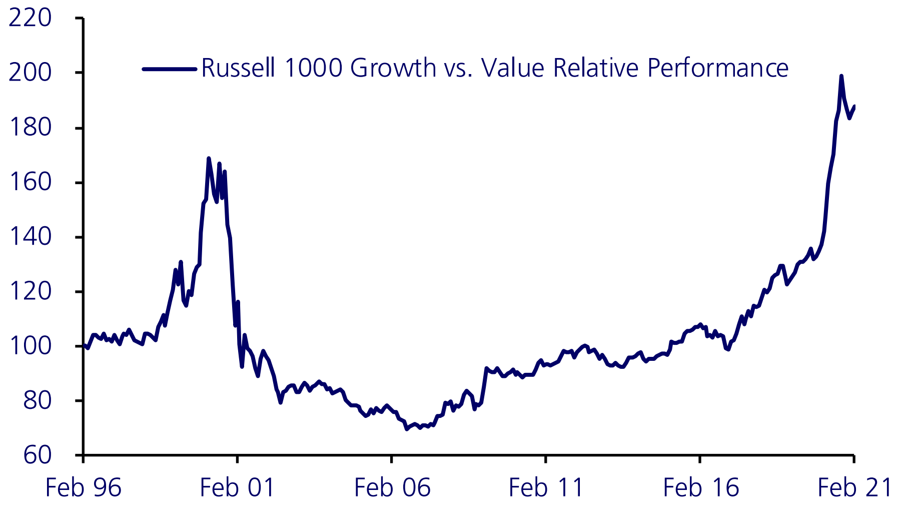
February 2, 2021

Monthly Investment Insights

The beginning of a great rotation?



Source: Bloomberg

The Democrats' election victory in the Georgia runoff has significantly changed the political landscape in the US as the Democrats now control the majority in both chambers of Congress and will therefore be able to implement at least some of their intended policies. With millions of Americans still without a job and facing the risk of a further slowdown in consumer spending President Biden has presented his economic rescue plan. It intends to inject another 1.9tn USD into the economy, with a focus on households and consumer spending. Even if a full implementation is unlikely, the expected boost to the economy has fuelled inflation expectations and lifted longer-term Treasury yields to the highest since March last year. The prospect of significant growth acceleration has triggered a reflation trade, benefitting cyclical stocks and fuelling the rotation from growth to value stocks that began after last November's positive news on the development of highly effective vaccines against COVID-19.

The reflation trade has run out of steam as worries regarding a slower than intended roll out of global vaccination programs and lockdown measures in many regions weigh on investors' mood. Nevertheless, although these obstacles could delay the expected normalisation of the global economy, we continue to expect economic activity to rebound strongly over the course of the year, particularly in the US. Therefore, the reflation trade is expected to gain momentum again as abundant liquidity will keep the buy-on-dip mentality alive, breathing new life into the rotation from growth to value stocks. It will also help to support markets with a higher share of value companies like the Eurozone or the UK, leading to bouts of outperformance as seen at the beginning of the year. Meanwhile, the reporting season for Q4/20 corporate earnings is still in full swing and US companies, particularly the large technology firms, have once again proven the robustness and profitability of their business models, reporting an impressive set of results.

With 40% of S&P 500 companies having reported so far, the beat/miss-ratio stands at 81% and current earnings surprises would lift the annual earnings growth rate back into positive territory. Undoubtedly, valuations are high from a historical perspective. However, given the expected boost to the economy from another massive fiscal stimulus injection and the Fed's ongoing commitment to keep the monetary taps wide open, the stock market should continue to benefit from a healthy environment, particularly given the lack of alternatives, if, as we believe, bond yields continue to rise once the economy fully reopens.

Market Assessment

Key developments

- Economic conditions are expected to be soft in Q1, but will be helped by additional support measures
- The broad nature of the equity rally is deemed constructive and can perpetuate the rally
- Corporate earnings are expected to be strong, with encouraging forward guidance

Zurich's view

The ongoing surge in COVID-19 infections is a drag on growth as regional lockdown measures continue to weigh on activity. However, mass vaccination programmes are broadening out and gaining momentum with companies and households increasingly looking through the near-term headwinds.

With the Democrats in control of the Presidency and Congress in the United States, another round of fiscal stimulus is expected to boost growth and bridge the gap until the economy fully reopens.

The expected normalisation of the global economy, fuelled by further fiscal stimulus measures and ongoing monetary support from global central banks, should continue to provide a healthy environment for equity returns.

