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Monthly Investment Insights

2 May 2024

The stock market's decoupling from rate expectations carries risks

Source: Bloomberg

Inflation remains at the top of investors' minds. Following a series of higher than expected prints market participants have now pushed backed expectations of when and by how much the Fed is going to cut rates this year. Some are even wondering whether the Fed is going to cut rates this year at all. This is crucial as the anticipation of lower rates has pushed the stock market to record highs and makes elevated valuations more palatable. The latest inflation print was in line with the Fed's projection and keeps them on track for rate cuts later this year in our view. By raising their own projection for year-end PCE core inflation from 2.4% to 2.6% while keeping the median dot to signal several rate cuts this year, the Fed sent a clear message that they are willing to accept inflation remaining above target while beginning to loosen monetary policy. Of course, a series of higher than expected inflation prints in the coming months could still undermine the FOMC's willingness to start cutting rates as recent comments by Powell and other FOMC members indicate. This could provide substantial headwinds for the equity market.

For now, however, the stock market has digested the higher yield environment rather well, despite the recent setback. An important reason for this is that corporate earnings are holding up reasonably well. While the earnings season is not over yet, results reported so far have helped to support the market. Roughly three quarters of companies managed to beat earnings expectations, which is line with the historical average. Less than two thirds of firms managed to beat revenue expectations, however, which is below longer-term averages and may indicate reduced pricing power.

Reflecting a more balanced mood among equity investors, the market reaction to both positive and negative surprises is roughly in line with past behaviour unlike a quarter ago where negative surprises were punished more harshly. Overall market risks also look more balanced in the near term. The bull trend seems to be intact and the economic environment remains supportive for further gains in the stock market despite an expected growth slowdown. Weaker growth and fading price pressure will allow the Fed to loosen monetary policy later this year, supporting equities. The stock market already expects a rather benign outcome, however, and therefore remains vulnerable to disappointments regarding both growth and inflation.

Market Assessment

Key developments

- Global growth picks up to a trend-like pace as manufacturing activity accelerates
- Government bond yields rise as rate cut expectations are priced out
- Higher yields and geopolitical uncertainty weigh on equities, triggering the biggest drawdown since October

Zurich's view

Stock markets have decoupled from rate cut expectations that were significantly too aggressive at the beginning of the year and have since fallen back to a more reasonable level. The equity market's resilience in an environment of rising interest rates is reassuring but it also carries the risk of a more dramatic setback should inflation rates fail to fall back in the coming months. Given the slowdown in growth we still expect the Fed to cut rates later this year, which is a crucial factor for further stock market gains, while bond yields start to look more attractive at these levels.

Both equities and credit would suffer if the Fed takes a more hawkish stance and interest rates keep rising, but credit offers only limited upside in a more benign scenario of moderate growth and falling inflation. Credit spreads have widened, but the pace of widening will accelerate if headwinds persists and the prospect of looser monetary conditions is pushed back further.

	Key developments	Zurich's view
Global	• The global economy is expanding at a trend-like pace; services remain brisk while manufacturing continues to improve at a gradual pace • Disappointing US inflation data trigger a sharp rise in global rates and yields and a stronger dollar • Major central banks continue to signal that rate cuts will be forthcoming this year despite robust services inflation	Global growth is tracking at a trend-like level. Services remain robust while manufacturing activity ticks higher. Leading Asian trade data have become more mixed, however, and the latest European manufacturing data disappointed, confirming that the recovery in the industrial part of the economy remains fragile. As a result, disinflation in the goods segment persists, but there has been limited progress on services inflation amid tight labour markets and housing related price pressures. Disappointing US inflation data also triggered a sharp rise in global rates and yields and a stronger dollar. After the rapid repricing, government bonds are becoming attractive again, though volatility is set to remain elevated until services inflation declines more meaningfully.
US	• GDP growth slows down in Q1 with business surveys pointing at a further loss in momentum • Investors lower their rate cut expectations as inflation rates remain elevated • Rising interest rates undermine investor sentiment and trigger a setback in the equity market	Growth in the US has slowed from an annualised rate of 3.4% in the final quarter of 2023 to a rate of 1.6% in the first quarter of this year with business surveys showing a further loss of momentum. At the same time, inflation rates remain uncomfortably high though still in line with the Fed's projection, which keeps them on track for rate cuts later this year. While the stock market has long been resilient in an environment of rising interest rates, investors have become more cautious recently with the S&P 500 suffering its biggest setback since last October. In the near term, risks look more balanced. The bull trend seems intact for now, but further disappointing inflation prints and a more hawkish Fed could provide additional headwinds.
UK	• Headline inflation slows to 3.2% YoY in March from 3.4% the month before • Growth and business activity are picking up while employment is softening • The FTSE 100 reaches a record high and outperforms many of its market peers	Headline CPI inflation slowed from an annual rate of 3.4% in February to 3.2% in March, but at 0.6% the monthly rate remains uncomfortably high. Meanwhile, the labour market is weakening with the unemployment rate picking up from 4.0% in February to 4.2% and the number of employed people falling at an accelerating pace. Nevertheless, economic growth and business activity are picking up, reflected by the Composite PMI rising to 54.0 in April, driven by stronger growth in the service sector. Stocks benefitted from an improving economic environment, an attractive valuation, and a shift away from growth-based to more value-driven sectors. Despite the pickup in gilt yields, the FTSE 100 reached a new record high, outperforming many of its market peers.
Eurozone	• We think the ECB is ready to begin easing policy in June and do not think they need to wait for the Fed • Economic conditions in the Eurozone are conducive to a gradual easing of monetary policy; inflation is falling while economic growth remains underwhelming • Equity markets stalled in April; European bond yields rose along with moves in US Treasuries	Equity and bond markets saw negative returns in April. A large portion of the moves can be attributed to spillover effects from the US, where higher inflation prints have led to investor nervousness around market valuations. We think that Eurozone assets have been unfairly caught up in this move. We see the ECB cutting rates in June and maintain our expectation for three cuts this year. We think the ECB will want to progress gradually and conservatively with policy given the heightened uncertainty around inflation. In light of the expected monetary easing and a mild economic upturn, we continue to see upside for equity markets and higher yielding government bond markets. German Bund yields, where the 10yr trades at 2.5%, don't look attractive from an investment return perspective.
Switzerland	• Inflation falls further, with both headline and core CPI back at 1% • The unemployment rate ticks higher as job growth weakens in manufacturing • The Services PMI slumps, indicating softer conditions ahead	Inflation fell again in March, with both headline and core back at 1%, in line with the SNB's updated forecast. PMI data show that manufacturing continued its gradual recovery in March, with the overall index rising for the fifth consecutive month. While encouraging, the sector has been in contraction for over a year and this is now starting to be reflected in labour market weakness, with a tick higher in the unemployment rate, slowing job growth, and increased use of short-time work. With manufacturing in a soft spot, it is concerning that the Services PMI, which has held up well so far, slumped in March, partly reflecting declining new orders. While we would not put too much weight on one individual data point, this will be key to monitor going forward.

