

# Monthly Investment Insights

1 February 2022

## Rising real yields purge some excesses



Source: Bloomberg

Stock markets had a rough start to the new year, with US equities and technology stocks hit particularly hard. US inflation has soared to a multi-decade high and although there are increasing signs that price pressure is abating, investors are worried that the Fed will aggressively tighten its policy in the coming months. After a hawkish tilt late last year the Fed is now signalling three rate hikes this year, beginning in March right after the end of an accelerated tapering process. Having been held back by the Fed's very loose policy, bond yields have finally started to normalise. Despite the recent rise, interest rates are still lagging real economic activity, which is why we expect rates to rise further over the course of the year.

Real yields have risen substantially as investors have started to price in a tighter monetary policy, weighing on financial markets and triggering the biggest stock market correction since March 2020. This is not a typical equity market sell-off, however, as investors did not sell stocks to aggressively pile in to bonds as they often do in a risk-off period. While the S&P 500 lost more than 10% since the beginning of the year before rebounding, yields on 10yr Treasuries currently stand at about 1.8%, 30bps higher than at the end of last year.

In order to reduce risk, investors sold assets for which valuations became stretched relative to fundamentals, including bonds, highly valued technology stocks and small caps, particularly the ones struggling to be profitable. Both the FANG+ Index that includes stocks like Tesla, Netflix and Facebook (now Meta) as well as the Russell 2000 Growth Index lost roughly a quarter of their value from their peaks late last year. While painful, this is a healthy correction that removes some of the excesses built up over the past few quarters.

Once the dust has settled investors should realise that equities are still an attractive alternative to bonds given that real yields remain deeply negative, while growth prospects are healthy. The S&P 500 has almost never suffered a correction of more than 15% outside of a recession period and the outlook for economic growth and corporate profits remains strong, which should help to support equities. More than a third of the companies listed in the S&P 500 have already reported their earnings for Q4 2021. Although it is not an outstanding reporting season compared to the recent past, roughly 80% of the companies managed to beat expectations by an average of 5.3%. The business cycle is now moving into its later stage so growth rates for sales and profits will be lower than over the past 12 months. Nevertheless, solid economic growth, high profit margins, falling inflation rates and historically low bond yields still provide an attractive environment for equities. While markets are likely to remain choppy for some time yet, oversold conditions are evident and a base seems to be forming.

## Market Assessment

### Key developments

- Stock markets suffer the biggest correction since March 2020, led by the US market and technology stocks
- Following a hawkish turn by the Fed investors now expect significant tightening of monetary policy, pushing up real yields
- Economic activity remains robust, despite further Covid-induced disruptions

### Zurich's view

While the Omicron wave still weighs on economic activity in many regions there are growing signs that its impact is abating. Some Covid-induced disruptions are likely to persist in the near future, but the global growth dynamic remains favourable.

Although there are increasing indications that inflation rates will fall back over the course of the year current rates remain stubbornly high, leading global central banks and particularly the Fed to take a more hawkish stance.

The rise in bond yields is relatively mild by historic standards and yields are expected to move higher longer term.

Rising real yields have triggered a stock market correction but the decline is starting to look overdone, with investor sentiment becoming very downbeat. Given low yields and a positive growth outlook, equities will become increasingly attractive once markets have stabilised.

Credit has significantly outperformed stocks, increasing the risk of a gap down should market angst persist, while offering less upside in the expected recovery. Consequently, stocks are favoured over credit.

