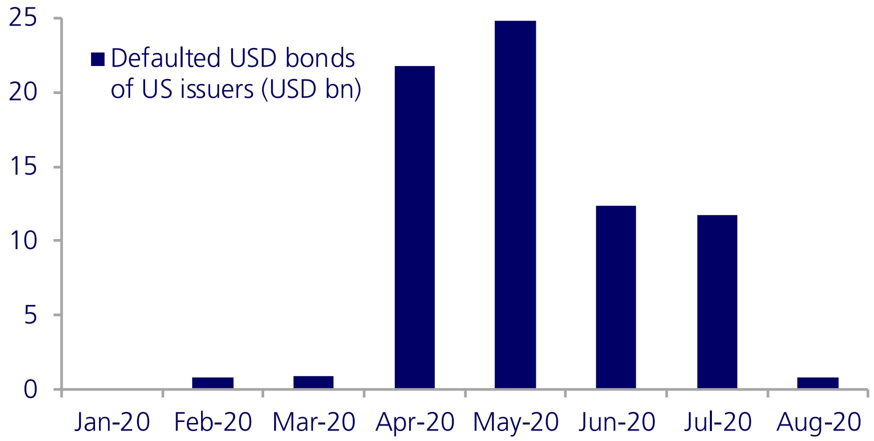
September 1, 2020

Monthly Investment Insights

The credit nightmare may be over for companies, but capital focus is still warranted



Source: Bloomberg

Risk assets have been on a tear since March and last month saw the trend continue as global stocks hit new highs. While central banks and fiscal stimulus have brought markets back from the brink, some investors have been, and still are, sceptical about the sustainability of the rally, often citing a disconnect between markets and fundamentals. Encouragingly, at least for credit markets but also for some sectors in equities, fundamentals are now notably improving and the hit from COVID-19 has been shallower than expected.

In our June 11 paper The credit cycle ends and a new one is born, we argued that a new credit cycle has begun and typically the early stages of a new credit cycle usher in strong returns for investors. While fundamental deterioration was expected, credit investor angst centred around leverage rising substantially, large volumes of debt being downgraded, and default rates being much worse than our 10% forecast. In all three areas the worst points in credit deterioration seem to have been milder than feared and more importantly are likely to be largely behind us.

While leverage has indeed picked up to a record, the rise is smaller than had been expected. Better cash flows and conservative balance sheet management have alleviated balance sheet stress, with companies raising cash and reducing shareholder payouts. Consequently, rating agencies have been patient. After the first big wave of downgrades of investment grade debt to high yield (so called ‘fallen angel’ debt) in March, there were no further big waves but rather a gentle drift that is also now losing momentum. While some banks were predicting that over USD 500bn of US corporate bonds would become fallen angels in 2020, the actual volume is less than USD 200bn so far. Thirdly, as the chart shows, defaults are also becoming less frequent, with August seeing the lowest defaulted volume for US domiciled issuers since the beginning of the COVID-19 crisis. Fitch's ‘Top Bonds of Concern’ list of vulnerable debt is at USD 26.7bn, the lowest level in a year and down 49% from its peak in May. Smaller US companies are even better off due to the Paycheck Protection Program (PPP).

However, it is crucial that companies continue to manage balance sheets responsibly. While fundamentals should improve into 2021, if the cash flow recovery is not used to repair balance sheets, debt burdens will become untenable and rating agencies impatient. So, while the worst maybe behind us, corporate capital conservatism will still be required for several quarters.

Market Assessment

Key developments

- Economies continue to show V-shaped recoveries, but the acceleration in activity is expected to slow
- COVID-19 infection rates rise in Europe, while geopolitical tensions pick up further
- Global stock indices reach new highs as 'risk on' sentiment persists amid improving fundamentals

Zurich’s view

The global economy continues to recover broadly in line with our expectations of a V-shaped recovery. However, rising coronavirus infections in Europe and elsewhere, along with geopolitical tensions, warrant close monitoring. That said, further nationwide lockdowns are unlikely, with targeted measures being more probable. We strongly believe, however, that in order to secure an economic recovery it is crucial that stimulus continues to be provided, especially on the fiscal front, as labour markets are still fragile and consumer confidence vulnerable.

