



Global Macro Report

GLOBAL ECONOMIC ANALYSIS:

US HOUSING MARKET CONSTRAINED BY SUPPLY AND WEATHER; UK CONSUMER CONFIDENCE BOUNDS BACK TO PRE-BREXIT-VOTE LEVEL

US

- New home sales fell by 7.6% month over month in August due to weather effects, seasonality and shortage of home supply. The figure was better than the consensus estimate of an 8.3% drop.
- The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index showed a year-over-year gain of 5.0% in July, down from 5.1% in June and below the consensus estimate of 5.1%.
- Real personal consumer expenditures (PCE) dropped by 0.1% month over month in August, while real disposable income rose by 0.1% month over month.
- The core PCE deflator, which excludes food and energy prices, increased by 1.7% year over year in August; the rate was slightly below the Federal Reserve's 2% target.

Europe

- The UK GfK Consumer Confidence Index rose by six points in September, to (1), rebounding to June's pre-Brexit-vote level and coming in higher than the one-year average of (1.3). The rebound suggests that British shoppers may have shrugged off the Brexit uncertainty.
- The Consumer Price Indexes (CPIs) in Germany and France rose by 0.7% and 0.4% year over year, respectively, in September, due to a slighter energy price drop.
- Germany's real retail sales fell by 0.4% month over month in August; the reading was worse than the 0.2% drop that had been expected.

Latin America

- In Brazil, the FGV Consumer Confidence Index further improved in September, reaching 80.6. However, the country's unemployment rate nudged up to 11.8% in August, which may hinder its recovery.
- In August, Mexico's unemployment rate remained unchanged at 3.7%, which was lower than the 3.8% rate that had been expected.

Figure 1. Macro Indicators

Country	Indicator	Period	Actual	Survey	Prior	Impact on Consumption
US	New Home Sales (Thous.)	Aug	609	600	659	–
US	New Home Sales (MoM)	Aug	(7.6)%	(8.3)%	13.8%	–
US	S&P CoreLogic Case-Shiller 20-City Composite Home Price Index (MoM, SA)	Jul	(0.0)%	0.0%	(0.1)%	=
US	S&P CoreLogic Case-Shiller 20-City Composite Home Price Index (YoY, NSA)	Jul	5.0%	5.1%	5.1%	=
US	Real PCE (MoM)	Aug	(0.1)%	0.0%	0.3%	–
US	PCE Deflator (YoY)	Aug	1.0%	0.9%	0.8%	+
US	Core PCE Deflator (YoY)	Aug	1.7%	1.7%	1.6%	+
UK	GfK Consumer Confidence	Sep	(1)	(5)	(7)	+
GE	CPI (YoY, Prelim.)	Sep	0.7%	0.6%	0.4%	+
FR	CPI (YoY, Prelim.)	Sep	0.4%	0.4%	0.2%	+
GE	Retail Sales (MoM)	Aug	(0.4)%	(0.2)%	0.5%	–
BZ	FGV Consumer Confidence	Sep	80.6	–	79.3	+
BZ	Unemployment Rate (SA)	Aug	11.8%	11.7%	11.6%	–
MX	Unemployment Rate (SA)	Aug	3.7%	3.8%	3.7%	+

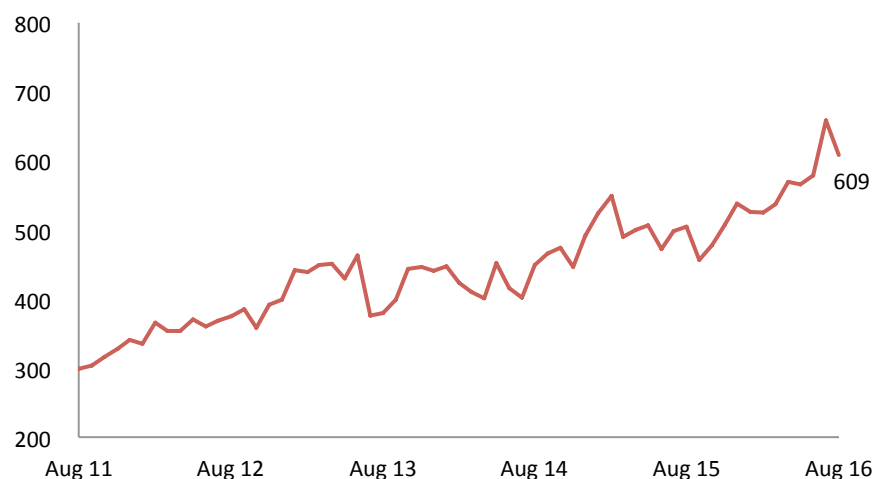
Source: US Census Bureau/S&P Dow Jones Indices/US Bureau of Economic Analysis/GfK/Office for National Statistics (ONS)/Ifo Institute/Destatis/INSEE/ Fundação Getulio Vargas (FGV)/Instituto Brasileiro de Geografia e Estatística (IBGE)/Instituto Nacional de Estadística y Geografía (INEGI)/Fung Global Retail & Technology

