong new orders as well as a jump in the employment component indicate that the momentum in the service industry remains solid. After another brief government shutdown Congress extended government funding until the end of March. More importantly, the debt ceiling has been extended until March 2019, removing a potential disruption from the political agenda until after mid-term elections. While both retail sales and industrial production have been softening recently, we expect economic momentum to remain solid as business and consumer sentiment are still very high and tax benefits as well as increased government spending will start to kick in.

UK

- Annual GDP growth slows to a six-year low on weak consumption and falling exports
- The service sector is increasingly feeling Brexit-related headwinds
- The Bank of England sends out a hawkish signal at its latest monetary policy meeting

While the manufacturing sector is holding up reasonably well thanks to the strong global growth picture, the more domestically focused service industry is feeling the headwinds caused by Brexit-related uncertainty. Business activity in the service sector, as measured by the Services PMI, fell to 53.0 in January, the lowest since September 2016. GDP growth slowed down to 0.4% in Q4, dragging down the annual rate to 1.4%, the lowest since 2012. Weak consumer spending remains a drag as households' real income is squeezed by high inflation. However, falling net exports were a headwind as well, indicating that the weak currency is not hugely supportive despite strong global growth. Regardless of the modest economic picture, the BoE signalled that a rate hike could come earlier than expected.

Eurozone

- Fundamentals remain solid despite turmoil in equity markets in early February
- Earnings are growing at a decent pace
- Business confidence dips, but remains very strong

The Eurozone was not immune from the turmoil affecting global markets. By February 9 the Euro Stoxx 50 was down 8.5% month-to-date. However, the fundamentals remain supportive for Eurozone equities this year. Business confidence, as measured by the PMIs or German Ifo survey dipped in February, but is at levels consistent with well-above trend growth in the region, though admittedly further sharp falls in business confidence would be more of a cause for concern. The Q4 earnings season has been encouraging, with earnings for the Euro Stoxx 50 companies that have reported so far surprising 5% to the upside, and overall earnings growth running at 13.5% on a YoY basis. Indeed, we expect Eurozone earnings growth in 2018 to be above consensus, supporting equities.

Switzerland

- Manufacturing activity remains brisk, with capacity pressures now starting to bite
- CPI inflation ticks down, showing that underlying price pressures remain modest
- The Swiss franc strengthens amid turbulent markets, but the SNB backstop remains in place

The manufacturing PMI stayed close to a cycle high in January and the subcomponents indicate that capacity pressures are starting to bite, with suppliers' delivery times at an all-time high and a draw-down in inventories amid strong orders. Export volumes have, however, lost some momentum and the flash February PMIs for the Eurozone, which remains the biggest trading partner, have edged down. We therefore expect momentum in the manufacturing sector to slow modestly going forward, albeit from a high level. CPI inflation edged down in January, confirming our view that downward cost and price pressures persist. This underpins our view that the SNB will leave rates unchanged in 2018 while maintaining its presence in forex markets.

Japan

- Japan is in its longest expansion phase since the late eighties
- While BoJ Governor Kuroda will be re-appointed, newly appointed deputy Watakabe is tilted toward reflation
- The stronger yen is a risk for corporate earnings guidance and thus the equity market

Leading indicators like the Manufacturing PMI and the Reuters Tankan survey indicate softer, but still solid growth in Q1, extending the boom phase of the last two years. A firm labour market, and both solid manufacturing and service sector activity suggest that Japan will keep growing above trend. Speculation that the Bank of Japan will start to tighten monetary policy soon seems overdone, as the BoJ's 2% inflation target is not expected to be achieved this year. We remain cautiously optimistic for Japanese equities as long as the recent bout of yen strength will not extend. First indications for corporate earnings guidance will need to be watched, as a stronger yen could have a negative impact on corporate capex plans and the spring wage negotiation round.

