

Monthly Investment Insights

Japanese equities expected to break free



Source: Bloomberg

The MSCI Asia Pacific index marked a record high at the start of 2018 and rallied by 29% in 2017, outperforming strong global equities, with the outperformance gap peaking at about eight percentage points in late November. Within the index, Japan has a weight of 38%, followed by China at 16%. In Japan, both the broader, capitalization-weighted Topix as well as the equal-weighted Nikkei 225 index have marked 26-year highs on a closing basis. Even though foreign investor appetite has receded somewhat recently, it has been the driving force behind the strong upswing versus global equities in October. Encouragingly, Japanese equities outperformed even though the yen did not weaken markedly against the dollar, finally decoupling from the currency moves, and there are a number of reasons to be optimistic. The political environment is stable as the ruling government coalition has defended its two-thirds 'super' majority in the Lower House of parliament. The current economic upswing is the strongest since early this century, and the latest economic indicators are encouraging, while business conditions, as measured in the quarterly Tankan survey, remain brisk. The overall diffusion index is above the level seen in the early nineties. Corporate earnings prospects are favourable, confirmed by an overall optimistic tone in the New Year edition of the latest Japan Company Handbook. All this argues for more upside for Japanese equities considering reasonable valuations. We believe foreign investors have just warmed up to Japan, with room to add to their positions. Only if this investor group were to become euphoric would we turn more cautious. This is not yet the case, as recent survey data confirm.

We remain cautiously optimistic toward Chinese stocks, though one needs to distinguish among several benchmark indices. We focus on the MSCI China index, which is more tilted towards the 'new' information technology enterprises rather than the 'old' SOEs. The majority of these internet related equities are represented by US listed ADRs, as well as Hong Kong listed stocks, and make up about 41% of the index weight, followed by financials with a share of 23%. The former sector is dominated by the three internet giants; Tencent, Alibaba and Baidu. We acknowledge that, in contrast to the TMT bubble of the late nineties, the rally in these stocks is underpinned by earnings and huge growth potential, but there are some concerns about high PEG valuations. Nonetheless, Chinese stocks will also receive greater attention from global investors because of the upcoming partial 'A'-share inclusion to the MSCI index family.

Market Assessment

Key developments

- Global growth is being driven by strong manufacturing activity, particularly in the Eurozone, where the employment PMI has reached a record high
- Finalisation of the US tax deal gives another boost to markets
- The MSCI World index has reached a record high with implied volatility falling further

Zurich's view

The MSCI World index remains in a powerful up-track. Every pullback is used by investors as an opportunity to buy. We believe the favourable economic background of strong global trade and manufacturing activity augurs well for risk assets. According to surveys, investors have increased their cash positions, which may be re-deployed early in the new year. However, we believe that the credit market is in the early stages of relative underperformance versus equities, with outflows from high yield ETFs and a series of idiosyncratic credit events setting the stage.

On a regional basis we still like Eurozone equities, despite the recent lacklustre performance, as the earnings outlook remains favourable and monetary policy is still supportive despite the start of tapering. We also believe that extreme investor scepticism toward UK equities is overdone. Emerging markets should still have some room to the upside, despite the strong rally over the last two years that pushed the MSCI Emerging Markets index higher by 72% from its decade low, as valuations are not yet stretched. Finally, with early signs of inflation creeping into the system, we maintain our cautious view on government bonds.

Key developments

Zurich's view

Global

- Global growth is solid, with renewed acceleration in some regions helped by an investment rebound and solid job gains
- Inflation remains benign, though input prices are firming while firms report that they are better able to push through price increases
- Central bank policy is still extremely accommodative, though a tilt towards stimulus withdrawal is now becoming evident

There is a renewed acceleration in the global economy, led by stronger capex spending and underpinned by solid gains in the labour market. Though all regions participate, the Eurozone stands out, with some regional data reaching all-time highs, particularly in the industrial sector. Global inflation is still weak, however, which allows the policy stance to remain extremely accommodative. That said, central banks are starting to taper stimulus, and last month saw rate increases by the Fed and the Bank of Korea while the Swedish Riksbank stopped QE purchases. This is in line with our view that peak stimulus is behind us. We do not expect this to threaten the solid growth momentum that is now in place, though policy risks have slightly increased.

