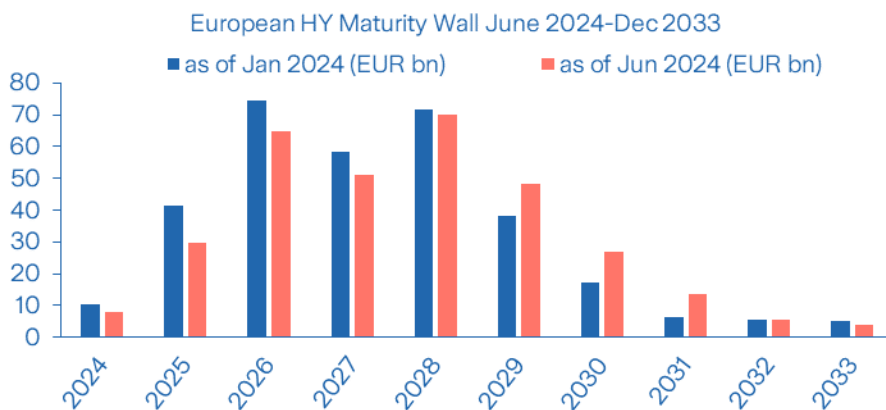


# Monthly Investment Insights

4 June 2024



## High Yield to lag stocks as refinancing poses risks



Source: Bloomberg

As we wrote earlier this year, credit, and High Yield in particular, was expected to underperform stocks in 2024. This has largely played out already, with the YTD return of the S&P 500 and the Markit CDX HY being 12% and 3%, respectively.

After widening in mid-April as rate volatility and geopolitics unsettled markets, credit spreads have since tightened again. Performance, however, has not been uniform across Investment Grade (IG) and High Yield (HY) markets. A preference for higher quality credit has been visible so far this year, with the IG/HY spread ratio rising in the US and Europe, albeit from historically low levels. Moreover, within HY, CCC-rated bonds have not participated in the rally. Dispersion in performance is likely to persist until the path of monetary policy becomes clearer as weaker corporates are especially vulnerable to a slowing economy and high refinancing costs.

Companies postponed refinancing for most of 2022 and 2023, avoiding locking in high refinancing costs. Consequently, we had expected that they would be almost forced back into the primary market to address their approaching maturities. Looking at the maturities due for the rest of 2024, 2025 and 2026 as they stand today versus where they stood in January shows that corporates have indeed started trying to push out their maturities. In European HY, for example, EUR 24bn out of EUR 126bn June 2024-Dec 2026 maturities have been pushed to later years, moving the peak in maturities from 2026 to 2028. Despite this, 2026 maturities remain significant and more refinancing is likely to be needed. Looking ahead, refinancing risk and rising funding costs are clearly factors that could exacerbate default rates.

Given the refinancing dynamics, we expect HY issuance to stay elevated during the rest of 2024. Were our view to be realized, it would be a positive fundamental factor, indicating that companies are able to manage their debt. The flip side is that issuance is likely to be a headwind for spreads, hampering supply/demand technicals. Moreover, the tailwind from the so-called rising stars, i.e. upgrades from HY to IG, is expected to diminish. During the 2020-2023 period upgrades from HY far exceeded downgrades to HY, creating a shrinking HY universe, which further strengthened supply/demand technicals. This trend is likely to be behind us now as downgrades gain momentum.

In our base case of improving risk appetite and no recession in 2024, we expect equities to outperform credit, especially HY, as current valuations and less supportive supply/demand technicals limit upside for credit. Moreover, were recession risks to increase, credit should also notably underperform equities given its typical lead when the cycle turns.

## Market Assessment

### Key developments

- The global manufacturing recovery broadens out and services activity remains robust
- Stocks rebound on a solid earnings season, but volatility increases following weak US Treasuries auctions
- Credit lags stocks as tight spreads limit upside despite strong demand in primary markets

### Zurich's view

All eyes continue to be on inflation. Investors cheered when US CPI for April was reported to be softer than expected, especially as the reacceleration of inflation during previous months had raised doubts about the likelihood of rate cuts in 2024. However, rate volatility re-emerged following hawkish commentary by the Fed and tepid results in US Treasuries auctions, which heightened uncertainty regarding the trajectory of yields.

We continue to expect a downward trajectory for yields and the Fed and the ECB to cut rates, not only because we still see inflation on a descending albeit bumpy road, but also because we see signs of growth slowing. Lower yields are likely to provide further support to equities and offer relief for corporates. Equities remain our favoured asset class and we expect them to outperform credit, where we see limited upside. We expect US and Chinese equities to offer the best prospects and UK equities to lag after a good run. Within government bonds, we expect Spanish Bonos to perform relatively well compared to French OATs given the diverging budget deficit outlooks.