China

- China's economy is stepping through the 'foggy' statistical season around Lunar New Year
- The manufacturing sector is showing weaker growth, while service sector activity remains brisk
- Both Hong Kong traded 'H'- and domestic 'A'-shares have recovered half of their recent double-digit percentage losses

We have entered the difficult statistical period caused by the variable timing of the Lunar New Year festive season. The latest indicators suggest that growth in the manufacturing sector has suffered from tighter monetary conditions and pollution control measures, but that service sector activity, which makes up more than half of overall economic activity, remains brisk. First indications for retail and online sales during the New Year holidays do indeed indicate upbeat consumer confidence. Meanwhile, the regulators are keeping a tight grip on speculative activities in the financial sector. The MSCI China remains in a solid up-track, despite the latest setback, underpinned by the solid performance of information technology, financials and consumer discretionary, the three main index sectors.

Australia

- Wage growth finally rises, reaching 2.1% YoY in Q417 from 2.0% in Q3 and 1.9% in Q2
- Business surveys point toward further strength in corporate confidence and profitability
- Aggregate earnings revisions turn (slightly) positive as reporting season unfolds

The RBA will likely welcome the last wage data, and should also be pleased by the fact that wage growth is now outpacing home lending growth. We are encouraged by the upward trend in several private sector segments, but will need more data points to confirm the turnaround in wage growth. We also highlight that real wage growth barely stands above zero. This leaves us comfortable with early 2019 as an estimate for the next RBA rate hike. On the corporate side, capacity utilisation, as measured by the NAB business survey, has reached 82.7%. This augurs well for Australian equity markets. However, the ASX 200 should continue to lag global equities, where earnings are improving at a faster pace.

ASEAN

- Singapore electronic production rebounds to a double-digit growth rate in January, following a soft December
- Indonesia sovereign bonds will be included in the Bloomberg Barclays indexes in May 2018, totalling USD 151.3bn
- After suffering severe outflows, ASEAN equity markets see foreigners turn into net buyers again in the last days of February

In Indonesia, President Jokowi nominated deputy governor Warjiyo to succeed incumbent Governor Martowardojo in May. Pending parliamentary confirmation, the nomination of a central bank veteran signals policy continuity. This should keep foreign investors upbeat, despite the fragile environment of accrued US Treasury volatility. In Malaysia, GDP was up 6.2% YoY in Q4, concluding a spectacular year. Going forward, we expect private consumption and investment to continue to boost Malaysian activity. In Singapore, the budget turned to a 0.1% deficit in 2018 from a 2.1% surplus in 2017. The budget focuses on helping Singaporean middle-class, and should be positive for consumption. In ASEAN, reported equity earnings are mixed so far, but financials earnings are solid across countries.

Valuation snapshot (MSCI Indices)

Current trailing valuations

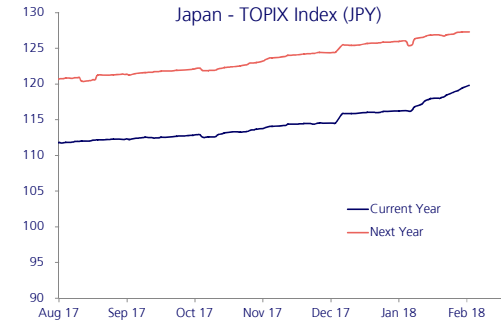
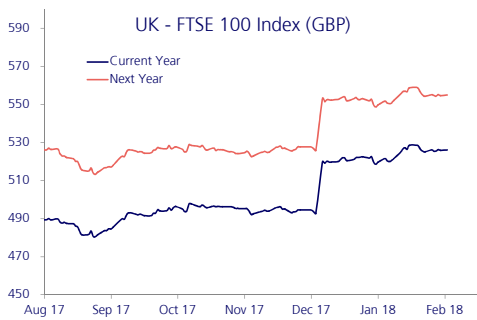
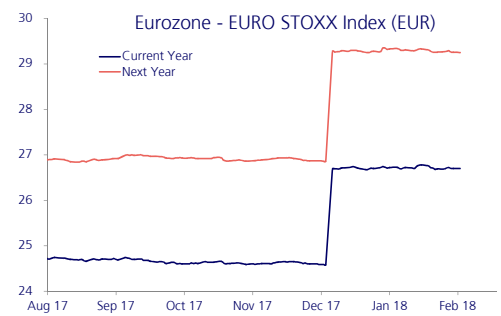
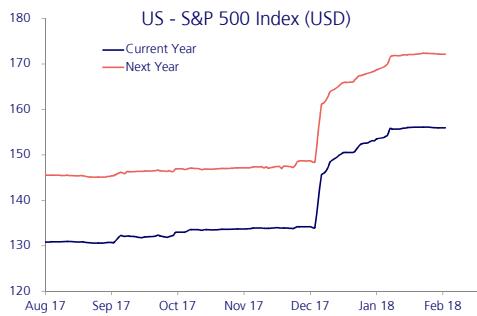
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	24.42	19.82	21.46	25.45	16.15	15.44	16.65	16.98	17.62
12m Trailing P/B	3.29	1.92	1.86	2.77	1.45	1.81	2.04	1.79	2.56
12m Trailing P/CF	14.54	9.80	9.67	14.07	9.32	9.41	10.09	9.26	9.02
Dividend Yield	1.86	2.98	3.79	3.05	1.91	2.50	1.63	2.68	2.25
ROE	13.48	9.70	8.68	10.89	8.97	11.73	12.23	10.54	14.51