US

- Economic momentum remains strong but is unlikely to accelerate significantly from current levels
- The tax reform boosts corporate earnings while the effect on the economy is expected to be limited
- The Fed hikes rates and raises its growth forecast, underlining its willingness to follow up on its projected rate path

Supported by solid economic data and the finalisation of the tax reform bill, the US stock market continued to move higher while interest rates were showing signs of life as well. The 10yr Treasury yield rose to 2.5%, the highest level since March. Short-term yields also rose as the Fed shifted its target range by 0.25% to 1.25% - 1.5%. At the same time, the FOMC significantly raised its growth forecast for 2018 and beyond, indicating that it feels increasingly able to hike rates further without impairing growth. The tax reform will cut the corporate tax rate from 35% to 21% effective from 2018. This is a boon for shareholders and while it will have a positive impact on the economy, the effect is likely to be limited not least since the Fed will act to prevent any sign of overheating.

UK

- While many open questions remain regarding Brexit, the EU formally agrees to move on to trade talks with the UK
- Business sentiment remains relatively healthy, but consumer confidence drops to a 4-year low
- The labour market is showing the first signs of weakness as employment falls and jobless claims are picking up

After signalling agreement on the three main divorce topics, the EU formally declared it will move on to trade talks with the UK. Trade negotiations will be complex and time consuming, and a transition period after March 2019 will be necessary. Open questions remain, not least how to avoid a hard border between the Republic of Ireland and Northern Ireland if the UK does not remain in the customs union. Adding more uncertainty to the outlook, the parliament voted to have a veto right with regard to the final deal with the EU. Meanwhile, the data continue to signal a slowdown in economic momentum. The Composite PMI fell to 54.9 in November from 55.8 the month before. Consumer confidence dropped to the lowest level in four years, reflecting the headwinds for British households.

Eurozone

- Eurozone business confidence and GDP growth surge into boom territory.
- Headline and core inflation are still subdued, but business surveys reveal some pricing pressures
- The ECB maintains its dovish stance for now, but continued strength in data may eventually force it to be more hawkish

A raft of Eurozone data suggest that the region is now in a boom phase, led by the manufacturing sector. The European Commission economic sentiment indicator has hit its highest level since 2000, whilst the Eurozone manufacturing PMI is at its highest levels since 1997, when the survey was started. The German ifo business climate indicator is also close to its highest levels on record. Typically, such boom like phases in the Eurozone last for at least a few quarters, suggesting that the region will continue to see well above trend growth through most, if not all, of 2018. We expect strong growth to support corporate earnings and risk assets in the region, while also leading to gradually higher bond yields.

Switzerland

- Activity is strong and a positive impulse from the manufacturing sector is now triggering broader improvements through job gains and better sentiment
- Inflation remains low despite rising import prices, and domestic price pressures are subdued
- The SNB leaves policy unchanged amid a more upbeat outlook, but some changes to policy are expected for 2018

The SNB left policy unchanged in December, reiterating that the franc remains overvalued and that conditions are still fragile. The inflation forecast was revised up, mainly due to the weaker currency, but the projection is still very weak and does not call for an immediate policy change. The quarterly report emphasised a virtuous cycle in the economy, as firms are now willing to invest and take on new staff while the improving labour market underpins sentiment more broadly. Recruitment problems were highlighted. The domestic labour market is firming while a booming Eurozone has led to a drop in foreign applications. This confirms our view that 2017 is likely to mark peak SNB stimulus and that some policy measures will be wound back in 2018.

Japan

- Japan's economic growth remains solid, confirmed by latest data
- The Bank of Japan did not give any indication it will change its monetary policy in its recent monetary policy meeting
- Japanese equities are being underpinned by a favourable profit outlook

Business conditions improved further according to the quarterly Tankan survey. The diffusion index that covers all firm sizes and industries marked a 26-year high, mainly driven by a firm manufacturing sector. In accordance, the Manufacturing PMI for December marked a new cycle high at 54.2, and labour market conditions are getting even tighter. Recent weakness in consumption was indeed weather related, as suspected, and retail sales growth is gaining speed again. Both the Topix and the Nikkei 225 index marked 26-year highs on a closing basis despite recent foreign selling. We believe the 'iron coffin lid' around the Topix level of 1,850 will be broken to the upside in H1 in a sustainable manner.

China

- Growth is moderating following financial tightening
- Xi Jinping's 'New Era' concept was reinforced at the latest Politburo meeting and the Central Economic Work Conference
- Chinese equities are taking a breather following a strong rally

The Central Economic Work Conference, which concluded on December 20, has set the tone for the government's macroeconomic policy framework in 2018. The three main targets, financial risk reduction, poverty alleviation and environmental protection, have been highlighted again. Improving the quality of growth will be the dominating theme for the next few years. However, we do not believe that the growth target will be reduced from the current target of 6.5% YoY. However, growth will be volatile as usual, particularly during the first few months of 2018, but without the risk of a hard landing. Internet stocks, which dominate the MSCI China index, have experienced a pullback, which we believe is healthy in setting the ground for further solid performance in 2018.

