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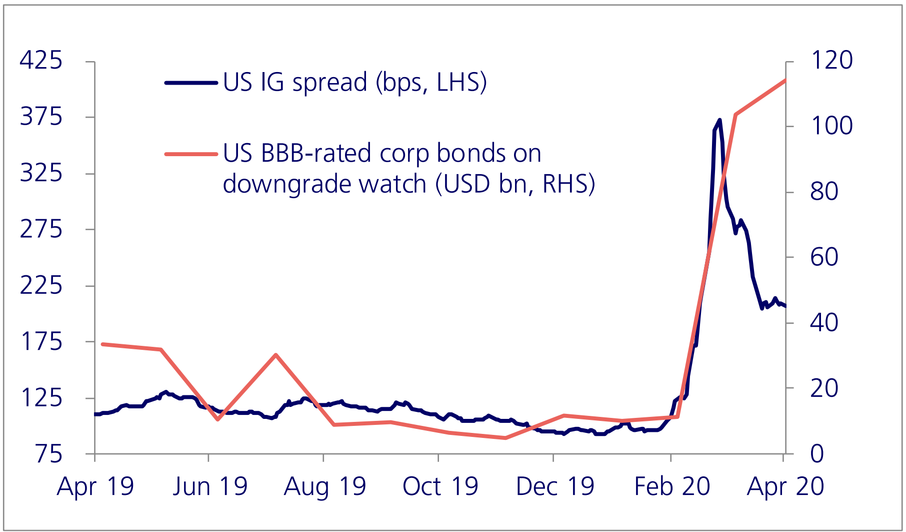
Monthly Investment Insights

An epic battle looms between fundamentals and liquidity



Source: Bloomberg

Equities and credit recovered as sharply in April as they tumbled in March, leaving investors with a dilemma on whether to commit funds based on fundamentals or on the liquidity being provided by the central banks. While liquidity provision should dominate, rich valuations and opaque prospects are likely to keep investors on edge.

Fundamentals for both equities and credit markets are likely to deteriorate sharply before recovering somewhat in the latter part of 2020, with most companies being left worse off by the end of the year. Earnings expectations have been revised down substantially, around 25% and 30% for the key benchmark equity indices in the US and Europe respectively. While companies with strong balance sheets will be able to weather the downturn, this will not apply to all as, for example, nearly a third of Russell 2000 Index members were unprofitable before COVID-19 concerns hit. Corporate leverage is likely to pick up further from what are already record levels. We expect 10% of companies in high yield indices to default this year, while a record amount of corporate debt is expected to be downgraded from investment grade to high yield. Loan losses are likely to rise, as weak borrowers default on their debt, with major US banks already having booked around USD 25bn of provisions in Q1. Global oil prices have also tumbled by over 60% since last year, making oil companies vulnerable without explicit policy aid. However, central bank support has made liquidity manageable, at least for strong companies, and reduced tail risks of credit market dislocations. In addition to monetary policy support, aggressive fiscal policy support is also likely to limit, but not eliminate, the impact of lockdowns on corporate fundamentals, despite the strong recovery expected in the second half of the year.

For financial markets, the support from the wave of central bank liquidity is key. With asset purchases running into several trillion dollars, major central banks are also taking on credit risk and the Fed is even likely to purchase some high yield ETFs. Along with elevated cash positions and an eventual economic recovery over the medium term, investors are likely to chase risk assets for generating returns given low to negative bond yields. However, given the rally in April, some assets are already looking expensive again. This implies that a recovery in risk assets from here is likely to be beset by further gyrations, as from time to time investor focus will turn back to fundamentals, keeping volatility elevated and making entry points crucial.

Market Assessment

Key developments

- Economic data confirm fears of a contraction in Q1 and a collapse in Q2
- Flattening virus infection curves should lead to a lifting of lockdowns soon
- Risk assets rally sharply, as aggresive policy stimulus outweighs concerns around corporate fundamentals

Zurich's view

Economic data have been abysmal, and recession is now clearly underway in many countries. Most major economies already contracted in Q1, the US by an annualised 4.5% and the Eurozone by 3.8% on a quarter on quarter basis. More timely data also suggest that the collapse in economic activity accelerated in Q2 with unemployment surging and leading activity indicators plunging. However, we remain optimistic about a H2 recovery given the vast fiscal and monetary stimulus, which continues to be enhanced. Equity and credit markets have rebounded sharply, as the flattening of virus growth curves and optimism around treatments are allowing lockdowns to be eased. Liquidity provision has been a key driver of financial markets. Central banks, especially the Fed, have announced unprecedented support to credit markets, in addition to substantial asset purchases. While the prospects for risk assets look encouraging, some consolidation from recent gains would be healthy and more volatility and market gyrations are to be expected. Within credit though, CDS spreads are tight and seem to be under-pricing risks, although corporate bond market valuations appear more reasonable. Bond yields seem to have found a floor, although disinflationary pressures, not least from oil prices, will likely limit upside.