Risk assets have surged, with the MSCI World Index hitting new highs and credit spreads tightening significantly from their March wides. While markets have been supported by liquidity provision, fundamentals have also been better than expected. This is evident in earnings, leverage, rating downgrades and defaults and should address some investor scepticism around the sustainability of the risk asset rally. While some valuations seem overheated, the outlook for credit remains constructive. Bond yields should remain capped while within equities, some divergences have opened up. For example, while prospects for Indonesian stocks seem poised for improvement, Australian equities seem likely to consolidate.

	Key developments	Zurich's view
Global	• The recovery remains on track, but the pace of improvements in the global economy is slowing • Labour markets are vulnerable, and it will be critical that fiscal support measures are extended • Virus concerns return, with hotspots in some regions, but the global infection rate is contained	The global recovery continues, with further gains in the data in August following the snap back in prior months, but the pace of improvement is now slowing. The rebound in activity has been led by strong consumer spending, with retail sales back to pre-crisis levels in some regions, though services are still weak. Manufacturing activity and industrial production have staged a firm recovery and global trade has been relatively resilient, helped by a tech driven rebound in Asia. Unlimited monetary support remains in place and we expect fiscal measures to be extended, given fragile labour markets and infection risk. Local lockdowns should be expected, but a return to full national lockdowns is unlikely.
US	• The S&P 500 reaches a new record high, helped by solid economic data, but the rally is becoming increasingly narrow • The economy continues to recover with another 1.8mn jobs brought back in August • The Fed moves to an average inflation target and puts more emphasis on the labour market, increasing its policy flexibility	Supported by very loose monetary policy, positive earnings surprises and solid economic data, the S&P 500 reached a new record high in August. The equity rally is become increasingly narrow, however, and is driven by a handful of large-cap tech stocks. Meanwhile, the economy continues to heal from the COVID-19 shock with firms bringing back another 1.8mn jobs and initial jobless claims falling below 1mn for the first time since mid-March. The economic recovery is expected to continue at a slower pace though the lack of agreement regarding further fiscal stimulus may provide some headwind. On the other hand, with the Fed announcing that it will switch to an average inflation target, monetary policy is likely to remain very loose for even longer.
UK	• The UK suffers a more than 20% QoQ contraction in the economy in Q2 • However, monthly indicators show business activity has rebounded sharply so far in Q3 as the economy reopens • There is little sign of progress on UK-EU trade negotiations, despite an approaching end of year deadline	The UK economy suffered its biggest drawdown in the post-war period in Q2, with GDP contracting by 20.4% QoQ. The drop was larger than the that in the US and other major European countries such as Germany, Italy or France. Business activity has improved, however, as the economy reopens, with the Composite PMI for example rising to 60.3 in August from 57.0 in July, the highest level since 2013. The official unemployment rate is still very low, at 3.9% in June. This figure is severely distorted by the large number of furloughed workers who are still classified as employed. As this scheme is gradually wound down over the next few months, the risk is that the unemployment rate spikes higher. Finally, trade negotiations between the UK and EU have made little progress so far.
Eurozone	• The Eurozone Composite PMI slips back in August but is still consistent with a continued recovery • New virus cases pick up, especially in Spain and France, but death rates remain low • Furlough measures are extended with governments continuing to provide substantial support for the economy	While the Eurozone Flash Composite PMI disappointed in August, falling around 3 points to 51.6, it followed a 38-point gain over the previous three months from its all-time low in April and is still consistent with an ongoing recovery in the region, as confirmed by other national business surveys and hard data. There continues to be a lot of policy support with governments across the region recently extending employment furlough schemes. While the spike in new virus cases, especially in Spain and France, is a risk, and some local lockdown measures have been re-imposed, hospitalisations and deaths fortunately remain much lower than in March. In our view, the likelihood of a complete lockdown being re-imposed is low, thereby limiting the potential negative economic impact.
Switzerland	• GDP falls by 8% in Q2, led by weak services and a slump in foreign demand, but strong Pharma output provides an offset • Leading indicators and sentiment data record further gains in August, supporting our view of a relatively resilient outlook for the economy • The strong Swiss franc will be a headwind for trade recovery and inflation dynamics in the coming months	Swiss Q2 GDP fell by 8% — the steepest decline on record but less severe compared to many other economies. Resilience partly reflected the diversified economy, with Pharma providing an offset to weakness elsewhere. GDP in accommodation and food services slumped by -54% and transport and communications fell by over 20% but, as the dependency on these sectors is relatively limited, the impact on overall GDP was more muted. The KOF leading indicator surged to a 10-year high in August, boosted by foreign demand and manufacturing activity, while the hospitality sector is seeing a surge in domestic tourism. A V-shaped recovery is underway, and the Swiss economy has once again proven to be relatively resilient in the face of a severe shock.

