

# Monthly Investment Insights

## A tale of two markets



Source: Bloomberg

The US stock market juggernaut is racing ahead, outshining most other regions, unaffected by a potential escalation of the trade dispute with China or tighter monetary policy. The S&P 500 has gained 8.5% so far this year and reached an all-time high in August. The more technology-heavy Nasdaq index is up more than 17% since the beginning of the year and has broken through to new record highs several times this year already. Similarly, the Russell 2000 index, comprised of smaller capitalized companies and thus representing a more broad-based reflection of the domestic US economy, has set several new records in the last few months.

US equities' outperformance is fuelled by stellar earnings growth and a solid economic background. At 5.5% the average earnings surprise reported for Q2 by S&P 500 companies was somewhat lower than in Q1 but still enough to lift the annual growth rate to more than 25% from 23.7%. A significant part of the jump in earnings is caused by the tax cuts imposed earlier this year but better sales also helped, growing by almost 10% YoY.

While a stronger dollar and the Fed's tighter monetary policy are major headwinds for many emerging markets, both the US economy and the stock market are firing on all cylinders. Economic momentum remains solid, although there are signs of a slowdown at the margin. The ISM surveys indicate that business activity is softening from very strong levels, consumers are more cautious regarding their expectations and the housing market has shown some weakness recently with both building permits and housing starts slowing. The Fed is expected to continue on its hiking path, cooling down an economy that is growing above its trend and is reaching its capacity limits. The latest NFIB Small Business Survey reveals that the difficulty in filling open positions has risen to the highest on record in July.

We expect economic activity in the US to slow down from current levels, but fundamentals remain supportive for stocks. The risk of rising protectionism, and the trade dispute between China and the US in particular, casts a shadow over the positive outlook. The time to put pressure on China was well chosen as the Chinese economy was softening already while the US is in splendid shape. However, the fact that neither the US economy nor the stock market have hardly been affected could lead the Trump administration to push its aggressive rhetoric too far, causing severe damage to the global economy.

## Market Assessment

### Key developments

- The S&P 500 index climbs to a new all-time high fuelled by stellar earnings growth and strong economic momentum
- Global economic activity remains solid but is showing signs of levelling off, overshadowed by the increasing risk of a trade war between the US and China
- The Fed continues to tighten its monetary policy by hiking rates and accelerating the balance sheet run-off, while the ECB is about to start tapering its QE program

### Zurich's view

Though solid, global economic growth is expected to have peaked as tightening financial conditions are causing headwinds in a number of regions.

While many regional stock markets were moving in sync for the first few months of the year, the US has decoupled from its peers since the middle of the year, fuelled by faster earnings growth and better economic momentum, a trend that could persist for a bit longer.

Equities are still the preferred asset class, with fundamentals supportive, while investor sentiment is not exuberant. However, seasonally a more challenging period is approaching and market setbacks are likely as trade tensions and geopolitical risks escalate.

Bond yields are expected to climb higher as the Fed continues to tighten its policy and the ECB is about to start tapering its QE program. However, the potential for higher yields remains limited as some key central banks continue to provide liquidity and global inflation rates remain modest. We still see little upside for credit in a persistently shareholder-friendly environment.

## Key developments

## Zurich's view

### Global

- The global economy continues to expand at a solid pace, with economic fundamentals still healthy
- Vulnerable emerging markets remain under pressure, but we do not expect broad-based contagion
- A further escalation of trade disputes would be damaging for the global economy and remains a key risk to monitor

Global growth is holding up despite more challenging conditions in emerging markets. The G3 flash PMIs were broadly unchanged in August, still implying growth above trend, and leading Asian export data have rebounded. Vulnerable emerging markets remain under pressure, however, and growth expectations for some countries, including Argentina, Brazil and Turkey, have been slashed. In China, data have weakened sharply but targeted stimulus measures should help to stabilise growth going forward. Risks around global trade remain, with negotiations between the US and China pending, though some progress has been made around NAFTA. We maintain our view that while global growth has peaked, the economic landscape is robust and growth should stabilise going forward.

