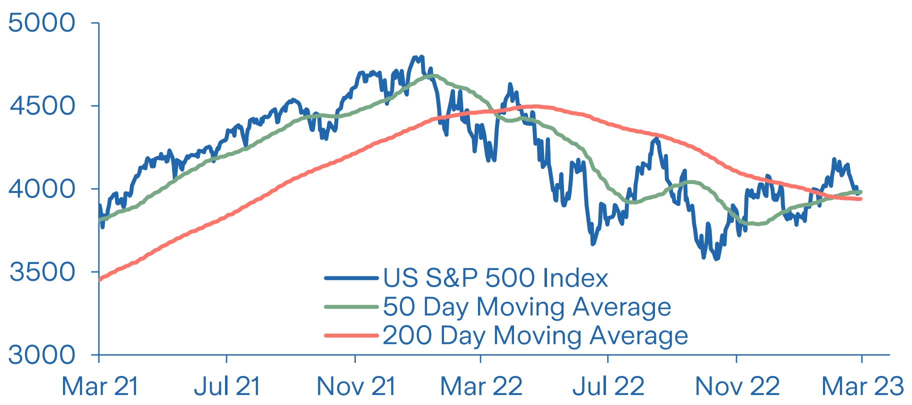
Monthly Investment Insights

1 March 2023

Investor sentiment softens as sticky inflation worries central banks



Source: Bloomberg

Good economic news has become bad news for investors, with signs of a resilient US labour market (non-farm payrolls were up more than 500k in January) and rebounds in business confidence and economic activity in Europe and China prompting higher government bond yields in developed economies and a sell-off in global equity markets in February. The US S&P 500 was down around 2.5% over the month, while 10yr US Treasury yields rose around 40 basis points (bps) and the German 10yr bund yield is at a 12-year high, up also around 40bps on the month. The reason for the sell-off in equities is that the stronger macroeconomic data are affecting inflation numbers, which are still too high for the comfort of central banks, especially on the closely watched core measures (US core PCE was 4.7% YoY in January and core HICP was 5.3% YoY in the Eurozone). This has prompted a ratcheting up in policy rate expectations and hawkish rhetoric from policymakers. The risk is that central banks will keep raising interest rates until something breaks.

We therefore maintain a modest underweight stance to risk assets. In addition, we are also concerned that global growth may not be as resilient as some observers think. We still expect a recession in the US later this year as the lagged effect of Fed tightening impacts the economy. What's more, US equities are at critical technical levels, with the S&P 500 having broken out of its downward-sloping 200-day moving average in January but now retesting this level from above.

In Europe, although the slowdown over the winter was less bad than feared, particularly given the non-event of natural gas rationing, the economic recovery remains fragile and exposed to shocks. Eurozone banks are tightening lending conditions and consumer confidence remains extremely depressed, even though it has rebounded somewhat in recent months.

In China, the news flow is encouraging with the reopening of the economy proceeding without obvious hiccups. However, with a 60% rally in Chinese equities (on the MSCI China Index) since early November to late January, a lot of good news was arguably already priced in and in recent weeks Chinese equities have indeed also fallen back, though we think they could stabilise and move higher later this year. China's reopening should also help boost the global economy, but not enough to prevent either slower global growth this year compared to 2022 or a US recession that we still expect this year as well. The upshot is that we remain cautious on risk assets.

Market Assessment

Key developments

- Inflation remains too high and sticky for central banks' comfort, especially on the core measures
- Equities across many regions give back some of their year-to-date gains, especially US bourses
- Government bond yields move higher as investors price in higher policy rates

Zurich's view

Expectations for central bank policy rate tightening ratcheted higher in February as inflation moved higher than expected in several regions. This has led to a sharp rise in bond yields across DM government bond curves and weakness in equity markets, which have given back some of the gains from earlier this year across a number of regions.

More fundamentally, it highlights the fragility of bullish investors' sentiment to central bank tightening, which we fear could continue 'until something breaks'. Overall, investor sentiment appears too optimistic, with little risk premia being priced in to risk assets despite the recent sell-off, and we maintain a modest tactical underweight to risk assets.

Credit markets, especially US Investment Grade and global High Yield markets, appear to show a poor risk reward in the face of an expected US recession and the recent angst that has emerged around rates likely remaining higher for longer. Spreads are close to cycle tights while rising funding costs and earning declines in a recession are likely to cause more downgrades and defaults, which, as per the bankruptcy data, are already rising sharply in the US and Europe.