	Key developments	Zurich's view
Global	<ul style="list-style-type: none"> <li>Global growth dynamics are favourable, supported by a rebound in industrial production, though services are softening</li> <li>Inflation remains elevated and is yet to peak, with global demand still highly unbalanced</li> <li>Central banks accelerate stimulus removal, with policy tightening shifting from emerging to advanced economies</li> </ul>	Global growth is resilient despite surging Covid infections, supported by a modest easing of supply pressures and reaccelerating industrial production and trade. The economy is highly unbalanced though, with goods demand unsustainably strong, and an incomplete recovery in services. As inflation remains elevated and labour markets tighten further, central banks have accelerated stimulus removal. This is encouraging and we expect inflation to moderate over the course of the year, though still track higher vs pre-Covid levels. The rise in global bond yields is relatively mild by historic standards and real yields remain deeply negative. We see modest upside for yields, though the path higher is likely to be volatile. Distortions from the pandemic cloud underlying trends, increasing the risk of a policy mistake.
US	<ul style="list-style-type: none"> <li>Omicron weighs on growth, but business activity is expected to pick up again once infection rates fall</li> <li>Headline inflation has risen to 7% YoY, the highest level since 1982</li> <li>The Fed has signaled its willingness to start hiking rates in March</li> </ul>	Business activity has slowed markedly since the beginning of the year as the Omicron wave exacerbates supply delays and labour shortages. Nevertheless, business confidence remains high, and we expect growth to pick up again once infection rates fall. Headline inflation has accelerated to 7% YoY, the highest level since 1982, but there are increasing signs that inflation rates have peaked. Meanwhile, the labour market remains very tight with millions more open jobs than unemployed workers. This is reflected in the unemployment rate falling to 3.9% in December, not very far from pre-pandemic levels. We expect some tension to be removed by a rising participation rate in the coming quarters, which should help to support consumer spending.
UK	<ul style="list-style-type: none"> <li>Headline inflation soars to 5.4% YoY in December, the highest in three decades</li> <li>Omicron and rising prices weigh on consumer sentiment and spending</li> <li>The FTSE 100 is one of the best performing stock markets so far this year</li> </ul>	Rising prices keep weighing on consumers' minds as headline CPI inflation accelerated to 5.4% YoY in December, the highest since 1992. The squeeze on real income as well as the wave of Omicron infections dragged down household spending with retail sales falling 3.7% MoM in December, but falling infection rates and a strong labour market should help to support spending in the coming months. The latest PMI surveys show that looser pandemic restrictions and strong projections for customer demand have helped boost business expectations in the service sector. Input cost pressure remains an issue, though, particularly for service providers. However, manufacturers reported a slowdown in purchase price inflation to its weakest since April 2021, indicating that inflation rates should begin to fall later this year.
Eurozone	<ul style="list-style-type: none"> <li>Q4 GDP data confirms end of year slowdown in the region</li> <li>Services confidence falls further in January, impacted by Omicron, but the outlook for the rest of the year is still bright</li> <li>Christine Lagarde emphasises that the ECB's monetary tightening will be less aggressive than the Fed's</li> </ul>	The Flash Eurozone Composite PMI fell further in January, led by a decline in service sector sentiment. However, we expect that this will reverse once the latest Covid wave subsides. Manufacturing confidence remains resilient, with increasing signs that supply-chain disruptions are easing and supplier delivery times improving. Q4 GDP data were mixed, with France and Spain expanding, but Germany contracting more than expected. Overall, Eurozone GDP growth slowed sharply in Q4, and the weakness could linger into Q1. However, with monetary and fiscal policy supporting growth, the outlook for 2022 still looks bright. Indeed, ECB President Christine Lagarde recently emphasised that the ECB is not planning to raise interest rates this year, in sharp contrast to the US Federal Reserve.
Japan	<ul style="list-style-type: none"> <li>Services consumption is hit by the recent surge in Omicron infections</li> <li>A recovery in auto production is benefitting the manufacturing sector</li> <li>Japanese equities are not yet back in favour and remain rangebound relative to global equities</li> </ul>	The surge in Omicron infections to record highs as well as renewed capacity constraints in hospitals have led to another round of quasi state-of-emergency measures in many prefectures, which negatively impacted mobility and services consumption and postponed the revival of the 'Go To' travel campaign. This is confirmed by a drop in the Services PMI and consumer confidence in January. Meanwhile, the manufacturing sector has experienced a steep recovery driven by stronger auto production, though some supply bottlenecks are likely to re-emerge as workers have to adhere to quarantine restrictions. Industrial production had already started to slow somewhat towards the end of 2021. Japanese equities were recently hit by rising investor risk aversion but remain rangebound compared to global equities.