Australia

- Q3 GDP rises by 0.6% QoQ and 2.8% YoY. Investment drives headline GDP as other components disappoint
- The mid-year fiscal update revises the deficit forecast to AUD 23.6bn (1.3% of GDP), from 29.4bn (1.6%)
- Equity market performance is solid, led by the materials sector, while financials continue to lag

Q3 GDP mirrors high-frequency indicators: corporate animal spirits are back, leading to a rebound in investment, while private consumption fails to recover due to subdued income growth. We expect the ongoing tightening in the labour market to progressively filter through to wage growth. Households are facing other challenges, though. Housing markets are clearly cooling, especially in Sydney, and consumers are more reluctant to spend. We believe that a boost in fiscal spending, on top of infrastructure projects, would benefit consumption. The position of the government is ambiguous, though. While Treasury has presented a conservative budget, the government has hinted at tax cuts. As other nations embrace fiscal spending, Australia runs the risk of being left behind.

ASEAN

- The global recovery is lifting ASEAN economies, and the last dovish central banks are turning neutral
- ASEAN equities have outperformed Northern Asia, where some profit taking has occurred in the tech sector
- Net outflows from Asian equities continue, but a resumption of inflows is likely

Although moderating, export growth remains strong, thanks to the surprisingly long-lived tech cycle. In Malaysia, fiscal spending and the boom in exports should boost consumption further. In Indonesia, investment is rebounding, although it is too early to call for a turnaround in private consumption. Bank Indonesia has shifted to a neutral tone, letting fiscal policy take the centre stage. In the financial markets, Asian assets are digesting monetary policy normalisation by the US Federal Reserve. Currencies have held steady, thanks to a stable US dollar. ASEAN sovereign spreads to US Treasuries are at multi-year lows, but some show tentative signs of bottoming. Appetite for Indonesian sovereigns should remain solid, as they receive yet another upgrade by a global rating agency.

Valuation snapshot (MSCI Indices)

Current trailing valuations

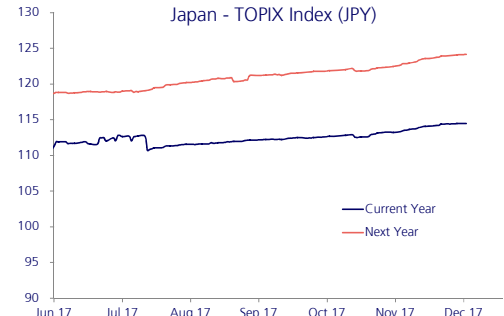
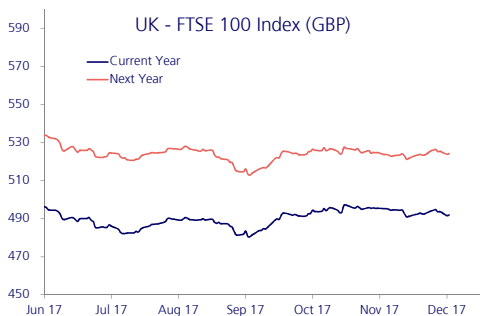
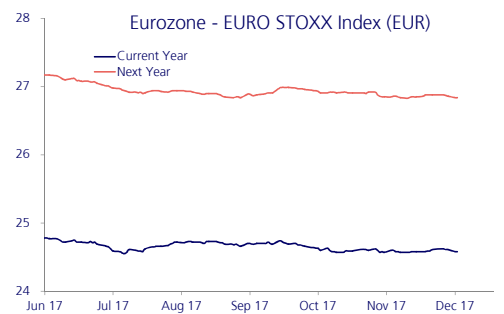
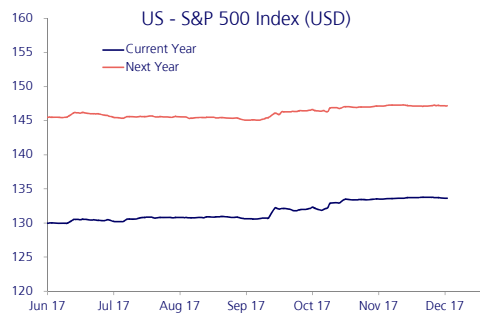
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	23.92	19.78	20.78	24.74	16.14	15.84	16.85	18.37	18.26
12m Trailing P/B	3.24	1.96	1.81	2.72	1.45	1.81	2.04	1.79	2.62
12m Trailing P/CF	15.29	8.11	8.62	14.18	9.81	10.52	8.45	7.10	9.53
Dividend Yield	1.93	2.93	3.92	3.09	1.94	2.53	1.67	2.60	2.31
ROE	13.56	9.93	8.70	11.01	9.00	11.42	12.07	9.74	14.33