US: Housing Market Curtailed by Weather Effects and Supply; Inflation Below Fed's Target

New home sales fell by 7.6% month over month in August, due to seasonality, weather effects and shortage of home supply.

New home sales in the US fell by 7.6% month over month in August, to 609,000, giving back more than half of July's increase. The decline, however, had been expected due to seasonality and weather effects, which in part led to a 12.3% drop in sales in the South. The shortage of supply in new houses, with 4.6 months' inventory, will likely remain an obstacle to stronger home sales and a more robust recovery.

Figure 2. US: New Home Sales (Thous.)

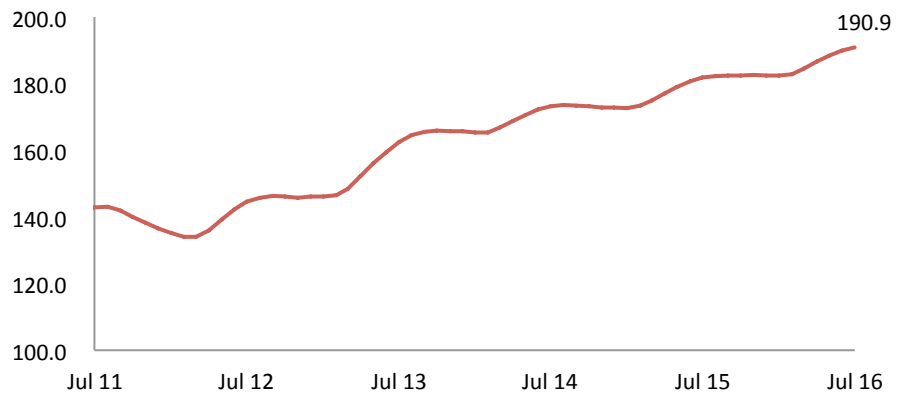


Source: US Census Bureau

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The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index showed a year-over-year gain of 5.0% in July, down from 5.1% in June and below the consensus estimate of 5.1%. The index was virtually unchanged month over month after seasonal adjustment. Home prices continued to rise moderately, supported mainly by low mortgage rates and a shortage of supply.

Figure 3. US: S&P CoreLogic Case-Shiller 20-City Composite Home Price Index (Nonseasonally Adjusted)



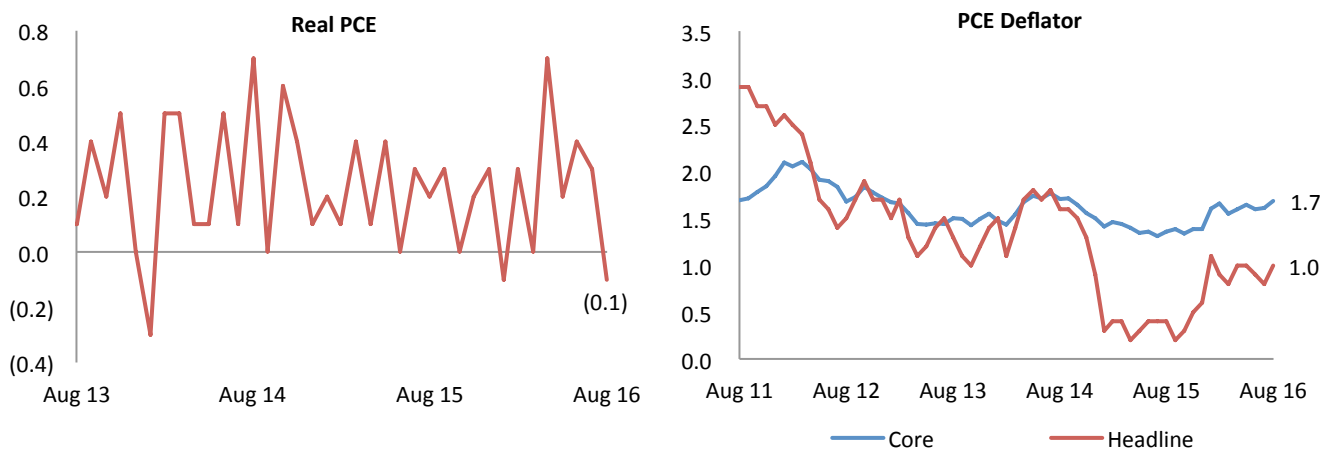
Source: S&P Dow Jones Indices

In the US, real PCE dropped by 0.1% month over month in August, while real disposable income rose by 0.1% month over month.

