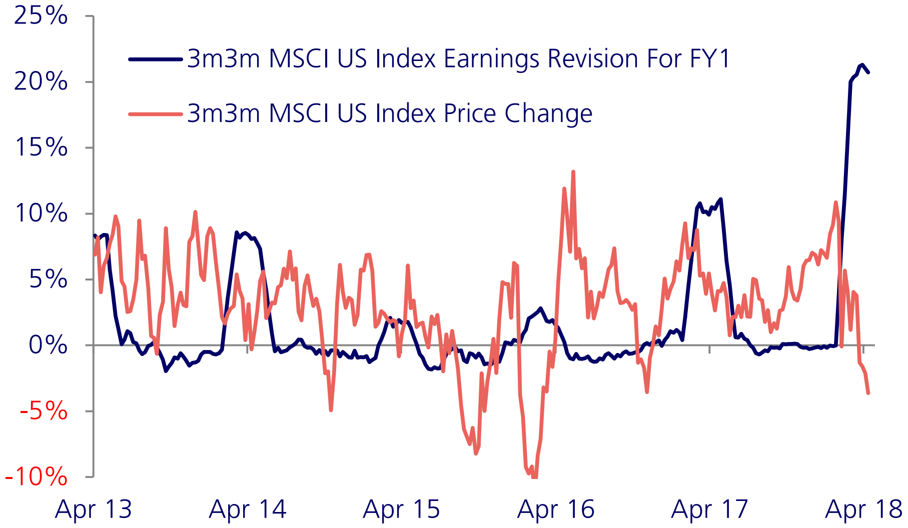
May 2, 2018

Monthly Investment Insights

The US earnings season should bring fundamental cheer to stocks



Source: Datastream

We think earnings, especially in the US, are crucial for bringing fundamental cheer to the stock market, which has been buffeted by a number of headwinds following the sharp correction earlier in the year. While the US earnings season is still underway, companies in the S&P 500 index that have already reported have seen Q1 earnings rise by around 25% on a YoY basis, and sales by around 10%. Although tax reforms are a factor in higher expected earnings, even sales growth and earnings surprises relative to analyst expectations are encouraging. Outside the US though, earnings have been more sombre for example in Europe, partly due to a stronger currency. However, even in the US, recent equity market performance is at odds with the strong uptick in earnings. It seems that investors are pessimistically looking through earnings, as company management is being conservative and guidance from some sectors and companies has been mixed. Investors also seem to be worried that the risks from higher bond yields and potentially weak economic activity are likely to dent the impact of the tax reform boost. We disagree and think that extrapolating the recent trend in economic weakness and bond yields is not warranted.

Coming to economic activity first, we think the recent spate of weakness is likely to ebb in the coming months and this is tentatively being seen in the latest data. Data had been decidedly weaker and below economists' expectations in Q1, with the Citigroup economic surprise index for example plummeting in Europe and other regions since the beginning of the year. That said, we think that a number of transient factors are likely to be at work here. Seasonal distortions have played a major role, with weather effects being behind the drop in activity in a number of regions. The other big concerns that investors have are higher bond yields and, to some degree, rhetoric around trade protectionism. On the latter, we think a trade war is unlikely and economic rationality will likely prevail. On bond yields, we think the rise in yields this year was overdue and simply brings yields in line with economic fundamentals and policy normalisation by major central banks. We don't think yields have much more upside in a debt laden world where policy normalisation is likely to be cautious and gradual, as can also be inferred from the most recent ECB meeting. Therefore, with waning headwinds, we think investors will likely reassess earnings in a more positive light as more companies report, which should help stocks to resume the bull market after the recent pause and consolidation.

Market Assessment

Key developments

- Tentative signs of stabilisation in economic growth are emerging after the weakness seen during Q1
- Bond yields have been volatile, with 10yr US Treasury bond yields briefly breaching the 3% level and US yield curves flattening
- The Q1 earnings season has kicked off to a strong start in the US, with earnings growth expected to be over 20%

Zurich's view

Economic activity is likely to improve in the coming months after transient factors impacted growth in Q1 for several regions. We are encouraged by the recent stabilisation in data that confirms our view.