	Key developments	Zurich’s view
Global	• Global economic activity collapses in April, with growth rates declining at a double-digit pace in many regions • As lockdowns are now gradually being eased, activity should start to pick up, but conditions are fragile and risk is to the downside • Exceptional fiscal and monetary support remain in place and will help to sustain a recovery once the virus is contained	The global economy is experiencing its deepest contraction since the 1930’s Great Depression. Q2 GDP is likely to fall at a double-digit pace in some regions, as lockdowns constrain activity to a minimum level in many sectors. Policy measures are, however, substantial and suggest that while deep, the recession should be relatively short lived, with a recovery expected in the second half of the year. Risks are to the downside, though, and crucially depend on virus containment allowing lockdowns to be eased. We fear that the outcome for the global economy is likely to be binary as vulnerabilities are significant, with limited capacity to sustain a much longer disruption.
US	• More than 30 million people lose their jobs since the beginning of the crisis • The S&P 500 rises 12.7% in April, almost fully recovering from its losses in March • Congress approves almost USD 500bn in additional support for the economy	The lockdown continues to weigh on the economy. More than 30 million people have applied for unemployment benefits since the beginning of the crisis. At least initial jobless claims have been falling over the last few weeks and were at the lowest level since March 20 last week. Congress topped up the Paycheck Protection Program by another USD 310bn (from an initial USD 349bn) to give small firms an incentive to hold on to their employees or quickly rehire them. A silver lining has emerged in the Conference Board’s latest household survey. While consumers’ perception of the current situation fell to the lowest since 2013 in April, expectations rose markedly. Meanwhile, corporate earnings reported so far show that profits fell 10% YoY in Q1, not least because of banks’ provisions for expected credit losses.
UK	• Economic activity, particularly in services, falls to the lowest on record in April • Massive price cuts indicate that the near-term impact of the lockdown will be deflationary • The FTSE 100 has recovered from its recent lows, but is lagging the MSCI World	COVID-19 and the lockdown are keeping the UK economy in a stranglehold. Composite PMI fell at the fastest rate and to the deepest level on record, far worse even than during the depth of the financial crisis. While the Manufacturing PMI fell to 32.6 in April, the service sector was hit particularly hard with the related PMI tumbling to a meagre 12.3. Prices charged fell to the lowest in more than two decades, indicating that the immediate impact of the lockdown will be deflationary, at least in the near term. The stock market has regained some ground since reaching its recent low in March. However, as with other European markets, the FTSE 100 is lagging the MSCI World and particularly the US, as its sector composition and a deep fall in energy prices weigh on the index.
Eurozone	• Record Q1 GDP contraction, but gradual easing of lockdown restrictions should lead to a bounce back in H2 • EU policymakers agree on a deal to support the economy, while ECB easing provides cheaper liquidity to banks • However, as government debt-to-GDP levels soar, some mutualisation of debt will be needed to deal with the scars from the crisis	Eurozone GDP contracted at its sharpest pace on record in Q1, by 3.8% QoQ, corroborating dismal business surveys that have fallen to record lows in recent weeks. Q2 will be even worse, but we anticipate a strong rebound in the second half of the year, if, as has been recently announced, lockdown restrictions are gradually eased. Policy support continues to develop, with a proposed European Recovery Fund that would allow the EU to borrow in order to finance additional spending over the next few years beyond its usual budget. However, the details are still scarce and we believe some form of common debt mutualisation will eventually be needed to support countries, such as Italy, with high and rapidly rising government debt burdens.
Switzerland	• Data show that the economy slumped in March and a further deterioration is expected for April, but conditions should start to stabilise in May • Domestic demand weakens as consumption collapses, exporters are hit by the strong franc and the global economic shutdown • The SNB intervenes strongly in forex markets to keep the franc stable, while a large fiscal stimulus package targets the domestic economy	Macro data show the extent of the sudden stop to the economy. The monthly decline in the KOF leading indicator was over three times as large as that experienced after the 2015 franc appreciation or the 2008 Lehman collapse. Core retail sales contracted by 15% in March and, with a further decline likely for April, the impact on the sector will be gruelling. We expect conditions to stabilise in May, however, as the lockdown is gradually being eased back. Job security and consumer sentiment have deteriorated sharply though, and exporters will remain under pressure from the strong franc. Despite sizable and effective policy measures, conditions are therefore fragile and downside risk remains.