### US

- The S&P 500 index reaches a new all-time high as investors shrug off trade disputes and softening economic data
- The small business survey shows that the difficulty in filling open positions has risen to the highest on record
- Headline CPI inflation accelerates to 2.9% YoY, the highest since 2012, while core PCE hits the Fed's 2% target

Fueled by strong earnings and solid economic momentum the S&P 500 index reached a new record high in August. Investors shrug off the risk of a further escalation in the trade dispute between the US and China, as well as signs of a slowdown in growth momentum. The ISM Manufacturing Index fell to a still solid 58.1 in July, down from 60, while the Non-Manufacturing survey dropped to 55.7 from 59.1, the largest monthly fall in almost two years. The Conference Board consumer sentiment index has pushed ever higher, but the gap between households' perception of the present situation and their expectations is notable. Small business optimism reached a new cycle high in July. However, the difficulty in filling open positions has risen to the highest on record and is a significant challenge for businesses.

### UK

- Economic activity is holding up reasonably well, though PMIs indicate a slowdown
- The unemployment rate falls to the lowest since 1975, helped by a lower participation rate
- The Bank of England raises its benchmark rate to 0.75%, the highest level since 2009

As expected, the BoE lifted its benchmark rate from 0.5% to 0.75%, the highest since 2009. While there was no urgency for the rate hike given the modest growth outlook, the BoE used its window of opportunity after the economy rebounded from a weak first quarter and before the outlook is likely to be burdened by an uncertain future as the Brexit date approaches. The economy is holding up reasonably well although the latest PMI surveys reveal a slowdown in business activity, with the Manufacturing PMI ticking down to 54.0 in July from 54.3 while the more relevant Services PMI fell to 53.5 from 55.1, reflecting Brexit uncertainty and difficulties filling open positions. Unemployment fell to 4% in June, the lowest since 1975, although the drop was mainly driven by a falling participation rate.

### Eurozone

- Growth revised up in Q2
- Business surveys suggest above trend growth continued into Q3
- Unemployment continues to fall supporting consumer spending

After the sharp fall in business confidence in the first half of the year, it has been reassuring to see Eurozone confidence and activity indicators stabilise in recent months, indicating that above trend growth continues. This will support corporate earnings, especially for domestically focused companies as unemployment continues to fall. GDP growth came in at 0.4% QoQ (2.2% YoY) in Q2. Nevertheless, risks remain to the recovery. The largest external risk is the ongoing trade dispute between the US and China. Internally, the biggest near-term risk is the forthcoming 2019 Italian budget. Should the new Italian government pursue an aggressive fiscal expansion, it would likely lead to a stand-off with the European Commission and a negative reaction from bond markets and rating agencies

### Switzerland

- Economic activity remains brisk, though the positive impulse from the global economy is waning
- The labour market remains strong and should help to support the domestic economy
- The SNB remains active in forex markets, and the stronger franc should be manageable for the economy

Economic activity remains brisk despite a more challenging global environment. The latest PMIs were firm and remain consistent with growth above trend in the manufacturing sector. Trade data show that the global impulse is waning, however, with the level of exports plateauing. Consumer sentiment has also weakened, with a sharp decline in July. Perception about job security, which matters for domestic demand, is still strong though. We therefore maintain our view of steady growth over the months ahead, but with peak growth behind us. Sight deposits have risen and the SNB appears to have intervened in forex markets to prevent a further appreciation of the franc. At current levels, the stronger currency should still be manageable for the economy.

## Japan

- Following a rebound in Q2, Japan's economy seems to languish again
- PM Abe is set to win LDP leadership elections on September 20
- The MSCI Japan marks a double bottom in July/August

It was evident to us that Japan's economy would recover after the weather related shrinkage in Q1, and Q2 growth has indeed been stronger than consensus anticipated. However, early signs of weaker consumption have emerged, as the severe rainstorms were followed by an extreme heat wave. Capital expenditure is still holding up well, with the tight labour market forcing companies to invest into automation. Wages have started to recover, though less than distorted statistics suggest. Japanese equities have stabilised and are staging a rebound, however, it remains to be seen whether major indices will be able to break higher into autumn given seasonal headwinds. PM Abe is set to win LDP leadership election on September 20, giving him the opportunity to rule as PM until 2021.

