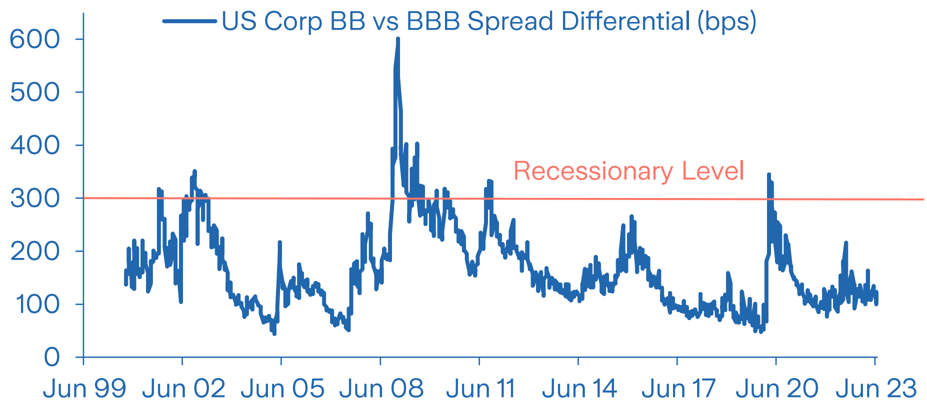
Monthly Investment Insights

4 July 2023

Markets are pricing out a recession



Source: Bloomberg

Global stock markets entered bull market territory last month despite further evidence of a growth slowdown and hawkish rhetoric from central banks that caused yields to rise and rate cuts to be pushed out. This implies that risk assets such as stocks and credit are increasingly not only pricing out a recession, but are also not concerned about the risk of a policy mistake by central banks. While we acknowledge that a recession, led by the US, is likely to occur later than we originally expected, the question still remains 'when' not 'if'.

Despite lagging stocks since March, credit markets appear to be embracing the soft landing view of no recession, as shown in the chart. The BBB rated bucket is the lowest rated segment of the Investment Grade corporate bond universe, while the BB rated bucket is the highest rated segment of the High Yield universe. The difference in spreads between the two is the repricing or potential 'punishment' suffered by a company in terms of a rise in funding costs when it is downgraded from Investment Grade to High Yield. As the chart shows, the spread differential is nowhere close to recessionary levels. This somewhat sanguine pricing is also evident in several other metrics. As an example, we have increased our default rate expectation in US High Yield from 5% to 7% for 2023, while default rates implied by the Fed's lending standards in Q1, historically an accurate leading indicator for defaults, suggest a default rate of 9% by Q1 2024 as per our estimation. Historically, such default rates seem consistent with US High Yield credit spreads in the 700-1000bp range, rather than the current 390bps. Moreover, on a fundamentally adjusted basis, credit spreads per unit of median leverage seem to be hovering at levels not far from record lows seen during 2021, suggesting that upside in credit seems rather limited even in a soft landing scenario. The stresses experienced by US banks during March seem to be largely forgotten by the broader financial markets but in our view they are not over. Corporate bankruptcies have climbed rapidly this year despite resilience in economic activity so far. Cracks are also emerging in the non-corporate space, with rising delinquencies in parts of consumer credit and weakness likely to continue in the commercial real estate sector. Smaller banks are expected to keep lending growth on a short leash as they face the lagged effect of monetary policy tightening, along with the deterioration in big parts of their balance sheets and the depressed valuation of their stock prices as well as the risk of further deposit flight. Tight credit conditions historically slow the economy down, which is evident in a number of current and leading economic indicators in both US and Europe.

All of this said, the stock market's momentum remains strong. While investor sentiment seems to have switched from being bearish to bullish over the last six months, sentiment is still not extreme. The strong momentum in stocks could continue, and it is worthwhile to maintain a more neutral stance towards stocks while exercising caution in credit markets where upside is more limited until fundamental deterioration becomes more pervasive and investors start taking notice.

Market Assessment

Key developments

- Service sector growth slows, while the manufacturing recession persists
- Central bank rhetoric remains hawkish, causing yield curves to invert further
- Global stock markets enter bull market territory while credit remains well bid

Zurich's view

The growth divergence between the service and manufacturing sectors seems to be moderating on a global basis, with the service sector showing signs of slowing down while manufacturing remains in recession. Labour markets have remained resilient so far and consequently core inflation sticky. This has led central banks to retain a hawkish rhetoric, which has caused rate cuts to be pushed out while market implied peak rates have risen. Yield curves have inverted further which seems consistent with a high probability of a recession in coming quarters. Within bond markets, gilt yields have risen due to persistent inflationary pressures but it seems that the yield differential between gilts and Treasuries is overdone.