	Key developments	Zurich's view
Japan	• Japan's recession extends to a third quarter in a row • Fiscal boost is expanded following the extension of the nationwide state of emergency • Japanese equities are meandering in a range 15-20% below their year highs	The curve of active COVID-19 infection cases has already flattened, and both infections and mortality remain low compared to the US and Europe. PM Abe has extended the nationwide state of emergency. Though lockdown measures are not legally binding, they are widely followed. Major Tokyo department stores sales have tumbled by about 80%, while consumer confidence has fallen to a record low. A major fiscal support package has been announced with effective spending in the range of 3½ to 5% of GDP, while the Bank of Japan has expanded its quantitative easing program. We expect real GDP to fall 5.3% this year. Japanese equities have bounced back following a 31% drop from highs early this year. We believe the MSCI Japan will perform roughly in line with global equities.
China	• COVID-19 infections have been largely contained • China's economy keeps recovering from its mid-February trough • The outperformance of Chinese vs. global equities has slowed	China's active COVID-19 infection cases have fallen below 600 while new infections remain largely contained. Economic activity keeps picking up from its mid-February trough, though service sector activity remains lacklustre, and SMEs and their employees remain under pressure. Real GDP growth has fallen nearly 10% QoQ and was down 6.8% YoY in Q1. We expect Q2 activity to suffer from lower exports due to global lockdowns, before the economy recovers in H2, helped by fiscal support measures that will be detailed at the postponed National People's Congress at the end of May. While outperformance of Chinese equities versus their global peers has slowed recently, we note that domestic 'A'-shares show a positive performance year-to-date.
Australia	• COVID-19 infection curve flattens, with an easing of lockdowns in sight • The service sector is under pressure while job losses spike • Rebound in Australian stocks lags other developed markets	Australia has registered less than 7,000 infections with the number of daily new cases down to single digits since mid-April. The government has flagged a potential easing of lockdowns. We expect restrictions to be lifted on a step-wise basis as a second wave of infection is still a concern. The month-long lockdown has brought the economy to a standstill with the service sector and the labour market taking heavy hits. The Flash Services PMI for May plunged from 38.5 to 19.6 while a job survey by the Australian Bureau of Statistics, covering three weeks between March 14 and April 4, shows a 6% drop in employment, equivalent to 700-800k job losses. Australian equities regained some losses after a free fall in March, but still lag other developed markets.
ASEAN	• Infection curves seems flattening, but testing deficiency is still a concern • Further fiscal packages are announced • Capital outflows slow and currencies stop falling	Despite a slowdown of infections in Malaysia, Thailand and Vietnam, other countries, including Singapore, Indonesia and the Philippines, are still registering hundreds of new cases each day. Singapore experienced an infection surge among migrant workers living in overcrowded dormitories. In Indonesia and the Philippines, testing deficiency is a concern, posing risks of a new wave once these economies reopen. In Thailand, the government unveiled an unprecedented fiscal package of THB 1.9tn, equivalent to 11% of GDP, while Singapore's government announced a supplementary budget of SGD 5.1bn, bringing the total stimulus size to about 12% of GDP. Currencies that suffered a sell-off in Q1, have stabilised given a slowdown in capital outflows and interventions by central banks.

Appendix 1

Valuation snapshot (MSCI Indices)

Current trailing valuations

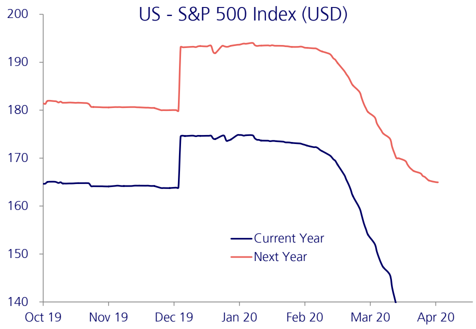
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	21.08	16.30	12.35	18.91	13.11	15.25	14.34	13.78	15.09
12m Trailing P/B	3.31	1.75	1.52	2.80	1.18	1.61	1.75	2.03	1.90
12m Trailing P/CF	12.79	7.70	6.71	12.75	7.14	8.21	8.52	6.08	6.28
Dividend Yield	2.03	3.42	5.26	3.14	2.58	2.82	1.97	3.17	3.40
ROE	15.71	10.74	12.29	14.81	8.96	10.57	12.21	14.73	12.60

