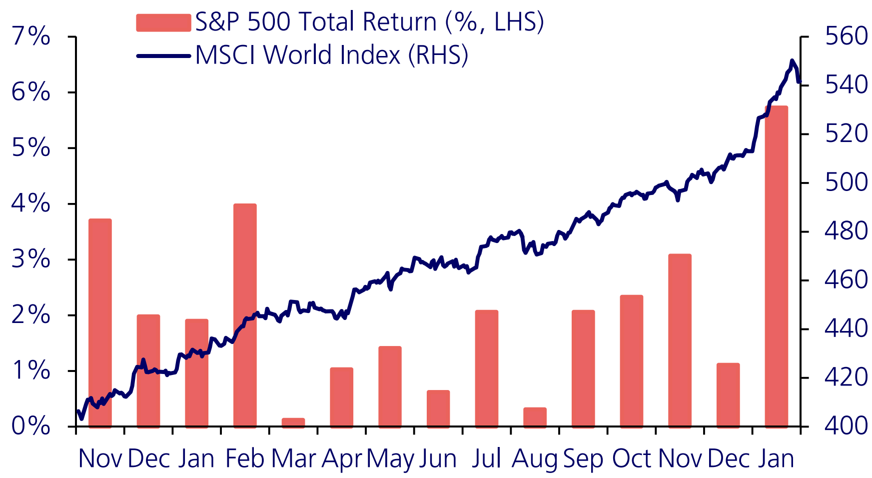
February 1, 2018

Monthly Investment Insights

The bull needs to catch its breath



Source: Bloomberg

If the old investment adage 'as January goes, so goes the year' is correct, we should be in for another bumper year for stock markets. Despite a wobble in the last few days, the MSCI world equity index closed January up over 5%, but what is truly remarkable is that the total return of the S&P 500 was up for an unprecedented fifteenth consecutive month and indeed has now broken the record of 394 days without suffering even a 5% correction. While we think that the bull market has further to run, another old adage 'a pause to refresh' is perhaps warranted.

There are a number of reasons why equity markets have been powering ahead, many of which we think will remain in place for some time yet. Most notable is the general improvement in global economic conditions. Data confirm above trend growth in most of the key regions, and indeed 2017 ended with none of the G20 nations in recession. Our own research shows that most of the gains in stocks last year can be explained by the improving economic conditions, and is not simply a sugar high that many speak of. Not surprisingly, this is filtering into corporate earnings and forcing analysts to raise earnings expectations for the year ahead. While we suspect that a good deal of this favourable macro backdrop is now in the price, regions such as the Eurozone may have more surprises to offer. 9% top-down expectations for Eurozone earnings growth does not seem to fully reflect the now booming economic expansion, with our own models suggesting growth in the teens to be more likely in 2018. The US tax impulse should not be a surprise, however, the passing of the bill has helped investor sentiment at a time when seasonal cash positions are often high. Data have shown that investors have been rushing to put this back to work and chasing stocks higher. While the favourable macro backdrop and still stimulative global monetary policy should support equities this year, the surge in recent months is looking overdone in the short term and has outpaced the improvements in fundamentals.

We still prefer stocks over corporate credit given high leverage ratios, low interest cover and the late stage of the cycle. Credit spreads are stretched and the fact that Monti dei Paschi was able to issue a subordinated bond at a 5.4% yield, which was three times oversubscribed less than a year after a default, shows that the hunt for yield is becoming extreme.

It has been a great start to the year for risk assets, particularly equities, and further gains are likely, but, for now, a more neutral approach seems warranted.

Market Assessment

Key developments

- Global equities surge to record highs as investors deploy cash and chase momentum
- Earnings season starts off on a firm footing and forecasts are being raised for the year ahead
- The economic backdrop remains robust, particularly in the Eurozone where activity is booming

Zurich's view

While we remain bullish on the outlook for equities, in the short term sentiment indicators have jumped into over-bought territory, cash positions are being worked down aggressively and economic surprises may be peaking. A period of consolidation seems warranted, which would help to refresh the bull run.

Bond yields are now at, or above, the upper end of their trading range and have become a little more enticing. While we suspect that robust economic conditions and a gradual drift higher in inflation will likely push yields a bit further over the year, near term some value is on offer. On a relative basis we continue to believe credit will lag equities.

Economic conditions are expected to remain favourable, particularly in the Eurozone. We have increased our growth forecast for the region and expect GDP to expand by 2.8% in 2018, following the 2.5% rate last year. With global trade showing renewed vigour, business investment rising and now even productivity showing more encouraging signs, the global backdrop is good, though we suspect that the pace of further improvement will inevitably ease.