Current trailing valuations relative to MSCI world

	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.17	0.97	1.01	1.21	0.79	0.77	0.82	0.90	0.89
12m Trailing P/B	1.40	0.85	0.78	1.17	0.63	0.78	0.88	0.77	1.13
12m Trailing P/CF	1.33	0.71	0.75	1.23	0.85	0.92	0.74	0.62	0.83
Dividend Yield	0.83	1.26	1.68	1.33	0.83	1.09	0.71	1.11	0.99
ROE	1.20	0.88	0.77	0.97	0.79	1.01	1.06	0.86	1.26

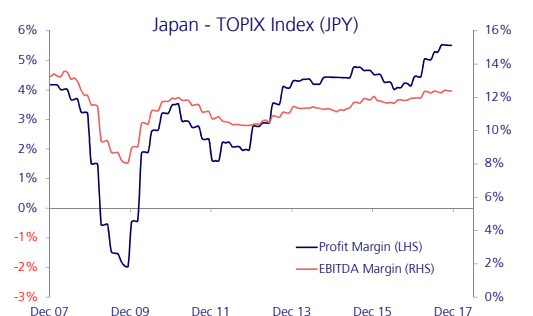
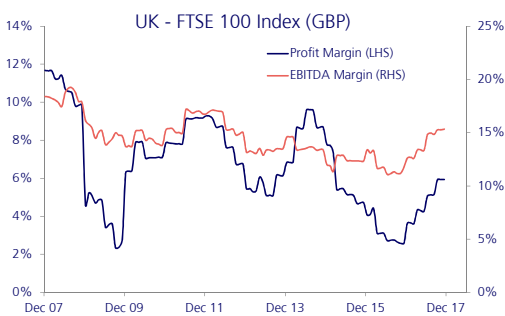
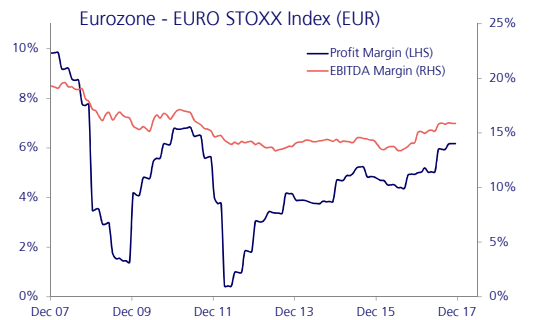
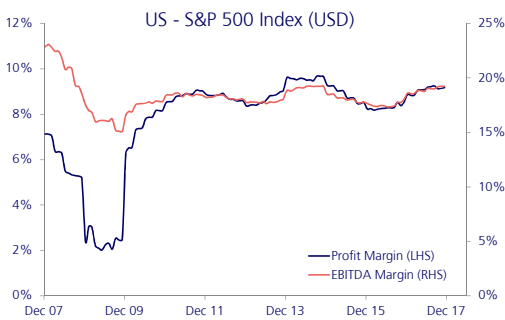
Source: Datastream