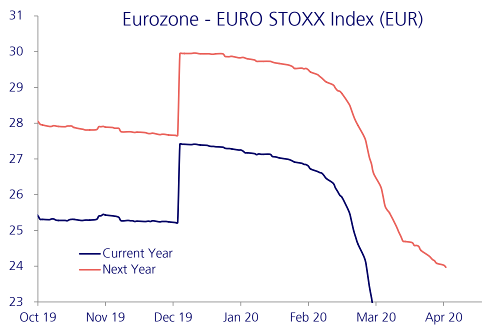
Current trailing valuations relative to MSCI world

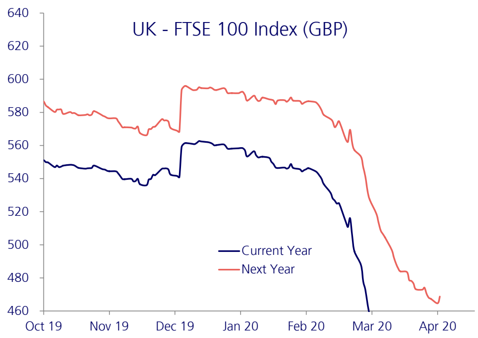
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.20	0.93	0.70	1.08	0.75	0.87	0.82	0.79	0.86
12m Trailing P/B	1.50	0.79	0.69	1.27	0.53	0.73	0.79	0.92	0.86
12m Trailing P/CF	1.29	0.78	0.68	1.29	0.72	0.83	0.86	0.61	0.63
Dividend Yield	0.78	1.31	2.02	1.20	0.99	1.08	0.76	1.22	1.30
ROE	1.25	0.85	0.98	1.18	0.71	0.84	0.97	1.17	1.00