## China

- China's economic slowdown accelerates
- Escalating trade disputes with the US will remain a critical issue for some time yet
- Following a multi-month slump, domestic 'A' and Hong Kong listed 'H'-shares start to recover

Economic data for July confirmed weaker growth for the third month in a row. Infrastructure investment growth even fell into negative territory, while fixed asset investments into manufacturing facilities and the property market held up rather well. Retail sales data were also on the soft side. China's authorities realise that deleveraging policies have been overdone, and have already started to relax monetary, fiscal and regulatory policies. Banks are now encouraged to buy more local government bonds to spur infrastructure investment, which should support a recovery later this year. While the yuan did not continue to depreciate following the re-introduction of the 'counter cyclical factor', both domestic 'A'- and Hong Kong listed 'H'-shares are starting to recover, following a multi-month slump.

## Australia

- Morrison replaces Turnbull as leader of the Liberal Party and Australia's prime minister
- The unemployment rate falls to 5.3% but the underemployment rate remains sticky
- The fate of the Australian dollar remains linked to base metal prices, which have failed to rebound so far

The arrival of Mr Morrison at the helm of the government signals economic continuity, at least for now. The new prime minister will face the challenge of quickly rebuilding his party's cohesion before the federal elections. Indeed, the elections are at risk of being called before the May 2019 deadline, since Mr Turnbull said he would resign from parliament, which would lead the ruling party to lose its one-seat majority. On the economic front, the job market is tightening at a moderate pace, which should translate into gradual increases in wage growth, up from 2.1% YoY in Q2. Other sources of domestic inflation also remain benign, and the central bank has revised down its CPI forecast for 2018 and 2019. As a result, our H1 2019 projection for the next rate hike could be delayed.

## ASEAN

- ASEAN exports rebound, while private consumption improves in Malaysia and Indonesia
- Bank Indonesia raises its policy rate to 5.5%, taking the cumulative hikes to 125bps this year
- Negative sentiment from Turkey temporarily impacts ASEAN equities, as they fall and then retrace their losses

In Malaysia, a three-month tax holiday has brought inflation down and boosted retail sales. Inflation is likely to recover after the summer, while consumption should be bolstered by strong wage growth and consumer confidence reaching a 21-year high. On the investment front, we see public investment detracting from growth, but being offset by a rebound in private investment. Finally, in the run-up to the November budget, measures to rein in the fiscal deficit are being studied, which should reassure investors. In Indonesia, policy makers have acted quickly to tackle market volatility. The 2019 budget focusses on social spending while targeting deficit reduction. Despite this brisk and coordinated policy action, external headwinds will likely force Bank Indonesia to hike again.

# Appendix 1

## Valuation snapshot (MSCI Indices)

Current trailing valuations

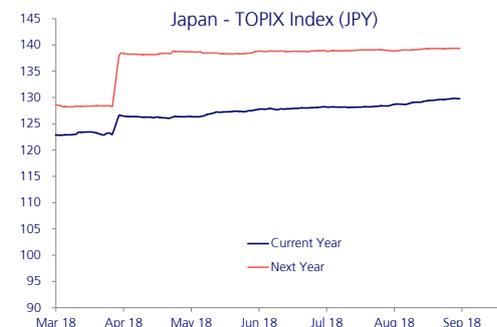
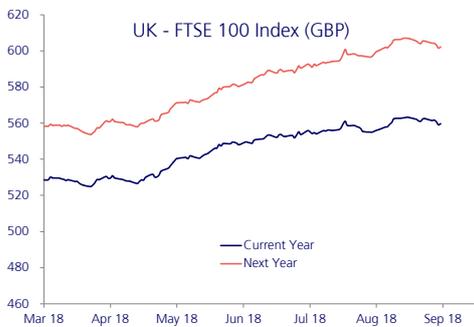
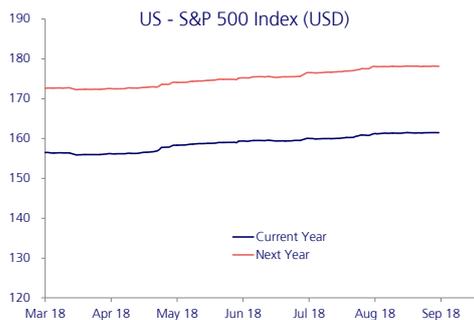
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	23.14	17.53	17.22	23.75	14.06	14.12	14.70	17.84	21.66
12m Trailing P/B	3.39	1.88	1.78	2.58	1.38	1.71	1.85	1.86	2.49
12m Trailing P/CF	16.10	8.87	10.40	14.84	7.63	9.16	7.70	8.25	8.78
Dividend Yield	1.89	3.14	3.98	3.10	2.15	2.74	2.00	3.20	2.16
ROE	14.65	10.71	10.35	10.88	9.81	12.13	12.60	10.42	11.51