	Key developments	Zurich's view
Global	• Global growth edges higher amid divergent conditions; services are resilient while manufacturing and world trade remain in contraction • Inflation surprises to the upside in key regions with core inflation remaining sticky and labour markets tight • Prospects for further monetary policy tightening increase, leading yields higher	The combination of reopening in China, lower energy prices in Europe, and resilient US consumer spending has led to better growth dynamics in early 2023 after a sharp deterioration in Q4 last year. Activity is divergent though. While services are expanding at a brisk pace, manufacturing is in contraction and rate sensitive sectors, most notably housing and construction, face strong headwinds, with falling prices and declining activity in many regions. Momentum around world trade is also stubbornly weak. Industrial production and exports from Asian trade hubs are declining with no clear signs of a bottoming in activity yet. Given resilient economic activity and further evidence of sticky core inflation, the hurdle for central banks to pause tightening is high.
US	• PCE inflation surprises to the upside with both the headline and core readings picking up in January • The labour market remains extremely tight with initial jobless claims low and payrolls strong • Both equity and bond markets sell-off meaningfully as higher rate expectations are priced in	Early 2023 shows a still resilient economy, with a very tight labour market and consumer spending and services surprising positively, but some divergence is showing. While interest rate sensitive sectors such as housing and durable goods orders remain under pressure, a combination of full employment, high savings and robust wage growth have supported consumption. The Services PMI has moved into expansionary territory for the first time since June, but with strong demand has come more troubling inflation. PCE inflation rose at both the headline and core levels in January, increasing expectations for the Fed's terminal rate. The S&P 500 and Nasdaq are off more than 5% since early February, while the Dow is negative for the year, with risks still to the downside in what is likely to be choppy trading.
UK	• Business confidence rebounds in February, with the Composite PMI back above 50 for the first time since July • Headline inflation slows to 10.1% YoY but is still way too high for the Bank of England • PM Rishi Sunak agrees a deal in the Northern Ireland Brexit negotiations with the EU, but this will require sign-off	The Flash Composite PMI rebounded from 48.5 in January to 53.0 in February while the new orders sub-index also returned to growth, with an especially strong increase in the service sector. Meanwhile, headline inflation continues to fall, to 10.1% in January from 10.5% in December, but it remains way too high for the Bank of England, especially with a still tight labour market. The upshot is that the Bank may opt to tighten rates still further. Meanwhile, Prime Minister Rishi Sunak has secured an agreement with the EU to reform the Northern Ireland Protocol via the so called 'Windsor Framework'. However, he now faces the difficult task of convincing Northern Ireland's politicians and his own MPs of the merits of the agreement in order to get it through Parliament.
Eurozone	• The Flash Composite PMI moves further above 50 • Initial estimate of Q4 GDP shows 0.1% QoQ growth, but this could be revised down • Headline inflation continues to fall, but core remains sticky	Various business and consumer confidence surveys improved further in February. In particular, the Composite Eurozone PMI moved further above the 50 expansion/ contraction line. Consumer confidence has also picked up, though it remains low by historical standards. The first estimates of Q4 GDP at 0.1% QoQ suggest that the region just escaped contraction at the end of last year, but this figure could be revised down subsequently. More fundamentally, the economic recovery will remain fragile as we expect the US slowdown to gather intensity this year and as the ECB continues to hike interest rates into a weak economy. Indeed, despite falling headline inflation, core inflation remains sticky, hovering at around 5% YoY over the past few months, suggesting that further policy rate hikes by the ECB are likely.
Switzerland	• GDP is flat in Q4, but leading indicators suggest that a rebound is underway, with domestic demand set to remain resilient • CPI inflation firms in January on higher electricity prices while core inflation remains benign • The SNB is expected to continue hiking rates in March, with tight labour markets a concern	GDP stagnated in Q4 2022, with no growth in the economy. This was in line with our expectations, and left growth for the year at 2.1%. Weakness was driven by construction and manufacturing, which are both in contraction, while consumption remains resilient. Equipment and software investment were also brisk, helped by easing supply constraints and tight capacity in many sectors. Having rebounded meaningfully from the November low, the KOF leading indicator edged higher again in February, indicating that Q4 may have marked a low for growth. Inflation ticked higher in January, mainly reflecting a well-flagged hike in electricity prices. The labour market remains very tight however and wages are set to drift higher in 2023. As signalled in its last meeting, the SNB is set to deliver another rate hike in March.