Risk assets have continued to rally aggressively, more so in equities than in credit, with several markets now in bull market territory. Within equities, Japanese stocks have been in favour while Chinese stocks have underperformed notably, with the performance gap between the two markets appearing excessive in the short term. Despite lagging the move in equities since March, credit markets appear to be pricing in little risk premiums for a recession or a policy mistake, with more limited upside than stocks in a soft landing scenario.

	Key developments	Zurich's view
Global	• The economy remains divergent, but strong services activity is starting to moderate while manufacturing weakens further • Aggressive policy tightening will weigh on activity going forward; the risk of overtightening is significant • Slowing growth and peaking rates should lead government bond yields lower, but conditions will remain volatile and data dependent	A key development has been the weakening of services activity, with the Flash PMIs showing a meaningful decline in momentum in June while manufacturing, construction and world trade remain under pressure. The growth slowdown has been particularly pronounced in Europe and China while other regions have held up better. Headline CPI and PPI inflation have continued to retreat but services and core inflation are still troubling, with brisk wage growth and tight labour markets persisting. While the Fed kept rates on hold in June, European central banks ramped up their hawkish positioning, continuing to hike rates and signalling that tightening is not over. We anticipate central banks will remain focused on inflation and the risk of overtightening is now significant given mixed inflation trends and growth divergences.
US	• Headline inflation falls to 4% YoY in May while core inflation ticks down to 5.3% • The Fed pauses but signals further rate hikes in the coming months • The S&P 500 breaks out of its trading range and enters bull market territory	In line with expectations, the Fed refrained from hiking rates at its latest meeting for the first time since the beginning of the current tightening cycle in March 2022. At the same time, however, the FOMC is signalling further rate hikes and doesn't see any rate cuts till the end of 2023, a point emphasized by Jerome Powell during his press conference. Meanwhile, headline inflation slowed to 4% in May though core inflation only ticked down to 5.3% YoY from 5.5% the month before. Economic activity continues to soften with the ISM Services Index falling to 50.3 in June while manufacturing remains in contraction. Stock markets ignored the deteriorating growth outlook with the S&P 500 breaking out of its recent trading range and entering bull market territory.
UK	• Core inflation rises to the highest level in 31 years • The Bank of England lifts the Bank Rate by 50bps to 5%, the highest since 2008 • Economic activity slows, driven by weaker services and a deepening contraction in manufacturing	Headline inflation remained at 8.7% YoY in May and although the monthly rate slowed from 1.2% to 0.7% it remains far above the Bank of England's target rate. Even more concerning is the fact that core inflation accelerated to 7.1% YoY, the highest level in 31 years. Stubbornly high inflation rates in combination with a still very tight labour market and accelerating wage growth forced the BoE to continue its tightening process, lifting the Bank Rate by 50bps to 5%, the highest level since 2008. The increase will provide further headwinds to an already slowing economy. The Composite PMI receded to 52.8 in June from 54.0 the month before, with the slowdown driven by weaker services activity and a deepening contraction in the manufacturing sector.
Eurozone	• Weakness in manufacturing begins to spread to services as activity data surprises sharply to the downside • CPI inflation falls further, but core and services inflation are sticky and serve to motivate a hawkish ECB • The ECB hikes rates by 25bps, with further tightening set to be forthcoming in the July meeting	The ECB hiked rates in June and signalled further tightening to come. The core inflation forecast was raised and concerns around strong wage growth and weak productivity were highlighted in the press conference. The ECB is set to hike again in July but, as the economy is now slowing rapidly, a September hike appears less likely. The latest data have disappointed sharply to the downside and the Citi Surprise Index, which tracks data outturns vs. expectations, has slumped to the lowest level since the financial crisis (outside of the global pandemic). Credit growth and bank lending continue to slow and the housing market remains under pressure. Following the technical recession in Q4 2022 and Q1, we see little upside to Eurozone growth in the coming months amid weak global demand and a hawkish ECB.
Switzerland	• The SNB hikes rates by 25bps and signals further tightening to come • Growth momentum continues to slow, led by a slump in manufacturing activity and weak external demand • Price pressures continue to ease with core CPI back below 2%, but rising rents are expected to drive stickiness in the core component	The SNB hiked rates by 25bps to 1.75% in June. Although the pace of tightening was scaled back and the 2023 inflation projection cut, the outlook remained hawkish, with the inflation forecast remaining above 2% by the end of the forecast horizon. Unless demand and activity slump over the summer, we suspect another hike will be delivered in the next policy meeting in September. That said, economic activity is weak, with manufacturing under pressure and services slowing. While inflation is falling quickly, with core CPI back below 2% YoY, further declines in core inflation will be less likely given the upward pressure on rent and electricity prices. This, and further tightening by other central banks, will motivate the SNB to continue to be hawkish despite the challenging economic outlook.