	Key developments	Zurich's view
Global	• Global growth is strong, spurred by the recovery in investment and trade and supported by accommodative monetary policy • Price pressures are on the rise in many regions but CPI inflation remains weak, justifying stimulus being left in place • A weaker dollar should be supportive of global growth, though a further large move could pose a risk to some regions	The flash PMIs for the G3 economies remain firm. Following a softer Q3, world trade appears to have accelerated again in Q4, and leading Asian trade data confirm that momentum stayed strong in early 2018. While economic data surprises are peaking for the US, global growth forecasts are still being revised higher. Going forward, we anticipate solid growth to continue, though a weaker US dollar could tilt dynamics somewhat. Business surveys show that price pressures are rising, but this is not yet visible in CPI data, with inflation continuing to undershoot central bank targets. While we expect a less accommodative monetary policy stance in 2018, stimulus will only very cautiously be removed, which should help to sustain the expansion.
US	• Economic data show a continuation of the solid momentum in the first quarter • Yields rise to the highest level since 2014 on higher inflation expectations and investors pricing in more rate hikes • The partial government shutdown proves to be short-lived but the underlying issues remain unsolved	While the stock market races from record to record, driven by solid fundamentals and the prospect of higher corporate earnings, the economy is losing some steam at the margin. Consumer sentiment has retraced from its recent multi-year high, signalling a continuation but no acceleration of recent spending patterns. Business investment should pick up part of the momentum from consumers given that the overall capacity in the economy is tightening further, as indicated by the latest set of solid labour market data. Initial jobless claims fell to 216'000 in January, the lowest level since 1973, reflecting the healthy employment situation. Despite this, wage growth is only slowly accelerating, climbing to 2.5% YoY in December from 2.4% the month before.
UK	• Business activity is holding up well thanks to a strong global growth environment • New orders in the service sector fall to the lowest level since August 2016 • Sterling rises to a post-Brexit high on decent economic data and optimism on Brexit	Business activity held up reasonably well at the end of 2017. The Composite PMI remained basically flat at 54.9 in December, ending the year at almost exactly the average level reached over the course of 2017. While the UK economy is benefitting from strong global growth, domestic weakness is increasingly showing beneath the surface. Growth in the consumer goods sector slowed further and new orders in the service sector have fallen to the lowest level since August 2016. Inflation slowed down to 3.0% in December and is expected to fall further over the course of the year, moderating the headwinds for households' purchasing power. While helping to lower inflation, recent strength in sterling looks unsustainable given the major obstacles that still lie ahead with regard to Brexit.
Eurozone	• The Eurozone boom continues, with 2018 likely to see the fastest pace of growth in 10 years • The ECB prepares to adjust its messaging as a result in light of the increasingly self-sustaining expansion • Strong growth will support Eurozone company earnings and equity markets	The Eurozone growth boom continues, with more countries participating in the recovery and experiencing well above trend growth. Various business survey indicators such as the German ifo survey and the Eurozone wide PMIs remain at or close to multi-year highs. Strong growth should support company earnings in 2018 and by implication the stock market. However, the ECB has indicated that it will gradually change its language because of the strong growth dynamic and in time end QE, though likely not before year end. Eurozone government bond markets will likely be volatile because of the difficulty the ECB will have in striking the right balance between supporting the recovery and gradually changing its monetary policy stance, as well as communicating this to the market.
Switzerland	• The expansion is broadening out, with the stronger labour market leading to improving confidence and consumer spending • The manufacturing sector should prosper amid strong global growth, but a higher franc will likely take the edge off growth somewhat • The SNB is expected to keep rates on hold and stay focused on the currency while continuing to taper excess reserves opportunistically	A surge in global demand triggered a rise in the PMI to the highest level since 2006. The employment component rose further, consistent with a broadening out of the growth. This was also visible in the data, with consumption gaining momentum towards the end of 2017, boosted by tourism and stronger demand more broadly. Broad-based strength also triggered a further rise in the KOF indicator, though construction remains a headwind. The global expansion should continue to support healthy growth in the Swiss economy, but the recent strengthening of the franc against the US dollar will likely take the edge of exports. The SNB signalled a more upbeat outlook, though we expect it to keep rates on hold in 2018 and maintain forex interventions in its toolkit.

