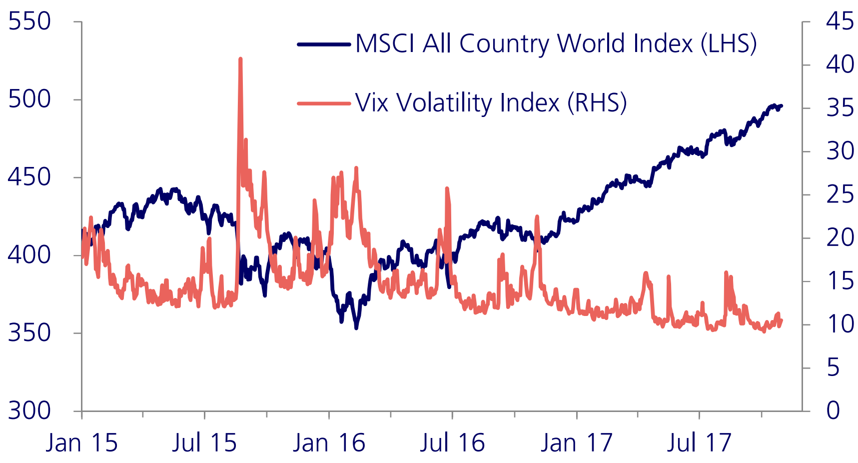
November 1, 2017

Monthly Investment Insights

No euphoria in equity markets - yet



Source: Bloomberg

The outlook for risk assets, especially equities remains positive. The world's key economies such as the US, China, Eurozone and Japan continue to grow at a buoyant pace, in line with or in many cases above trend, which is supportive of corporate earnings. For example, in the US, Q3 GDP growth came in at an above expected pace of 3.0% QoQ annualised (QoQA) following on from a strong second quarter, when growth was 3.1% QoQA. In the Eurozone, business surveys for Q3 and so far in Q4 show growth is running well above trend after an already strong first half to the year. Japanese growth is also currently robust, with business confidence at multi-year highs. In China, growth is stable at around 6.8% in Q3, with the authorities so far still successful in engineering a soft landing for the economy, despite ongoing concerns about leverage.

Crucially from an investment point of view, robust and synchronised global economic growth is also translating into rising corporate earnings. In the US, the Q3 earnings season so far has seen an above average number of companies beating estimates, with earnings growth on track to come in at around 8% YoY. In the Eurozone, the ratio of companies beating earnings estimates is lower, but overall earnings growth is still tracking at around 10% YoY for companies that have reported so far.

Looking ahead, one risk to the outlook could be that central banks withdraw accommodation too quickly. However, the recent announcement by the ECB that it will continue with QE asset purchases through to the end of September 2018 at least, albeit at a reduced pace, has reduced the chances of such a potential policy mistake. In the US, while we expect more rate increases next year than are currently priced in by market participants, we still expect the Fed to proceed gradually in raising rates and reducing its balance sheet. Rather than central banks, perhaps a bigger risk to the longer-term investment outlook is that the supportive macro environment, financial conditions and very low volatility lead investors to take too much risk or become complacent, with asset price bubbles forming that eventually burst. While we are watching for this and do think that some markets are expensive, and that a lack of significant market corrections may be making investors somewhat complacent, we do not yet think we are seeing a generalised form of "irrational exuberance" that would make us more cautious.

Market Assessment

Key developments

- Elections in Japan and China`s NPC provide some clarity on the policy front for investors
- ECB announcement on QE shows central banks will proceed very gradually in withdrawing stimulus
- Global equities have gone a long time without a significant correction, but investors are not yet showing signs of "irrational exuberance"

Zurich's view

The MSCI All Country World Index has risen 18% year to date in USD terms and 15% in local currency terms, and the US S&P500 has gone sixteen months without a correction of more than 5%. Therefore, some profit taking by investors in the next few months, and possibly before year end is possible. However, the medium-term outlook for risk assets, especially equities, remains positive, driven by strong economic growth across the globe that is supporting corporate earnings.

On a relative basis within risk assets, we favour equities over corporate credit, especially in the US, as we think risk reward is more skewed to the downside in credit. Both investment grade and high yield credit spreads in the US are now at their lowest levels since 2008, therefore we see limited returns from here relative to equities.

