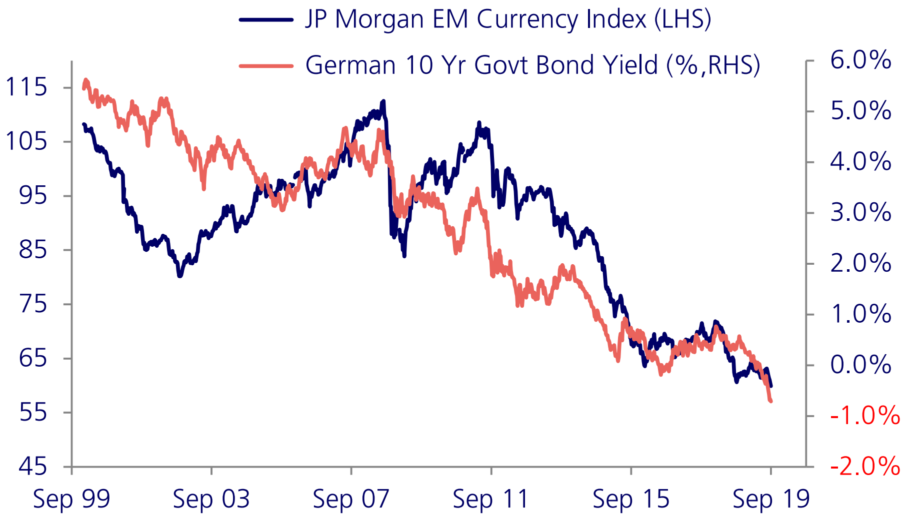
September 3, 2019

Monthly Investment Insights

Investor pessimism may have gone too far



Source: Bloomberg

In the short term, investors appear to have become overly negative regarding the outlook for growth. We therefore expect an unwinding of some of the 'fear premium' seen in safe haven assets. As this fear premium unwinds, there should be a boost to risk assets, especially equities.

Despite our severe concerns about global growth prospects in the long term, short-term investor pessimism seems to have become excessive. This was largely driven by the escalation in US-China trade tensions last month. Consequently, investor angst has caused a jump in safe haven asset prices. 10yr US Treasury bond yields, for example, tightened by 50bps in August alone, while 10yr German Bund yields fell to all-time lows of around -70bps. About 30% of global fixed income trades at negative yields today, with many yield curves already flat to inverted. Gold prices also spiked, while low yielding safe haven currencies, such as the Japanese yen and the Swiss franc gained. Emerging market currencies have, on the other hand, fallen to new lows. Investors also seem to be expecting central banks to aggressively ease further.

We think it is too early to price in so much pessimism. While the outlook for the economy and markets is decidedly gloomy in the longer term, a downturn is not imminent yet and the jury is still out on whether central bank actions can extend the economic cycle. Geopolitical risks have risen, as seen in Italy and the UK, but trade tensions have now reached a pain point for both the US and China, and further escalation may not be as likely as investors fear. Both the Fed and the ECB are likely to ease policy further this month, and while the US Treasury yield curve is inverted, there can be a significant lag between the inversion and a recession. Equities appear to have upside were the pessimism to dissipate, as investors seem to be lightly positioned in equity markets while government bond valuations seem stretched.

Equities seem not only to have potential upside versus government bonds, but also versus credit. Credit spreads are close to cycle tights, while median leverage is at a record high. Furthermore, credit tends to underperform earlier than equities when the cycle eventually does turn. In addition, further liquidity provisioning by central banks will likely lead to improved shareholder returns in the form of buybacks for example, which is positive for equities but negative for credit. Hence, given the outperformance of credit versus stocks this year, the potential for further relative gains in credit seem limited, while downside could be sizeable.

Market Assessment

Key developments

- Global growth continues to decline amid elevated trade tensions and benign inflation, causing around half of global central banks to ease monetary policy
- The US Treasury curve has inverted, sending an ominous signal that the economy may enter a recession in the medium term
- Excessive pessimism seems to be priced into government bonds, gold and currencies, while equity investors appear lightly positioned

Zurich's view

Global growth is likely to remain lacklustre with risks rising, especially around US-China trade tensions. That said, global central banks are easing policy, which should offer some support.

The inversion of the US yield curve tends to significantly precede to a recession. While investors were spooked by the inversion last month, it may be too early to price in too much pessimism.

Safe haven assets have spiked, with government bond yields looking stretched near term. In comparison to government bonds, equities appear to offer greater upside and should benefit if investor pessimism dissipates.

