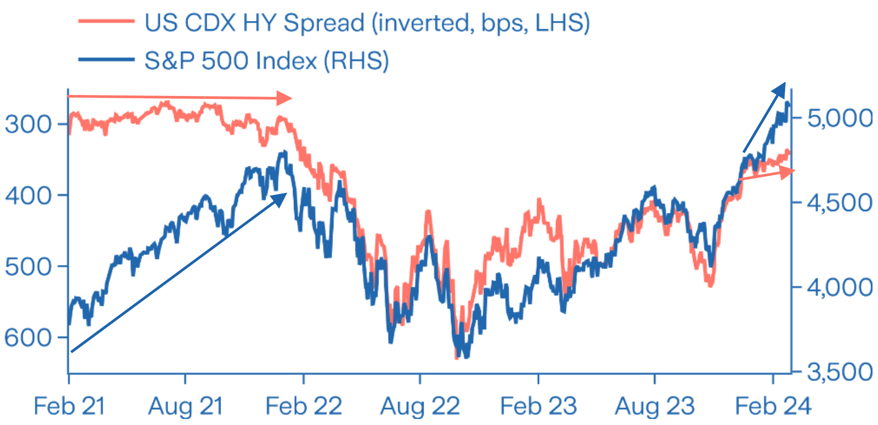
ZURICH

Monthly Investment Insights

1 March 2024

Stocks to trump credit as tight High Yield spreads decouple from stocks



Source: Bloomberg

Stock prices are likely to beat credit spread moves. We believe this is a trend that has re-engaged for the first time since 2021 as shown in the chart and is likely to gain further momentum in 2024. A number of factors such as the leads and lags between the two asset classes as well as fundamental and technical considerations favour this trend. Consequently, multi-asset portfolios are likely to benefit from keeping credit allocations low versus both stocks and government bonds.

While earnings momentum and an imminent rate cutting cycle are likely to boost both stock and credit market returns in the medium term, the boost to stocks is likely to be greater. That said, given the strong gains since late last year, a pause or consolidation in stocks could occur in the short term. Even in a negative scenario where the risks of a recession re-emerge, credit spread returns are expected to fall earlier and more vigorously than stocks. This is the typical behaviour of credit markets, which tend to be more prescient ahead of recessions given credit investors' focus on downside rather than upside risks.

Moreover, from a fundamental perspective, credit markets by construction tend to be dominated by more indebted companies while stock indices are dominated by blue chip and highly cash generative companies, such as the large technology companies in the US. Debt funded M&A and leveraged buyout activities, which have recently shown signs of gaining momentum, are unequivocally negative for credit but positive for stocks.

From a valuation perspective, credit spreads are currently close to historical tights, especially for High Yield indices. The extra yield that investors get by switching into corporate bonds from government bonds, take US Investment Grade as an example, is close to the lowest it has ever been since the Global Financial Crisis. The tightness of credit spreads is likely to limit further upside as credit spreads are floored by the basic risk premium for liquidity and default risks. This is in contrast to stock markets, which tend to gain further after setting new records, as has been the case in the US and Japan recently.

Last but not least, supply/demand technicals are also expected to be a drag on returns in credit. Supply in credit markets, and especially High Yield markets, is likely to gain momentum this year after the diminished refinancing seen during the last two years. Indeed, companies have now chipped away at the cash buffers built up amid heavy supply in 2020 and 2021. Companies will in certain cases be forced to come to the market to refinance their maturities. As an example, the amount of debt coming due in the next three years in European High Yield stands at 35%, which is a historic high.

All in all, while the diminishing prospects of a US recession along with an impending rate cutting cycle are likely to boost risk assets in the medium term, credit spread returns are likely to be more limited than stock returns on a risk adjusted basis.

Market Assessment

Key developments

- Inflation prints in many regions are marginally stronger than expected
- Government bond yields widen as investors temper their rate cut expectations
- Stock markets remain resilient despite rising yields while credit lags stocks

Zurich's view

While the economic outlook has brightened, higher than expected inflation prints in some regions have caused investors to temper their rate cut expectations. That said, the rate cuts being priced by the market towards the end of last year seemed overly optimistic, and the current rate cut path is more in line with our expectations.

Stocks have continued to be resilient with several markets having already or nearly reached new records. Interestingly, stock markets largely brushed off the recent rise in yields as investors focused on earnings rather than inflation. That said, a pause or a consolidation from current levels could materialise in the short term as investor optimism has risen notably. Within stocks, we prefer the UK to the US and Korea to Singapore and Thailand, respectively.

Credit spreads seem to have decoupled from stocks, likely due to the sheer tightness of spreads, which could be the beginning of a new trend similar to what was seen in 2021. Bond yields have risen notably since the recent lows seen in December, but we see bonds as being rangebound and close to fair value. Within bonds, we prefer peripheral European bonds to German Bunds.