	Key developments	Zurich's view
Japan	• Japan enters 2018 on solid footing • The manufacturing sector is in a good shape • We remain constructive on Japanese equities, though the strong JPY vs the USD is a concern	The period of weather related distortions to economic indicators is over as the latest very encouraging set of data has proven. The four-year high of the Manufacturing PMI and 10-year high of the Reuters Tankan Manufacturing diffusion index for January confirm that the manufacturing sector is doing particularly well. Private consumption and labour market data are solid too. Firm growth in export volume in December should also help to extend the positive cycle. The MSCI Japan has remained in a sideways trading range as a stronger JPY vs the USD changed the stance of foreign investors to a more cautious one. There has been speculation that the Bank of Japan will start to taper earlier than expected, which we find unfounded.
China	• China's economy has started to slow, even though it is not visible in GDP statistics • The service sector continues to underpin the economy • The finance and real estate sectors have joined internet related stocks in pushing the MSCI China higher	Real GDP growth was up 6.9% last year, and 6.8% YoY in Q4, above the government's target. However, growth slowed on a sequential basis and current activity indicators are already showing evidence of an economic slowdown. Imports and retail sales grew significantly below consensus expectations. Pollution related shutdowns of factories are expected to moderate, which should help stabilise the economy. As Lunar New Year will be celebrated mid-February, the usual statistical distortions will re-appear, and economists will need to walk through the statistical fog again. The equity market rally accelerated in January, with finance and real estate stocks leading the pack, while IT related stocks continue to move higher. We believe a pullback or at least a pause looks likely in the short term.
Australia	• Labour market participation and consumer confidence tick up, even in Queensland and Western Australia • Q4 17 CPI rises to 1.9% YoY, but remains below the RBA's target band of 2 to 3% • The ASX200 exhibits favourable technicals, but we see limited upside due to modest prospects for bank stocks	2018 finally delivers good news on the consumer front. Recovering retail sales and consumer confidence, as well as better import growth, are early signs of a rebound in private consumption. The catch-up of mining states is remarkable. Consumers are less pessimistic about their finances, which is likely a consequence of strong employment dynamics. We expect the unemployment rate to decrease. The RBA will probably acknowledge the green shoots, but wait for a turnaround in wages before moving. Underlying inflation growth remains tepid, which suggests that the next rate hike will likely occur in early 2019. The AUD at 0.80-0.81 has reached the top of its trading range and could take a breather, but will remain supported as long as base metal prices edge higher.
ASEAN	• Malaysia continues on a cyclical upswing, helped by ongoing strength in the tech cycle • The Indonesian economy is playing catch-up with the rest of Asia, as investment growth rebounds • The IDR and especially the MYR benefit from USD weakness, while Indonesian FX reserves reach a new all-time high	In Indonesia and Malaysia, rising imports of capital goods bode well for investment. We see consumer confidence rising in Indonesia, and our base case argues for a rebound in consumption thanks to increased fiscal focus. Bank Indonesia chose to alter bank reserve requirements to free up liquidity, and signalled policy rates will stay on hold. In Malaysia, BNM raised its policy rate by 25bps to 3.25% to "prevent the build-up of risks that could arise from interest rates being too low for a prolonged period of time". We think that the timing is right, since the output gap is closing. As for equities, we see more upside for Indonesia, where earnings are improving, while Malaysian equities could see a tactical bounce around elections, but no substantial increase.

Appendix 1

Valuation snapshot (MSCI Indices)

Current trailing valuations

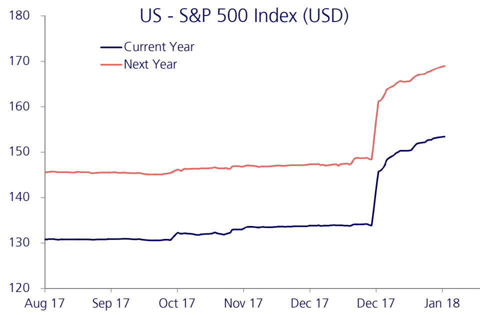
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	24.42	19.82	21.46	25.45	16.15	15.44	16.65	16.98	17.62
12m Trailing P/B	3.29	1.92	1.86	2.77	1.45	1.81	2.04	1.79	2.56
12m Trailing P/CF	16.28	8.34	9.09	14.56	10.36	11.29	9.50	7.76	10.05
Dividend Yield	1.86	2.98	3.79	3.05	1.91	2.50	1.63	2.68	2.25
ROE	13.48	9.70	8.68	10.89	8.97	11.73	12.23	10.54	14.51