	Key developments	Zurich's view
Japan	• The services sector is in good shape, while industrial production remains volatile • New BoJ Governor Kazuo Ueda and his two new deputies are expected to exit YCC in a gradual manner • The MSCI Japan has started to outperform global equities	Japan's economic recovery is being driven by increasing services consumption, which has been impacted by public travel discounts and rising inbound tourism. While the former is likely to wane, the latter should gain steam. Industrial production in January was affected by the 10% drop in auto production due to lacklustre Lunar New Year demand, but we expect a bounce back in February and are encouraged by more positive forward-looking indicators. On the monetary policy front, we believe newly nominated BoJ Governor Kazuo Ueda will gradually remove Yield Curve Control (YCC) policy. While the MSCI Japan was rangebound in February, we note an outperformance versus global equities, while BoJ intervention has kept the 10yr JGB yield at 0.5%.
China	• Services consumption is driving an impressive 'reopening' economic recovery • The property market appears to be stabilising • Chinese equities have digested the prior steep recovery	China's reopening following the abolition of Covid restrictions has given a massive impetus to economic activity, particularly for consumer related services. The impressive spike of the NBS Non-Manufacturing PMI from 41.6 to 56.3 within just two month reflects the 'V'-shaped recovery. Foreign demand has been lacklustre, but we note that the PMI for new export orders has spiked by more than eight points into expansionary territory. Meanwhile, the property market remains vulnerable as home sales have not yet recovered, but public stimulus and higher foot traffic to show rooms are encouraging. Following the equity market recovery, which pushed the MSCI China up by 60% in just three months, investors turned more cautious as the drop by 15% in February reflects. We maintain our positive stance.
Australia	• The Reserve Bank of Australia (RBA) is signaling more interest rate hikes ahead • The labour market shows tentative signs of cooling • Australian equities retreat after a strong performance fuelled by positive news regarding China's reopening	With inflation still elevated and broad-based, the RBA's latest forward guidance and Governor Lowe's recent statements suggest a more hawkish tone, indicating further rate hikes ahead. Market pricing now implies the RBA's terminal rate will exceed 4%. However, we think inflation is in the process of peaking given initial signs of cooling in the job market and moderating wage growth in Q4. Hence, the current market pricing is probably overdone. The unemployment rate accelerated from 3.5% to 3.7% in January, a notch below the RBA's projection of 3.75% for year-end 2023, while both job growth and worked hours have softened. Australian stocks, after a favourable start to the year, have come under pressure given ongoing monetary policy tightening and waning optimism regarding China's reopening.
ASEAN	• The central banks of Indonesia and Malaysia have opted to maintain their policy rates • Q4 GDP data suggest economic activity is slowing markedly • Fund flows into both bond and equity markets have slowed and equities are trading rangebound	Bank Indonesia (BI) and Bank Negara Malaysia (BNM) kept their policy rates unchanged, and signalled that they have reached their peaks. With inflation remaining elevated in the Philippines and a tentative recovery of tourism in Thailand likely adding to inflation pressure, the central banks have raised their policy rates by 50bps and 25bps respectively and kept the door open for future rate hikes. Q4 GDP data revealed a considerable slowdown in activity across the region amid declining exports and lacklustre industrial production. The export weakness is expected to continue due to slowing global demand, but improving imports by China might offset some of the negative effects. Meanwhile, fund flows into both bond and equity markets have stalled amid a strengthening USD and rising US government bond yields.
LatAm	• Central banks remain hawkish, signalling high interest rates for a more extended period • Inflation expectations continue to increase, remaining above the targets • The equity market in Brazil is under pressure due to the fiscal uncertainty	Inflation expectations for 2023 have been increasing and will likely push central banks to keep interest rates high for longer. In Chile, inflation surprised to the upside, reaching 12.3% YoY amid sticky core inflation and a less negative economic outlook due to the reopening of the Chinese economy and the decrease in political uncertainty. In Brazil, the improvement in the service sector supported economic activity in December. Nevertheless, the economic outlook for H1 2023 is challenging due to the increase in inflation expectations and the high interest rate. Fiscal uncertainty and Lula's criticism of the Central Bank are affecting investor sentiment and increasing financial market volatility. The Central Bank of Mexico surprised the market by raising the policy rate by 50bps to 11% and signalling future rate hikes.

Valuation snapshot (MSCI Indices)

Current trailing valuations

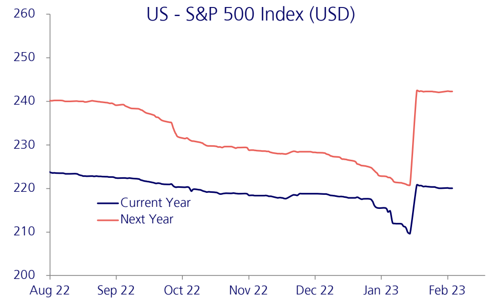
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	19.39	14.13	11.32	16.22	13.77	14.26	14.47	5.60	12.62
12m Trailing P/B	3.87	1.79	1.66	3.01	1.20	1.58	1.39	1.52	1.81
12m Trailing P/CF	15.48	8.10	8.25	10.67	9.39	9.37	9.12	5.51	7.78
Dividend Yield	1.70	3.13	3.77	3.03	2.65	3.12	2.43	12.83	4.24
ROE	19.93	12.68	14.64	18.55	8.69	11.10	9.63	27.14	14.36

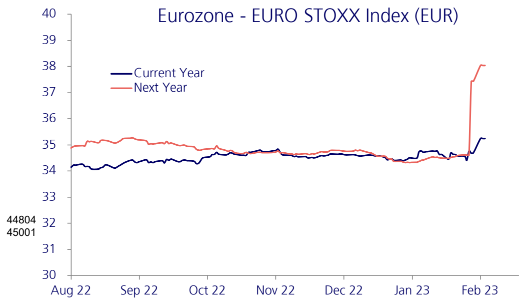
Current trailing valuations relative to MSCI world

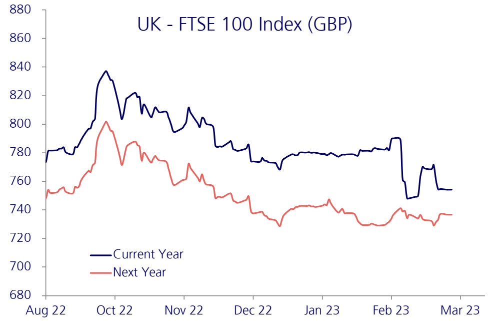
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.19	0.87	0.69	0.99	0.84	0.87	0.89	0.34	0.77
12m Trailing P/B	1.56	0.72	0.67	1.22	0.48	0.64	0.56	0.61	0.73
12m Trailing P/CF	1.31	0.69	0.70	0.90	0.79	0.79	0.77	0.47	0.66
Dividend Yield	0.73	1.34	1.61	1.29	1.13	1.34	1.04	5.48	1.81
ROE	1.32	0.84	0.97	1.22	0.57	0.73	0.64	1.79	0.95

