



Global Macro Report



Weekly Macro Commentary: **US Jobs Report Mixed; Mexico's Confidence Hammered**

- 1) **US:** The Institute for Supply Management (ISM) readings pointed to expansion in both the manufacturing and services sectors in the US. The most recent jobs report was mixed; nonfarm payrolls increased by more than had been estimated, but slow growth in average hourly earnings may signal weaker inflation in coming months.
- 2) **Europe:** Eurozone retail sales were weak in December despite the release of an improved GDP growth in the fourth quarter last week. In the UK, housing prices continued to increase. Purchasing Managers' Indexes (PMIs) pointed to expansion in both the manufacturing and services sectors.
- 3) **Asia-Pacific:** China's Caixin PMI readings came in below the market's estimates, but still pointed to expansion in the manufacturing and services sectors. Japan's PMI stayed above 50.0, while South Korea's PMI reflected continued weakness in manufacturing.
- 4) **Latin America:** Consumer confidence in Mexico was hammered by the tension between the US and Mexico following US President Donald Trump's political rhetoric. Brazil's industrial output and PMI readings indicated that the country's manufacturing sector was still subdued.

Our View

We are seeing a continuation of the deglobalization trend that started with the UK's Brexit vote and extended to US President Donald Trump's election campaign, which was tilted toward nationalism and protectionism. Marine Le Pen, the leader of the far-right, populist, National Front party in France, declared her candidacy in the French presidential election. Le Pen advocates for a "Frexit" to bring changes to the country, and recent polls indicate that she has a chance to win.

We expect the world will migrate from globalization to regional cooperation in terms of trade, with political leaders choosing alliances with certain countries while steering away from others that may bring the most benefit to their citizens. Trump, for example, has expressed his respect for UK Prime Minister Theresa May and Russian President Vladimir Putin, while expressing his discontent with some of the US's existing trade allies, especially Mexico. May has strived to form alliances globally, including with the US, while indicating that she will steer the UK away from the European Union if it fails to provide a deal that is in the interest of British citizens.

Figure 1. Global Macro Indicators Released the Week of February 1–8, 2017

Country/Region	Indicator	Period	Actual	Survey	Prior	Impact on Economy*
US	ISM Manufacturing PMI	Jan	56.0	55.0	54.7	+
US	Nonfarm Payrolls (Thous.)	Jan	227	175	157	+
EZ	Retail Sales (MoM)	Dec	(0.3)%	0.3%	(0.6)%	-
UK	Nationwide House Price Index	Jan	0.2%	0.0%	0.8%	=
CN	Caixin Manufacturing PMI	Jan	51.0	51.8	51.9	+
JP	Nikkei Manufacturing PMI	Jan	52.7	52.8	52.8	+
MX	Consumer Confidence	Jan	69.3	-	85.0	-

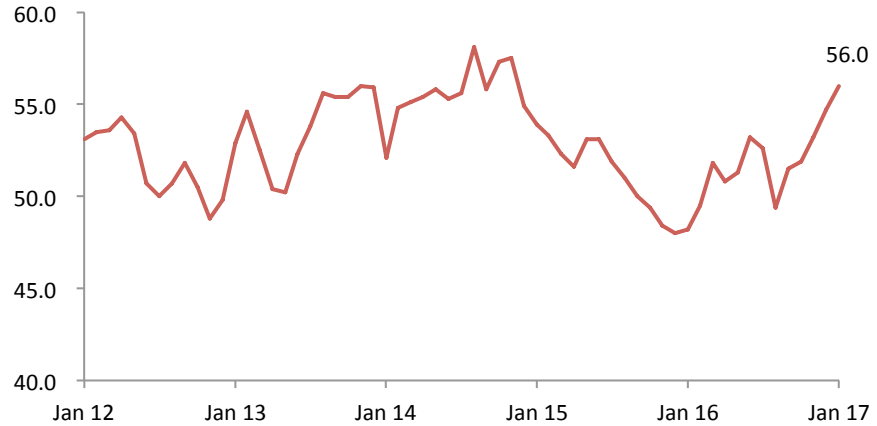
*Fung Global Retail & Technology's evaluation of the actual figure's impact on the economy relative to historical benchmarks and the current macroeconomic environment: + indicates a positive signal for the country's economy, - indicates a negative signal and = indicates a negligible impact. Source: Institute for Supply Management/US Department of Labor/Eurostat/Nationwide Building Society/Caixin/Nikkei/Instituto Nacional de Estadística y Geografía (INEGI)/Fung Global Retail & Technology