	Key developments	Zurich's view
Global	• Global growth remains sluggish, with a rebound in manufacturing losing traction • Inflation remains on a downward trajectory, but the pace of decline is moderating • Central banks are set to loosen policy later this year, but further progress on inflation will be required before rate cuts can begin	The Flash PMIs point to a stabilisation in global growth in February. Improvements in the manufacturing sector appear to have moderated after an encouraging pickup in the past few months while services activity remains robust. Manufacturing pricing components were also softer and point to further disinflationary pressures on the goods side. By contrast, the latest CPI prints were a tad stronger than expected in many regions as services price pressures remain brisk amid solid demand and tight labour markets. This triggered a rebound in rates and government bond yields as market pricing of near-term rate cuts was pushed out. With prospects for rate cuts remaining in place for the second half of the year, further upside to yields appears limited.
US	• Stock markets keep moving higher supported by a decent Q4 2023 earnings season • While the Q4 average earnings surprise was below the five-year average, investors rewarded them more than usual • Equity momentum remains strong, but elevated inflation and a rebound in yields pose potential risks	The reporting season for Q4 2023 earnings is slowly but steadily winding down. While both the share of companies reporting positive earnings surprises as well as the average size of the positive earnings surprise have been below the five-year average, the overall picture is still a decent one. Revenue growth of around 4% YoY resulted in earnings growth of more than 3% YoY in the final quarter of last year. In a notable shift in sentiment, the market is rewarding positive earnings surprises more than average and punishing negative EPS surprises less than average. Supported by these positive earnings reports and a benign economic environment, the S&P 500 continues to push higher, reaching a new all-time high in February despite a rebound in bond yields.
UK	• GDP fell in the final quarter of last year, dragging the UK into a technical recession • Recent data, however, point to an improving growth outlook • Given attractive valuations and a better growth picture, UK equities have the potential to catch up	GDP fell by 0.3% QoQ in the final quarter of 2023 as both consumer and government spending receded, dragging the UK into a technical recession as growth had already been marginally negative in Q3 of 2023. However, recent data are pointing at an improving growth outlook as both consumer spending and business sentiment have risen. Nevertheless, UK equities remain unloved with one of the lowest valuations amongst developed markets. Despite a solid performance in recent weeks, the FTSE 100 has fallen behind most of its peers as investors remain reluctant, which seems unjustified. A better economic environment, attractive valuations, and stretched optimism in some of the other equity markets could trigger a catch-up in UK equities in the coming months.
Eurozone	• Natural gas prices have fallen back to pre-war levels, representing a significant economic and disinflationary tailwind if sustained • As yields have risen, bond markets have priced in a more reasonable path for ECB easing starting in June • Eurozone equities have performed well given the favourable global environment for risk assets	The bond market has moved closer to pricing in our base case of 0.75% of cuts, beginning with 0.25% in June. Risks remain to this call in both directions, particularly with volatile monthly inflation prints. Labour market strength and the corresponding high wage growth are still a top concern for the ECB. Energy prices have fallen considerably with little fanfare in the markets or public economic commentary. If these prices are sustainable, we see it as a very positive development for both the economic outlook and disinflationary trends. Bond yields have become more attractive, but we favour owning higher yielding sovereigns vs. Germany. The equity market could continue to do well given still-low valuations, yet it remains structurally hampered by a lack of technology firms.
Switzerland	• Economic conditions improve from a low level while consumer sentiment rebounds amid falling inflation • Inflation is weaker than expected in January as the strong franc continues to weigh on prices • Rates are expected to be left on hold in March with the SNB set to maintain a dovish outlook	Growth momentum continues to improve but from a low level, with the latest PMIs showing a tick up in manufacturing new orders while services remain resilient. Consumer sentiment has rebounded from last year's depressed levels as price pressures have receded, and the labour market is holding up. CPI inflation fell to 1.3% YoY in January, surprising to the downside and continuing to undershoot the SNB's forecast. Despite this, rates are likely to be left unchanged in the March policy meeting as the full impact of rent inflation is yet to come through, and as domestic price pressures are still running at a higher rate compared to the pre-Covid level. February inflation data will be important to watch, however, as further weakness could arguably bring forward the rate cutting cycle.

	Key developments	Zurich's view
Japan	• The MSCI Japan index climbs to a record high 34 years after its last peak • 10yr JGB yields as well as the USDJPY rate are hovering sideways in a narrow range • The Bank of Japan is expected to look through current economic weakness	Thirty-four years after their respective peaks in late 1989, both the price-weighted Nikkei 225 index and the MSCI Japan have reached record highs while the broader market capitalisation-weighted Topix is still 7% below its prior high. Notably, valuations are now around four times cheaper than they were then, the corporate earnings outlook is promising, and both domestic and foreign investors remain net buyers despite a less encouraging economic environment. Japan slipped into recession in the second half of last year, and conditions remained difficult in the first quarter of this year. However, we believe the BoJ will ride out this phase and focus on real wage increases in order to gradually remove its ultra-loose monetary policy from its April meeting.
China	• Following a drop, the MSCI China Index regains the level where it started the year • Authorities launch various economic and financial market support measures • The CNH remains stable versus the USD	The MSCI China avoided hitting a 13-year low by staging a V-shaped recovery in February, taking the index back to where it started the year. A series of supportive governmental measures targeting both the economy and the financial markets, including a 25bps cut in the 5yr LPR (the interest rate that anchors mortgage loans), helped investors regain some confidence. During the extended Lunar New Year holiday period, consumer activity rebounded above pre-Covid levels, although not on a per capita basis. Meanwhile, the latest housing market indicators remain gloomy. The USD/CNH continues to hover around 7.20 as the PBoC avoids a devaluation policy. All eyes are now on the National People's Congress starting in early March, where we expect a 5% real GDP growth target to be announced, in line with our forecast.
Australia	• The labour market shows signs of meaningful loosening • The RBA maintains a prudent tone, not yet discussing rate cuts • Australian stocks, while posting positive gains, lag behind global equities	Australian stocks have posted positive gains so far this year but are underperforming other developed markets. The earnings season presented a mixed picture. While profits beat market expectations, mainly due to cost-cutting efforts, the prospects for top-line growth are weak. Companies cited challenges such as rate headwinds and a tight labour market. On the macro front there are signs that the job market has finally loosened meaningfully, with the unemployment rate moving beyond 4% for the first time in two years. Additionally, the Q4 wage price index suggests that pressure on wages has eased. However, the Reserve Bank of Australia remains cautious, not yet mentioning rate cuts while emphasising its intention to maintain 'optionality' regarding its monetary policy decisions going forward.
ASEAN	• Exports and Manufacturing PMIs are showing signs of recovery • Inflation is stable with central banks on hold • Equities have posted positive gains but still trail behind global stocks	ASEAN equity returns are positive YTD, with the exception of Thailand, an outlier due to its weak growth and deflationary pressures. However, ASEAN stocks have underperformed compared to global stocks, partly because expectations for the Fed's rate cuts have been delayed, tempering some of the initial enthusiasm for EM equities. With fluctuating expectations as to the timing of the Fed's rate cuts, stocks are likely to trade within a range in H1 but should gain momentum in H2. The overall macro outlook appears decent, marked by generally low inflation, though isolated factors such as GST hikes and the removal of fuel subsidies could exert slight upward pressure on the CPI. Domestic demand continues to be resilient with exports and Manufacturing PMIs showing signs of recovery.

