

INTERNATIONAL MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

August 27, 2019

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HIGHLIGHTS

- **US:** Fed sees a strong economy but rising uncertainty, and paves the way for another rate cut.
- **MEXICO:** GDP remained flat during 2Q and avoided recession.

USA

United States: Economic Indicators
From August 19th to August 23rd

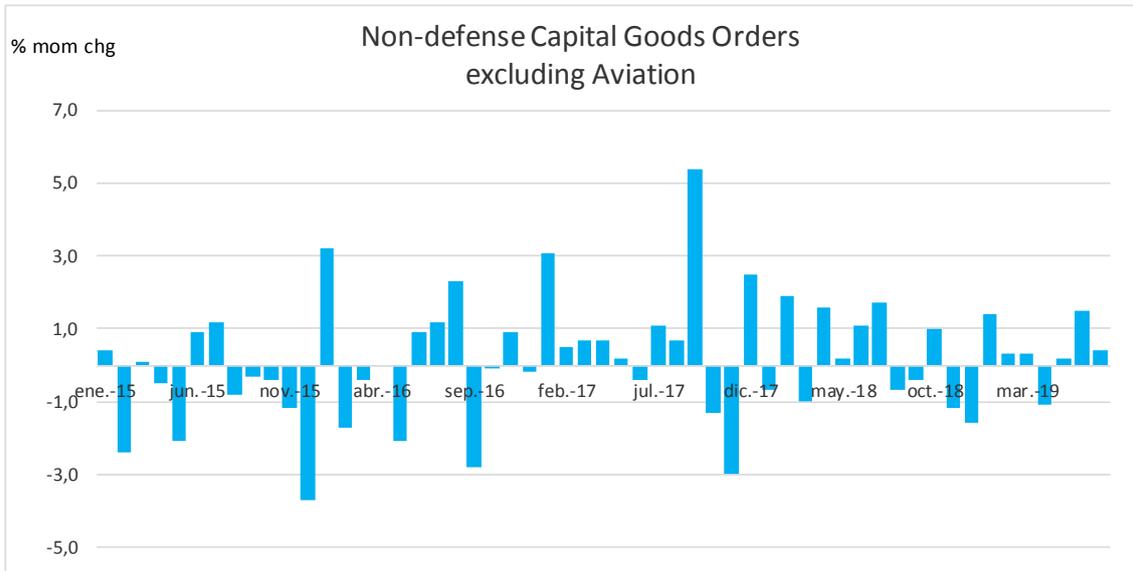
Date	Indicators	Period	Cons.	Prior	Actual
Wed 21	MBA Mortgage Applications	Aug 16	--	21.7%	-0.9%
	Existing Home Sales MoM	Jul	2.2%	-1.7%	2.5%
	FOMC Meeting Minutes	jul-31	--	--	--
Thu 22	Initial Jobless Claims	Aug 17	--	220k	209k
	Continuing Claims	Aug 10	--	1726k	1674k
	Markit US Manufacturing PMI	Aug P	50.5	50.4	49.9
	Markit US Services PMI	Aug P	--	53.0	50.9
	Leading Index	Jul	0.2%	-0.3%	0.5%
Fri 23	New Home Sales MoM	Jul	-0.9%	7.0%	-12.8%

- Powell, Fed’s Chairman, described the US economy as being “in a favorable place”, in reference to the health it still shows despite a recent slowdown. Nonetheless, he pointed to a possible rate cut in the next Monetary Policy Meeting, in order to anticipate the effects of significant risks on the economy. These include extension of unresolved trade conflict with China, geopolitical events like rising tension in Hong Kong and hard Brexit, and global slowdown.
- As has been the case in the past months, the economy shows a mixed picture. On the positive side, durable goods order increased 2.1% mom in July driven by transportation. But most important, orders of non-defense capital goods excluding aviation (i.e. fixed investment) rose 0.4% mom, the sixth positive gain this year. Plus, consumer sentiment fell slightly in August but remains strong, the Conference Board Index dropped to 135.1 (previous 135.7). However, Markit surveys showed the slowdown in Manufacturing has gone down to contraction territory (49.9) in August, while Services decelerated from 53.0 to 50.9.