Current trailing valuations relative to MSCI world

	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.22	0.92	0.91	1.25	0.74	0.74	0.77	0.94	1.14
12m Trailing P/B	1.45	0.80	0.76	1.11	0.59	0.73	0.79	0.80	1.07
12m Trailing P/CF	1.36	0.75	0.88	1.26	0.65	0.78	0.65	0.70	0.74
Dividend Yield	0.79	1.32	1.67	1.30	0.90	1.15	0.84	1.34	0.91
ROE	1.19	0.87	0.84	0.88	0.80	0.99	1.02	0.85	0.94

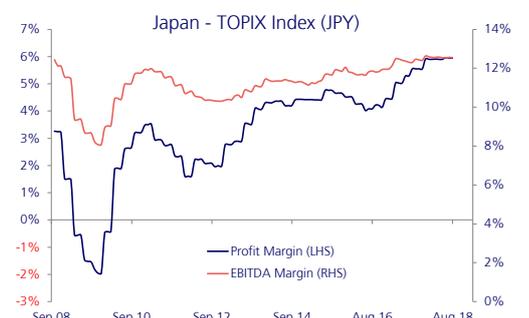
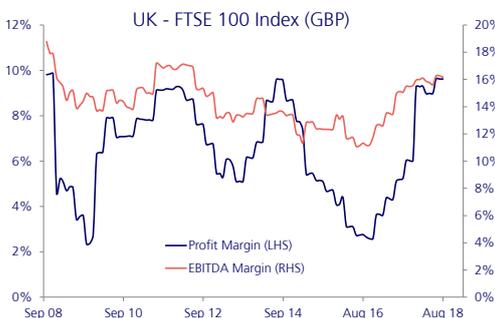
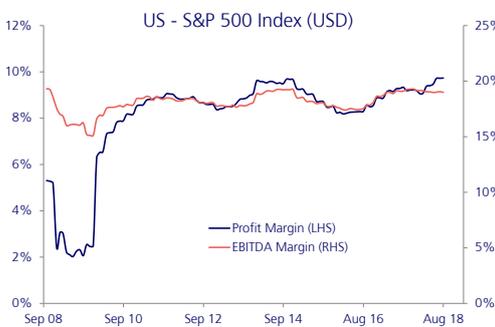
Source: Datastream

## Earnings estimates - Full fiscal years



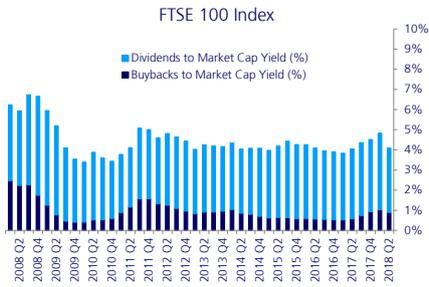
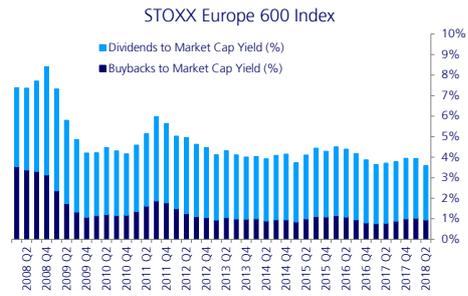
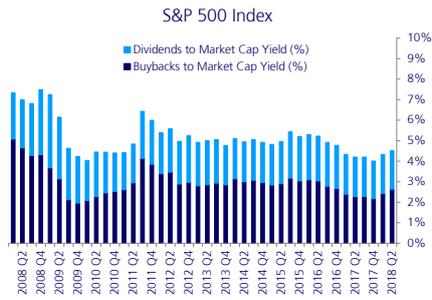
Source: Bloomberg