Current trailing valuations relative to MSCI world

	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.19	0.96	1.04	1.24	0.79	0.75	0.81	0.83	0.86
12m Trailing P/B	1.41	0.82	0.80	1.19	0.62	0.78	0.87	0.77	1.10
12m Trailing P/CF	1.27	0.86	0.84	1.23	0.81	0.82	0.88	0.81	0.79
Dividend Yield	0.81	1.30	1.66	1.33	0.83	1.09	0.71	1.17	0.99
ROE	1.19	0.85	0.76	0.96	0.79	1.03	1.08	0.93	1.28

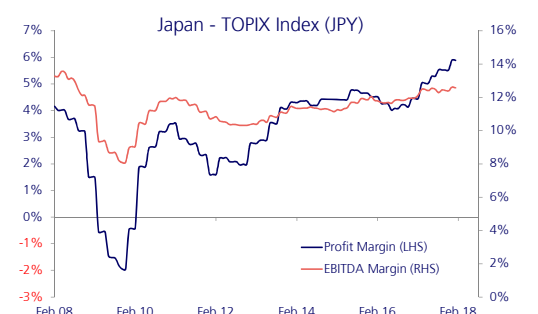
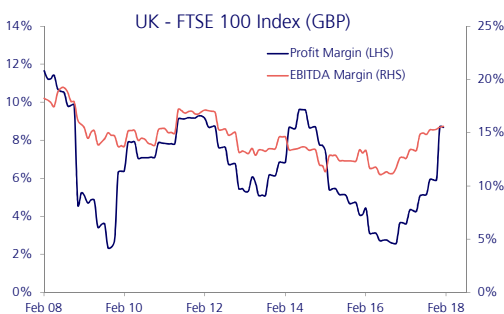
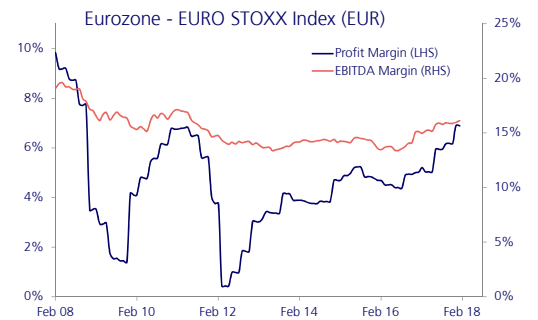
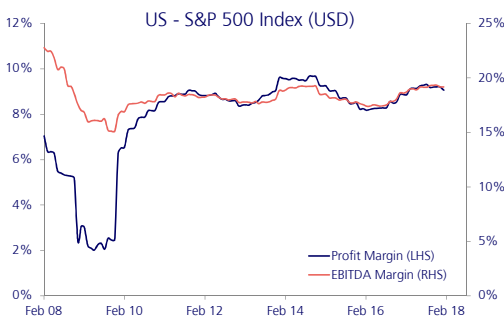
Source: Datastream