	Key developments	Zurich's view
Japan	• Japanese equities take a healthy breather • 10yr JGB yields climb higher • USDJPY marks a 38-year high above 160 before obvious MoF intervention	Though the MSCI Japan slumped nearly 7% on an intra-month basis in April, it continues to hover at levels seen two months ago both on an absolute and a relative basis versus global equities. The overall trend, as expressed by the 200-day moving average, remains positive. Meanwhile, the 10yr JGB yield has spiked higher by more than 20bps to 0.93% following the rise of the US 10yr yield and on expectations that on a medium- to long-term perspective inflation is rising. The moves of the Japanese yen were even more dramatic with the USDJPY pair rallying from 151 to above 160, a 38-year high, before an obvious though not officially confirmed intervention by the Ministry of Finance assisted in the yen's appreciation back to 155 versus the US dollar.
China	• The latest Politburo meeting focuses on the implementation of easing measures • Equity indices are rebounding from oversold levels • China's currency has depreciated slightly versus the US dollar but remains broadly stable	Within 12 months from the end of January 2023, the MSCI China tumbled 36%. Versus global equities (MSCI World), the negative performance was even more dramatic, culminating in a relative loss of 42%. However, over the last three months, a turnaround for the better has pushed up China equities by about 20% in absolute and 14% in relative terms. Obviously, pessimism versus China equities had reached an extreme. The major question is whether the latest move marks a turnaround or just a short-term spike from oversold levels. We tend to lean towards the former. Meanwhile, the Yuan Renminbi has steadily depreciated from 7.10 to 7.25 versus the US dollar. Though this helps the export sector, we believe authorities do not favour a steep depreciation as it may encourage hidden capital flight.
Australia	• Inflation reaccelerates with services inflation notably high • Market pricing has shifted significantly from expecting rate cuts in H2 to predicting rate hikes • The equity market experiences a sharp fall but is expected to stabilise from here	Both the Q1 headline CPI and the trimmed mean CPI have surged from the previous quarter, surpassing the Reserve Bank of Australia's (RBA) and the market's expectations, with services inflation notably high. Market predictions have shifted significantly from expecting H2 rate cuts to anticipating mild rate hikes. Despite a marginal rise in unemployment to 3.8% in March, it remains near a 50-year low. Overall, we are seeing an increasing likelihood of no rate cuts this year. The ASX 200 Index has fallen sharply and is now hovering around the 200-day moving average. While the volatility of inflation data will likely increase equity volatility, economic resilience along with improving consumer sentiment should continue to support stocks unless the RBA delivers an unexpected rate hike, which is not our base scenario.
ASEAN	• Inflation remains well-anchored and exports remain soft • Concerns on FX stability prompt a surprise rate hike by Bank Indonesia • Equities in Indonesia and Thailand are trading lower while stock markets in Malaysia and Singapore show resilience	The potential delay of the Fed's rate cuts led to a renewed strengthening of the USD. Despite well-anchored inflation and weak growth, which would typically support rate cuts, central bankers opted to stay put to prevent a negative FX impact. Notably, currency depreciation, paired with declining FX reserves, led to a surprise rate hike by Bank Indonesia. If US data continue to show strength, causing the Fed to further postpone rate cuts, ASEAN's central banks will likely maintain rates longer than anticipated. Equity reactions varied, with Malaysia and Singapore showing resilience while Indonesia and Thailand trading lower in April. Indonesia remains the most sensitive to USD strengthening, and weak domestic growth in Thailand continues to weigh on equities, further aggravated by USD uncertainty.