| Key developments  | Zurich's view   |
|---|---|
| <p>Global</p> <ul style="list-style-type: none"> <li>• The manufacturing recovery broadens out and services activity remains robust</li> <li>• Inflation generally ticks lower, but the pace of improvement is slow in most regions</li> <li>• Central banks continue to signal that rate cuts will be forthcoming, despite still sticky services price pressures</li> </ul>  | <p>The Flash PMIs were strong, with manufacturing surprising to the upside. Key manufacturing countries, including Germany which has been a laggard so far, posted notable improvements. This confirms that the industrial recovery is finally broadening out, which is encouraging given its dismal performance over the past two years. While inflation remains on a downward trajectory, progress is slow in most regions, with services and housing related price pressures still troubling. Despite this, central banks continue to signal that rate cuts will be forthcoming to reduce the restrictiveness of policy. Global bond yields remain volatile given insufficient progress on inflation, but they should ease back as inflation continues to fall and the rate cutting cycle kicks off.</p>   |
| <p>US</p> <ul style="list-style-type: none"> <li>• Headline inflation falls, but accelerating supercore inflation remains a worry</li> <li>• Retail sales and industrial production reflect a slowing economy</li> <li>• The gap between the Nasdaq and other indices widens as big tech stocks keep racing ahead</li> </ul>  | <p>Price pressure slowed in March with the annual rates receding to 3.4% for headline and 3.6% for core inflation. Receding inflation provided a boost to both bonds and stocks, but a pickup in supercore inflation, i.e. core services ex shelter, is a warning sign and reduces the likelihood of any near-term rate cuts. The S&amp;P 500, nevertheless, kept moving higher to reach a new record high, once again driven by the large tech companies while the gap to the Russell 2000 and the equal-weighted S&amp;P 500 has widened again. The stock market's decoupling from rate expectations is welcome as investors are no longer focusing on a single factor, but it also carries risks if the Fed turns more hawkish in the coming months given stubbornly high service inflation.</p>   |
| <p>UK</p> <ul style="list-style-type: none"> <li>• The economy grows by 0.6% QoQ in the first quarter, the strongest since Q4/21</li> <li>• Headline inflation slows substantially though service inflation remains too high</li> <li>• Rishi Sunak calls a general election for July 4 with polls still showing a strong lead for Labour</li> </ul>  | <p>The UK economy has rebounded strongly from the recession it went through in the second half of last year with GDP growing 0.6% QoQ in the first quarter. Business investment was a major driver of the pickup, supported by a recovery in consumer spending. Growth is expected to remain decent, but the latest set of PMI data is signalling a step down in pace. Meanwhile, inflation fell substantially, with headline CPI dropping to 2.3% YoY in April from 3.2% the month before. Lifted by an improving economic environment and the prospect of rate cuts later this year, the FTSE 100 has enjoyed a strong performance in recent months. While UK stocks are still not expensive, a stronger pound and a moderating growth outlook are expected to provide some headwinds in the near term.</p>                                       |
| <p>Eurozone</p> <ul style="list-style-type: none"> <li>• The ECB is ready to cut rates, but the path of easing is likely to be gradual and conservative</li> <li>• Economic data continue to improve, showing early signs of a mild manufacturing recovery for H2</li> <li>• Equity markets are pausing, and while the growth outlook is encouraging, a lack of technology firms is a structural problem</li> </ul> | <p>Barring any significant surprises, the ECB will lower the policy rate in June by 0.25%. This will take the deposit rate from 4% to 3.75% and begin a gradual process of policy recalibration. Unlike at the beginning of the year, we now find it hard to disagree with current pricing for easing, and as such see limited returns from high-rated sovereign bonds. We continue to expect a total of three rate cuts this year, but see a risk of only two being delivered if progress on inflation slows. The economic outlook continues to improve, with growth picking up as inflation eases. While we are still optimistic that Eurozone equity markets can move higher, momentum has stalled. After a return of almost 23% YTD, the Euro Stoxx bank index is facing headwinds from lower policy rates and pressure on deposit funding.</p> |
| <p>Switzerland</p> <ul style="list-style-type: none"> <li>• GDP rises 0.3% in Q1, but large parts of the economy are in contraction with pronounced manufacturing weakness</li> <li>• CPI inflation rebounds on a weaker franc while domestic price pressures slow markedly</li> <li>• The SNB signals that further weakening of the franc is not desired</li> </ul>  | <p>Inflation rebounded in April, up 0.3% MoM, though the core CPI measure remains at a benign 1.2%. After prolonged weakness, import prices jumped by 1.1% MoM, in part reflecting recent weakening of the franc. By contrast, domestic price pressures were very modest, up only 0.1% MoM. While the data were stronger than market expectations, the monthly data continue to track in line with the SNB inflation forecast. The GDP data showed that the expansion continued at an unchanged pace in Q1, but large parts of the economy are notably weak with manufacturing, goods exports and construction investment in contraction. Given this, it was encouraging that the Manufacturing PMI rebounded in May, but the index remains at a low level and the sector has suffered prolonged weakness.</p>                                      |

| Key developments  | Zurich's view  |
|---|--|
| <p>Japan</p> <ul style="list-style-type: none"> <li>Japanese equities loose some steam</li> <li>The 10yr JGB yield climbs above 1%</li> <li>The yen keeps weakening versus major currencies</li> </ul>  | <p>From its record high, the MSCI Japan has moved sideways within an unusually tight range in the month of May. Investor appetite seems to have calmed down somewhat following chasing Japanese equities higher. On a relative basis, we note that the index has lost about 5% versus the MSCI World. We believe the latest move is more of a breather rather than the start of a downturn, though we note a triple negative divergence by the MACD, a technical indicator that we are using. Meanwhile, the 10yr JGB yield has moved from below 0.6% at the start of the year to above 1%, which we interpret as a normalisation following the end of yield curve control (YCC). The Bank of Japan is expected to hike its policy rate from its current upper limit of 0.1% to 0.25% this autumn.</p>   |
| <p>China</p> <ul style="list-style-type: none"> <li>Reignited animal spirits induce a surge in 'H'-shares within the MSCI China universe</li> <li>Following the bonanza equities retreat, losing about one third of prior gains</li> <li>The CNY keeps meandering in a tight trading range</li> </ul>   | <p>The MSCI China surged by more than 20% within 20 trading days starting in late April, with Hong-Kong traded 'H'-shares performing even better, driven by financial stocks, but also stocks within the internet, AI, and property developer space. However, China's domestic 'A'-shares remained somewhat neglected. Apart from reasonable to cheap valuations, we believe it was mainly the fact that Chinese stocks were unloved and neglected by both overseas and domestic investors that contributed to reignition of animal spirits. Following the exuberance investors took profit, and the MSCI China retreated, retracing about one third of the rally. Weak economic fundamentals, as confirmed by many economic indicators for April, are currently not in the focus of investors.</p>  |
| <p>Australia</p> <ul style="list-style-type: none"> <li>The 2024/25 government Budget includes income tax cuts and increased fiscal spending on energy bill subsidies and rent assistance</li> <li>The RBA continues to maintain a hawkish stance in response to evidence of sticky inflation</li> <li>Equities have seen a slight increase for the month, and the outlook remains supportive</li> </ul>    | <p>The federal Budget reflects an expansionary fiscal policy with income tax cuts and cost-of-living relief measures that could potentially lower short-term inflation. However, fiscal stimulus may cause inflation to be stickier over the medium term as additional fiscal spending could support demand in an already tight capacity economy. Currently, services and rental costs are particularly sticky. The Reserve Bank of Australia's May meeting minutes maintain a hawkish stance, with the Board considering hiking or holding rates, but not easing. We do not expect any rate cuts this year. The Australian equity market outlook appears positive, but outperformance compared to other developed markets is unlikely unless China's recovery gains a more solid footing, which would provide an additional boost to Australia's economy.</p> |
| <p>ASEAN</p> <ul style="list-style-type: none"> <li>Indonesia's Q1 growth exceeds expectations, driven by election spending</li> <li>Malaysia's growth outperforms consensus estimates, supported by private spending and an uptick in exports</li> <li>ASEAN equities recover modestly in May, with Malaysian equities showing a strong performance</li> </ul>   | <p>Indonesia's Q1 2024 growth surpassed expectations, fuelled by government and household spending, particularly due to election-related expenditures. Malaysia's growth also outperformed consensus estimates, driven by private spending and an uptick in exports. Inflation across the region remains stable, and central banks have maintained their monetary policy stance. The pressure on regional currencies has eased amid the weakening of the US dollar. ASEAN equities showed a modest recovery in May, with Malaysian equities performing well. The key factor influencing the market going forward is uncertainty surrounding the potential easing of monetary policy by the US Federal Reserve. Overall, the outlook for ASEAN stocks remains positive, especially if global financial conditions continue to improve.</p>                      |
| <p>LatAm</p> <ul style="list-style-type: none"> <li>The central banks of Brazil and Chile continue with interest rate cuts while Banxico maintains its rate</li> <li>Regional currencies appreciate in response to more cautious forward guidance from central banks</li> <li>Measured in US dollars, regional stock markets diverge, with Chile and Mexico showing increases while Brazil falls</li> </ul> | <p>The Latin American stock market experienced a slight decline when measured in USD, but performance was mixed across the region. The Brazilian stock market suffered a drop, primarily due to continued outflows of foreign investors as uncertainties surrounding fiscal sustainability could lead to inflationary pressures, potentially prompting the central bank to decelerate its easing cycle. The Chilean stock market saw gains, driven by three key factors: (1) ongoing cuts to the monetary policy rate, which has now reached 6.0%, (2) a surge in copper prices, and (3) the rebound in economic activity, supported by the external sector and commodity prices. Mexican equities ended May nearly flat. The upcoming general elections on June 2, along with US elections, contributed to the overall uncertainty in Mexico.</p>             |