Risk markets have been choppy over the last two to three months following the correction in late January that was triggered by an unwinding of leveraged bets on low volatility. We think the recent consolidation is healthy and expect stocks to resume their bull track. Within equities, we favour some Asian markets such as Malaysia, Indonesia, Korea and Japan, while preferring to avoid Taiwan. While the earnings season is crucial to confirm investors' conviction, leverage trends also matter for credit investors. So far, we don't see signs that companies are keen to embrace deleveraging. Given this and the late stage of the cycle, we think credit returns are likely to continue lagging those of equities. Therefore, within risk assets, we continue to prefer equities over credit. Last but not least, despite 10yr US Treasuries recently testing the 3% level, we don't think there is much more upside to bond yields from here. That said, within bonds, we think German bunds appear vulnerable.

	Key developments	Zurich's view
Global	• Global economic data show signs of stabilisation, following the sharp deterioration in Q1 • Financial conditions are becoming less favourable, but global economy should be able to withstand this development • Risks remain around global trade and policy normalisation	Economic data have stabilised following the sharp deterioration in Q1, though a bottoming still needs to be confirmed in both Eurozone activity and global trade momentum. Data surprises have also become less negative, reflecting better data outturns and less buoyant expectations. Global financial conditions are becoming less favourable, however, as tighter Fed policy is now being transmitted globally, with a hawkish policy tilt in many regions. The global economy should be strong enough to withstand this, but it will be critical that central banks step back from tightening if the data weaken further. Trade tensions have abated, but underlying issues remain and we expect tensions to flare up through the year.
US	• Q1 proves once again to be a weak period for US GDP, with an initial reading of only 2.3% QoQ annualised • Earnings season gets off to a strong start, with expectations for growth in the region of 20% YoY • Treasury yields break to a four-year high, while stocks maintain a choppy trading pattern	Despite slightly weaker Q1 GDP, which we are putting down once again to seasonal distortions and weather, the economy remains in good health. The labour market is extremely robust, with a weaker March payroll reading of 102k somewhat aberrant amidst other strong reports. We are also encouraged to see that sentiment, retail sales and housing data have improved. This, along with a further modest rise in inflation, will encourage the Fed to maintain its three rate hikes trajectory for this year. 10yr Treasury yields now reflect the macro backdrop, though we suspect limited upside beyond 3%. Corporate earnings have been stellar so far, boosted in part by the tax cuts. Though expectations are high, we believe that they will be met, which should support the continuation of the bull market.
UK	• Q1 GDP was weaker than expected, though temporary factors may have been partly to blame • Weaker activity data makes a May rate hike less likely • Brexit concerns resurface with lack of clarity on customs union and Northern Ireland	Data in the UK came in consistently weaker than expected, reducing the chances of a May rate hike. Inflation on the CPI measure fell to 2.5% in March from 2.7% in February. Retail sales declined more than expected, while wage growth fell back too. Indeed, Q1 GDP came in much weaker than expected at 0.1% QoQ, compared to expectations of 0.3%. While temporary factors such as bad weather may have been partly to blame for the run of disappointing data, it nevertheless reduces the chances of a May rate hike significantly. Indeed, Bank of England Governor Mark Carney hinted as much recently. Furthermore, the Brexit process still seems difficult, with, for example, disagreement amongst UK lawmakers over whether to seek a customs union agreement with the EU.
Eurozone	• There are signs of stabilisation in Eurozone data after the sharp declines early in the year • The ECB stays in wait and see mode, but QE is still likely to end later in the year • Eurozone companies, especially in Germany, remained concerned about the threat of protectionism	Business confidence appears to be stabilising. The Eurozone composite PMI has fallen around 3.5 points since January, but was unchanged in April compared to March. Moreover, at around 55, the indicator is still consistent with well-above trend growth. Encouragingly, the ECB's Q1 bank lending survey showed an easing in credit standards for loans to enterprises and healthy loan demand. Admittedly, Eurozone companies remained concerned by the threat of protectionism as demonstrated by the German ifo survey that continues to weaken. However, we do not expect an actual trade war to develop, implying that these concerns should abate. Finally, the ECB recognised recently that there has been some moderation in the pace of growth, but we still expect it to end QE this year.
Switzerland	• A weaker franc will lend support to the economy and prolong the manufacturing upswing • The SNB remains active in forex markets, helping to maintain a weaker currency • Bond yields are expected to lag those in other regions, with a large part of the curve remaining in negative territory	The Swiss franc has weakened sharply, with the EURCHF getting close to the old 1.20 level and USDCHF approaching parity. This coincided with a sizable rise in sight deposits, indicating SNB interventions, and a better tone in geopolitical developments. A weaker franc provides welcome support to the SNB, which is faced with a slowdown as last year's manufacturing boom draws to a close. Economic data continue to show a moderation in activity, and we maintain our view of below consensus growth this year, though still at a healthy level. Swiss bond yields have spiked higher, led by the global sell-off. SNB policy remains an anchoring point, however, and we anticipate a large section of the curve to remain in negative territory.