	Key developments	Zurich's view
China	<ul style="list-style-type: none"> <li>Monetary policy is getting looser, helping the ailing property market to stabilise</li> <li>Zero-Covid measures hamper mobility and services consumption</li> <li>The MSCI China is stabilising and starting to outperform global equities</li> </ul>	China's policy makers have become more proactive by easing monetary policy. The PBoC has cut both the MLF and the LPR rate by 10bps, while window guidance is 'encouraging' banks to loosen their tight grip on property developer financing. Enabling easier access to pre-sale deposits on escrow accounts will enable developers to pay construction workers and meet some financial obligations, while direct public support is avoided on moral hazard concerns. Meanwhile, lockdowns and mobility restrictions due to the government's zero Covid policy are negatively impacting private services consumption. The MSCI China has recovered its December losses versus global equities and is expected to stabilise. Financial markets will re-open in the second week of February following Lunar New Year closures.
Australia	<ul style="list-style-type: none"> <li>The border is gradually reopened for selected countries</li> <li>The unemployment rate hits the lowest since before the GFC</li> <li>Bond yields rise sharply, while equities experience the largest fall since March 2020</li> </ul>	While the Omicron variant has caused a sharp rise in Covid cases, new cases are already on a downtrend and the border is being reopened. The job market tightened further in December and job vacancies have stayed elevated, suggesting strong labour demand. The border reopening may help to ease labour supply shortages, but we think wage growth will pick up in any case. Inflation pressures will continue to build before easing in H2, and the RBA has announced that it will end its QE purchases. Markets are going through a turbulent episode, with the ASX200 Index down more than 10% from its January high. Government 10yr yields hit the 2% mark, reflecting market expectations of more hawkish central banks. However, we suspect the correction in the equity market and the sharp rise in bond yields are overdone.
ASEAN	<ul style="list-style-type: none"> <li>Covid remains largely contained in ASEAN so far</li> <li>The supply chain recovery continues, supporting exports while domestic demand is picking up</li> <li>ASEAN equities stay resilient despite sharp corrections in global equities</li> </ul>	The spread of the Omicron variant has had a limited impact on ASEAN so far, except in the Philippines, where cases are rising swiftly. Vietnam is still battling with Delta and has only reported a few Omicron cases. Governments are now focussing on their vaccine programs to cope with Omicron instead of imposing additional restrictions, allowing the manufacturing sector to recover without major disruptions. Exports have picked up in manufacturing hubs like Vietnam and Malaysia. Meanwhile, ASEAN equities have been resilient despite the weakness in global equity markets. Attractive valuations and better economic prospects seem to have whetted investor appetite for ASEAN stocks. While economic fundamentals look encouraging, tightening global financial conditions remain the key headwind for regional equities.
LatAm	<ul style="list-style-type: none"> <li>Inflation closed 2021 well above target, with core inflation accelerating, pressuring central banks to tighten further</li> <li>The MSCI LatAm performed positively despite the correction in the global equity markets</li> <li>Markets reacted positively to the nomination of the new Chilean cabinet</li> </ul>	The Central Bank of Chile accelerated its tightening, raising the policy rate by 150bps to 5.5%. The forward guidance suggests additional hikes are likely in March. We expect the policy rate to reach 6.5% at the end of Q1 and pause after that. Mario Marcel, Governor of the Central Bank, was nominated as Minister of Finance for the next administration, reducing the fiscal uncertainty. In Brazil, economic activity recovered in November, but the economic outlook for 2022 remains challenging considering the high inflation and monetary tightening. Argentina reached an understanding with the IMF to reschedule its debt payments, agreeing on a gradual fiscal consolidation path and reducing monetary funding. The Central Bank raised the benchmark rate by 200bps to 40%.

## Appendix 1

### Valuation snapshot (MSCI Indices)

#### Current trailing valuations

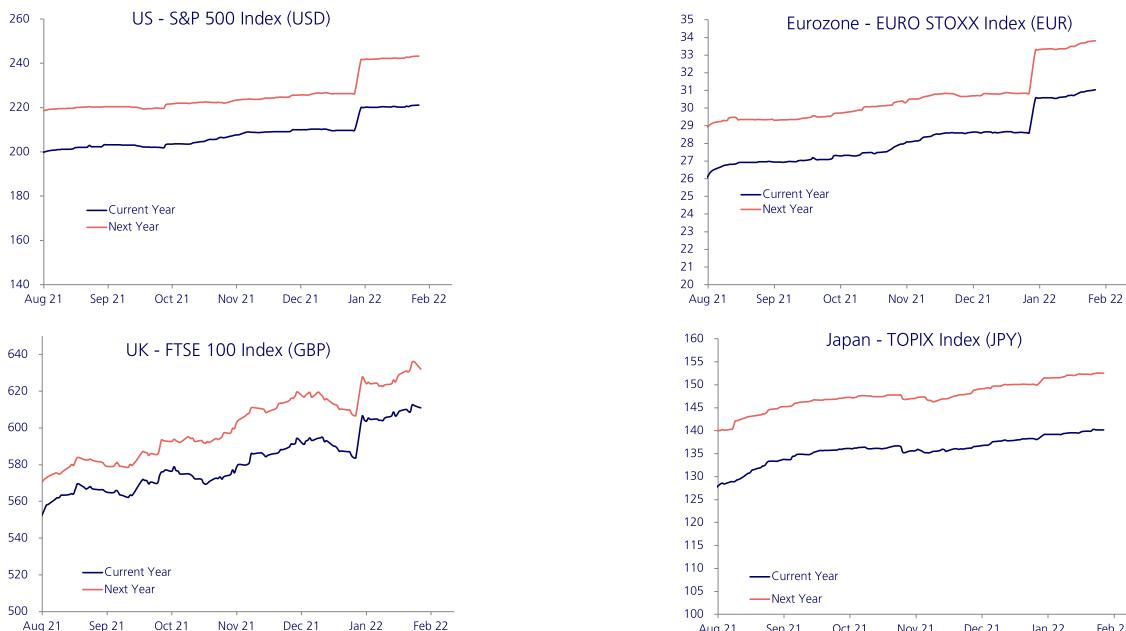
	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	26.12	18.76	15.72	22.52	16.09	16.68	14.12	5.47	14.53
12m Trailing P/B	5.05	2.29	1.85	3.65	1.47	1.92	1.68	1.74	2.17
12m Trailing P/CF	22.15	8.79	5.70	12.66	10.95	10.38	7.52	4.31	7.70
Dividend Yield	1.26	2.14	3.61	2.31	2.14	2.26	1.78	8.82	2.56
ROE	19.32	12.19	11.79	16.22	9.13	11.49	11.86	31.77	14.93