# Valuation snapshot (MSCI Indices)

## Current training valuations

|                   | US   | Europe ex UK | UK   | Switzerland | Japan | APAC ex Japan | China | Brazil | Mexico |
|-------------------|------|--------------|------|-------------|-------|---------------|-------|--------|--------|
| 12m Trailing P/E  | 25.0 | 16.0         | 14.7 | 19.7        | 18.0  | 16.7          | 12.2  | 7.5    | 14.3   |
| 12m Trailing P/B  | 4.8  | 2.2          | 1.9  | 3.9         | 1.6   | 1.7           | 1.3   | 1.4    | 2.0    |
| 12m Trailing P/CF | 18.4 | 11.1         | 9.6  | 14.4        | 19.7  | 10.3          | 5.3   | 4.2    | 8.9    |
| Dividend Yield    | 1.3  | 3.0          | 3.9  | 2.9         | 2.0   | 2.7           | 2.6   | 7.5    | 3.4    |
| ROE               | 17.6 | 12.4         | 11.4 | 22.6        | 9.0   | 9.6           | 9.9   | 17.3   | 13.8   |

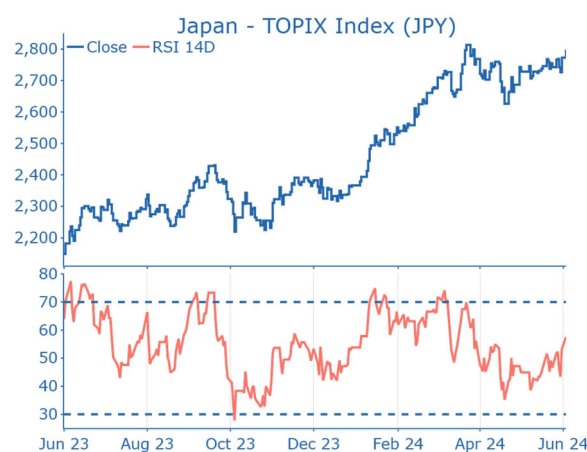
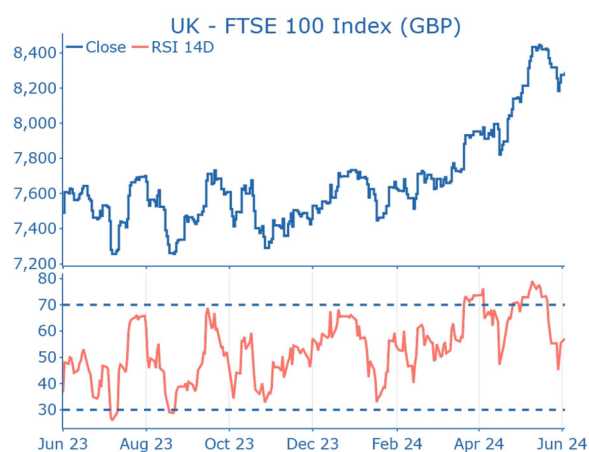
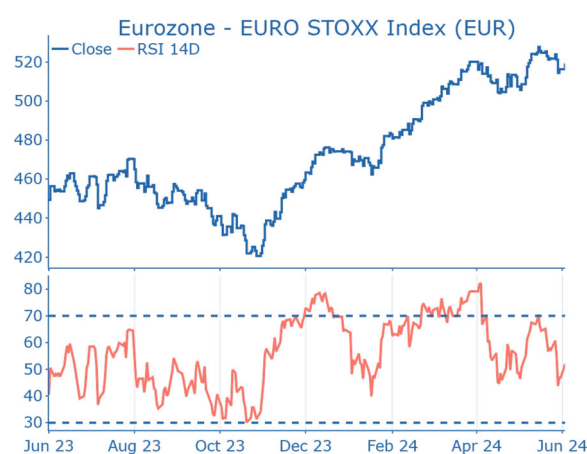
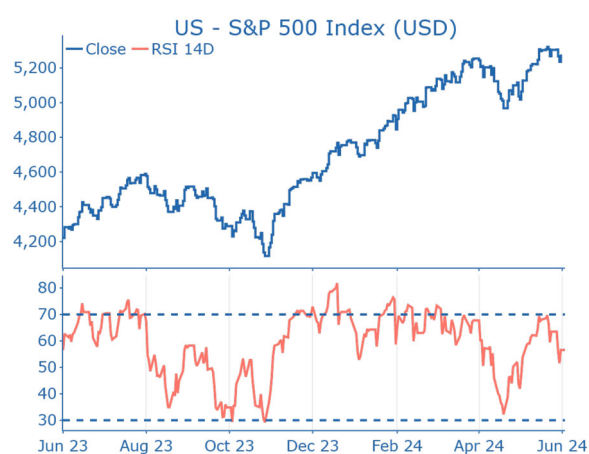
## Current training valuations relative to MSCI world

|                   | US    | Europe ex UK | UK    | Switzerland | Japan | APAC ex Japan | China  | Brazil | Mexico |
|-------------------|-------|--------------|-------|-------------|-------|---------------|--------|--------|--------|
| 12m Trailing P/E  | 3.41  | -5.6         | -6.93 | -1.91       | -3.65 | -4.9          | -9.45  | -14.15 | -7.27  |
| 12m Trailing P/B  | 1.46  | -1.14        | -1.45 | 0.52        | -1.76 | -1.63         | -2.06  | -1.99  | -1.31  |
| 12m Trailing P/CF | 1.91  | -5.35        | -6.94 | -2.11       | 3.25  | -6.17         | -11.24 | -12.24 | -7.54  |
| Dividend Yield    | -0.49 | 1.17         | 2.07  | 1.06        | 0.2   | 0.86          | 0.78   | 5.68   | 1.53   |
| ROE               | 3.45  | -1.73        | -2.7  | 8.48        | -5.15 | -4.57         | -4.28  | 3.2    | -0.33  |