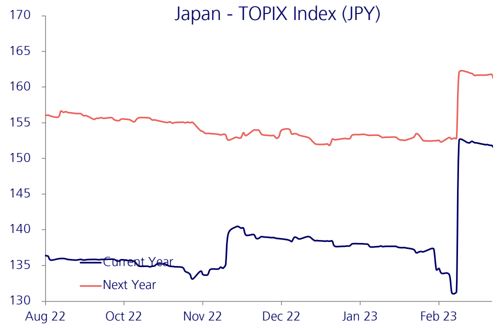
Source: Datastream

Earnings estimates - Full fiscal years



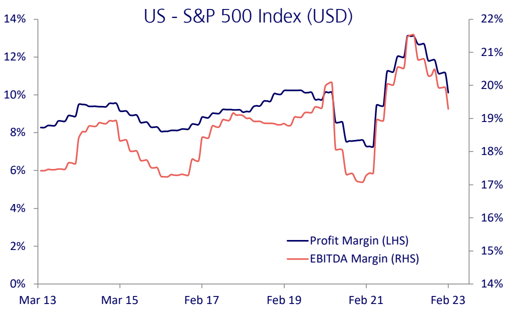


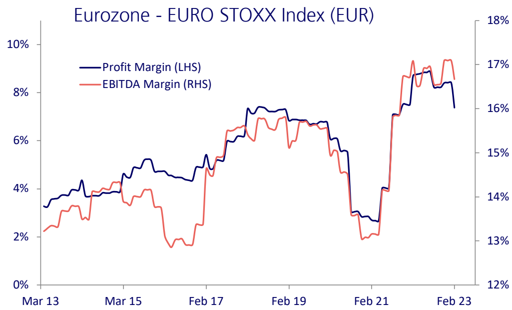


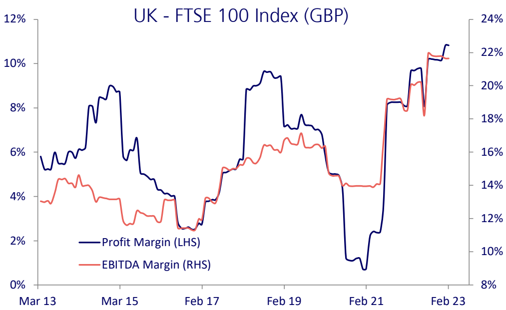


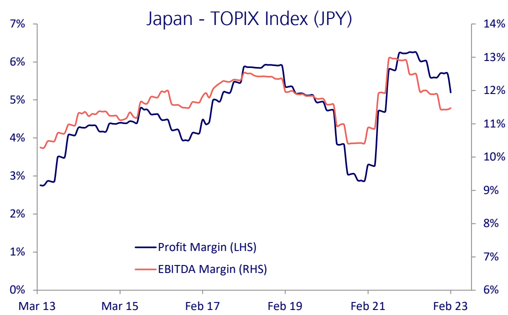
Source: Bloomberg

Historical margins









Source: Bloomberg

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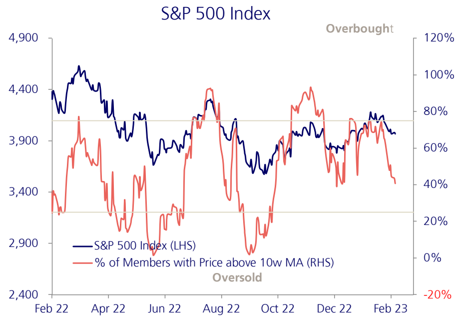
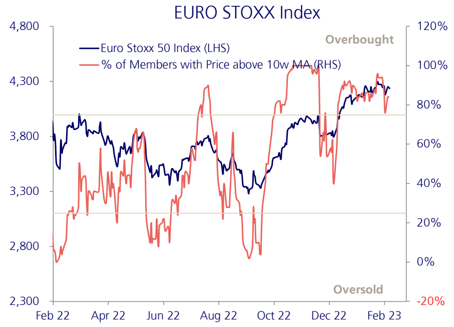
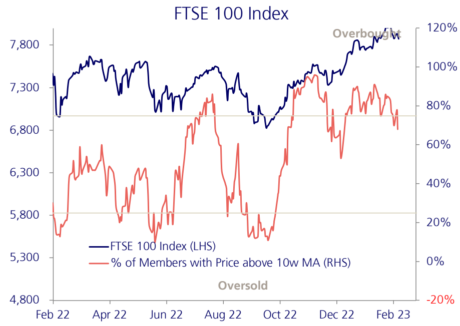
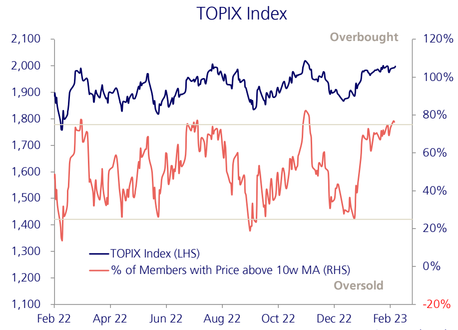
Overbought / Oversold