While we expect political and geopolitical events to create volatility from time to time, we do not anticipate them derailing the global recovery. In particular, we expect the situation in Catalonia to remain contained as a local issue within Spain, and not to impact the Eurozone economy significantly.

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	Key developments	Zurich's view
Global	• Global growth is solid, with trade and investment maintaining positive momentum • Inflation remains weak globally, but supply chain price pressures are firmer and companies are gaining some pricing power • Central banks are past peak stimulus, but the overall stance of monetary policy remains highly favourable to the global cycle	The flash manufacturing PMIs for the G3 economies surprised on the upside in October, with both US and Eurozone data beating expectations, and broad-based job creation a key driver. World trade remains strong, tracking at around 5% annually. While inflation is still weak, supply side price pressures have firmed and wage inflation is tentatively edging higher in some regions. Although many central banks left policy unchanged this month, the Fed and the BoE are widely expected to raise rates before year end, and the ECB will taper asset purchases as the Fed starts to scale back its balance sheet. The overall monetary stance remains exceptionally favourable, however, and will help support the global economic cycle over the coming quarters.
US	• Both consumer and business sentiment soar to multi-year highs indicating a continuation of solid economic momentum • Congress approves a budget resolution as a first step towards the Republicans' tax reform plans • Treasury yields rise to the highest level since March on solid data, a relatively hawkish Fed, and an expected fiscal boost	The US economy enters the fourth quarter on solid footing. The ISM Manufacturing soared to the highest level since 2004, though partially helped by extended delivery times due to hurricanes Harvey and Irma. Nevertheless, new orders have also picked up, indicating a continuation of the strong momentum. Consumer sentiment has reached multi-year highs, too, which bodes well for future household spending. The S&P 500 reached another all-time high in October. While Q3 earnings reported so far paint a benign picture, growth rates are likely to peak, having rebounded to double digits in recent months. With Congress having passed the budget resolution, the debate now shifts to the Republicans' tax proposal. While a compromise on tax cuts is likely, working out the details will be challenging.
UK	• Business sentiment is holding up reasonably well, while households remain under pressure • Sterling faces some headwinds as Brexit negotiations fail to deliver any tangible progress • The BoE remains focused on higher inflation, making a near-term rate hike increasingly likely	GDP growth in the third quarter accelerated slightly from Q2, while the annual rate remained at 1.5%. Business sentiment is holding up quite well despite increasing uncertainty regarding the UK's future relationship with its most important trading partner. The Composite PMI was basically unchanged in September, indicating a continuation of the current momentum. The labour market remains very healthy at the surface with the unemployment rate staying at 4.3%. However, the rolling three-month employment change slowed down to 94'000 in August from 181'000 the month before. Wage growth keeps falling short of inflation, putting pressure on households' purchasing power. This is also reflected in weak retail sales where the annual growth rate fell to a mere 1.2% in September.
Eurozone	• The ECB announces a gradual QE taper, which will still support growth in 2018 • Tensions in Spain escalate further as Catalonia declares independence and the national government triggers Article 155 • Business surveys and hard data point to a continuation of above trend growth in the Eurozone	The ECB's announcement that it will extend QE well into 2018, albeit at a reduced pace of 30 billion euros a month from the current pace of 60 billion, means that it will continue providing stimulus for the Eurozone economy well into 2018, supporting growth and inflation. It has thereby avoided a potential policy mistake by removing stimulus too quickly. What's more, the latest business surveys and hard data point to a continuation of above trend growth, which will support corporate earnings, and therefore risk assets, especially equities. Admittedly, the stand-off between Catalonia and the Spanish national government continues. While the situation is likely to remain tense and difficult, we do not see it preventing the Eurozone recovery from continuing.
Switzerland	• Strong global demand gives a further boost to manufacturers, but domestic growth drivers remain weak • CPI inflation surprises on the upside and price pressures in the supply chain creep higher • The weaker franc is welcomed by the SNB, which we anticipate will lag behind the ECB	Strong external demand and a weaker franc are lending support to exporters. The manufacturing PMI matches a six-year high, boosted by firm prices and new orders. Trade data are decent, with export values up close to 7% YTD compared to a flat reading at the same time last year. By contrast, retail sales are stagnant, with no growth so far this year. Though the UBS consumption indicator edged up in September on strong tourism and a better outlook for retailers due to the weaker franc, competitiveness problems persist and employment growth is sluggish. Inflation has surprised positively, but the core measure is still only 0.5% YoY. Given underlying weakness in inflation and the domestic economy, we expect the SNB to leave policy unchanged for the time being.

