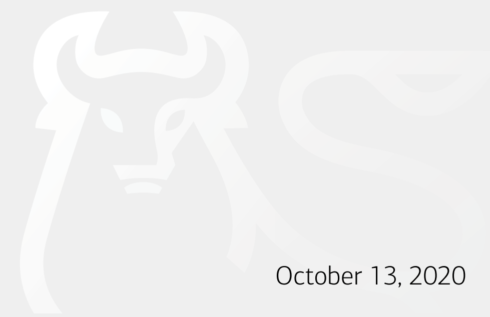

CHIEF INVESTMENT OFFICE

Capital Market Outlook

October 13, 2020

All data, projections and opinions are as of the date of this report and subject to change.

IN THIS ISSUE:

- **Macro Strategy**—The September labor-market data suggest that coronavirus contagion remains the main factor holding back segments of the U.S. service sector, while many goods-producing sectors have finally recovered. As we continue to look forward to the potential for vaccines and improved treatments for the coronavirus, the economy should begin to strengthen with stronger-than-consensus gross domestic product (GDP) growth, in our view.
- **Global Market View**—Uncertainty regarding the spread of the coronavirus and less fiscal and monetary policy flexibility underpin our underweight for Emerging Markets (EM), including Latin America. Yet, we observe ongoing economic developments in Brazil and Mexico, which may offer opportunities for investors over the longer term.
- **Thought of the Week**—This U.S. business cycle expansion started with a higher level of nonfinancial leverage (households and nonfinancial businesses) than past expansions. Investors should consider what this starting point means for investment strategy—tactical and strategic—and the duration of the overall business cycle.
- **Portfolio Considerations**—Headline risk and presidential election uncertainty is likely to keep investor risk aversion and cash allocations high, and we expect this to lead to a "seesaw" investment environment well into November. We would use major weakness in equity markets as a buying opportunity for those who have at least a six-month-or-longer time horizon.

MACRO STRATEGY

Chief Investment Office
Macro Strategy Team

GLOBAL MARKET VIEW

Rodrigo C. Serrano, CFA®
Director and
Senior Investment Strategist

THOUGHT OF THE WEEK

Jonathan Kozy
Director and
Senior Quant Analyst

Data as of October 13, 2020, and subject to change

MACRO STRATEGY

Labor-Market Recovery Continues but Pandemic Headwinds Persist

Chief Investment Office Macro Strategy Team

Although layoffs have remained elevated at around 840,000 per week, the U.S. labor market continues to recover, with many more jobs created than cut in September. Private payrolls increased by 877,000 last month, with a net loss of 216,000 government jobs (mostly education jobs) bringing overall payrolls growth to 661,000 (compared to an almost 1.5 million gain in August). According to the U.S. Bureau of Labor Statistics (BLS) diffusion indexes for September, the improvement in private-sector employment conditions remains broad-based, with a much higher share of industries hiring or not cutting jobs compared to those reducing head counts.

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Employment growth would have been closer to 1 million had it not been for education losing a net 350,000 jobs from August to September when school reopenings were hit and miss. The sector accounts for 1.2 million of the 10.5 million jobs still missing compared to January 2020 (or about 11%). The data also showed that leisure-and-hospitality employment remains in distress, with almost 4 million jobs still missing compared to January 2020 despite significant improvement that continued in September with a 318,000 employment gain. The sector is still down 22% year-over-year in terms of payrolls (although better than the 50% drop in April) and accounts for no less than 40% of the gap in U.S. private non-farm jobs compared to January 2020.

Encouragingly, leading indicators of employment remain strong, suggesting continued labor-market progress ahead. For example, the National Federation of Independent Business (NFIB) survey for October shows another increase in the percentage of companies planning to increase employment. The survey is very strong, at a two-year high. The survey also shows a high 36% of companies responding that available jobs are hard to fill (almost as high as before the pandemic), which, as discussed below, in part reflects protracted labor-supply distortions due to the pandemic. Also very positive for hiring prospects, the Institute for Supply Management (ISM) non-manufacturing survey released on October 5, 2020, shows another advance in the number of service industries reporting growth, led by very strong new orders. Importantly, given that services account for 83% of private employment and have been most disrupted by the pandemic, the survey's employment subcomponent is back in growth territory for the first time since February.