Equities are also likely to outperform credit, where risk reward seems skewed to the downside. Credit is fundamentally very expensive with spreads per unit of leverage at almost record lows. When the cycle ends and earnings drop, credit could suffer sharp declines due not only to a rise in leverage but also a rise in spreads per unit of leverage. Almost 50% of investment grade companies are rated as BBBs today, a record high, and a downgrade from BBB to high yield tends to cause brutally negative returns.

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	Key developments	Zurich's view
Global	• The global economy is vulnerable, with the manufacturing sector in recession and signs of weakness in the services sector starting to emerge • The latest developments around the US-China trade war are disconcerting, and growth is expected to slow further over the coming months • Global central banks move swiftly to loosen policy in an attempt to arrest the slowdown, and more rate cuts are forthcoming	The G3 flash manufacturing PMIs fell in August, and this time weak data for the US led the move down. The global manufacturing sector remains in recession, and there are still no signs of a turnaround. Global trade tensions have escalated and this will continue to weigh on business sentiment and capex spending, and we expect global trade to stay weak. Central banks are aggressively loosening policy, with roughly half of major central banks cutting rates in the past three months, and with more cuts set to come, including from the ECB and the Fed. We are encouraged by the swift move of global central banks, but more profound action, both on the monetary and the fiscal front, is required to rebuild confidence in the global economic outlook.
US	• The Fed cuts its target rate by 25bps to a range of 2-2.25% and ends its balance sheet reduction earlier than expected • Trump announces a 10% tariff on the remaining Chinese imports into the US, though a large part will be postponed to December • The US 10yr minus 2yr yield slope, a much considered recession signal, inverts for the first time since the financial crisis	The S&P 500 corrected from its all-time high in response to the re-escalation of the US-China trade war and a hawkish sounding Fed chair. Although the Fed did cut its target rate by 25bps as expected, Jerome Powell lowered expectations for an extended cutting cycle. While it is true that a tight labour market and accelerating inflation will make it harder for the Fed to take a very dovish stance, the latest business surveys point to a further growth slowdown, which the Fed should acknowledge and respond to accordingly. In August, the Markit Manufacturing PMI dipped below 50 for the first time in almost a decade, underlining the headwinds for the manufacturing sector. Meanwhile, small business optimism ticked up in July, indicating that domestic business conditions are holding up for now.
UK	• GDP shrinks in Q2 as Brexit uncertainty and the global slowdown weigh on activity • PM Johnson's call to renegotiate the withdrawal agreement is so far being dismissed by the EU • The FTSE 100 lags most of its market peers as investors remain cautious despite attractive valuations	The manufacturing sector remains stuck in a downturn entering the third quarter with the Manufacturing PMI at 48.0 in July. Production and new orders fell as the British economy faces double headwinds from Brexit uncertainty and the weak global growth environment. GDP shrank by 0.2% in Q2 as trade and investment were a drag despite household spending holding up. Private consumption remains supported by solid wage growth which accelerated to 3.9% YoY in June, the fastest rate since 2008 and not far from the pre-recession average. Nevertheless, with sterling close to its post-referendum lows inflation is likely to pick up, weighing on consumer sentiment. Despite the weak currency the FTSE 100 is struggling to keep up with other major stock markets in Europe and the US.
Eurozone	• Growth slows in Q2, as the trade war and weak confidence increase recession risks • Manufacturing confidence stabilises, but at very weak levels while the service sector is starting to show vulnerabilities • Italian bond yields fall as a new coalition government is formed, avoiding fresh elections	GDP growth in the Eurozone slowed from 0.4% QoQ in Q1 to 0.2% QoQ. Soft business confidence and signs that the manufacturing slump is spreading to the service sector suggest that growth could slow further, increasing the risk of a recession. Admittedly, there were some signs of stabilisation in the Eurozone manufacturing PMI, but at very weak levels, and, worryingly, hiring intentions in the service sector are softening. In Italy, the Five Star Movement and PD overcame their differences to form a new coalition government in a move welcomed by investors. The new coalition is seen as less aggressive on spending for 2020 and Italian government bond yields fell sharply late in the month. However, Italy still remains vulnerable in a downturn because of its weak growth and debt sustainability.
Switzerland	• The manufacturing PMI falls to the lowest level since 2009, though broader measures of economic activity are holding up better • The Swiss franc strengthens sharply, amplifying pressure on exporters and inflation, with negative inflation prints likely over the coming months • The SNB intervenes in forex markets and expectations of a rate cut to counter upcoming ECB stimulus are mounting	The manufacturing sector is in contraction, with the latest PMIs at the lowest level since 2009. Weakness reflects the slowdown in global and, in particular, Eurozone manufacturing activity, but the stronger franc is an additional headwind. Upcoming ECB stimulus, including a further cut to the deposit rate, is once again putting pressure on the franc and Swiss bond yields, and expectations are mounting that the SNB will follow the ECB and cut rates further. In our view, this would not be helpful, given negative side effects on the banking sector and large imbalances in the housing market. For now, we maintain our view that the SNB will resist a further rate cut, but the risk is clearly to the downside.