	Key developments	Zurich's view
Japan	• PM Abe's coalition regained its two-thirds majority in the Lower House following snap elections • Most economic indicators confirm the health of Japan's economic trend • Foreigners are finally piling back into Japanese equities	PM Abe's sudden call for snap elections paid off, as the opposition parties were in turmoil and he was able to benefit from his firm stance on North Korea. The LDP/Komeito government will now be able to focus on its economic agenda as well as constitutional reform. Part of the income from the VAT hike scheduled for October 2019 will be used to fund social projects instead of targeting a balanced primary budget. A favourable earnings outlook has convinced foreign investors to move back into Japanese equities, contributing to a record 16-day sequence of daily gains in the Nikkei 225 index. So far this year the BoJ's ETF purchases have been the main source of demand. The strong September/October performance has been atypical for the usual seasonal pattern.
China	• President Xi Jinping's 'Thoughts on the New Era' was the focus of the 19th National Communist Party Congress • China's economic growth is starting to slow, as expected and intended by policymakers • Relative outperformance of the MSCI China versus the world is coming to a standstill	Following the conclusion of China's 19th Party Congress, the new leadership is supposed to increase its focus on tackling China's income inequality, environment protection, and surging leverage in the financial and corporate sector. While we believe that the growth target will remain around 6.5% for now, going forward the focus will be rather on the quality of growth, in line with "Xi Jinping's thoughts on the new era". Even though the economy has kept growing at 7% on an annualised sequential basis and 6.8% YoY in Q3, monthly indicators suggest the economic trend is slowing as expected and intended. Over the last two months, the strong outperformance of the MSCI China versus global equity markets seems to have come to a standstill, in line with our expectations.
Australia	• The labour market continues to tighten, with the national unemployment rate edging down to 5.5% • Headline CPI moderates to 1.8% YoY in Q3 from 1.9% in Q2, and disappoints expectations • The AUDUSD weakens, bringing a welcome tailwind for local equities	The domestic economic picture continues to brighten, with September posting another net positive employment print. Business confidence has been somewhat affected by the recent surge in electricity prices, but continues to track at high levels. This has been reflected in local stock prices, with the ASX 200 rising close to its 2015 high. The AUD weakened following a fall in the Australian sovereign spread to US Treasuries. Indeed, domestic inflation has disappointed investors. The stickiness of underlying inflation, should slowly increase next year though. Looking at the property market, some supply indicators indicate ongoing moderation (building approvals) while demand remains resilient, notably from owner-occupiers. Nonetheless, we still expect the RBA to stand pat for now.

Appendix 1

Valuation snapshot (MSCI Indices)

Current trailing valuations

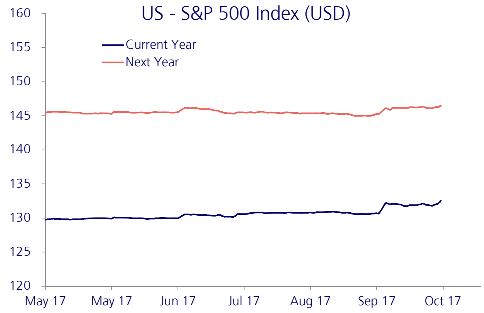
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	23.01	19.15	24.14	24.37	14.82	16.06	16.82	18.27	19.31
12m Trailing P/B	3.13	1.81	1.81	2.46	1.34	1.76	1.97	1.71	2.76
12m Trailing P/CF	14.65	8.04	8.56	14.07	9.17	10.57	8.47	7.24	10.07
Dividend Yield	1.98	3.13	3.92	3.21	2.09	2.62	1.73	2.93	2.16
ROE	13.59	9.45	7.50	10.10	9.05	10.97	11.68	9.38	14.31

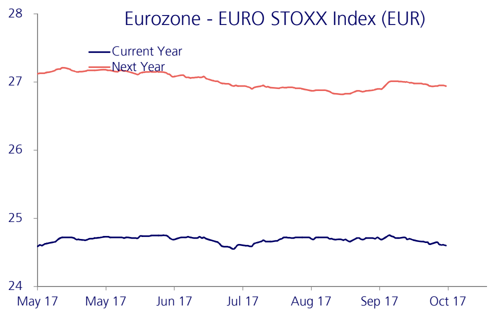
Current trailing valuations relative to MSCI world