Source: Bloomberg

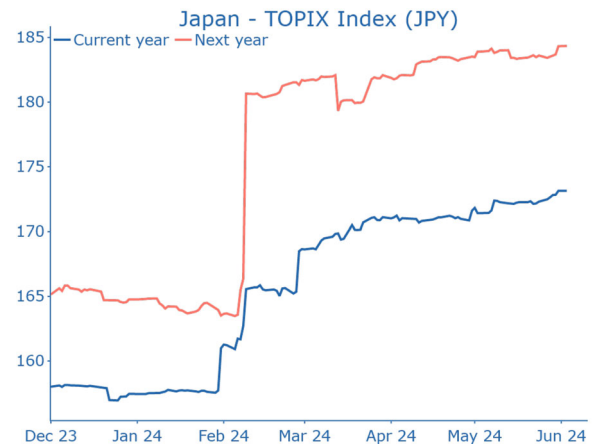
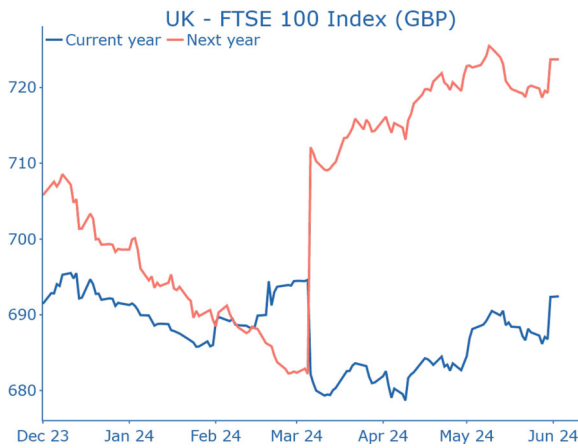
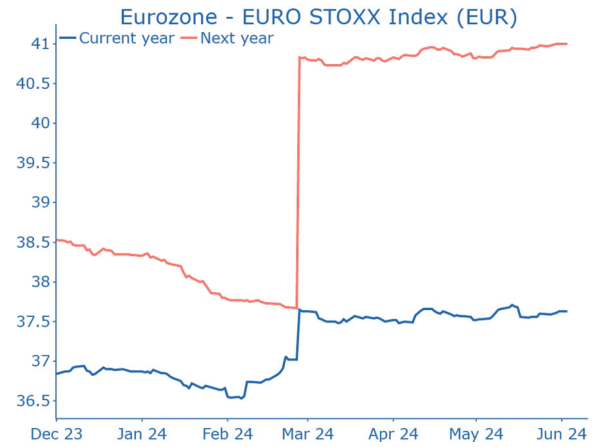
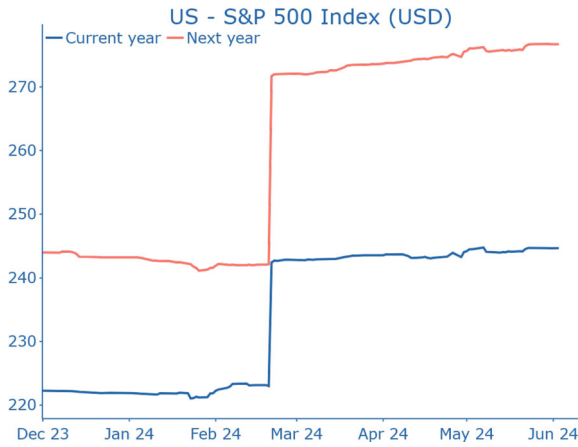
## Overbought / Oversold\*

\* Overbought / Oversold = 14D RSI is above 70 / below 30



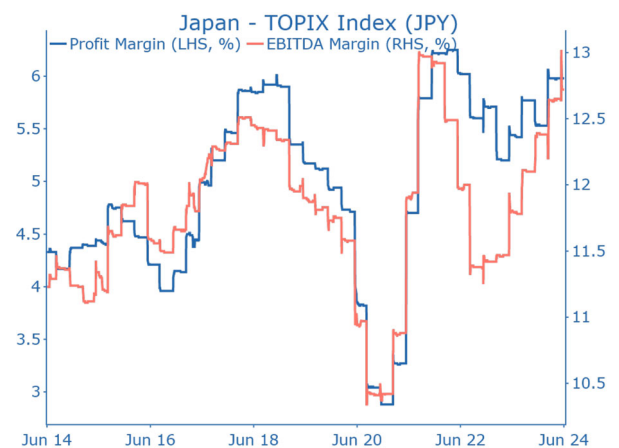
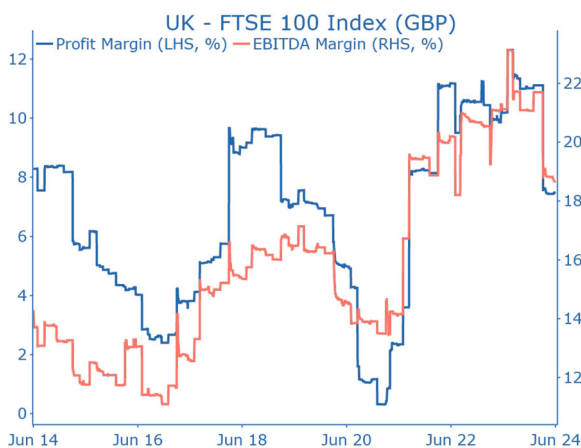
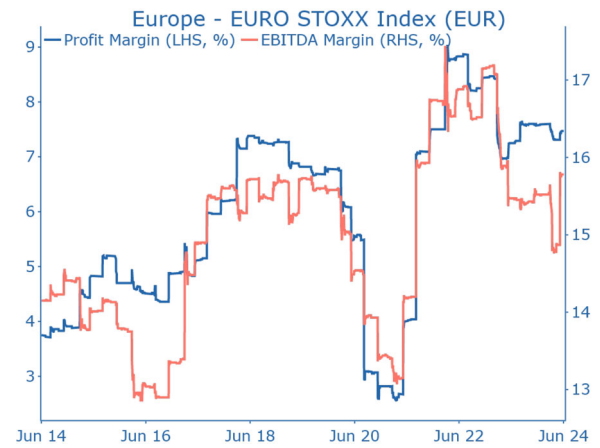
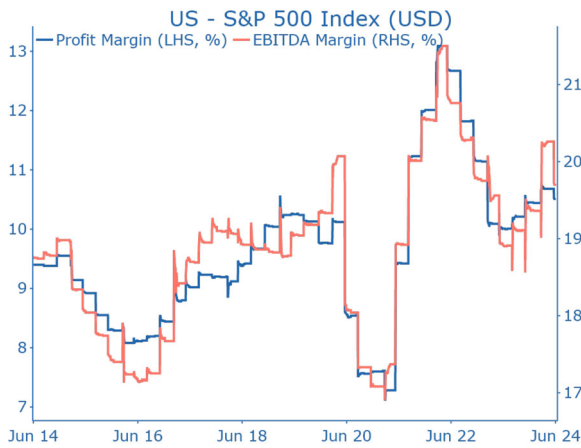
Source: Bloomberg