Valuation snapshot (MSCI Indices)

Current trainling valuations

	US	Europe ex UK	UK	Switzerland	Japan	APAC ex Japan	China	Brazil	Mexico
12m Trailing P/E	24.9	15.4	10.3	19.1	17.3	16.5	11.3	8.2	14.9
12m Trailing P/B	4.7	2.1	1.6	3.7	1.6	1.6	1.1	1.6	2.1
12m Trailing P/CF	17.7	9.5	7.3	15.4	10.2	10.0	5.6	5.2	10.2
Dividend Yield	1.4	3.0	4.0	3.0	2.0	2.8	2.8	5.5	3.4
ROE	17.9	13.0	15.7	22.5	9.4	9.5	9.8	19.5	15.4

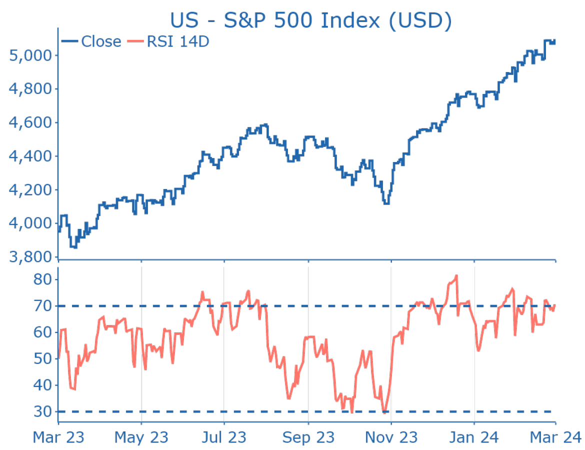
Current trainling valuations relative to MSCI world

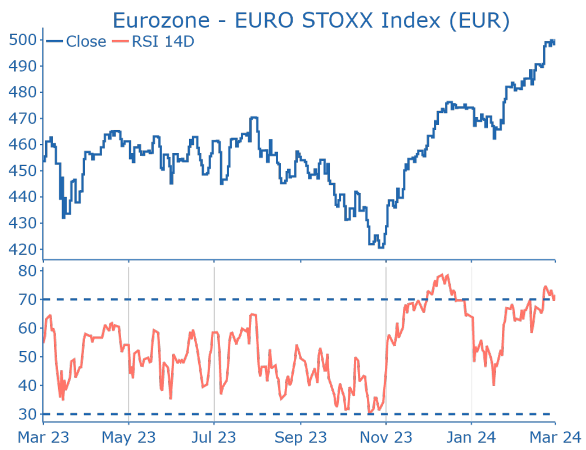
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex Japan	China	Brazil	Mexico
12m Trailing P/E	4.12	-5.41	-10.44	-1.67	-3.49	-4.28	-9.51	-12.54	-5.86
12m Trailing P/B	1.5	-1.1	-1.58	0.52	-1.61	-1.62	-2.13	-1.64	-1.14
12m Trailing P/CF	3.58	-4.61	-6.82	1.29	-3.95	-4.13	-8.54	-8.96	-3.96
Dividend Yield	-0.48	1.13	2.17	1.18	0.13	0.95	0.91	3.61	1.55
ROE	3.41	-1.51	1.21	8.07	-5.04	-4.92	-4.69	5.0	0.9