The reflation trade and the rotation from growth to value stocks are expected to gain traction again, though news flow on infections and vaccinations is likely to lead to periods of higher volatility in the coming months. Nevertheless, solid earnings and the breadth of the recent rally are constructive and can perpetuate the momentum. Bond yields are expected to rise, but the upside is limited in the near term. Credit markets are expected to remain supported despite uncompelling valuations.

	Key developments	Zurich's view
Global	• Global economic activity remained strong in January, bolstered by brisk manufacturing and trade activity • Headline inflation rates rise, but this partly reflects base effects from higher energy prices while underlying price dynamics are muted • Fiscal and monetary support is extended allowing the global recovery to remain in place despite renewed lockdowns	Global economic activity remains resilient, with spending and sentiment supported by extended support measures and favourable financial conditions. Services activity has taken a hit, as expected, but the impact is much milder than during the initial spring lockdowns. Although virus mutations make the path towards mass immunity more unpredictable, we continue to see it as an inflection point that should allow for a gradual return towards normality. However, it will take time until mass immunisation is achieved, and it will be critical that support measures remain in place in the interim. Global bond yields have risen on expectations of increased US fiscal spending. Further upside is limited, reflecting continued central bank stimulus provisioning, along with a challenging economic environment.
US	• Democrats win both seats in the Georgia runoff giving them a slim majority in the US Senate • President Biden presents a new USD 1.9tn rescue plan to boost the economy • Consumer spending falls as the employment situation weakens and the number of payrolls falls	The S&P 500 reached a new record high on President Biden's inauguration day as fears about nationwide violent protests, which led to the mobilization of more than 25'000 national guard troops, did not materialise. The prospect for further stimulus as well as the Fed's commitment to maintaining its loose monetary policy are expected to keep supporting the equity market. Business activity as measured by the ISM surveys remains high, particularly given the still challenging situation around COVID. Despite this, the employment situation has deteriorated as the number of payrolls fell in December. Accordingly, consumer spending has come under pressure with retail sales falling for three months in a row. The new fiscal measures will help bridge the gap until the economy fully re-opens in a few months.
UK	• The economy is expected to contract again in Q1 as the third lockdown weighs on activity • The unemployment rate ticks up to 5% and is expected to rise further • Consumer sentiment suffers but remains above the levels seen during the first lockdown	The third lockdown is weighing on business activity with the service sector again hit particularly hard. The Composite PMI fell back to a modest 40.6 in January from 50.4 the month before, indicating that the economy is contracting again in the first quarter of the year. Momentum in the manufacturing sector slowed down, but the service sector is again suffering much more from the lockdown measures with the Services PMI tumbling to 38.8 from 49.4. The softer economic environment is also reflected in the unemployment rate rising to 5% in November. The employment situation is expected to deteriorate further given the current lockdown. Accordingly, consumer sentiment deteriorated in January though it remains above the levels seen during the first lockdown last year.
Eurozone	• Q4 GDP is not as bad as had been feared • Armin Laschet is elected as next leader of Germany's CDU party • In Italy, Prime Minister Conte resigns despite surviving a confidence vote	While Q4 GDP was less bad than feared, recent extensions of lockdown measures suggest the region will still experience a double-dip recession. However, we expect a strong recovery from Q2 onwards, provided difficulties in rolling out vaccines are overcome. Monetary and fiscal support remain substantial, with the ECB to continue with large-scale asset purchases in 2021. In Germany, Armin Laschet's election as the next CDU leader positions him as a likely chancellor candidate for the September elections. As a centrist emphasising continuity, his election removes the risk of more disruptive changes within the party. Meanwhile, Italian Prime Minister Giuseppe Conte has resigned. Most likely a new coalition government will be formed rather than fresh elections being held.
Switzerland	• Tighter lockdown measures weigh on services activity in January, but manufacturing momentum remains strong • Support measures are extended, which should limit the fallout from the lockdown, with activity set to reaccelerate after Q1 • The policy environment remains favourable, with monetary and fiscal support providing a potent backstop to the economy	Macro data have been resilient with the Manufacturing PMI at a two-year high. Both current output and new orders show strong momentum and broader services and construction activity have also been firm. Stringent lockdown measures have nonetheless been implemented, and the closing down of shops and restaurants will lead to weaker services activity in the first quarter. While the industrial sector should hold up better, trade data slowed notably in December, suggesting that lockdowns in neighbouring economies are also having an impact. Looking beyond the first quarter, growth is expected to reaccelerate as the underlying fundamentals remain healthy and additional support measures will limit the fallout of renewed lockdowns.