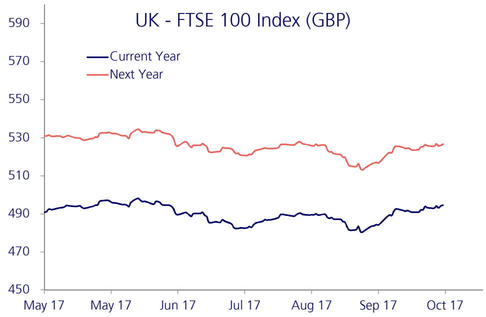
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.15	0.96	1.21	1.22	0.74	0.80	0.84	0.91	0.96
12m Trailing P/B	1.41	0.81	0.82	1.11	0.60	0.79	0.88	0.77	1.24
12m Trailing P/CF	1.31	0.72	0.77	1.26	0.82	0.95	0.76	0.65	0.90
Dividend Yield	0.82	1.29	1.62	1.33	0.86	1.08	0.71	1.21	0.89
ROE	1.23	0.85	0.68	0.91	0.82	0.99	1.05	0.85	1.29

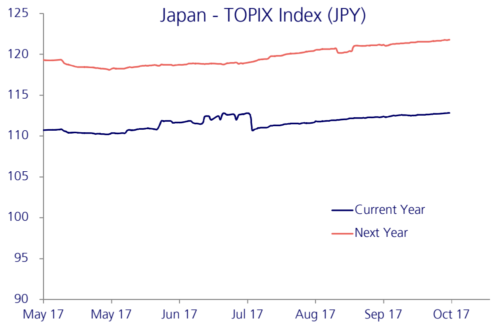
Source: Datastream

Earnings estimates - Full fiscal years



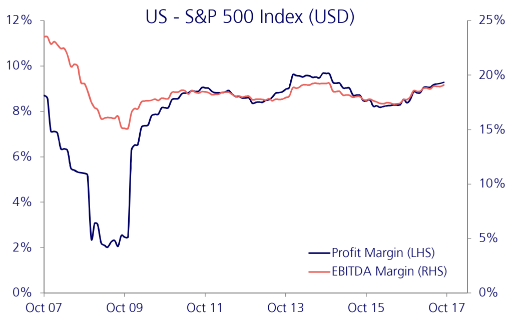


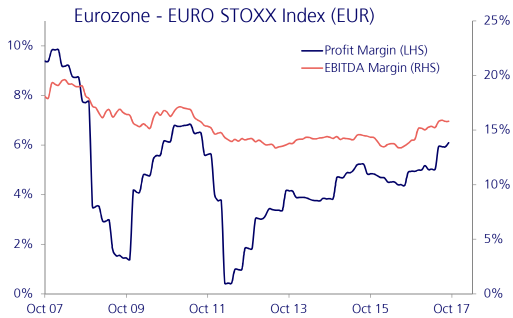


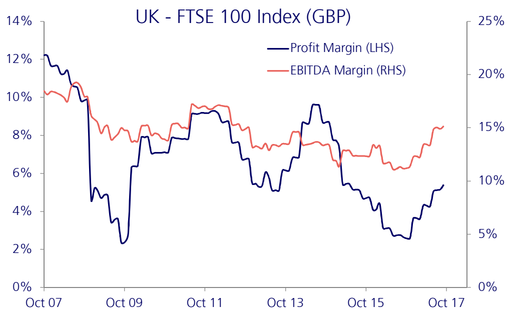


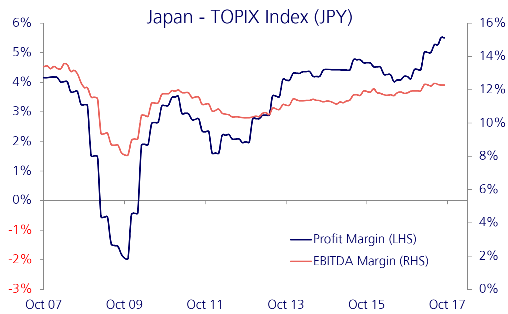