	Key developments	Zurich's view
Japan	• The manufacturing sector remains under pressure, while retail sales have plunged • The yen has appreciated as the Bank of Japan has not given any indication of changing its monetary policy • Japanese equities have started to stabilise in relative terms to the world	While Japan's GDP growth in the first half of this year came in better than expected, the latest economic indicators are not that promising. Even though some front loading demand before the consumption tax is raised from 8-10% on October 1 should already be visible in Q3, most of the July/August data released so far have been disappointing. Department store and supermarket sales have plunged, partly reflecting unfavourable weather conditions, while the Reuters Tankan Manufacturing index has fallen into negative territory for the first time in six years. Even the outlook for the non-manufacturing sector has taken a hit. Despite the recent yen appreciation, Japanese equities have started to stabilise relative to global equities, following a steady underperformance so far this year.
China	• China's growth lost steam in July • The tit-for-tat tariff war with the US is escalating following the announcement of retaliation measures • Chinese equities performed in a volatile manner, with 'H'-shares hit particularly hard	Economic indicators for July disappointed nearly across the board. Industrial production, fixed asset investment, retail sales and aggregate financing data all came in weaker than expected. Consumer prices continue to rise on higher pork prices, while producer prices start falling, negatively impacting industrial profits. China has announced higher tariffs for certain US products, retaliating for higher US tariffs on imports from China due in September and December. This was immediately followed by re-retaliation measures from the US. China has also been categorised as a currency manipulator by the US following a move of the USDCNY above the 7-mark. August was a volatile month for Chinese equities, with 'H'-shares traded in Hong Kong hit particularly hard.
Australia	• The Reserve Bank of Australia (RBA) remains on hold, but maintains its dovish tone • House prices tick up but building approvals drop sharply • Both stock prices and government bond yields stumble	The RBA remained on hold, but affirmed its dovish stance. This decision was in line with our expectations as the last two consecutive rate cuts need time to materialise before a new round of easing. Meanwhile, the manufacturing PMI moved higher from 49.4 to 51.3, indicating a slight expansion, but the service PMI contracted sharply from 52.2 to 43.9. Both house prices and home loans inched up, suggesting an improvement in housing demand. Conversely, June building approvals slumped by 25.6% YoY. This divergence should support house prices further but the uptrend is limited given subdued economic growth. The MSCI Australia stumbled after marking a record high in July, while bond yields fell to a record low amid rising concerns over global downside risks.
ASEAN	• Central banks cut rates, voicing concerns over intensifying global headwinds • Subdued growth and muted inflation prevail • Stock prices tumble over pessimistic global outlook	Five ASEAN central banks cut policy rates in August. Some cuts came as a surprise with a larger-than-expected magnitude. Curbing deteriorating growth is probably a priority for many regional central banks at the moment. CPI data for most economies remained below the central banks' inflation target ranges, while GDP prints weakened further in Q2, driven by lacklustre exports and subdued business investments. Malaysia was the only exception with Q2 GDP up from 4.5% to 4.9% YoY, supported by buoyant private consumption. Although weak growth and muted inflation persists, July PMIs pointed to a stabilisation, indicating a halt in the downturn momentum ahead. The MSCI ASEAN tumbled from its July highs over intensifying trade tensions and the pessimistic global outlook.

Valuation snapshot (MSCI Indices)

Current trailing valuations

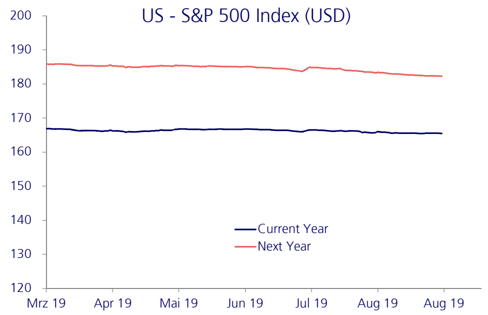
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	20.89	16.53	13.82	20.80	12.79	14.71	13.62	15.53	15.30
12m Trailing P/B	3.48	1.80	1.72	2.92	1.22	1.62	1.67	2.22	1.99
12m Trailing P/CF	13.20	8.76	8.31	10.18	7.50	9.03	7.22	9.34	6.91
Dividend Yield	1.92	3.33	4.52	3.06	2.51	2.83	2.12	3.37	3.19
ROE	16.66	10.90	12.43	14.05	9.57	11.03	12.24	14.27	13.03