## Historical margins



Source: Bloomberg

## Dividends and shares buybacks



Source: Bloomberg

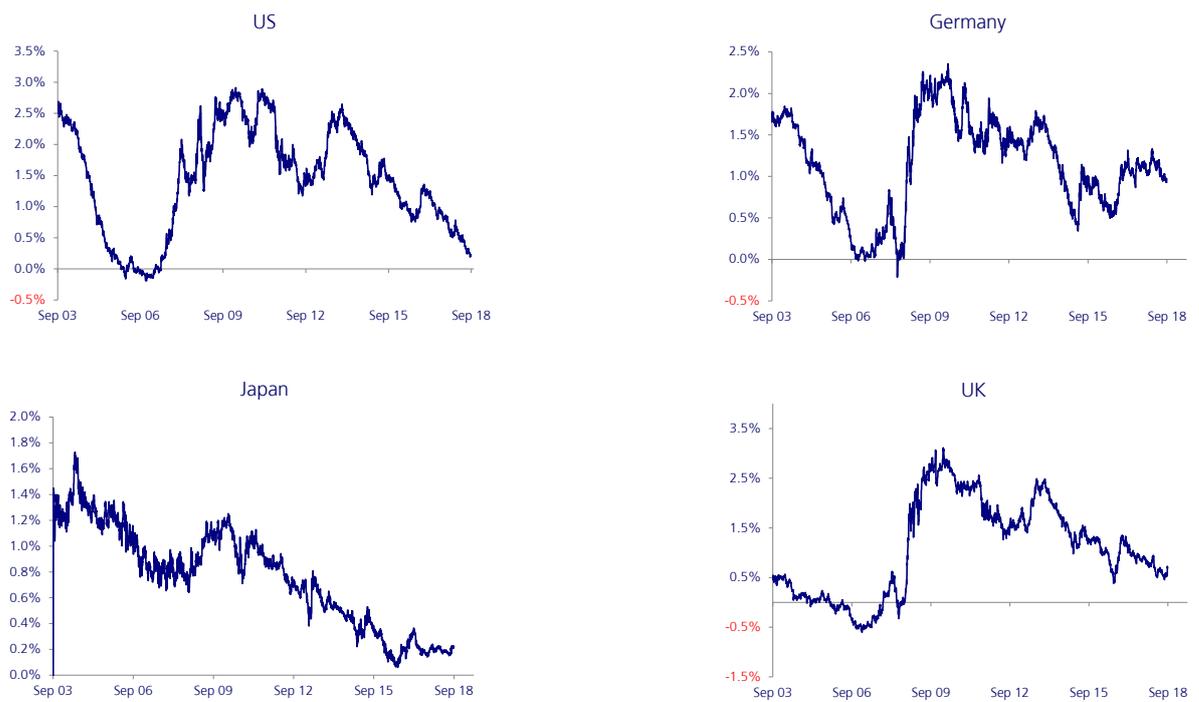
## Overbought / Oversold



Source: Bloomberg

# Appendix 3

## Yield Curve Steepness (2yr-10yr)



Source: Bloomberg

## Spread Snapshot

Generic Government Yields (10yr)

Country	Spread over US Treasury (bps)			
	Sep-18	1m ago	3m ago	1yr ago
UK	-144	-162	-164	-111
Germany	-253	-254	-256	-179
Switzerland	-296	-296	-295	-229
Japan	-274	-284	-287	-217
Australia	-34	-22	-20	49
China	74	52	75	150
South Korea	-55	-37	-21	11
Malaysia	119	110	126	174
Indonesia	545	488	419	453
Thailand	-13		-39	13
Philippines	120	n/a	n/a	n/a
Brazil	934	824	915	n/a
Mexico	506	478	493	470
Colombia	397	391	364	457
Peru	258	243	273	326