#### Current trailing valuations relative to MSCI world

	US	Europe ex UK	UK	Switzerland	Japan	APAC ex. Japan	China	Brazil	Mexico
12m Trailing P/E	1.23	0.88	0.74	1.06	0.76	0.78	0.66	0.26	0.68
12m Trailing P/B	1.62	0.74	0.60	1.18	0.47	0.62	0.54	0.56	0.70
12m Trailing P/CF	1.71	0.68	0.44	0.98	0.84	0.80	0.58	0.33	0.59
Dividend Yield	0.73	1.23	2.08	1.33	1.23	1.30	1.03	5.08	1.48
ROE	1.32	0.83	0.81	1.11	0.62	0.79	0.81	2.17	1.02

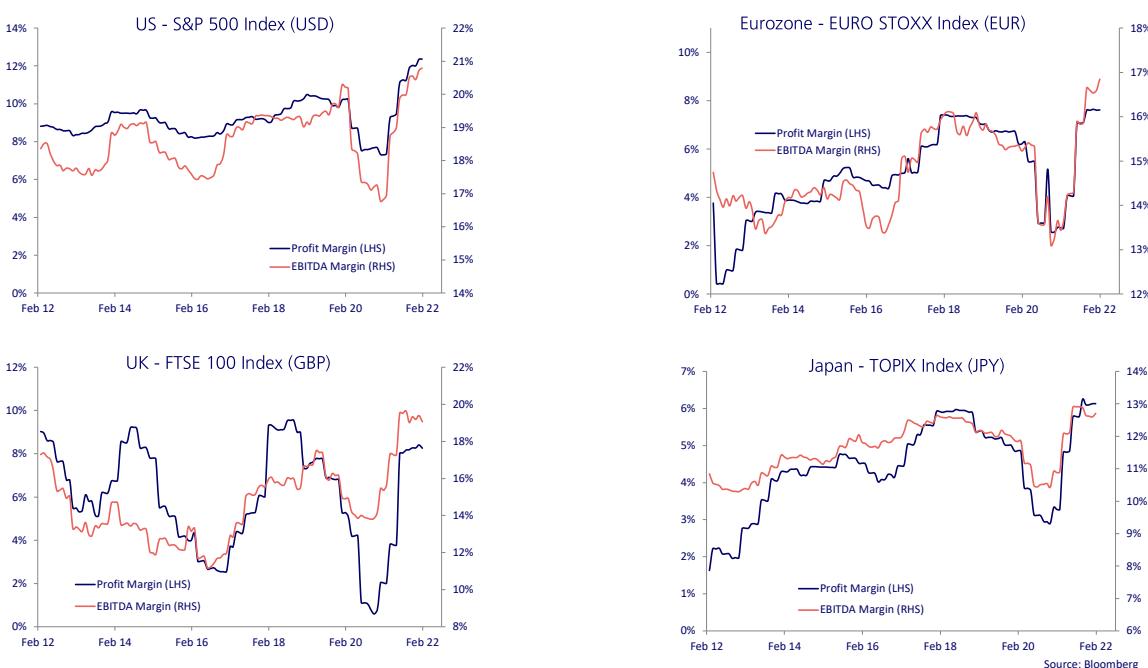
Source: Datastream

### Earnings estimates - Full fiscal years



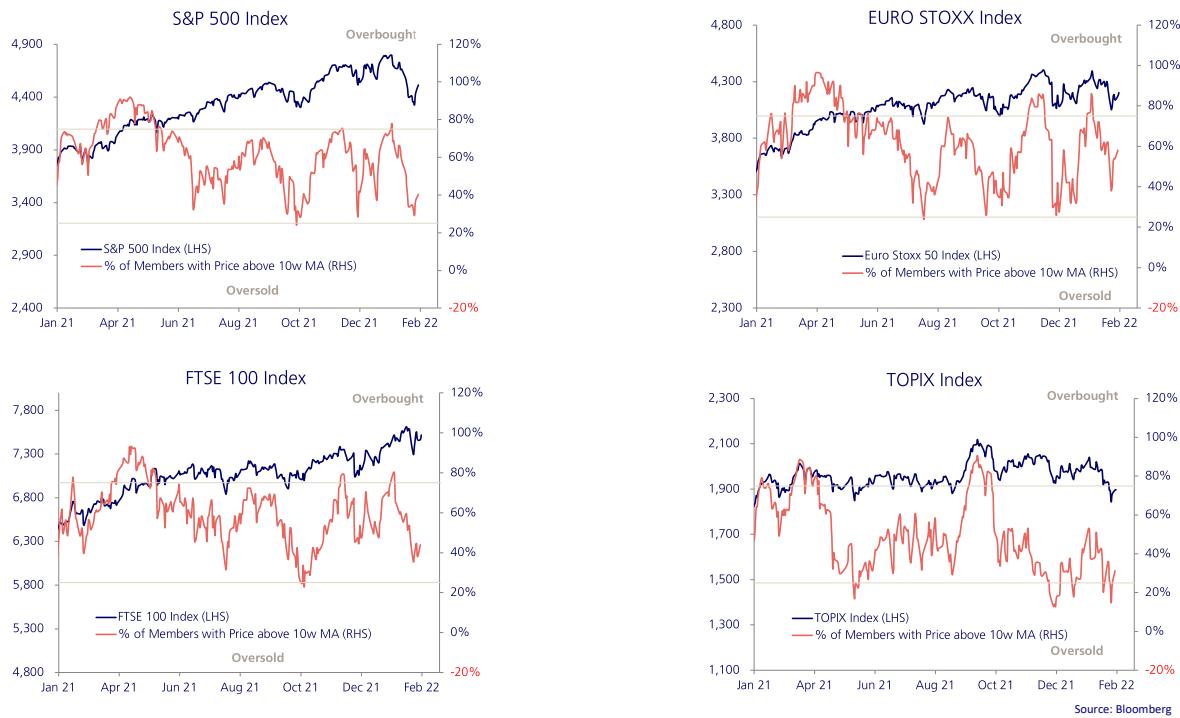
Source: Bloomberg

### Historical margins



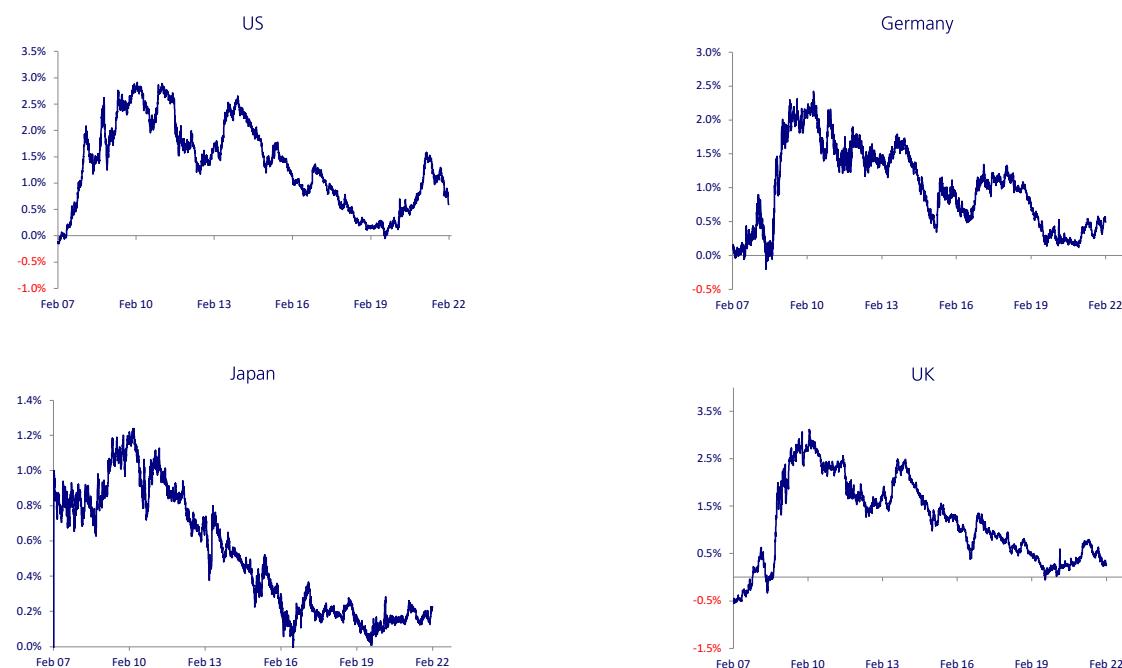
Source: Bloomberg

## Overbought / Oversold



## Appendix 3

### Yield Curve Steepness (2yr-10yr)



Source: Bloomberg

### Spread Snapshot

#### Generic Government Yields (10yr)

Country	Feb-22	Spread over US Treasury (bps)			1yr ago
		1m ago	3m ago	5m ago	
UK	-48	-54	-53	-76	-160
Germany	-177	-169	-177	-170	-149
Switzerland	-168	-165	-170	-170	-149
Japan	-158	-144	-153	-102	-102
Australia	14	16	25	7	7
China	95	127	133	210	210
South Korea	83	74	87	71	71
Malaysia	192	207	202	163	163
Indonesia	468	487	447	507	507
Thailand	35	n/a	33	27	27
Philippines	230	n/a	n/a	n/a	n/a
Brazil	955	n/a	1,024	645	645
Mexico	592	606	595	453	453
Colombia	719	669	644	446	446
Peru	437	439	428	261	261

#### Generic Government Yields (10yr)

Country	Feb-22	Spread over German Bund (bps)			1yr ago
		1m ago	3m ago	5m ago	
France	41	38	35	24	24
Netherlands	13	15	14	7	7
Belgium	34	36	31	19	19
Austria	25	27	24	14	14
Ireland	49	43	42	33	33
Italy	137	135	122	114	114
Spain	73	74	69	61	61
Portugal	65	64	59	55	55