Earnings estimates - Full fiscal years



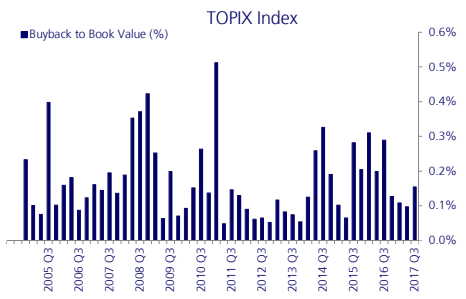
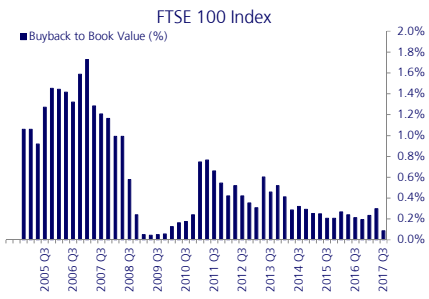
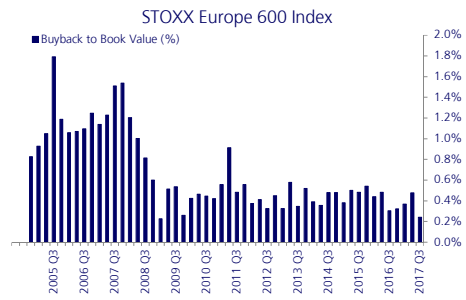
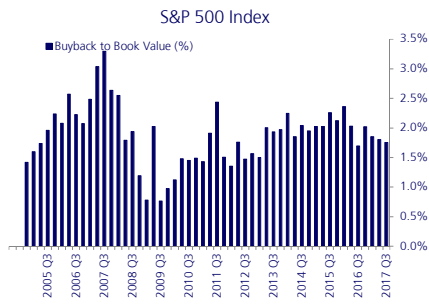
Source: Bloomberg

Historical margins



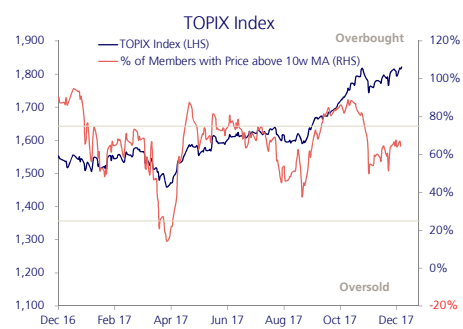
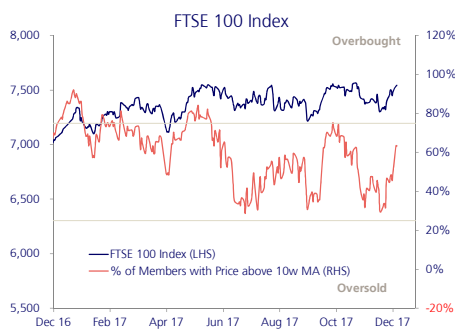
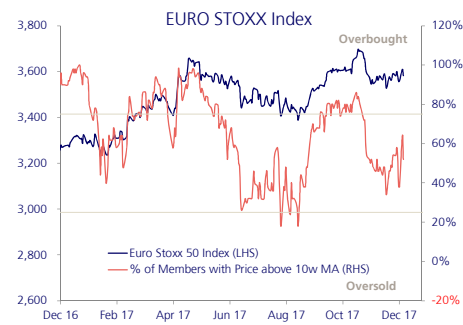
Source: Bloomberg