Earnings estimates - Full fiscal years



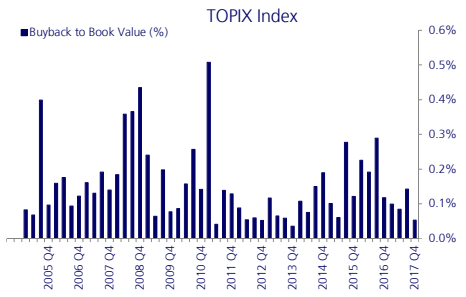
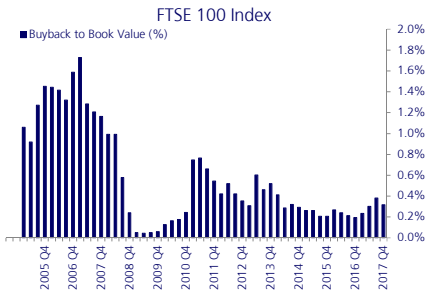
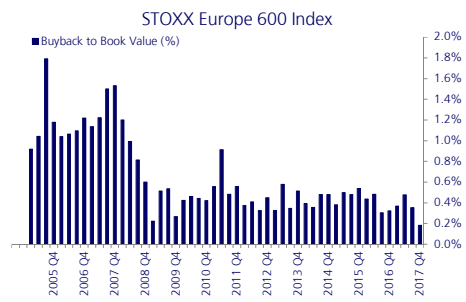
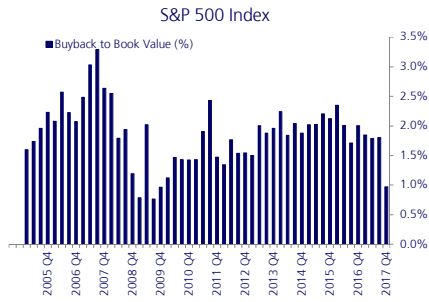
Source: Bloomberg

Historical margins



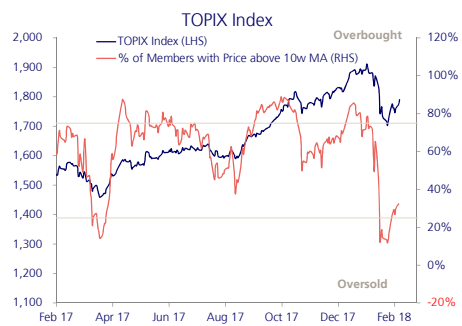
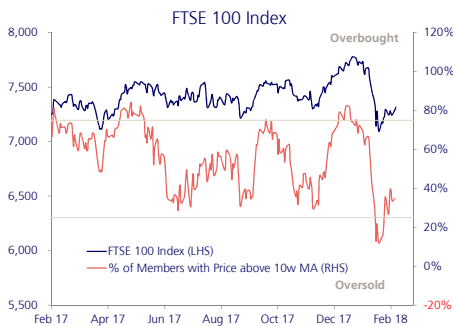
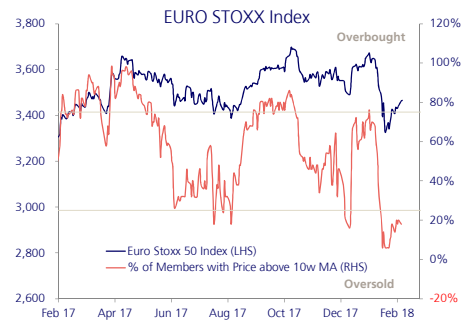
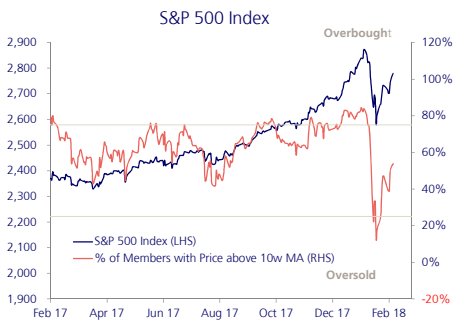
Source: Bloomberg