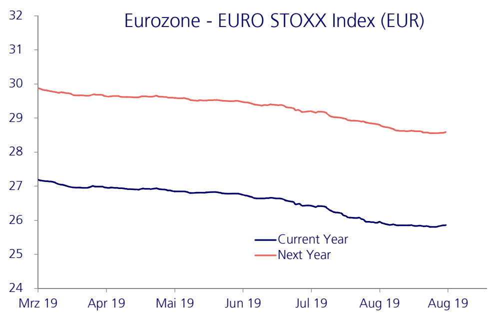
Current trailing valuations relative to MSCI world

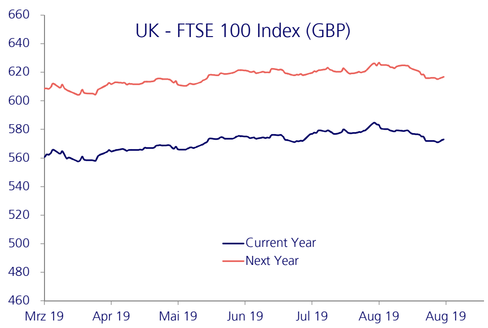
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.19	0.94	0.79	1.19	0.73	0.84	0.78	0.89	0.87
12m Trailing P/B	1.52	0.79	0.75	1.27	0.53	0.71	0.73	0.97	0.87
12m Trailing P/CF	1.24	0.82	0.78	0.95	0.70	0.85	0.68	0.88	0.65
Dividend Yield	0.77	1.34	1.82	1.23	1.01	1.14	0.85	1.35	1.28
ROE	1.27	0.83	0.95	1.07	0.73	0.84	0.94	1.09	1.00