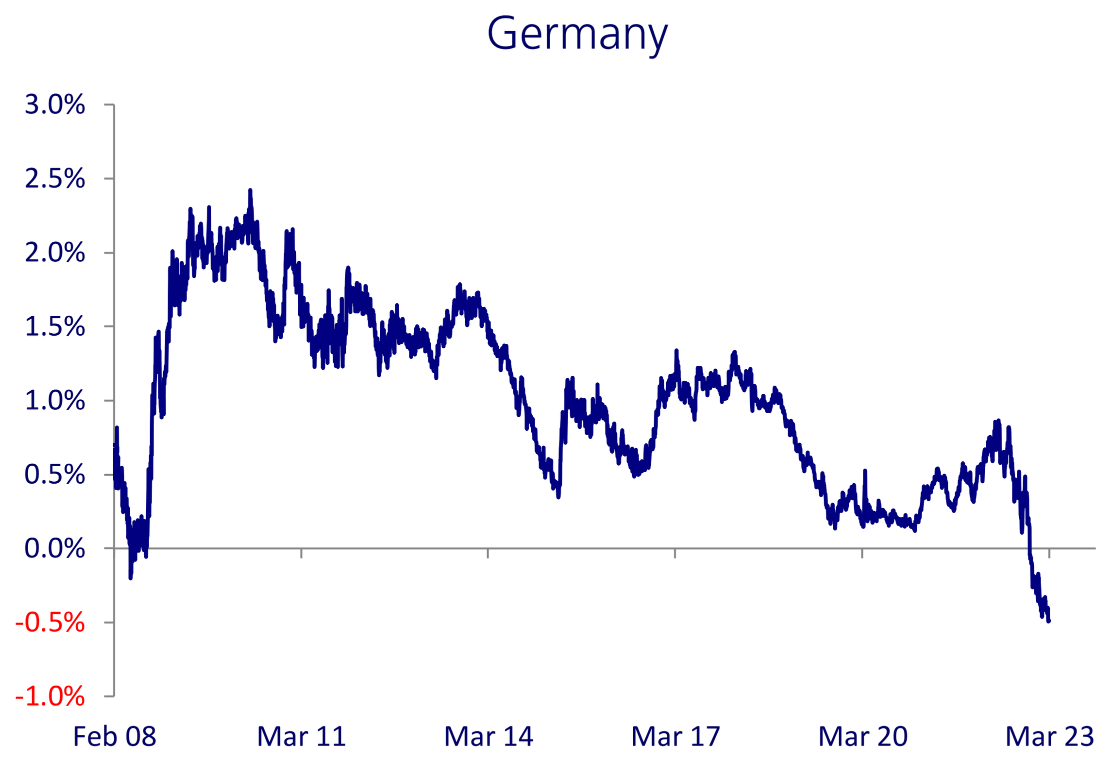


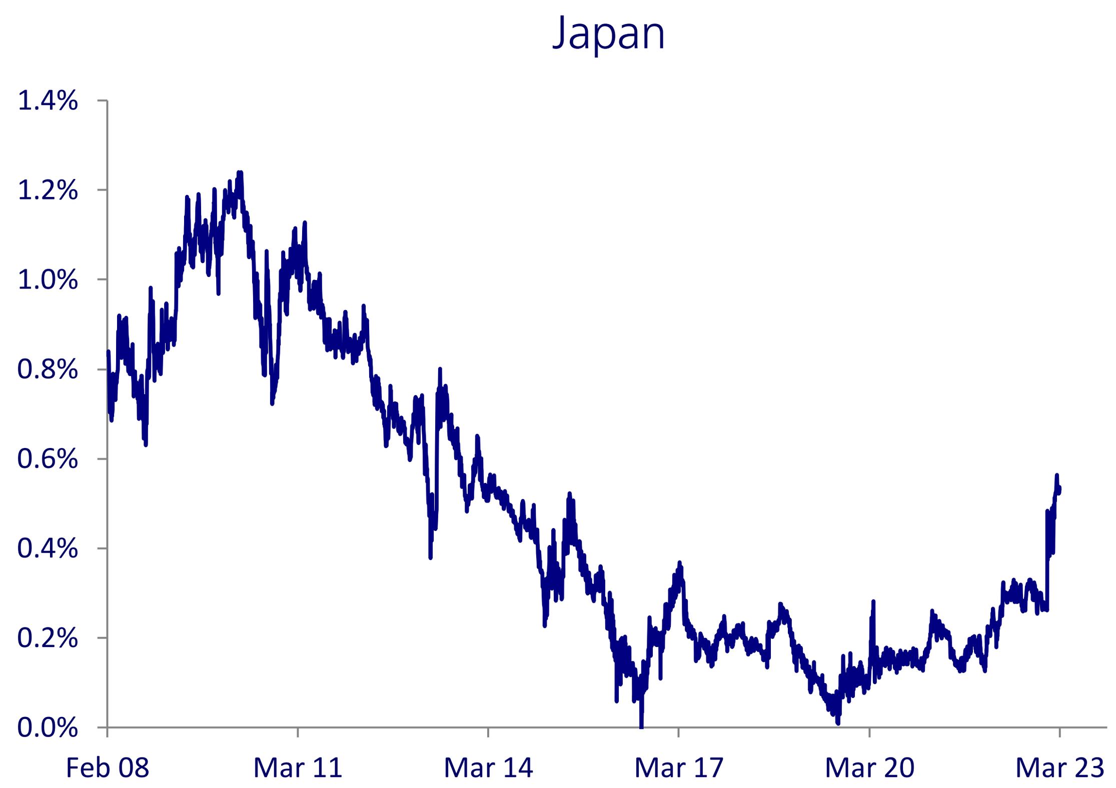


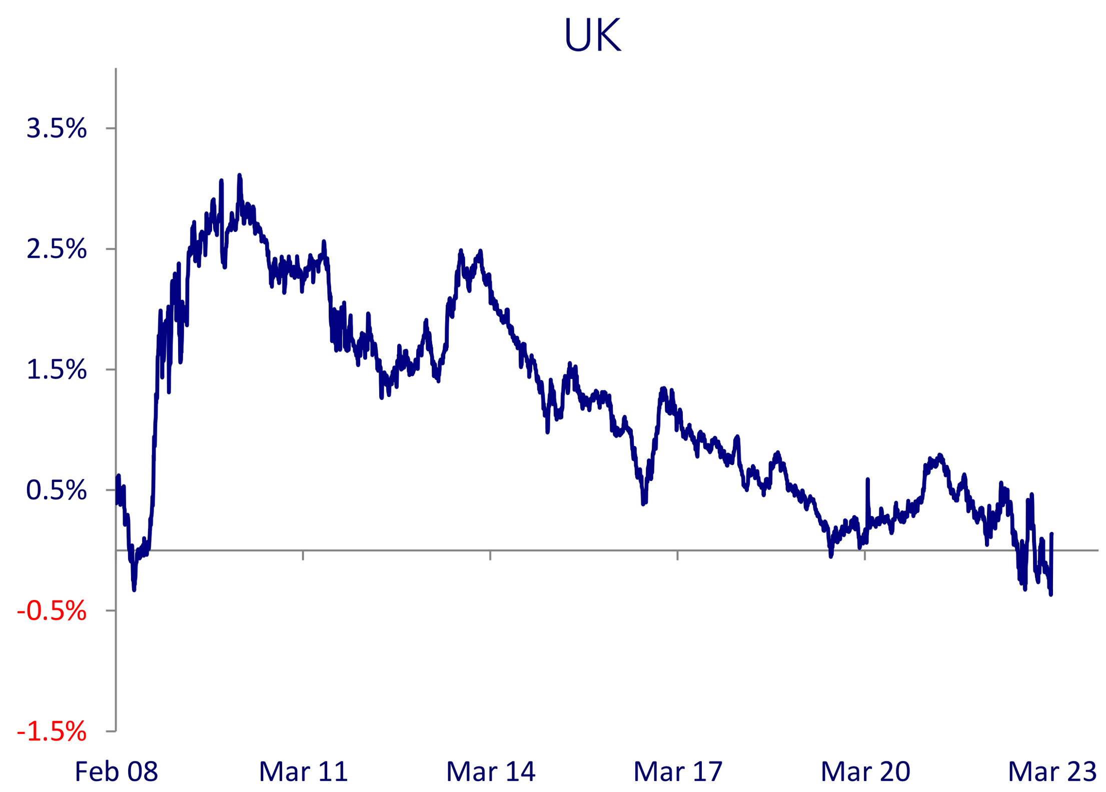
Source: Bloomberg

Appendix 3

Yield Curve Steepness (2yr-10yr)







Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Mar-23	1m ago	3m ago	1yr ago
UK	-9	-18	-40	-60
Germany	-124	-126	-169	-180
Switzerland	-244	-227	-247	-164
Japan	-345	-301	-325	-155
Australia	-17	6	-2	46
China	-104	-58	-60	109
South Korea	-19	-22	16	96
Malaysia	-2	25	55	194
Indonesia	292	324	338	478
Thailand	-137		-80	40
Philippines	11	n/a	n/a	n/a
Brazil	950	n/a	931	n/a
Mexico	538	523	550	624
Colombia	930	863	913	n/a
Peru	413	447	415	448

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Mar-23	1m ago	3m ago	1yr ago
France	47	46	45	44
Netherlands	35	28	28	23
Belgium	59	57	55	39
Austria	64	57	61	37
Ireland	48	45	43	57
Italy	183	186	189	147
Spain	95	99	100	93
Portugal	86	90	92	80