	Key developments	Zurich's view
Japan	• Further emergency measures are taken to tackle the third wave of COVID-19 • PM Suga is under pressure to deal with the pandemic and economy • Japanese equities are still trading in line with global equities	Prefectures under a state-of-emergency due to the third wave of COVID-19 make up about 60% of GDP. However, current measures are less strict than during the first wave. Consumer confidence is deteriorating while the external sector is holding up well. Fiscal support remains brisk following the release of the third supplementary budget. Public support for PM Suga's government has tumbled, as has support for the Tokyo Olympics. Japanese equities continue to perform in a narrow range compared to the MSCI World Index, while the broad Topix failed to mark a thirty-year high by a slim margin. While earnings revisions have risen for ten months, valuations suggest that this has already been discounted by investors. We continue to hold a neutral stance versus global equities.
China	• The government is restricting travel during the Lunar New Year due to new COVID-19 cases • The PBoC is normalising monetary policy • Strong 'southbound' flows lift Hong Kong listed internet stocks	Retail sales and public investment growth started to slow in December, a move that is likely to continue into Q1. COVID-19 cases have erupted in several North Eastern provinces, but as in previous instances, strict lockdown measures seem to have contained further spreading. However, consumer confidence may suffer, and the government has urged workers to refrain from travelling to their hometowns during the Lunar New Year holidays. This should have a negative impact on services consumption but will help factories to continue producing goods in high demand particularly in Europe and the US. Mainland China investors' interest in Hong Kong listed stocks has surged, benefitting many of the well-known internet names.
Australia	• Consumption shows signs of normalisation as pent-up demand diminishes • Housing demand is strong, and job growth remains supportive • Equities are moving sideways while the sovereign yield curve steepens further	As spending patterns normalise after Victoria's reopening, December retail sales show signs of a deceleration. The upcoming withdrawal of fiscal support in Q1 should also limit households' appetite for excessive consumption. Ultra-low mortgage rates, a record-high saving ratio and a swift economic recovery bolstered housing demand and lifted house prices. With homeowners taking advantage of the Home Builder scheme's 25k grant, which has been tapered to 15k in Q1 2021, December housing starts soared. Meanwhile, stock markets were relatively quiet in January as investors reassessed the risk of surging global COVID-19 cases and the potential vaccine delay. Nevertheless, equities should have some room for further upside once vaccine bottlenecks and distribution hurdles are tackled.
ASEAN	• Renewed lockdowns emerge in Malaysia, Thailand and Indonesia • Exports recover in a synchronised manner • Equities show fatigue as lockdown extensions loom	Malaysia, Thailand and Indonesia saw the number of new infection cases spike in January, triggering stringent restrictions in the most populous and critical economic regions. Partial lockdowns in these economies are likely to be extended and will have a negative implication for growth in Q1 2021. Following robust offshore capital inflows in early January, inflows softened in recent weeks as global risk sentiment weakened on the back of rising virus cases. Regional equity markets also experienced moderate corrections due to lockdown anxiety. However, we expect ample liquidity and the active participation of retail investors to keep stock prices supported in the medium term. In addition, global appetite for emerging market assets should also pick up once vaccines become more available.

Valuation snapshot (MSCI Indices)

Current trailing valuations

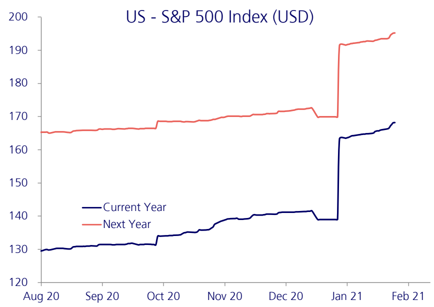
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	31.00	23.92	17.26	21.33	25.55	20.77	18.60	22.74	23.84
12m Trailing P/B	4.18	1.96	1.56	3.14	1.41	1.86	2.08	2.18	1.91
12m Trailing P/CF	18.25	10.99	8.36	14.92	9.09	12.78	14.81	9.50	8.76
Dividend Yield	1.52	2.22	3.40	2.89	2.05	2.13	1.57	2.76	2.25
ROE	13.50	8.21	9.02	14.73	5.51	8.97	11.16	9.59	8.02

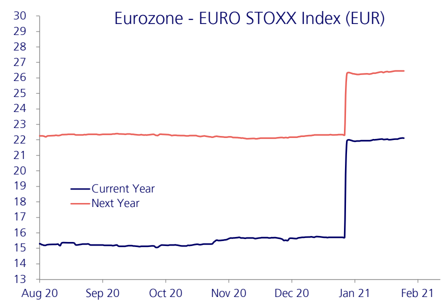
Current trailing valuations relative to MSCI world