	Key developments	Zurich's view
Japan	• Following a setback in Q1, growth is expected to pick up again in Q2 • Political uncertainty persists, as PM Abe's Cabinet continues to suffer from falling public approval ratings • As the earnings season starts, the focus will move to corporate profit and capex forecasts for this fiscal year	The latest economic data suggest that Japan's economy is at risk of showing a drop in GDP growth in Q1, albeit only marginally. We would not read too much into this number as special statistical and weather related issues have played a role. We believe growth should pick up speed again in Q2, but only if global trade does not deteriorate significantly. Politics will stay in focus as still falling approval ratings for PM Abe's Cabinet will put the LDP's September leadership elections into the limelight. Abe remains under pressure amid the revival of the Moritomo scandal and other domestic issues, while factional fights within the LDP are flaring up again. Meanwhile, the equity market should benefit from fair valuations, a solid earnings outlook, a weaker yen and an end to heavy foreign selling.
China	• Official GDP statistics do not mirror the slowdown in growth • Domestic demand is holding up well • The MSCI China has recently underperformed global equities, driven by the weaker IT sector	China's growth rate seems to be stable as a rock. As in Q3 and Q4 last year, real GDP was, once again, up 6.8% YoY in Q1. However, on a sequential basis and focussing on current activity indicators, growth has started to slow. Looking through the usual statistical distortions due to the different timing of Lunar New Year, we see evidence that manufacturing activity and infrastructure investment are indeed weakening, while lower tier property markets, land sales, services and domestic consumption are holding up well, which should help avoiding a more severe economic downturn. The PBoC is sticking to its 'prudent' monetary policy approach, cutting the RRR by 100bps to encourage lending to smaller companies. Deleveraging policies will continue, but fine tuning is still in the cards.
Australia	• Material and energy equities outperform MoM, but the larger financial sector lags • Underlying inflation rises to 1.95% from 1.9% YoY, just below the RBA's 2-3% target band • Residential property price growth eases to +0.8% YoY in March, the slowest pace since November 2012, according to CoreLogic	The slowdown in residential property price growth is led by Sydney, where growth has turned negative. We expect a soft landing in national property prices, as macro-prudential measures remain in place and bank lending practices come under increased scrutiny. The central bank is in no rush to hike, since core inflation is increasing very slowly. This should keep lending conditions accommodative, and makes the scenario of a housing crash unlikely. Indeed, the RBA warned that 'the next move in the cash rate would be up', but sees no 'strong case for a near-term adjustment'. Turning to financial markets, we see ongoing pessimism priced into banking stocks, which limits the upside potential of the ASX200, despite other sectors faring better.
ASEAN	• Consumption growth should improve in Indonesia, as cash handouts are likely before the June regional elections • The surge in US Treasury yields creates volatility in ASEAN portfolio flows • The US dollar index rallies above its 100-day moving average – further appreciation would harm Asian currencies	As investors revise their estimates of the Fed rate hike path upward, Asian central banks are turning increasingly hawkish. The Monetary Authority of Singapore tightened its policy for the first time in two years, thereby adjusting to improved domestic demand and inflation. The Filipino central bank is likely to follow suit this year. In Indonesia, despite muted core inflation and weak loan growth, the central bank flagged "relatively small" room for further rate cuts as it continues to prioritise financial stability. Turning to equity markets, ASEAN has outperformed Northern Asia recently and investor flows are diversifying away from technology into energy stocks.

Valuation snapshot (MSCI Indices)

Current trailing valuations

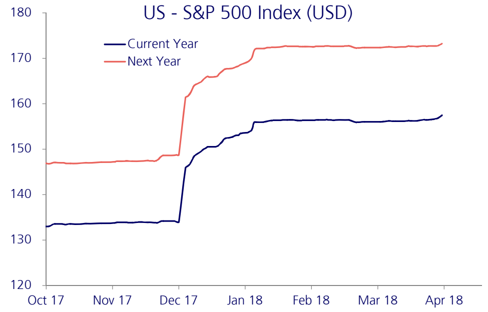
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	25.70	20.32	21.23	25.42	16.33	16.17	18.18	18.82	18.08
12m Trailing P/B	3.48	1.97	1.86	2.81	1.47	1.90	2.22	2.00	2.62
12m Trailing P/CF	15.03	10.35	10.03	14.58	9.46	10.16	10.73	9.92	9.09
Dividend Yield	1.77	2.92	3.80	3.08	1.88	2.42	1.48	2.40	2.19
ROE	13.54	9.71	8.78	11.04	8.99	11.75	12.23	10.60	14.50