	Key developments	Zurich's view
Japan	• PM Abe resigns due to health problems, with succession candidates lining up • The second wave of COVID-19 infections seems to be slowly ebbing • Japanese equities are meandering sideways, but are underperforming globally	We believe economic and foreign policies will remain stable following Prime Minister Abe's resignation. Various succession candidates are lining up for the position of LDP President and prime minister, with the election scheduled for mid-September. Japan's economy is slowly recovering, with industrial production picking up in July. The retail sector is taking a breather following its strong recovery in June due to pent-up demand and cash handouts by the government. Service consumption remains lacklustre. The latest MoF survey for Q2 paints a dark picture in terms of corporate sales, profits and capex. Japanese equities are moving sideways, but underperformed in July and August, as the USDJPY remains rangebound between 104-106.
China	• China's economic growth is normalising following a V-shaped recovery • Services consumption remains lacklustre • The rally from mid-March has lifted the MSCI China close to its record high	Following China's V-shaped recovery, economic growth is now normalising. Strong infrastructure and property investments continue to be the main growth contributor, as the service sector is still catching up. Auto and online sales remain brisk, but retail segments, dining, travel and entertainment are still lagging. While the Services PMI for August has recovered, Manufacturing and Construction PMIs softened a bit, but are nonetheless still strong. The Caixin Manufacturing PMI even surged to a nine-year high. Friction between China and the US are again gaining steam. Chinese equities continue to rally, with the MSCI China close to reaching a record high, and the yuan has strengthened further versus the US dollar. COVID-19 infection hotspots have been quickly isolated.
Australia	• Victoria's renewed lockdown weighs on local job growth and consumption • Iron ore exports remain robust, supporting Australia's trade surplus • Equities remain flat, led by an underperformance of financial stocks	A six-week lockdown in Victoria led to a collapse in economic activity once again in the second largest state of Australia, accounting for around 23% of national output. Local retail sales and job growth deteriorated appreciably, while Melbourne's mobility data showed that activity was down to around 20% of the pre COVID-19 level. With that, the economic recovery in Q3 is likely to be sluggish. Australian equities have not gained much momentum recently, not at least due to an underperformance of banking stocks. The prospect for banking profits remains bleak given current record low interest rates, lacklustre credit growth and a tentative rise in loan loss provisions due to COVID-19. Overall, we expect the performance of Australian equities to remain lacklustre.
ASEAN	• Q2 GDP points to a sharp contraction, notably in Malaysia and the Philippines • Regional exports show signs of a recovery • The MSCI Indonesia Index gains some momentum	Almost every country reporting Q2 GDP so far has experienced a double-digit YoY drop, with Indonesia the only exception. Indonesia's GDP was down by only 5.3% YoY as it entered a lockdown much later than other ASEAN countries. Although infection rates remain high in Indonesia, the rebound in activity was decent. Elsewhere, regional exports showed a robust improvement, led by electronics shipments, notably in Singapore. While most ASEAN equities moved sideways, the MSCI Indonesia gained some momentum, driven by the banking sector. Indonesia's mostly state-owned banks benefit from relatively high government bond yields, attracting domestic retail and institutional demand. Foreign buying may start to support Indonesian equity and credit markets as well.

Appendix 1

Valuation snapshot (MSCI Indices)

Current trailing valuations

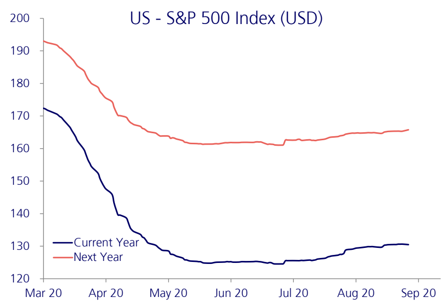
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	26.50	16.87	12.00	19.10	15.67	17.62	17.54	17.69	19.52
12m Trailing P/B	3.90	1.73	1.41	2.90	1.22	1.75	2.06	2.17	1.67
12m Trailing P/CF	15.77	9.84	7.29	14.13	7.28	10.40	11.56	7.43	7.66
Dividend Yield	1.70	2.38	3.95	2.89	2.51	2.48	1.68	3.08	2.77
ROE	14.71	10.26	11.74	15.19	7.81	9.94	11.73	12.26	8.53