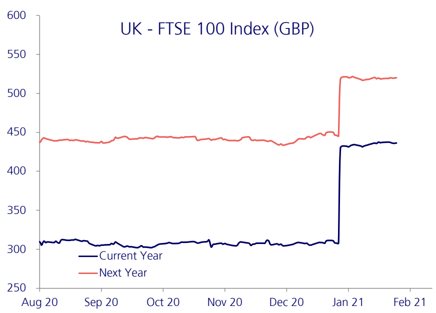
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.17	0.91	0.65	0.81	0.97	0.79	0.70	0.86	0.90
12m Trailing P/B	1.59	0.75	0.59	1.19	0.53	0.71	0.79	0.83	0.72
12m Trailing P/CF	1.31	0.79	0.60	1.07	0.65	0.92	1.07	0.68	0.63
Dividend Yield	0.81	1.18	1.81	1.53	1.09	1.13	0.83	1.47	1.20
ROE	1.35	0.82	0.90	1.47	0.55	0.90	1.12	0.96	0.80

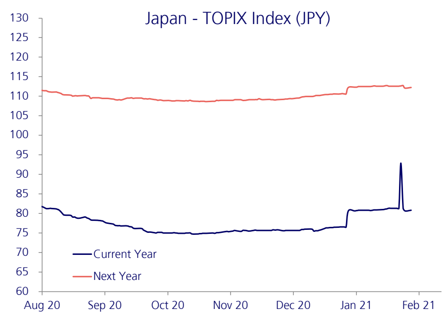
Source: Datastream

Earnings estimates - Full fiscal years



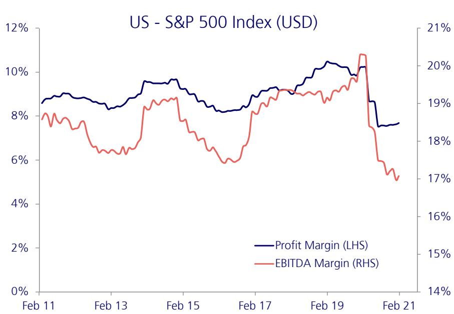


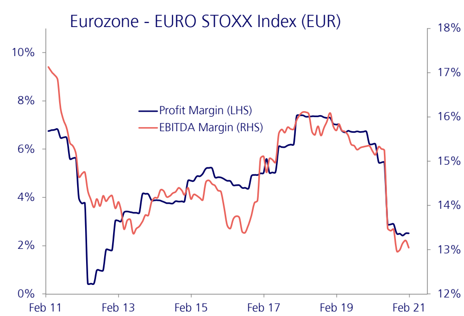


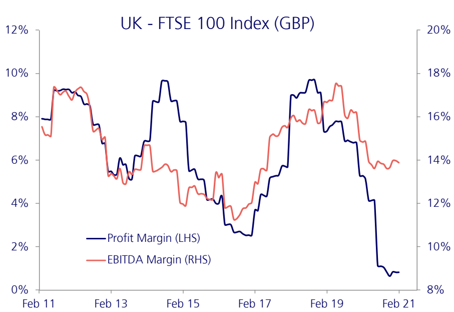


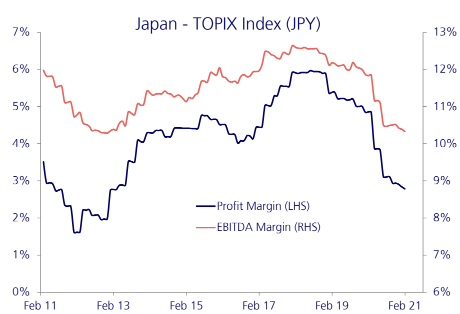
Historical margins

Source: Bloomberg





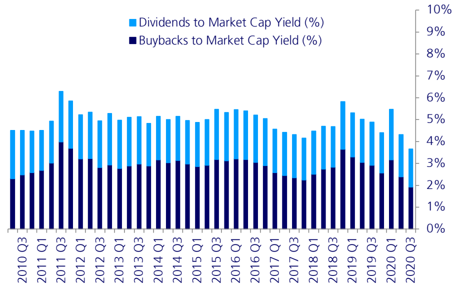




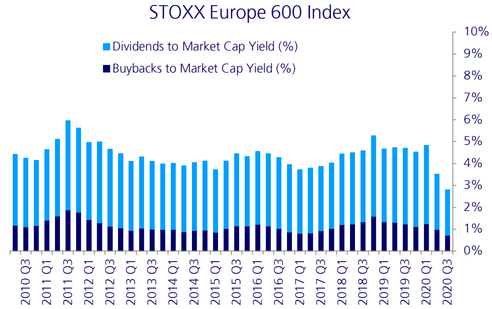
Source: Bloomberg

Dividends and shares buybacks

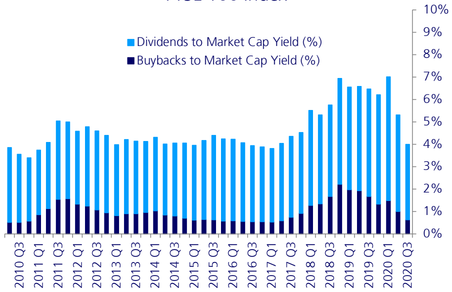
S&P 500 Index



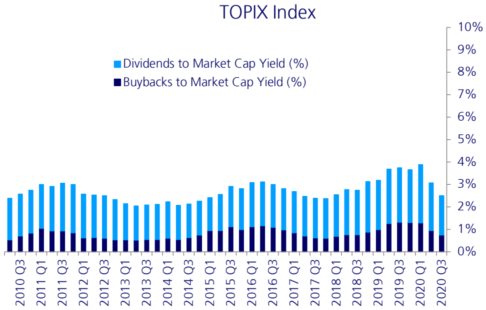
STOXX Europe 600 Index



FTSE 100 Index



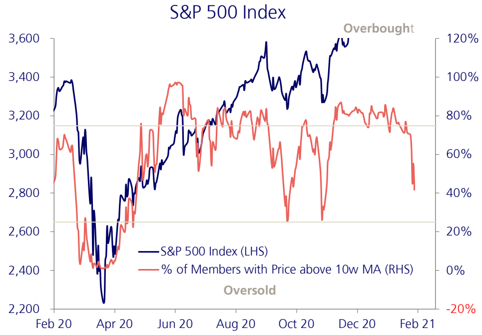
TOPIX Index



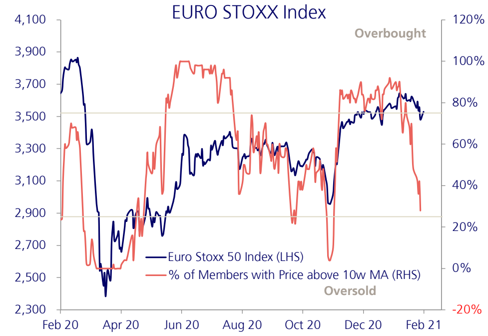
Source: Bloomberg

Overbought / Oversold

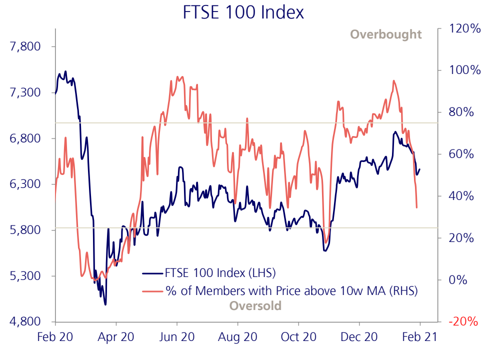
S&P 500 Index



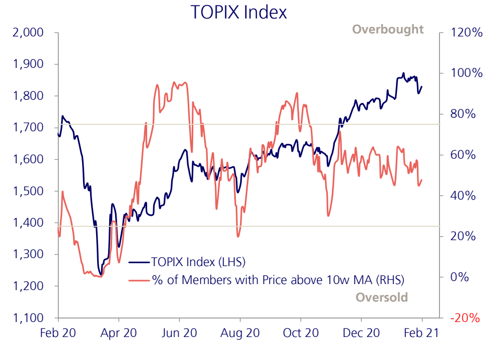
