

INTERNATIONAL MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

September 10, 2019

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HIGHLIGHTS

- **US:** Mixed labor report and weakening manufacturing activity further back a rate cut during next week's meeting.
- **BRAZIL:** Advances in the Reforms' agenda improve the outlook for the rest of the year.

USA

United States: Economic Indicators
From September 2nd to September 6th

Date	Indicators	Period	Cons.	Prior	Actual
Tue 03	Markit US Manufacturing PMI	Aug F	50.0	49.9	50.3
	ISM Manufacturing	Aug	51.2	51.2	49.1
Wed 04	Construction Spending MoM	Jul	0.3%	-1.3%	0.1%
	MBA Mortgage Applications	Aug 30	--	-6.2%	-3.1%
	Trade Balance	Jul	-\$53.5b	-\$55.2b	-\$54.0b
Thu 05	Federal Reserve Releases Beige Book				
	Wards Total Vehicle Sales	Aug	16.80m	16.82m	16.97m
	Initial Jobless Claims	Aug 31	215k	215k	217k
	Continuing Claims	Aug 24	1688k	1698k	1662k
	Markit US Services PMI	Aug F	51.0	50.9	50.7
	Factory Orders	Jul	1.0%	0.6%	1.4%
	Factory Orders Ex Trans	Jul	--	0.1%	0.3%
	Durable Goods Orders	Jul F	2.1%	2.1%	2.0%
	Durables Ex Transportation	Jul F	-0.4%	-0.4%	-0.4%
	Cap Goods Orders Nondef Ex Air	Jul F	--	0.4%	0.2%
	Cap Goods Ship Nondef Ex Air	Jul F	--	-0.7%	-0.6%
	ISM Non-Manufacturing Index	Aug	54.0	53.7	56.4
Fri 06	Change in Nonfarm Payrolls	Aug	158k	164k	130k
	Unemployment Rate	Aug	3.7%	3.7%	3.7%
	Average Hourly Earnings MoM	Aug	0.3%	0.3%	0.4%
	Average Hourly Earnings YoY	Aug	3.0%	3.2%	3.2%

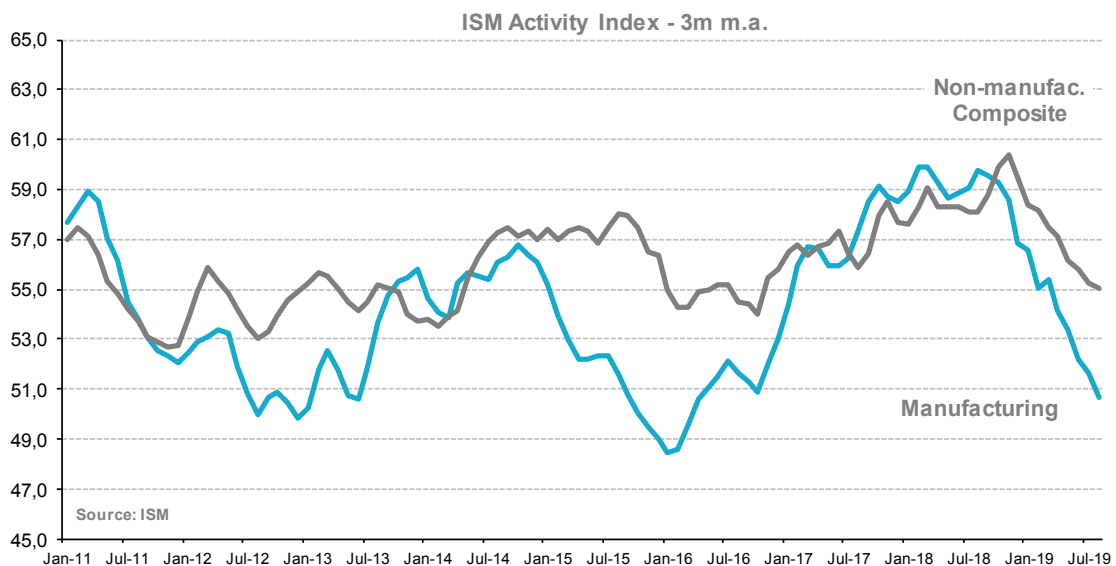
- The Fed continued to highlight the economy is decelerating but in shape, and far from facing recession. Nonetheless, mixed data, trade uncertainty and slowing global demand support expectations of another rate cut this month.