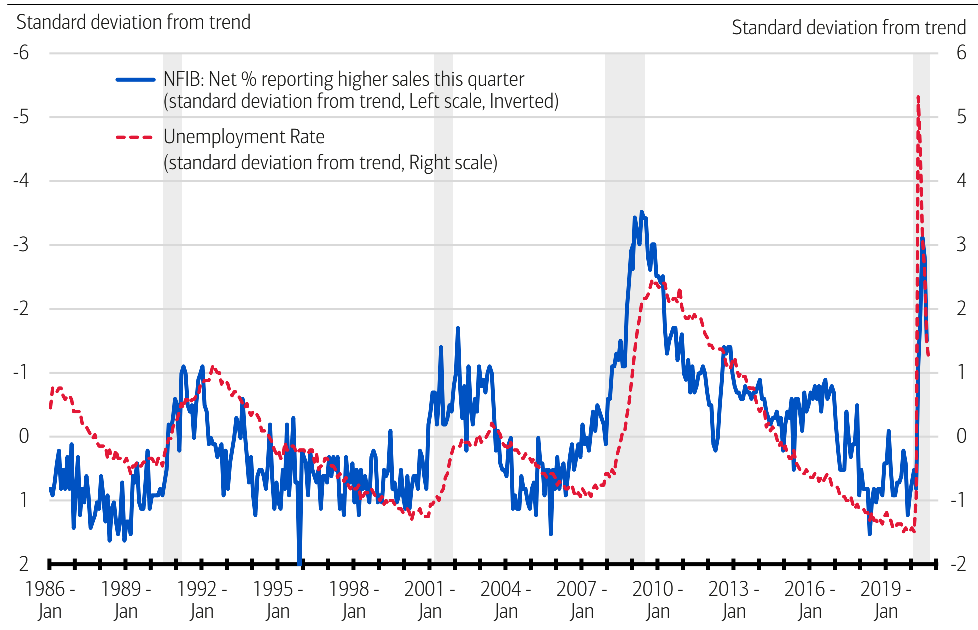
Still, it is not only demand for labor but also the supply of labor that shapes the number of jobs created in the economy as well as the unemployment rate, and coronavirus contagion clearly continues to hinder the return to normal in the service sector and labor market in general. For example, while the unemployment rate dropped sharply from 15% in April to 7.9% in September—which is very impressive since it took almost 10 years after the 2008-2009 recession for a seven-point drop in the unemployment rate—much of the decline had to do with a sharp retrenchment in labor-force participation. While the participation rate recovered about half of its declines between April and August, it dropped meaningfully in September, substantially contributing to the unemployment rate decline from 8.4% in August to 7.9% in September. The September labor-force participation rate decline was led by a big setback in labor-force participation for women, which accounted for almost 90% of the decline, in part probably related to recusals from in-person teaching due to coronavirus contagion and other pandemic-related disruptions. Indeed, the number of women who report that they do not want a job now has increased by 1.5 million since early August. According to the BLS, only about 100,000 more women reported that they weren't working and were not looking for a job because of discouragement over prospects of finding work in September compared to December 2019.

Overall, the reasons for the 5.7-million increase in the ranks of people out of the labor force since January 2020 do not seem to have much to do with discouragement over finding a job, with only about 240,000 more discouraged people than before the pandemic. The bulk is accounted for by about 2.8-million more people who report that they do not want a job now. As noted above, trying to wait out the pandemic may also be why the percentage of small businesses reporting qualified labor is a major problem constraining filling up job openings remains elevated given the apparent slack in the labor market.

With the service sector impaired by coronavirus contagion, the percentage of small businesses reporting higher revenues through August remains at a 10-year low, in recessionary territory (Exhibit 1). This metric correlates closely with the unemployment rate, shown as deviation from trend on the right scale. Given this long-term correlation, further progress on the reopening of the service sector should go a long way in reducing the unemployment rate. Indeed, the data shows that access and mobility have been

more of a constraint to spending than money. As we discussed in recent CIO Capital Market Outlooks, trillions of dollars in government income transfers helped make this recession the only one with a surge in personal-income growth rather than a meaningful weakening or outright decline in personal income, with large swaths of the population making more than before the pandemic. Aggregate saving surged and remains very elevated, while the rapid jobs rebound helps offset some of the support lost with the expiration of one-time stimulus payments and generous unemployment benefits.

Exhibit 1: Despite Unprecedented Improvement, the Unemployment Rate Remains In Line With Still-Depressed Share of Small-Businesses Reporting Growing Revenues.