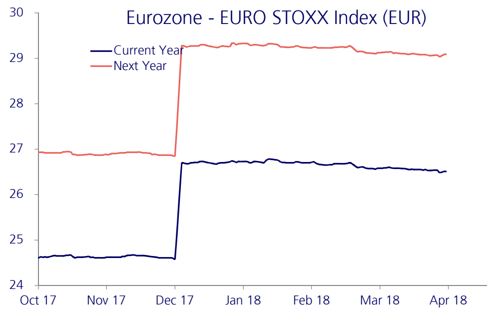
Current trailing valuations relative to MSCI world

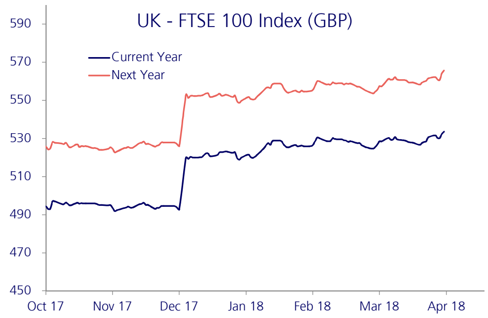
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.21	0.95	1.00	1.19	0.77	0.76	0.85	0.88	0.85
12m Trailing P/B	1.44	0.81	0.77	1.16	0.61	0.78	0.92	0.82	1.08
12m Trailing P/CF	1.26	0.87	0.84	1.22	0.79	0.85	0.90	0.83	0.76
Dividend Yield	0.80	1.32	1.71	1.39	0.85	1.09	0.67	1.08	0.99
ROE	1.19	0.85	0.77	0.97	0.79	1.03	1.08	0.93	1.28