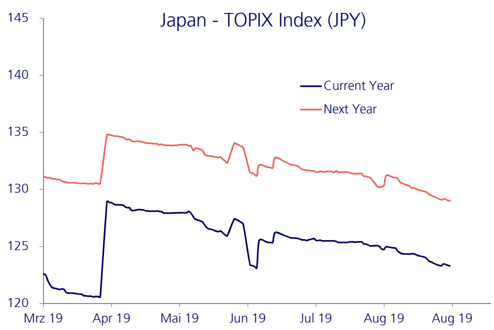
Source: Datastream

Earnings estimates - Full fiscal years



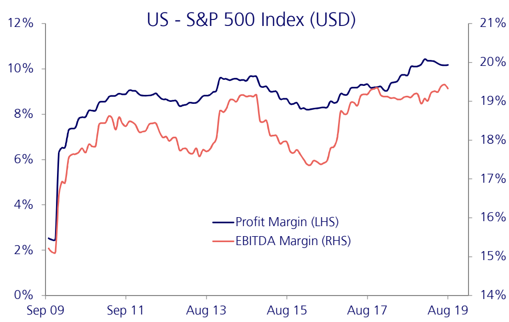


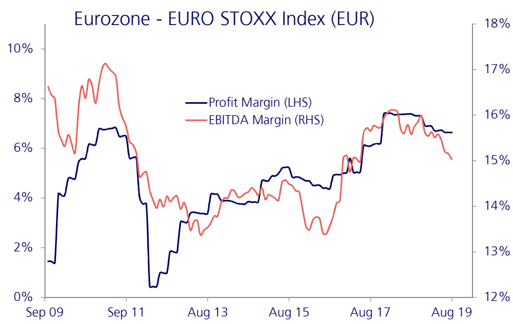


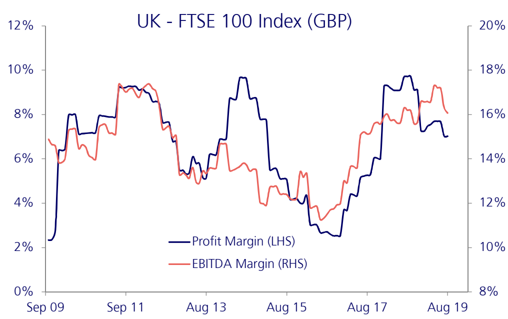


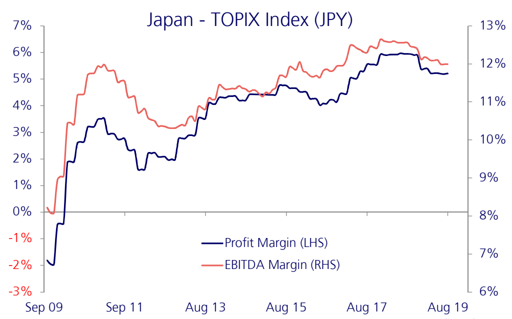
Source: Bloomberg

Historical margins



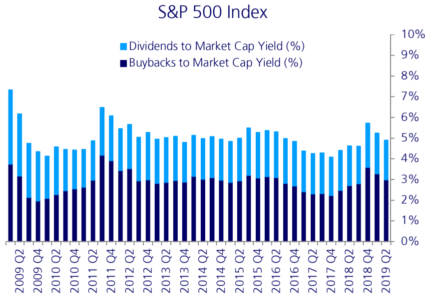


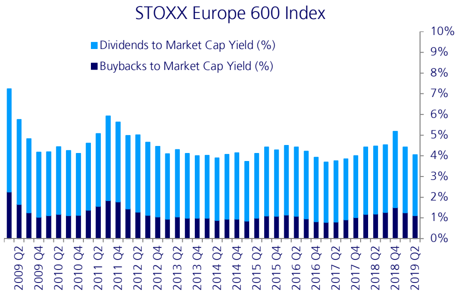


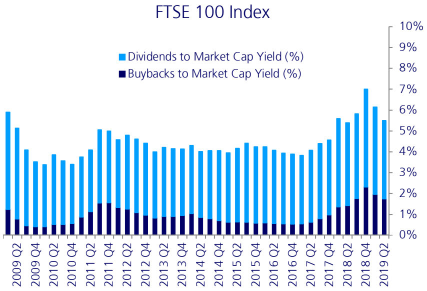


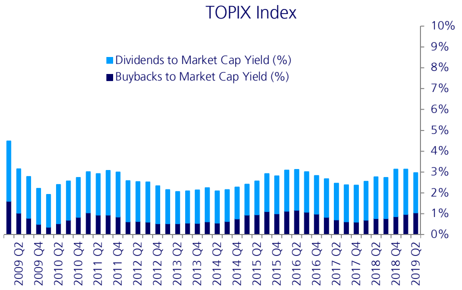
Source: Bloomberg

Dividends and shares buybacks



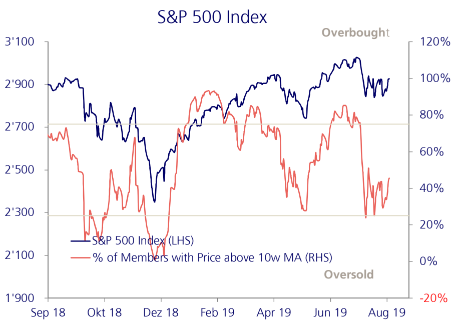


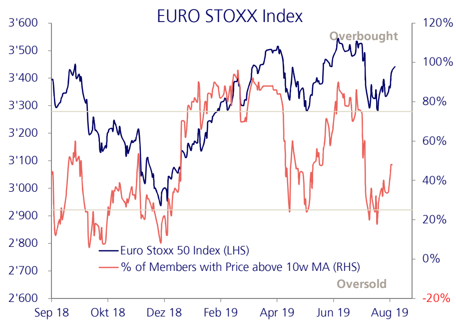


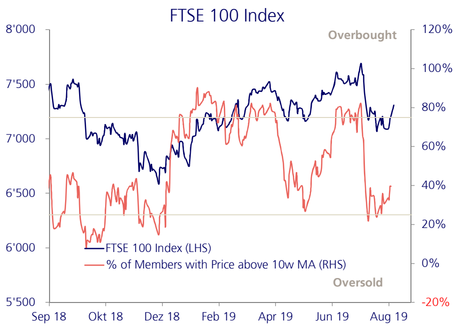


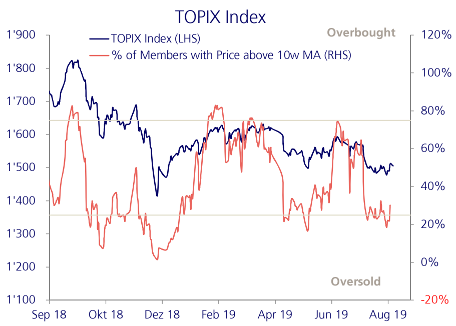
Source: Bloomberg

Overbought / Oversold



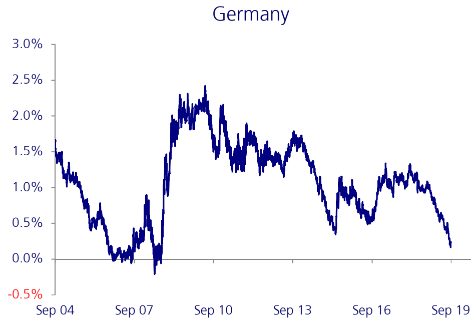


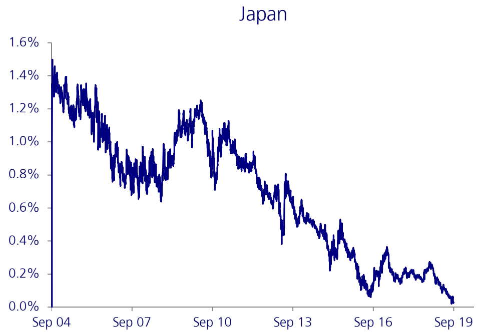


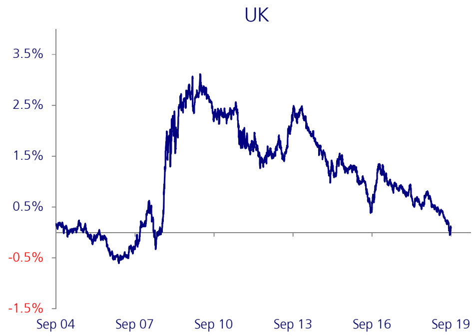


Source: Bloomberg

Yield Curve Steepness (2yr-10yr)







Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Sep-19	1m ago	3m ago	1yr ago
UK	-105	-130	-123	-143
Germany	-218	-234	-234	-253
Switzerland	-247	-268	-260	-296
Japan	-176	-201	-223	-275
Australia	-58	-76	-63	-34
China	158	126	111	73
South Korea	-20	-51	-44	-55
Malaysia	181	172	159	118
Indonesia	584	572	583	534
Thailand	-6		15	-12
Philippines	257	n/a	n/a	n/a