Shares buybacks



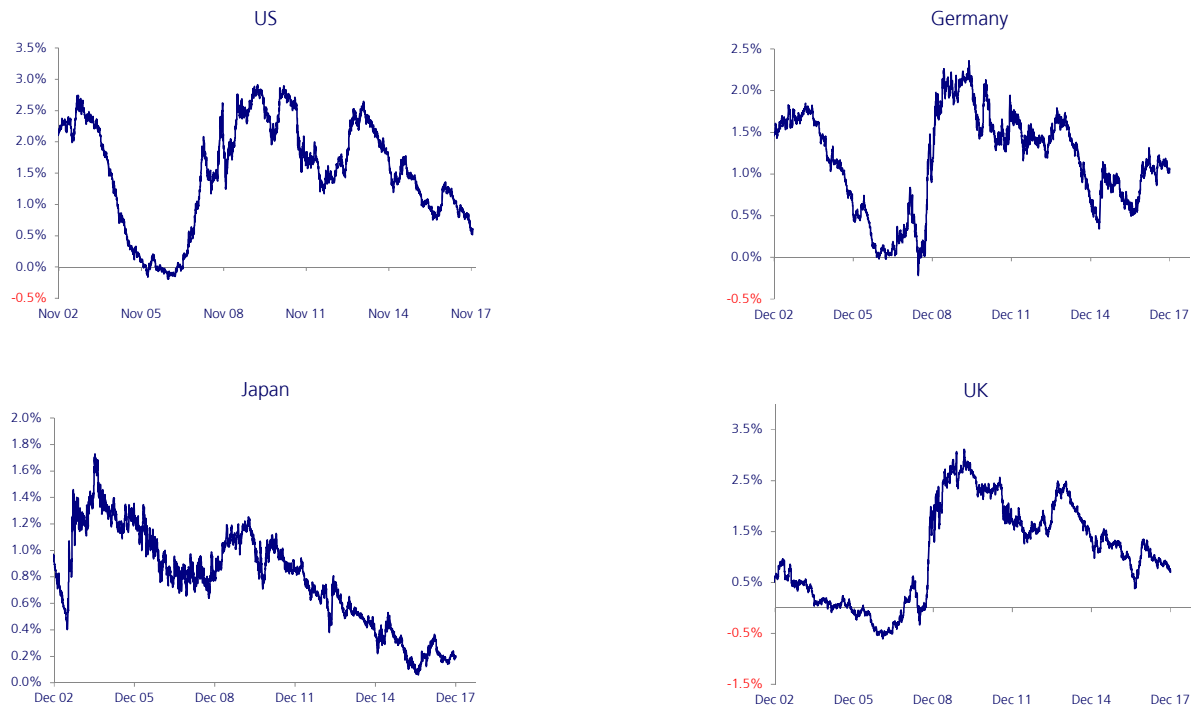
Source: Bloomberg

Overbought / Oversold



Source: Bloomberg

Yield Curve Steepness (2yr-10yr)



Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

Country	Spread over US Treasury (bps)			
	Dec-17	1m ago	3m ago	1yr ago
UK	-125	-105	-91	-115
Germany	-208	-198	-182	-229
Switzerland	-261	-246	-231	-265
Japan	-240	-231	-224	-249
Australia	18	23	56	29
China	145	161	136	86
South Korea	-1	23	0	-38
Malaysia	151	165	164	172
Indonesia	402	429	417	532
Thailand	-8		1	28
Philippines	160	n/a	n/a	n/a
Brazil	811	n/a	734	921
Mexico	507	494	454	475
Colombia	388	429	425	464
Peru	281	300	298	378

Generic Government Yields (10yr)

Country	Spread over German Bund (bps)			
	Dec-17	1m ago	3m ago	1yr ago
France	32	35	28	45
Netherlands	10	10	12	14
Belgium	19	22	28	30
Austria	16	14	17	25
Ireland	20	22	29	55
Italy	152	148	166	157
Spain	110	119	117	107
Portugal	144	162	197	348

