



Global Macro Report

GLOBAL ECONOMIC ANALYSIS:

US GAUGES DISAPPOINT THE MARKET; MORE SIGNS THAT BREXIT WOES HAVE ABATED IN THE UK

US

- In August, the ISM Manufacturing Purchasing Managers' Index (PMI) slid to 49.4, trailing the consensus estimate of 52.0 and falling into contraction territory.
- The ISM Non-Manufacturing Index (NMI) declined to 51.4 in August from 55.5 in July, pointing to the weakest expansion for the services sector in six years.
- In July, US wholesalers' inventories were flat month over month, and their sales declined. The inventory-to-sales ratio was 1.34.

Europe

- In the UK, the Halifax House Price Index showed that house prices in the three months ended August were 0.7% higher than in the preceding three months and 6.9% higher than in the same period last year.
- In August, the Markit/CIPS UK Manufacturing PMI rebounded to 53.3 and the Services PMI increased to 52.9. Both readings indicate that the Brexit uncertainty is abating and that the UK is likely to avoid a recession.
- Industrial production in Germany, surprisingly, fell by 1.5% month over month in July versus the forecast of 0.1% growth.

Latin America

- The IBGE IPCA Index, which measures inflation in Brazil, increased by 9.0% year over year in August, as the Olympic Games boosted prices of hotel rooms and food in Rio de Janeiro.
- In Mexico, the Consumer Confidence Index fell to 86.5 in August from 88.9 in July; the August reading was lower than the consensus estimate of 88.5.

Figure 1. Macro Indicators

Country	Indicator	Period	Survey	Actual	Prior	Impact on Consumption
US	ISM Manufacturing PMI (SA)	Aug	52.0	49.4	52.6	-
US	ISM NMI(SA)	Aug	54.9	51.4	55.5	-
US	Wholesale Inventories (MoM)	Jul	0.1%	0.0%	0.0%*	-
US	Wholesale Trade Sales (MoM)	Jul	0.2%	(0.4)%	1.7%	-
UK	Halifax House Price Index (SA, MoM)	Aug	(0.1)%	(0.2)%	(1.1)%	-
UK	Markit/CIPS UK Manufacturing PMI (SA)	Aug	49.0	53.3	48.3	+
UK	Markit/CIPS UK Services PMI (SA)	Aug	50.0	52.9	47.4	+
GE	Industrial Production (SA, MoM)	Jul	0.1%	(1.5)%	1.1%	-
BZ	IBGE IPCA Index (YoY)	Aug	9.0%	9.0%	8.7%	-
MX	Consumer Confidence Index	Aug	88.5	86.5	88.9	-
MX	Consumer Price Index (CPI) (YoY)	Aug	2.8%	2.7%	2.7%	+
MX	Core CPI (MoM)	Aug	0.2%	0.2%	0.2%	-

*Prior official estimate of the reporting period.

Source: Institute for Supply Management (ISM)/US Census Bureau/Markit/Halifax/Destatis/Instituto Brasileiro de Geografia e Estatística (IBGE)/Instituto Nacional de Estadística y Geografía (INEGI)/Fung Global Retail & Technology

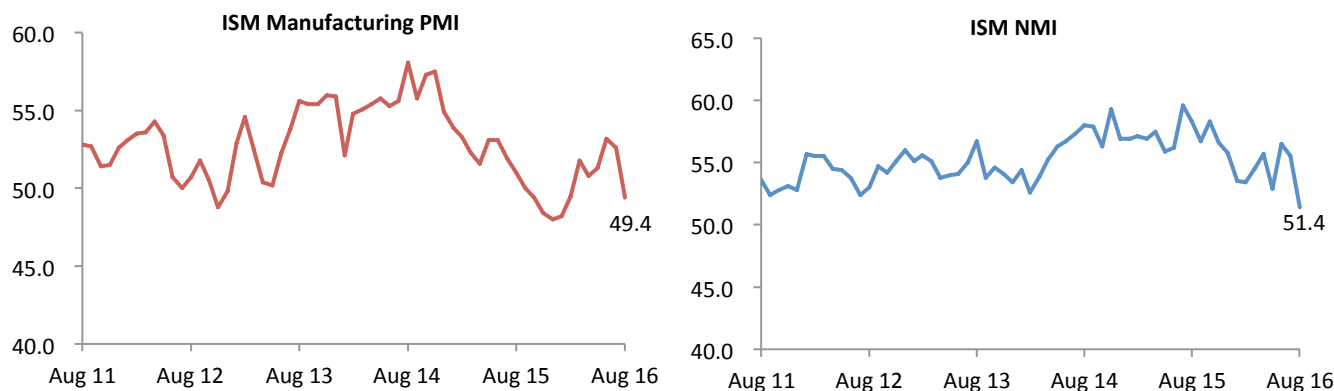
US: Disappointing Gauges from Both Manufacturing and Services Sectors

The August ISM readings were disappointing: the Manufacturing PMI fell into contraction and the NMI dropped to its lowest level since 2010.