Shares buybacks



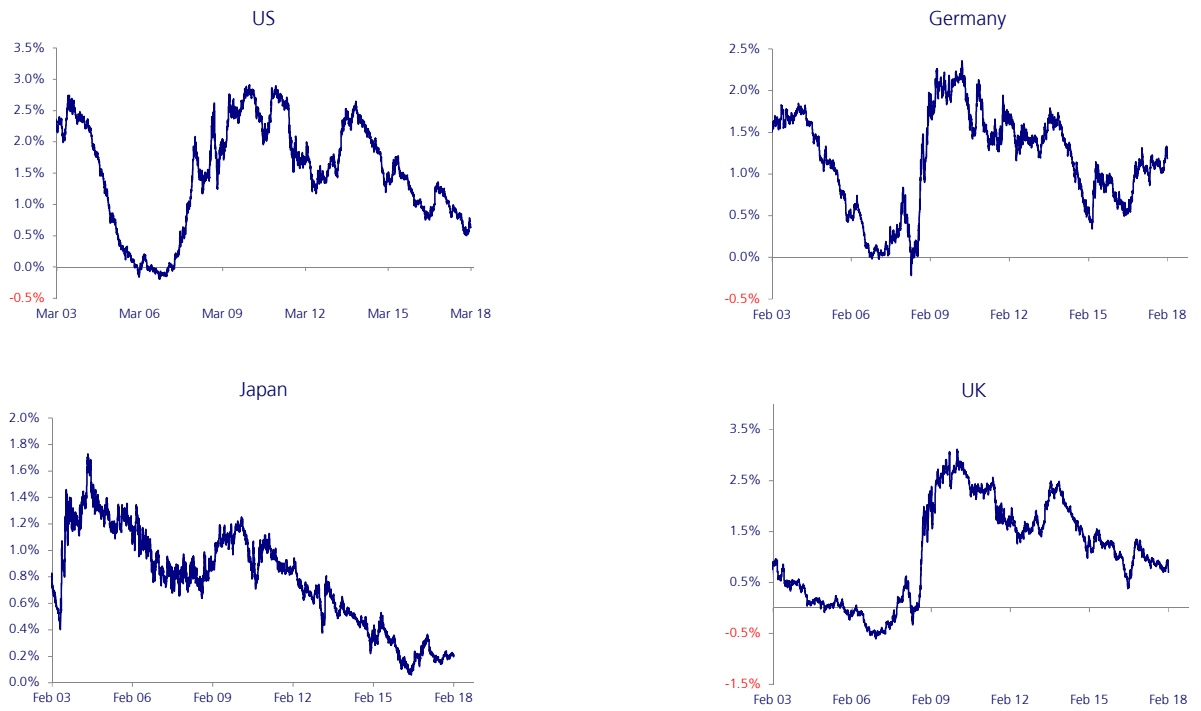
Source: Bloomberg

Overbought / Oversold



Source: Bloomberg

Yield Curve Steepness (2yr-10yr)



Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

Country	Spread over US Treasury (bps)			
	Feb-18	1m ago	3m ago	1yr ago
UK	-135	-122	-105	-122
Germany	-220	-203	-200	-217
Switzerland	-275	-258	-249	-257
Japan	-281	-258	-236	-231
Australia	-10	19	8	35
China	101	129	158	96
South Korea	-11	2	9	-21
Malaysia	120	126	157	166
Indonesia	365	356	414	517
Thailand	-47		-7	31
Philippines	120	n/a	n/a	n/a
Brazil	672	n/a	791	n/a
Mexico	478	489	488	497
Colombia	364	371	416	456
Peru	204	206	289	373

Generic Government Yields (10yr)

Country	Spread over German Bund (bps)			
	Feb-18	1m ago	3m ago	1yr ago
France	28	28	33	68
Netherlands	5	4	10	28
Belgium	29	15	21	50
Austria	12	11	15	23
Ireland	46	43	23	70
Italy	134	138	141	194
Spain	89	78	110	146
Portugal	132	132	155	368