EURO STOXX Index



FTSE 100 Index



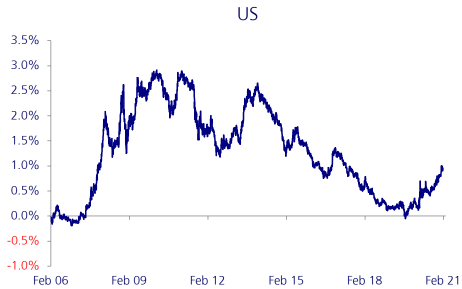
TOPIX Index

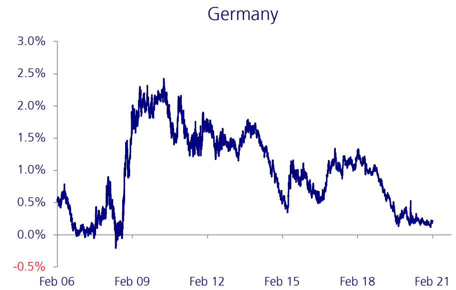


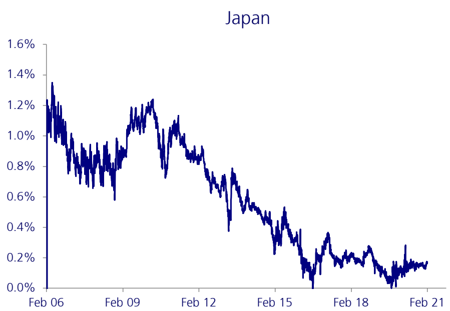
Source: Bloomberg

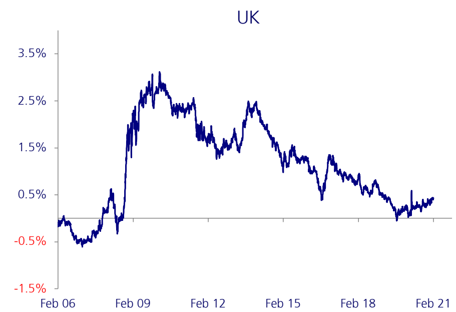
Appendix 3

Yield Curve Steepness (2yr-10yr)









Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Feb-21	1m ago	3m ago	1yr ago
UK	-75	-72	-63	-98
Germany	-158	-148	-152	-194
Switzerland	-148	-146	-141	-224
Japan	-101	-89	-85	-157
Australia	8	9	-13	-55
China	211	223	228	150
South Korea	72	81	71	6
Malaysia	164	174	177	163
Indonesia	509	497	569	517
Thailand	28		45	-22
Philippines	299	n/a	n/a	n/a
Brazil	650	n/a	704	n/a
Mexico	454	463	549	512
Colombia	448	447	488	444
Peru	259	260	315	246

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Feb-21	1m ago	3m ago	1yr ago
France	24	23	28	26
Netherlands	7	9	12	10
Belgium	19	19	24	25
Austria	14	15	20	18
Ireland	33	27	36	n/a
Italy	114	111	135	137
Spain	61	62	73	67
Portugal	55	60	70	70

Source: Bloomberg, ZIG

Economic data

US	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Trend*
ISM Manufacturing (Index)	51.1	50.3	49.7	41.7	43.1	52.2	53.7	55.6	55.7	58.8	57.7	60.5	58.7	up