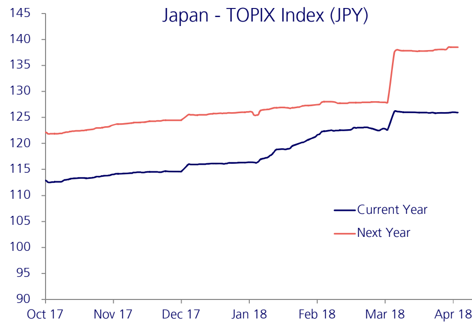
Source: Datastream

Earnings estimates - Full fiscal years



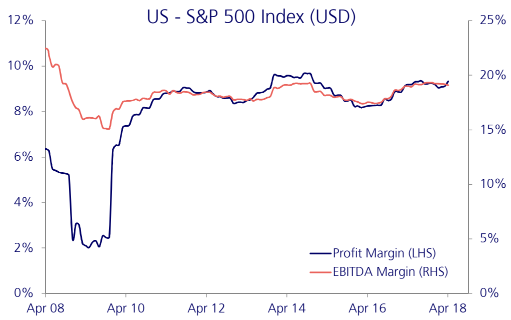


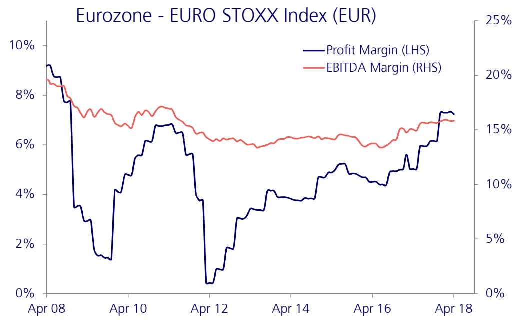


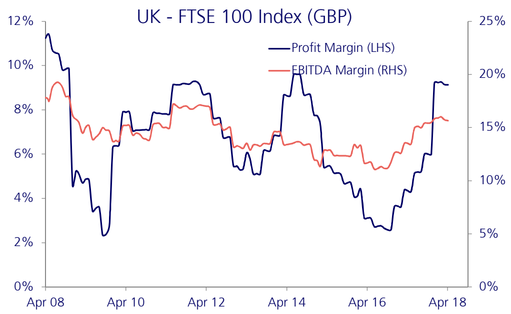


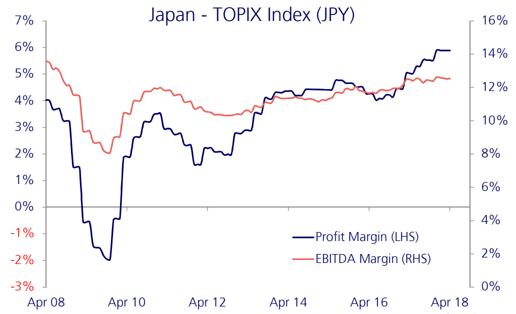
Source: Bloomberg

Historical margins



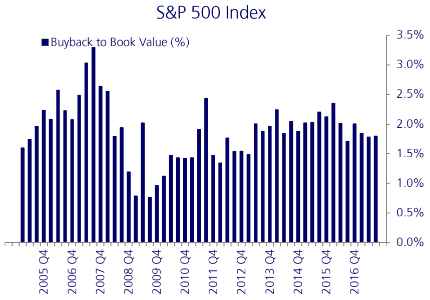


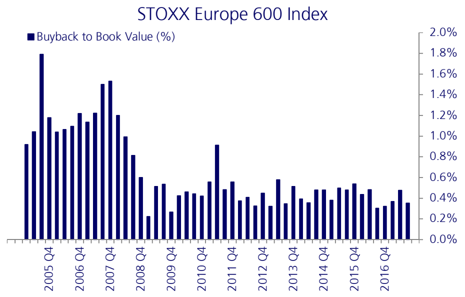


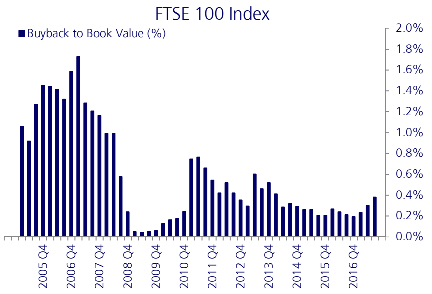


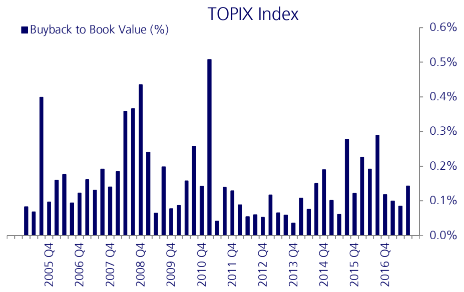
Source: Bloomberg

Shares buybacks



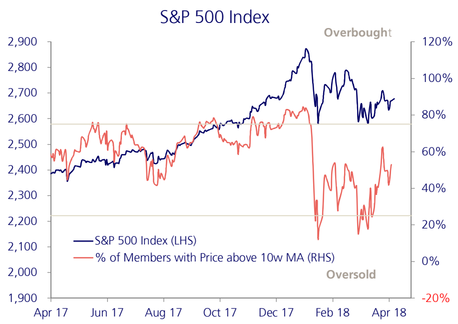


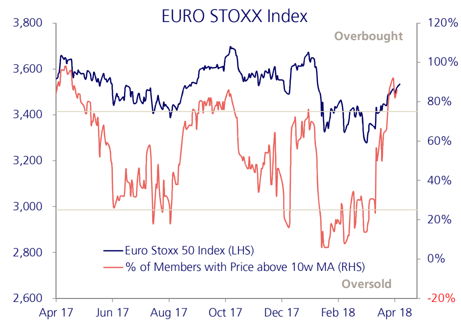


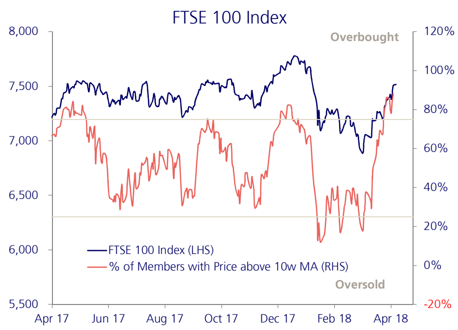


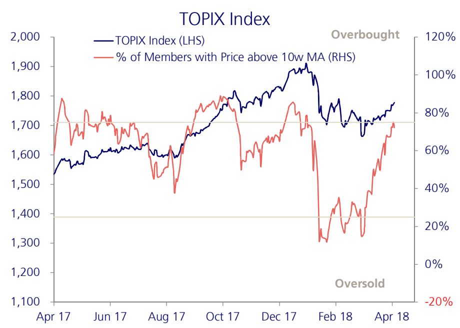
Source: Bloomberg

Overbought / Oversold





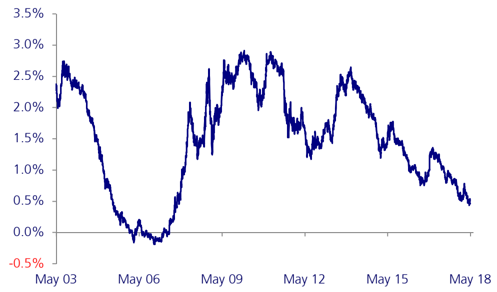




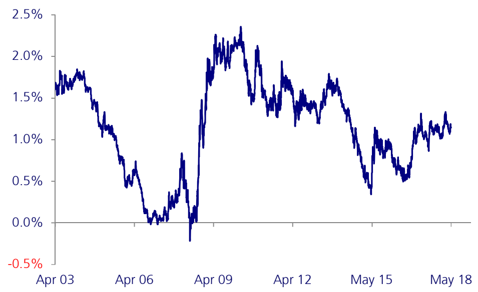
Source: Bloomberg

Yield Curve Steepness (2yr-10yr)

US



Germany



Japan

UK

Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Apr-18	1m ago	3m ago	1yr ago
UK	-153	-139	-126	-120
Germany	-238	-224	-204	-196
Switzerland	-286	-271	-260	-239
Japan	-289	-269	-262	-226
Australia	-18	-14	14	29
China	70	101	122	119
South Korea	-23	-12	9	-9
Malaysia	119	121	124	177
Indonesia	397	394	365	477
Thailand	-51		-37	43
Philippines	111	n/a	n/a	n/a
Brazil	684	n/a	706	n/a
Mexico	454	459	496	495
Colombia	349	377	369	393
Peru	227	209	201	339

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Apr-18	1m ago	3m ago	1yr ago
France	23	22	28	52
Netherlands	14	15	4	23
Belgium	26	27	28	46
Austria	19	21	11	29
