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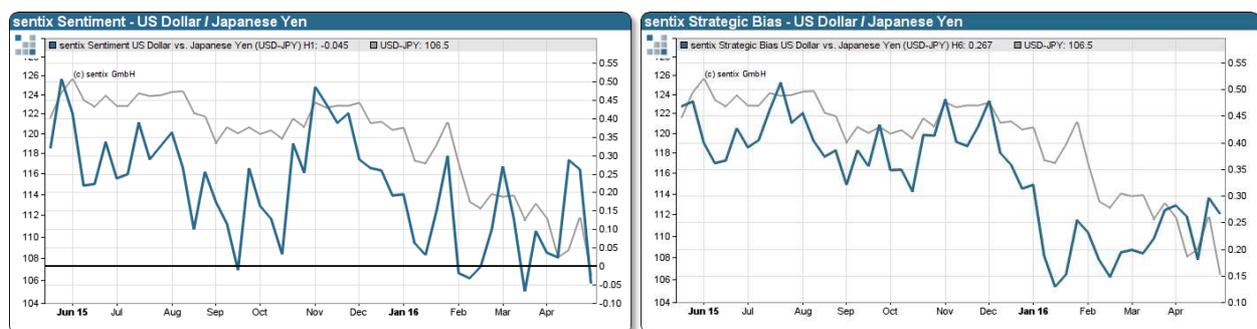
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## Loss aversion vs. persuasion

**The reaction of investors to an absence of further quantitative easing by the Japanese central bank has been significant. The latest sentix Sentiment for the USD/JPY exchange rate drops by 31 percentage points. Albeit investors' confidence in the USD remains stable. A promising setup for a rising USD/JPY exchange rate over the medium term.**

The latest sentix Sentiment for the US Dollar / Japanese Yen exchange rate dropped by 31 percentage points (refer to left chart). Investors were negatively surprised that the Japanese central bank did not announce further monetary stimulus packages. Subsequent market reactions and media echo have been vigorous. The exchange rate has lost more than 5% since April 28th. Of interest is that the disappointment is not reflected in current readings of investors' confidence of the USD. In contrast to sentiment, which reflects the emotions of investors, the degree of confidence measures the general persuasion of an asset. Investors remain confident even after experiencing disappointment (refer to right chart – Strategic Bias).



Consequently, the diverging behaviour of both sentix indicators points to a potential short-term trend reversal. Despite the fact that investors have sold USD following the central bank announcement. However, the level of confidence demonstrates that investors are still persuaded about the long-term potential of the USD. Thus, investors should not be surprised about a USD strength over the next weeks.



## Background

The **sentix Strategic Bias** (investors' six-month market confidence) is polled on a weekly basis since 2001 as part of the sentix Global Investor Survey. It reflects the strategic view of market participants as well as their fundamental convictions and perceptions of value for a given market. As this indicator represents investors' general willingness to buy or sell it should not be interpreted as a contrarian signal. Rather it is usually leading the market by several weeks.

**sentix Sentiment**, investors' one-month expectations for a given market, is polled on a weekly basis since 2001 as part of the sentix Global Investor Survey. It reflects the emotions – between greed and fear – of market participants. Negative sentiment extremes are usually a straight indication for rising prices. High optimism, in contrast, may be a warning signal for an upcoming market consolidation. More important turning points are mostly indicated by a sentiment divergence.

In the latest sentix Global Investor Survey was conducted from 28-April 2016 to 30-April 2016. 1079 individual and institutional investors took part in it.

## About sentix

sentix is the pioneer and leading provider of sentiment analyses (behavioral finance) in Europe. Since 2001 sentix surveys on a weekly basis around 5,000 investors from over 20 countries (comprising over 1,000 institutional and almost 4,000 individual investors) about their expectations for financial markets as well as for economic developments and their portfolio actions. The sentix survey results are representative of a broadly diversified group of investors.

sentix surveys offer the rare combination of a large number of participants, high quality and an outstanding speed with which information is gathered and passed on. All sentix indices are regularly accessible for sentix data clients just about one day after the close of each poll – via the sentix website or via Bloomberg. sentix clients thus are able to use sentix data almost in real time in order to further improve performance.

sentix GmbH was founded in 2001 and today represents the basis for all the services the sentix group offers to its clients in the field of Behavioral Finance.



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