Sources: NFIB; BLS/Haver Analytics. Data as of October 8, 2020. **Past performance is no guarantee of future results.**

That access has been the main constraint to a full normalization of economic conditions is clearly reflected in the fact that consumer spending on big-ticket items has been very strong, and The Conference Board U.S. Consumer Confidence Index rose further above average in September and is much higher than between 2007 and 2014, for example, in spite of the pandemic shock and its protracted effect. While spending on services remains depressed—still down an unprecedented 8% from January—real consumer spending on goods has set fresh records (6% above its January level). Their sharply divergent paths have made a big difference because real consumer spending on goods at the end of 2019 was 25% of real GDP, and real spending on services was about 45% of real U.S. GDP, with many more people working in services than in the goods-producing sector, as noted above.

In sum, an eye-popping net 11.4 million jobs have been created since April, but there are still about 10.7 million jobs that must still be created net of layoffs to reach pre-pandemic employment levels. At the current pace, this may take about a year and a half. In the meantime, the unemployment rate will not be the best gauge of labor-market health because it can be artificially depressed by low participation rates. A better measure of progress toward full employment would be a rising employment-to-population ratio, which remains at decades lows.

With consumer spending power robust and women accounting for almost 90% of the drop in the labor force in September, it's clear reducing the coronavirus contagion would go a long way in stimulating faster progress on this front. Overall, the U.S. has the potential to increase employment at 3% per year on average over the next three years to bring the employment-to-population ratio back to prepandemic levels (and

the unemployment rate to 4%) even accounting for the aging of the population. This, combined with a likely faster productivity growth trend, as discussed in past reports, suggests great economic growth potential ahead, which should keep inflation and interest rates in check while boosting profits and personal incomes.

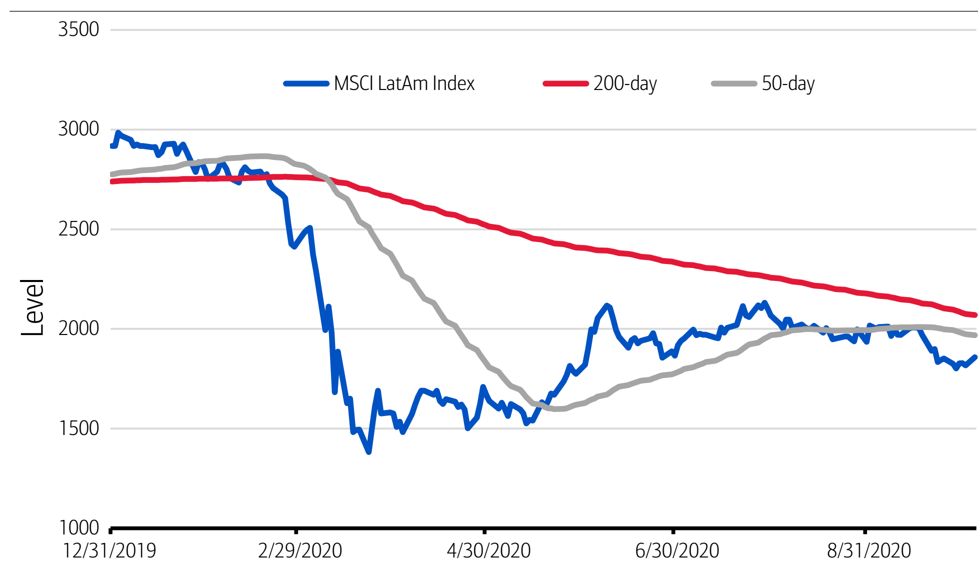
GLOBAL MARKET VIEW:

A Waiting Game

Rodrigo C. Serrano, CFA®, Director and Senior Investment Strategist

Given our change in April with Emerging Markets (EM) equities to underweight, the continued uncertainty regarding the future path of the coronavirus and less fiscal and monetary policy flexibility are particularly ascribable to Latin America (LatAm), leading us to wait for further clarity on how these challenges are addressed. Along with the Caribbean, the region leads globally, with over 10 million cases and 370,000 deaths attributable to the coronavirus.[1] The bloc is forecasted to fare the worst out of EM, with its GDP contracting -8.1% in 2020, rebounding by 3.6% next year.[2] Reflecting these issues, the MSCI LatAm Index remains in a downtrend, under its 50- and 200-day moving averages (Exhibit 2).