Valuation snapshot (MSCI Indices)

Current trainling valuations

	US	Europe ex UK	UK	Switzerland	Japan	APAC ex Japan	China	Brazil	Mexico
12m Trailing P/E	24.6	15.6	14.3	19.4	17.7	16.8	12.0	7.5	15.5
12m Trailing P/B	4.7	2.2	1.9	3.8	1.7	1.7	1.2	1.4	2.1
12m Trailing P/CF	17.3	11.4	6.5	15.1	11.1	10.0	5.6	5.0	9.3
Dividend Yield	1.4	3.0	3.8	3.1	1.9	2.7	2.7	6.4	3.3
ROE	17.8	12.7	11.4	22.3	9.4	9.3	9.8	18.3	13.4

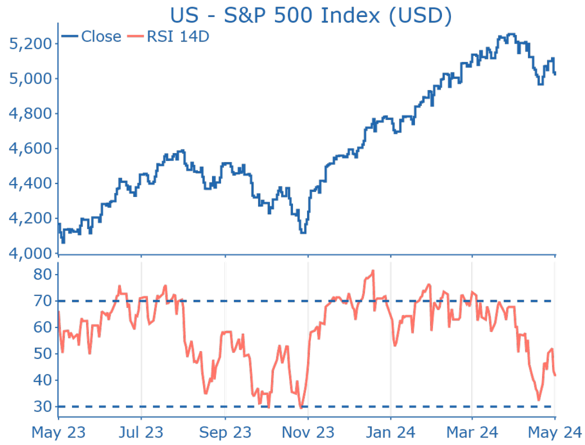
Current trainling valuations relative to MSCI world

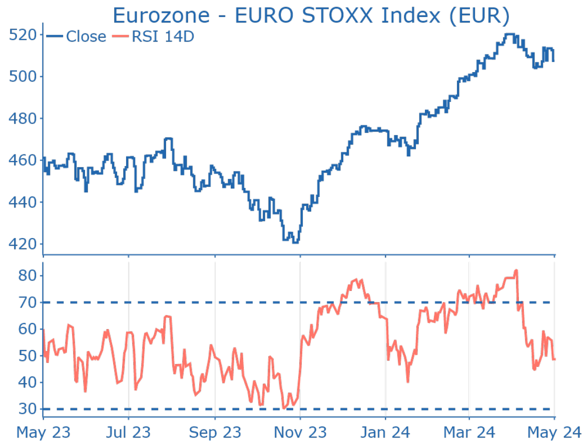
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex Japan	China	Brazil	Mexico
12m Trailing P/E	3.73	-5.26	-6.61	-1.47	-3.23	-4.11	-8.93	-13.45	-5.4
12m Trailing P/B	1.45	-1.05	-1.34	0.54	-1.56	-1.55	-1.97	-1.8	-1.11
12m Trailing P/CF	2.74	-3.18	-8.08	0.56	-3.43	-4.53	-8.98	-9.53	-5.28
Dividend Yield	-0.47	1.13	1.95	1.22	0.07	0.84	0.79	4.53	1.45
ROE	3.43	-1.72	-3.0	7.9	-4.96	-5.11	-4.6	3.89	-1.03