Source: Bloomberg, ZIG

Economic data

US	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
ISM Manufacturing (Index)	55.6	57.6	56.6	55.3	55.5	56.7	56.5	59.3	60.2	58.5	58.2	59.3	59.1	down
ISM Non-Manufacturing (Index)	56.8	57.4	55.6	57.3	57.1	57.2	54.3	55.2	59.4	59.8	57.3	56.0	59.9	down
Durable Goods (% MoM)	0.3	1.4	2.4	-0.8	0.0	6.4	-6.8	2.1	2.4	-0.4	1.7	2.8		up
Consumer Confidence (Index)	111.6	116.1	124.9	119.4	117.6	117.3	120.0	120.4	120.6	126.2	128.6	123.1	125.4	up
Retail Sales (% MoM)	5.9	4.7	4.8	4.5	4.2	3.0	3.7	3.5	5.0	5.0	5.9	5.2	3.6	up
Unemployment Rate (%)	4.8	4.7	4.5	4.4	4.3	4.3	4.3	4.4	4.2	4.1	4.1	4.1	4.1	down
Avg Hourly Earnings YoY (% YoY)	2.3	2.4	2.2	2.2	2.3	2.3	2.2	2.3	2.6	2.2	2.3	2.4	2.4	down
Change in Payrolls ('000, MoM)	259.0	200.0	73.0	175.0	155.0	239.0	190.0	221.0	14.0	271.0	216.0	160.0	200.0	up
PCE (% YoY)	1.9	1.9	1.6	1.6	1.5	1.5	1.4	1.3	1.4	1.4	1.5	1.5		up
GDP (% QoQ, Annualized)			1.2			3.1			3.2			2.6		down
UK	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
PMI Services (Index)	54.5	53.3	55.0	55.8	53.8	53.4	53.8	53.2	53.6	55.6	53.8	54.2	53.0	down
Consumer Confidence (Index)	-5.0	-6.0	-6.0	-7.0	-5.0	-10.0	-12.0	-10.0	-9.0	-10.0	-12.0	-13.0	-9.0	down
Unemployment Rate (%)	4.7	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.3	4.3	4.3	4.4		up
CPI (% YoY)	1.8	2.3	2.3	2.7	2.9	2.6	2.6	2.9	3.0	3.0	3.1	3.0	3.0	up
GDP (% YoY)			2.1			1.9			1.7			1.4		down
Eurozone	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
PMI Manufacturing (Index)	55.2	55.4	56.2	56.7	57.0	57.4	56.6	57.4	58.1	58.5	60.1	60.6	59.6	up
PMI Services (Index)	53.7	55.5	56.0	56.4	56.3	55.4	55.4	54.7	55.8	55.0	56.2	56.6	58.0	up
Ifo Business Climate (Index)	109.8	111.2	112.5	113.3	114.8	115.3	116.2	116.1	115.4	116.9	117.6	117.2	117.6	up
Industrial Production (% MoM)	0.3	-0.1	0.5	0.2	1.5	-0.6	0.4	1.5	-0.5	0.4	1.3	0.4		up
Factory Orders GE (% MoM)	-6.6	3.4	1.0	-2.1	1.3	0.8	-0.4	4.1	1.3	0.7	-0.1	3.8		down
Unemployment Rate (%)	9.6	9.5	9.4	9.2	9.2	9.1	9.0	9.0	8.9	8.8	8.7	8.7		down
M3 Growth (% YoY, 3 months MA)	4.7	4.6	5.1	4.8	4.9	4.8	4.5	5.0	5.2	5.0	4.9	4.6		down
CPI (% YoY)	1.8	2.0	1.5	1.9	1.4	1.3	1.3	1.5	1.5	1.4	1.5	1.4	1.3	down
Core CPI (% YoY)	0.9	0.9	0.7	1.2	0.9	1.1	1.2	1.2	1.1	0.9	0.9	0.9	1.0	down
GDP (% QoQ)			0.6			0.7			0.7			0.6		down
Switzerland	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
KOF Leading Indicator (Index)	102.0	108.2	108.2	107.2	103.9	105.2	107.5	104.2	106.1	109.5	110.3	111.4	106.9	up
PMI Manufacturing (Index)	55.0	58.1	57.5	58.3	55.7	60.0	60.3	61.4	62.2	61.5	64.6	65.6	65.3	up
Real Retail Sales (% YoY)	-1.0	0.4	2.5	-1.3	-0.6	1.8	-0.2	-1.1	0.7	-2.3	0.3	0.6		down
Trade Balance (Billion, CHF)	4.8	3.0	3.1	1.9	3.3	2.8	3.5	2.2	2.8	2.3	2.6	2.6	2.1	down
CPI (% YoY)	0.3	0.6	0.6	0.4	0.5	0.2	0.3	0.5	0.7	0.7	0.8	0.8	0.7	up
Japan	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
Nomura Manufacturing PMI (Index)	52.7	53.3	52.4	52.7	53.1	52.4	52.1	52.2	52.9	52.8	53.6	54.0	54.8	up
Machine Orders (% YoY)	-8.2	5.6	-0.7	2.7	0.6	-5.2	-7.5	4.4	-3.5	2.3	4.1	-5.0		up
Industrial Production (% YoY)	3.2	4.7	3.5	5.7	6.5	5.5	4.7	5.3	2.6	5.9	3.6	4.4		up
ECO Watchers Survey (Index)	48.6	48.5	50.6	50.4	50.1	49.9	51.0	49.6	49.6	49.9	52.4	53.9	49.1	up
Jobs to Applicants Ratio (Index)	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.6		up
Labour Cash Earnings (% YoY)	0.3	0.4	0.0	0.5	0.6	0.4	-0.6	0.7	0.9	0.2	0.9	0.9		up
Department Store Sales (% YoY)	-1.2	-1.7	-0.9	0.7	0.0	1.4	-1.4	2.0	4.4	-1.8	2.2	-0.6	-1.2	down
Money Supply M2 (% YoY)	3.9	4.1	4.2	3.9	3.8	3.9	4.0	4.0	4.0	4.1	4.0	3.6	3.4	down
CPI Ex Food & Energy (% YoY)	0.1	-0.1	-0.3	-0.3	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.1	0.1	0.1	up
Exports (% YoY)	1.3	11.3	12.0	7.5	14.9	9.7	13.4	18.1	14.1	14.0	16.2	9.3	12.3	down
China	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
PMI Manufacturing (Index)	51.3	51.6	51.8	51.2	51.2	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3	down
Industrial Production (% YoY)			7.6	6.5	6.5	7.6	6.4	6.0	6.6	6.2	6.1	6.2		down
Retail Sales (% YoY)			10.9	10.7	10.7	11.0	10.4	10.1	10.3	10.0	10.2	9.4		down
PPI (% YoY)	6.9	7.8	7.6	6.4	5.5	5.5	5.5	6.3	6.9	6.9	5.8	4.9	4.3	down
Exports (% YoY)	6.6	-2.4	15.4	6.5	7.6	10.3	6.4	4.9	7.9	6.3	11.5	10.9	11.1	up
CPI (% YoY)	2.5	0.8	0.9	1.2	1.5	1.5	1.4	1.8	1.6	1.9	1.7	1.8	1.5	down
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)			6.9			6.9			6.8			6.8		neutral
PMI Non Manufacturing (Index)	51.3	51.6	51.8	51.2	51.2	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3	down
Aggregate Financing (Billions, CNY)	3697.0	1090.8	2118.6	1388.0	1063.1	1771.8	1195.6	1489.5	1833.5	1035.7	1619.6	1139.8	3060.0	up

