

# INTERNATIONAL MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

July 30, 2019

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## HIGHLIGHTS

- **US:** The Federal Reserve is expected to cut rates this week despite a healthy economy.
- **MEXICO:** The IMF cut Mexico's growth forecast to 0.9%, due to weak investment and slowing consumption.

## USA

### United States: Economic Indicators From July 22<sup>nd</sup> to July 26<sup>th</sup>

Date	Indicators	Period	Cons.	Prior	Actual
Tue 23	FHFA House Price Index MoM	May	--	0.4%	0.1%
	Existing Home Sales MoM	Jun	--	2.5%	-1.7%
Wed 24	MBA Mortgage Applications	Jul-19	--	--	-1.9%
	Markit US Manufacturing PMI	Jul P	--	50.6	50.0
	Markit US Services PMI	Jul P	--	51.5	52.2
Thu 25	New Home Sales MoM	Jun	--	-7.8%	7.0%
	Durable Goods Orders	Jun P	--	-1.3%	2.0%
	Durables Ex Transportation	Jun P	--	0.4%	1.2%
	Cap Goods Ship Nondef Ex Air	Jun P	--	0.6%	0.6%
	Advance Goods Trade Balance	Jun	--	-\$74.5b	-\$74.2b
	Initial Jobless Claims	Jul-20	--	216k	206k
	Cap Goods Orders Nondef Ex Air	Jun P	--	0.5%	1.9%
	Continuing Claims	Jul-13	--	1686k	1676k
	Retail Inventories MoM	Jun	--	0.5%	-0.1%
	Wholesale Inventories MoM	Jun P	--	0.4%	0.2%
Fri 26	GDP Annualized QoQ	2Q A	1.8%	3.1%	2.1%
	Personal Consumption	2Q A	4.0%	0.9%	4.3%

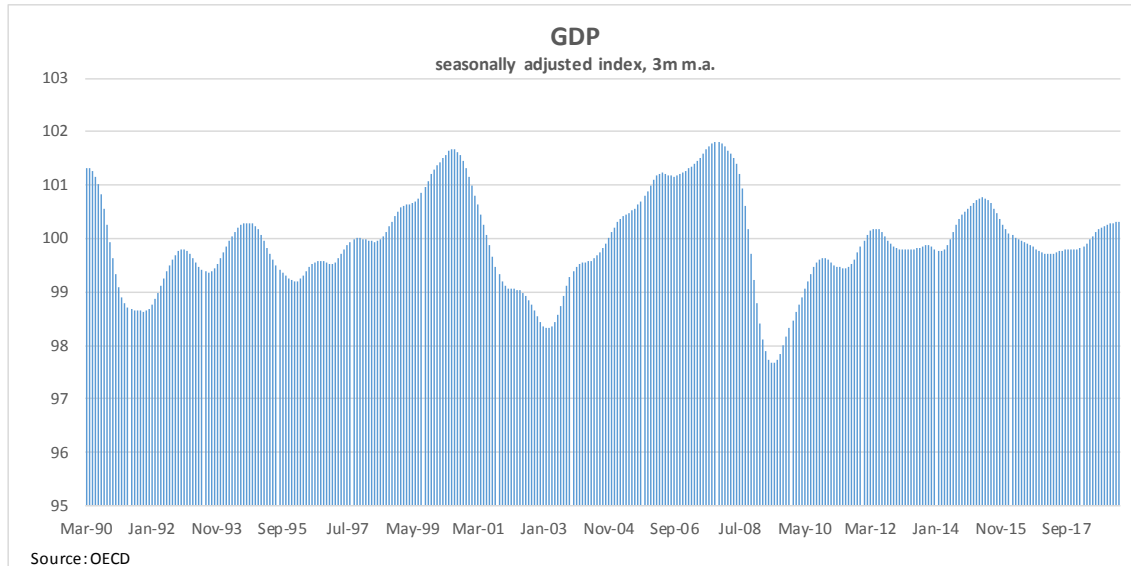
- Since June's FOMC meeting, the Fed has gradually signaled it will go for a rate cut this month. The main argument lands on reducing recession risks that could arise from slowing global growth and trade conflict, as economic figures don't indicate an imminent slowdown. Additional pressure has also come from other CBs easing monetary policy, particularly the ECB, whose rate already has a spread close to 3 pp with the fed funds rate.
- While investment has slowed throughout the year, GDP growth in Q2 exceed forecasts. The economy grew at a 2.1% annualized rate, driven by Consumption, which increased at a 4.3% annualized pace. As Fixed

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Investment and Exports both declined, mainly due to higher business uncertainty arising from the international trade situation.