	Key developments	Zurich's view
Japan	• Japan's economic activity remains solid but is slowing at the margin • Core inflation remains sticky while the Bank of Japan is maintaining its yield curve control policy • Japanese equities keep rallying on strong foreign demand	While Japan's economy has been growing faster than expected in Q1, the growth has been driven by an increase in inventories that is expected to reverse soon. Though still solid, some economic indicators for April have come in weaker than consensus expected, while the Manufacturing PMI has fallen below the 50 'boom/bust' line. While services activity remains brisk, it is starting to slow somewhat, partly because prefectural travel discounts are being reduced. Headline inflation appears to be peaking, but core inflation remains sticky. Japanese equities continue to rally as foreigners keep buying the corporate governance improvement story and are following an investment guru who is increasing his stake in trading companies. However, global investors remain underweight in Japanese stocks.
China	• Economic activity and credit demand continue to deteriorate • China's central bank, the PBoC, cuts key policy rates by 10bps • Chinese equities continue to falter	China's economic activity slowed further in June as retail sales, industrial production, infrastructure and property investments slowed. Credit demand has decelerated and the credit impulse is hovering around zero at a time when it usually tends to improve in an upswing. Consumer price inflation remains close to zero, while producer price deflation has intensified to -4.5% YoY. The labour market remains robust overall, but the youth unemployment rate has climbed above 20%. Ecommerce sales and brisk auto production are among the few favourable indicators. The PBoC, China's central bank, cut key policy rates by 10bps, but refrained from cutting the 5 year loan prime rate, a benchmark for mortgage loans, more than 10 bps. However, more targeted stimulus measures are expected going forward.
Australia	• The RBA unexpectedly hikes its cash rate to 4.1% amid signs of sticky inflation • Q1 GDP slows markedly on the back of weak consumption while the job market remains tight • Government bond yields continue to trend higher as equities face renewed volatility	The Reserve Bank of Australia (RBA) unexpectedly raised its cash rate to 4.1% after a surprise uptick in April CPI, hikes in minimum and award wages, and a rise in unit labour costs on the back of falling productivity. Q1 GDP growth weakened from 0.5% to 0.2% QoQ, driven by a marked slowdown in private consumption. May job figures show unemployment edged lower from 3.7% to 3.6% despite a noticeable rise in the participation rate. This suggests a persistently tight labour market, despite an increasing labour supply buoyed by strong immigration. With inflation pressures proving to be sticky, the risk of further rate hikes is to the upside, driving government bond yields higher. Equities continue to falter on concerns over further rate hikes by the RBA and the Fed as well as China's underwhelming recovery.
ASEAN	• Disinflation trends prevail across most ASEAN economies with Thailand's CPI falling notably in May • Policy rates stay steady with only Vietnam's central bank delivering rate cuts so far • Strong foreign inflows drive government bond yields lower while equity markets largely underperform	Disinflation is broad-based across ASEAN, excluding Singapore and the Philippines. Notably, Thailand's CPI came in at 0.5% YoY in May, well below the central bank's target. With sufficient FX reserves, regional central banks are expected to remain largely on hold and relatively independent from potential further Fed tightening. Thus far, Vietnam's central bank is the only one to have cut rates in response to a pronounced economic slowdown exacerbated by plummeting exports. Although trade remains notably weak, with May PMI new export orders for key ASEAN exporters well below 50, the slowdown seems to be moderating. Declining inflation and less hawkish central banks have driven government bond yields lower, supported by robust foreign inflows, while equity markets continue to underperform.
LatAm	• Major central banks kept the policy rate unchanged with dovish statements • Inflation continues to moderate and the economic outlook remains encouraging • Sentiment on the equity market improves, boosting the MSCI LatAm Index	Major central banks have kept policy rates unchanged. In Brazil, headline inflation continues to decelerate, reaching 3.9%, its lowest level since October 2020, and is consolidating within the target band. In Chile and Mexico, inflation continues to surprise to the downside providing more evidence that the inflation convergence process is in place. The inflation outlook is improving significantly, paving the way for monetary easing, which we expect to start in the second half of this year. The MSCI LatAm Index is outperforming EMs and the global market, benefiting from improved sentiment and lower policy rate expectations. Earnings estimates have been revised upwards by 1.5%, supporting attractive valuations. Brazil was the best performer, rising 16% YTD amid lower fiscal uncertainty and solid economic growth.