Generic Government Yields (10yr)

Country	Spread over German Bund (bps)			
	Sep-18	1m ago	3m ago	1yr ago
France	36	33	33	31
Netherlands	12	11	18	13
Belgium	38	36	39	31
Austria	23	20	29	20
Ireland	53	48	59	n/a
Italy	284	252	242	170
Spain	112	101	103	122
Portugal	157	137	149	248

Source: Bloomberg, ZIG

## Economic data

<b>US</b>	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Trend*
ISM Manufacturing (Index)	59.3	60.2	58.5	58.2	59.3	59.1	60.8	59.3	57.3	58.7	60.2	58.1		down
ISM Non-Manufacturing (Index)	55.2	59.4	59.8	57.3	56.0	59.9	59.5	58.8	56.8	58.6	59.1	55.7		down
Durable Goods (% MoM)	2.7	4.7	-4.1	2.2	3.2	-4.2	4.5	2.7	-1.0	-0.3	0.7	-1.7		down
Consumer Confidence (Index)	120.4	120.6	126.2	128.6	123.1	124.3	130.0	127.0	125.6	128.8	127.1	127.9	133.4	up
Retail Sales (% MoM)	3.7	5.2	5.3	6.1	5.3	3.9	4.5	5.1	4.8	6.4	6.1	6.4		up
Unemployment Rate (%)	4.4	4.2	4.1	4.1	4.1	4.1	4.1	4.1	3.9	3.8	4.0	3.9		down
Avg Hourly Earnings YoY (% YoY)	2.3	2.6	2.2	2.3	2.4	2.4	2.5	2.6	2.6	2.7	2.7	2.7		up
Change in Payrolls ('000, MoM)	221.0	14.0	271.0	216.0	175.0	176.0	324.0	155.0	175.0	268.0	248.0	157.0		up
PCE (% YoY)	1.4	1.5	1.6	1.6	1.6	1.6	1.7	2.0	1.9	2.0	1.9	2.0		up
GDP (% QoQ, Annualized)		2.8			2.3			2.2			4.2			
<b>UK</b>	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Trend*
PMI Services (Index)	53.2	53.6	55.6	53.8	54.2	53.0	54.5	51.7	52.8	54.0	55.1	53.5		up
Consumer Confidence (Index)	-10.0	-9.0	-10.0	-12.0	-13.0	-9.0	-10.0	-7.0	-9.0	-7.0	-9.0	-10.0	-7.0	down
Unemployment Rate (%)	4.3	4.3	4.3	4.3	4.4	4.3	4.2	4.2	4.2	4.2	4.0			down
CPI (% YoY)	2.9	3.0	3.0	3.1	3.0	3.0	2.7	2.5	2.4	2.4	2.4	2.5		down
GDP (% YoY)		1.7			1.3			1.2			1.3			
<b>Eurozone</b>	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Trend*
PMI Manufacturing (Index)	57.4	58.1	58.5	60.1	60.6	59.6	58.6	56.6	56.2	55.5	54.9	55.1	54.6	down
PMI Services (Index)	54.7	55.8	55.0	56.2	56.6	58.0	56.2	54.9	54.7	53.8	55.2	54.2	54.4	up
IFO Business Climate (Index)	103.7	104.5	105.0	105.3	105.0	105.0	104.3	103.5	102.4	102.4	101.9	101.7	103.8	down
Industrial Production (% MoM)	1.2	-0.2	0.0	1.4	-0.1	-0.6	-0.8	0.4	-0.8	1.4	-0.7			up
Factory Orders GE (% MoM)	3.3	0.7	0.8	0.2	2.6	-3.6	-0.2	-0.6	-1.6	2.6	-4.0			up
Unemployment Rate (%)	9.0	8.9	8.8	8.7	8.6	8.6	8.6	8.5	8.4	8.2	8.2	8.2		down
M3 Growth (% YoY, 3 months MA)	5.0	5.2	5.0	4.9	4.6	4.6	4.3	3.7	3.8	4.0	4.5	4.0		up
CPI (% YoY)	1.5	1.5	1.4	1.5	1.4	1.3	1.1	1.3	1.3	1.9	2.0	2.1	2.0	up