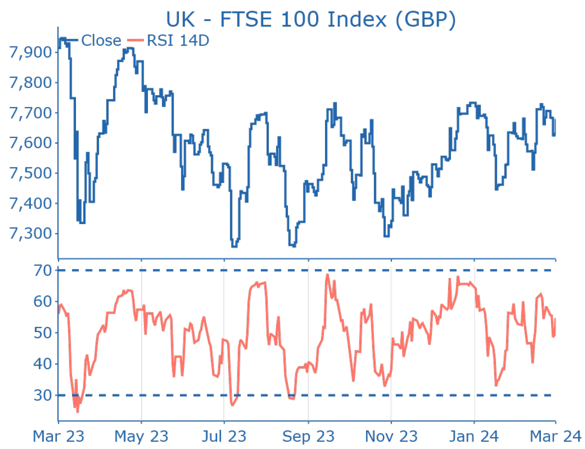
Source: Bloomberg

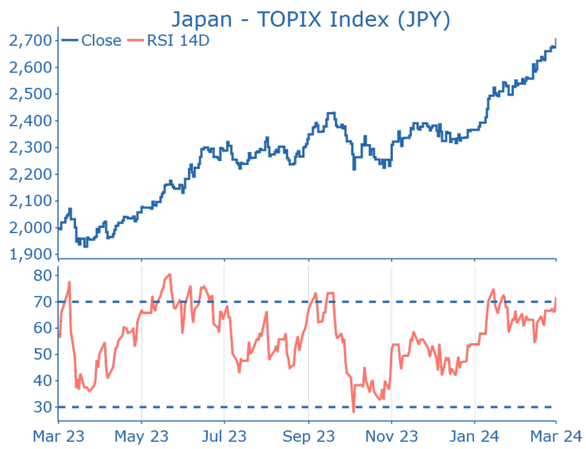
Overbought / Oversold*

* Overbought / Oversold = 14D RSI is above 70 / below 30



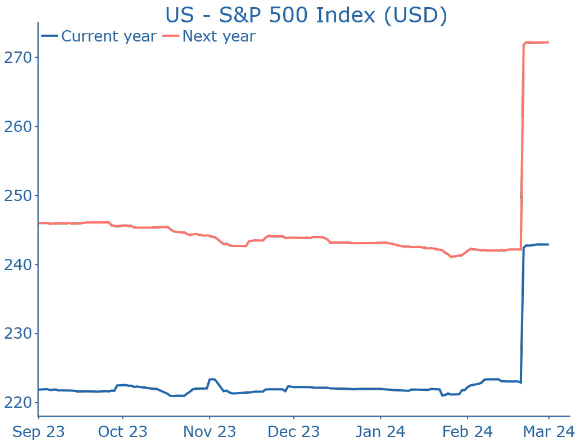


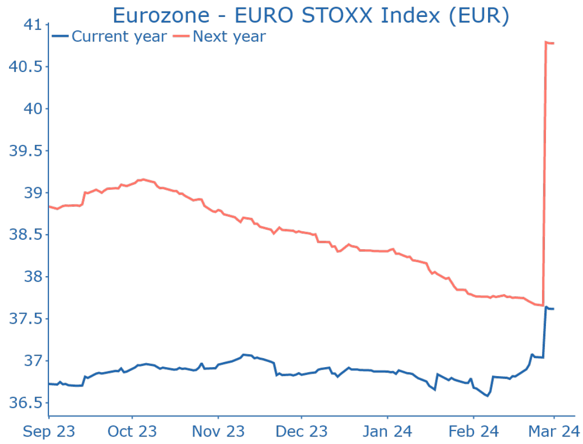


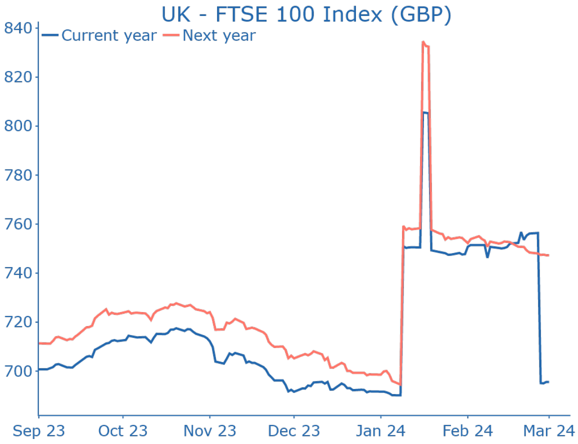


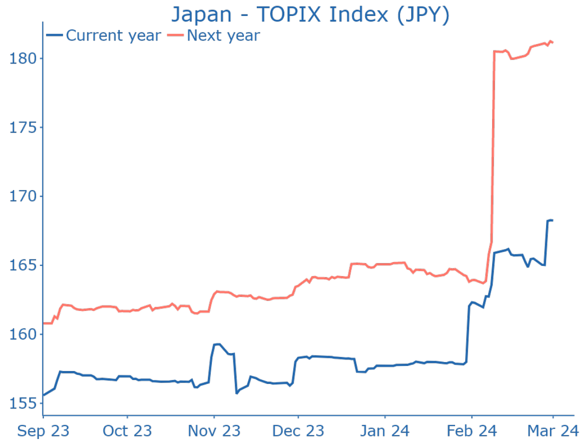
Source: Bloomberg

Earnings estimates - Full fiscal year



