INTERNATIONAL MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

September 24, 2019

Index

HIGHLIGHTS

- **US**: The Fed cut rates again, but Committee members were split over the decision and the outlook for further reductions.
- **BRAZIL**: The Central Bank cut rates to 5.50%, its historical low, to support the economic recovery.

USA

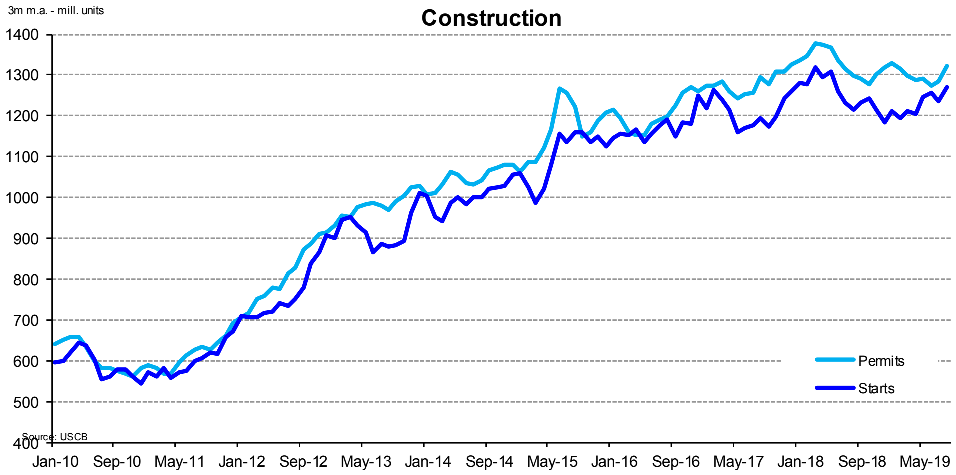
United States: Economic Indicators
From September 16th to September 20th

Date	Indicators	Period	Cons.	Prior	Actual
Mon 16	Empire Manufacturing	Sep	4.0	4.8	2.0
Tue 17	Industrial Production MoM	Aug	0.2%	-0.2%	0.6%
	Manufacturing (SIC) Production	Aug	0.2%	-0.4%	0.5%
	NAHB Housing Market Index	Sep	66	66	68
Wed 18	MBA Mortgage Applications	sep-13	--	2.0%	-0.1%
	Building Permits MoM	Aug	-0.2%	8.4%	7.7%
	Housing Starts MoM	Aug	5.0%	-4.0%	12.3%
	FOMC Rate Decision (Upper Bound)	sep-18	2.00%	2.25%	2.00%
	FOMC Rate Decision (Lower Bound)	sep-18	1.75%	2.00%	1.75%
Thu 19	Current Account Balance	2Q	-$125.7b	-$130.4b	-$128.2b
	Initial Jobless Claims	sep-14	--	204k	208k
	Continuing Claims	sep-07	--	1670k	1661k
	Leading Index	Aug	0.1%	0.5%	0.0%
	Existing Home Sales MoM	Aug	-0.6%	2.5%	1.3%

- The Fed cut rates to a range of 1.75-2.00% during this month´s meeting. The decision, as in July, was based on risks on the economy from slowing global demand and rising uncertainty due to the trade conflict with China. Powell defined the current situation as *unusual*, referring to the fact that economic figures didn't justify two straight rate cuts.

- The dot plot revealed officials remain positive about the economy but diverge regarding the rate path. Out of 17 members, 7 voted for another rate cut this year, while the other ten were evenly divided between those who prefer rates to stay at this level and those who expect a rate rise. This situation reflects the high level of uncertainty on the economic outlook.

- Rate cuts have reduced financing costs helping housing markets recover. Existing home sales rose 1.3% mom seasonally adjusted during August, the highest pace in over a year, while sales rose 2.6% yoy, the second annual increase following declines for 16 straight months. Furthermore, homebuilding rose to its highest level since 2007. Housing starts surged 12.3% mom s.a. in August, while Building Permits rose 7.7% mom s.a..