Source: Bloomberg

Historical margins



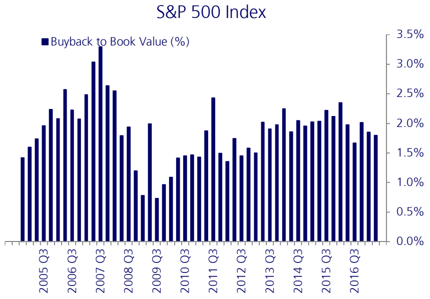


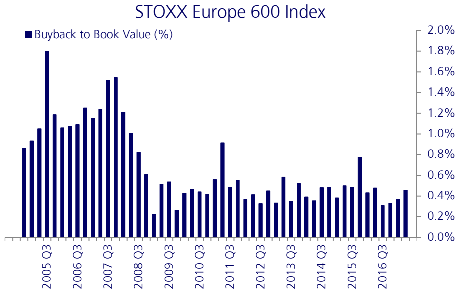


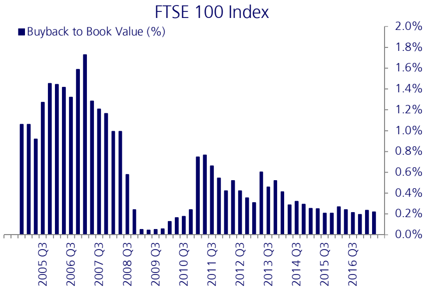


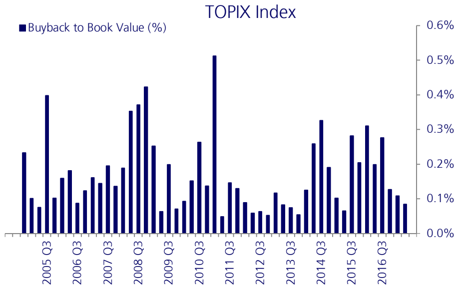
Source: Bloomberg

Shares buybacks



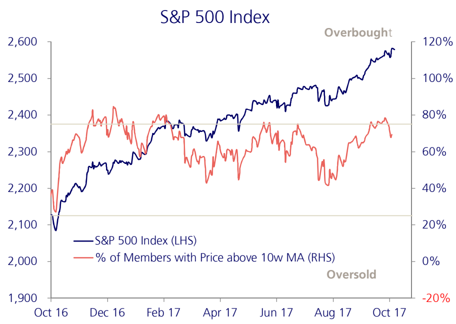


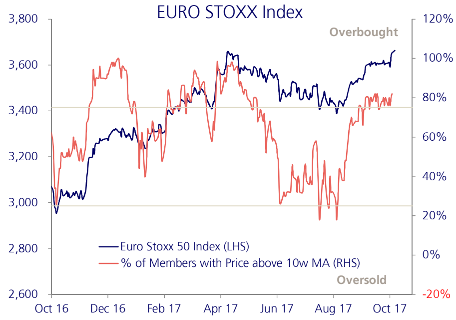


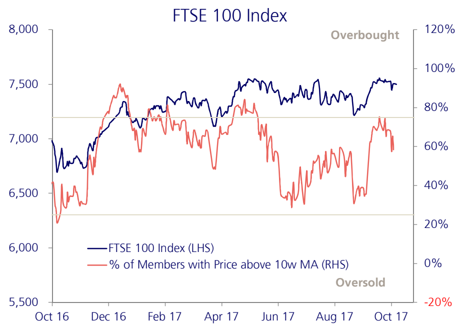


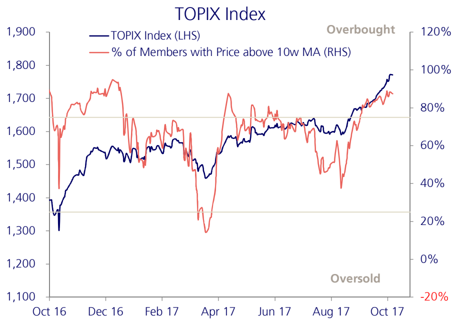
Source: Bloomberg

Overbought / Oversold







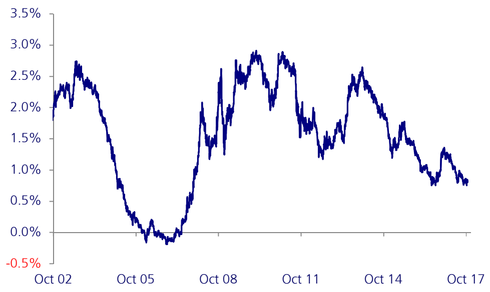


Source: Bloomberg

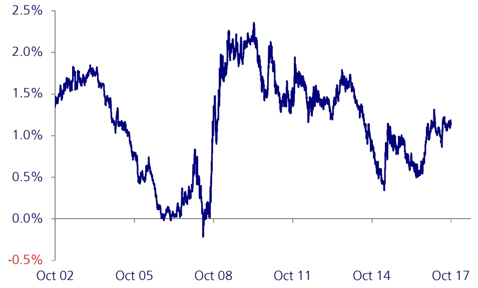
Appendix 3

Yield Curve Steepness (2yr-10yr)