Ireland	41	41	44	n/a
Italy	122	129	135	197
Spain	72	67	73	133
Portugal	111	111	127	323

Source: Bloomberg, ZIG

Economic data

US	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Trend*
ISM Manufacturing (Index)	56.6	55.3	55.5	56.7	56.5	59.3	60.2	58.5	58.2	59.3	59.1	60.8	59.3	up
ISM Non-Manufacturing (Index)	55.6	57.3	57.1	57.2	54.3	55.2	59.4	59.8	57.3	56.0	59.9	59.5	58.8	up
Durable Goods (% MoM)	2.4	-0.8	0.0	6.4	-6.8	2.1	2.4	-0.4	1.7	2.7	-3.6	3.5	2.6	down
Consumer Confidence (Index)	124.9	119.4	117.6	117.3	120.0	120.4	120.6	126.2	128.6	123.1	124.3	130.0	127.0	up
Retail Sales (% MoM)	4.9	4.5	4.2	3.0	3.7	3.5	5.0	5.0	5.9	5.1	3.8	4.1	4.5	down
Unemployment Rate (%)	4.5	4.4	4.3	4.3	4.3	4.4	4.2	4.1	4.1	4.1	4.1	4.1	4.1	neutral
Avg Hourly Earnings YoY (% YoY)	2.2	2.2	2.3	2.3	2.2	2.3	2.6	2.2	2.3	2.4	2.4	2.4	2.4	up
Change in Payrolls ('000, MoM)	73.0	175.0	155.0	239.0	190.0	221.0	14.0	271.0	216.0	175.0	176.0	326.0	103.0	down
PCE (% YoY)	1.6	1.6	1.5	1.5	1.4	1.3	1.4	1.5	1.5	1.5	1.5	1.6	1.9	up
GDP (%, QoQ, Annualized)	1.2			3.1			3.2			2.9			2.3	down

UK	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Trend*
PMI Services (Index)	55.0	55.8	53.8	53.4	53.8	53.2	53.6	55.6	53.8	54.2	53.0	54.5	51.7	down
Consumer Confidence (Index)	-6.0	-7.0	-5.0	-10.0	-12.0	-10.0	-9.0	-10.0	-12.0	-13.0	-9.0	-10.0	-7.0	up
Unemployment Rate (%)	4.6	4.6	4.5	4.4	4.3	4.3	4.3	4.3	4.3	4.4	4.3	4.2		neutral
CPI (% YoY)	2.3	2.7	2.9	2.6	2.6	2.9	3.0	3.0	3.1	3.0	3.0	2.7	2.5	down
GDP (% YoY)	2.1			1.9			1.8			1.4			1.2	down