# Earnings estimates - Full fiscal year



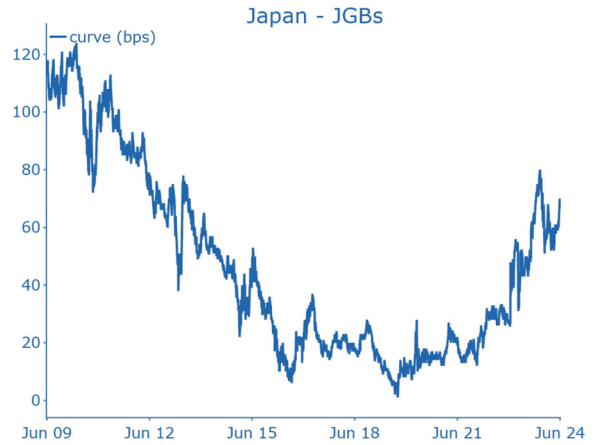
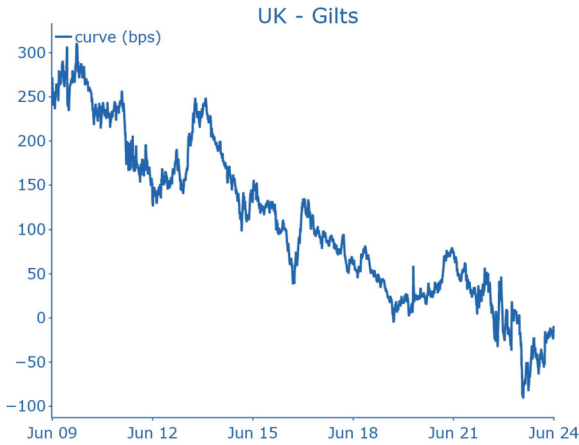
Source: Bloomberg

# Historical margins



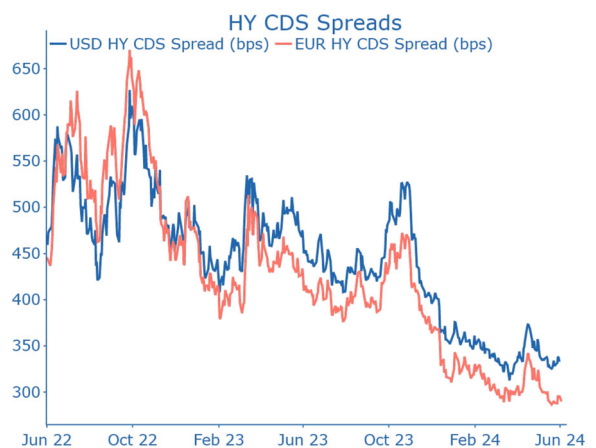
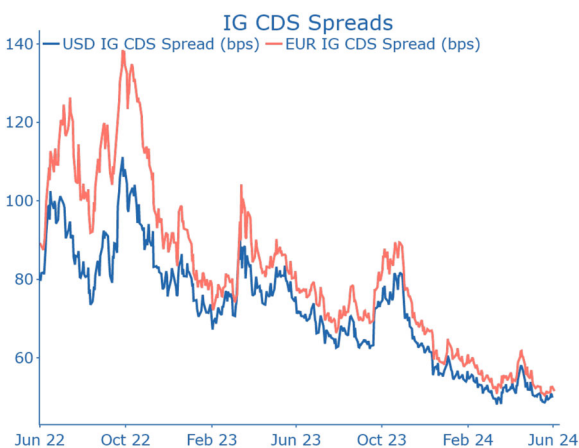
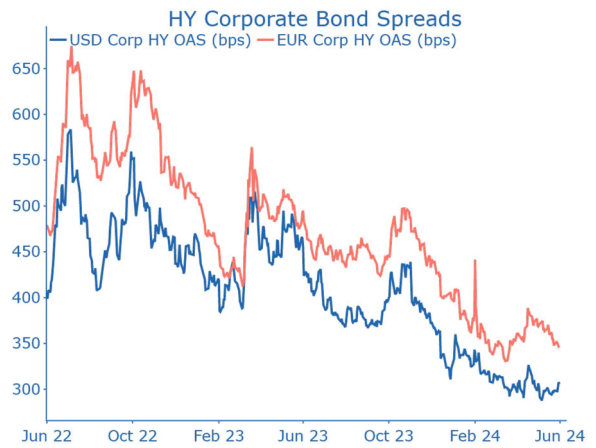
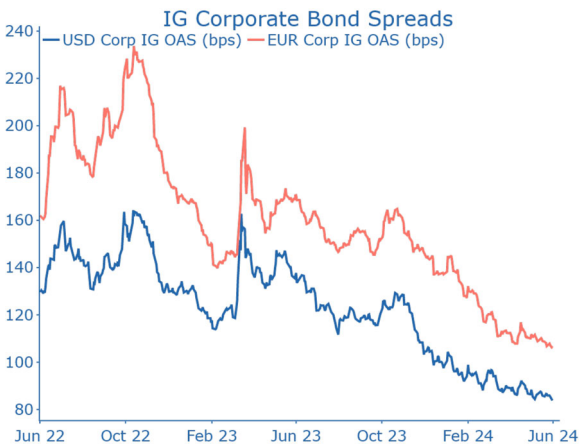
Source: Bloomberg