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United States: Economic Indicators This week

Date	Indicators	Period	Cons.	Prior
Mon 26	Durable Goods Orders	Jul P	1.2%	1.9%
	Durables Ex Transportation	Jul P	0.0%	1.0%
	Cap Goods Orders Nondef Ex Air	Jul P	0.0%	1.5%
Tue 27	Cap Goods Ship Nondef Ex Air	Jul P	0.1%	0.3%
	FHFA House Price Index MoM	Jun	0.2%	0.1%
Wed 28	Conf. Board Consumer Confidence	Aug	129.0	135.7
	MBA Mortgage Applications	Aug 23	--	-0.9%
Thu 29	GDP Annualized QoQ	2Q S	2.0%	2.1%
	Personal Consumption	2Q S	4.3%	4.3%
Fri 30	GDP Price Index	2Q S	2.4%	2.4%
	Advance Goods Trade Balance	Jul	-\$74.6b	-\$74.2b
	Retail Inventories MoM	Jul	0.3%	-0.1%
	Wholesale Inventories MoM	Jul P	0.2%	0.0%
	Initial Jobless Claims	Aug 24	215k	209k
	Continuing Claims	Aug 17	--	1674k
	Pending Home Sales MoM	Jul	0.0%	2.8%
	Pending Home Sales NSA YoY	Jul	1.8%	-0.6%
	Personal Income	Jul	0.3%	0.4%
	Personal Spending	Jul	0.5%	0.3%
	Real Personal Spending	Jul	0.3%	0.2%
	PCE Deflator MoM	Jul	0.2%	0.1%
	PCE Deflator YoY	Jul	1.4%	1.4%
	PCE Core Deflator MoM	Jul	0.2%	0.2%
	PCE Core Deflator YoY	Jul	1.6%	1.6%
	U. of Mich. Sentiment	Aug F	92.3	92.1

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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

BRAZIL

Brazil: Economic Indicators From August 19 th to August 23 rd					
Date	Indicators	Period	Cons.	Prior	Actual
Mon 19	Formal job creation total	Jul	40970	48436	43820
Thu 22	FGV consumer confidence	Aug	--	88.1	89.2
	Tax collections	Jul	--	119.946m	137735m

Brazil: Economic Indicators This week				
Date	Indicators	Period	Cons.	Prior
Mon 26	Current Account	Jul	-\$6000m	-\$2914m
	FDI	Jul	\$7000m	\$2190m
Thu 29	GDP qoq	2Q	0.2%	-0.2%
	GDP yoy	2Q	0.8%	0.5%
	GDP ltm	2Q	0.9%	0.9%
	Central government budget balance	Jul	-5.5b	-11.5b
	Unemployment	Jul	11.9%	12.0%
Fri 30	Primary budget balance	Jul	-3.5b	-12.7b
	Net debt % GDP	Jul	55.4%	55.2%

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Brazil			
Long Run Economic Indicators			
Indicator	2018	2019E	2020E
Real GDP (% ch)	1,11%	0,80%	2,40%
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