## United States: Economic Indicators This week

Date	Indicators	Period	Cons.	Prior
Tue 30	Personal Income	Jun	0.4%	0.5%
	Personal Spending	Jun	0.3%	0.4%
	PCE Deflator MoM	Jun	0.1%	0.2%
	PCE Deflator YoY	Jun	1.5%	1.5%
	PCE Core Deflator MoM	Jun	0.2%	0.2%
	PCE Core Deflator YoY	Jun	1.7%	1.6%
	Pending Home Sales MoM	Jun	0.5%	1.1%
	Pending Home Sales NSA YoY	Jun	0.7%	-0.8%
	Conf. Board Consumer Confidence	Jul	125.0	121.5
Wed 31	MBA Mortgage Applications	jul-26	--	-1.9%
	FOMC Rate Decision (Upper Bound)	jul-31	2.25%	2.50%
Thu 01	FOMC Rate Decision (Lower Bound)	jul-31	2.00%	2.25%
	Initial Jobless Claims	jul-27	214k	206k
Fri 02	Continuing Claims	jul-20	1679k	1676k
	ISM Manufacturing	Jul	52.0	51.7
	Construction Spending MoM	Jun	0.3%	-0.8%
	Change in Nonfarm Payrolls	Jul	165k	224k
	Unemployment Rate	Jul	3.7%	3.7%
	Average Hourly Earnings MoM	Jul	0.2%	0.2%
	Average Hourly Earnings YoY	Jul	3.1%	3.1%
	Trade Balance	Jun	-\$54.6b	-\$55.5b
	Durable Goods Orders	Jun F	--	2.0%
Durables Ex Transportation	Jun F	--	1.2%	
Cap Goods Orders Nondef Ex Air	Jun F	--	1.9%	
Cap Goods Ship Nondef Ex Air	Jun F	--	0.6%	
U. of Mich. Sentiment	Jul F	98.5	98.4	

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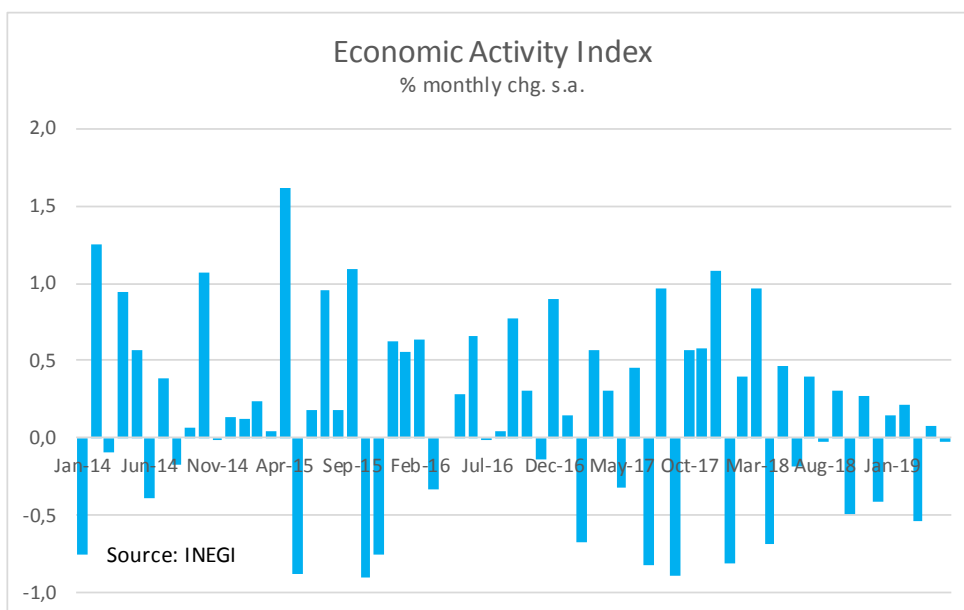
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United States			
Long Run Economic Indicators			
Indicator	2018	2019E	2020E
Real GDP (% ch saar)	2,86%	2,33%	1,87%
Investment (% GDP)	21,12%	21,56%	21,55%
Exports (% ch saar)	3,94%	2,71%	2,63%
Imports (% ch saar)	4,59%	3,90%	2,96%
CPI annual chg	1,97%	2,67%	2,40%
Gross national savings rate (% GDP)	19,00%	19,16%	18,92%
Unemployment rate	3,89%	3,89%	3,71%
Primary Budget Balance (% GDP)	-2,64%	-2,87%	-2,38%
Government Net Debt (% GDP)	80,88%	83,35%	86,22%
Current Account (% GDP)	-2,29%	-2,41%	-2,63%