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Appendix 5

Economic data

Australia	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
AiG Manufacturing (Index)	51.2	59.3	57.5	59.2	54.8	55.0	56.0	59.8	54.2	51.1	57.3	56.2	58.7	up
AiG Service (Index)	54.5	49.0	51.7	53.0	51.5	54.8	56.4	53.0	52.1	51.4	51.7	52.0	54.9	up
Westpac Consumer Confidence (% MoM)	0.1	2.3	0.1	-0.7	-1.1	-1.8	0.4	-1.2	2.5	3.6	-1.7	3.6	1.8	down
Building Approvals (% YoY)	-8.4	-2.7	-19.4	-14.9	-16.1	0.6	-11.0	-14.4	0.0	17.4	18.1	-5.5		up
Employment Change ('000, MoM)	15.8	11.5	56.1	47.9	38.0	27.6	31.1	50.5	18.9	9.5	62.7	33.5	16.0	up

Brazil	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
CPI (% YoY)	5.4	4.8	4.6	4.1	3.6	3.0	2.7	2.5	2.5	2.7	2.8	3.0	2.9	up
Industrial Production (% YoY)	0.1	1.9	-0.2	2.0	-4.2	4.6	0.8	2.9	4.0	2.6	5.5	4.7	4.3	up
Retail Sales (% YoY)	-4.9	-1.2	-3.7	-3.2	1.7	2.6	2.9	3.1	3.6	6.2	2.6	6.0	3.3	down
Trade Balance (Millions, USD)	2724.0	4560.0	7145.0	6969.0	7661.0	7195.0	6298.0	5599.0	5178.0	5201.0	3546.0	4998.0	2768.0	down
Budget Balance Primary (Billions, BRL)	-105.2	0.3	-54.2	-54.3	-15.4	-67.0	-51.1	-44.6	-45.5	-53.3	-30.5	-30.0	-65.6	up