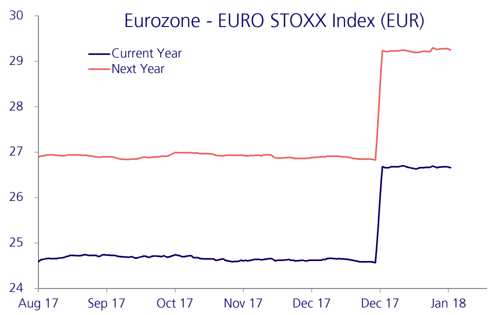
Current trailing valuations relative to MSCI world

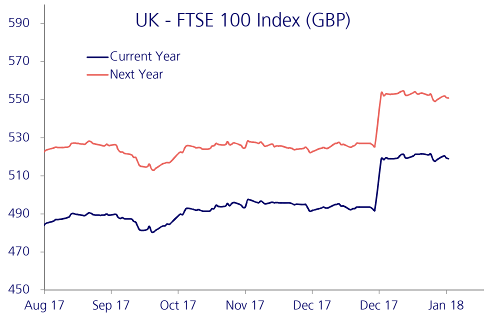
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.19	0.96	1.04	1.24	0.79	0.75	0.81	0.83	0.86
12m Trailing P/B	1.41	0.82	0.80	1.19	0.62	0.78	0.87	0.77	1.10
12m Trailing P/CF	1.35	0.69	0.75	1.20	0.86	0.93	0.79	0.64	0.83
Dividend Yield	0.81	1.30	1.66	1.33	0.83	1.09	0.71	1.17	0.99
ROE	1.19	0.85	0.76	0.96	0.79	1.03	1.08	0.93	1.28