Core CPI (% YoY)	1.2	1.1	0.9	0.9	0.9	1.0	1.0	1.0	0.8	1.1	0.9	1.1	1.0	up
GDP (% QoQ)		0.7			0.7			0.4			0.4			
<b>Switzerland</b>	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Trend*
KOF Leading Indicator (Index)	104.4	106.1	109.2	110.3	111.4	107.5	108.3	105.0	103.3	100.0	101.3	101.7	100.3	down
PMI Manufacturing (Index)	61.4	62.2	61.5	64.6	65.6	65.3	65.5	60.3	63.6	62.4	61.6	61.9	64.8	up
Real Retail Sales (% YoY)	-1.2	0.3	-2.1	0.4	1.6	-0.4	-0.2	-1.0	3.0	0.4	0.2	-0.3		down
Trade Balance (Billion, CHF)	2.2	2.8	2.3	2.6	2.6	2.1	3.2	1.7	2.3	2.9	2.6	2.3		up
CPI (% YoY)	0.5	0.7	0.7	0.8	0.8	0.7	0.6	0.8	0.8	1.0	1.1	1.2		up
<b>Japan</b>	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Trend*
Nomura Manufacturing PMI (Index)	52.2	52.9	52.8	53.6	54.0	54.8	54.1	53.1	53.8	52.8	53.0	52.3	52.5	down
Machine Orders (% YoY)	4.4	-3.5	2.3	4.1	-5.0	2.9	2.4	-2.4	9.6	16.5	0.3			up
Industrial Production (% YoY)	5.0	2.5	5.7	3.6	4.5	2.9	1.6	2.4	2.6	4.2	-0.9	2.3		down
ECO Watchers Survey (Index)	49.6	49.6	49.9	52.4	53.9	49.1	48.4	51.7	50.9	47.7	48.2	47.5		down
Jobs to Applicants Ratio (Index)	1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6		up
Labour Cash Earnings (% YoY)	0.7	0.9	0.2	0.9	0.9	1.2	1.0	2.0	0.6	2.1	3.3			up
Department Store Sales (% YoY)	2.0	4.4	-1.8	2.2	-0.6	-1.2	-0.9	0.1	0.7	-2.0	3.1	-6.1		down
Money Supply M2 (% YoY)	4.0	4.1	4.1	4.0	3.6	3.4	3.2	3.1	3.2	3.2	3.1	3.0		down
CPI Ex Food & Energy (% YoY)	0.0	0.0	0.0	0.1	0.1	0.1	0.3	0.3	0.1	0.1	0.0	0.0		down
Exports (% YoY)	18.1	14.1	14.0	16.2	9.4	12.3	1.8	2.1	7.8	8.1	6.7	3.9		up
<b>China</b>	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Trend*
PMI Manufacturing (Index)	51.7	52.4	51.6	51.8	51.6	51.3	50.3	51.5	51.4	51.9	51.5	51.2	51.3	down
Industrial Production (% YoY)	6.0	6.6	6.2	6.1	6.2			6.0	7.0	6.8	6.0	6.0		up
Retail Sales (% YoY)	10.1	10.3	10.0	10.2	9.4			10.1	9.4	8.5	9.0	8.8		up
PPI (% YoY)	6.3	6.9	6.9	5.8	4.9	4.3	3.7	3.1	3.4	4.1	4.7	4.6		up
Exports (% YoY)	4.9	7.9	6.3	11.5	10.9	10.6	43.5	-3.0	12.1	12.1	11.2	12.2		down
CPI (% YoY)	1.8	1.6	1.9	1.7	1.8	1.5	2.9	2.1	1.8	1.8	1.9	2.1		down
RRR (%)	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	16.0	16.0	16.0	15.5	15.5	down
GDP (% YoY)		6.8			6.8			6.8			6.7			down
PMI Non Manufacturing (Index)	51.7	52.4	51.6	51.8	51.6	51.3	50.3	51.5	51.4	51.9	51.5	51.2	51.3	down
Aggregate Financing (Billions, CNY)	1489.5	1833.5	1035.7	1612.8	1148.1	3055.0	1165.1	1349.4	1582.4	763.6	1181.6	1040.0		down

