



Global Macro Report



Weekly Macro Commentary: US Economy Shows Weaker Growth, Europe Plays Catch-Up

- 1) **US:** Real GDP has grown more slowly than expected. Real personal consumption expenditure (PCE) edged up in December and inflation remained steady. House prices continued to rise, curtailing new home sales.
- 2) **Europe:** While the UK showed faster growth than the US, the eurozone's growth is also catching up to the US and the UK. However, Germany's retail sales and business confidence both dropped amid growing risks of populism.
- 3) **Asia-Pacific:** China's Purchasing Managers' Indexes (PMIs) showed that both the manufacturing and services sectors are expanding. Taiwan showed solid growth in the fourth quarter. Japan's industrial production edged up.
- 4) **Latin America:** In Mexico, retail sales showed improvement. In Brazil, the unemployment rate edged up further, and the economy failed to address the issue of a lackluster labor market.

Our View

US President Donald Trump signed a number of executive orders in the week, including one calling for the construction of a wall along the US-Mexico border. Trump also tweeted that, if Mexico was “unwilling to pay” for the wall, then “it would be better to cancel the upcoming meeting” that had been scheduled with Mexican President Enrique Peña Nieto in Washington, DC. Peña Nieto signaled Mexico’s refusal to bear the cost of construction and cancelled the scheduled meeting. However, he seemed to remain open to renegotiating the North American Free Trade Agreement (NAFTA) with the US.

Another Trump executive order temporarily banning entry to the US by any national of seven majority-Muslim countries provoked protests in the US and elsewhere. Trump’s series of executive orders have stoked fears that the new administration’s isolationist and protectionist stance will dampen the global economic outlook; the Dow Jones Industrial Average Index hit 20,000 briefly, but has since fallen for several days in a row.

Figure 1. Global Macro Indicators Released the Week of January 25–February 1, 2017

Country/Region	Indicator	Period	Actual	Survey	Prior	Impact on Economy*
US	Real GDP (YoY)	4Q	1.9%	2.2%	1.7%	–
US	Real PCE (MoM)	Dec	0.3%	0.3%	0.2%	–
US	Core PCE Deflator (YoY)	Dec	1.7%	1.7%	1.7%	–
US	S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index (YoY)	Nov	5.3%	5.1%	5.1%	=
EZ	GDP (QoQ)	4Q	0.5%	–	0.4%	+
GE	Retail Sales (MoM)	Dec	(0.9)%	0.6%	(1.7)%	–
CN	Manufacturing PMI	Jan	51.3	51.2	51.4	+
CN	Non-Manufacturing PMI	Jan	54.6	–	54.5	+
MX	Retail Sales (MoM)	Nov	1.0%	–	1.6%	+

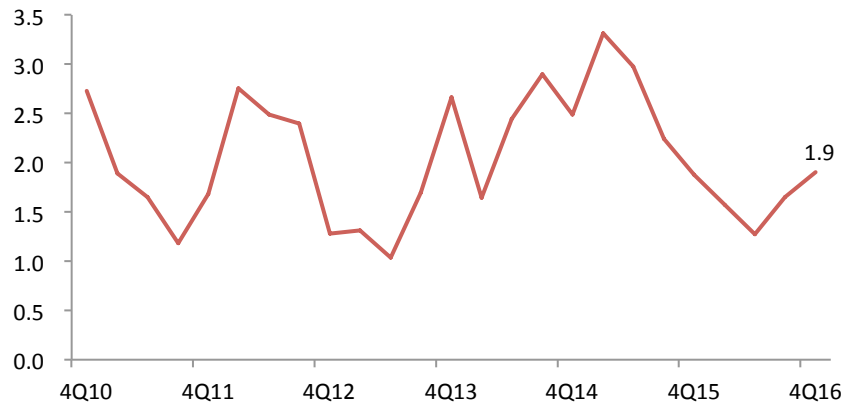
*Fung Global Retail & Technology’s evaluation of the actual figure’s impact on the economy relative to historical benchmarks and the current macroeconomic environment: + indicates a positive signal for the country’s economy, – indicates a negative signal and = indicates a negligible impact. Source: US Bureau of Economic Analysis/S&P/Eurostat/Destatis/China Federation of Logistics and Purchasing/National Bureau of Statistics of China/Instituto Nacional de Estadística y Geografía (INEGI)/Fung Global Retail & Technology

US: GDP Shows Weaker Growth; House Prices Continue to Move Higher

US real GDP increased at an annual rate of 1.9% in the fourth quarter of 2016, trailing the consensus estimate of 2.2%.