Brazil	593	538	607	n/a
Mexico	550	561	583	506
Colombia	456	414	445	397
Peru	267	257	292	258

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Sep-19	1m ago	3m ago	1yr ago
France	30	26	39	36
Netherlands	15	12	18	13
Belgium	36	33	45	38
Austria	26	23	32	23
Ireland	63	53	61	n/a
Italy	166	204	272	291
Spain	81	74	87	115
Portugal	84	79	93	160

Source: Bloomberg, ZIG

Economic data

US	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Trend*
ISM Manufacturing (Index)	60.8	59.5	57.5	58.8	54.3	56.6	54.2	55.3	52.8	52.1	51.7	51.2		down
ISM Non-Manufacturing (Index)	58.8	60.8	60.0	60.4	58.0	56.7	59.7	56.1	55.5	56.9	55.1	53.7		down
Durable Goods (% MoM)	4.2	1.5	-4.4	0.6	1.1	0.5	-2.6	1.7	-2.8	-2.3	1.8	2.1		up
Consumer Confidence (Index)	134.7	135.3	137.9	136.4	126.6	121.7	131.4	124.2	129.2	131.3	124.3	135.8	135.1	up
Retail Sales (% MoM)	6.3	3.9	4.8	4.0	1.4	2.6	1.9	3.8	3.8	3.0	3.3	3.4		up
Unemployment Rate (%)	3.8	3.7	3.8	3.7	3.9	4.0	3.8	3.8	3.6	3.6	3.7	3.7		down
Avg Hourly Earnings YoY (% YoY)	3.1	3.0	3.2	3.4	3.5	3.4	3.4	3.4	3.3	3.4	3.3	3.3		down
Change in Payrolls ('000, MoM)	282.0	108.0	277.0	196.0	227.0	312.0	56.0	153.0	216.0	62.0	193.0	164.0		down
PCE (% YoY)	2.0	2.0	1.9	2.0	2.0	1.8	1.6	1.5	1.5	1.5	1.6	1.6		down
GDP (%, QoQ, Annualized)		2.9			1.1			3.1			2.0			