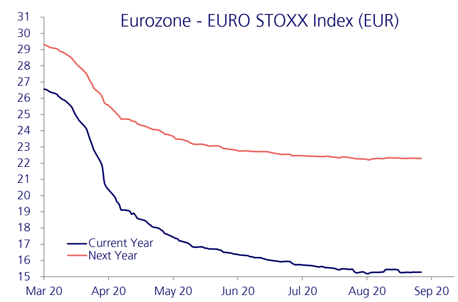
Current trailing valuations relative to MSCI world

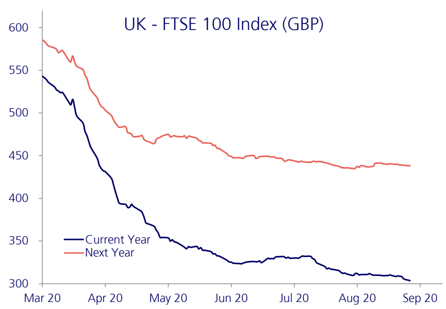
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.27	0.81	0.57	0.91	0.75	0.84	0.84	0.85	0.93
12m Trailing P/B	1.61	0.72	0.58	1.20	0.51	0.73	0.85	0.90	0.69
12m Trailing P/CF	1.32	0.82	0.61	1.18	0.61	0.87	0.97	0.62	0.64
Dividend Yield	0.80	1.13	1.87	1.37	1.19	1.17	0.79	1.45	1.31
ROE	1.27	0.89	1.02	1.32	0.68	0.86	1.02	1.06	0.74