US: ISM PMIs Indicate Expansion in Manufacturing and Services; Jobs Report Somewhat Mixed

The ISM readings pointed to expansion in both the manufacturing and services sectors.

The ISM Manufacturing PMI edged up 1.3 points in January, to 56.0. The ISM Non-manufacturing PMI ticked down to 56.5, trailing the consensus estimate of 57.0. The ISM readings point to expansion in both the manufacturing and services sectors.

Figure 2. US: ISM Manufacturing PMI

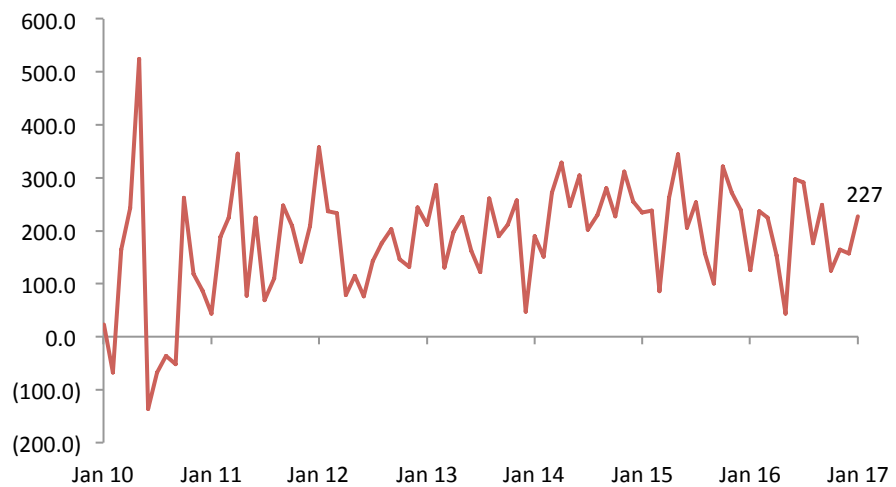


Source: Institute for Supply Management

The most recent jobs report was mixed, with a better-than-expected increase in nonfarm payrolls. However, slow growth in average hourly earnings signals that inflation may need more time to pick up.

The most recent US jobs report was mixed. Nonfarm payrolls increased by 227,000 in January, above the median estimate of 175,000 and contributing to a total payroll figure of 145,554,000. The unemployment rate edged up 0.1% in January, to 4.8%, which is still considered low. However, average hourly earnings increased by a mere 0.1%, which was lower than the median estimate. The weakness signaled lower inflationary pressure, which does not bode well for the price environment.

Figure 3. US: Nonfarm Payrolls, Net Change (Thous.)