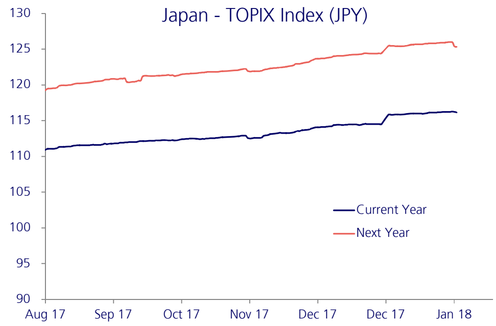
Source: Datastream

Earnings estimates - Full fiscal years



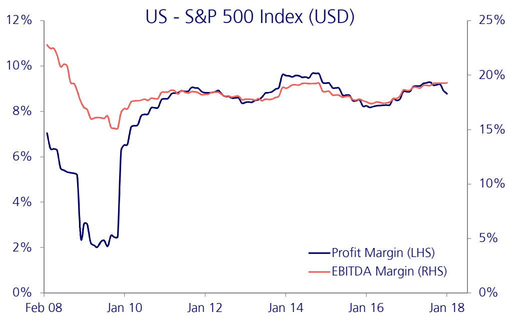


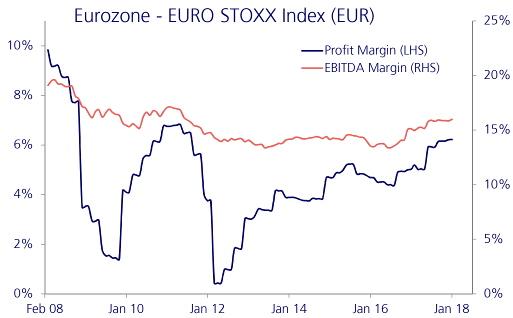


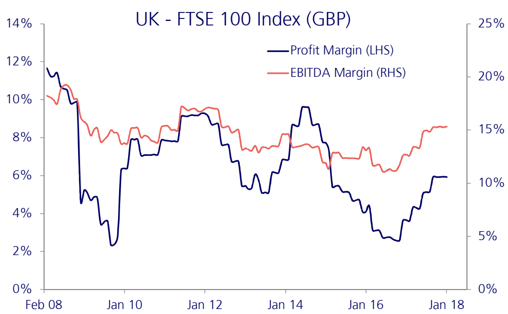


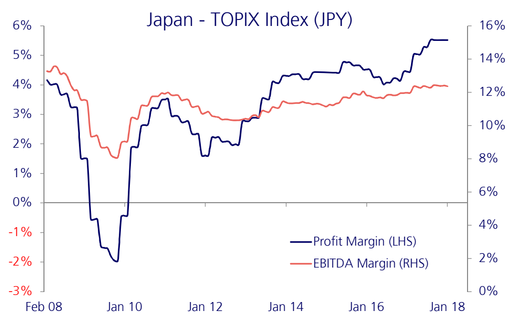
Source: Bloomberg

Historical margins



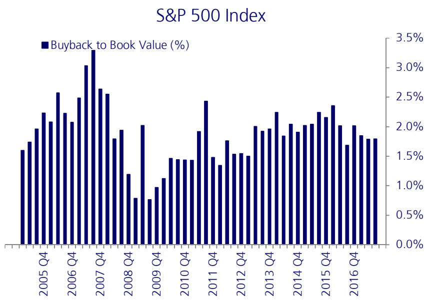


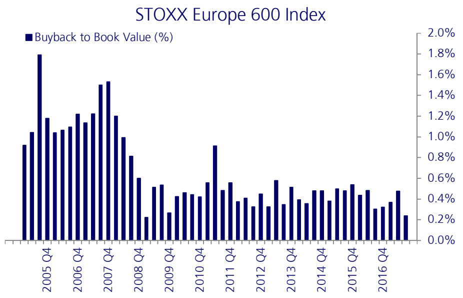


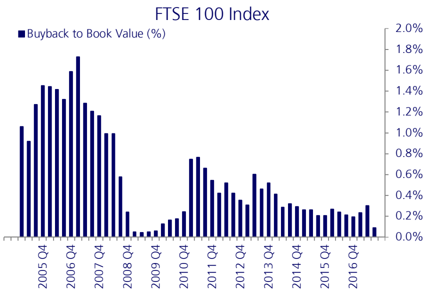


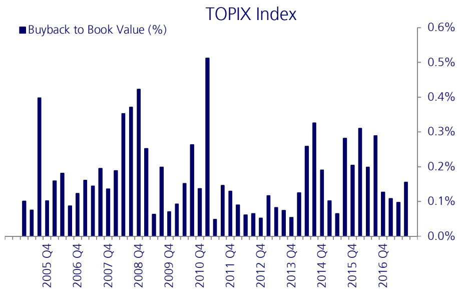
Source: Bloomberg

Shares buybacks



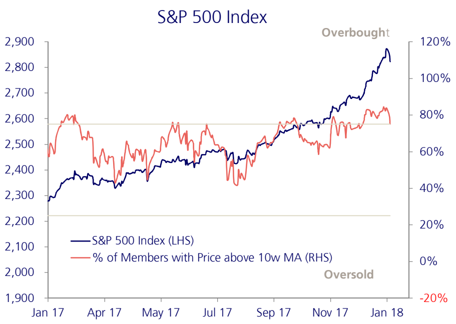


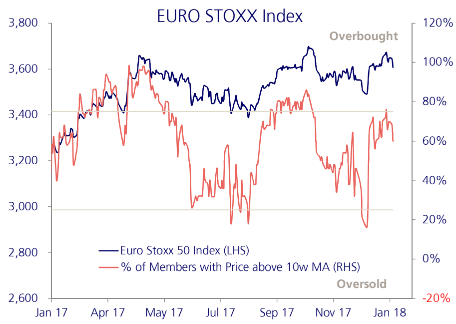


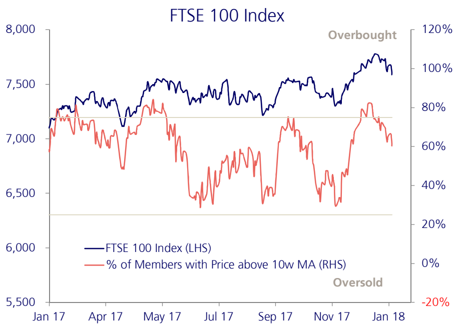


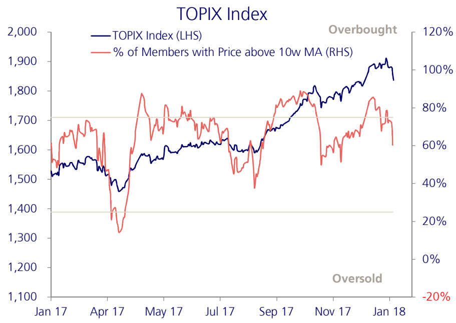
Source: Bloomberg

Overbought / Oversold





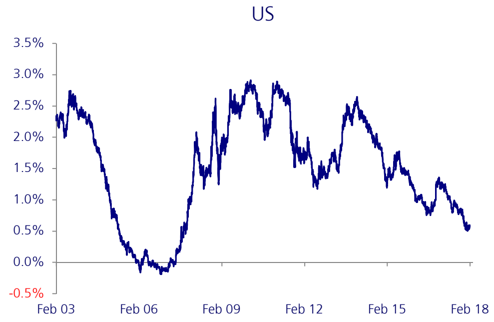


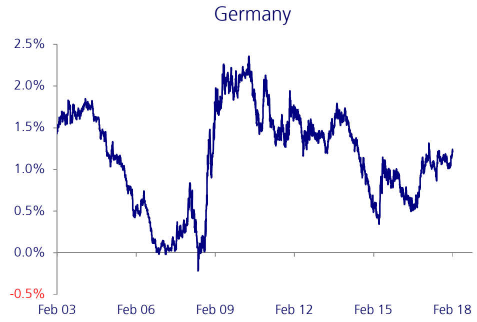


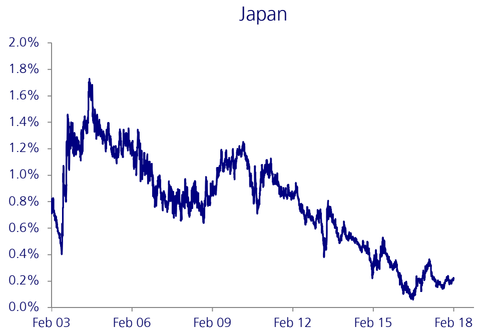
Source: Bloomberg

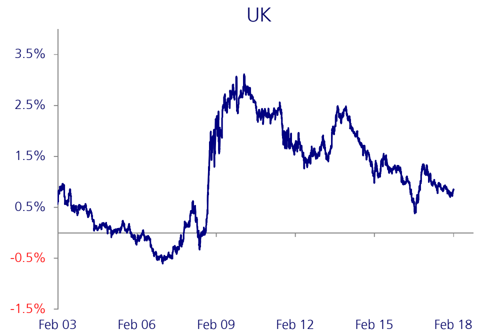
Appendix 3

Yield Curve Steepness (2yr-10yr)









Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Feb-18	1m ago	3m ago	1yr ago
UK	-121	-122	-107	-102
Germany	-202	-198	-197	-200
Switzerland	-262	-249	-242	-249
Japan	-264	-236	-228	-237
Australia	6	22	24	27
China	118	150	156	90
South Korea	3	6	20	-30
Malaysia	121	151	166	168
Indonesia	349	391	431	518
Thailand	-40		-3	30