In the US, real PCE in August decreased by 0.1% month over month. The modest drop reflected a decrease in spending on durable goods, which was partially offset by an increase in spending on services.

Real disposable personal income ticked up by 0.1% month over month in August, reflecting increases in wages and salaries, assets, and government social benefits.

Figure 4. US: Real PCE (Seasonally Adjusted), MoM % Change; PCE Deflator, YoY % Change



Source: US Bureau of Economic Analysis

The core PCE deflator, which excludes food and energy prices, increased by 1.7% year over year in August, missing the Fed's 2% target.

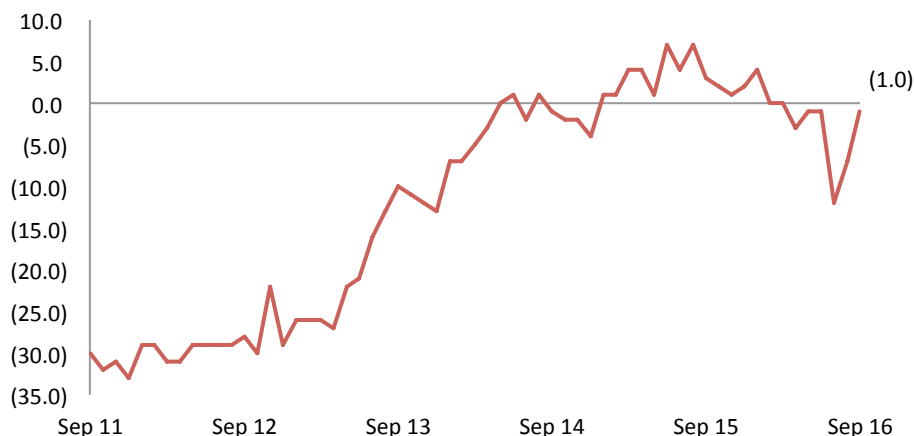
The PCE deflator, which is the Fed's preferred measurement of the inflation rate, ticked up by 1.0% year over year in August. The core PCE deflator, which excludes food and energy prices, increased by 1.7% year over year; the rate was below, but closer to, the Fed's 2% target than the July reading and was in line with the consensus estimate. The inflation rate indicated by the core PCE deflator was lower than that indicated by the core CPI figure released two weeks ago.

Europe: UK Consumer Confidence Bounds Back; Inflation Improves in Germany and France

The UK GfK Consumer Confidence Index rose by six points, to (1), in September. The rebound suggests that British shoppers may have shrugged off the Brexit uncertainty.

The UK GfK Consumer Confidence Index rose by six points in September, to (1), shrugging off the decline seen in the wake of the Brexit vote. The uptick in confidence was driven by a combination of improved expectations in personal financial situation, perceptions of the general economic situation and consumers' intentions to make major purchases. The gauge has rebounded to June's pre-vote level and the September reading was higher than the one-year average of (1.3).

Figure 5. UK: GfK Consumer Confidence Index



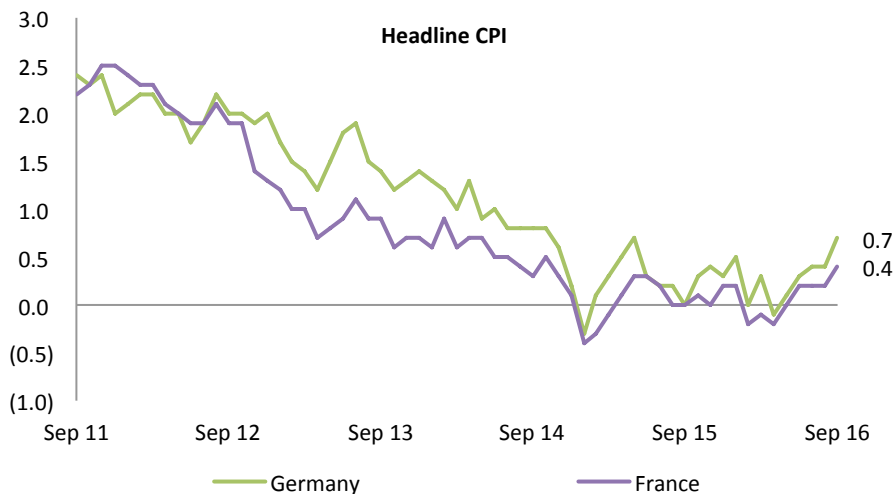
Source: GfK

The CPIs in Germany and France rose by 0.7% and 0.4% year over year, respectively, in September. Consumer prices in both countries improved due to a slighter drop in energy prices.