In the US, the ISM Manufacturing PMI slid to 49.4 in August, down 3.2 points from July's reading of 52.6 and missing the consensus estimate of 52.0. The reading has fallen below the 50.0 threshold, pointing to a contraction in the manufacturing sector.

In August, the ISM NMI registered 51.4, below the consensus estimate of 54.9 and the lowest reading since 2010, indicating that the services sector is expanding at the slowest pace in six years. Measures of new orders and business activity have decreased substantially: new orders have declined by 8.9 points, to 51.4, and business activity has declined by 7.5 points, to 51.8.

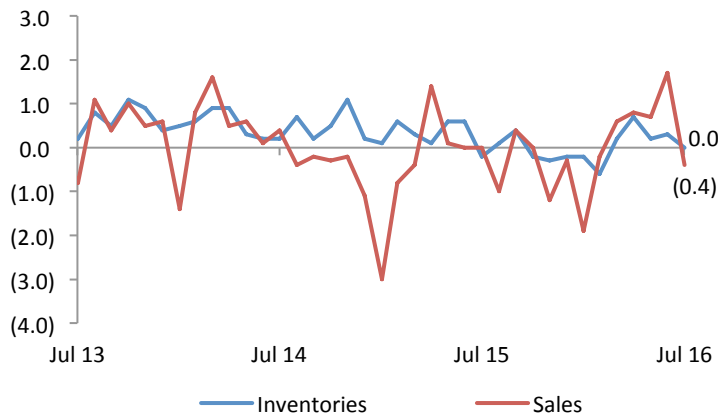
Figure 2. US: ISM Manufacturing PMI and ISM NMI



Source: ISM

In July, US wholesalers' inventories stood at \$591.3 billion, virtually unchanged from June. Wholesalers' sales totaled \$441.9 billion, down 0.4% month over month and down 1.0% year over year. The July inventory-to-sales ratio for wholesalers was 1.34.

Figure 3. US: Wholesalers' Inventories and Sales, MoM % Change

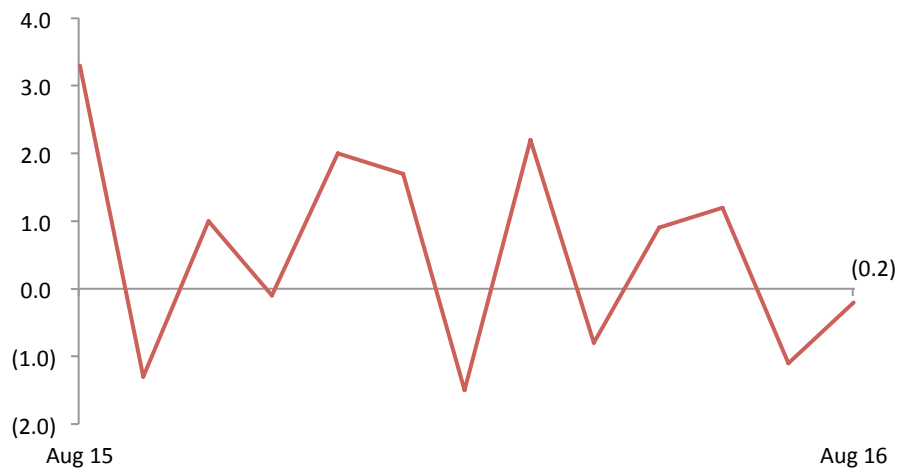


Source: US Census Bureau

Europe: UK Gauges Suggest Brexit Fears Are Abating; Germany Shows Weakness from Industrial Production

In the UK, the Halifax House Price Index decreased by 0.2% month over month in August. Regarding the underlying trend of the housing market, house prices in the three months ended August were 0.7% higher than in the preceding three months and 6.9% higher than in the same period last year. Martin Ellis, Halifax's housing economist, pointed out that there are signs sales activity is softening and that the slowdown in the rate of house price growth was partly due to the increasing unaffordability of UK houses.