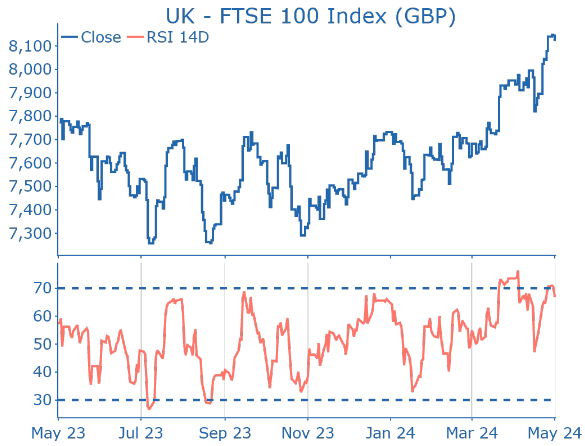
Source: Bloomberg

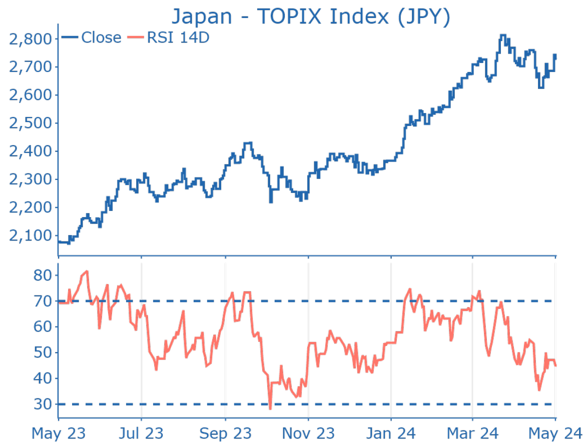
Overbought / Oversold*

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



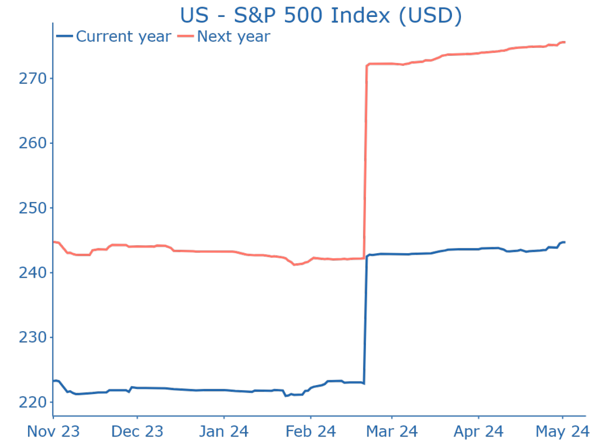


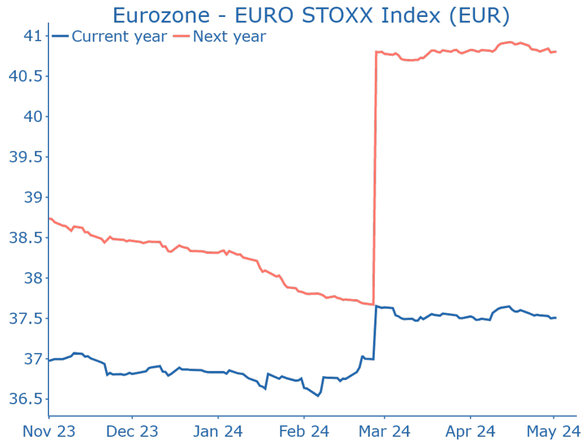


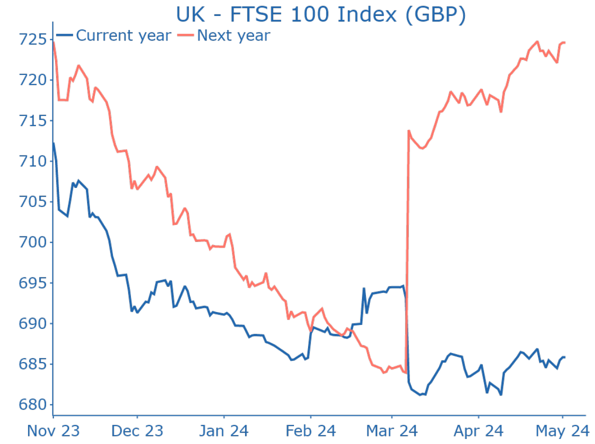


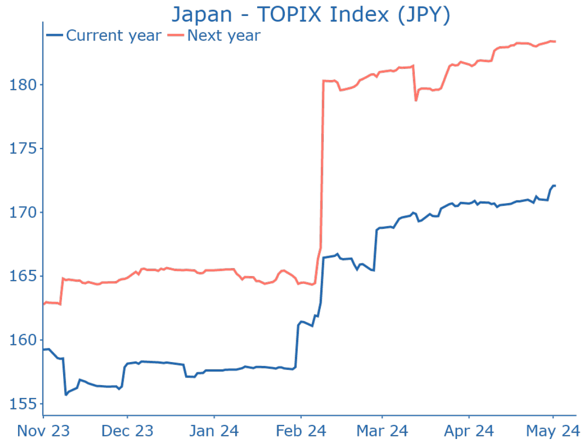
Source: Bloomberg

Earnings estimates - Full fiscal year



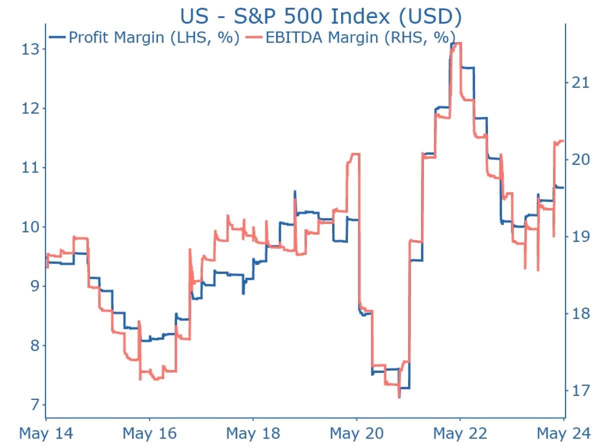


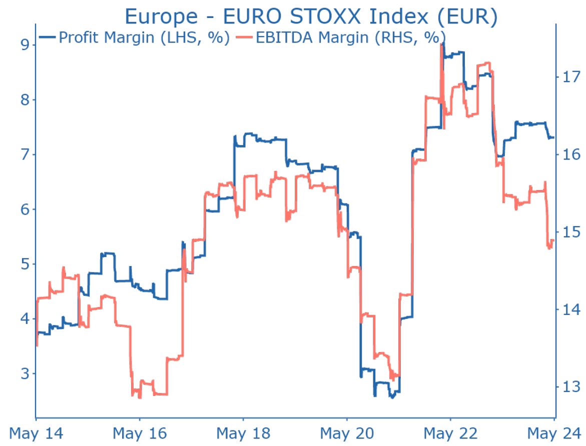


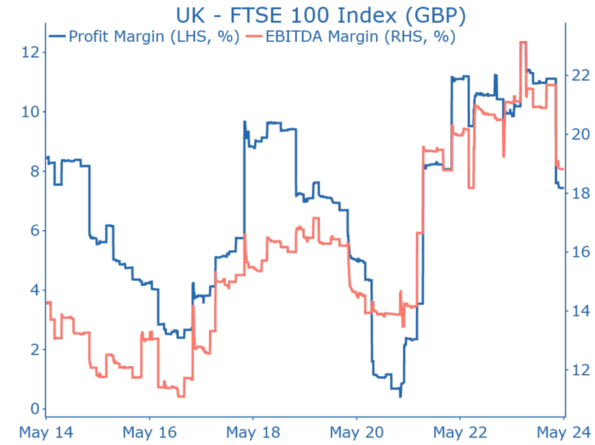


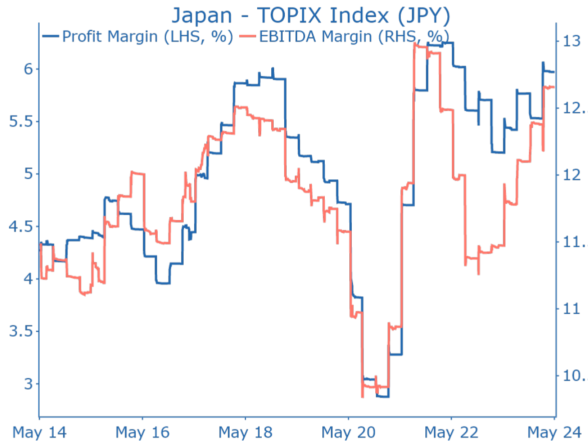