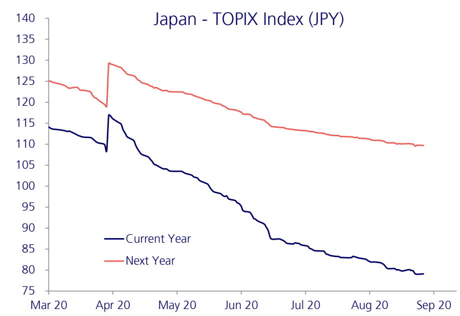
Source: Datastream

Earnings estimates - Full fiscal years



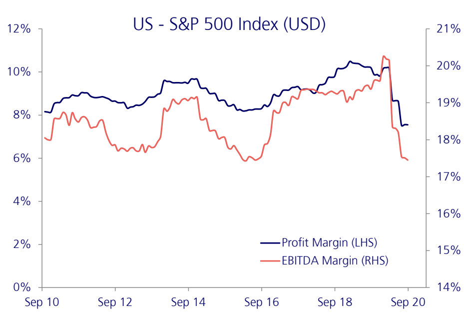


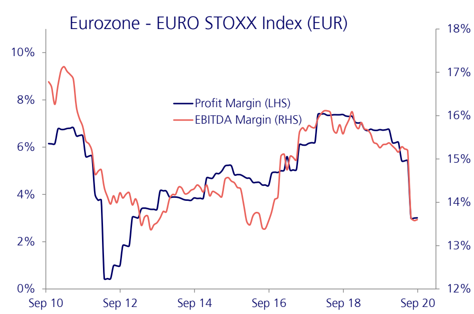


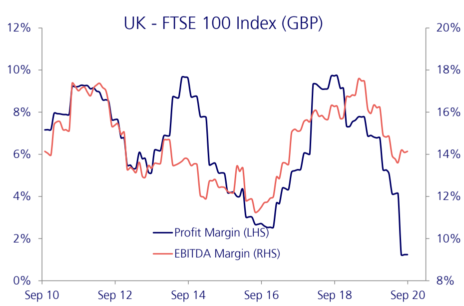


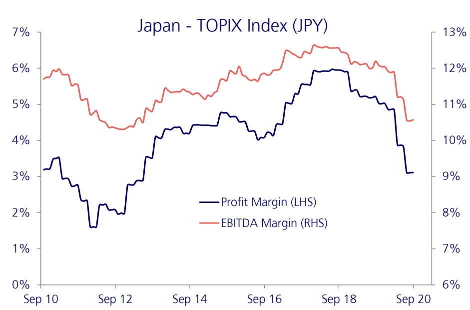
Source: Bloomberg

Historical margins



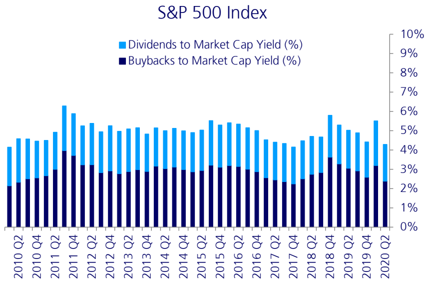


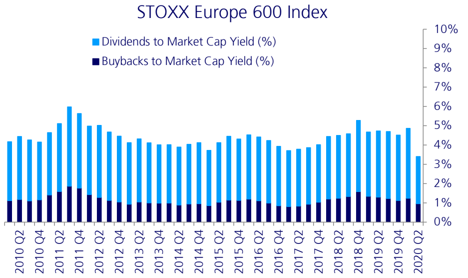


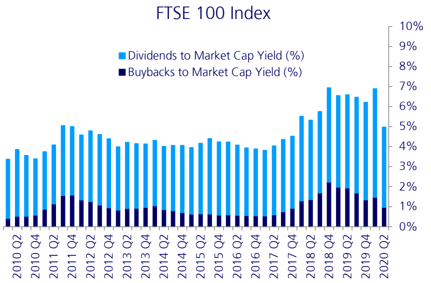


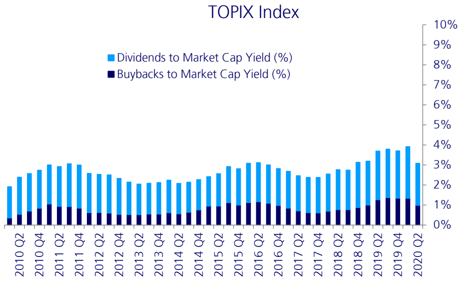
Source: Bloomberg

Dividends and shares buybacks



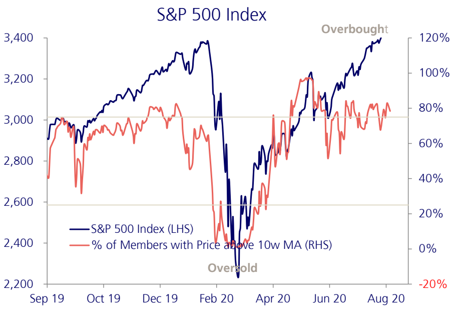


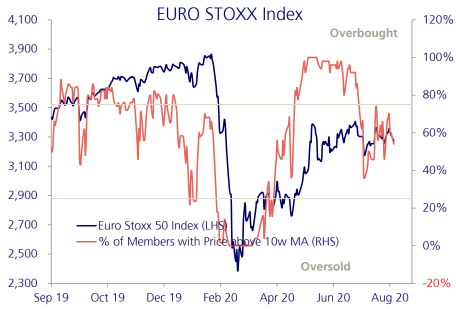


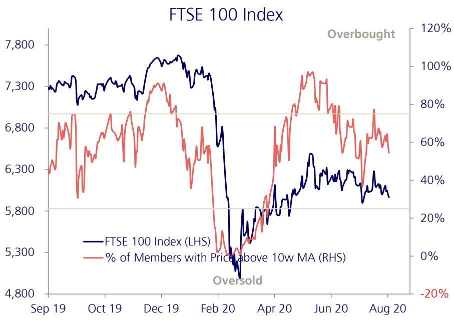


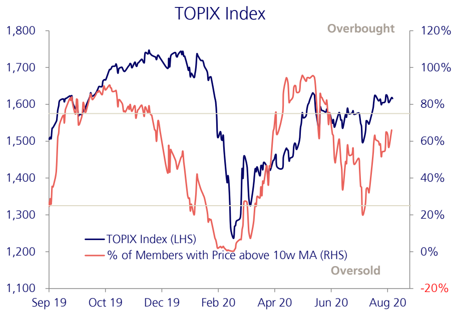
Source: Bloomberg

Overbought / Oversold





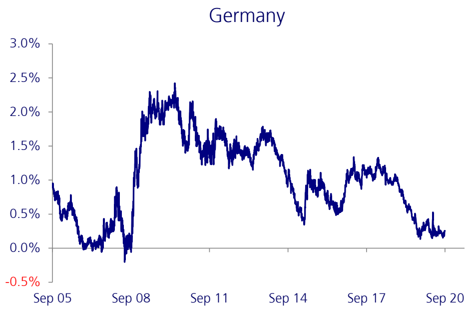


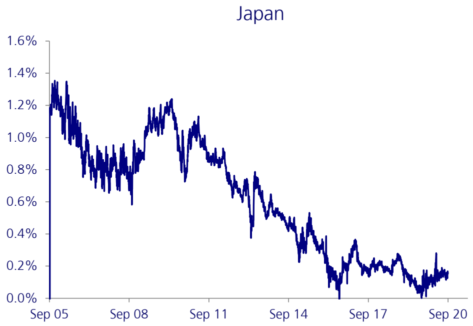


Source: Bloomberg

Appendix 3

Yield Curve Steepness (2yr-10yr)





Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Sep-20	1m ago	3m ago	1yr ago
UK	-40	-42	-47	-108
Germany	-111	-105	-110	-220
Switzerland	-112	-107	-110	-249
Japan	-66	-51	-73	-176
Australia	26	29	22	-58
China	233	245	205	158
South Korea	82	77	67	-15
Malaysia	191	203	210	181
Indonesia	614	630	625	584
Thailand	70		45	-6
Philippines	335	n/a	n/a	n/a
Brazil	646	n/a	n/a	596
Mexico	537	520	539	549
Colombia	538	n/a	529	459
Peru	328	340	312	269

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Sep-20	1m ago	3m ago	1yr ago
France	30	33	36	30
Netherlands	11	14	21	15
Belgium	26	31	42	36