Philippines	132	n/a	n/a	n/a
Brazil	698	n/a	783	840
Mexico	488	525	492	495
Colombia	366	407	440	438
Peru	197	276	300	354

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Feb-18	1m ago	3m ago	1yr ago
France	27	36	39	62
Netherlands	4	10	11	15
Belgium	28	21	24	54
Austria	11	16	17	25
Ireland	45	24	23	75
Italy	131	159	143	185
Spain	72	114	111	121
Portugal	125	152	170	374

Source: Bloomberg, ZIG

Economic data

US	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
ISM Manufacturing (Index)	55.6	57.6	56.6	55.3	55.5	56.7	56.5	59.3	60.2	58.5	58.2	59.3		neutral
ISM Non-Manufacturing (Index)	56.8	57.4	55.6	57.3	57.1	57.2	54.3	55.2	59.4	59.8	57.3	56.0		up
Durable Goods (% MoM)	0.3	1.4	2.4	-0.8	0.0	6.4	-6.8	2.1	2.4	-0.4	1.7	2.9		up
Consumer Confidence (Index)	111.6	116.1	124.9	119.4	117.6	117.3	120.0	120.4	120.6	126.2	128.6	123.1	125.4	up
Retail Sales (% MoM)	5.6	4.7	4.8	4.5	4.2	3.0	3.7	3.5	5.0	5.0	6.0	5.4		up
Unemployment Rate (%)	4.8	4.7	4.5	4.4	4.3	4.3	4.3	4.4	4.2	4.1	4.1	4.1		down
Avg Hourly Earnings YoY (% YoY)	2.4	2.5	2.3	2.3	2.4	2.3	2.3	2.4	2.5	2.2	2.3	2.3		down
Change in Payrolls ('000, MoM)	216.0	232.0	50.0	207.0	145.0	210.0	138.0	208.0	38.0	211.0	252.0	148.0		up
PCE (% YoY)	1.9	1.9	1.6	1.6	1.5	1.5	1.4	1.3	1.4	1.4	1.5	1.5		up
GDP (%, QoQ, Annualized)			1.2			3.1								