Exhibit 2: A Weaker Economic Backdrop Is Weighed On By Uncertainty Over How Governments Could Continue To Respond To The Coronavirus. (Price Chart and Moving Averages).



Sources: Chief Investment Office; Bloomberg. Data as of September 30, 2020. Short term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

While near-term uncertainties afflicts the region, its two largest economies, Brazil and Mexico, have the potential to offer opportunities for investors over the longer term. The United States-Mexico-Canada (USMCA) trade agreement helps position Mexico as a beneficiary of reglobalization, as multinationals observe the strategic benefits of the country's access to the North American market, coupled with its extensive 13 free-trade agreements covering 50 countries. In Brazil, continued reforms may raise the prospect of a longer period of relatively lower interest rates, fueling a potential new equity culture.

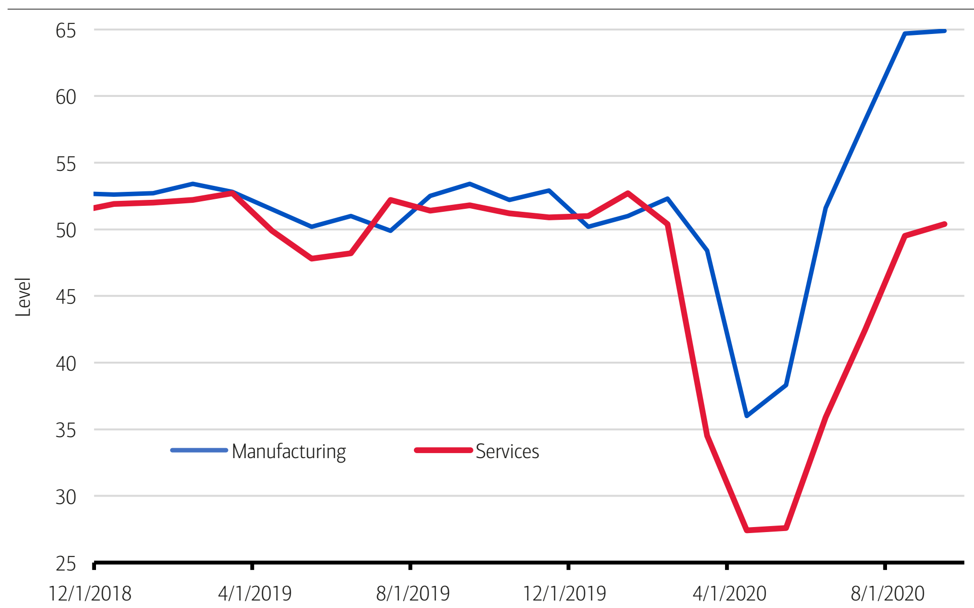
[1] British Broadcasting Company (BBC), "Coronavirus: What are the numbers out of Latin America?", as of September 23, 2020.

[2] BofA Global Research, Global Emerging Markets Weekly "Trading volatile-tweet" as of October 8, 2020.

Brazil: Government spending and progress on reforms on watch

Despite a high infection rate in Brazil, President Jair Bolsonaro's administration has favored a "jobs-first" economic policy, which has resulted in a shallower-than-expected recession.[3] A contraction of -4.9% for 2020 real GDP is now expected by BofA Global Research, much improved from its estimate of -7.7% at mid-year. An uptrend in confidence indicators suggests the rebound will likely continue amid a gradual economic reopening. However, the recovery is likely to become more gradual, dragged on by lessening fiscal stimulus, a scarred labor market and a sluggish service sector (Exhibit 3). In 2021, the economy is expected to grow by 3.0%.

Exhibit 3: The Services Sector Has Experienced A More Sluggish Recovery.



Sources: Chief Investment Office; Bloomberg. Data as of September 30, 2020. Short term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

While inflation has recently ticked higher, continued slack in the economy may keep it contained.[4] However, a more cautious central bank has signaled a strategy of gradualism. Its policy interest rate is already at a record low, while the trajectory of government spending is increasingly gaining attention. The consensus, tracked by Bloomberg, does not expect the central bank to cut its policy interest rate any further below its current level at 2.00%.