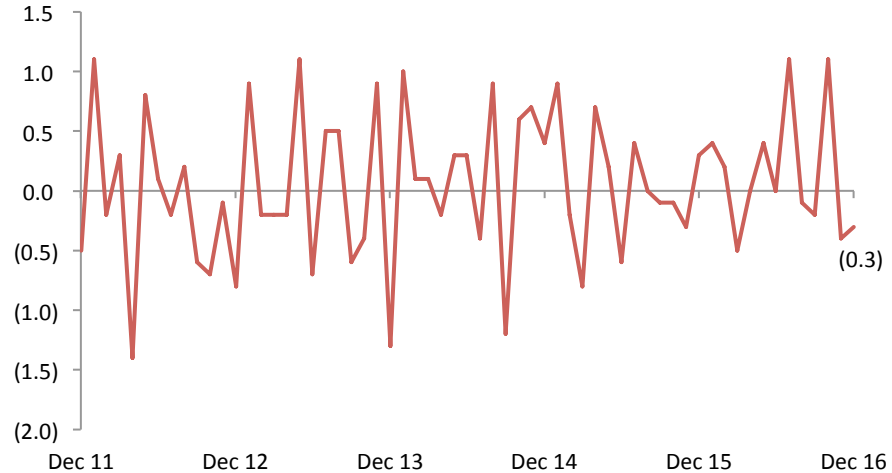
Source: US Department of Labor

Europe: Eurozone Retail Sales Fall; UK House Prices Tick Up

Eurozone retail sales decreased by 0.3% month over month in December.

Eurozone retail sales decreased by 0.3% month over month in December, whereas the consensus estimate had called for a 0.3% increase. Retail sales increased by 1.1% year over year in December.

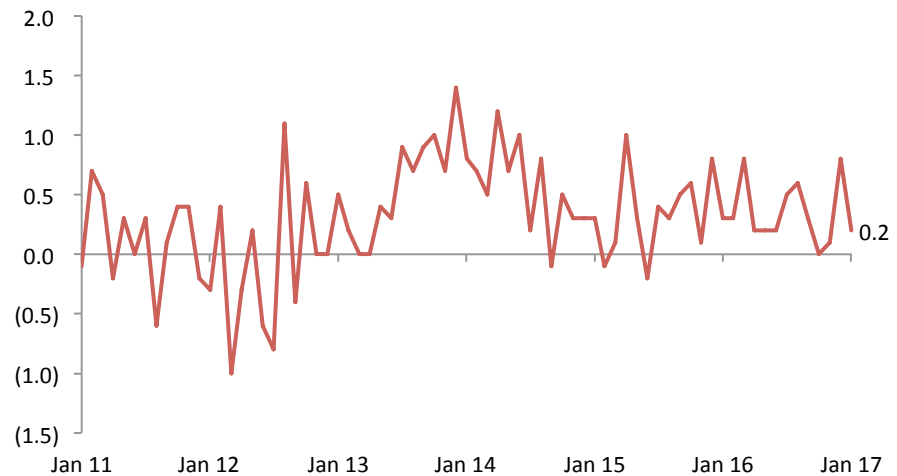
Figure 4. Eurozone: Retail Sales, MoM % Change



Source: Eurostat

In the UK, the Nationwide House Price Index increased by 0.2% month over month in January, beating the median estimate, which had called for a flat reading. The Markit Manufacturing PMI was unchanged at 55.9 in January, pointing to an expansion of the sector. The Services PMI ticked down from 56.2 to 54.5 in January; the reading was lower than the median estimate of 55.8, but still pointed to an expansion of the services sector.

Figure 5. UK: Nationwide House Price Index, MoM % Change



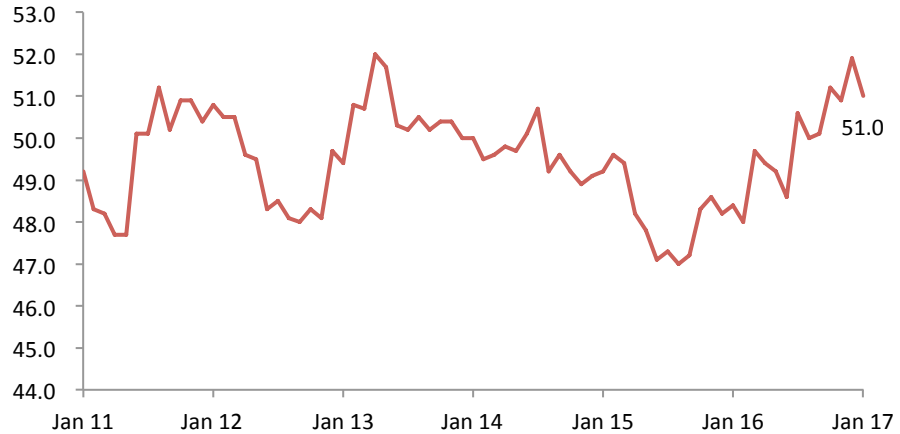
Source: Nationwide Building Society

In China, the Caixin PMI readings came in weaker than the market had expected, but still pointed to expansion in the manufacturing and services sectors.