US



Germany



Japan

UK

Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Oct-17	1m ago	3m ago	1yr ago
UK	-105	-97	-104	-59
Germany	-201	-187	-176	-168
Switzerland	-245	-236	-221	-223
Japan	-232	-227	-218	-189
Australia	34	51	46	53
China	153	129	139	87
South Korea	13	4	1	-12
Malaysia	165	159	173	176
Indonesia	444	416	467	544
Thailand	-6		16	30
Philippines	167	n/a	n/a	n/a
Brazil	736	740	775	n/a
Mexico	487	454	463	442
Colombia	422	424	456	545
Peru	291	296	326	384

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Oct-17	1m ago	3m ago	1yr ago
France	40	28	26	30
Netherlands	10	11	11	11
Belgium	25	27	28	23
Austria	17	16	17	18
Ireland	21	28	30	n/a
Italy	147	165	153	142
Spain	113	114	95	106
Portugal	171	192	235	317

Source: Bloomberg, ZIG

Economic data

US	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Trend*
ISM Manufacturing (Index)	51.7	52.0	53.5	54.5	56.0	57.7	57.2	54.8	54.9	57.8	56.3	58.8	60.8	up
ISM Non-Manufacturing (Index)	56.6	54.6	56.2	56.6	56.5	57.6	55.2	57.5	56.9	57.4	53.9	55.3	59.8	down
Durable Goods (% MoM)	-0.5	6.1	-4.6	0.3	0.3	1.4	2.4	-0.8	0.0	6.4	-6.8	2.0	2.2	down
Consumer Confidence (Index)	103.5	100.8	109.4	113.3	111.6	116.1	124.9	119.4	117.6	117.3	120.0	120.4	119.8	up
Retail Sales (% MoM)	3.1	4.0	3.7	4.0	5.6	4.7	4.8	4.5	4.2	3.0	3.7	3.5	4.4	down
Unemployment Rate (%)	4.9	4.8	4.6	4.7	4.8	4.7	4.5	4.4	4.3	4.4	4.3	4.4	4.2	down
Avg Hourly Earnings YoY (% YoY)	2.7	2.5	2.5	2.5	2.4	2.5	2.3	2.3	2.4	2.3	2.3	2.4	2.5	up
Change in Payrolls ('000, MoM)	249.0	124.0	164.0	155.0	216.0	232.0	50.0	207.0	145.0	210.0	138.0	169.0	-33.0	down
PCE (% YoY)	1.8	1.9	1.8	1.9	1.9	1.9	1.6	1.6	1.5	1.5	1.4	1.3	1.3	down
GDP (%, QoQ, Annualized)	2.8						1.2			3.1				

UK	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Trend*
PMI Services (Index)	52.6	54.5	55.2	56.2	54.5	53.3	55.0	55.8	53.8	53.4	53.8	53.2	53.6	down
Consumer Confidence (Index)	-1.0	-3.0	-8.0	-7.0	-5.0	-6.0	-6.0	-7.0	-5.0	-10.0	-12.0	-10.0	-9.0	down
Unemployment Rate (%)	4.8	4.8	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.4	4.3	4.3		down
CPI (% YoY)	1.0	0.9	1.2	1.6	1.8	2.3	2.3	2.7	2.9	2.6	2.6	2.9	3.0	up
GDP (% YoY)	1.8						1.8			1.5				