Cognizant of the country's rising debt-to-GDP ratio, which stands at 88.8% as of August, government officials have reinitiated the reform process to boost the long-term potential growth rate of the economy. After revamping the pension system, work on tax, administrative and bankruptcy reform has restarted. Amid a sustained global economic recovery, credible progress may help raise optimism on the country's long-term outlook, fuel investment and financial inflows into Brazil, and keep interest rates relatively low. A tailwind for the country's long-dominant fixed income markets, after years above 10%, a prolonged period of lower interest rates may raise the relative appeal of the country's equity market.

While we monitor progress, however, we also remain watchful to the recent rise in longer-term financing costs. Brazil's Treasury Secretary Bruno Funchal stated a warning from markets for the government to pay greater attention to the trajectory of fiscal policy. The Brazilian administration's ability to normalize government spending, adhering

[3] Reuters, "Brazil central bank surprised by economic rebound," as of September 24, 2020.

[4] Big News Network (Xinhua), "Brazil central bank says economy will withstand inflationary pressure," as of September 23, 2020.

to the country's spending cap while fostering the economic recovery, is a key pivot for the outlook, in our view. Signs of a slowing recovery may raise pressure to keep public spending elevated, undermining the fiscal situation and destabilizing Brazil's macroeconomic framework.

Mexico: Stormy near term; reshoring long-term

The economic recovery in the U.S. has bolstered quick rebounds in Mexico's manufacturing and export sectors. However, weakness in the domestic economy, including consumption and construction, suggests a two-track recovery. Unlike Brazil's improving economic outlook, BofA Global Research still expects the economy to contract 10% this year, weighed down by the pursuit of fiscal austerity by the government and relatively elevated interest rates, and the continued propagation of the coronavirus.

While Mexico President Andres Manuel Lopez Obrador remains focused on his priorities, including select infrastructure projects and targeted social programs, his government has stated that it would reduce federal spending as a percent of GDP to 25% in 2021, from 26.2% expected this year, and maintain a near-zero percent primary balance this year and next. Nevertheless, the targets, published in Mexico's 2021 budget plan, have been met with skepticism, due in part to rosy macroeconomic, revenue and expenditure forecasts.[5] Fiscal policy uncertainty, inflation above 4% and the prospect of a deteriorating security situation in Mexico pose vulnerabilities for the peso, limiting the support the central bank can provide to the economy; at 4.25%, its policy interest rate remains relatively high compared to its peers. The consensus is split on whether the Bank of Mexico (Banxico)—Mexico's central bank—will cut down to 4%. At roughly 43%, Mexico's high positivity rate, which measures the share of tests that confirm a case of coronavirus, may suggest that the country's testing efforts remain deficient, also weighing on business confidence.[6]

Longer term, Mexico's outlook may benefit from shifting supply chains from Asia back to North America, in a process called "reshoring" or "nearshoring." Mexico's location and the activation of the USMCA on July 1 may provide multinationals with direct access to the U.S. market with few or no tariffs. The country's skilled, less expense workforce is also a positive. Along with already established supply chains across multiple industries, Mexico also offers full intellectual property rights protection, a key ongoing concern with China.[7]

In Closing

LatAm faces near-term challenges, leading us to wait for further clarity on how they will be tackled. Brazil's economy had been recovering at a quicker-than-expected pace. However, political tension has increased regarding the trajectory of fiscal policy. Brazil's administration worries over withdrawing too much stimulus which could endanger the country's economic rebound.[8] Investors may worry over its continuation, which may destabilize debt dynamics further. How this balancing act plays out will be important in our view. By contrast, Mexico's government has elected to conduct a more pro-cyclical fiscal policy, focusing on austerity during recessionary economic conditions. This path has raised worry over the potential harm to their economy's long-term growth rate. Alongside this backdrop, uncertainty remains in the global environment, highlighted by the upcoming U.S. elections.

[5] Financial Times, "Mexico's budget assumptions met with skepticism," as of September 9, 2020.

[6] OurWorldinData.org, "Coronavirus Pandemic (COVID-19)," as of October 8, 2020 and Bloomberg, "With Testing Already Low, Mexico Lost 93,803 Covid Lab Results," as of September 2020.

[7] BofA Global Research, "Mexico as a re-shoring destination should continue to gain market share from China," as of September 24, 2020.

[8] Bloomberg, "Bolsonaro Newfound Appetite for Spending Has Markets on Edge," as of October 6, 2020.