Source: IMF

## MEXICO

- The economy contracted again in May dragged by the industrial sector, which offset a slight rebound in the services sector. Activity dropped 0.4% yoy, following April's 1.5% decrease. Overall, figures reflect policy uncertainty, deteriorating confidence and high borrowing costs, affected by the recent sovereign rating downgrade.
- Moreover, June's trade surplus resulted from falling Imports, as Exports (+1.2% yoy) were negatively affected by a 20% drop in Oil exports. Imports fell 7.8% yoy due to a decline in imports of capital goods, signaling slowing investment in the second quarter.



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## Mexico: Economic Indicators From July 22<sup>nd</sup> to July 26<sup>th</sup>

Date	Indicators	Period	Cons.	Prior	Actual
Thu 25	Retail sales y/y	May	--	1.6%	2.8%
	Retail sales m/m	May	--	0.7%	0.7%
Fri 26	Trade balance	Jun	--	1030.7m	\$2561.0m
	Economic activity IGAE y/y	May	--	-1.41%	-0.43%
	Economic activity IGAE m/m	May	--	0.12%	-0.03%

## Mexico: Economic Indicators This week

Date	Indicators	Period	Cons.	Prior
Mon 29	Unemployment	Jun	3.52%	3.51%
Wed 31	GDP y/y	2Q P	-0.3%	1.2%
	GDP q/q	2Q P	-0.1%	-0.2%
Thu 01	Markit PMI Manufacturing	Jul	--	49.2
	IMEF non-manufacturing Index sa	Jul	47.8	47.7
	IMEF manufacturing index sa	Jul	46.8	49.0
Fri 02	Vehicle domestic sales	Jul	--	106398
	Leading indicators m/m	Jun	--	0.00

## Mexico

### Long Run Economic Indicators

Indicator	2018	2019E	2020E
Real GDP (% ch)	1,99%	0,90%	1,90%
Investment (% GDP)	23,01%	22,96%	22,57%
Exports (% ch)	5,75%	3,31%	3,34%
Imports (% ch)	6,20%	2,97%	3,50%
CPI annual chg	4,83%	3,08%	3,00%
Gross national savings rate (% GDP)	21,19%	21,26%	20,67%
Unemployment rate	3,33%	3,49%	3,56%
Primary Budget Balance (% GDP)	1,79%	1,46%	1,36%
Government Net Debt (% GDP)	45,02%	45,57%	45,93%
Current Account (% GDP)	-1,81%	-1,70%	-1,90%
Exchange Rate MXN/USD	19,70	20,00	19,80

Source: IMF

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## BRAZIL

### Brazil: Economic Indicators From July 22<sup>nd</sup> to July 26<sup>th</sup>

Date	Indicators	Period	Cons.	Prior	Actual
Wed 24	FGV consumer confidence	Jul	--	88.5	88.1
Thu 25	Current account balance	Jun	--	\$662m	-\$2914m
	Foreign direct investment	Jun	--	\$7070m	\$2190m
	Federal debt total	Jun	--	3891b	3978b

### Brazil: Economic Indicators This week

Date	Indicators	Period	Cons.	Prior
Mon 29	Net debt % GDP	Jun	55.2%	54.7%
Wed 31	Unemployment	Jun	12.0%	12.3%
	Selic Rate	31 jul	6.25%	6.50%
Thu 01	Industrial Production m/m	Jun	-0.4%	-0.2%
	Industrial Production y/y	Jun	-6.1%	7.1%
	Markit PMI Manufacturing	Jul	--	51.0
	Trade Balance	Jul	\$3416m	\$5019m
	Vehicle Sales Anfavea	Jul	--	113198
	Vehicle Production Anfavea	Jul	--	233113
	Vehicle exports Anfavea	Jul	--	40304

### Brazil

#### Long Run Economic Indicators

Indicator	2018	2019E	2020E
Real GDP (% ch)	1,11%	2,06%	2,53%
Investment (% GDP)	15,40%	15,92%	16,47%
Exports (% ch)	7,09%	4,21%	3,89%
Imports (% ch)	6,79%	12,73%	3,93%
CPI annual chg	3,75%	3,93%	4,03%
Gross national savings rate (% GDP)	14,62%	14,22%	14,86%
Unemployment rate	12,26%	11,40%	10,20%
Primary Budget Balance (% GDP)	-1,68%	-1,81%	-1,03%
Government Net Debt (% GDP)	54,14%	56,18%	58,74%
Current Account (% GDP)	-0,78%	-1,69%	-1,61%
Exchange Rate BRL/USD	3,88	3,90	3,90