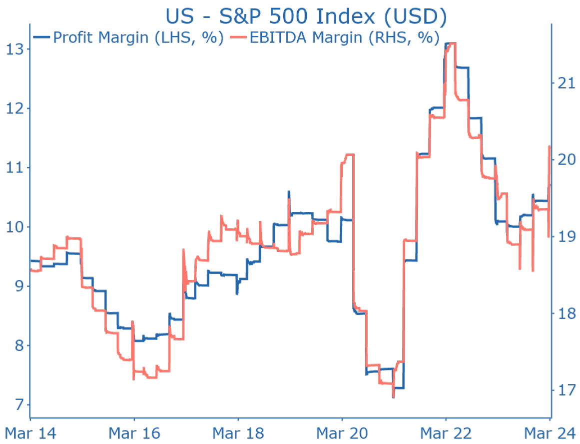


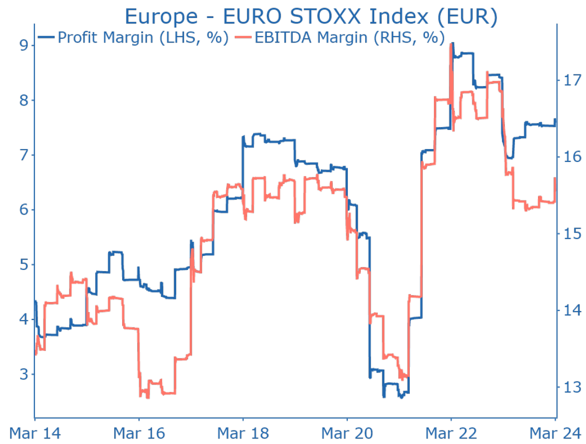


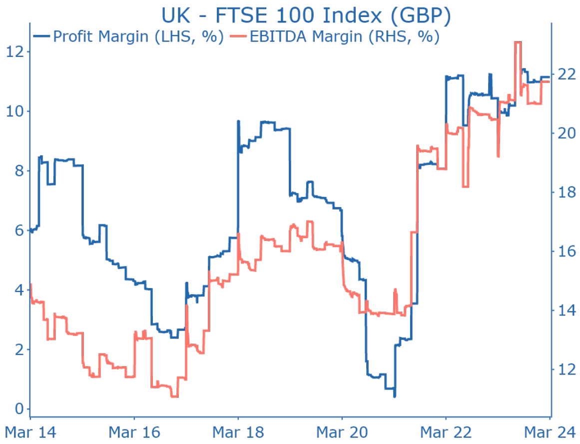


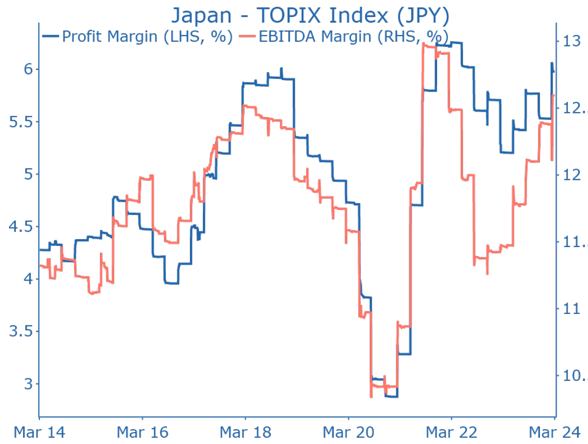
Source: Bloomberg

Historical margins



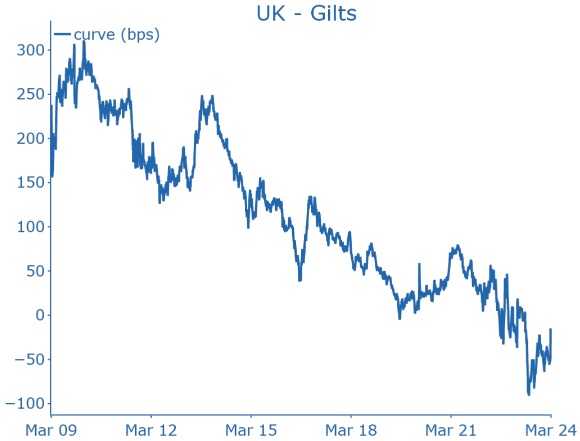


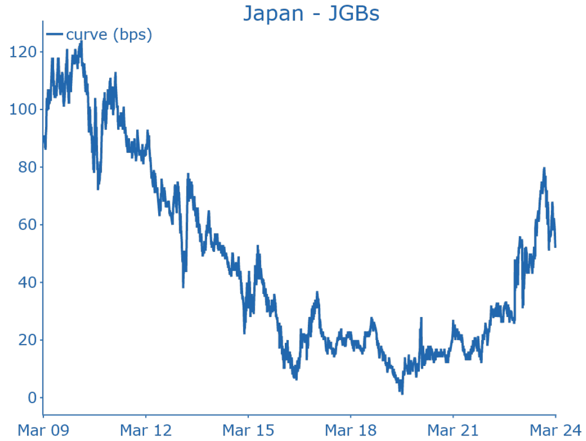




Source: Bloomberg

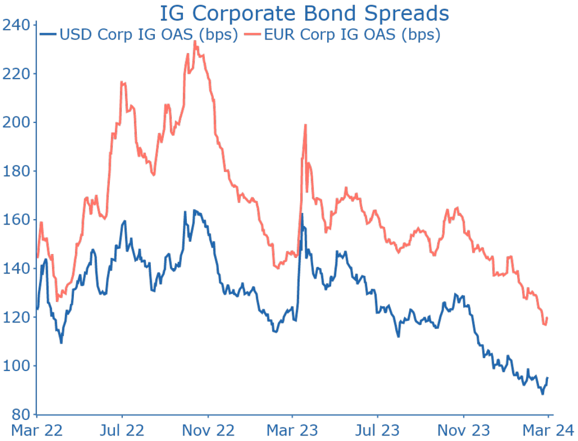
Yield Curve Steepness (10yr - 2yr)