United States: Economic Indicators This week				
Date	**Indicators**	**Period**	**Cons.**	**Prior**
Mon 23	Markit US Manufacturing PMI	Sep P	50.4	50.3
	Markit US Services PMI	Sep P	51.4	50.7
Tue 24	FHFA House Price Index MoM	Jul	0.3%	0.2%
	Conf. Board Consumer Confidence	Sep	133.0	135.1
Wed 25	MBA Mortgage Applications	sep-20	--	-0.1%
	New Home Sales MoM	Aug	3.2%	-12.8%
Thu 26	GDP Annualized QoQ	2Q T	2.0%	2.0%
	Personal Consumption	2Q T	4.7%	4.7%
	Advance Goods Trade Balance	Aug	-$73.5b	-$72.3b
	Retail Inventories MoM	Aug	0.1%	0.8%
	Wholesale Inventories MoM	Aug P	0.1%	0.2%
	Initial Jobless Claims	sep-21	211k	208k
	Continuing Claims	sep-14	1666k	1661k
	Pending Home Sales MoM	Aug	1.0%	-2.5%
	Pending Home Sales NSA YoY	Aug	1.4%	1.7%
Fri 27	Personal Income	Aug	0.4%	0.1%
	Durable Goods Orders	Aug P	-1.1%	2.0%
	Personal Spending	Aug	0.3%	0.6%
	Durables Ex Transportation	Aug P	0.2%	-0.4%
	Real Personal Spending	Aug	0.2%	0.4%
	Cap Goods Orders Nondef Ex Air	Aug P	0.0%	0.2%
	PCE Deflator MoM	Aug	0.1%	0.2%
	Cap Goods Ship Nondef Ex Air	Aug P	0.3%	-0.6%
	PCE Deflator YoY	Aug	1.4%	1.4%
	PCE Core Deflator MoM	Aug	0.2%	0.2%
	PCE Core Deflator YoY	Aug	1.8%	1.6%
	U. of Mich. Sentiment	Sep F	92.0	92.0

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

- The decision was based on moderate growth, low inflationary pressure and external factors like easing monetary stimulus in major economies and slowing global growth. However, progress in the government´s reforms agenda also backs the BCB´s position, which has signaled room for further cuts this year.

- Since taking office, the government has promised to strengthen fiscal numbers through a new pension reform (due to pass Congress in the coming weeks), simplification of tax code and privatizations. Furthermore, the government is pushing to open the economy, aiming to boost exports and increase its role in global affairs. It has recently reduced import tariffs to 2.300 products, an essential step to implement the EU agreement signed with Mercosur Partners in June.

Brazil: Economic Indicators From September 16th to September 20th					
Date	**Indicators**	**Period**	**Cons.**	**Prior**	**Actual**
Thu 18	Selic Rate	18 sep	5.50%	6.00%	5.50%
Fri 19	CNI Industrial Confidence	Sep	--	59.4	59.4

Brazil: Economic Indicators This week				
Date	**Indicators**	**Period**	**Cons.**	**Prior**
Mon 23	FGV Consumer confidence	Sep	--	89.2
	Current Account	Aug	-$4.100m	-$9.035m
	Foreign Direct Investment	Aug	$6.000m	$7.658m
Tue 24	Tax collections	Aug	119.000m	137.735m
	Formal job creation total	Aug	99100	43.820
Thu 26	Federal Debt total	Aug	--	3.993b
Fri 27	National unemployment	Aug	11.6%	11.8%
	Central govt budget balance	Aug	-17.7b	-6.0b

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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

Mexico: Economic Indicators From September 16th to September 20th					
Date	**Indicators**	**Period**	**Cons.**	**Prior**	**Actual**
Fri 20	Aggregate Supply and Demand	2Q	--	1.4%	-1.0%

Mexico: Economic Indicators This week				
Date	**Indicators**	**Period**	**Cons.**	**Prior**
Mon 23	Retail sales yoy	Jul	1.6%	1.0%
	Retail sales mom	Jul	-0.2%	-0.5%
Wed 25	Unemployment rate NSA	Aug	3.73%	3.71%
Thu 26	Economic activity IGAE yoy	Jul	0.50%	-0.90%
	Economic activity IGAE mom	Jul	-0.07%	0.23%
	Overnight rate	26 Sep	7.75%	8.00%
Fri 27	Trade balance	Aug	-$997.0m	-$1116.8m

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 September 16th to September 20th					
Date	Indicators	Period	Cons.	Prior	Actual
	NA				

Chile: Economic Indicators This week				
Date	Indicators	Period	Cons.	Prior
Tue 24	PPI mom	Aug	--	0.1%

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 September 16th to September 20th					
Date	**Indicators**	**Period**	**Cons.**	**Prior**	**Actual**
Tue 17	Industrial Production yoy	Jul	--	-0.2%	3.1%
Wed 18	Trade balance	Jul	--	-$760.9m	-$1088.4m
	Consumer confidence index	Aug	--	-5.1	-11.8

Colombia: Economic Indicators This week				
Date	**Indicators**	**Period**	**Cons.**	**Prior**
Mon 23	Economic activity y/y	Jul	3.3%	2.7%
	Overnight lending rate	23 sep	4.25%	4.25%
Wed 25	Industrial confidence	Aug	--	9.3
	Retail confidence	Aug	--	25.8

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 September 16th to September 20th

Date	Indicators	Period	Cons.	Prior	Actual
Mon 16	Economic activity yoy Unemployment rate	Jul Aug	-- --	2.6% 6.0%	3.3% 6.0%

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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