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- August's labor report signaled a mixed picture, unemployment remained at historic minimums (3.7%) but hiring has slowed, employers added 130,000 jobs, below last 12 months' 172,000 average. Moreover, average hourly earnings climbed 3.2% yoy, enough to keep worker earnings above the inflation rate (1.8% yoy), and has now been above the 3% threshold for more than a year after lagging for much of the 10-year expansion
- Manufacturing activity shrank for the first time in three years during August. The ISM manufacturing index fell to 49.1, below 50, signaling contraction. The sector has been badly hit by trade tensions and global manufacturing pullback. Nonetheless, the service sector picked up, the ISM non-manufacturing index rose to 56.4, following two months of deceleration



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United States: Economic Indicators This week

Date	Indicators	Period	Cons.	Prior
Tue 10	NFIB Small Business Optimism	Aug	103.5	104.7
Wed 11	MBA Mortgage Applications	sep-06	--	-3.1%
	Wholesale Trade Sales MoM	Jul	--	-0.3%
	Wholesale Inventories MoM	Jul F	0.2%	0.2%
Thu 12	CPI MoM	Aug	0.1%	0.3%
	CPI Ex Food and Energy MoM	Aug	0.2%	0.3%
	CPI YoY	Aug	1.8%	1.8%
	CPI Ex Food and Energy YoY	Aug	2.3%	2.2%
	Initial Jobless Claims	sep-07	215k	217k
	Continuing Claims	Aug 31	1678k	1662k
	Monthly Budget Statement	Aug	-\$195.0b	-\$119.7b
Fri 13	Retail Sales Advance MoM	Aug	0.2%	0.7%
	Retail Sales Ex Auto MoM	Aug	0.1%	1.0%
	Retail Sales Ex Auto and Gas	Aug	0.3%	0.9%
	Retail Sales Control Group	Aug	0.3%	1.0%
	U. of Mich. Sentiment	Sep P	90.5	89.8

United States

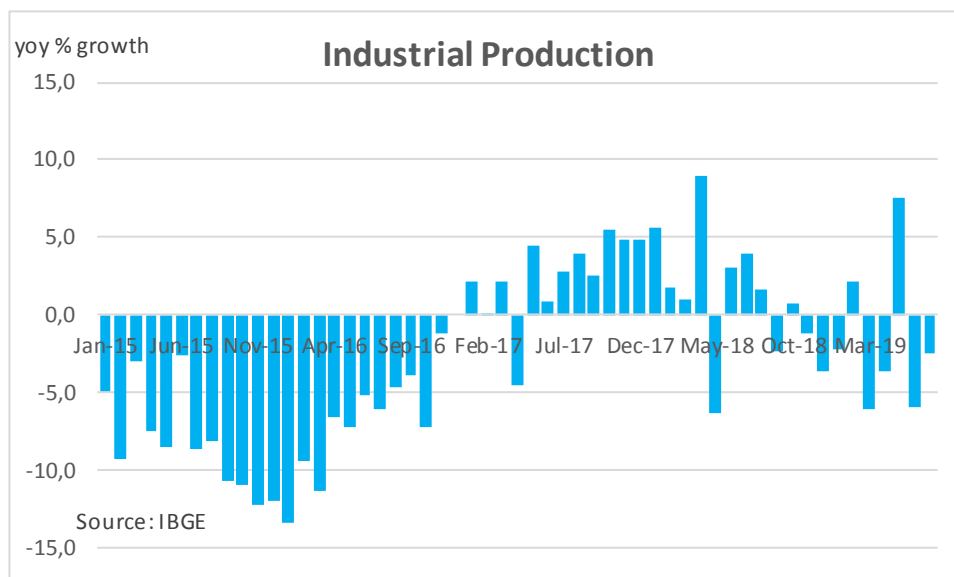
Long Run Economic Indicators

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

BRAZIL

- Despite a slow start early this year, the government's plans to strengthen fiscal accounts are on track. The pension reform is very likely to be finally approved in October, while privatizations should raise close to USD 323b.
- Nonetheless, figures still point to a slow rebound. Inflation remains below target but has started to rise slowly. Annual inflation reached 3.43% in August, up from 3.22% in the previous month, while monthly inflation moderated to 0.11%, driven by falling prices for food and beverages, and transportation products. Inflation is at its lowest point in over a year, and below the Central Bank's target of 4.25% for 2019
- Moreover, Industrial production fell 0.3% mom s.a. in July, following June's revised 0.7% drop, and marked the third straight monthly contraction. The result was below market expectations, which had forecast an expansion, and was driven by declining production of capital and intermediate goods. Industrial output fell in 11 of the 26 surveyed sectors, with the main negative contributions achieved by beverages, food products, and chemicals. On an annual basis, industrial production contracted 2.5% in July.