Eurozone	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Trend*
PMI Manufacturing (Index)	52.6	53.5	53.7	54.9	55.2	55.4	56.2	56.7	57.0	57.4	56.6	57.4	58.1	up
PMI Services (Index)	52.2	52.8	53.8	53.7	53.7	55.5	56.0	56.4	56.3	55.4	55.4	54.7	55.8	down
IFO Business Climate (Index)	109.4	110.2	110.6	111.1	110.0	111.3	112.4	113.1	114.7	115.2	116.1	116.0	115.3	up
Industrial Production (% MoM)	-0.4	0.0	1.6	-0.9	0.2	-0.1	0.4	0.3	1.3	-0.6	0.3	1.4		down
Factory Orders GE (% MoM)	0.0	3.2	-1.9	6.1	-6.6	3.4	1.0	-2.1	1.1	0.9	-0.4	3.6		up
Unemployment Rate (%)	9.9	9.8	9.7	9.6	9.6	9.5	9.4	9.2	9.2	9.1	9.1	9.1		down
M3 Growth (% YoY, 3 months MA)	5.1	4.5	4.7	4.9	4.7	4.6	5.2	4.8	4.9	4.9	4.5	5.0	5.1	neutral
CPI (% YoY)	0.4	0.5	0.6	1.1	1.8	2.0	1.5	1.9	1.4	1.3	1.3	1.5	1.5	down
Core CPI (% YoY)	0.8	0.8	0.8	0.9	0.9	0.9	0.7	1.2	0.9	1.1	1.2	1.2	1.1	up
GDP (% QoQ)	0.4						0.6			0.7				

Switzerland	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Trend*
KOF Leading Indicator (Index)	100.8	102.8	102.5	103.0	102.0	108.2	108.2	107.2	103.9	105.2	107.5	104.2	106.1	up
PMI Manufacturing (Index)	54.4	55.2	55.9	56.2	54.6	57.8	58.6	57.4	55.6	60.1	60.9	61.2	61.7	up
Real Retail Sales (% YoY)	-2.1	-0.6	0.6	-3.9	-1.0	0.4	2.5	-1.3	-0.8	1.8	0.0	-0.2		up
Trade Balance (Billion, CHF)	4.3	2.5	3.4	2.7	4.8	3.0	3.1	1.9	3.3	2.7	3.4	2.2	2.9	up
CPI (% YoY)	-0.2	-0.2	-0.3	0.0	0.3	0.6	0.6	0.4	0.5	0.2	0.3	0.5	0.7	up

Japan	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Trend*
Nomura Manufacturing PMI (Index)	50.4	51.4	51.3	52.4	52.7	53.3	52.4	52.7	53.1	52.4	52.1	52.2	52.9	down
Machine Orders (% YoY)	4.3	-5.6	10.4	6.7	-8.2	5.6	-0.7	2.7	0.6	-5.2	-7.5	4.4		down
Industrial Production (% YoY)	1.5	-1.2	4.4	3.1	3.2	4.7	3.5	5.7	6.5	5.5	4.7	5.3		down
ECO Watchers Survey (Index)	44.8	46.2	48.6	51.2	48.6	48.5	50.6	50.4	50.1	49.9	51.0	49.6	49.6	down
Jobs to Applicants Ratio (Index)	1.4	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5		up
Labour Cash Earnings (% YoY)	0.0	0.1	0.5	0.5	0.3	0.4	0.0	0.5	0.6	0.4	-0.6	0.7		down
Department Store Sales (% YoY)	-5.0	-3.9	-2.4	-1.7	-1.2	-1.7	-0.9	0.7	0.0	1.4	-1.4	2.0	4.4	up
Money Supply M2 (% YoY)	3.4	3.6	3.8	3.9	3.9	4.1	4.2	3.9	3.8	3.9	4.0	4.0	4.1	up
CPI Ex Food & Energy (% YoY)	0.0	0.2	0.1	0.0	0.1	-0.1	-0.3	-0.3	-0.2	-0.2	-0.1	0.0	0.0	up
Exports (% YoY)	-6.9	-10.3	-0.4	5.4	1.3	11.3	12.0	7.5	14.9	9.7	13.4	18.1	14.1	up