Source: Bloomberg, ZIG

Economic data

US	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Trend*
ISM Manufacturing (Index)	58.4	57.0	55.9	56.1	53.1	52.7	52.9	51.0	50.0	49.0	48.4	47.4		down
ISM Non-Manufacturing (Index)	57.2	58.4	57.5	56.4	56.0	56.4	56.1	55.9	54.5	55.5	49.2	55.2		down
Durable Goods (% MoM)	-0.7	0.7	0.4	0.8	2.3	-0.1	0.2	0.2	0.7	-1.8	5.1	-4.5		down
Consumer Confidence (Index)	105.7	107.6	108.6	103.2	98.4	95.3	103.6	107.8	102.2	101.4	109.0	106.0	102.9	up
Retail Sales (% MoM)	17.7	7.1	7.8	8.7	8.8	10.0	9.7	8.4	8.0	5.9	5.9	6.4		down
Unemployment Rate (%)	3.8	3.6	3.6	3.6	3.6	3.5	3.7	3.5	3.7	3.6	3.5	3.4		down
Avg Hourly Earnings YoY (% YoY)	6.8	7.0	6.9	6.7	6.7	6.6	6.2	5.9	5.7	5.7	5.3	5.1		down
Change in Payrolls ('000, MoM)	904.0	414.0	254.0	364.0	370.0	568.0	352.0	350.0	324.0	290.0	260.0	517.0		up
PCE (% YoY)	5.4	5.4	5.0	4.9	5.0	4.7	4.9	5.2	5.1	4.8	4.6	4.7		down
GDP (%, QoQ, Annualized)		-1.6			-0.6			3.2			2.7			

UK	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Trend*
PMI Services (Index)	60.5	62.6	58.9	53.4	54.3	52.6	50.9	50.0	48.8	48.8	49.9	48.7	53.3	up
Consumer Confidence (Index)	-26.0	-31.0	-38.0	-40.0	-41.0	-41.0	-44.0	-49.0	-47.0	-44.0	-42.0	-45.0	-38.0	up
Unemployment Rate (%)	3.8	3.7	3.8	3.8	3.8	3.6	3.5	3.6	3.7	3.7	3.7			down
CPI (% YoY)	6.2	7.0	9.0	9.1	9.4	10.1	9.9	10.1	11.1	10.7	10.5	10.1		up
GDP (% YoY)		10.5			3.9			1.9			0.4			

Eurozone	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Trend*
PMI Manufacturing (Index)	58.2	56.5	55.5	54.6	52.1	49.8	49.6	48.4	46.4	47.1	47.8	48.8	48.5	up
PMI Services (Index)	55.5	55.6	57.7	56.1	53.0	51.2	49.8	48.8	48.6	48.5	49.8	50.8	53.0	up
IFO Business Climate (Index)	98.6	90.7	92.0	93.2	92.3	89.0	89.0	84.4	84.4	86.4	88.6	90.1	91.1	up
Industrial Production (% MoM)	0.4	-1.3	-0.5	1.6	1.2	-2.8	2.1	0.8	-2.0	1.4	-1.1			down
Factory Orders GE (% MoM)	-1.4	-4.8	-1.6	-0.2	-0.2	1.3	-2.0	-2.9	0.6	-4.4	3.2			up
Unemployment Rate (%)	6.8	6.8	6.7	6.7	6.7	6.6	6.7	6.7	6.6	6.6	6.6			down
M3 Growth (% YoY, 3 months MA)	6.4	6.3	6.1	5.8	5.8	5.7	6.1	6.3	5.1	4.8	4.1	3.5		down
CPI (% YoY)	5.9	7.4	7.4	8.1	8.6	8.9	9.1	9.9	10.6	10.1	9.2	8.6		down
Core CPI (% YoY)	2.7	3.0	3.5	3.8	3.7	4.0	4.3	4.8	5.0	5.0	5.2	5.3		up
GDP (% QoQ)		0.6			0.9			0.3			0.1			

Switzerland	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Trend*
KOF Leading Indicator (Index)	103.3	101.7	103.9	97.7	98.3	96.4	93.1	92.2	90.9	89.3	91.6	97.4	100.0	up
PMI Manufacturing (Index)	62.7	63.3	61.6	59.8	59.1	58.0	56.7	56.8	55.4	54.4	54.5	49.3		down
Real Retail Sales (% YoY)	13.3	-6.2	-5.7	-2.0	0.1	2.5	1.6	2.2	-2.5	-1.7	-3.0	-2.2		down
Trade Balance (Billion, CHF)	5.9	2.8	4.1	3.1	3.7	3.4	3.7	4.4	4.2	2.2	2.8	5.1		down
CPI (% YoY)	2.2	2.4	2.5	2.9	3.4	3.4	3.5	3.3	3.0	3.0	2.8	3.3		down

Japan	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Trend*
Nomura Manufacturing PMI (Index)	52.7	54.1	53.5	53.3	52.7	52.1	51.5	50.8	50.7	49.0	48.9	48.9	47.7	down
Machine Orders (% YoY)	4.3	7.6	19.0	7.4	6.5	12.8	9.7	2.9	0.4	-3.7	-6.6			down
Industrial Production (% YoY)	0.5	-1.7	-4.9	-3.1	-2.8	-2.0	5.8	9.6	3.0	-0.9	-2.4	-2.3		down
ECO Watchers Survey (Index)	36.6	48.9	50.7	52.6	51.8	43.5	44.8	49.6	51.1	49.7	49.0	46.5		down
Jobs to Applicants Ratio (Index)	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.4	1.4			down
Labour Cash Earnings (% YoY)	1.2	2.0	1.3	1.0	2.0	1.3	1.7	2.2	1.4	1.9	4.1			up
Department Store Sales (% YoY)	-0.7	4.6	19.0	57.8	11.7	9.6	26.1	20.2	11.4	4.5	4.0	15.1		down
Money Supply M2 (% YoY)	3.6	3.5	3.4	3.1	3.3	3.4	3.4	3.3	3.1	3.1	2.9	2.7		down
CPI Ex Food & Energy (% YoY)	-1.8	-1.6	0.1	0.2	0.2	0.4	0.7	0.9	1.5	1.5	1.6	1.9		up
Exports (% YoY)	19.1	14.7	12.5	15.8	19.3	19.0	22.0	28.9	25.3	20.0	11.5	3.5		down