Valuation snapshot (MSCI Indices)

Current trailing valuations

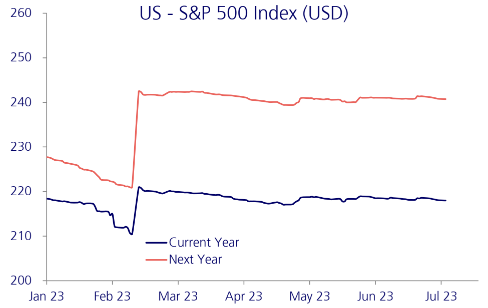
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	20.84	15.20	11.29	18.52	15.56	14.14	14.35	5.33	13.05
12m Trailing P/B	3.90	1.96	1.74	3.17	1.29	1.61	1.40	1.46	1.98
12m Trailing P/CF	14.12	9.10	5.71	17.37	9.24	8.40	7.52	3.82	8.72
Dividend Yield	1.67	2.93	3.69	3.02	2.53	3.06	2.40	13.04	3.82
ROE	18.70	12.91	15.37	17.10	8.26	11.39	9.74	27.43	15.13

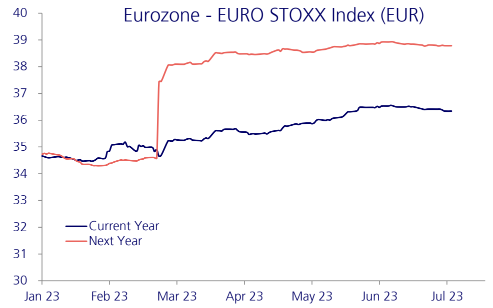
Current trailing valuations relative to MSCI world

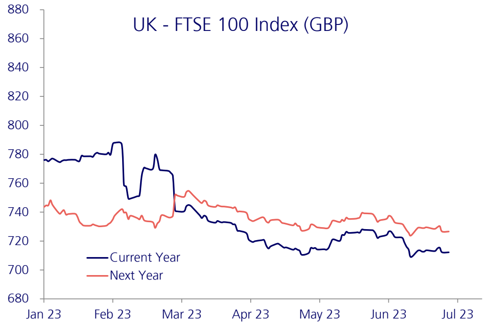
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.21	0.88	0.65	1.07	0.90	0.82	0.83	0.31	0.76
12m Trailing P/B	1.52	0.77	0.68	1.24	0.50	0.63	0.55	0.57	0.77
12m Trailing P/CF	1.27	0.82	0.51	1.56	0.83	0.76	0.68	0.34	0.79
Dividend Yield	0.74	1.29	1.62	1.33	1.11	1.34	1.05	5.74	1.68
ROE	1.26	0.87	1.04	1.15	0.56	0.77	0.66	1.85	1.02