Source: Bloomberg, ZIG

Economic data

US	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Trend*
ISM Manufacturing (Index)	53.5	54.5	56.0	57.7	57.2	54.8	54.9	57.8	56.3	58.8	60.8	58.7	58.2	up
ISM Non-Manufacturing (Index)	56.2	56.6	56.5	57.6	55.2	57.5	56.9	57.4	53.9	55.3	59.8	60.1	57.4	up
Durable Goods (% MoM)	-4.6	0.3	0.3	1.4	2.4	-0.8	0.0	6.4	-6.8	2.1	2.4	-0.8		up
Consumer Confidence (Index)	109.4	113.3	111.6	116.1	124.9	119.4	117.6	117.3	120.0	120.4	120.6	126.2	129.5	up
Retail Sales (% MoM)	3.4	4.0	5.6	4.7	4.8	4.5	4.2	3.0	3.7	3.5	5.0	4.9	5.8	up
Unemployment Rate (%)	4.6	4.7	4.8	4.7	4.5	4.4	4.3	4.4	4.3	4.4	4.2	4.1	4.1	down
Avg Hourly Earnings YoY (% YoY)	2.5	2.5	2.4	2.5	2.3	2.3	2.4	2.3	2.3	2.4	2.5	2.2	2.3	neutral
Change in Payrolls ('000, MoM)	164.0	155.0	216.0	232.0	50.0	207.0	145.0	210.0	138.0	208.0	38.0	244.0	228.0	down
PCE (% YoY)	1.8	1.9	1.9	1.9	1.6	1.6	1.5	1.5	1.4	1.3	1.4	1.4		down
GDP (% QoQ, Annualized)					1.2			3.1						
UK	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Trend*
PMI Services (Index)	55.2	56.2	54.5	53.3	55.0	55.8	53.8	53.4	53.8	53.2	53.6	55.6	53.8	up
Consumer Confidence (Index)	-8.0	-7.0	-5.0	-6.0	-6.0	-7.0	-5.0	-10.0	-12.0	-10.0	-9.0	-10.0	-12.0	up
Unemployment Rate (%)	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.4	4.3	4.3	4.3	4.3		down
CPI (% YoY)	1.2	1.6	1.8	2.3	2.3	2.7	2.9	2.6	2.6	2.9	3.0	3.0	3.1	up
GDP (% YoY)					1.8			1.5						
Eurozone	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Trend*
PMI Manufacturing (Index)	53.7	54.9	55.2	55.4	56.2	56.7	57.0	57.4	56.6	57.4	58.1	58.5	60.1	up
PMI Services (Index)	53.8	53.7	53.7	55.5	56.0	56.4	56.3	55.4	55.4	54.7	55.8	55.0	56.2	up
Ifo Business Climate (Index)	110.3	110.8	110.1	111.3	112.4	113.2	114.8	115.2	116.2	116.1	115.3	116.8	117.6	up
Industrial Production (% MoM)	1.7	-0.9	0.1	-0.1	0.4	0.3	1.3	-0.5	0.3	1.5	-0.5	0.2		up
Factory Orders GE (% MoM)	-1.8	6.0	-6.6	3.4	1.0	-2.1	1.2	0.8	-0.4	4.1	1.2	0.5		up
Unemployment Rate (%)	9.7	9.6	9.6	9.5	9.4	9.2	9.2	9.0	9.0	9.0	8.9	8.8		down
M3 Growth (% YoY, 3 months MA)	4.7	5.0	4.7	4.6	5.1	4.8	4.9	4.9	4.6	5.0	5.2	5.0		up
CPI (% YoY)	0.6	1.1	1.8	2.0	1.5	1.9	1.4	1.3	1.3	1.5	1.5	1.4	1.5	up
Core CPI (% YoY)	0.8	0.9	0.9	0.9	0.7	1.2	0.9	1.1	1.2	1.2	1.1	0.9	0.9	down
GDP (% QoQ)					0.6			0.7						
Switzerland	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Trend*
KOF Leading Indicator (Index)	102.5	103.0	102.0	108.2	108.2	107.2	103.9	105.2	107.5	104.2	106.1	109.8	110.3	up
PMI Manufacturing (Index)	55.9	56.2	54.6	57.8	58.6	57.4	55.6	60.1	60.9	61.2	61.7	62.0	65.1	up
Real Retail Sales (% YoY)	0.6	-4.0	-1.0	0.4	2.5	-1.3	-0.6	1.8	0.0	-0.8	0.5	-3.0		down
Trade Balance (Billion, CHF)	3.4	2.7	4.8	3.0	3.1	1.9	3.3	2.8	3.5	2.2	2.8	2.3		down
CPI (% YoY)	-0.3	0.0	0.3	0.6	0.6	0.4	0.5	0.2	0.3	0.5	0.7	0.7	0.8	up
Japan	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Trend*
Nomura Manufacturing PMI (Index)	51.3	52.4	52.7	53.3	52.4	52.7	53.1	52.4	52.1	52.2	52.9	52.8	53.6	up
Machine Orders (% YoY)	10.4	6.7	-8.2	5.6	-0.7	2.7	0.6	-5.2	-7.5	4.4	-3.5	2.3		up
Industrial Production (% YoY)	4.4	3.1	3.2	4.7	3.5	5.7	6.5	5.5	4.7	5.3	2.6	5.9		down
ECO Watchers Survey (Index)	48.6	51.2	48.6	48.5	50.6	50.4	50.1	49.9	51.0	49.6	49.6	49.9	52.4	up
Jobs to Applicants Ratio (Index)	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.6		up
Labour Cash Earnings (% YoY)	0.5	0.5	0.3	0.4	0.0	0.5	0.6	0.4	-0.6	0.7	0.9	0.6		up
Department Store Sales (% YoY)	-2.4	-1.7	-1.2	-1.7	-0.9	0.7	0.0	1.4	-1.4	2.0	4.4	-1.8		up
Money Supply M2 (% YoY)	3.8	3.9	3.9	4.1	4.2	3.9	3.8	3.9	4.0	4.0	4.0	4.1	4.0	up
CPI Ex Food & Energy (% YoY)	0.1	0.0	0.1	-0.1	-0.3	-0.3	-0.2	-0.2	-0.1	0.0	0.0	0.0		up
Exports (% YoY)	-0.4	5.4	1.3	11.3	12.0	7.5	14.9	9.7	13.4	18.1	14.1	14.0	16.2	up
China	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Trend*
PMI Manufacturing (Index)	51.7	51.4	51.3	51.6	51.8	51.2	51.2	51.7	51.4	51.7	52.4	51.6	51.8	up
Industrial Production (% YoY)	6.2	6.0			7.6	6.5	6.5	7.6	6.4	6.0	6.6	6.2	6.1	down
Retail Sales (% YoY)	10.8	10.9			10.9	10.7	10.7	11.0	10.4	10.1	10.3	10.0	10.2	down
PPI (% YoY)	3.3	5.5	6.9	7.8	7.6	6.4	5.5	5.5	5.5	6.3	6.9	6.9	5.8	up
Exports (% YoY)	-1.5	-6.2	7.0	-2.1	15.7	7.0	8.0	10.9	6.6	5.2	8.1	6.8	12.3	up
CPI (% YoY)	2.3	2.1	2.5	0.8	0.9	1.2	1.5	1.5	1.4	1.8	1.6	1.9	1.7	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						down
PMI Non Manufacturing (Index)	51.7	51.4	51.3	51.6	51.8	51.2	51.2	51.7	51.4	51.7	52.4	51.6	51.8	up
Aggregate Financing (Billions, CNY)	1832.8	1626.0	3696.8	1090.3	2118.4	1387.8	1063.0	1771.8	1193.5	1487.4	1832.4	1035.0	1598.2	up