Austria	18	23	31	26
Ireland	35	41	50	64
Italy	148	154	191	167
Spain	80	86	96	83
Portugal	82	88	93	84

Source: Bloomberg, ZIG

Economic data

US	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Trend*
ISM Manufacturing (Index)	48.8	48.2	48.5	48.1	47.8	50.9	50.1	49.1	41.5	43.1	52.6	54.2		up
ISM Non-Manufacturing (Index)	56.0	53.5	54.4	53.9	54.9	55.5	57.3	52.5	41.8	45.4	57.1	58.1		up
Durable Goods (% MoM)	0.5	-0.9	-0.1	-2.6	2.8	-0.2	2.0	-16.7	-18.3	15.0	7.7	11.2		up
Consumer Confidence (Index)	134.2	126.3	126.1	126.8	128.2	130.4	132.6	118.8	85.7	85.9	98.3	91.7	84.8	down
Retail Sales (% MoM)	4.3	4.0	3.3	3.3	5.6	4.9	4.5	-5.6	-19.9	-5.6	2.1	2.7		up
Unemployment Rate (%)	3.7	3.5	3.6	3.5	3.5	3.6	3.5	4.4	14.7	13.3	11.1	10.2		up
Avg Hourly Earnings YoY (% YoY)	3.7	3.7	3.8	3.5	3.2	3.3	3.3	3.5	7.7	6.6	5.4	4.6		up
Change in Payrolls ('000, MoM)	207.0	208.0	185.0	261.0	184.0	214.0	251.0	-1373.0	-20787.0	2725.0	4791.0	1763.0		up
PCE (% YoY)	1.9	1.7	1.7	1.6	1.6	1.8	1.9	1.7	0.9	1.0	1.1	1.3		down
GDP (%, QoQ, Annualized)		2.6			2.4			-5.0			-31.7			

UK	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Trend*
PMI Services (Index)	50.6	49.5	50.0	49.3	50.0	53.9	53.2	34.5	13.4	29.0	47.1	56.5	60.1	up
Consumer Confidence (Index)	-14.0	-12.0	-14.0	-14.0	-11.0	-9.0	-7.0	-9.0	-34.0	-34.0	-30.0	-27.0	-27.0	down
Unemployment Rate (%)	3.9	3.8	3.8	3.8	3.8	3.9	4.0	3.9	3.9	3.9	3.9			down
CPI (% YoY)	1.7	1.7	1.5	1.5	1.3	1.8	1.7	1.5	0.8	0.5	0.6	1.0		down
GDP (% YoY)		1.3			1.1			-1.7			-21.7			