# Yield Curve Steepness (10yr - 2yr)



Source: Bloomberg

# Credit Markets (US & Europe)



Source: Bloomberg

# Economic Data

| US                              | Jul-2023 | Aug-2023 | Sep-2023 | Oct-2023 | Nov-2023 | Dec-2023 | Jan-2024 | Feb-2024 | Mar-2024 | Apr-2024 | May-2024 | Trend* |
|---------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| ISM Manufacturing (Index)       | 46.5     | 47.6     | 48.6     | 46.9     | 46.6     | 47.1     | 49.1     | 47.8     | 50.3     | 49.2     | -        | up     |
| ISM Non-Manufacturing (Index)   | 52.8     | 54.1     | 53.4     | 51.9     | 52.5     | 50.5     | 53.4     | 52.6     | 51.4     | 49.4     | -        | down   |
| Durable Goods (% MoM)           | -3.1     | -0.2     | 2.0      | -4.1     | 7.7      | -4.4     | -3.8     | 1.2      | 0.8      | 0.7      | -        | up     |
| Consumer Confidence (Index)     | 114.0    | 108.7    | 104.3    | 99.1     | 101.0    | 108.0    | 110.9    | 104.8    | 103.1    | 97.5     | 102.0    | down   |
| Retail Sales (% MoM)            | 2.9      | 3.0      | 4.2      | 2.7      | 4.0      | 5.5      | 0.3      | 2.1      | 3.8      | 3.0      | -        | up     |
| Unemployment Rate (%)           | 3.5      | 3.8      | 3.8      | 3.8      | 3.7      | 3.7      | 3.7      | 3.9      | 3.8      | 3.9      | -        | up     |
| Avg Hourly Earnings YoY (% YoY) | 5.0      | 4.8      | 4.7      | 4.6      | 4.6      | 4.5      | 4.7      | 4.5      | 4.2      | 4.0      | -        | down   |
| Change in Payrolls (000, MoM)   | 184.0    | 210.0    | 246.0    | 165.0    | 182.0    | 290.0    | 256.0    | 236.0    | 315.0    | 175.0    | -        | down   |
| PCE (% YoY)                     | 4.19     | 3.73     | 3.59     | 3.38     | 3.18     | 2.94     | 2.91     | 2.81     | 2.81     | 2.75     | -        | down   |
| GDP (% QoQ, Annualized)         | -        | -        | 4.9      | -        | -        | 3.4      | -        | -        | 1.3      | -        | -        | down   |

| Eurozone                              | Jul-2023 | Aug-2023 | Sep-2023 | Oct-2023 | Nov-2023 | Dec-2023 | Jan-2024 | Feb-2024 | Mar-2024 | Apr-2024 | May-2024 | Trend* |
|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| PMI Manufacturing (Index)             | 42.7     | 43.5     | 43.4     | 43.1     | 44.2     | 44.4     | 46.6     | 46.5     | 46.1     | 45.7     | 47.3     | up     |
| PMI Services (Index)                  | 50.9     | 47.9     | 48.7     | 47.8     | 48.7     | 48.8     | 48.4     | 50.2     | 51.5     | 53.3     | 53.3     | up     |
| IFO Business Climate (Index)          | 87.5     | 85.9     | 86.0     | 87.0     | 87.2     | 86.3     | 85.2     | 85.6     | 87.9     | 89.3     | 89.3     | up     |
| Industrial Production (% YoY)         | -2.5     | -5.0     | -6.8     | -6.2     | -5.2     | 0.2      | -6.5     | -6.3     | -1.0     | -        | -        | up     |
| Indeed 3m average wage growth (% YoY) | 4.37     | 4.28     | 4.0      | 3.84     | 3.68     | 3.82     | 3.88     | 3.92     | 3.69     | 3.36     | -        | down   |
| Unemployment Rate (%)                 | 6.6      | 6.5      | 6.6      | 6.6      | 6.5      | 6.5      | 6.5      | 6.5      | 6.5      | 6.4      | -        | down   |
| Euro-Area Credit Impulse (% SA)       | -7.64    | -6.47    | -6.47    | -5.92    | -5.54    | -2.51    | -2.79    | -2.03    | -1.51    | -1.1     | -        | up     |
| EUR HICP 5y5y Inflation Swaps         | 2.59     | 2.54     | 2.54     | 2.49     | 2.41     | 2.27     | 2.23     | 2.3      | 2.3      | 2.39     | 2.36     | up     |
| CPI (% YoY)                           | 5.3      | 5.2      | 4.3      | 2.9      | 2.4      | 2.9      | 2.8      | 2.6      | 2.4      | 2.4      | 2.6      | down   |
| Core CPI (% YoY)                      | 5.5      | 5.3      | 4.5      | 4.2      | 3.6      | 3.4      | 3.3      | 3.1      | 2.9      | 2.7      | 2.9      | down   |
| GDP (% QoQ)                           | -        | -        | -0.1     | -        | -        | -0.1     | -        | -        | 0.3      | -        | -        | up     |

| UK                                 | Jul-2023 | Aug-2023 | Sep-2023 | Oct-2023 | Nov-2023 | Dec-2023 | Jan-2024 | Feb-2024 | Mar-2024 | Apr-2024 | May-2024 | Trend* |
|------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| PMI Manufacturing (Index)          | 45.3     | 43.0     | 44.3     | 44.8     | 47.2     | 46.2     | 47.0     | 47.5     | 50.3     | 49.1     | 51.2     | up     |
| PMI Services (Index)               | 51.5     | 49.5     | 49.3     | 49.5     | 50.9     | 53.4     | 54.3     | 53.8     | 53.1     | 55.0     | 52.9     | down   |
| Consumer Confidence (Index)        | -30.0    | -25.0    | -27.0    | -30.0    | -24.0    | -22.0    | -19.0    | -21.0    | -21.0    | -19.0    | -17.0    | up     |
| Unemployment Rate (%)              | 4.3      | 4.2      | 4.1      | 4.0      | 3.9      | 3.8      | 4.0      | 4.2      | 4.3      | -        | -        | up     |
| CPI (% YoY)                        | 6.8      | 6.7      | 6.7      | 4.6      | 3.9      | 4.0      | 4.0      | 3.4      | 3.2      | 2.3      | -        | down   |
| House Prices (% YoY)               | -3.8     | -5.3     | -5.3     | -3.3     | -2.0     | -1.8     | -0.2     | 1.2      | 1.6      | 0.6      | 1.3      | up     |
| Mortgage Approvals (SA, Thousands) | 49.29    | 45.73    | 44.39    | 48.83    | 50.37    | 52.15    | 55.97    | 60.46    | 61.26    | 61.14    | -        | up     |
| GDP (% YoY)                        | -        | -        | 0.2      | -        | -        | -0.2     | -        | -        | 0.2      | -        | -        | up     |

| Switzerland                   | Jul-2023 | Aug-2023 | Sep-2023 | Oct-2023 | Nov-2023 | Dec-2023 | Jan-2024 | Feb-2024 | Mar-2024 | Apr-2024 | May-2024 | Trend* |
|-------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| KOF Leading Indicator (Index) | 96.3     | 95.6     | 96.3     | 95.1     | 96.8     | 97.8     | 102.7    | 101.7    | 100.4    | 101.9    | 100.3    | up     |
| PMI Manufacturing (Index)     | 38.5     | 39.9     | 44.9     | 40.6     | 42.1     | 43.0     | 43.1     | 44.0     | 45.2     | 41.4     | 46.4     | up     |
| Real Retail Sales (% YoY)     | -2.5     | -2.1     | -2.8     | -2.0     | -1.2     | 0.1      | 0.4      | -0.1     | -0.2     | 2.7      | -        | up     |
| Trade Balance (Billion, CHF)  | 3.0      | 3.74     | 6.36     | 4.75     | 3.72     | 1.18     | 4.71     | 3.67     | 3.77     | 4.32     | -        | up     |
| CPI (% YoY)                   | 1.6      | 1.6      | 1.7      | 1.7      | 1.4      | 1.7      | 1.3      | 1.2      | 1.0      | 1.4      | -        | down   |