Longer term, Brazil contains untapped potential, in our view. According to the World Economic Forum's 2019 Global Competitiveness report, out of 141 tracked economies, Brazil ranks last in burden of red tape, offering plenty of runway for reforms to positively influence the economy. Mexico may benefit from continued tensions between the U.S. and China, triggering a structural shift in supply chains. Mexico's relative strength can already be discerned. Mexico's share of U.S. imports increased from 13% to 14% from 2017 to 2020. Meanwhile, China's share dropped from more than 21% to roughly 18%, according to the U.S. Census Bureau.

THOUGHT OF THE WEEK:

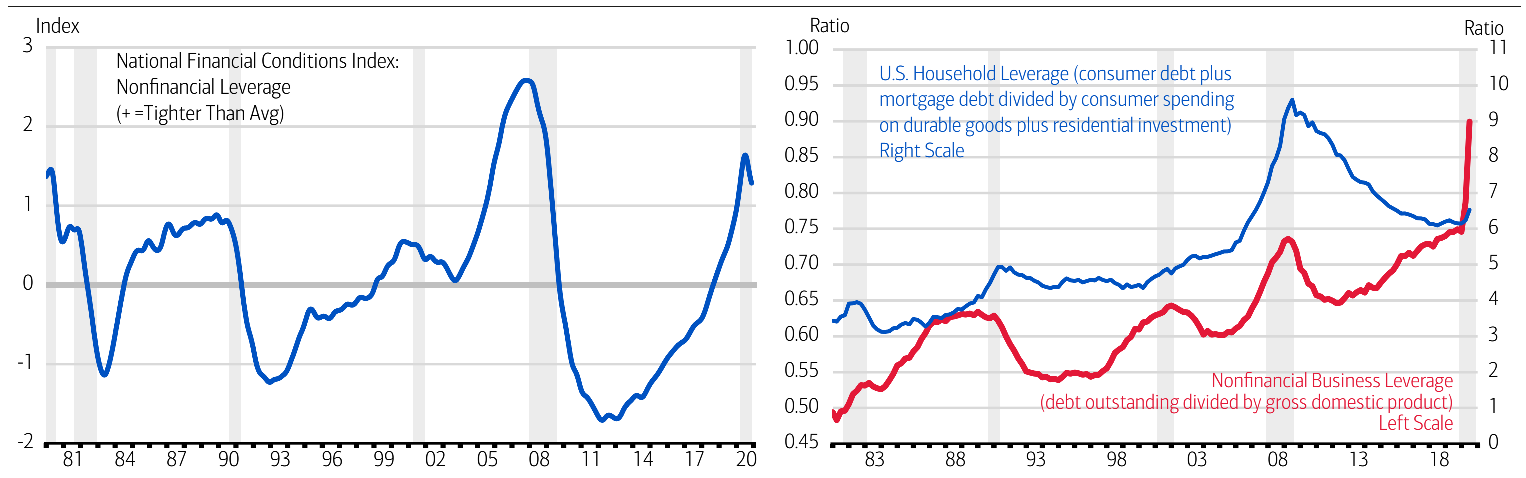
On Watch: Nonfinancial Leverage

Jonathan Kozy, Director and Senior Quant Analyst

The Chicago Federal Reserve (Fed) National Financial Conditions Index (NFCI) Nonfinancial Leverage Subindex was designed to be an early warning system for financial stress. As the data show, there tends to be a buildup in nonfinancial leverage (household and nonfinancial businesses) in advance of recessions. This is not a coincidence, as the presence of excesses in the investment sectors of the economy like housing, consumer durable goods or business investment make these cyclical sectors vulnerable to external shocks or tighter monetary policy that have the potential to induce deleveraging.

For investors, it is worth noting that this U.S. expansion is starting with a higher level of nonfinancial leverage than past expansions (Exhibit 4), with nonfinancial corporate business leverage particularly frothy. Given the non-traditional nature of the coronavirus-induced recession, the debt deleveraging that often occurs during recessions did not take shape. In fact, the virus sparked a boom in housing, which is financed mostly through debt/credit, while Fed's interest rate cuts and the temporary nature of the recession also encouraged businesses to take advantage of low rates, leading to a surge in corporate debt issuance relative to GDP. With positive underlying demand dynamics, management teams revisited the amount of debt in their capital structures, took advantage of low costs/strong investor demand, and issued incremental debt to shore up liquidity, invest in productivity enhancing technologies, pursue mergers and acquisitions, or lower the weighted average cost of capital. The surge in leverage is also a function of the decline in the denominator, GDP, but as GDP recovers over the next few quarters, business leverage ratios may actually come back down to earth.