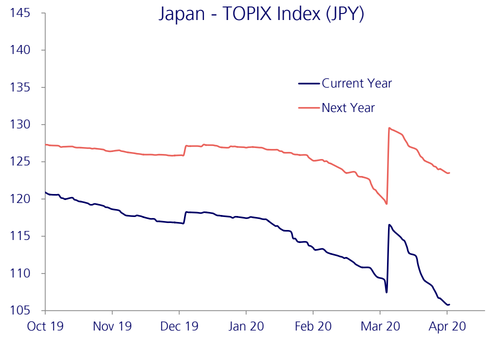
Source: Datastream

Earnings estimates - Full fiscal years



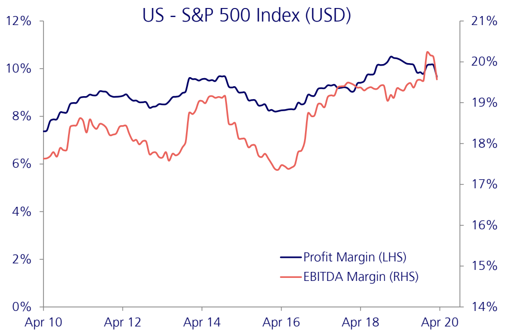


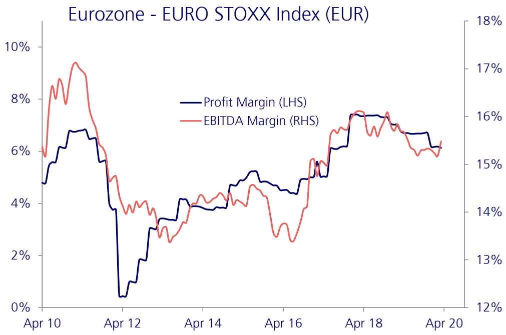


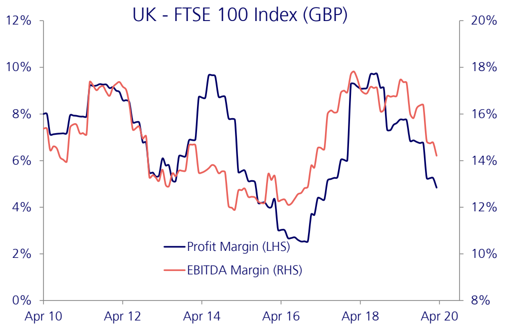


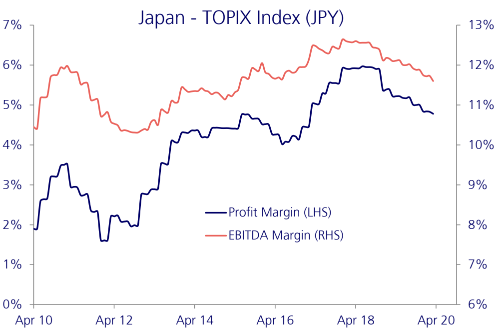
Source: Bloomberg

Historical margins



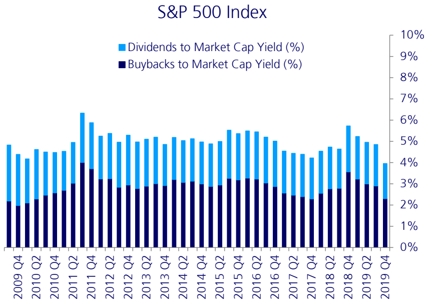


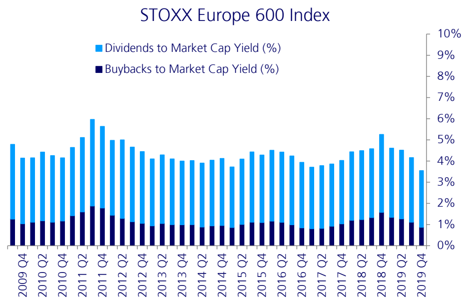


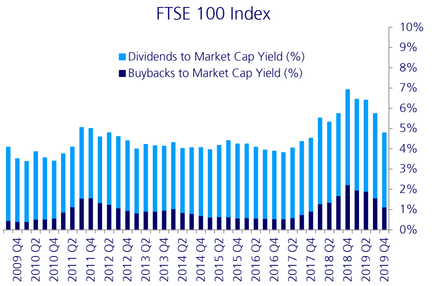


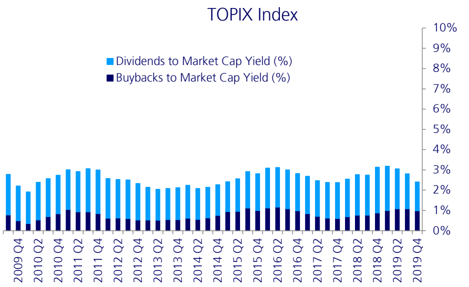
Source: Bloomberg

Dividends and shares buybacks



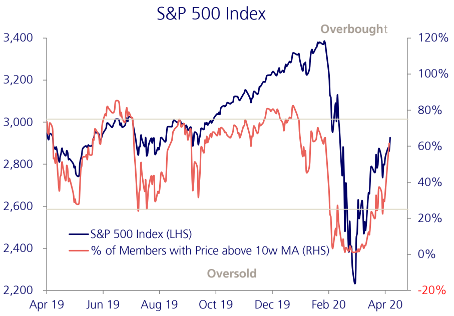


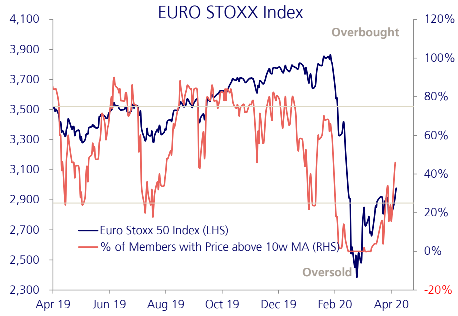


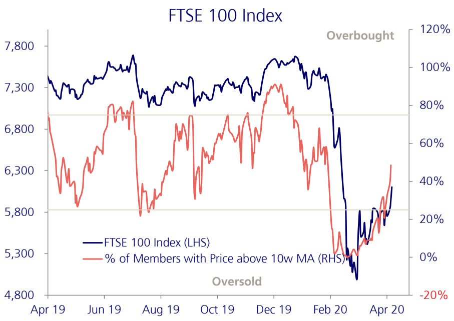


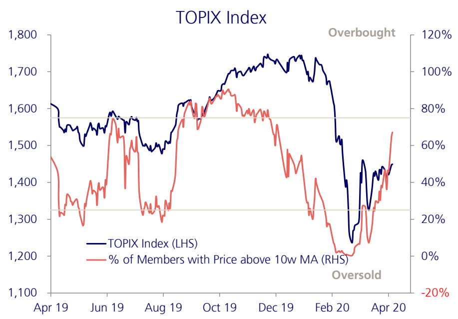
Source: Bloomberg

Overbought / Oversold





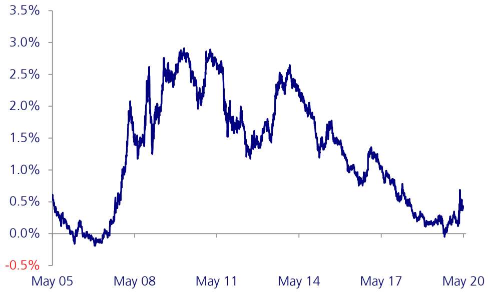




Source: Bloomberg

Yield Curve Steepness (2yr-10yr)