Source: Bloomberg, ZIG

## Economic data

US	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Trend*
ISM Manufacturing (Index)	59.4	60.9	63.7	60.6	61.6	60.9	59.9	59.7	60.5	60.8	60.6	58.8		up
ISM Non-Manufacturing (Index)	58.5	55.9	62.2	62.7	63.2	60.7	64.1	62.2	62.6	66.7	68.4	62.3		up
Durable Goods (% MoM)	2.4	1.3	1.3	-0.7	3.2	0.8	0.5	1.3	-0.4	0.1	3.2	-0.9		up
Consumer Confidence (Index)	87.1	95.2	114.9	117.5	120.0	128.9	125.1	115.2	109.8	111.6	111.9	115.2	113.8	up
Retail Sales (% MoM)	9.4	6.5	29.7	53.4	28.0	18.9	15.3	15.7	14.2	16.2	18.2	16.9		up
Unemployment Rate (%)	6.4	6.2	6.0	6.0	5.8	5.9	5.4	5.2	4.7	4.6	4.2	3.9		down
Avg Hourly Earnings YoY (% YoY)	5.3	5.2	4.6	1.2	2.4	3.8	4.8	4.8	5.5	6.0	6.0	5.8		up
Change in Payrolls ('000, MoM)	233.0	536.0	785.0	269.0	614.0	962.0	1091.0	483.0	379.0	648.0	249.0	199.0		down
PCE (% YoY)	1.5	1.5	2.0	3.1	3.5	3.6	3.6	3.6	3.7	4.2	4.7	4.9		up
GDP (%, QoQ, Annualized)			6.3			6.7			2.3			6.9		up
UK	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Trend*
PMI Services (Index)	39.5	49.5	56.3	61.0	62.9	62.4	59.6	55.0	55.4	59.1	58.5	53.6	53.3	down
Consumer Confidence (Index)	-28.0	-23.0	-16.0	-15.0	-9.0	-9.0	-7.0	-8.0	-13.0	-17.0	-14.0	-15.0	-19.0	down
Unemployment Rate (%)	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5	4.3	4.2	4.1			down
CPI (% YoY)	0.7	0.4	0.7	1.5	2.1	2.5	2.0	3.2	3.1	4.2	5.1	5.4		up
GDP (% YoY)			-5.1			24.2			6.8					
Eurozone	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Trend*
PMI Manufacturing (Index)	54.8	57.9	62.5	62.9	63.1	63.4	62.8	61.4	58.6	58.3	58.4	58.0	58.7	down
PMI Services (Index)	45.4	45.7	49.6	50.5	55.2	58.3	59.8	59.0	56.4	54.6	55.9	53.1	51.2	down
IFO Business Climate (Index)	90.5	93.3	96.9	96.7	99.1	101.7	100.7	99.9	99.1	97.9	96.6	94.8	95.7	down
Industrial Production (% MoM)	0.9	-1.4	0.4	0.6	-1.0	0.4	0.8	-1.7	-0.9	-1.3	2.3			up
Factory Orders GE (% MoM)	0.6	1.7	3.2	1.4	-3.4	4.6	4.9	-8.8	1.8	-5.8	3.7			up
Unemployment Rate (%)	8.2	8.1	8.0	8.1	8.0	7.8	7.6	7.5	7.4	7.3	7.1	7.0		down
M3 Growth (% YoY, 3 months MA)	12.5	12.3	10.1	9.4	8.6	8.4	7.8	8.0	7.6	7.7	7.4	6.9		down
CPI (% YoY)	0.9	0.9	1.3	1.6	2.0	1.9	2.2	3.0	3.4	4.1	4.9	5.0		up
Core CPI (% YoY)	1.4	1.1	0.9	0.7	1.0	0.9	0.7	1.6	1.9	2.0	2.6	2.6		up
GDP (%, QoQ)			-0.2			2.2			2.3			0.3		down