Source: Bloomberg

Historical margins



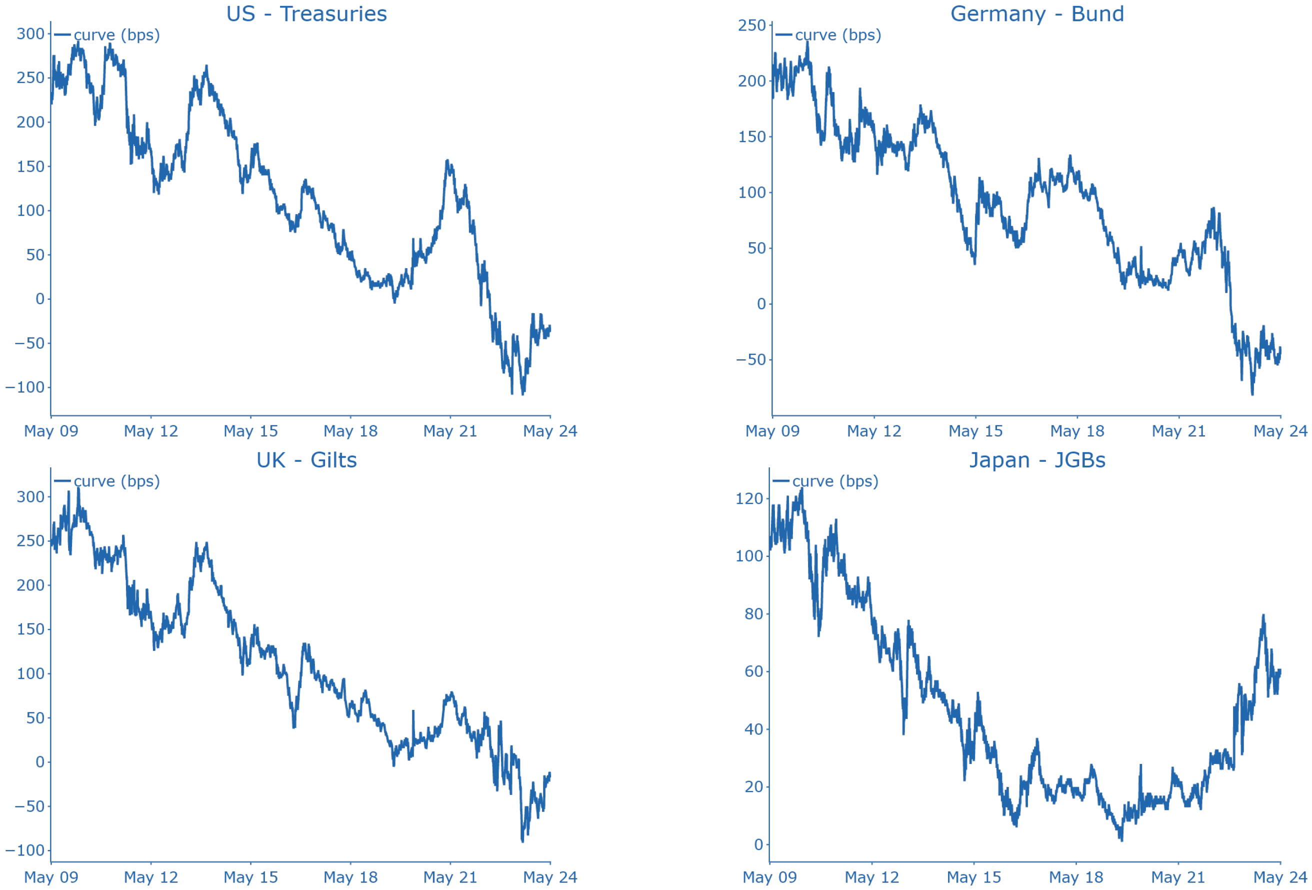






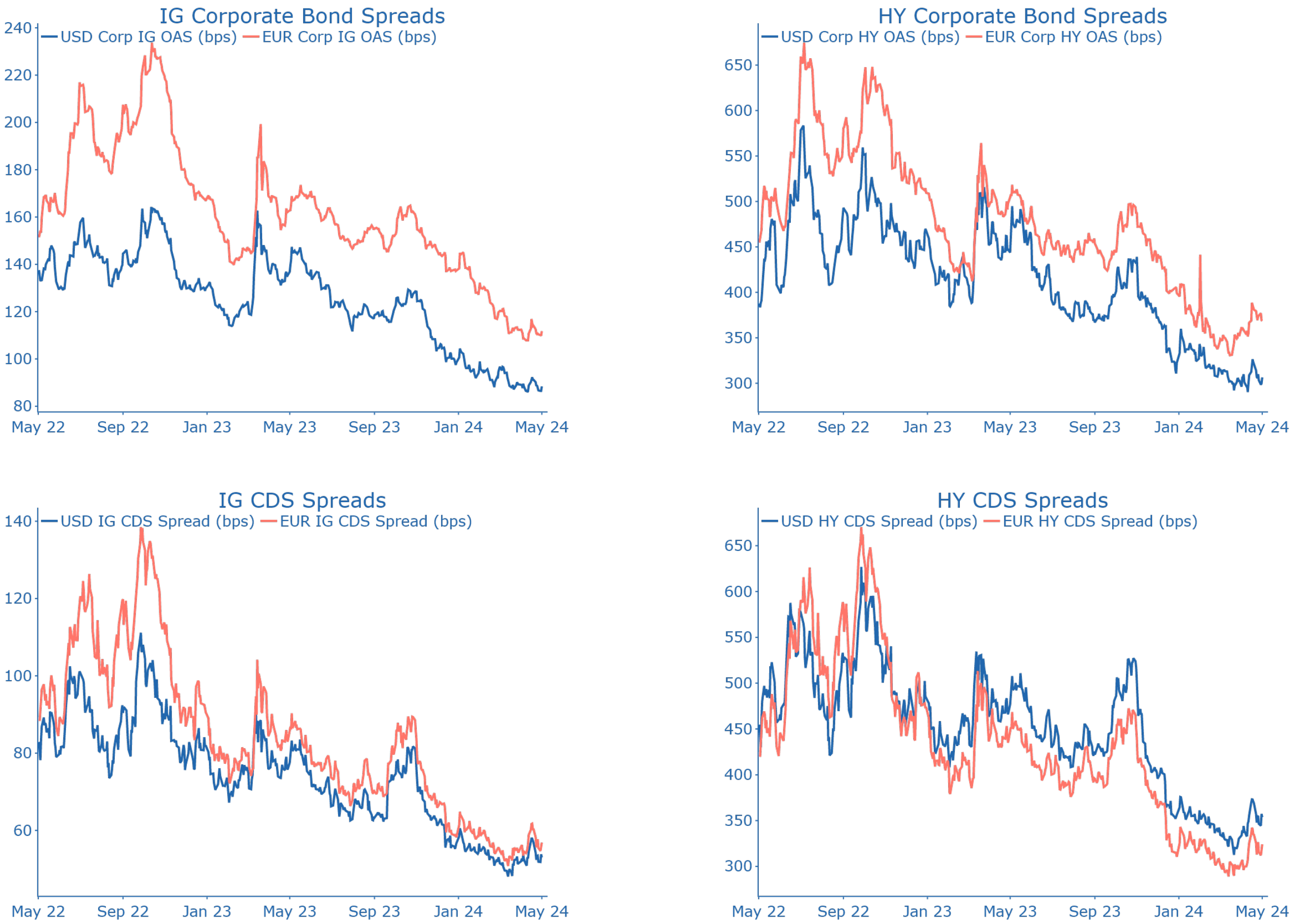
Source: Bloomberg

Yield Curve Steepness (10yr - 2yr)



Source: Bloomberg

Credit Markets (US & Europe)



Source: Bloomberg

Economic Data

US	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Mar-2024	Apr-2024	Trend*
ISM Manufacturing (Index)	46.4	46.5	47.6	48.6	46.9	46.6	47.1	49.1	47.8	50.3	49.2	up
ISM Non-Manufacturing (Index)	53.6	52.8	54.1	53.4	51.9	52.5	50.5	53.4	52.6	51.4	-	down
Durable Goods (% MoM)	4.3	-5.6	-0.1	4.0	-5.1	5.4	-0.3	-6.9	0.7	2.6	-	up
Consumer Confidence (Index)	110.1	114.0	108.7	104.3	99.1	101.0	108.0	110.9	104.8	103.1	97.0	down
Retail Sales (% MoM)	1.6	2.9	3.0	4.2	2.7	4.0	5.5	0.3	2.4	4.3	-	up
Unemployment Rate (%)	3.6	3.5	3.8	3.8	3.8	3.7	3.7	3.7	3.9	3.8	-	up
Avg Hourly Earnings YoY (% YoY)	5.0	5.0	4.8	4.7	4.6	4.6	4.5	4.7	4.6	4.2	-	down
Change in Payrolls (000, MoM)	240.0	184.0	210.0	246.0	165.0	182.0	290.0	256.0	270.0	303.0	-	up
PCE (% YoY)	4.28	4.19	3.73	3.59	3.38	3.18	2.94	2.94	2.84	2.82	-	down
GDP (%, QoQ, Annualized)	2.1	-	-	4.9	-	-	3.4	-	-	1.6	-	down