China	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Trend*
PMI Manufacturing (Index)	50.2	49.5	47.4	49.6	50.2	49.0	49.4	50.1	49.2	48.0	47.0	50.1	52.6	up
Industrial Production (% YoY)		5.0	-2.9	0.7	3.9	3.8	4.2	6.3	5.0	2.2	1.3			down
Retail Sales (% YoY)		-3.5	-11.1	-6.7	3.1	2.7	5.4	2.5	-0.5	-5.9	-1.8			down
PPI (% YoY)	8.8	8.3	8.0	6.4	6.1	4.2	2.3	0.9	-1.3	-1.3	-0.7	-0.8		down
Exports (% YoY)	6.0	14.3	3.5	16.4	17.1	18.1	7.4	5.6	-0.3	-9.0	-9.9			down
CPI (% YoY)	0.9	1.5	2.1	2.1	2.5	2.7	2.5	2.8	2.1	1.6	1.8	2.1		down
RRR (%)	11.5	11.5	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.0	11.0	11.0	down
GDP (% YoY)		4.8			0.4			3.9			2.9			down
PMI Non Manufacturing (Index)	50.2	49.5	47.4	49.6	50.2	49.0	49.4	50.1	49.2	48.0	47.0	50.1	52.6	up
Aggregate Financing (Billions, CNY)														neutral

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Economic data

Australia	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Trend*
AiG Manufacturing (Index)	53.2	55.7	58.5	52.4	54.0	52.5	49.3	50.2	49.6	44.7				down
AiG Service (Index)	60.0	56.2	57.8	49.2	48.8	51.7	53.3	48.0	47.7	45.6				down
Westpac Consumer Confidence (% MoM)	-1.3	-4.2	-0.9	-5.6	-4.5	-3.0	-3.0	3.9	-0.9	-6.9	3.0	5.0	-6.9	up
Building Approvals (% YoY)	-8.5	-34.8	-24.6	-20.1	-17.0	-23.3	-7.7	-11.3	-5.5	-14.1	-3.8			up
Employment Change ('000, MoM)	93.1	32.3	26.4	56.7	86.6	-21.4	47.7	8.8	39.9	55.5	-20.0	-11.5		down

Brazil	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Trend*
CPI (% YoY)	10.5	11.3	12.1	11.7	11.9	10.1	8.7	7.2	6.5	5.9	5.8	5.8		down
Industrial Production (% YoY)	-7.3	-4.1	-1.9	-0.5	0.5	-0.4	-0.4	2.8	0.4	1.7	0.9	-1.3		down
Retail Sales (% YoY)	-1.5	1.3	4.9	4.5	-0.2	-0.1	-5.3	1.6	3.2	2.7	1.4	0.4		up
Trade Balance (Millions, USD)	4627.5	7585.6	8213.4	4957.7	8883.5	5362.6	4101.6	3688.1	3496.6	6672.0	4779.0	2717.0		up
Budget Balance Primary (Billions, BRL)	-22.5	-26.5	-41.0	-66.0	-83.8	-22.5	-65.9	-60.6	-14.5	-70.4	-70.8	46.7		up

Chile	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Trend*
IMACEC Economic Activity Index (% YoY)	6.84	6.58	6.66	6.35	3.79	0.73	0.38	-0.30	-1.24	-2.53	-0.95			down
CPI (% YoY)	7.81	9.41	10.52	11.55	12.49	13.12	14.09	13.73	12.81	13.34	12.79	12.33		down
Retail Sales (% YoY)	11.39	19.86	-5.29	-6.00	-11.17	-13.14	-14.54	-12.39	-15.39	-11.10	-10.44			up
Industrial Production (% YoY)	-3.19	0.93	-3.51	1.60	-1.54	-5.08	-5.06	-1.43	-4.24	-5.02	-1.21	0.47		up
Unemployment (%)	7.50	7.80	7.70	7.80	7.80	7.90	7.90	8.00	8.00	7.90	7.90	8.00		down

Mexico	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Trend*
PMI (Index)	51.1	51.8	52.4	50.9	49.5	51.2	49.5	50.4	50.1	51.0	51.5	50.0		up
CPI (% YoY)	7.3	7.5	7.7	7.7	8.0	8.2	8.7	8.7	8.4	7.8	7.8	7.9		down
Retail Sales (% YoY)	6.3	3.7	4.6	5.1	4.0	5.0	4.7	3.3	3.8	2.4	2.5			down
Indutrial Production (% YoY)	6.6	3.3	3.6	6.6	5.2	5.4	8.1	8.4	5.3	4.7	2.7			down
Remittances (Millions, USD)	3911.3	4692.5	4707.8	5141.9	5144.0	5301.4	5123.8	5036.8	5359.8	4801.1	5358.8			down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Disclaimer and cautionary statement

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