UK	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Trend*
PMI Services (Index)	54.3	53.9	52.2	50.4	51.2	50.1	51.3	48.9	50.4	51.0	50.2	51.4		up
Consumer Confidence (Index)	-7.0	-9.0	-10.0	-13.0	-14.0	-14.0	-13.0	-13.0	-13.0	-10.0	-13.0	-11.0	-14.0	down
Unemployment Rate (%)	4.0	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.8	3.9			down
CPI (% YoY)	2.7	2.4	2.4	2.3	2.1	1.8	1.9	1.9	2.1	2.0	2.0	2.1		up
GDP (% YoY)		1.6			1.4			1.8			1.2			

Eurozone	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Trend*
PMI Manufacturing (Index)	54.6	53.2	52.0	51.8	51.4	50.5	49.3	47.5	47.9	47.7	47.6	46.5	47.0	down
PMI Services (Index)	54.4	54.7	53.7	53.4	51.2	51.2	52.8	53.3	52.8	52.9	53.6	53.2	53.4	up
IFO Business Climate (Index)	103.8	104.0	102.9	102.4	101.3	99.8	98.9	99.8	99.3	98.2	97.4	95.8	94.3	down
Industrial Production (% MoM)	1.2	-0.5	-0.1	-1.2	-1.0	1.7	0.0	-0.2	-0.5	0.8	-1.6			down
Factory Orders GE (% MoM)	1.4	0.1	0.1	-0.7	0.9	-2.2	-3.8	0.5	0.5	-2.0	2.5			up
Unemployment Rate (%)	8.0	8.0	8.0	7.9	7.9	7.8	7.8	7.7	7.6	7.6	7.5	7.5		down
M3 Growth (% YoY, 3 months MA)	3.5	3.6	3.8	3.7	4.1	3.7	4.1	4.5	4.7	4.8	4.5	5.2		up
CPI (% YoY)	2.1	2.1	2.3	1.9	1.5	1.4	1.5	1.4	1.7	1.2	1.3	1.0	1.0	down
Core CPI (% YoY)	1.0	1.0	1.2	0.9	0.9	1.1	1.0	0.8	1.3	0.8	1.1	0.9	0.9	down
GDP (% QoQ)		0.2			0.2			0.4			0.2			

Switzerland	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Trend*
KOF Leading Indicator (Index)	98.9	102.4	100.2	98.9	96.3	96.2	93.1	97.2	96.2	93.8	93.8	97.0	97.0	up
PMI Manufacturing (Index)	64.6	59.9	57.8	57.7	57.5	54.3	55.4	50.3	48.5	48.6	47.7	44.7	47.2	down
Real Retail Sales (% YoY)	1.0	-2.9	1.4	-0.4	-0.4	-0.2	-0.1	-0.7	-0.7	-1.1	0.7	1.4		up
Trade Balance (Billion, CHF)	2.2	2.3	3.5	4.7	2.0	3.0	2.9	3.1	2.3	3.2	4.0	3.6		up
CPI (% YoY)	1.2	1.0	1.2	0.9	0.7	0.6	0.6	0.7	0.7	0.6	0.6	0.3		down

Japan	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Trend*
Nomura Manufacturing PMI (Index)	52.5	52.5	52.9	52.2	52.6	50.3	48.9	49.2	50.2	49.8	49.3		49.6	down
Machine Orders (% YoY)	12.6	-7.0	4.5	0.8	0.9	-2.9	-5.5	-0.7	2.5		-3.7			neutral
Industrial Production (% YoY)	0.6	-2.5	4.2	1.9	-2.0	0.7	-1.1	-4.3	-1.1	-2.1		-4.1		up
ECO Watchers Survey (Index)	48.1	47.3	47.7	49.0	48.2	44.8	46.7	46.7	47.0	44.3		43.3		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		down
Labour Cash Earnings (% YoY)	0.6	0.7	1.1	1.7	1.5	-0.6	-0.7	-1.3	-0.3		-0.5			up
Department Store Sales (% YoY)	-0.2	-3.0	1.6	-0.6	-0.7	-2.9	0.4	0.1	-1.1	-0.8		-0.9		down
Money Supply M2 (% YoY)	2.9	2.8	2.7	2.3	2.4	2.3	2.3	2.4	2.5	2.6		2.3		down
CPI Ex Food & Energy (% YoY)	0.2	0.1	0.2	0.1	0.1	0.3	0.3	0.3	0.5	0.3		0.3		down
Exports (% YoY)	6.5	-1.4	8.2	0.1	-3.9	-8.4	-1.2	-2.4	-2.4	-7.8		-6.6		down