Eurozone	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Mar-2024	Apr-2024	Trend*
PMI Manufacturing (Index)	43.4	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	46.1	45.6	up
PMI Services (Index)	52.0	50.9	47.9	48.7	47.8	48.7	48.8	48.4	50.2	51.5	52.9	up
IFO Business Climate (Index)	88.7	87.5	85.9	86.0	87.0	87.1	86.3	85.1	85.6	87.9	89.4	up
Industrial Production (% YoY)	-0.7	-2.4	-5.0	-6.8	-6.2	-5.2	0.2	-6.6	-6.4	-	-	down
Indeed 3m average wage growth (% YoY)	4.58	4.37	4.27	3.99	3.83	3.66	3.81	3.87	3.91	3.67	-	up
Unemployment Rate (%)	6.5	6.5	6.5	6.5	6.6	6.5	6.5	6.5	6.5	-	-	down
Euro-Area Credit Impulse (%, SA)	-7.07	-7.65	-6.47	-6.47	-5.92	-5.54	-2.51	-2.79	-2.02	-1.5	-	up
EUR HICP 5y5y Inflation Swaps	2.5	2.59	2.54	2.54	2.49	2.41	2.27	2.23	2.3	2.3	2.39	up
CPI (% YoY)	5.5	5.3	5.2	4.3	2.9	2.4	2.9	2.8	2.6	2.4	2.4	down
Core CPI (% YoY)	5.5	5.5	5.3	4.5	4.2	3.6	3.4	3.3	3.1	2.9	2.7	down
GDP (% QoQ)	0.1	-	-	-0.1	-	-	-0.1	-	-	0.3	-	up

UK	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Mar-2024	Apr-2024	Trend*
PMI Manufacturing (Index)	46.5	45.3	43.0	44.3	44.8	47.2	46.2	47.0	47.5	50.3	49.1	up
PMI Services (Index)	53.7	51.5	49.5	49.3	49.5	50.9	53.4	54.3	53.8	53.1	54.9	up
Consumer Confidence (Index)	-24.0	-30.0	-25.0	-27.0	-30.0	-24.0	-22.0	-19.0	-21.0	-21.0	-19.0	up
Unemployment Rate (%)	4.2	4.3	4.2	4.1	4.0	3.9	3.8	4.0	4.2	-	-	up
CPI (% YoY)	7.9	6.8	6.7	6.7	4.6	3.9	4.0	4.0	3.4	3.2	-	down
House Prices (% YoY)	-3.5	-3.8	-5.3	-5.3	-3.3	-2.0	-1.8	-0.2	1.2	1.6	0.6	up
Mortgage Approvals (SA, Thousands)	53.58	49.28	45.72	44.39	48.84	50.38	52.18	56.01	60.5	61.32	-	up
GDP (% YoY)	0.2	-	-	0.2	-	-	-0.2	-	-	-	-	down

Switzerland	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Mar-2024	Apr-2024	Trend*
KOF Leading Indicator (Index)	94.1	96.3	95.6	96.3	95.1	96.8	97.8	102.7	101.7	100.4	101.8	up
PMI Manufacturing (Index)	44.9	38.5	39.9	44.9	40.6	42.1	43.0	43.1	44.0	45.2	-	up
Real Retail Sales (% YoY)	0.7	-2.5	-2.1	-2.8	-1.9	-1.2	-0.1	0.3	-0.2	-	-	up
Trade Balance (Billion, CHF)	4.78	3.0	3.74	6.37	4.75	3.72	1.24	4.71	3.68	3.54	-	up
CPI (% YoY)	1.7	1.6	1.6	1.7	1.7	1.4	1.7	1.3	1.2	1.0	-	down

Japan	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Mar-2024	Apr-2024	Trend*
PMI Manufacturing (Index)	49.8	49.6	49.6	48.5	48.7	48.3	47.9	48.0	47.2	48.2	49.6	up
Machinery Orders (% YoY)	-5.8	-13.0	-7.7	-2.2	-2.2	-5.0	-0.7	-10.9	-1.8	-	-	up
Industrial Production (% YoY)	-0.1	-2.6	-4.7	-4.5	0.9	-1.6	-1.1	-1.5	-3.9	-6.7	-	down
ECO Watchers Survey (Index)	53.6	54.1	52.8	50.4	49.9	49.8	50.9	47.4	50.3	52.4	-	up
Jobs to Applicants Ratio (Index)	1.31	1.3	1.3	1.29	1.29	1.27	1.27	1.27	1.26	1.28	-	down
Labour Cash Earnings (% YoY)	2.3	1.1	0.8	0.6	1.5	0.7	0.8	1.5	1.4	-	-	up
Retail Sales (% YoY)	7.0	8.6	11.8	9.2	6.1	7.4	5.4	7.1	14.0	9.9	-	up
Exports (% YoY)	1.5	-0.3	-0.8	4.3	1.6	-0.2	9.7	11.9	7.8	7.3	-	up
Money Supply M2 (% YoY)	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.5	2.4	2.5	-	up
CPI Ex Food & Energy (% YoY)	2.6	2.7	2.7	2.6	2.7	2.7	2.8	2.6	2.5	2.2	-	down

China	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Mar-2024	Apr-2024	Trend*
NBS PMI Manufacturing (Index)	49.0	49.3	49.7	50.2	49.5	49.4	49.0	49.2	49.1	50.8	50.4	up
NBS PMI Non Manufacturing (Index)	53.2	51.5	51.0	51.7	50.6	50.2	50.4	50.7	51.4	53.0	51.2	up
Industrial Production (% YoY)	4.4	3.7	4.5	4.5	4.6	6.6	6.8	-	-	4.5	-	down
Retail Sales (% YoY)	3.1	2.5	4.6	5.5	7.6	10.1	7.4	-	-	3.1	-	down
Exports (% YoY)	-12.4	-14.2	-8.5	-6.8	-6.6	0.7	2.3	8.2	5.5	-7.5	-	down
CPI (% YoY)	5.6	7.0	7.1	6.3	4.1	5.4	2.3	2.1	4.7	1.2	-	down
PPI (% YoY)	-5.4	-4.4	-3.0	-2.5	-2.6	-3.0	-2.7	-2.5	-2.7	-2.8	-	down
RRR (%)	10.75	10.75	10.75	10.5	10.5	10.5	10.5	10.5	10.0	10.0	10.0	down
GDP (% YoY)	6.3	-	-	4.9	-	-	5.2	-	-	5.3	-	up