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Figure 2. US: Real GDP (Seasonally Adjusted Annual Rate), YoY % Change

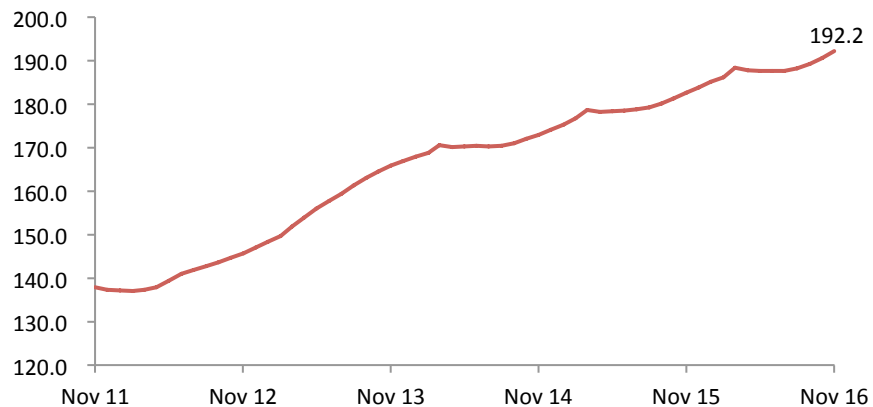


Source: US Bureau of Economic Analysis

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The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index rose by 5.3% year over year in November; in October, it rose by 5.1%. The November reading was higher than the 5.1% consensus estimate. David M. Blitzler, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices, commented that the housing market has recovered from the boom-bust cycle that began a dozen years ago. The recovery in home prices, however, has dented home sales, which dropped by 10.4% month over month in December.

Figure 3. US: S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index



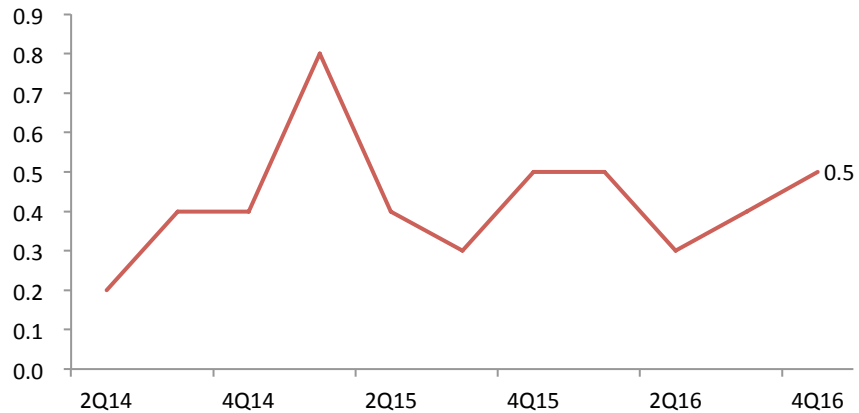
Source: S&P Dow Jones Indices

Europe: Eurozone Economy Shows Growth; Germany's Retail Sales Drop

In the eurozone, GDP grew by 1.7% in 2016.

In the eurozone, GDP increased by 0.5% quarter over quarter and by 1.8% year over year in the fourth quarter of 2016. For the full year, GDP growth reached 1.7%. In the UK, GDP rose by 0.6% quarter over quarter and by 2.2% year over year in the fourth quarter.