In Germany, the CPI rose by 0.7% year over year in September and by 0.1% month over month. The inflation rate was higher than in August due in part to a milder decrease in energy prices, which fell by 3.6% in August and by 5.9% in July.

France's CPI increased by 0.4% year over year in September, but decreased by 0.2% month over month. The increase was driven mainly by service prices and a slighter fall in energy prices.

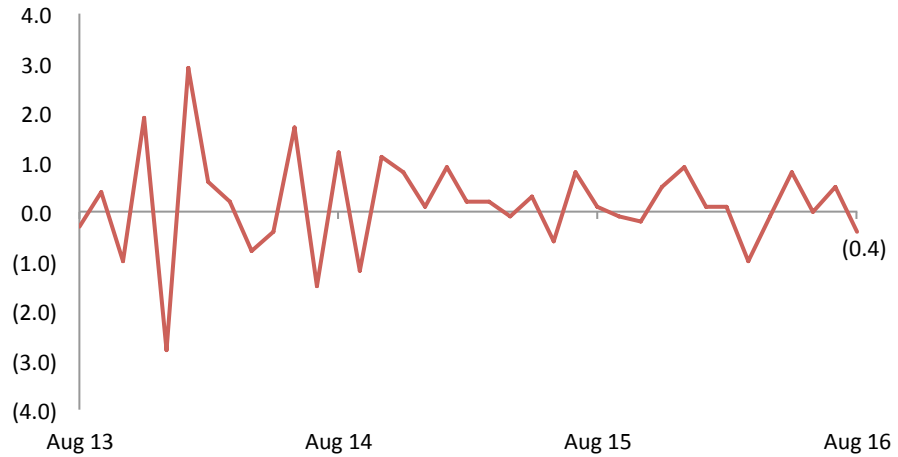
Figure 6. Germany and France: CPI, YoY % Change



Source: Destatis/INSEE

Germany’s real retail sales fell by 0.4% month over month in August; the reading was worse than the 0.2% drop that had been expected. However, the sales figure increased by 3.7% year over year, as there was one more shopping day in August this year.

Figure 7. Germany: Real Retail Sales, MoM % Change



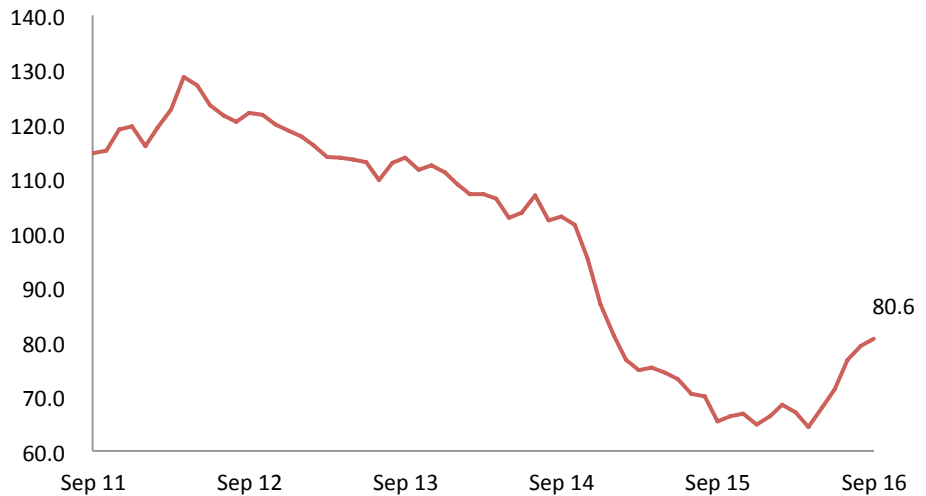
Source: Destatis

Latin America: Brazil’s Confidence Improves, While Job Market Continues to Worsen

In Brazil, the FGV Consumer Confidence Index further improved in September, reaching 80.6.