China	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Trend*
PMI Manufacturing (Index)	50.4	51.2	51.7	51.4	51.3	51.6	51.8	51.2	51.2	51.7	51.4	51.7	52.4	up
Industrial Production (% YoY)	6.1	6.1	6.2	6.0			7.6	6.5	6.5	7.6	6.4	6.0	6.6	down
Retail Sales (% YoY)	10.7	10.0	10.8	10.9			10.9	10.7	10.7	11.0	10.4	10.1	10.3	down
PPI (% YoY)	0.1	1.2	3.3	5.5	6.9	7.8	7.6	6.4	5.5	5.5	5.5	6.3	6.9	up
Exports (% YoY)	-10.4	-7.9	-1.5	-6.2	7.2	-2.1	15.6	6.9	7.9	10.8	6.5	5.1	8.1	down
CPI (% YoY)	1.9	2.1	2.3	2.1	2.5	0.8	0.9	1.2	1.5	1.5	1.4	1.8	1.6	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)	6.7						6.9			6.9				neutral
PMI Non Manufacturing (Index)	50.4	51.2	51.7	51.4	51.3	51.6	51.8	51.2	51.2	51.7	51.4	51.7	52.4	up
Aggregate Financing (Billions, CNY)	1711.5	886.5	1832.8	1626.0	3729.2	1090.6	2118.7	1386.8	1067.9	1770.1	1190.6	1492.2	1819.9	up

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Economic data

Australia	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Trend*
AiG Manufacturing (Index)	49.8	50.9	54.2	55.4	51.2	59.3	57.5	59.2	54.8	55.0	56.0	59.8	54.2	up
AiG Service (Index)	48.9	50.5	51.1	57.7	54.5	49.0	51.7	53.0	51.5	54.8	56.4	53.0	52.1	up
Westpac Consumer Confidence (% MoM)	0.3	1.1	-1.1	-3.9	0.1	2.3	0.1	-0.7	-1.1	-1.8	0.4	-1.2	2.5	up
Building Approvals (% YoY)	-4.2	-23.8	-2.9	-10.5	-9.1	-4.4	-20.1	-16.9	-17.4	-1.3	-12.6	-15.5		up
Employment Change ('000, MoM)	-24.8	17.6	47.0	16.6	6.7	10.6	55.3	49.6	42.1	21.9	31.2	53.0	19.8	down

Brazil	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Trend*
CPI (% YoY)	8.5	7.9	7.0	6.3	5.4	4.8	4.6	4.1	3.6	3.0	2.7	2.5	2.5	down
Industrial Production (% YoY)	-4.7	-3.9	-7.2	-1.1	0.0	1.8	-0.4	1.9	-4.3	4.5	0.9	2.9	4.0	up
Retail Sales (% YoY)	-5.5	-5.7	-8.1	-3.8	-4.9	-1.2	-3.7	-3.2	1.7	2.6	2.9	3.1	3.6	up
Trade Balance (Millions, USD)	3802.0	2346.0	4756.0	4415.0	2724.0	4560.0	7145.0	6969.0	7661.0	7195.0	6298.0	5599.0	5178.0	down
Budget Balance Primary (Billions, BRL)	-67.1	3.4	-80.4	-105.2	0.3	-54.2	-54.3	-15.4	-67.0	-51.1	-44.6	-45.5	-53.3	down

Chile	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Trend*
IMACEC Economic Activity Index (% YoY)	1.45	-0.26	1.02	0.59	1.17	-1.19	0.25	0.01	1.39	1.37	2.84	2.37		up
CPI (% YoY)	3.10	2.80	2.90	2.70	2.80	2.70	2.70	2.70	2.60	1.70	1.70	1.90	1.50	down
Retail Sales (% YoY)	4.05	1.08	1.49	2.69	3.49	-0.23	6.05	-0.53	5.66	4.06	4.16	6.02		up
Industrial Production (% YoY)	-0.46	-7.19	-0.09	1.29	-1.23	-8.03	-8.31	-4.20	0.05	-1.90	3.10	5.20	1.00	up
Unemployment (%)	6.80	6.40	6.20	6.10	6.20	6.40	6.60	6.70	7.00	7.00	6.90	6.60		up

Mexico	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Trend*
PMI (Index)	51.0	50.2	48.6	48.2	48.4	46.4	46.7	44.7	48.9	54.7	51.6	54.0	52.9	up
CPI (% YoY)	3.0	3.1	3.3	3.4	4.7	4.9	5.4	5.8	6.2	6.3	6.4	6.7	6.4	up
Retail Sales (% YoY)	8.1	9.3	11.2	9.0	4.9	3.6	6.1	1.4	4.1	0.4	0.4	-0.2		down
Indutrial Production (% YoY)	0.1	-0.5	4.4	1.8	4.7	1.5	9.4	-1.3	5.1	2.5	2.3	3.3		down
Remittances (Millions, USD)	2374.1	2220.2	2371.0	2342.5	2062.6	2056.8	2520.7	2304.7	2584.2	2417.0	2459.7	2469.3		down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

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