Asia-Pacific: China's PMIs Edge Down; Japan's Industrial Production Increases Slightly

In China, the Caixin Manufacturing PMI edged down to 51.0 in January. The Services PMI also ticked down, to 53.1. The PMI readings came in weaker than the market had expected, but still pointed to expansion in the manufacturing and services sectors.

Figure 6. China: Caixin Manufacturing PMI



Source: Caixin

In Japan, the Nikkei Manufacturing PMI edged down by 0.1 point in January, to 52.7. The reading was slightly lower than the consensus estimate of 52.8, but still pointed to expansion of the sector. Meanwhile, South Korea's Manufacturing PMI reading stood at 49.0, reflecting the challenging environment that local manufacturers face.

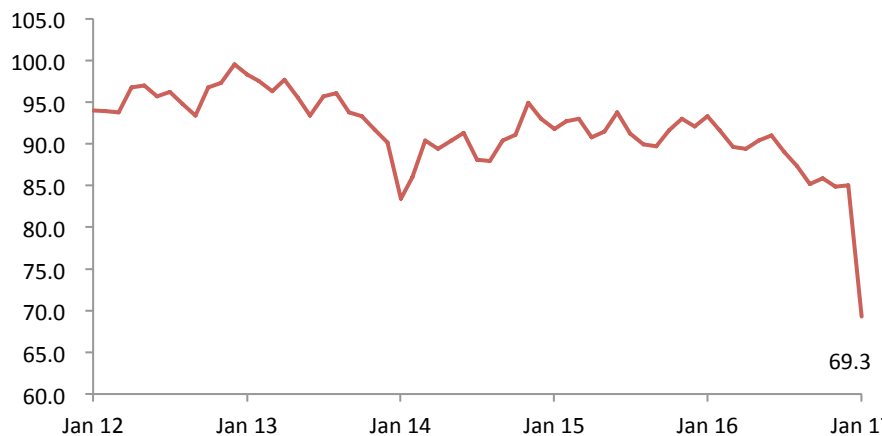
Latin America: Brazil's Manufacturing Sector Deteriorates; Mexico's Consumer Confidence Falls Swiftly

Brazil's manufacturing sector is still dreary, as indicated by the country's industrial output and PMI readings. Brazil's industrial output increased by 2.3% month over month in December, but the gauge decreased by 0.1% on a year-over-year basis. The Manufacturing PMI stayed below the threshold of 50.0, at 44.0, pointing to further deterioration of the sector.

Consumer confidence in Mexico dropped significantly in January, to 69.3 from 85.0 in the previous month. The reading reflected a deterioration of the country's outlook due to tensions between the US and Mexico following a series of actions and statements by US President Trump.

Consumer confidence in Mexico dropped significantly in January, to 69.3, reflecting a deterioration of the country's outlook due to tensions triggered by US President

Figure 7. Mexico: Consumer Confidence, MoM % Change



Source: INEGI

Figure 8. Upcoming Economic Data Releases

Date	Country	Indicator	Period Covered
Feb 14	CN	Producer Price Index	Jan
Feb 14	CN	Consumer Price Index	Jan
Feb 14	GE	Consumer Price Index	Jan
Feb 14	GE	GDP	4Q
Feb 15	UK	Claimant Count Change	Jan
Feb 15	UK	ILO Unemployment Rate	Dec
Feb 15	US	Retail Sales	Jan
Feb 15	US	Consumer Price Index	Jan
Feb 16	US	Building Permits	Jan
Feb 16	US	Housing Starts	Jan

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

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