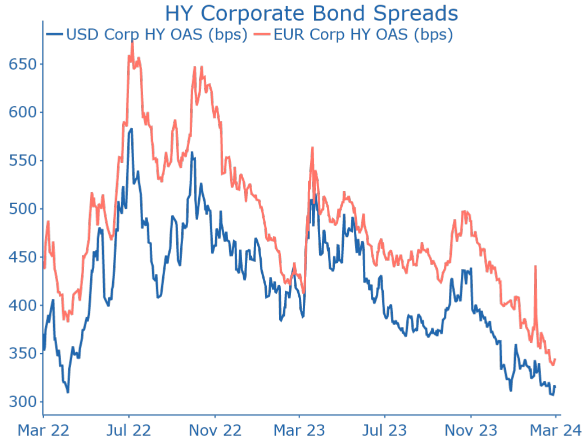


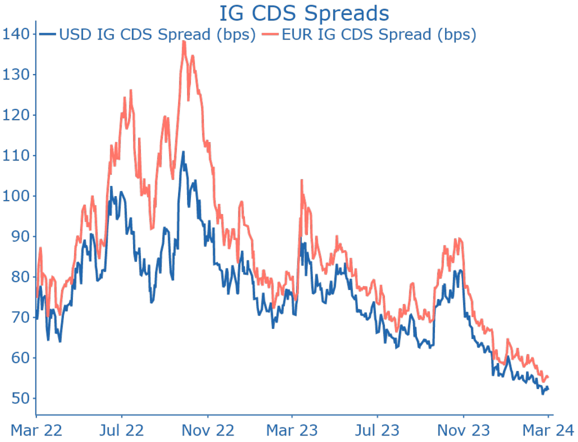


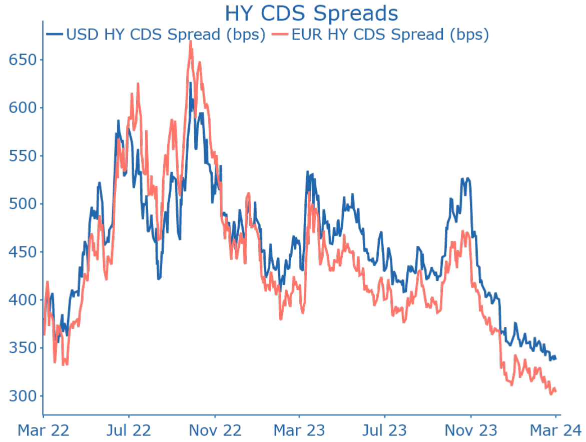
Source: Bloomberg

Credit Markets (US & Europe)









Source: Bloomberg

Economic Data

US	Apr-2023	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Trend*
ISM Manufacturing (Index)	47.0	46.6	46.4	46.5	47.6	48.6	46.9	46.6	47.1	49.1	-	up
ISM Non-Manufacturing (Index)	52.3	51.0	53.6	52.8	54.1	53.4	51.9	52.5	50.5	53.4	-	down
Durable Goods (% MoM)	1.2	2.0	4.3	-5.6	-0.1	4.0	-5.1	5.4	-0.3	-6.1	-	down
Consumer Confidence (Index)	103.7	102.5	110.1	114.0	108.7	104.3	99.1	101.0	108.0	110.9	106.7	up
Retail Sales (% MoM)	1.3	2.1	1.5	2.8	2.8	4.0	2.2	3.6	5.3	0.6	-	down
Unemployment Rate (%)	3.4	3.7	3.6	3.5	3.8	3.8	3.8	3.7	3.7	3.7	-	down
Avg Hourly Earnings YoY (% YoY)	5.2	5.1	5.0	5.0	4.8	4.7	4.6	4.6	4.6	4.8	-	up
Change in Payrolls (000, MoM)	278.0	303.0	240.0	184.0	210.0	246.0	165.0	182.0	333.0	353.0	-	up
PCE (% YoY)	4.76	4.69	4.28	4.19	3.73	3.59	3.39	3.19	2.94	2.85	-	down
GDP (%, QoQ, Annualized)	-	-	2.1	-	-	4.9	-	-	3.2	-	-	down

Eurozone	Apr-2023	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Trend*
PMI Manufacturing (Index)	45.8	44.8	43.4	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	up
PMI Services (Index)	56.2	55.1	52.0	50.9	47.9	48.7	47.8	48.7	48.8	48.4	50.0	up
IFO Business Climate (Index)	93.1	91.4	88.7	87.5	85.9	85.9	86.9	87.2	86.3	85.2	85.5	down
Industrial Production (% YoY)	-0.1	-2.4	-1.0	-2.2	-5.3	-6.7	-6.7	-5.4	1.2	-	-	up
Indeed 3m average wage growth (% YoY)	4.82	4.71	4.58	4.35	4.25	3.97	3.84	3.73	3.83	3.89	-	up
Unemployment Rate (%)	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.4	-	down
Euro-Area Credit Impulse (%, SA)	-6.8	-6.7	-7.12	-7.71	-6.53	-6.53	-5.99	-5.58	-2.53	-2.83	-	up
EUR HICP 5y5y Inflation Swaps	2.49	2.51	2.5	2.59	2.54	2.54	2.49	2.41	2.27	2.23	2.3	down
CPI (% YoY)	7.0	6.1	5.5	5.3	5.2	4.3	2.9	2.4	2.9	2.8	2.6	down
Core CPI (% YoY)	5.6	5.3	5.5	5.5	5.3	4.5	4.2	3.6	3.4	3.3	3.1	down
GDP (% QoQ)	-	-	0.1	-	-	-0.1	-	-	0.0	-	-	up