INTERNATIONAL MACROECONOMIC PERSPECTIVES

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Brazil: Economic Indicators From September 2nd to September 6th

Date	Indicators	Period	Cons.	Prior	Actual
Mon 02	Markit Manufacturing PMI	Aug	--	49.9	52.5
	Trade Balance	Aug	\$3300m	\$2293m	\$3284m
Tue 03	Industrial production mom	Jul	0.6%	-0.6%	-0.3%
	Industrial production yoy	Jul	-1.1%	-5.9%	-2.5%
Wed 04	Markit Services PMI	Aug	--	52.2	51.4
Fri 06	IBGE inflation IPCA yoy	Aug	3.42%	3.22%	3.43%
	IBGE inflation IPCA mom	Aug	0.11%	0.19%	0.11%

Brazil: Economic Indicators This week

Date	Indicators	Period	Cons.	Prior
Wed 11	Retail sales broad mom	Jul	-0.8%	0.0%
	Retail sales yoy	Jul	1.6%	-0.3%
	Retail sales broad yoy	Jul	4.0%	1.7%
	Retail sales mom	Jul	0.1%	0.1%
Fri 13	Economic activity yoy	Jul	0.8%	-1.75%
	Economic activity mom	Jul	-0.2%	0.3%

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

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MEXICO

Mexico: Economic Indicators
From September 2nd to September 6th

Date	Indicators	Period	Cons.	Prior	Actual
Mon 02	Markit PMI Manufacturing	Aug	--	49.8	49.0
	IMEF Non-manufacturing index sa	Aug	47.7	47.1	47.7
	IMEF Manufacturing index sa	Aug	49.2	49.6	47.4
Tue 03	Leading indicators mom	Jul	--	0.01	-0.05
Fri 06	Gross fixed investment	Jun	-9.2%	-7.4%	-8.8%

Mexico: Economic Indicators
This week

Date	Indicators	Period	Cons.	Prior
Mon 09	Vehicle production	Aug	--	292641
	Vehicle exports	Aug	--	270904
	CPI mom	Aug	-0.2%	0.38%
	CPI core mom	Aug	0.19%	0.26%
	CPI yoy	Aug	3.16%	3.78%
Wed 11	Industrial production yoy	Jul	-1.8%	-2.9%
	Manufacturing production yoy	Jul	0.7%	-0.8%
	Industrial production s.a. mom	Jul	-0.3%	1.1%

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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CHILE

Chile: Economic Indicators
From September 2nd to September 6th

Date	Indicators	Period	Cons.	Prior	Actual
Mon 02	IMCE business confidence	Aug	--	50.36	51.02
Tue 03	Retail sales yoy	Jul	3.0%	-0.9%	1.8%
	Overnight target rate	30 Sep	2.00%	2.50%	2.00%
Thu 05	Economic activity yoy	Jul	3.3%	1.3%	3.2%
	Economic activity mom	Jul	0.4%	0.0%	0.2%
Fri 06	CPI mom	Aug	0.2%	0.2%	0.2%
	CPI yoy	Aug	2.3%	2.2%	2.3%
	International reserves	Aug	--	\$39045m	\$39.525m
	Trade balance	Aug	\$88m	-\$29m	\$143m

Chile: Economic Indicators
This week

Date	Indicators	Period	Cons.	Prior
Mon 09	Copper exports	Aug	--	\$2639m
Fri 13	Vehicle sales total	Aug	--	31474

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 September 2nd to September 6th

Date	Indicators	Period	Cons.	Prior	Actual
Thu 05	CPI yoy	Aug	3.83%	3.79%	3.75%
	CPI mom	Aug	0.17%	0.22%	0.09%
	Core CPI yoy	Aug	--	3.31%	3.29%
	Core CPI mom	Aug	--	0.14%	0.12%

Colombia: Economic Indicators
This week

Date	Indicators	Period	Cons.	Prior
Fri 13	Manufacturing production yoy	Jul	3.5%	-1.1%
	Retail sales yoy	Jul	6.5%	7.2%

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 September 2nd to September 6th

Date	Indicators	Period	Cons.	Prior	Actual
Mon 02	Lima CPI mom	Aug	0.10%	0.20%	0.06%
	Lima CPI yoy	Aug	2.09%	2.11%	2.04%

Peru: Economic Indicators
This week

Date	Indicators	Period	Cons.	Prior
Wed 11	Trade balance	Jul	--	\$745m
Thu 12	Reference rate	12 Sep	2.50%	2.50%

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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