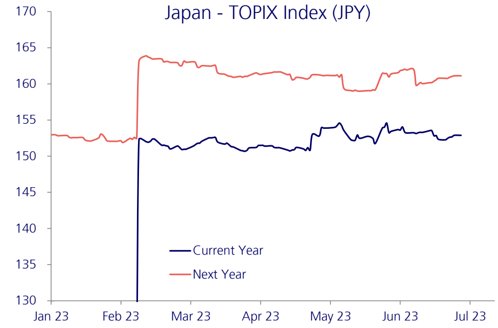
Source: Datastream

Earnings estimates - Full fiscal years



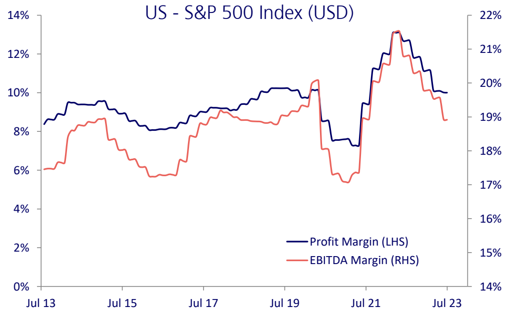


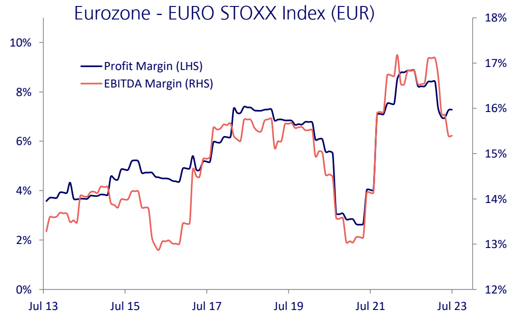


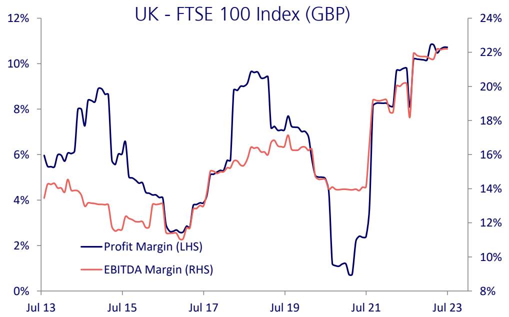


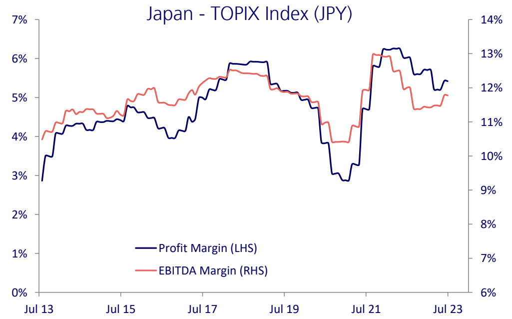
Source: Bloomberg

Historical margins





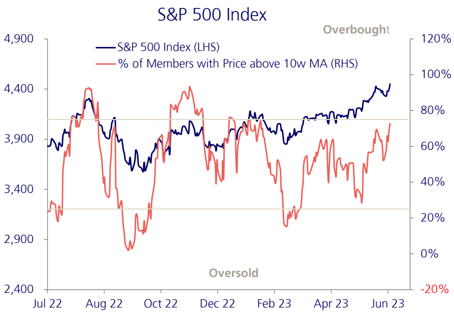


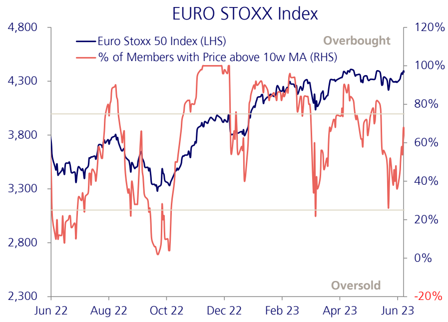


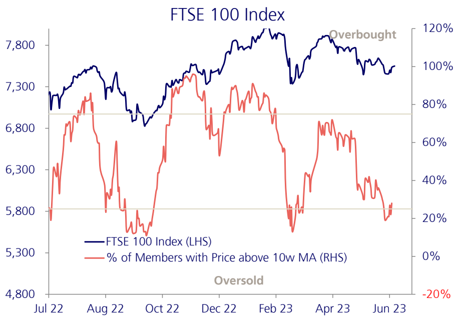
Source: Bloomberg

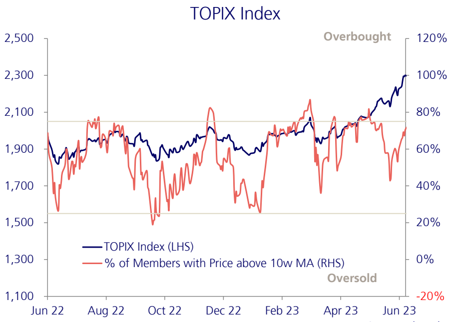
Source: Bloomberg

Overbought / Oversold



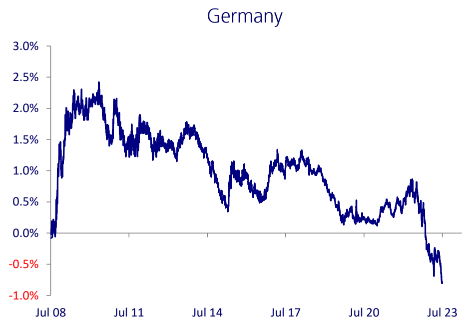


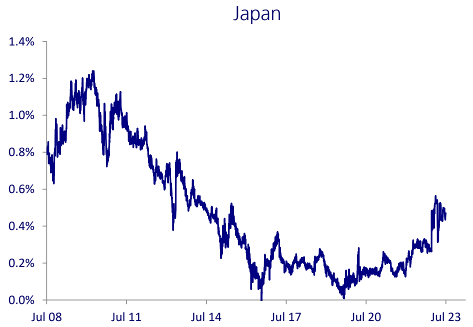


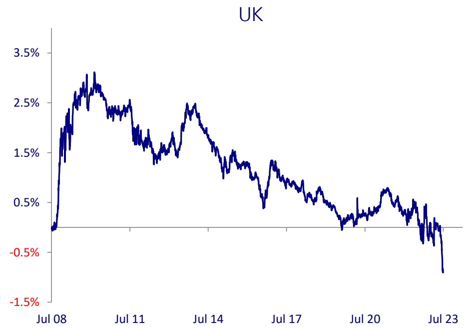


Source: Bloomberg

Yield Curve Steepness (2yr-10yr)







Source: Bloomberg

Spread Snapshot

Generic Government Yields (10yr)

	Spread over US Treasury (bps)			
Country	Jul-23	1m ago	3m ago	1yr ago
UK	54	47	10	-79
Germany	-147	-138	-109	-165
Switzerland	-290	-283	-206	-201
Japan	-344	-328	-291	-265
Australia	12	-5	-8	71
China	-120	-97	-47	-5
South Korea	-19	-20	-2	61
Malaysia	0	1	58	133
Indonesia	240	268	339	438
Thailand	-129		-87	-8
Philippines	21	n/a	n/a	n/a
Brazil	678	767	932	n/a
Mexico	484	518	550	605
Colombia	640	756	818	n/a
Peru	305	355	415	487

Generic Government Yields (10yr)

	Spread over German Bund (bps)			
Country	Jul-23	1m ago	3m ago	1yr ago
France	53	55	51	57
Netherlands	35	37	35	36
Belgium	66	68	68	66
Austria	64	67	65	58
Ireland	42	43	46	n/a