Exhibit 4: Rising Nonfinancial Leverage Leaves Economy Vulnerable To Policy Mistakes Or External Shocks Later In The Cycle.



Source: Federal Reserve Bank of Chicago. Data as of September 30, 2020.
Past performance is no guarantee of future results.

Similarly, households are also taking advantage of low rates, but household leverage is far from extended and has room to run. As the Exhibit 4 shows, households were in the very early innings of a releveraging cycle when coronavirus hit, and balance sheets are historically strong. While we will be watching the financial obligations ratio (financial obligations relative to disposable income) for signs that households are overextending, for now it appears healthy, and we suspect the powerful housing expansion and the related strength in housing-related equities has legs. It's never too early to start watching for excesses and imbalances, though.

Importantly, low interest rates are making servicing the debt much easier for both households and businesses, and the Fed is on hold for the foreseeable future. If the Fed succeeds in running inflation above 2%, nominal growth and associated cash flows will likely benefit, making it easier to service that low-interest debt. Nonfinancial corporate profit margins are also supportive of debt service on the corporate side. Interestingly, the overall Chicago Fed NFCI of which the leverage index is a subcomponent, suggests financial conditions are easy. Lower rates are offsetting higher leverage to balance the headline index.

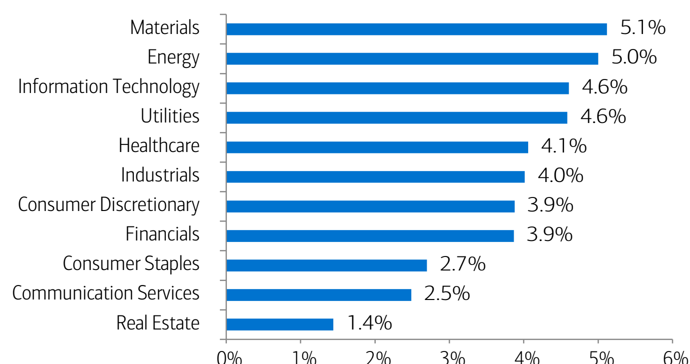
Still, long-term investors should consider what the higher starting point for nonfinancial leverage might mean for the duration of this cycle and the relative performance of risk assets. While elevated nonfinancial leverage does not necessarily mean a double-dip is in the cards, in our view, it could mean that the expansion may not last over a decade like the last expansion. As the economic expansion stretches out over the next few years, businesses, consumers, investors and policymakers should be cognizant of the potential for a shock or policy mistake to induce a hangover. Higher leverage means a deleveraging cycle would be that much more painful. In the near term, investors should favor cash flow generation and be aware of leverage ratios for sectors, industries and companies in both fixed income and equities.

Given the positive cyclical dynamics in the U.S., including a strong consumer, a V-shaped rebound in business investment spending, a domestic housing boom, and very accommodative fiscal and monetary policy, we think growth is set to remain above trend in 2021. This provides some cushion for debt service, but investors should also be on top of medium-term risks and the potential for a more severe deleveraging cycle the next time around.

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	28,586.90	3.3	3.0	2.0
NASDAQ	11,579.94	4.6	3.7	30.0
S&P 500	3,477.13	3.9	3.5	9.2
S&P 400 Mid Cap	1,996.36	4.9	7.3	-2.0
Russell 2000	1,637.55	6.4	8.6	-0.8
MSCI World	2,447.76	3.6	3.4	5.2
MSCI EAFE	1,910.20	3.0	3.0	-4.3
MSCI Emerging Markets	1,122.51	3.8	3.8	2.6

S&P 500 Sector Returns



Fixed Income†

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	1.17	-0.2	-0.3	7.7
Agencies	0.55	-0.2	-0.2	5.2
Municipals	1.41	-0.3	-0.4	2.9
U.S. Investment Grade Credit	1.21	-0.2	-0.2	6.6
International	2.00	0.1	0.1	6.8
High Yield	5.32	1.2	1.4	2.0

	Current	Prior Week End	Prior Month End	2019 Year End
90 Day Yield	0.09	0.09	0.09	1.54
2 Year Yield	0.15	0.13	0.13	1.57
10 Year Yield	0.77	0.70	0.68	1.92
30 Year Yield	1.57	1.49	1.46	2.39