UK	Apr-2023	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Trend*
PMI Manufacturing (Index)	47.8	47.1	46.5	45.3	43.0	44.3	44.8	47.2	46.2	47.0	47.5	up
PMI Services (Index)	55.9	55.2	53.7	51.5	49.5	49.3	49.5	50.9	53.4	54.3	54.3	up
Consumer Confidence (Index)	-30.0	-27.0	-24.0	-30.0	-25.0	-21.0	-30.0	-24.0	-22.0	-19.0	-21.0	up
Unemployment Rate (%)	3.8	4.0	4.2	4.3	4.2	4.1	4.0	3.9	3.8	-	-	down
CPI (% YoY)	8.7	8.7	7.9	6.8	6.7	6.7	4.6	3.9	4.0	4.0	-	down
House Prices (% YoY)	-2.7	-3.4	-3.5	-3.8	-5.3	-5.3	-3.3	-2.0	-1.8	-0.2	1.2	up
Mortgage Approvals (SA, Thousands)	48.88	50.43	53.78	49.39	45.77	44.27	48.59	49.97	51.51	55.23	-	up
GDP (% YoY)	-	-	0.3	-	-	0.2	-	-	-0.2	-	-	down

Switzerland	Apr-2023	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Trend*
KOF Leading Indicator (Index)	97.8	96.3	94.6	96.3	96.1	96.6	95.1	97.0	98.0	102.5	101.6	up
PMI Manufacturing (Index)	45.3	43.2	44.9	38.5	39.9	44.9	40.6	42.1	43.0	43.1	44.0	up
Real Retail Sales (% YoY)	-4.0	-1.5	0.7	-2.5	-2.1	-2.8	-1.8	-1.2	-0.1	0.3	-	up
Trade Balance (Billion, CHF)	2.5	5.4	4.78	3.0	3.74	6.37	4.76	3.83	1.27	4.74	-	down
CPI (% YoY)	2.6	2.2	1.7	1.6	1.6	1.7	1.7	1.4	1.7	1.3	-	down

Japan	Apr-2023	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Trend*
PMI Manufacturing (Index)	49.5	50.6	49.8	49.6	49.6	48.5	48.7	48.3	47.9	48.0	47.2	down
Machinery Orders (% YoY)	-5.9	-8.7	-5.8	-13.0	-7.7	-2.2	-2.2	-5.0	-0.7	-	-	up
Industrial Production (% YoY)	-0.7	4.2	0.0	-2.3	-4.4	-4.4	1.1	-1.4	-1.0	-1.5	-	up
ECO Watchers Survey (Index)	55.7	54.5	53.6	54.1	52.8	50.4	49.9	49.8	50.9	47.4	-	down
Jobs to Applicants Ratio (Index)	1.32	1.32	1.31	1.3	1.3	1.29	1.29	1.27	1.27	1.27	-	down
Labour Cash Earnings (% YoY)	0.8	2.9	2.3	1.1	0.8	0.6	1.5	0.7	0.8	-	-	down
Retail Sales (% YoY)	8.6	6.3	7.0	8.6	11.8	9.2	6.1	7.4	5.4	7.1	-	down
Exports (% YoY)	2.6	0.6	1.5	-0.3	-0.8	4.3	1.6	-0.2	9.7	11.9	-	up
Money Supply M2 (% YoY)	2.6	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.4	-	down
CPI Ex Food & Energy (% YoY)	2.5	2.6	2.6	2.7	2.7	2.6	2.7	2.7	2.8	2.6	-	up

China	Apr-2023	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Trend*
NBS PMI Manufacturing (Index)	49.2	48.8	49.0	49.3	49.7	50.2	49.5	49.4	49.0	49.2	49.1	down
NBS PMI Non Manufacturing (Index)	56.4	54.5	53.2	51.5	51.0	51.7	50.6	50.2	50.4	50.7	51.4	down
Industrial Production (% YoY)	5.6	3.5	4.4	3.7	4.5	4.5	4.6	6.6	6.8	-	-	up
Retail Sales (% YoY)	18.4	12.7	3.1	2.5	4.6	5.5	7.6	10.1	7.4	-	-	down
Exports (% YoY)	7.1	-7.6	-12.4	-14.2	-8.5	-6.8	-6.6	0.7	2.3	-	-	up
CPI (% YoY)	5.1	5.8	5.6	7.0	7.1	6.3	4.1	5.4	2.3	2.3	-	down
PPI (% YoY)	-3.6	-4.6	-5.4	-4.4	-3.0	-2.5	-2.6	-3.0	-2.7	-2.5	-	up
RRR (%)	10.75	10.75	10.75	10.75	10.75	10.5	10.5	10.5	10.5	10.5	10.0	down
GDP (% YoY)	-	-	6.3	-	-	4.9	-	-	5.2	-	-	up