Italy	167	176	187	186
Spain	99	100	103	104
Portugal	72	69	86	104

Source: Bloomberg, ZIG

Economic data

US	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Trend*
ISM Manufacturing (Index)	53.1	52.7	52.9	51.0	50.0	49.0	48.4	47.4	47.7	46.3	47.1	46.9		down
ISM Non-Manufacturing (Index)	56.0	56.4	56.1	55.9	54.5	55.5	49.2	55.2	55.1	51.2	51.9	50.3		down
Durable Goods (% MoM)	1.6	-0.8	-0.1	0.3	1.0	-3.1	4.5	-1.3	-2.7	3.3	1.2	1.7		up
Consumer Confidence (Index)	98.4	95.3	103.6	107.8	102.2	101.4	109.0	106.0	103.4	104.0	103.7	102.5	109.7	up
Retail Sales (% MoM)	9.3	10.3	10.2	9.4	8.8	6.1	6.0	7.4	5.3	2.2	1.2	1.6		down
Unemployment Rate (%)	3.6	3.5	3.7	3.5	3.7	3.6	3.5	3.4	3.6	3.5	3.4	3.7		up
Avg Hourly Earnings YoY (% YoY)	6.7	6.6	6.2	5.9	5.7	5.7	5.4	5.2	5.3	5.2	5.0	5.0		down
Change in Payrolls ('000, MoM)	370.0	568.0	352.0	350.0	324.0	290.0	239.0	472.0	248.0	217.0	294.0	339.0		down
PCE (% YoY)	5.0	4.7	4.9	5.2	5.1	4.8	4.6	4.7	4.7	4.6	4.7	4.6		down
GDP (%, QoQ, Annualized)	-0.6			3.2			2.6			2.0				

UK	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Trend*
PMI Services (Index)	54.3	52.6	50.9	50.0	48.8	48.8	49.9	48.7	53.5	52.9	55.9	55.2	53.7	up
Consumer Confidence (Index)	-41.0	-41.0	-44.0	-49.0	-47.0	-44.0	-42.0	-45.0	-38.0	-36.0	-30.0	-27.0	-24.0	up
Unemployment Rate (%)	3.8	3.6	3.5	3.6	3.7	3.7	3.7	3.7	3.8	3.9	3.8			down
CPI (% YoY)	9.4	10.1	9.9	10.1	11.1	10.7	10.5	10.1	10.4	10.1	8.7	8.7		down
GDP (% YoY)	3.8			2.0			0.6			0.2				