Chile	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
IMACEC Economic Activity Index (% YoY)	1.17	-1.20	0.27	0.12	1.63	1.39	2.71	2.20	1.60	2.92	3.18	2.57		up
CPI (% YoY)	2.80	2.70	2.70	2.70	2.60	1.70	1.70	1.90	1.50	1.90	1.90	2.30	2.20	up
Retail Sales (% YoY)	3.49	-0.23	6.05	-0.53	5.66	4.06	4.16	4.91	3.47	3.70	5.63	4.76		up
Industrial Production (% YoY)	-1.23	-8.03	-8.31	-4.20	0.05	-1.90	3.10	5.20	1.00	4.80	2.30	0.25		down
Unemployment (%)	6.20	6.40	6.60	6.70	7.00	7.00	6.90	6.60	6.70	6.70	6.50	6.40		down

Mexico	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
PMI (Index)	49.4	46.6	45.6	45.0	48.8	54.7	51.6	53.7	52.7	52.3	52.3	52.1	51.2	down
CPI (% YoY)	4.7	4.9	5.4	5.8	6.2	6.3	6.4	6.7	6.4	6.4	6.6	6.8	5.6	down
Retail Sales (% YoY)	4.9	3.6	6.1	1.4	4.1	0.4	0.4	-0.2	-0.3	-0.1	-1.5	-2.0		down
Industrial Production (% YoY)	4.2	1.2	9.1	-1.8	4.7	2.3	3.6	4.0	2.5	2.9	2.5	-0.1		down
Remittances (Millions, USD)	2062.6	2056.8	2520.7	2304.7	2584.2	2417.0	2490.7	2479.7	2349.3	2642.7	2258.6	2604.2		up

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Disclaimer and cautionary statement

This publication has been prepared by Zurich Insurance Group Ltd and the opinions expressed therein are those of Zurich Insurance Group Ltd as of the date of writing and are subject to change without notice.

This publication has been produced solely for informational purposes. The analysis contained and opinions expressed herein are based on numerous assumptions concerning anticipated results that are inherently subject to significant economic, competitive, and other uncertainties and contingencies. Different assumptions could result in materially different conclusions. All information contained in this publication have been compiled and obtained from sources believed to be reliable and credible but no representation or warranty, express or implied, is made by Zurich Insurance Group Ltd or any of its subsidiaries (the 'Group') as to their accuracy or completeness.

Opinions expressed and analyses contained herein might differ from or be contrary to those expressed by other Group functions or contained in other documents of the Group, as a result of using different assumptions and/or criteria.

The Group may buy, sell, cover or otherwise change the nature, form or amount of its investments, including any investments identified in this publication, without further notice for any reason.

This publication is not intended to be legal, underwriting, financial investment or any other type of professional advice. No content in this publication constitutes a recommendation that any particular investment, security, transaction or investment strategy is suitable for any specific person. The content in this publication is not designed to meet any one's personal situation. The Group hereby disclaims any duty to update any information in this publication.

Persons requiring advice should consult an independent adviser (the Group does not provide investment or personalized advice).

The Group disclaims any and all liability whatsoever resulting from the use of or reliance upon publication. Certain statements in this publication are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans, developments or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, developments and plans and objectives to differ materially from those expressed or implied in the forward-looking statements.

The subject matter of this publication is also not tied to any specific insurance product nor will it ensure coverage under any insurance policy.

This publication may not be reproduced either in whole, or in part, without prior written permission of Zurich Insurance Group Ltd, Mythenquai 2, 8002 Zurich, Switzerland. Zurich Insurance Group Ltd expressly prohibits the distribution of this publication to third parties for any reason. Neither Zurich Insurance Group Ltd nor any of its subsidiaries accept liability for any loss arising from the use or distribution of publication. This publication is for distribution only under such circumstances as may be permitted by applicable law and regulations. This publication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

Zurich Insurance Company Ltd
Investment Management
Mythenquai 2
8002 Zurich

173001630 01/16) TCL