ISM Non-Manufacturing (Index)	55.9	56.7	53.6	41.6	45.4	56.5	56.6	57.2	57.2	56.2	56.8	57.7		down
Durable Goods (% MoM)	-0.2	2.0	-16.7	-18.3	15.0	7.7	11.8	0.4	2.1	1.8	1.2	0.2		down
Consumer Confidence (Index)	130.4	132.6	118.8	85.7	85.9	98.3	91.7	86.3	101.3	101.4	92.9	87.1	89.3	down
Retail Sales (% MoM)	4.9	4.5	-5.6	-19.9	-5.6	2.2	2.7	3.6	6.1	5.4	3.7	2.9		down
Unemployment Rate (%)	3.5	3.5	4.4	14.8	13.3	11.1	10.2	8.4	7.8	6.9	6.7	6.7		down
Avg Hourly Earnings YoY (% YoY)	3.3	3.3	3.5	7.7	6.6	5.4	4.7	4.8	4.5	4.5	4.5	5.2		up
Change in Payrolls ('000, MoM)	214.0	251.0	-1373.0	-20787.0	2725.0	4781.0	1761.0	1493.0	711.0	654.0	336.0	-140.0		down
PCE (% YoY)	1.8	1.9	1.7	0.9	1.0	1.1	1.3	1.4	1.5	1.4	1.4	1.5		up
GDP (%, QoQ, Annualized)			-5.0			-31.4			33.4			4.0		down

UK	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Trend*
PMI Services (Index)	53.9	53.2	34.5	13.4	29.0	47.1	56.5	58.8	56.1	51.4	47.6	49.4	38.8	down
Consumer Confidence (Index)	-9.0	-7.0	-9.0	-34.0	-34.0	-30.0	-27.0	-27.0	-25.0	-31.0	-33.0	-26.0	-28.0	down
Unemployment Rate (%)	3.9	4.0	4.0	4.0	4.1	4.1	4.3	4.5	4.8	4.9	5.0			down
CPI (% YoY)	1.8	1.7	1.5	0.8	0.5	0.6	1.0	0.2	0.5	0.7	0.3	0.6		down
GDP (% YoY)			-2.4			-20.8			-8.6					