Switzerland	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Trend*
KOF Leading Indicator (Index)	96.3	103.1	119.5	135.5	143.7	132.8	130.2	113.2	110.6	110.0	107.4	107.2	107.8	down
PMI Manufacturing (Index)	60.1	62.0	65.6	68.3	68.6	67.1	70.0	67.0	67.6	65.7	63.8	64.2	63.8	down
Real Retail Sales (% YoY)	-1.1	-7.1	23.2	38.3	2.5	0.5	-2.2	0.9	2.8	1.8	5.3	-0.4		up
Trade Balance (Billion, CHF)	5.0	3.7	5.7	3.7	4.8	5.5	5.3	5.1	4.9	5.3	6.1	3.7		down
CPI (% YoY)	-0.5	-0.5	-0.2	0.3	0.6	0.6	0.7	0.9	0.9	1.2	1.5	1.5		up
Japan	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Trend*
Nomura Manufacturing PMI (Index)	49.8	51.4	52.7	53.6	53.0	52.4	53.0	52.7	51.5	53.2	54.5	54.3	55.4	up
Machine Orders (% YoY)	1.5	-7.1	-2.0	6.5	12.2	18.6	11.1	17.0	12.5	2.9	11.6			down
Industrial Production (% YoY)	-5.3	-2.0	3.4	15.8	21.1	23.0	11.6	8.8	-2.3	-4.1	5.1	2.7		down
ECO Watchers Survey (Index)	30.1	40.7	49.5	39.4	36.4	45.4	47.7	34.3	43.3	56.2	58.5	58.6		up
Jobs to Applicants Ratio (Index)	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1	1.2	1.2	1.2	1.2		up
Labour Cash Earnings (% YoY)	-1.3	-0.4	0.6	1.4	1.9	0.1	0.6	0.6	0.2	0.2	0.8			down
Department Store Sales (% YoY)	-29.7	-10.7	21.8	167.0	65.2	-1.6	4.2	-11.7	-4.3	2.9	8.1	8.8		up
Money Supply M2 (% YoY)	9.4	9.6	9.5	9.3	8.0	5.9	5.3	4.7	4.2	4.2	4.0	3.7		down
CPI Ex Food & Energy (% YoY)	0.1	0.1	0.0	-1.2	-1.1	-1.1	-0.8	-0.7	-0.8	-1.2	-1.2	-1.3		down
Exports (% YoY)	6.4	-4.5	16.1	38.0	49.6	48.6	37.0	26.2	13.0	9.4	20.5	17.5		down
China	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Trend*
PMI Manufacturing (Index)	51.3	50.6	51.9	51.1	51.0	50.9	50.4	50.1	49.6	49.2	50.1	50.3	50.1	up
Industrial Production (% YoY)			14.1	9.8	8.8	8.3	6.4	5.3	3.1	3.5	3.8	4.3		down
Retail Sales (% YoY)			34.2	17.7	12.4	12.1	8.5	2.5	4.4	4.9	3.9	1.7		down
PPI (% YoY)	0.3	1.7	4.4	6.8	9.0	8.8	9.0	9.5	10.7	13.5	12.9	10.3		up
Exports (% YoY)	24.6	154.6	30.4	32.1	27.7	32.1	19.2	25.4	28.0	26.9	21.7	20.9		down
CPI (% YoY)	-0.3	-0.2	0.4	0.9	1.3	1.1	1.0	0.8	0.7	1.5	2.3	1.5		up
RRR (%)	12.5	12.5	12.5	12.5	12.5	12.5	12.0	12.0	12.0	12.0	12.0	11.5	11.5	down
GDP (% YoY)			18.3			7.9			4.9			4.0		down
PMI Non Manufacturing (Index)	51.3	50.6	51.9	51.1	51.0	50.9	50.4	50.1	49.6	49.2	50.1	50.3	50.1	up
Aggregate Financing (Billions, CNY)														neutral