Eurozone	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Trend*
PMI Manufacturing (Index)	52.1	49.8	49.6	48.4	46.4	47.1	47.8	48.8	48.5	47.3	45.8	44.8	43.4	down
PMI Services (Index)	53.0	51.2	49.8	48.8	48.6	48.5	49.8	50.8	52.7	55.0	56.2	55.1	52.4	up
IFO Business Climate (Index)	92.3	88.8	89.0	85.2	85.1	86.6	88.6	90.1	91.1	93.2	93.5	91.5	88.5	down
Industrial Production (% MoM)	2.6	-4.6	3.3	0.6	-2.3	1.3	-1.3	0.6	1.4	-3.8	1.0			down
Factory Orders GE (% MoM)	-0.7	2.0	-2.1	-2.4	0.1	-2.6	1.9	0.5	4.5	-10.9	-0.4			down
Unemployment Rate (%)	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.6	6.6	6.6	6.5	6.5		down
M3 Growth (% YoY, 3 months MA)	5.8	5.7	6.2	6.3	5.1	4.8	4.1	3.4	2.9	2.5	1.9	1.4		down
CPI (% YoY)	8.6	8.9	9.1	9.9	10.6	10.1	9.2	8.6	8.5	6.9	7.0	6.1	5.5	down
Core CPI (% YoY)	3.7	4.0	4.3	4.8	5.0	5.0	5.2	5.3	5.6	5.7	5.6	5.3	5.4	down
GDP (% QoQ)	0.8			0.4			-0.1			-0.1				

Switzerland	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Trend*
KOF Leading Indicator (Index)	98.2	96.5	93.0	92.1	90.9	89.3	91.6	97.5	98.9	98.9	96.1	91.4	90.8	down
PMI Manufacturing (Index)	59.1	58.0	56.7	56.8	55.4	54.4	54.5	49.3	48.9	47.0	45.3	43.2	44.9	down
Real Retail Sales (% YoY)	0.1	2.5	1.6	2.2	-2.5	-1.8	-3.4	-2.0	-0.8	-2.0	-4.0	-1.1		down
Trade Balance (Billion, CHF)	3.6	3.4	3.7	4.4	4.2	2.2	2.4	4.9	3.4	4.6	2.6	5.5		up
CPI (% YoY)	3.4	3.4	3.5	3.3	3.0	3.0	2.8	3.3	3.4	2.9	2.6	2.2	1.7	down

Japan	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Trend*
Nomura Manufacturing PMI (Index)	52.7	52.1	51.5	50.8	50.7	49.0	48.9	48.9	47.7	49.2	49.5	50.6	49.8	up
Machine Orders (% YoY)	6.5	12.8	9.7	2.9	0.4	-3.7	-6.6	4.5	9.8	-3.5	-5.9			down
Industrial Production (% YoY)	-3.0	-1.8	5.7	8.7	3.1	-1.4	-2.2	-2.8	-0.6	-0.8	-0.7	4.7		up
ECO Watchers Survey (Index)	51.8	43.5	44.8	49.6	51.1	49.7	49.0	46.5	51.0	55.2	55.7	54.5		up
Jobs to Applicants Ratio (Index)	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.3	1.3	1.3	1.3		down
Labour Cash Earnings (% YoY)	2.0	1.3	1.7	2.2	1.4	1.9	4.1	0.8	0.8	1.3	0.8			down
Department Store Sales (% YoY)	11.7	9.6	26.1	20.2	11.4	4.5	4.0	15.1	20.4	9.8	8.6	6.3		down
Money Supply M2 (% YoY)	3.3	3.4	3.4	3.3	3.1	3.1	2.9	2.7	2.6	2.5	2.6	2.7		down
CPI Ex Food & Energy (% YoY)	0.2	0.4	0.7	0.9	1.5	1.5	1.6	1.9	2.1	2.3	2.5	2.6		up
Exports (% YoY)	19.2	19.0	22.0	28.9	25.3	20.0	11.5	3.5	6.5	4.3	2.6	0.6		down