| Japan                            | Jul-2023 | Aug-2023 | Sep-2023 | Oct-2023 | Nov-2023 | Dec-2023 | Jan-2024 | Feb-2024 | Mar-2024 | Apr-2024 | May-2024 | Trend* |
|----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| PMI Manufacturing (Index)        | 49.6     | 49.6     | 48.5     | 48.7     | 48.3     | 47.9     | 48.0     | 47.2     | 48.2     | 49.6     | 50.4     | up     |
| Machinery Orders (% YoY)         | -13.0    | -7.7     | -2.2     | -2.2     | -5.0     | -0.7     | -10.9    | -1.8     | 2.7      | -        | -        | up     |
| Industrial Production (% YoY)    | -2.6     | -4.7     | -4.5     | 0.9      | -1.6     | -1.1     | -1.5     | -3.9     | -6.2     | -1.0     | -        | down   |
| ECO Watchers Survey (Index)      | 54.1     | 52.8     | 50.4     | 49.9     | 49.8     | 50.9     | 47.4     | 50.3     | 52.4     | 50.2     | -        | up     |
| Jobs to Applicants Ratio (Index) | 1.3      | 1.3      | 1.29     | 1.29     | 1.27     | 1.27     | 1.27     | 1.26     | 1.28     | 1.26     | -        | down   |
| Labour Cash Earnings (% YoY)     | 1.1      | 0.8      | 0.6      | 1.5      | 0.7      | 0.8      | 1.5      | 1.4      | 1.0      | -        | -        | down   |
| Retail Sales (% YoY)             | 8.6      | 11.8     | 9.2      | 6.1      | 7.4      | 5.4      | 7.1      | 14.0     | 9.9      | 8.9      | -        | up     |
| Exports (% YoY)                  | -0.3     | -0.8     | 4.3      | 1.6      | -0.2     | 9.7      | 11.9     | 7.8      | 7.3      | 8.3      | -        | down   |
| Money Supply M2 (% YoY)          | 2.5      | 2.5      | 2.4      | 2.4      | 2.3      | 2.3      | 2.5      | 2.4      | 2.5      | 2.2      | -        | down   |
| CPI Ex Food & Energy (% YoY)     | 2.7      | 2.7      | 2.6      | 2.7      | 2.7      | 2.8      | 2.6      | 2.5      | 2.2      | 2.0      | -        | down   |

| China                             | Jul-2023 | Aug-2023 | Sep-2023 | Oct-2023 | Nov-2023 | Dec-2023 | Jan-2024 | Feb-2024 | Mar-2024 | Apr-2024 | May-2024 | Trend* |
|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| NBS PMI Manufacturing (Index)     | 49.3     | 49.7     | 50.2     | 49.5     | 49.4     | 49.0     | 49.2     | 49.1     | 50.8     | 50.4     | 49.5     | up     |
| NBS PMI Non Manufacturing (Index) | 51.5     | 51.0     | 51.7     | 50.6     | 50.2     | 50.4     | 50.7     | 51.4     | 53.0     | 51.2     | 51.1     | up     |
| Industrial Production (% YoY)     | 3.7      | 4.5      | 4.5      | 4.6      | 6.6      | 6.8      | -        | -        | 4.5      | 6.7      | -        | down   |
| Retail Sales (% YoY)              | 2.5      | 4.6      | 5.5      | 7.6      | 10.1     | 7.4      | -        | -        | 3.1      | 2.3      | -        | down   |
| Exports (% YoY)                   | -14.2    | -8.5     | -6.8     | -6.6     | 0.7      | 2.3      | 8.1      | 5.4      | -7.5     | 1.5      | -        | down   |
| CPI (% YoY)                       | 7.0      | 7.1      | 6.3      | 4.1      | 5.4      | 2.3      | 2.1      | 4.7      | 1.1      | 2.4      | -        | down   |
| PPI (% YoY)                       | -4.4     | -3.0     | -2.5     | -2.6     | -3.0     | -2.7     | -2.5     | -2.7     | -2.8     | -2.5     | -        | down   |
| RRR (%)                           | 10.75    | 10.75    | 10.5     | 10.5     | 10.5     | 10.5     | 10.5     | 10.0     | 10.0     | 10.0     | 10.0     | down   |
| GDP (% YoY)                       | -        | -        | 4.9      | -        | -        | 5.2      | -        | -        | 5.3      | -        | -        | up     |

\* Trend = Mean last 3m - Mean previous 3m  
Source: Bloomberg

## Economic Data

| India                         | Jul-2023 | Aug-2023 | Sep-2023 | Oct-2023 | Nov-2023 | Dec-2023 | Jan-2024 | Feb-2024 | Mar-2024 | Apr-2024 | May-2024 | Trend* |
|-------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| PMI Manufacturing (Index)     | 57.7     | 58.6     | 57.5     | 55.5     | 56.0     | 54.9     | 56.5     | 56.9     | 59.1     | 58.8     | 57.5     | up     |
| PMI Services (Index)          | 62.3     | 60.1     | 61.0     | 58.4     | 56.9     | 59.0     | 61.8     | 60.6     | 61.2     | 60.8     | 61.4     | up     |
| Industrial Production (% YoY) | 6.2      | 10.9     | 6.4      | 11.9     | 2.5      | 4.4      | 4.1      | 5.6      | 4.9      | -        | -        | up     |
| CPI (% YoY)                   | 7.44     | 6.83     | 5.02     | 4.87     | 5.55     | 5.69     | 5.1      | 5.09     | 4.85     | 4.83     | -        | down   |
| GDP (% YoY)                   | -        | -        | 8.08     | -        | -        | 8.57     | -        | -        | 7.76     | -        | -        | down   |