Source: IMF

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## CHILE

### Chile: Economic Indicators From July 22<sup>nd</sup> to July 26<sup>th</sup>

Date	Indicators	Period	Cons.	Prior	Actual
	NA				

### Chile: Economic Indicators This week

Date	Indicators	Period	Cons.	Prior
Wed 31	Unemployment rate	Jun	7.2%	7.1%
	Industrial Production y/y	Jun	-1.5%	-0.2%
	Manufacturing production y/y	Jun	-2.0%	1.9%
Thu 01	Copper production total	Jun	--	492322
	IMCE Business confidence	Jul	--	50.16
	Retails sales y/y	Jun	0.2%	3.3%

### Chile

#### Long Run Economic Indicators

Indicator	2018	2019E	2020E
Real GDP (% ch)	4,02%	3,40%	3,24%
Investment (% GDP)	22,66%	23,16%	22,97%
Exports (% ch)	4,94%	1,67%	3,28%
Imports (% ch)	7,62%	1,61%	2,41%
CPI annual chg	2,14%	2,65%	3,00%
Gross national savings rate (% GDP)	19,50%	19,94%	20,20%
Unemployment rate	6,90%	6,49%	6,24%
Primary Budget Balance (% GDP)	-1,16%	-1,39%	-1,02%
Government Net Debt (% GDP)	6,06%	8,29%	10,03%
Current Account (% GDP)	-3,08%	-3,22%	-2,77%
Exchange Rate CLP/USD	660,00	650,00	650,00

Source: IMF

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## COLOMBIA

**Colombia: Economic Indicators**  
From July 22<sup>nd</sup> to July 26<sup>th</sup>

Date	Indicators	Period	Cons.	Prior	Actual
Mon 22	Economic activity y/y	May	--	2.1%	3.1%
Wed 24	Industrial confidence	Jun	--	7.1%	8.4
	Retail confidence	Jun	--	26.3%	27.8
Fri 26	Overnight lending rate	26 jul	--	4.25%	4.25%

**Colombia: Economic Indicators**  
This week

Date	Indicators	Period	Cons.	Prior
Wed 31	Unemployment	Jun	--	10.5
Fri 02	Exports FOB	Jun	\$3100.0m	\$3765.0m

### Colombia

#### Long Run Economic Indicators

Indicator	2018	2019E	2020E
Real GDP (% ch)	2,66%	3,54%	3,65%
Investment (% GDP)	21,00%	22,05%	21,56%
Exports (% ch)	-2,69%	4,15%	6,90%
Imports (% ch)	6,77%	4,51%	5,85%
CPI annual chg	3,18%	3,19%	3,04%
Gross national savings rate (% GDP)	17,20%	18,12%	17,80%
Unemployment rate	9,70%	9,70%	9,50%
Primary Budget Balance (% GDP)	0,55%	0,08%	1,56%
Government Net Debt (% GDP)	40,61%	40,78%	39,62%
Current Account (% GDP)	-3,80%	-3,93%	3,76%
Exchange Rate COP/USD	3,05	3,12	3,14

Source: IMF

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## PERU

### Peru: Economic Indicators From July 22<sup>nd</sup> to July 26<sup>th</sup>

Date	Indicators	Period	Cons.	Prior	Actual
	NA				

### Peru: Economic Indicators This week

Date	Indicators	Period	Cons.	Prior
Thu 01	CPI m/m	Jul	0.25%	--
	CPI y/y	Jul	2.17%	--

### Peru

#### Long Run Economic Indicators

Indicator	2018	2019E	2020E
Real GDP (% ch)	3,99%	3,93%	3,98%
Investment (% GDP)	21,83%	22,73%	23,34%
Exports (% ch)	1,49%	3,69%	3,30%
Imports (% ch)	1,57%	4,28%	5,27%
CPI annual chg	2,19%	2,17%	2,01%
Gross national savings rate (% GDP)	20,34%	21,32%	21,80%
Unemployment rate	6,70%	6,58%	6,49%
Primary Budget Balance (% GDP)	-0,99%	-0,59%	0,05%
Government Net Debt (% GDP)	10,36%	11,63%	12,28%
Current Account (% GDP)	-1,49%	-1,41%	-1,54%
Exchange Rate PEN/USD	3,30	3,35	3,30

Source: IMF

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