Commodities & Currencies

	Total Return in USD (%)			
Commodities	**Current**	**WTD**	**MTD**	**YTD**
Bloomberg Commodity	156.34	4.9	3.4	-9.1
WTI Crude $/Barrel††	40.60	9.6	0.9	-33.5
Gold Spot $/Ounce††	1,930.40	1.6	2.4	27.2
Currencies	**1.41**	**1.47**	**1.47**	**2.39**
EUR/USD	1.18	1.17	1.17	1.12
USD/JPY	105.62	105.29	105.48	108.61
USD/CNH	6.69	6.75	6.78	6.96

Sources: Bloomberg, Factset. Total Returns from the period of 10/05/2020 to 10/09/2020. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 10/09/2020 close.
Past performance is no guarantee of future results.

Asset Class Weightings (as of 9/1/2020)

	Under-weight		Neutral	Over-weight	
Global Equities	•	•	•	●	•
U.S. Large Cap Growth	•	•	•	●	•
U.S. Large Cap Value	•	•	•	●	•
U.S. Small Cap Growth	•	•	•	●	•
U.S. Small Cap Value	•	•	●	•	•
International Developed	•	•	●	•	•
Emerging Markets	●	•	•	•	•
Global Fixed Income	•	●	•	•	•
U.S. Governments	•	●	•	•	•
U.S. Mortgages	•	●	•	•	•
U.S. Corporates	•	•	•	●	•
High Yield	•	●	•	•	•
U.S. Investment Grade Tax Exempt	•	•	●	•	•
U.S. High Yield Tax Exempt	•	●	•	•	•
International Fixed Income	●	•	•	•	•
Alternative Investments*					
Hedge Funds			●		
Private Equity			●		
Real Assets			●		
Cash					

* Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to pre-qualified clients.

CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.

Economic and Market Forecasts (as of 10/09/2020)

	2019A	Q1 2020A	Q2 2020A	Q3 2020A	Q4 2020E	2020E
Real global GDP (% y/y annualized)	2.9	-	-	-	-	-3.8
Real U.S. GDP (% q/q annualized)	2.2	-5.0	-31.4	33*	3.0	-3.6
CPI inflation (% y/y)	2.3	1.5	0.6	1.2*	1.3	1.3
Core CPI inflation (% y/y)	2.3	2.1	1.2	1.7*	1.8	1.7
Unemployment rate (%)	3.5	3.8	13.0	8.8	7.7	8.3
Fed funds rate, end period (%)	1.55	0.08	0.08	0.09	0.13	0.13
10-year Treasury, end period (%)	1.92	0.67	0.66	0.68	1.00	1.00
S&P 500 end period	3231	2585	3100	3363	3250	3250
S&P earnings ($/share)	163	33	28	35*	35	131
Euro/U.S. dollar, end period	1.12	1.10	1.12	1.17	1.14	1.14
U.S. dollar/Japanese yen, end period	109	108	108	105	103	103
Oil ($/barrel, avg. of period, WTI**)	57	46	29	40	44	40

The forecasts in the table above are the base line view from BofAML Global Research team. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics.

Past performance is no guarantee of future results. There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.

A = Actual. E/* = Estimate. S&P 500 represents the year-end target for 2020. **West Texas Intermediate.
Sources: BofA Global Research; GWIM ISC as of October 09, 2020.

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Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index.

Indexes are all based in dollars.

S&P 500 is a stock market index that tracks the stocks of 500 large-cap U.S. companies. It represents the stock market's performance by reporting the risks and returns of the biggest companies.

The U.S. Consumer Confidence Index (CCI) is an economic indicator published by The **Conference Board** to measure **consumer confidence**, which is defined as the degree of optimism on the state of the U.S. economy that consumers are expressing through their activities of savings and spending.

Chicago Federal Reserve National Financial Conditions Index Nonfinancial Leveral Subindex provides a comprehensive weekly update on U.S. financial conditions in money markets, debt and equity markets, and the traditional and "shadow" banking systems.

MSCI Emerging Markets (EM) **Latin America Index** captures large and mid cap representation across 6 Emerging Markets (EM) countries in Latin America.

Markit Brazil Manufacturing Purchasing Managers' Index™ (**PMI®**) is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers.

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