Figure 4. UK: Halifax House Price Index (Seasonally Adjusted), MoM % Change



Source: Halifax

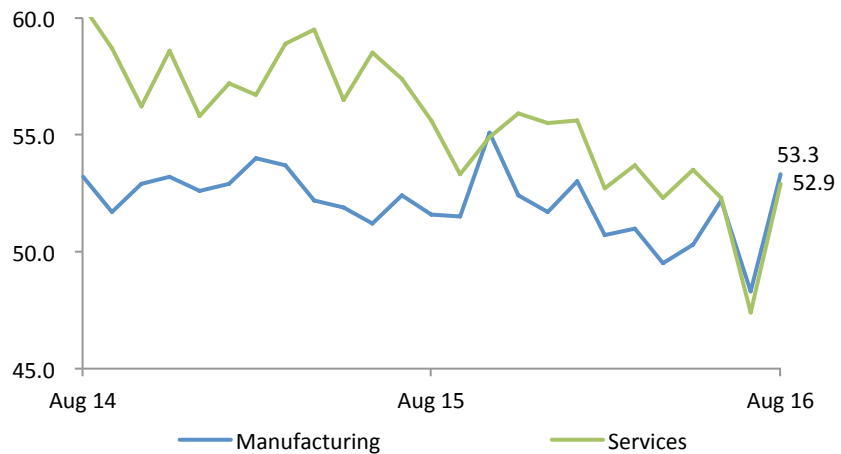
In August, the Markit/CIPS UK Manufacturing PMI rebounded to 53.3 and the Services PMI increased to 52.9. Both readings indicate that Brexit-related uncertainty is abating.

The Markit/CIPS UK Manufacturing PMI rebounded to 53.3 in August from the post-Brexit reading of 48.3 in July, driven by a solid rebound in manufacturing output and new orders. Domestic demand for goods has shown a marked recovery over the last month and the weaker pound has supported export orders.

The Markit/CIPS UK Services PMI also surged in August, to 52.9, above the estimate of 50.0 and last month's reading of 47.4. The sector was supported by a weaker pound, higher domestic tourism and returning confidence following initial uncertainty related to the Brexit vote.

The rise in PMI readings is an encouraging sign that the UK is likely to avoid a recession.

Figure 5. UK: Markit/CIPS UK Manufacturing PMI and Services PMI

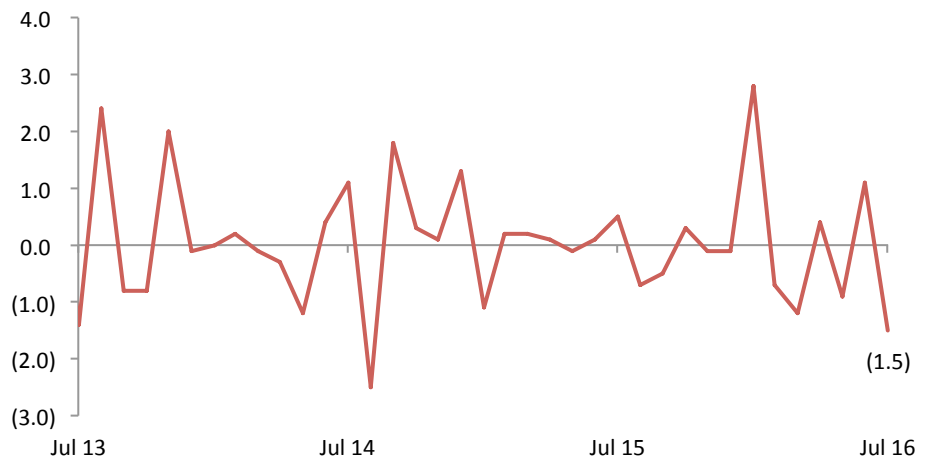


Source: Markit

Industrial production in Germany surprised to the downside, falling 1.5% month over month in July.

Industrial production in Germany decreased by 1.5% month over month in July; the reading was lower than the consensus estimate, which had called for a 0.1% increase. Production excluding energy and construction was down 2.3% in the month.

Figure 6. Germany: Industrial Production (Seasonally Adjusted), MoM % Change



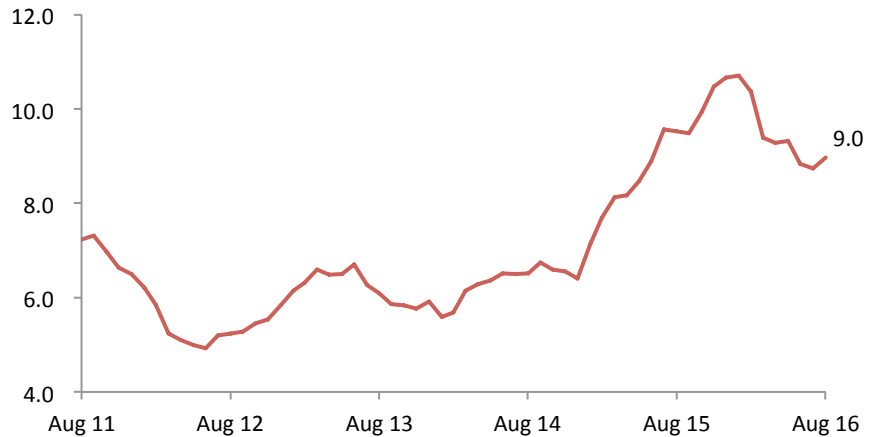
Source: Destatis

In Brazil, the IBGE IPCA Index, a measure of inflation, increased by 9.0% year over year in August, as the Olympic Games boosted prices of hotel rooms and food in Rio de Janeiro.