Datasource: Bloomberg

\*Trend = Last 3m - Previous 3m

## Appendix 5

### Economic data

<b>Australia</b>	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Trend*
AiG Manufacturing (Index)	59.8	54.2	51.1	57.3	56.2	58.7	57.5	63.1	58.3	57.5	57.4	52.0	56.7	down
AiG Service (Index)	53.0	52.1	51.4	51.7	52.0	54.9	54.0	56.9	55.2	59.0	63.0	53.6		up
Westpac Consumer Confidence (% MoM)	-1.2	2.5	3.6	-1.7	3.6	1.8	-2.3	0.2	-0.6	-0.6	0.3	3.9	-2.3	up
Building Approvals (% YoY)	-12.6	1.3	19.1	23.3	-2.7	15.6	1.4	17.4	1.4	4.6	1.8	-5.6		down
Employment Change ('000, MoM)	53.8	20.8	9.6	62.8	33.6	39.2	-8.4	2.6	18.9	13.0	58.2	-3.9		up

<b>Brazil</b>	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Trend*
CPI (% YoY)	2.5	2.5	2.7	2.8	3.0	2.9	2.8	2.7	2.8	2.9	4.4	4.5		up
Industrial Production (% YoY)	2.8	4.0	2.5	5.5	4.7	4.6	5.8	2.2	1.2	9.0	-6.6	3.5		down
Retail Sales (% YoY)	3.1	3.6	6.2	2.6	6.0	4.0	3.1	1.5	8.0	0.6	2.7	1.5		down
Trade Balance (Millions, USD)	5599.0	5178.0	5201.0	3546.0	4998.0	2816.0	5002.0	6420.0	5935.0	5981.0	5882.0	4227.0		down
Budget Balance Primary (Billions, BRL)	-45.5	-53.3	-30.5	-30.0	-65.6	18.6	-45.8	-57.6	-26.8	-47.9	-57.9	-29.2		down

<b>Chile</b>	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Trend*
IMACEC Economic Activity Index (% YoY)	2.52	2.34	3.45	3.56	2.79	4.01	4.05	4.47	5.86	4.90	4.86			down
CPI (% YoY)	1.90	1.50	1.90	1.90	2.30	2.20	2.00	1.80	1.90	2.00	2.50	2.70		up
Retail Sales (% YoY)	5.57	3.81	3.43	5.56	4.24	3.86	3.55	3.90	6.17	2.91	6.25			down
Industrial Production (% YoY)	4.33	0.55	3.84	2.33	0.10	5.26	8.84	8.72	7.57	3.66	5.00	-1.55		down
Unemployment (%)	6.60	6.70	6.70	6.50	6.40	6.50	6.70	6.90	6.70	7.00	7.20	7.30		up

<b>Mexico</b>	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Trend*
PMI (Index)	54.0	52.4	52.5	52.5	52.4	51.6	52.9	53.5	51.3	51.2	52.0	50.0		down
CPI (% YoY)	6.7	6.4	6.4	6.6	6.8	5.6	5.3	5.0	4.6	4.5	4.7	4.8		down
Retail Sales (% YoY)	-0.2	-0.3	-0.1	-1.5	-2.0	0.5	1.2	1.2	3.3	2.5	3.7			up
Industrial Production (% YoY)	4.0	2.5	2.9	2.6	-0.1	1.3	0.7	-2.4	5.4	2.7	2.0			up
Remittances (Millions, USD)	2617.6	2489.2	2842.5	2420.8	2760.6	2267.6	2244.4	2674.8	2760.9	3155.9	3140.7			down

Datasource: Bloomberg

\*Trend = Last 3m - Previous 3m

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