| Australia                 | Jul-2023 | Aug-2023 | Sep-2023 | Oct-2023 | Nov-2023 | Dec-2023 | Jan-2024 | Feb-2024 | Mar-2024 | Apr-2024 | May-2024 | Trend* |
|---------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| Westpac Leading Indicator | 97.14    | 97.1     | 97.15    | 97.08    | 97.17    | 97.09    | 97.01    | 97.11    | 97.11    | 97.08    | -        | up     |
| Retail Sales (% YoY)      | 1.95     | 1.65     | 2.0      | 1.12     | 2.14     | 0.87     | 1.12     | 1.54     | 0.87     | 1.28     | 0.77     | down   |
| Unemployment Rate (%)     | 3.8      | 3.7      | 3.6      | 3.8      | 3.9      | 4.0      | 4.1      | 3.7      | 3.9      | 4.1      | -        | up     |
| Housing Prices (% YoY)    | -2.74    | -0.17    | 2.16     | 4.23     | 6.02     | 7.74     | 9.37     | 10.14    | 9.92     | 9.81     | 9.16     | up     |
| CPI (% MoM)               | 4.9      | 5.2      | 5.6      | 4.9      | 4.3      | 3.4      | 3.4      | 3.4      | 3.5      | 3.6      | -        | up     |

| Brazil                         | Jun-2023 | Jul-2023 | Aug-2023 | Sep-2023 | Oct-2023 | Nov-2023 | Dec-2023 | Jan-2024 | Feb-2024 | Mar-2024 | Apr-2024 | Trend* |
|--------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| CPI (% YoY)                    | 3.16     | 3.99     | 4.61     | 5.19     | 4.82     | 4.68     | 4.62     | 4.51     | 4.5      | 3.93     | 3.69     | down   |
| Industrial Production (% YoY)  | 0.2      | -1.3     | 0.5      | 0.7      | 1.1      | 1.4      | 0.9      | 3.7      | 5.4      | -2.8     | -        | down   |
| Retail Sales (% YoY)           | 1.4      | 2.4      | 2.4      | 3.2      | 0.2      | 2.5      | 1.2      | 3.9      | 8.1      | 5.7      | -        | up     |
| Trade Balance (Millions, USD)  | 10063.53 | 8185.23  | 9627.21  | 9177.14  | 9164.68  | 8766.05  | 9360.37  | 6494.7   | 5308.3   | 7228.3   | 9040.9   | down   |
| Budget Balance (Billions, BRL) | -89.62   | -81.91   | -106.56  | -99.78   | -47.15   | -80.89   | -193.43  | 22.23    | -113.86  | -62.98   | -69.64   | up     |

| Chile                           | Jun-2023 | Jul-2023 | Aug-2023 | Sep-2023 | Oct-2023 | Nov-2023 | Dec-2023 | Jan-2024 | Feb-2024 | Mar-2024 | Apr-2024 | Trend* |
|---------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| Economic Activity Index (% YoY) | -0.32    | 2.21     | -0.65    | 0.25     | 0.99     | 1.05     | -0.71    | 2.32     | 4.53     | 0.79     | -        | up     |
| CPI (% YoY)                     | 7.55     | 6.47     | 5.31     | 5.11     | 5.04     | 4.8      | 3.94     | 3.8      | 4.48     | 3.74     | 3.97     | down   |
| Retail Sales (% YoY)            | -9.98    | -8.24    | -10.03   | -4.0     | -6.73    | -2.49    | -1.47    | 1.8      | 3.95     | 1.0      | 3.6      | up     |
| Industrial Production (% YoY)   | -0.16    | 0.76     | 0.46     | 2.71     | 2.23     | 2.78     | -2.85    | 3.68     | 8.06     | 0.69     | 2.01     | up     |
| Unemployment (%)                | 8.5      | 8.8      | 9.0      | 8.9      | 8.9      | 8.7      | 8.5      | 8.4      | 8.5      | 8.7      | 8.5      | up     |

| Mexico                        | Jun-2023 | Jul-2023 | Aug-2023 | Sep-2023 | Oct-2023 | Nov-2023 | Dec-2023 | Jan-2024 | Feb-2024 | Mar-2024 | Apr-2024 | Trend* |
|-------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| PMI (Index)                   | 50.88    | 51.12    | 52.08    | 51.12    | 50.3     | 51.04    | 49.95    | 51.47    | 50.13    | 51.66    | 49.25    | down   |
| CPI (% YoY)                   | 5.06     | 4.79     | 4.64     | 4.45     | 4.26     | 4.32     | 4.66     | 4.88     | 4.4      | 4.42     | 4.65     | down   |
| Retail Sales (% YoY)          | 5.9      | 5.1      | 3.2      | 2.3      | 3.4      | 2.7      | -0.2     | -0.8     | 3.0      | -1.7     | -        | up     |
| Industrial Production (% YoY) | 1.95     | 0.77     | -1.1     | 0.84     | -0.17    | -1.34    | -4.86    | -0.81    | 1.46     | -5.4     | -        | up     |
| Remittances (Millions, USD)   | 5584.4   | 5668.1   | 5568.2   | 5616.7   | 5817.8   | 4913.0   | 5496.9   | 4574.6   | 4510.1   | 5020.7   | -        | down   |

\* Trend = Mean last 3m - Mean previous 3m  
Source: Bloomberg

## Spread Snapshot (Generic Government Yield 10yr, bps)

Spread over US Treasuries (bps)

| Country     | Jun-2024 | 1M ago | 3M ago | 12M ago |
|-------------|----------|--------|--------|---------|
| UK          | -18      | -28    | -6     | 46      |
| Germany     | -183     | -201   | -176   | -137    |
| Switzerland | -357     | -373   | -339   | -282    |
| Japan       | -340     | -360   | -346   | -327    |
| China       | -216     | -219   | -179   | -97     |
| India       | 247      | 263    | 287    | 329     |
| Australia   | -10      | -8     | -3     | -4      |
| South Korea | -89      | -89    | -69    | -19     |
| Malaysia    | -58      | -55    | -32    | 1       |
| Indonesia   | 241      | 266    | 244    | 267     |
| Thailand    | -166     | -174   | -161   | -119    |
| Philippines | 226      | 248    | 206    | 214     |
| Brazil      | 740      | 697    | 662    | 767     |
| Mexico      | 532      | 508    | 501    | 517     |
| Chile       | 162      | 156    | 162    | 164     |
| Colombia    | 652      | 609    | 578    | 755     |
| Peru        | 259      | 261    | 267    | 354     |

Spread over German Bund (bps)

| Country     | Jun-2024 | 1M ago | 3M ago | 12M ago |
|-------------|----------|--------|--------|---------|
| France      | 47       | 47     | 48     | 54      |
| Netherlands | 28       | 29     | 32     | 37      |
| Belgium     | 54       | 53     | 57     | 68      |
| Austria     | 48       | 48     | 50     | 67      |
| Ireland     | 37       | 38     | 41     | 43      |
| Italy       | 130      | 131    | 147    | 175     |
| Spain       | 72       | 77     | 89     | 100     |
| Portugal    | 58       | 63     | 73     | 68      |

Source: Bloomberg



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