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

Source: Bloomberg

Appendix 5

Economic Data

India	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Mar-2024	Apr-2024	Trend*
PMI Manufacturing (Index)	57.8	57.7	58.6	57.5	55.5	56.0	54.9	56.5	56.9	59.1	58.8	up
PMI Services (Index)	58.5	62.3	60.1	61.0	58.4	56.9	59.0	61.8	60.6	61.2	61.7	up
Industrial Production (% YoY)	4.0	6.2	10.9	6.4	11.9	2.5	4.2	4.1	5.7	-	-	up
CPI (% YoY)	4.87	7.44	6.83	5.02	4.87	5.55	5.69	5.1	5.09	4.85	-	down
GDP (% YoY)	8.22	-	-	8.08	-	-	8.36	-	-	-	-	down

Australia	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Mar-2024	Apr-2024	Trend*
Westpac Leading Indicator	97.13	97.15	97.1	97.15	97.08	97.18	97.09	97.02	97.08	97.03	-	down
Retail Sales (% YoY)	2.34	1.93	1.65	1.99	1.12	2.16	0.88	1.13	1.53	0.85	1.15	down
Unemployment Rate (%)	3.5	3.8	3.7	3.6	3.8	3.9	3.9	4.1	3.7	3.8	-	down
Housing Prices (% YoY)	-4.86	-2.74	-0.17	2.16	4.23	6.02	7.74	9.37	10.14	9.92	9.81	up
CPI (% MoM)	5.4	4.9	5.2	5.6	4.9	4.3	3.4	3.4	3.4	3.5	-	down

Brazil	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Mar-2024	Trend*
CPI (% YoY)	3.94	3.16	3.99	4.61	5.19	4.82	4.68	4.62	4.51	4.5	3.93	down
Industrial Production (% YoY)	1.9	0.2	-1.2	0.5	0.7	1.1	1.3	0.9	3.7	5.0	-	up
Retail Sales (% YoY)	-1.1	1.4	2.4	2.4	3.2	0.2	2.5	1.2	4.0	8.2	-	up
Trade Balance (Millions, USD)	10966.61	10063.53	8185.23	9627.21	9177.14	9164.68	8766.05	9360.37	6494.7	5308.3	7482.7	down
Budget Balance (Billions, BRL)	-119.23	-89.62	-81.91	-106.56	-99.78	-47.15	-80.89	-193.43	22.23	-113.86	-	up

Chile	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Mar-2024	Trend*
Economic Activity Index (% YoY)	-0.8	-0.32	2.21	-0.65	0.25	0.99	1.05	-0.71	2.32	4.53	-	up
CPI (% YoY)	8.73	7.56	6.48	5.32	5.12	5.03	4.8	3.94	-	-	-	down
Retail Sales (% YoY)	-8.99	-9.98	-8.24	-10.03	-4.0	-6.73	-2.49	-1.47	1.8	3.95	0.7	up
Industrial Production (% YoY)	-4.34	-0.16	0.76	0.46	2.71	2.23	2.78	-2.85	3.68	8.06	0.69	up
Unemployment (%)	8.5	8.5	8.8	9.0	8.9	8.9	8.7	8.5	8.4	8.5	8.7	down

Mexico	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Jan-2024	Feb-2024	Mar-2024	Trend*
PMI (Index)	49.66	50.84	51.1	52.07	51.14	50.38	51.22	50.28	51.96	50.22	54.48	up
CPI (% YoY)	5.84	5.06	4.79	4.64	4.45	4.26	4.32	4.66	4.88	4.4	4.42	up
Retail Sales (% YoY)	2.8	5.9	5.1	3.2	2.3	3.4	2.7	-0.2	-0.8	3.0	-	down
Industrial Production (% YoY)	2.68	1.95	0.77	-1.1	0.84	1.07	-0.24	-3.98	0.1	2.31	-	up
Remittances (Millions, USD)	5675.6	5584.4	5668.1	5568.2	5616.7	5817.8	4913.0	5496.9	4574.6	4510.1	-	down

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

Source: Bloomberg

Spread Snapshot (Generic Government Yield 10yr, bps)

Spread over US Treasuries (bps)

Country	May-2024	1M ago	3M ago	12M ago
UK	-24	-26	-10	24
Germany	-204	-194	-177	-116
Switzerland	-384	-358	-316	-243
Japan	-370	-360	-334	-300
China	-229	-205	-159	-64
India	255	276	303	367
Australia	-16	-27	-4	2
South Korea	-95	-92	-72	-5
Malaysia	-62	-48	-24	31
Indonesia	259	233	250	309
Thailand	-184	-183	-137	-91
Philippines	242	188	212	268
Brazil	724	689	667	890
Mexico	538	513	527	536
Chile	152	157	145	197
Colombia	598	613	589	858
Peru	268	315	259	408

Spread over German Bund (bps)

Country	May-2024	1M ago	3M ago	12M ago
France	49	52	50	59
Netherlands	28	31	29	38
Belgium	52	59	62	70
Austria	48	54	56	68
Irland	39	46	43	42
Italy	131	144	157	191
Spain	75	86	92	106
Portugal	61	70	80	84

Source: Bloomberg

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