China	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Trend*
PMI Manufacturing (Index)	51.3	50.8	50.2	50.0	49.4	49.5	49.2	50.5	50.1	49.4	49.4	49.7	49.5	down
Industrial Production (% YoY)	6.1	5.8	5.9	5.4	5.7			8.5	5.4	5.0		6.3		down
Retail Sales (% YoY)	9.0	9.2	8.6	8.1	8.2			8.7	7.2	8.6		9.8		up
PPI (% YoY)	4.1	3.6	3.3	2.7	0.9	0.1	0.1	0.4	0.9	0.6		0.0		down
Exports (% YoY)	9.6	13.9	14.3	3.9	-4.4	9.3	-20.8	13.8	-2.7	1.1		-1.3		up
CPI (% YoY)	2.3	2.5	2.5	2.2	1.9	1.7	1.5	2.3	2.5	2.7		2.7		down
RRR (%)	15.5	15.5	14.5	14.5	14.5	13.5	13.5	13.5	13.5	13.5			13.5	down
GDP (% YoY)		6.5			6.4			6.4			6.2			down
PMI Non Manufacturing (Index)	51.3	50.8	50.2	50.0	49.4	49.5	49.2	50.5	50.1	49.4			49.4	down
Aggregate Financing (Billions, CNY)	1442.8	1180.2	592.8	1363.7	1151.5									neutral

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Appendix 5

Economic data

Australia	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Trend*
AiG Manufacturing (Index)	55.9	57.1	54.7	50.8	50.0	52.5	54.0	51.0	54.8	52.7	49.4	51.3	53.1	down
AiG Service (Index)	52.2	52.5	51.1	55.1	52.1	44.3	44.5	44.8	46.5	52.5	52.2	43.9		up
Westpac Consumer Confidence (% MoM)	-2.3	-3.0	1.0	2.8	0.1	-4.7	4.3	-4.8	1.9	0.6	-0.6	-4.1	3.6	up
Building Approvals (% YoY)	-14.1	-12.6	-13.4	-33.8	-20.9	-27.1	-11.1	-24.7	-22.9	-18.7	-25.0			up
Employment Change ('000, MoM)	45.5	12.7	25.7	39.4	18.3	36.4	10.9	20.0	39.9	45.2	-2.3	41.1		up

Brazil	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Trend*
CPI (% YoY)	4.2	4.5	4.6	4.1	3.8	3.8	3.9	4.6	4.9	4.7		3.4		down
Industrial Production (% YoY)	4.1	1.7	-2.3	0.7	-1.1	-3.6	-2.2	2.1	-6.2	-3.9		7.1		up
Retail Sales (% YoY)	-1.0	4.0	0.1	1.9	4.5	0.6	1.9	4.0	-4.4	1.8		1.0		up
Trade Balance (Millions, USD)	3775.0	4971.0	6121.0	4062.0	6639.0	2192.0	3673.0	4990.0	6061.0	6422.0		5019.0		down
Budget Balance Primary (Billions, BRL)	-76.9	-39.2	-6.1	-50.6	-68.0	26.0	-45.0	-62.2	-28.0	-47.6		-30.1		up

Chile	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Trend*
IMACEC Economic Activity Index (% YoY)	2.70	2.07	4.36	3.33	3.12	1.84	1.08	1.82	2.11	2.29	1.30			down
CPI (% YoY)	2.60	3.10	2.90	2.80	2.60	2.21	2.20	2.48	2.43	2.76	2.70	2.57		up
Retail Sales (% YoY)	1.72	8.02	-0.12	1.57	0.02	0.05	0.94	-0.72	3.28		-0.90			down
Industrial Production (% YoY)	-1.77	-3.15	2.00	0.36	1.60	-0.90	-3.55	-0.80	0.69	-0.17	-2.94	2.63		up
Unemployment (%)	7.30	7.10	7.10	6.80	6.70	6.80	6.70	6.90	6.90	7.10	7.10	7.20		up

Mexico	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Trend*
PMI (Index)	51.3	51.0	50.0	49.8	49.1	50.0	53.8	50.7	51.9	49.2		49.0		down
CPI (% YoY)	4.9	5.0	4.9	4.7	4.8	4.4	3.9	4.0	4.4	4.3		4.0		down
Retail Sales (% YoY)	1.7	2.7	2.5	3.8	-0.5	0.7	2.5	1.6	1.6		2.8			down
Indutrial Production (% YoY)	2.2	2.3	2.5	1.6	0.2	1.3	0.8	2.8	-0.4		0.7			down
Remittances (Millions, USD)	2883.3	2718.9	2944.0	2893.2	2929.1	2399.7	2378.1	2882.3	2861.1		3203.1			down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

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