Eurozone	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Trend*
PMI Manufacturing (Index)	47.0	45.7	45.9	46.9	46.3	47.9	49.2	44.5	33.4	39.4	47.4	51.8	51.7	up
PMI Services (Index)	53.5	51.6	52.2	51.9	52.8	52.5	52.6	26.4	12.0	30.5	48.3	54.7	50.1	up
IFO Business Climate (Index)	94.6	94.9	94.7	94.9	96.0	95.5	95.8	86.1	74.4	79.7	86.3	90.4	92.6	up
Industrial Production (% MoM)	0.0	0.0	-0.3	-0.2	-1.6	1.9	-0.1	-11.8	-18.0	12.3	9.1			up
Factory Orders GE (% MoM)	-0.4	1.2	-0.4	-1.3	-1.5	4.9	-1.2	-15.0	-26.1	10.4	27.9			up
Unemployment Rate (%)	7.5	7.5	7.4	7.4	7.4	7.4	7.2	7.2	7.5	7.7	7.8			down
M3 Growth (% YoY, 3 months MA)	5.8	5.7	5.7	5.6	4.9	5.2	5.5	7.5	8.2	9.0	9.2	10.2		up
CPI (% YoY)	1.0	0.8	0.7	1.0	1.3	1.4	1.2	0.7	0.3	0.1	0.3	0.4		down
Core CPI (% YoY)	0.9	1.0	1.1	1.3	1.3	1.1	1.2	1.0	0.9	0.9	0.8	1.2		down
GDP (% QoQ)		0.3			0.0			-3.6			-12.1			

Switzerland	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Trend*
KOF Leading Indicator (Index)	95.5	93.2	94.8	92.7	96.1	100.0	101.7	91.5	59.8	49.5	60.4	86.0	110.2	up
PMI Manufacturing (Index)	47.4	44.9	48.9	48.5	48.8	47.8	49.5	43.7	40.7	42.1	41.9	49.2		down
Real Retail Sales (% YoY)	-0.5	1.7	0.3	1.3	1.0	0.2	0.9	-6.1	-18.8	6.8	3.3	4.1		up
Trade Balance (Billion, CHF)	1.7	4.0	3.5	3.9	2.0	4.7	3.5	3.9	4.0	2.6	3.2	3.4		down
CPI (% YoY)	0.3	0.1	-0.3	-0.1	0.2	0.2	-0.1	-0.5	-1.1	-1.3	-1.3	-0.9		down

Japan	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Trend*
Nomura Manufacturing PMI (Index)	49.3	48.9	48.4	48.9	48.4	48.8	47.8	44.8	41.9	38.4	40.1	45.2	47.2	up
Machine Orders (% YoY)	-14.5	5.1	-6.1	5.3	-3.5	-0.3	-2.4	-0.7	-17.7	-16.3	-22.5			down
Industrial Production (% YoY)	-5.5	1.2	-8.2	-8.5	-3.7	-2.4	-5.7	-5.2	-15.0	-26.3	-18.2	-16.1		down
ECO Watchers Survey (Index)	42.6	45.7	36.3	39.2	40.7	40.6	27.4	15.9	9.5	15.4	38.0	41.3		up
Jobs to Applicants Ratio (Index)	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.4	1.3	1.2	1.1	1.1		down
Labour Cash Earnings (% YoY)	-0.1	0.5	0.0	0.1	-0.2	1.0	0.7	0.1	-0.7	-2.3	-2.0			down
Department Store Sales (% YoY)	2.3	23.1	-17.5	-6.0	-5.0	-3.1	-12.2	-33.4	-72.8	-65.6	-19.1	-20.3		up
Money Supply M2 (% YoY)	2.4	2.4	2.4	2.7	2.7	2.8	3.0	3.2	3.7	5.1	7.3	7.9		up
CPI Ex Food & Energy (% YoY)	0.4	0.3	0.3	0.5	0.5	0.4	0.2	0.3	-0.1	0.1	0.2	0.3		up
Exports (% YoY)	-8.2	-5.2	-9.2	-7.9	-6.3	-2.6	-1.0	-11.7	-21.9	-28.3	-26.2	-19.2		down