Latin America: Brazil Inflation Boosted by the Olympic Games

In Brazil, the IBGE IPCA Index, which measures inflation, increased by 9.0% year over year in August, in line with the consensus estimate and above July's reading. Thanks to the Olympic Games, prices of hotel rooms and food in Rio de Janeiro rose by much more than the national average in the month. The inflation reading was twice the central bank's official target of 4.5%.

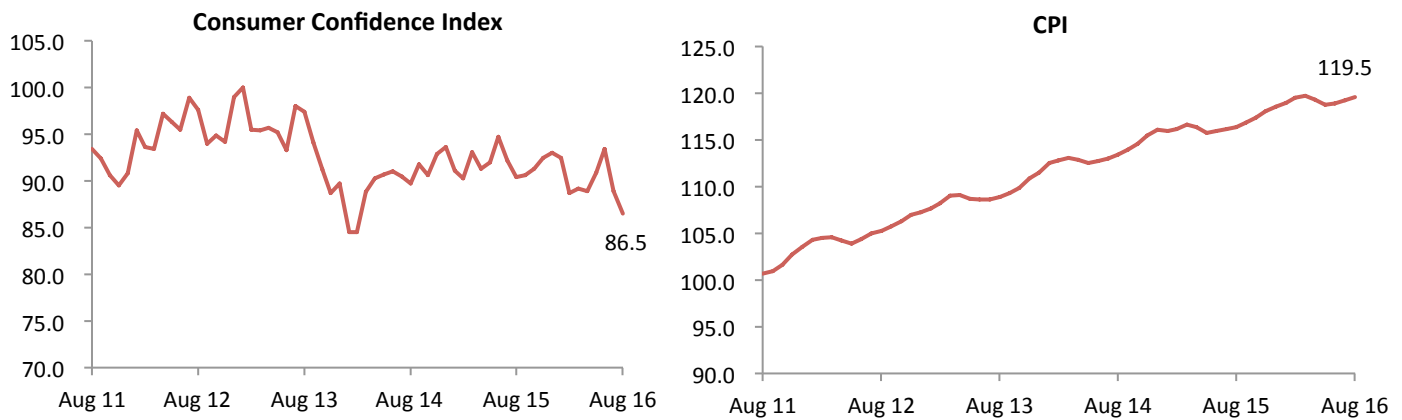
Figure 7. Brazil: IBGE IPCA Index, MoM % Change



Source: IBGE

In Mexico, the Consumer Confidence Index in August fell to 86.5, which was lower than last month and the consensus estimate of 88.5. The CPI increased by 0.3% month over month in August and by 2.7% year over year. The core CPI, which excludes energy and food prices, increased by 0.2% month over month.

Figure 8. Mexico: Consumer Confidence Index and CPI



Source: INEGI

Figure 9. Upcoming Economic Data Releases

Date	Country/ Region	Indicator	Period Covered
Sep 18	UK	Rightmove House Prices	Sep
Sep 20	US	Housing Starts	Aug
Sep 20	US	Building Permits	Aug
Sep 22	US	Initial Jobless Claims	Sep 17
Sep 22	US	Existing Home Sales	Aug
Sep 23	FR	GDP (Final)	2Q
Sep 23	EU	Markit Eurozone Manufacturing PMI (Prelim.)	Sep
Sep 23	MX	Retail Sales (MoM)	Jul
Sep 26	GE	Ifo Business Climate	Sep
Sep 26	GE	Ifo Expectations	Sep
Sep 26	US	New Home Sales	Aug
Sep 27	BZ	FGV Consumer Confidence	Sep
Sep 27	US	S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index	Jul
Sep 27	GE	Retail Sales	Aug
Sep 28	GE	GfK Consumer Confidence	Oct
Sep 28	MX	Unemployment Rate	Aug
Sep 29	GE	CPI (Prelim.)	Sep
Sep 29	US	Wholesale Inventories (Prelim.)	Aug
Sep 29	US	GDP, Annualized (Third Release)	2Q
Sep 29	US	Initial Jobless Claims	Sep 24
Sep 29	UK	GfK Consumer Confidence	Sep

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