Eurozone	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Trend*
PMI Manufacturing (Index)	47.9	49.2	44.5	33.4	39.4	47.4	51.8	51.7	53.7	54.8	53.8	55.2	54.8	up
PMI Services (Index)	52.5	52.6	26.4	12.0	30.5	48.3	54.7	50.5	48.0	46.9	41.7	46.4	45.0	down
IFO Business Climate (Index)	95.2	95.8	86.7	75.5	80.5	86.1	90.0	92.3	93.3	92.6	90.9	92.2	90.1	down
Industrial Production (% MoM)	1.8	0.0	-11.2	-18.6	12.8	9.3	5.6	0.4	0.2	2.3	2.5			down
Factory Orders GE (% MoM)	4.9	-1.2	-14.9	-25.9	10.4	28.9	3.3	5.4	0.9	3.3	2.3			down
Unemployment Rate (%)	7.3	7.2	7.4	7.3	7.6	7.9	8.6	8.6	8.6	8.4	8.3	8.3		down
M3 Growth (% YoY, 3 months MA)	5.2	5.5	7.5	8.2	9.0	9.3	10.1	9.5	10.4	10.5	11.0	12.3		up
CPI (% YoY)	1.4	1.2	0.7	0.3	0.1	0.3	0.4	-0.2	-0.3	-0.3	-0.3	-0.3		down
Core CPI (% YoY)	1.1	1.2	1.0	0.9	0.9	0.8	1.2	0.4	0.2	0.2	0.2	0.2		down
GDP (% QoQ)			-3.7			-11.7			12.4					

Switzerland	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Trend*
KOF Leading Indicator (Index)	98.6	99.1	88.0	54.6	52.3	65.7	86.9	107.5	110.0	106.3	103.7	104.1	96.5	down
PMI Manufacturing (Index)	47.8	49.5	43.7	40.7	42.1	41.9	49.2	51.8	53.1	52.3	55.2	53.7	59.4	up
Real Retail Sales (% YoY)	0.2	0.9	-6.1	-19.1	7.0	3.0	3.5	3.8	1.3	4.7	1.8	4.7		up
Trade Balance (Billion, CHF)	4.7	3.5	3.9	4.0	2.6	3.2	3.3	3.5	3.0	3.9	4.5	2.9		up
CPI (% YoY)	0.2	-0.1	-0.5	-1.1	-1.4	-1.3	-0.9	-0.9	-0.8	-0.6	-0.7	-0.8		up

Japan	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Trend*
Nomura Manufacturing PMI (Index)	48.8	47.8	44.8	41.9	38.4	40.1	45.2	47.2	47.7	48.7	49.0	50.0	49.8	up
Machine Orders (% YoY)	-0.3	-2.4	-0.7	-17.7	-16.3	-22.5	-16.2	-15.2	-11.5	2.8	-11.3			up
Industrial Production (% YoY)	-2.4	-5.7	-5.2	-15.0	-26.3	-18.2	-15.5	-13.8	-9.0	-3.0	-3.9	-3.2		up
ECO Watchers Survey (Index)	40.6	27.4	15.9	9.5	15.4	38.0	41.3	43.3	48.7	53.6	46.1	36.5		up
Jobs to Applicants Ratio (Index)	1.5	1.5	1.4	1.3	1.2	1.1	1.1	1.0	1.0	1.0	1.1	1.1		up
Labour Cash Earnings (% YoY)	1.0	0.7	0.1	-0.7	-2.3	-2.0	-1.5	-1.3	-0.9	-0.7	-1.8			up
Department Store Sales (% YoY)	-3.1	-12.2	-33.4	-72.8	-65.6	-19.1	-20.3	-22.0	-33.6	-1.7	-14.3	-13.7		up
Money Supply M2 (% YoY)	2.8	3.0	3.2	3.7	5.1	7.2	7.9	8.6	9.0	9.0	9.1	9.2		up
CPI Ex Food & Energy (% YoY)	0.4	0.2	0.3	-0.1	0.1	0.2	0.3	-0.4	-0.3	-0.4	-0.4	-0.5		down
Exports (% YoY)	-2.6	-1.0	-11.7	-21.9	-28.3	-26.2	-19.2	-14.8	-4.9	-0.2	-4.2	2.0		up