China	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Trend*
PMI Manufacturing (Index)	50.2	49.0	49.4	50.1	49.2	48.0	47.0	50.1	52.6	51.9	49.2	48.8	49.0	down
Industrial Production (% YoY)	3.9	3.8	4.2	6.3	5.0	2.2	1.3			3.9	5.6	3.5		up
Retail Sales (% YoY)	3.1	2.7	5.4	2.5	-0.5	-5.9	-1.8			10.6	18.4	12.7		up
PPI (% YoY)	6.1	4.2	2.3	0.9	-1.3	-1.3	-0.7	-0.8	-1.4	-2.5	-3.6	-4.6		down
Exports (% YoY)	17.1	18.1	7.4	5.6	-0.3	-9.0	-9.9	-10.4	-1.3	14.8	8.5	-7.5		up
CPI (% YoY)	2.5	2.7	2.5	2.8	2.1	1.6	1.8	2.1	1.0	0.7	0.1	0.2		down
RRR (%)	11.3	11.3	11.3	11.3	11.3	11.3	11.0	11.0	11.0	10.8	10.8	10.8	10.8	down
GDP (% YoY)	0.4			3.9			2.9			4.5				up
PMI Non Manufacturing (Index)	50.2	49.0	49.4	50.1	49.2	48.0	47.0	50.1	52.6	51.9	49.2	48.8	49.0	down
Aggregate Financing (Billions, CNY)														neutral

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

Economic data

Australia	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Trend*
AiG Manufacturing (Index)	54.0	52.5	49.3	50.2	49.6	44.7								neutral
AiG Service (Index)	48.8	51.7	53.3	48.0	47.7	45.6								neutral
Westpac Consumer Confidence (% MoM)	-4.5	-3.0	-3.0	3.9	-0.9	-6.9	3.0	5.0	-6.9	0.0	9.4	-7.9	0.2	up
Building Approvals (% YoY)	-16.1	-23.0	-6.6	-10.8	-4.1	-8.2	-3.3	-7.3	-30.6	-12.4	-18.7	-9.8		up
Employment Change ('000, MoM)	95.1	-7.5	56.2	22.6	32.0	51.4	-4.3	15.2	62.1	70.7	-4.0	75.9		up

Brazil	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Trend*
CPI (% YoY)	11.9	10.1	8.7	7.2	6.5	5.9	5.8	5.8	5.6	4.7	4.2	3.9		down
Industrial Production (% YoY)	-0.3	-0.6	-0.4	1.8	-1.0	1.2	0.8	-0.4	0.3	-2.4	0.9	-2.7		down
Retail Sales (% YoY)	-0.2	-0.1	-5.3	1.6	3.2	2.7	1.4	0.4	2.8	1.1	3.3	0.5		up
Trade Balance (Millions, USD)	8889.9	5357.3	4106.7	3694.6	3375.4	6200.3	4533.4	2283.9	2618.8	10941.2	8221.9	11378.3		up
Budget Balance Primary (Billions, BRL)	-83.8	-22.5	-65.9	-60.6	-14.5	-70.4	-70.8	46.7	-90.6	-79.5	-25.4	-119.2		down

Chile	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Trend*
IMACEC Economic Activity Index (% YoY)	3.41	0.39	0.80	-0.57	-1.46	-3.33	-2.02	0.37	-0.27	-1.85	-1.06			down
CPI (% YoY)	12.49	13.12	14.09	13.73	12.81	13.34	12.79	12.33	11.95	11.09	9.91	8.73		down
Retail Sales (% YoY)	-11.17	-13.14	-14.54	-12.39	-15.39	-11.10	-10.43	-9.26	-8.07	-10.64	-10.48			up
Industrial Production (% YoY)	-1.54	-5.08	-5.06	-1.43	-4.24	-5.02	-1.21	0.47	-1.09	-5.91	-1.95	-4.51		down
Unemployment (%)	7.80	7.90	7.90	8.00	8.00	7.90	7.90	8.00	8.40	8.80	8.70	8.50		up

Mexico	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Trend*
PMI (Index)	49.5	51.2	49.5	50.4	50.2	51.1	51.5	49.9	51.3	49.5	49.9	49.8		down
CPI (% YoY)	8.0	8.2	8.7	8.7	8.4	7.8	7.8	7.9	7.6	6.9	6.3	5.8		down
Retail Sales (% YoY)	7.6	6.8	8.6	7.7	8.0	6.1	7.6	9.1	5.8	1.6	3.8			down
Indutrial Production (% YoY)	5.2	5.4	8.1	8.4	5.3	4.6	2.7	4.7	2.4	1.1	1.4			down
Remittances (Millions, USD)	5144.0	5301.4	5123.8	5036.8	5361.4	4817.6	5353.0	4425.1	4359.1	5186.1	5003.3			down

Datasource: Bloomberg

*Trend = Last 3m - Previous 3m

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