Figure 4. Eurozone: GDP, QoQ % Change



Source: Eurostat

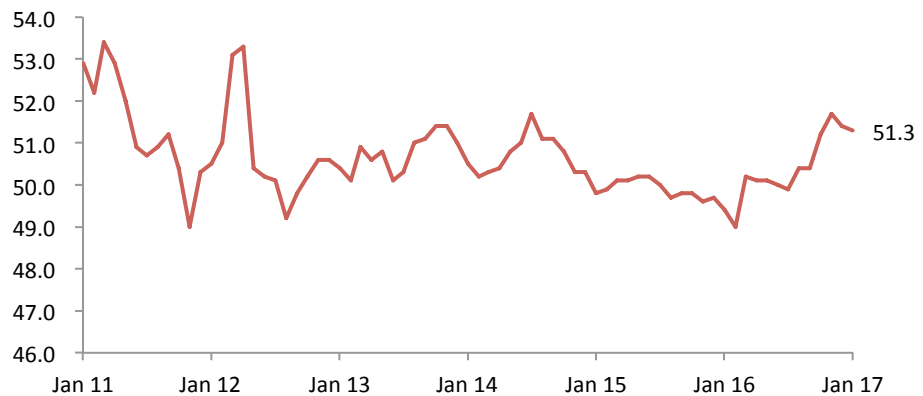
In Germany, retail sales dropped by 1.1% year over year and by 0.9% month over month in December, missing economists' expectations of a 0.6% month-over-month increase. The Ifo Expectations indicator ticked down to 103.2 in January from 105.6 previously, reflecting the weakness revealed by the hard data.

Asia-Pacific: China's PMIs and Japan's Industrial Production Edge Up

In China, the Manufacturing PMI reached 51.3 in January, slightly above the consensus estimate of 51.2.

In China, the Manufacturing PMI reached 51.3 in January, slightly above the consensus estimate of 51.2. The Non-Manufacturing PMI edged up to 54.6. The gauges point to expansion in both the manufacturing and services sectors. Taiwan's GDP grew by 2.6% year over year in the fourth quarter; the figure was higher than the market had estimated, and signals a solid economy.

Figure 5. China: Manufacturing PMI



Source: China Federation of Logistics and Purchasing

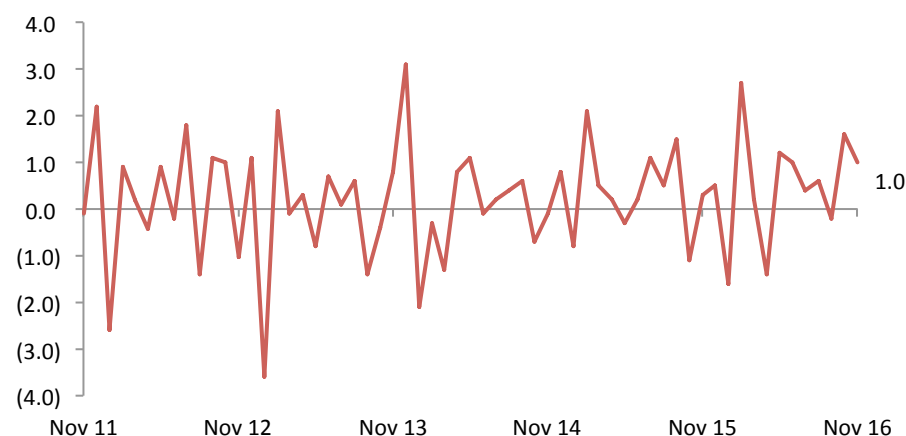
In Japan, industrial production increased by 3.0% year over year in December and by 0.5% month over month, which was better than the consensus estimate of a 0.3% month-over-month increase. Retail sales dropped by 1.7% month over month.

Latin America: Mexico's Retail Sales Improve; Brazil's Labor Market Remains Lackluster

In Mexico, retail sales increased by 1.0% month over month and by 11.2% year over year in November, showing an improved consumption market.

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Figure 6. Mexico: Retail Sales, MoM % Change



Source: INEGI

Figure 7. Upcoming Economic Data Releases

Date	Country/Region	Indicator	Period Covered
Feb 3	EZ	Retail Sales	Dec
Feb 3	US	Unemployment Rate	Jan
Feb 3	MX	Consumer Confidence	Jan
Feb 6	GE	Factory Orders	Dec
Feb 7	GE	Industrial Production	Dec
Feb 7	UK	Halifax House Prices	Jan
Feb 10	US	Consumer Sentiment	Feb

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