Datasource: Bloomberg

\*Trend = Last 3m - Previous 3m

## Appendix 5

### Economic data

Australia	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Trend*
AiG Manufacturing (Index)	55.3	58.8	59.9	61.7	61.8	63.2	60.8	51.6	51.2	50.4	54.8	48.4	48.4	down
AiG Service (Index)	54.3	55.8	58.7	61.0	61.2	57.8	51.7	45.6	45.7	47.6	49.6			down
Westpac Consumer Confidence (% MoM)	-4.5	1.9	2.6	6.2	-4.8	-5.2	1.5	-4.4	2.0	-1.5	0.6	-1.0	-2.0	up
Building Approvals (% YoY)	25.3	24.9	54.5	44.8	55.4	53.0	22.4	33.5	14.7	-8.2	-7.7			down
Employment Change ('000, MoM)	29.2	81.3	75.0	-28.7	118.2	29.5	-3.4	-152.8	-147.3	-56.0	366.1	64.8		up

Brazil	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Trend*
CPI (% YoY)	4.6	5.2	6.1	6.8	8.1	8.4	9.0	9.7	10.3	10.7	10.7	10.1		up
Industrial Production (% YoY)	8.3	2.4	0.3	10.5	34.8	24.1	12.1	1.4	-0.6	-4.0	-7.8	-4.4		down
Retail Sales (% YoY)	1.3	-0.4	-3.9	2.2	23.7	15.9	6.3	5.7	-4.1	-5.2	-6.8	-4.2		down
Trade Balance (Millions, USD)	-219.7	1833.9	6461.2	9913.3	8518.5	10291.7	7398.3	7717.7	4422.1	2034.7	-1312.0	3948.0		down
Budget Balance Primary (Billions, BRL)	17.9	-41.0	-44.5	30.0	-37.4	-75.6	-55.4	-29.7	-42.0	-25.0	-26.6	-54.2		up

Chile	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Trend*
IMACEC Economic Activity Index (% YoY)	-2.85	-1.88	6.30	14.70	19.13	20.60	18.05	18.95	14.75	14.95	14.27			down
CPI (% YoY)	3.12	2.85	2.88	3.32	3.65	3.80	4.54	4.78	5.34	6.03	6.70	7.17		up
Retail Sales (% YoY)	3.67	23.46	43.26	72.06	64.89	61.78	24.21	19.27	22.67	16.09	15.30			down
Industrial Production (% YoY)	-2.40	-3.40	2.90	5.10	3.50	6.00	4.83	4.24	-0.74	1.33	2.50	1.72		down
Unemployment (%)	10.20	10.30	10.40	10.20	10.00	9.50	8.90	8.50	8.40	8.10	7.50	7.20		down

Mexico	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Trend*
PMI (Index)	49.6	50.0	51.1	50.7	52.2	52.1	51.8	50.9	50.0	51.0	50.8	52.6		up
CPI (% YoY)	3.5	3.8	4.7	6.1	5.9	5.9	5.8	5.6	6.0	6.2	7.4	7.4		up
Retail Sales (% YoY)	-7.5	-6.4	2.6	30.5	29.4	17.0	9.9	7.2	5.9	5.3	5.4			down
Industrial Production (% YoY)	-4.9	-5.7	5.9	50.0	48.4	16.6	7.7	6.6	-0.4	0.1	2.8			down
Remittances (Millions, USD)	3287.4	3170.7	4157.3	4048.3	4525.8	4457.5	4545.0	4748.7	4408.9	4818.6	4665.2			down

Datasource: Bloomberg

\*Trend = Last 3m - Previous 3m

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