In Brazil, the FGV Consumer Confidence Index further improved in September, to 80.6, up from 79.3 in August. The recent continuous improvement in consumer confidence is a positive sign for the country’s recovery. However, the worsening job market may still be weighing on the economy.

Figure 8. Brazil: FGV Consumer Confidence Index (Seasonally Adjusted)

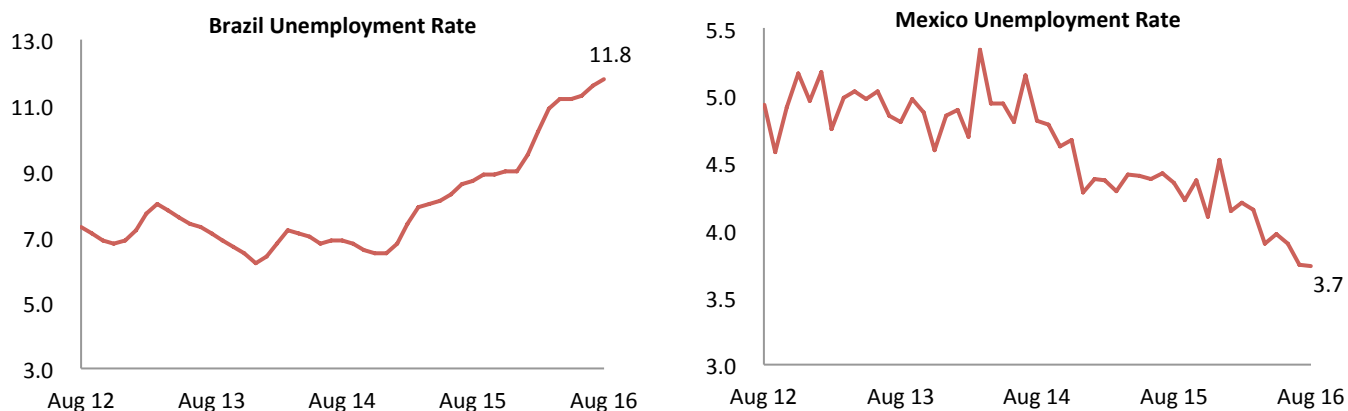


Source: IBGE

Brazil's unemployment rate continued to rise in August, hitting 11.8%, while Mexico's unemployment rate remained unchanged at 3.7%.

Brazil's unemployment rate continued to rise in August, hitting 11.8%, up from 11.6% in July. Unemployment in August was higher than the consensus estimate of 11.7%, and failed to stabilize. Mexico's unemployment rate in August remained unchanged at 3.7%, which was lower than the expected 3.8%.

Figure 9. Brazil and Mexico: August Unemployment Rate, Seasonally Adjusted (%)



Source: IBGE/INEGI

Figure 10. Upcoming Economic Data Releases

Date	Country/Region	Indicator	Period Covered
Oct 11	GE	ZEW Survey Current Situation	Oct
Oct 11	GE	ZEW Survey Expectations	Oct
Oct 12	FR	CPI (Final)	Sep
Oct 13	GE	CPI (Final)	Sep
Oct 13	US	Initial Jobless Claims	Oct 8
Oct 14	US	Retail Sales Advance	Sep
Oct 16	UK	Rightmove House Prices	Oct
Oct 18	UK	CPI	Sep
Oct 18	BZ	Retail Sales	Aug
Oct 19	UK	Jobless Claims Change	Sep
Oct 19	UK	ILO Unemployment Rate (3 Mos.)	Aug
Oct 19	US	Housing Starts	Sep
Oct 19	US	Building Permits	Sep
Oct 20	UK	Retail Sales	Sep
Oct 20	US	Initial Jobless Claims	Oct 15
Oct 20	US	Existing Home Sales	Sep
Oct 24	EU	Markit Eurozone Manufacturing PMI (Prelim.)	Oct
Oct 24	MX	Unemployment Rate	Sep
Oct 25	GE	Ifo Business Climate	Oct
Oct 25	GE	Ifo Expectations	Oct
Oct 25	US	S&P CoreLogic Case-Shiller 20-City NSA Index	Aug
Oct 25	MX	Retail Sales	Aug
Oct 26	GE	GfK Consumer Confidence	Nov
Oct 26	BZ	FGV Consumer Confidence	Oct
Oct 26	US	New Home Sales	Sep

Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Kiril Popov
Senior Analyst

Esme Pau
Analyst

Charlie Poon
Research Assistant

HONG KONG:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

LONDON:

242-246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

NEW YORK:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com