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Appendix 5

Economic data

Australia	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Trend*
AiG Manufacturing (Index)	54.2	55.4	51.2	59.3	57.5	59.2	54.8	55.0	56.0	59.8	54.2	51.1	57.3	down
AiG Service (Index)	51.1	57.7	54.5	49.0	51.7	53.0	51.5	54.8	56.4	53.0	52.1	51.4	51.7	down
Westpac Consumer Confidence (% MoM)	-1.1	-3.9	0.1	2.3	0.1	-0.7	-1.1	-1.8	0.4	-1.2	2.5	3.6	-1.7	up
Building Approvals (% YoY)	-1.8	-10.6	-8.3	-3.6	-19.5	-15.8	-16.1	0.6	-11.6	-15.6	0.0	18.4		up
Employment Change ('000, MoM)	30.5	22.6	7.0	10.9	55.3	49.4	38.0	28.1	30.7	51.0	20.8	7.8	61.6	down

Brazil	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Trend*
CPI (% YoY)	7.0	6.3	5.4	4.8	4.6	4.1	3.6	3.0	2.7	2.5	2.5	2.7	2.8	down
Industrial Production (% YoY)	-7.2	-1.1	0.0	1.8	-0.3	2.0	-4.3	4.4	0.7	2.7	3.8	2.5	5.3	up
Retail Sales (% YoY)	-8.1	-3.8	-4.9	-1.2	-3.7	-3.2	1.7	2.6	2.9	3.1	3.6	6.2	2.5	up
Trade Balance (Millions, USD)	4756.0	4415.0	2724.0	4560.0	7145.0	6969.0	7661.0	7195.0	6298.0	5599.0	5178.0	5201.0	3546.0	down
Budget Balance Primary (Billions, BRL)	3.4	-80.4	-105.2	0.3	-54.2	-54.3	-15.4	-67.0	-51.1	-44.6	-45.5	-53.3	-30.5	up

Chile	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Trend*
IMACEC Economic Activity Index (% YoY)	1.02	0.59	1.17	-1.20	0.27	0.12	1.63	1.39	2.71	2.20	1.60	2.92		up
CPI (% YoY)	2.90	2.70	2.80	2.70	2.70	2.70	2.60	1.70	1.70	1.90	1.50	1.90	1.90	neutral
Retail Sales (% YoY)	2.69	3.49	-0.23	6.05	-0.53	5.66	4.06	4.16	4.91	3.47	3.69			down
Industrial Production (% YoY)	-0.09	1.29	-1.23	-8.03	-8.31	-4.20	0.05	-1.90	3.10	5.20	1.00	5.03		up
Unemployment (%)	6.20	6.10	6.20	6.40	6.60	6.70	7.00	7.00	6.90	6.60	6.70	6.70		down

Mexico	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Trend*
PMI (Index)	48.6	48.2	48.4	46.4	46.8	44.8	48.9	54.8	51.7	53.9	52.8	52.5	52.6	down
CPI (% YoY)	3.3	3.4	4.7	4.9	5.4	5.8	6.2	6.3	6.4	6.7	6.4	6.4	6.6	down
Retail Sales (% YoY)	11.2	9.0	4.9	3.6	6.1	1.4	4.1	0.4	0.4	-0.2	-0.3			down
Industrial Production (% YoY)	5.0	3.3	4.0	0.9	9.3	-1.5	5.0	2.8	3.2	3.7	2.8	2.7		down
Remittances (Millions, USD)	2371.0	2342.5	2062.6	2056.8	2520.7	2304.7	2584.2	2417.0	2490.7	2479.7	2349.3	2642.7		down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

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