US



Germany

Japan

UK

Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Apr-20	1m ago	3m ago	1yr ago
UK	-32	-31	-104	-132
Germany	-109	-115	-199	-249
Switzerland	-106	-99	-229	-280
Japan	-63	-66	-164	-254
Australia	33	25	-62	-71
China	189	193	142	90
South Korea	92	86	-3	-66
Malaysia	229	263	155	129
Indonesia	748	721	506	533
Thailand	60		-27	-6
Philippines	347	n/a	n/a	n/a
Brazil	659	n/a	511	648
Mexico	626	652	510	560
Colombia	649	775	437	434
Peru	356	544	242	265

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Apr-20	1m ago	3m ago	1yr ago
France	45	42	26	36
Netherlands	26	26	10	18
Belgium	54	48	24	44
Austria	42	43	18	30
Ireland	63	50	27	54
Italy	225	180	135	254
Spain	128	101	68	99
Portugal	139	114	69	110

Source: Bloomberg, ZIG

Economic data

US	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Trend*
ISM Manufacturing (Index)	54.6	53.4	52.3	51.6	51.3	48.8	48.2	48.5	48.1	47.8	50.9	50.1	49.1	up
ISM Non-Manufacturing (Index)	56.3	55.7	56.3	55.4	54.8	56.0	53.5	54.4	53.9	54.9	55.5	57.3	52.5	up
Durable Goods (% MoM)	1.7	-2.8	-2.3	1.8	2.1	0.2	-1.5	0.2	-3.1	2.8	0.1	1.1	-14.4	down
Consumer Confidence (Index)	124.2	129.2	131.3	124.3	135.8	134.2	126.3	126.1	126.8	128.2	130.4	132.6	118.8	up
Retail Sales (% MoM)	3.6	3.9	3.0	3.6	3.6	4.3	4.0	3.3	3.3	5.6	4.9	4.5	-5.8	down
Unemployment Rate (%)	3.8	3.6	3.6	3.7	3.7	3.7	3.5	3.6	3.5	3.5	3.6	3.5	4.4	up
Avg Hourly Earnings YoY (% YoY)	3.5	3.5	3.6	3.5	3.7	3.7	3.7	3.8	3.5	3.2	3.3	3.4	3.4	down
Change in Payrolls ('000, MoM)	147.0	210.0	85.0	182.0	194.0	207.0	208.0	185.0	261.0	184.0	214.0	275.0	-701.0	down
PCE (% YoY)	1.5	1.6	1.5	1.6	1.6	1.8	1.7	1.6	1.5	1.6	1.7	1.8		up
GDP (%, QoQ, Annualized)	3.1			2.0			2.1			2.1			-4.8	down

UK	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Trend*
PMI Services (Index)	48.9	50.4	51.0	50.2	51.4	50.6	49.5	50.0	49.3	50.0	53.9	53.2	34.5	down
Consumer Confidence (Index)	-13.0	-13.0	-10.0	-13.0	-11.0	-14.0	-12.0	-14.0	-14.0	-11.0	-9.0	-7.0	-9.0	up
Unemployment Rate (%)	3.8	3.8	3.8	3.9	3.8	3.9	3.8	3.8	3.8	3.8	3.9	4.0		up
CPI (% YoY)	1.9	2.1	2.0	2.0	2.1	1.7	1.7	1.5	1.5	1.3	1.8	1.7	1.5	up
GDP (% YoY)	2.0			1.3			1.3			1.1				