UK	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
PMI Services (Index)	54.5	53.3	55.0	55.8	53.8	53.4	53.8	53.2	53.6	55.6	53.8	54.2		up
Consumer Confidence (Index)	-5.0	-6.0	-6.0	-7.0	-5.0	-10.0	-12.0	-10.0	-9.0	-10.0	-12.0	-13.0	-9.0	down
Unemployment Rate (%)	4.7	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.3	4.3	4.3			down
CPI (% YoY)	1.8	2.3	2.3	2.7	2.9	2.6	2.6	2.9	3.0	3.0	3.1	3.0		up
GDP (% YoY)			2.1			1.9								

Eurozone	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
PMI Manufacturing (Index)	55.2	55.4	56.2	56.7	57.0	57.4	56.6	57.4	58.1	58.5	60.1	60.6	59.6	up
PMI Services (Index)	53.7	55.5	56.0	56.4	56.3	55.4	55.4	54.7	55.8	55.0	56.2	56.6	57.6	up
IFO Business Climate (Index)	109.8	111.4	112.4	113.3	114.8	115.3	116.2	116.1	115.4	116.9	117.6	117.2	117.6	up
Industrial Production (% MoM)	0.1	-0.1	0.4	0.3	1.4	-0.6	0.3	1.5	-0.5	0.4	1.0			up
Factory Orders GE (% MoM)	-6.7	3.4	1.0	-2.1	1.3	0.8	-0.4	4.1	1.3	0.7	-0.4			down
Unemployment Rate (%)	9.6	9.5	9.4	9.2	9.2	9.1	9.0	9.0	8.9	8.8	8.7	8.7		down
M3 Growth (% YoY, 3 months MA)	4.7	4.6	5.1	4.8	4.9	4.8	4.5	5.0	5.2	5.0	4.9	4.6		down
CPI (% YoY)	1.8	2.0	1.5	1.9	1.4	1.3	1.3	1.5	1.5	1.4	1.5	1.4	1.3	down
Core CPI (% YoY)	0.9	0.9	0.7	1.2	0.9	1.1	1.2	1.2	1.1	0.9	0.9	0.9	1.0	down
GDP (% QoQ)			0.6			0.7								

Switzerland	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
KOF Leading Indicator (Index)	102.0	108.2	108.2	107.2	103.9	105.2	107.5	104.2	106.1	109.5	110.3	111.4	106.9	up
PMI Manufacturing (Index)	54.6	57.8	58.6	57.4	55.6	60.1	60.9	61.2	61.7	62.0	65.1	65.2		up
Real Retail Sales (% YoY)	-1.0	0.4	2.4	-1.3	-0.7	1.8	-0.2	-0.9	0.7	-2.6	-0.2			down
Trade Balance (Billion, CHF)	4.8	3.0	3.1	1.9	3.3	2.8	3.5	2.2	2.8	2.3	2.6	2.6		down
CPI (% YoY)	0.3	0.6	0.6	0.4	0.5	0.2	0.3	0.5	0.7	0.7	0.8	0.8		up

Japan	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
Nomura Manufacturing PMI (Index)	52.7	53.3	52.4	52.7	53.1	52.4	52.1	52.2	52.9	52.8	53.6	54.0	54.8	up
Machine Orders (% YoY)	-8.2	5.6	-0.7	2.7	0.6	-5.2	-7.5	4.4	-3.5	2.3	4.1			up
Industrial Production (% YoY)	3.2	4.7	3.5	5.7	6.5	5.5	4.7	5.3	2.6	5.9	3.6	4.2		up
ECO Watchers Survey (Index)	48.6	48.5	50.6	50.4	50.1	49.9	51.0	49.6	49.6	49.9	52.4	53.9		up
Jobs to Applicants Ratio (Index)	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.6		up
Labour Cash Earnings (% YoY)	0.3	0.4	0.0	0.5	0.6	0.4	-0.6	0.7	0.9	0.2	0.9			up
Department Store Sales (% YoY)	-1.2	-1.7	-0.9	0.7	0.0	1.4	-1.4	2.0	4.4	-1.8	2.2	-0.6		down
Money Supply M2 (% YoY)	3.9	4.1	4.2	3.9	3.8	3.9	4.0	4.0	4.0	4.1	4.0	3.6		down
CPI Ex Food & Energy (% YoY)	0.1	-0.1	-0.3	-0.3	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.1	0.1		up
Exports (% YoY)	1.3	11.3	12.0	7.5	14.9	9.7	13.4	18.1	14.1	14.0	16.2	9.3		down