Eurozone	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Trend*
PMI Manufacturing (Index)	56.2	56.7	57.0	57.4	56.6	57.4	58.1	58.5	60.1	60.6	59.6	58.6	56.6	down
PMI Services (Index)	56.0	56.4	56.3	55.4	55.4	54.7	55.8	55.0	56.2	56.6	58.0	56.2	54.9	up
IFO Business Climate (Index)	101.3	102.2	102.6	103.2	104.2	104.1	104.2	104.8	105.2	105.0	104.8	104.0	103.3	down
Industrial Production (% MoM)	-0.2	0.5	1.0	-0.9	1.4	1.2	-0.2	0.1	1.5	-0.1	-0.6	-0.8		down
Factory Orders GE (% MoM)	-0.9	0.5	-0.7	0.8	-0.6	3.5	0.6	0.8	0.4	2.6	-3.5	0.3		down
Unemployment Rate (%)	9.4	9.2	9.2	9.0	9.0	9.0	8.9	8.8	8.7	8.6	8.6	8.5		down
M3 Growth (% YoY, 3 months MA)	5.1	4.8	4.9	4.9	4.5	5.0	5.2	5.0	4.9	4.6	4.6	4.2	3.7	down
CPI (% YoY)	1.5	1.9	1.4	1.3	1.3	1.5	1.5	1.4	1.5	1.4	1.3	1.1	1.3	down
Core CPI (% YoY)	0.7	1.2	0.9	1.1	1.2	1.2	1.1	0.9	0.9	0.9	1.0	1.0	1.0	up
GDP (% QoQ)	0.6			0.7			0.7			0.7				

Switzerland	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Trend*
KOF Leading Indicator (Index)	108.2	107.2	103.9	105.3	107.5	104.2	106.1	109.4	110.3	111.3	107.6	108.4	105.1	down
PMI Manufacturing (Index)	57.5	58.3	55.7	60.0	60.3	61.4	62.2	61.5	64.6	65.6	65.3	65.5	60.3	down
Real Retail Sales (% YoY)	2.6	-1.4	-0.6	1.7	-0.1	-1.2	0.3	-2.0	0.6	1.6	-0.4	-0.2		up
Trade Balance (Billion, CHF)	3.1	1.9	3.3	2.8	3.5	2.2	2.8	2.3	2.6	2.6	2.1	3.1	1.8	down
CPI (% YoY)	0.6	0.4	0.5	0.2	0.3	0.5	0.7	0.7	0.8	0.8	0.7	0.6	0.8	down

Japan	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Trend*
Nomura Manufacturing PMI (Index)	52.4	52.7	53.1	52.4	52.1	52.2	52.9	52.8	53.6	54.0	54.8	54.1	53.1	up
Machine Orders (% YoY)	-0.7	2.7	0.6	-5.2	-7.5	4.4	-3.5	2.3	4.1	-5.0	2.9	2.4		down
Industrial Production (% YoY)	3.3	5.7	6.2	5.2	4.5	5.0	2.5	5.7	3.6	4.5	2.9	1.6	2.2	down
ECO Watchers Survey (Index)	50.6	50.4	50.1	49.9	51.0	49.6	49.6	49.9	52.4	53.9	49.1	48.4	51.7	down
Jobs to Applicants Ratio (Index)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.6	up
Labour Cash Earnings (% YoY)	0.0	0.5	0.6	0.4	-0.6	0.7	0.9	0.2	0.9	0.9	0.7	1.0		up
Department Store Sales (% YoY)	-0.9	0.7	0.0	1.4	-1.4	2.0	4.4	-1.8	2.2	-0.6	-1.2	-0.9	0.1	down
Money Supply M2 (% YoY)	4.2	3.9	3.8	3.9	4.0	4.0	4.1	4.1	4.0	3.6	3.4	3.2	3.2	down
CPI Ex Food & Energy (% YoY)	-0.3	-0.3	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.3	0.3	up
Exports (% YoY)	11.9	7.5	14.9	9.7	13.4	18.1	14.1	14.0	16.2	9.4	12.3	1.8	2.1	down