Eurozone	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Trend*
PMI Manufacturing (Index)	47.5	47.9	47.7	47.6	46.5	47.0	45.7	45.9	46.9	46.3	47.9	49.2	44.5	up
PMI Services (Index)	53.3	52.8	52.9	53.6	53.2	53.5	51.6	52.2	51.9	52.8	52.5	52.6	26.4	down
IFO Business Climate (Index)	99.8	99.9	98.3	97.7	96.1	94.5	94.8	94.6	95.1	96.3	95.9	96.0	85.9	down
Industrial Production (% MoM)	-0.1	-0.6	0.5	-1.0	-0.2	0.3	0.1	-0.3	-0.6	-1.8	2.3	-0.1		up
Factory Orders GE (% MoM)	2.2	-0.7	-1.6	1.4	-0.7	-0.4	1.2	-0.4	-1.2	-1.5	4.8	-1.4		up
Unemployment Rate (%)	7.7	7.6	7.6	7.5	7.6	7.5	7.5	7.4	7.4	7.4	7.4	7.3		down
M3 Growth (% YoY, 3 months MA)	4.7	4.8	4.8	4.6	5.2	5.8	5.7	5.7	5.6	4.9	5.2	5.5	7.5	up
CPI (% YoY)	1.4	1.7	1.2	1.3	1.0	1.0	0.8	0.7	1.0	1.3	1.4	1.2	0.7	up
Core CPI (% YoY)	0.8	1.3	0.8	1.1	0.9	0.9	1.0	1.1	1.3	1.3	1.1	1.2	1.0	down
GDP (% QoQ)	0.5			0.1			0.3			0.1				

Switzerland	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Trend*
KOF Leading Indicator (Index)	96.6	97.2	93.9	95.0	95.9	95.5	93.1	94.8	92.7	96.2	100.1	101.8	92.9	up
PMI Manufacturing (Index)	50.7	49.1	49.0	48.6	45.2	47.4	44.9	48.9	48.5	48.8	47.8	49.5	43.7	down
Real Retail Sales (% YoY)	-0.8	-0.6	-0.5	1.0	1.4	-0.5	1.7	0.3	1.2	0.6	0.0	0.3		down
Trade Balance (Billion, CHF)	3.1	2.3	3.2	4.0	3.7	1.7	4.0	3.5	3.9	2.0	4.8	3.5	4.0	up
CPI (% YoY)	0.7	0.7	0.6	0.6	0.3	0.3	0.1	-0.3	-0.1	0.2	0.2	-0.1	-0.5	down

Japan	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Trend*
Nomura Manufacturing PMI (Index)	49.2	50.2	49.8	49.3	49.4	49.3	48.9	48.4	48.9	48.4	48.8	47.8	44.8	down
Machine Orders (% YoY)	-0.7	2.5	-3.7	12.5	0.3	-14.5	5.1	-6.1	5.3	-3.5	-0.3	-2.4		down
Industrial Production (% YoY)	-4.1	-0.7	-1.9	-3.9	0.8	-5.5	1.2	-8.2	-8.5	-3.7	-2.4	-5.7		up
ECO Watchers Survey (Index)	46.7	47.0	44.3	43.3	41.7	42.6	45.7	36.3	39.2	40.7	40.6	27.4	15.9	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	1.5	1.5	1.4	down
Labour Cash Earnings (% YoY)	-1.3	-0.3	-0.5	0.4	-1.0	-0.1	0.5	0.0	0.1	-0.2	1.2	0.7		up
Department Store Sales (% YoY)	0.1	-1.1	-0.8	-0.9	-2.9	2.3	23.1	-17.5	-6.0	-5.0	-3.1	-12.2	-33.4	down
Money Supply M2 (% YoY)	2.4	2.5	2.6	2.3	2.3	2.4	2.4	2.4	2.7	2.7	2.8	3.0	3.3	up
CPI Ex Food & Energy (% YoY)	0.3	0.5	0.3	0.3	0.4	0.4	0.3	0.3	0.5	0.5	0.4	0.2	0.3	down
Exports (% YoY)	-2.4	-2.3	-7.7	-6.6	-1.5	-8.2	-5.2	-9.2	-7.9	-6.3	-2.6	-1.0	-11.7	up