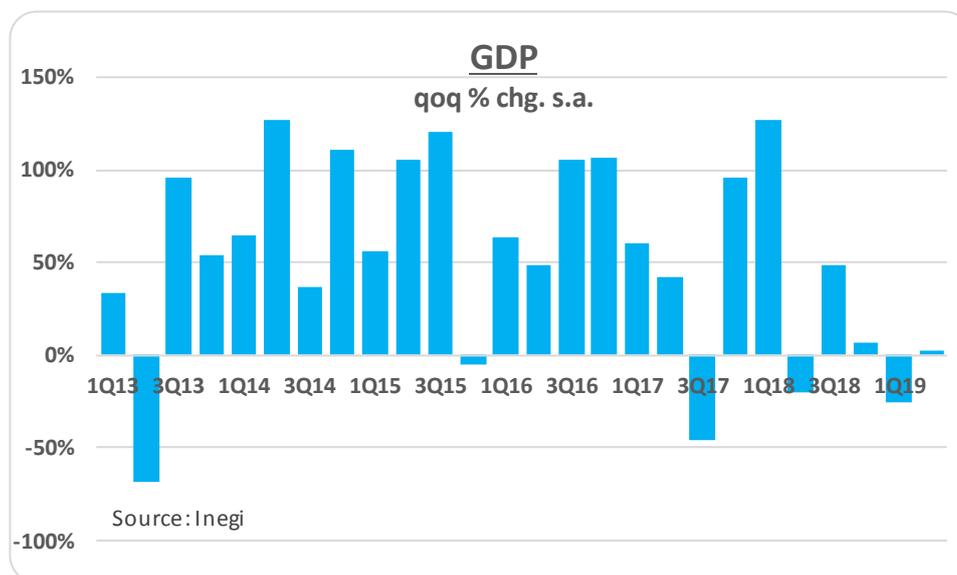
MEXICO

- Output fell 0.8% yoy during the second quarter, recording the first contraction since the 2009 economic crisis. The overall fall was driven by the industrial sector (-3% yoy), which contracted for the third straight quarter, dragged by oil, gas and construction. Activity in the services and agriculture sectors slowed but remained positive. As has been the case for most countries, GDP growth estimates for this year were downwardly revised to 0.9%.
- In line with other central banks, Banxico lowered rates by 25bps early this month. The decision was underpinned by easing inflation, decelerating economy and rising concerns over a slowing global economy.
- Furthermore, personal spending underperformed in June. Retail sales reported a 1% increase, below May's 2.8% rise. Consumer confidence has deteriorated most of the year, as consumers' assessment over the general economic situation worsened noticeably in July, and unemployment reached 3.71% in July, its highest level in over two years.

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Mexico: Economic Indicators From August 20th to August 23rd

Date	Indicators	Period	Cons.	Prior	Actual
Wed 21	Retail sales y/y	Jun	--	2.8%	1.0%
	Retail sales m/m	Jun	--	0.7%	-0.5%
Fri 23	GDP nominal y/y	2Q	--	6.3%	3.0%
	GDP nsa y/y	2Q F	--	-0.7%	-0.8%
	GDP sa qoq	2Q F	--	0.1%	0.0%
	Economic activity IGAE y/y	Jun	--	-0.43%	-0.90%
	Economic activity IGAE m/m	Jun	--	-0.03%	0.23%
	Current account balance	2Q	--	-\$5634m	\$5.143

Mexico: Economic Indicators This week

Date	Indicators	Period	Cons.	Prior
Tue 27	Trade Balance	Jul	-\$420.0m	\$2561.0m
	Unemployment sa	Jul	3.59%	3.54%
Fri 30	Budget Balance ytd	Jul	--	-\$119.9b

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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

CHILE

Chile: Economic Indicators From August 19 th to August 23 rd					
Date	Indicators	Period	Cons.	Prior	Actual
Mon 19	GDP y/y	2Q	1.9%	1.6%	1.90%
	GDP q/q	2Q	0.8%	0.0%	0.8%
	Current account balance	2Q	--	-\$1023m	-\$2929m

Chile: Economic Indicators This week				
Date	Indicators	Period	Cons.	Prior
Fri 30	Manufacturing Production yoy	Jul	4.8%	-5.4%
	Unemployment	Jul	7.1%	7.1%
	Industrial Production yoy	Jul	2.3%	-2.9%
	Copper production total	Jul	--	474740

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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

COLOMBIA

Colombia: Economic Indicators From August 19th to August 23rd

Date	Indicators	Period	Cons.	Prior	Actual
Tue 20	Consumer confidence index	Jul	--	-6.3%	-5.1
Thu 22	Industrial confidence	Jul	--	8.4	9.3
	Retail confidence	Jul	--	27.8	25.8

Colombia: Economic Indicators This week

Date	Indicators	Period	Cons.	Prior
Fri 30	Unemployment	Jul	--	9.4%

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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

PERU

Peru: Economic Indicators
From August 12th to August 16th

Date	Indicators	Period	Cons.	Prior	Actual
Thu 22	GDP y/y	2Q	--	2.3%	1.2%

Peru: Economic Indicators
This week

Date	Indicators	Period	Cons.	Prior
	NA			

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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Graciela Cairoli
Director

Alejandro Quelch
Head of Research Department
aquelch@capitalmarkets.com.ar

Jaime Krause
Head of Asset Management
Portfolio Manager

Noelia Lucini, CFA
Fixed Income Strategy.
Portfolio Manager

Nicolas Viveros
Senior Analyst (Fixed Income)
nviveros@capitalmarkets.com.ar

Agustin Giannattasio, CFA
Equity Senior Analyst
agiannattasio@capitalmarkets.com.ar

María Teresa Leiva
Macroeconomic Analyst
mleiva@capitalmarkets.com.ar

Juan José Guma
Analyst
jguma @capitalmarkets.com.ar

Valeria Flores
Virtual Library Administrator.
Assistant
vflores@capitalmarkets.com.ar

Dolores Jáuregui
Communication with external Analysts
Assistant
djauregui@capitalmarkets.com.ar

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