China	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
PMI Manufacturing (Index)	51.3	51.6	51.8	51.2	51.2	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3	down
Industrial Production (% YoY)			7.6	6.5	6.5	7.6	6.4	6.0	6.6	6.2	6.1	6.2		down
Retail Sales (% YoY)			10.9	10.7	10.7	11.0	10.4	10.1	10.3	10.3	10.3	10.2		neutral
PPI (% YoY)	6.9	7.8	7.6	6.4	5.5	5.5	5.5	6.3	6.9	6.9	5.8	4.9		down
Exports (% YoY)	6.6	-2.4	15.4	6.5	7.6	10.3	6.4	4.9	7.9	6.3	11.5	10.9		up
CPI (% YoY)	2.5	0.8	0.9	1.2	1.5	1.5	1.4	1.8	1.6	1.9	1.7	1.8		up
RRR (%)	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	neutral
GDP (% YoY)			6.9			6.9								neutral
PMI Non Manufacturing (Index)	51.3	51.6	51.8	51.2	51.2	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3	down
Aggregate Financing (Billions, CNY)	3697.0	1090.8	2118.6	1388.0	1063.1	1771.8	1195.6	1489.5	1833.5	1035.7	1619.6	1139.8		down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Economic data

Australia	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
AiG Manufacturing (Index)	51.2	59.3	57.5	59.2	54.8	55.0	56.0	59.8	54.2	51.1	57.3	56.2	58.7	up
AiG Service (Index)	54.5	49.0	51.7	53.0	51.5	54.8	56.4	53.0	52.1	51.4	51.7	52.0		down
Westpac Consumer Confidence (% MoM)	0.1	2.3	0.1	-0.7	-1.1	-1.8	0.4	-1.2	2.5	3.6	-1.7	3.6	1.8	down
Building Approvals (% YoY)	-8.4	-2.7	-19.4	-14.9	-16.1	0.6	-11.0	-14.4	0.0	17.4	18.1	-5.5		up
Employment Change ('000, MoM)	10.1	12.0	56.8	48.0	38.6	28.2	31.3	50.9	20.6	8.4	63.6	34.7		up

Brazil	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
CPI (% YoY)	5.4	4.8	4.6	4.1	3.6	3.0	2.7	2.5	2.5	2.7	2.8	3.0		up
Industrial Production (% YoY)	0.1	1.9	-0.2	2.0	-4.2	4.6	0.8	2.9	4.0	2.6	5.5	4.7		up
Retail Sales (% YoY)	-4.9	-1.2	-3.7	-3.2	1.7	2.6	2.9	3.1	3.6	6.2	2.6	5.9		up
Trade Balance (Millions, USD)	2724.0	4560.0	7145.0	6969.0	7661.0	7195.0	6298.0	5599.0	5178.0	5201.0	3546.0	4998.0		down
Budget Balance Primary (Billions, BRL)	0.3	-54.2	-54.3	-15.4	-67.0	-51.1	-44.6	-45.5	-53.3	-30.5	-30.0	-65.6		up

Chile	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
IMACEC Economic Activity Index (% YoY)	1.17	-1.20	0.27	0.12	1.63	1.39	2.71	2.20	1.60	2.92	3.18			down
CPI (% YoY)	2.80	2.70	2.70	2.70	2.60	1.70	1.70	1.90	1.50	1.90	1.90	2.30		up
Retail Sales (% YoY)	3.49	-0.23	6.05	-0.53	5.66	4.06	4.16	4.91	3.47	3.69	5.65			down
Industrial Production (% YoY)	-1.23	-8.03	-8.31	-4.20	0.05	-1.90	3.10	5.20	1.00	4.80	2.30	0.25		down
Unemployment (%)	6.20	6.40	6.60	6.70	7.00	7.00	6.90	6.60	6.70	6.70	6.50	6.40		down

Mexico	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Trend*
PMI (Index)	48.6	46.5	46.8	44.9	48.9	54.6	51.6	53.9	52.6	52.4	52.5	51.7		down
CPI (% YoY)	4.7	4.9	5.4	5.8	6.2	6.3	6.4	6.7	6.4	6.4	6.6	6.8		up
Retail Sales (% YoY)	4.9	3.6	6.1	1.4	4.1	0.4	0.4	-0.2	-0.3	-0.1	-1.5			down
Indutrial Production (% YoY)	4.0	0.9	9.3	-1.5	5.0	2.8	3.2	3.7	2.8	2.7	2.4			down
Remittances (Millions, USD)	2062.6	2056.8	2520.7	2304.7	2584.2	2417.0	2490.7	2479.7	2349.3	2642.7	2258.6			down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

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