China	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Trend*
PMI Manufacturing (Index)	50.5	50.1	49.4	49.4	49.7	49.5	49.8	49.3	50.2	50.2	50.0	35.7	52.0	down
Industrial Production (% YoY)	8.5	5.4	5.0	6.3	4.8	4.4	5.8	4.7	6.2	6.9			-1.1	down
Retail Sales (% YoY)	8.7	7.2	8.6	9.8	7.6	7.5	7.8	7.2	8.0	8.0			-15.8	down
PPI (% YoY)	0.4	0.9	0.6	0.0	-0.3	-0.8	-1.2	-1.6	-1.4	-0.5	0.1	-0.4	-1.5	up
Exports (% YoY)	14.0	-2.7	1.1	-1.5	3.4	-1.0	-3.2	-0.8	-1.3	7.9			-6.6	down
CPI (% YoY)	2.3	2.5	2.7	2.7	2.8	2.8	3.0	3.8	4.5	4.5	5.4	5.2	4.3	up
RRR (%)	13.5	13.5	13.5	13.5	13.5	13.5	13.0	13.0	13.0	13.0	12.5	12.5	12.5	down
GDP (% YoY)	6.4			6.2			6.0			6.0			-6.8	down
PMI Non Manufacturing (Index)	50.5	50.1	49.4	49.4	49.7	49.5	49.8	49.3	50.2	50.2	50.0	35.7	52.0	down
Aggregate Financing (Billions, CNY)														neutral

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Economic data

Australia	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Trend*
AiG Manufacturing (Index)	51.0	54.8	52.7	49.4	51.3	53.1	54.7	51.6	48.1	48.3	45.4	44.3	53.7	down
AiG Service (Index)	45.9	47.6	52.3	51.4	44.4	52.3	51.8	55.2	53.7	48.7	47.4	47.0	38.7	down
Westpac Consumer Confidence (% MoM)	-4.8	1.9	0.6	-0.6	-4.1	3.6	-1.7	-5.5	4.5	-1.9	-1.8	2.3	-3.8	down
Building Approvals (% YoY)	-23.8	-21.5	-18.2	-23.9	-28.0	-16.4	-14.5	-21.0	-2.6	7.6	-11.1	-5.8		up
Employment Change ('000, MoM)	33.9	26.9	37.7	2.1	29.3	36.9	11.4	-24.6	35.4	28.4	12.7	25.6	5.9	up

Brazil	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Trend*
CPI (% YoY)	4.6	4.9	4.7	3.4	3.2	3.4	2.9	2.5	3.3	4.3	4.2	4.0	3.3	up
Industrial Production (% YoY)	2.3	-6.1	-3.6	7.7	-5.8	-2.5	-2.1	1.1	1.3	-1.7	-1.2	-0.9	-0.4	down
Retail Sales (% YoY)	4.0	-4.4	1.8	1.0	0.1	4.3	1.4	2.2	4.3	3.1	2.6	1.4	4.7	down
Trade Balance (Millions, USD)	4295.7	5653.1	5624.4	5377.4	2391.4	4099.6	3803.2	2549.6	3564.6	5946.9	-1626.1	2475.2	4713.0	down
Budget Balance Primary (Billions, BRL)	-45.0	-62.2	-28.0	-47.6	-30.1	-30.3	-63.6	-45.9	-10.9	-53.2	-38.4	19.1	-49.4	up

Chile	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Trend*
IMACEC Economic Activity Index (% YoY)	1.45	1.88	2.14	1.37	3.07	3.82	3.28	-3.36	-3.98	0.77	1.09	2.70		up
CPI (% YoY)	2.48	2.43	2.76	2.70	2.57	2.58	2.24	2.71	2.79	3.00	3.46	3.89	3.74	up
Retail Sales (% YoY)	1.19	-0.38	3.62	-0.87	1.94	2.27	-0.75	-12.00	-9.21	-2.57	0.20	4.49		up
Industrial Production (% YoY)	-1.61	0.52	0.19	-3.14	1.41	1.22	0.54	-2.79	-2.43	3.23	1.80	5.60		up
Unemployment (%)	7.20	7.10	7.20	7.30	7.50	7.60	7.30	7.10	7.00	7.10	7.40	7.80		up

Mexico	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Trend*
PMI (Index)	51.5	51.9	49.2	48.6	48.9	47.3	48.1	46.5	46.7	46.8	49.0	48.0	45.0	up
CPI (% YoY)	4.0	4.4	4.3	4.0	3.8	3.2	3.0	3.0	3.0	2.8	3.2	3.7	3.3	up
Retail Sales (% YoY)	1.6	1.6	2.8	1.0	2.1	2.6	2.4	0.4	2.1	3.2	2.7	2.5		up
Indutrial Production (% YoY)	2.4	-0.4	0.8	-1.0	3.4	-0.2	0.8	-1.3	-3.2	-0.5	-0.9	-1.0		up
Remittances (Millions, USD)	2958.0	2937.0	3282.1	3183.5	3258.7	3356.4	3071.9	3125.0	2898.6	3080.3	2582.8	2694.2		down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

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