China	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Trend*
PMI Manufacturing (Index)	49.5	49.8	49.3	50.2	50.2	50.0	35.7	52.0	50.8	50.6	50.9	51.1	51.0	down
Industrial Production (% YoY)	4.4	5.8	4.7	6.2	6.9			-1.1	3.9	4.4	4.8	4.8		up
Retail Sales (% YoY)	7.5	7.8	7.2	8.0	8.0			-15.8	-7.5	-2.8	-1.8	-1.1		up
PPI (% YoY)	-0.8	-1.2	-1.6	-1.4	-0.5	0.1	-0.4	-1.5	-3.1	-3.7	-3.0	-2.4		down
Exports (% YoY)	-1.0	-3.2	-0.8	-1.3	7.9			-6.6	3.4	-3.2	0.5	7.2		up
CPI (% YoY)	2.8	3.0	3.8	4.5	4.5	5.4	5.2	4.3	3.3	2.4	2.5	2.7		down
RRR (%)	13.5	13.0	13.0	13.0	13.0	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	neutral
GDP (% YoY)		6.0			6.0			-6.8			3.2			up
PMI Non Manufacturing (Index)	49.5	49.8	49.3	50.2	50.2	50.0	35.7	52.0	50.8	50.6	50.9	51.1	51.0	down
Aggregate Financing (Billions, CNY)														neutral

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Economic data

Australia	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Trend*
AiG Manufacturing (Index)	53.1	54.7	51.6	48.1	48.3	45.4	44.3	53.7	35.8	41.6	51.5	53.5	49.3	up
AiG Service (Index)	52.3	51.8	55.2	53.7	48.7	47.4	47.0	38.7	27.1	31.6	31.5	44.0		down
Westpac Consumer Confidence (% MoM)	3.6	-1.7	-5.5	4.5	-1.9	-1.8	2.3	-3.8	-17.7	16.4	6.3	-6.1	-9.5	down
Building Approvals (% YoY)	-15.8	-13.5	-19.5	-1.9	8.4	-7.9	-3.9	2.8	6.8	-10.5	-14.8	6.3		down
Employment Change ('000, MoM)	42.1	8.1	-24.9	29.5	31.3	11.6	19.3	-3.1	-607.4	-264.1	228.4	114.7		up

Brazil	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Trend*
CPI (% YoY)	3.4	2.9	2.5	3.3	4.3	4.2	4.0	3.3	2.4	1.9	2.1	2.3		down
Industrial Production (% YoY)	-2.4	-2.0	1.1	1.3	-1.7	-1.3	-0.9	-0.3	-3.8	-27.5	-21.8	-9.0		down
Retail Sales (% YoY)	4.3	1.4	2.2	4.3	3.1	2.6	1.4	4.7	-1.1	-17.1	-6.4	0.5		down
Trade Balance (Millions, USD)	4099.6	3803.2	2549.6	3564.6	5946.9	-1672.1	2337.2	3859.1	6063.1	4272.5	7463.3	8060.0		up
Budget Balance Primary (Billions, BRL)	-63.6	-45.9	-10.9	-53.2	-38.4	19.1	-49.4	-79.7	-115.8	-140.4	-210.2	-86.9		down

Chile	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Trend*
IMACEC Economic Activity Index (% YoY)	3.82	3.28	-3.36	-3.98	0.77	1.29	3.33	-3.08	-14.10	-15.32	-12.44			down
CPI (% YoY)	2.58	2.24	2.71	2.79	3.00	3.46	3.89	3.74	3.42	2.75	2.63	2.50		down
Retail Sales (% YoY)	-0.75	-12.00	-9.21	-2.57	0.20	4.46	-14.82	-31.66	-28.71	-24.19	-17.36			up
Industrial Production (% YoY)	1.22	0.54	-2.79	-2.43	3.23	1.95	5.29	0.65	-3.92	-5.86	-2.60	-3.33		down
Unemployment (%)	7.60	7.30	7.10	7.00	7.10	7.40	7.80	8.20	9.00	11.20	12.20	13.10		up

Mexico	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Trend*
PMI (Index)	46.9	47.8	46.3	46.4	46.5	49.2	47.9	44.2	40.8	37.9	43.1	48.1		down
CPI (% YoY)	3.2	3.0	3.0	3.0	2.8	3.2	3.7	3.3	2.2	2.8	3.3	3.6		up
Retail Sales (% YoY)	2.6	2.4	0.4	2.1	3.2	2.7	2.5	-1.3	-23.8	-23.7	-16.6			down
Indutrial Production (% YoY)	-0.3	1.5	-1.2	-2.7	-0.5	-1.2	-1.1	-5.3	-35.3	-37.0	-16.5			down
Remittances (Millions, USD)	3356.4	3071.9	3125.0	2898.6	3080.3	2591.4	2698.8	4007.0	2861.4	3379.4	3537.0			down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Disclaimer and cautionary statement

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