China	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Trend*
PMI Manufacturing (Index)	50.0	35.7	52.0	50.8	50.6	50.9	51.1	51.0	51.5	51.4	52.1	51.9	51.3	up
Industrial Production (% YoY)			-1.1	3.9	4.4	4.8	4.8	5.6	6.9	6.9	7.0	7.3		up
Retail Sales (% YoY)			-15.8	-7.5	-2.8	-1.8	-1.1	0.5	3.3	4.3	5.0	4.6		up
PPI (% YoY)	0.1	-0.4	-1.5	-3.1	-3.7	-3.0	-2.4	-2.0	-2.1	-2.1	-1.5	-0.4		up
Exports (% YoY)	-2.9	-40.6	-6.9	3.1	-3.5	0.2	6.8	9.1	9.4	10.9	20.6	18.1		up
CPI (% YoY)	5.4	5.2	4.3	3.3	2.4	2.5	2.7	2.4	1.7	0.5	-0.5	0.2		down
RRR (%)	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	neutral
GDP (% YoY)			-6.8			3.2			4.9			6.5		up
PMI Non Manufacturing (Index)	50.0	35.7	52.0	50.8	50.6	50.9	51.1	51.0	51.5	51.4	52.1	51.9	51.3	up
Aggregate Financing (Billions, CNY)														neutral

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Economic data

Australia	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Trend*
AiG Manufacturing (Index)	45.4	44.3	53.7	35.8	41.6	51.5	53.5	49.3	46.7	56.3	52.1	55.3	55.3	up
AiG Service (Index)	47.4	47.0	38.7	27.1	31.6	31.5	44.0	42.5	36.2	51.4	52.9			down
Westpac Consumer Confidence (% MoM)	-1.8	2.3	-3.8	-17.7	16.4	6.3	-6.1	-9.5	18.0	11.9	2.5	4.1	-4.5	down
Building Approvals (% YoY)	-7.8	-2.4	2.9	7.5	-9.5	-14.0	8.1	1.5	11.7	15.6	15.0			up
Employment Change ('000, MoM)	10.8	18.4	-5.5	-606.4	-265.7	227.0	117.8	163.4	-44.1	180.4	90.0	50.0		up

Brazil	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Trend*
CPI (% YoY)	4.2	4.0	3.3	2.4	1.9	2.1	2.3	2.4	3.1	3.9	4.3	4.5		up
Industrial Production (% YoY)	-1.3	-0.9	-0.3	-3.8	-27.6	-21.8	-8.8	-2.7	-2.5	3.7	0.3	2.8		up
Retail Sales (% YoY)	2.6	1.4	4.7	-1.1	-17.1	-7.4	0.5	5.5	6.2	7.3	8.4	3.4		up
Trade Balance (Millions, USD)	2325.3	3832.6	5999.5	4152.6	7067.3	7955.1	6347.7	5945.2	5366.9	3727.7	-41.6	-1125.0		down
Budget Balance Primary (Billions, BRL)	19.1	-49.4	-79.7	-115.8	-140.4	-210.2	-86.9	-121.9	-103.4	-30.9	-20.1	-75.8		up

Chile	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Trend*
IMACEC Economic Activity Index (% YoY)	1.46	3.33	-3.47	-14.29	-15.52	-13.61	-11.29	-11.04	-4.84	-1.16	0.28	-0.37		up
CPI (% YoY)	3.46	3.89	3.74	3.42	2.75	2.63	2.50	2.45	3.09	2.95	2.73	2.97		up
Retail Sales (% YoY)	4.46	-14.82	-31.66	-28.71	-24.19	-17.33	3.16	10.06	19.77	25.05	10.40			up
Industrial Production (% YoY)	1.95	5.29	0.65	-3.92	-5.86	-2.60	-3.33	-4.85	1.85	3.55	-0.71	-4.09		up
Unemployment (%)	7.40	7.80	8.20	9.00	11.20	12.20	13.10	12.90	12.30	11.60	10.80	10.30		down

Mexico	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Trend*
PMI (Index)	49.2	47.5	44.2	40.7	38.1	43.3	48.1	45.6	46.8	49.6	48.9	48.7		up
CPI (% YoY)	3.2	3.7	3.3	2.2	2.8	3.3	3.6	4.1	4.0	4.1	3.3	3.2		down
Retail Sales (% YoY)	1.3	1.8	-2.0	-23.8	-23.8	-16.7	-12.6	-10.8	-7.1	-7.1	-5.1			up
Indutrial Production (% YoY)	-1.3	-1.1	-5.6	-35.1	-36.9	-16.2	-8.8	-9.3	-3.1	-1.3	-2.1			up
Remittances (Millions, USD)	2620.9	2732.0	4044.8	2909.5	3445.4	3537.0	3531.9	3574.2	3570.4	3598.3	3381.2			down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Zurich Insurance Company Ltd
Investment Management
Mythenquai 2
8002 Zurich

173001630 01/16) TCL