China	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Trend*
PMI Manufacturing (Index)	51.8	51.2	51.2	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3	50.3	51.5	down
Industrial Production (% YoY)	7.6	6.5	6.5	7.6	6.4	6.0	6.6	6.2	6.1	6.2			6.0	down
Retail Sales (% YoY)	10.9	10.7	10.7	11.0	10.4	10.1	10.3	10.0	10.2	9.4			10.1	down
PPI (% YoY)	7.6	6.4	5.5	5.5	5.5	6.3	6.9	6.9	5.8	4.9	4.3	3.7	3.1	down
Exports (% YoY)	15.4	6.5	7.6	10.3	6.4	4.9	7.9	6.3	11.5	10.9	11.0	44.1	-2.7	up
CPI (% YoY)	0.9	1.2	1.5	1.5	1.4	1.8	1.6	1.9	1.7	1.8	1.5	2.9	2.1	up
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			6.8	neutral
PMI Non Manufacturing (Index)	51.8	51.2	51.2	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3	50.3	51.5	down
Aggregate Financing (Billions, CNY)	2118.6	1388.0	1063.1	1771.8	1195.6	1489.5	1833.5	1035.7	1619.6	1139.8	3070.0	1174.1	1332.3	up

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Economic data

Australia	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Trend*
AiG Manufacturing (Index)	57.5	59.2	54.8	55.0	56.0	59.8	54.2	51.1	57.3	56.2	58.7	57.5	63.1	up
AiG Service (Index)	51.7	53.0	51.5	54.8	56.4	53.0	52.1	51.4	51.7	52.0	54.9	54.0	56.9	up
Westpac Consumer Confidence (% MoM)	0.1	-0.7	-1.1	-1.8	0.4	-1.2	2.5	3.6	-1.7	3.6	1.8	-2.3	0.2	down
Building Approvals (% YoY)	-18.7	-13.5	-15.9	1.2	-10.1	-12.8	0.7	17.6	19.7	-4.9	12.1	-3.1		down
Employment Change ('000, MoM)	58.2	47.4	34.8	31.3	32.0	52.8	22.7	10.3	64.3	35.3	37.4	-6.3	4.9	down

Brazil	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Trend*
CPI (% YoY)	4.6	4.1	3.6	3.0	2.7	2.5	2.5	2.7	2.8	3.0	2.9	2.8	2.7	down
Industrial Production (% YoY)	-0.2	2.0	-4.3	4.6	0.8	2.8	4.0	2.6	5.5	4.7	4.5	5.8	2.8	up
Retail Sales (% YoY)	-3.7	-3.2	1.7	2.6	2.9	3.1	3.6	6.2	2.6	6.0	4.0	3.1	1.3	down
Trade Balance (Millions, USD)	7145.0	6969.0	7661.0	7195.0	6298.0	5599.0	5178.0	5201.0	3546.0	4998.0	2768.0	4907.0	6281.0	up
Budget Balance Primary (Billions, BRL)	-54.3	-15.4	-67.0	-51.1	-44.6	-45.5	-53.3	-30.5	-30.0	-65.6	18.6	-45.8	-57.6	up

Chile	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Trend*
IMACEC Economic Activity Index (% YoY)	-0.01	-0.54	1.17	0.99	2.71	2.52	2.34	3.45	3.56	2.79	3.47	3.96		up
CPI (% YoY)	2.70	2.70	2.60	1.70	1.70	1.90	1.50	1.90	1.90	2.30	2.20	2.00	1.80	down
Retail Sales (% YoY)	6.88	-0.17	5.91	4.17	3.65	5.57	3.81	3.43	5.56	4.24	3.86	3.97		down
Industrial Production (% YoY)	-9.13	-5.25	-1.09	-1.24	3.41	4.33	0.55	3.84	2.33	0.10	5.26	9.10	8.70	up
Unemployment (%)	6.60	6.70	7.00	7.00	6.90	6.60	6.70	6.70	6.50	6.40	6.50	6.70	6.90	up

Mexico	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Trend*
PMI (Index)	45.2	44.7	48.7	54.8	51.5	53.7	52.5	52.4	52.5	52.5	51.8	53.1	54.0	up
CPI (% YoY)	5.4	5.8	6.2	6.3	6.4	6.7	6.4	6.4	6.6	6.8	5.6	5.3	5.0	down
Retail Sales (% YoY)	6.1	1.4	4.1	0.4	0.4	-0.2	-0.3	-0.1	-1.5	-2.0	0.5	1.2		up
Indutrial Production (% YoY)	9.1	-1.8	4.7	2.3	3.6	4.0	2.5	2.9	2.5	-0.1	1.3	0.9		down
Remittances (Millions, USD)	2520.7	2304.7	2584.2	2417.0	2490.7	2479.7	2349.3	2642.7	2258.6	2604.2	2216.6	2198.3		down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

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Zurich Insurance Company Ltd
Investment Management
Mythenquai 2
8002 Zurich

173001630 01/16) TCL

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