* Trend = Mean last 3m - Mean previous 3m

Source: Bloomberg

Economic Data

India	Apr-2023	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Trend*
PMI Manufacturing (Index)	57.2	58.7	57.8	57.7	58.6	57.5	55.5	56.0	54.9	56.5	56.9	down
PMI Services (Index)	62.0	61.2	58.5	62.3	60.1	61.0	58.4	56.9	59.0	61.8	62.0	up
Industrial Production (% YoY)	4.6	5.7	4.0	6.2	10.9	6.4	11.6	2.4	3.8	-	-	down
CPI (% YoY)	4.7	4.31	4.87	7.44	6.83	5.02	4.87	5.55	5.69	5.1	-	up
GDP (% YoY)	-	-	8.22	-	-	8.08	-	-	8.36	-	-	up

Australia	Apr-2023	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Trend*
Westpac Leading Indicator	97.33	97.07	97.12	97.15	97.11	97.16	97.09	97.14	97.11	97.03	-	down
Retail Sales (% YoY)	4.18	4.13	2.31	1.98	1.7	1.98	1.11	2.21	0.82	1.1	1.12	down
Unemployment Rate (%)	3.7	3.6	3.5	3.8	3.7	3.6	3.8	3.9	3.9	4.1	-	up
Housing Prices (% YoY)	-8.3	-6.74	-4.86	-2.74	-0.17	2.16	4.23	6.02	7.74	9.37	10.14	up
CPI (% MoM)	6.7	5.5	5.4	4.9	5.2	5.6	4.9	4.3	3.4	3.4	-	down

Brazil	Mar-2023	Apr-2023	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Trend*
CPI (% YoY)	4.65	4.18	3.94	3.16	3.99	4.61	5.19	4.82	4.68	4.62	4.51	down
Industrial Production (% YoY)	1.0	-2.7	1.9	0.2	-1.2	0.5	0.7	1.1	1.3	1.0	-	up
Retail Sales (% YoY)	3.3	0.5	-1.1	1.4	2.4	2.4	3.2	0.2	2.5	1.3	-	down
Trade Balance (Millions, USD)	10738.44	7940.31	10966.61	10063.53	8185.23	9627.21	9177.14	9164.68	8766.05	9360.37	6526.6	down
Budget Balance (Billions, BRL)	-79.5	-25.43	-119.23	-89.62	-81.91	-106.56	-99.78	-47.15	-80.89	-193.43	-	down

Chile	Mar-2023	Apr-2023	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Trend*
Economic Activity Index (% YoY)	-1.8	-0.55	-1.37	-0.4	1.93	-0.42	0.35	0.33	1.22	-0.95	2.46	up
CPI (% YoY)	11.09	9.91	8.73	7.56	6.48	5.32	5.12	5.03	4.8	3.94	-	down
Retail Sales (% YoY)	-8.28	-9.49	-8.99	-9.98	-8.24	-10.03	-4.0	-6.73	-2.49	-1.47	2.2	up
Industrial Production (% YoY)	-5.77	-0.18	-4.34	-0.16	0.76	0.46	2.71	2.23	2.78	-2.74	3.57	down
Unemployment (%)	8.8	8.7	8.5	8.5	8.8	9.0	8.9	8.9	8.7	8.5	8.4	down

Mexico	Mar-2023	Apr-2023	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Trend*
PMI (Index)	49.62	50.1	49.71	50.88	51.13	52.04	51.09	50.25	51.04	50.05	51.6	down
CPI (% YoY)	6.85	6.25	5.84	5.06	4.79	4.64	4.45	4.26	4.32	4.66	4.88	up
Retail Sales (% YoY)	1.7	3.5	2.8	5.9	5.1	3.2	2.3	3.4	2.7	-0.2	-	down
Industrial Production (% YoY)	1.74	0.89	2.68	1.95	0.77	-1.07	0.87	1.13	-0.24	-3.98	-	down
Remittances (Millions, USD)	5189.8	5006.7	5675.6	5584.4	5668.1	5568.2	5616.7	5817.8	4913.0	5489.7	-	down

* Trend = Mean last 3m - Mean previous 3m

Source: Bloomberg

Spread Snapshot (Generic Government Yield 10yr, bps)

Country	Mar-2024	1M ago	3M ago	12M ago
UK	-10	-13	-5	-15
Germany	-181	-173	-183	-128
Switzerland	-346	-307	-342	-248
Japan	-355	-317	-349	-348
China	-189	-144	-151	-107
India	278	317	309	340
Australia	-13	13	29	-20
South Korea	-79	-53	-49	-23
Malaysia	-41	-9	-36	-6
Indonesia	235	266	242	286
Thailand	-171	-123	-124	-141
Philippines	196	226	203	232
Brazil	658	672	669	950
Mexico	490	520	509	535
Chile	152	158	153	182
Colombia	571	573	652	921
Peru	258	271	288	406

Country	Mar-2024	1M ago	3M ago	12M ago
France	48	50	56	47
Netherlands	32	28	33	34
Belgium	57	63	60	58
Austria	50	56	58	64
Irland	42	44	37	49
Italy	145	157	173	185
Spain	89	93	99	95
Portugal	72	81	64	86

Source: Bloomberg

Disclaimer and cautionary statement

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