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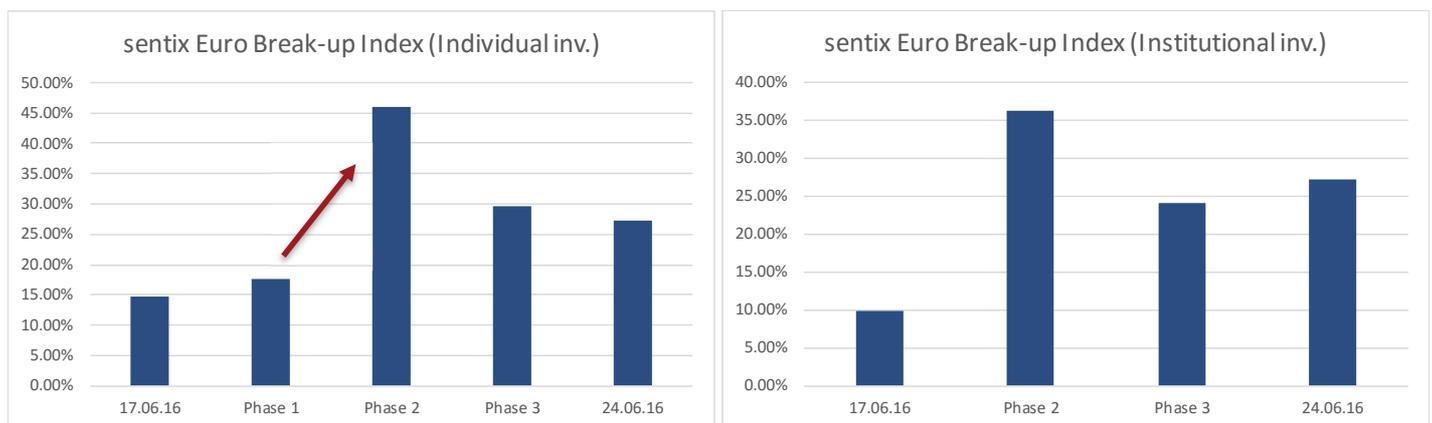
The Brexit becomes a Euro stress test

The unexpected vote of UK citizens wanting to leave the European Union, is also likely to hard shake the foundation of the euro again. Almost a third of investors responding in the sentix survey hold it again possible that the euro zone could break up within twelve months. In addition, new exit candidates appear on the horizon.

As part of our regular Euro Break-up survey we couldn't be better in the timing. However, that it would come to an earth-shaking decision of the British people, was recently become unlikely. The stronger is the shock of the surveyed sentix investors to this event. Naturally it comes in such a situation that people might overreact. We therefore have the vote of the more than 1,300 investors surveyed evaluated separately in time and present you the results divided into three phases:

- **Phase 1:** The day before the referendum (since sentix starts the survey for private investors on Thursday afternoon, appropriate information for this group of investors are available)
- **Phase 2:** The first few hours after the referendum (these represents the first impulses of investors, considering the votes that have been submitted until 10.30 am on Friday)
- **Phase 3:** The time after the phase 2 until the end of the poll on Saturday

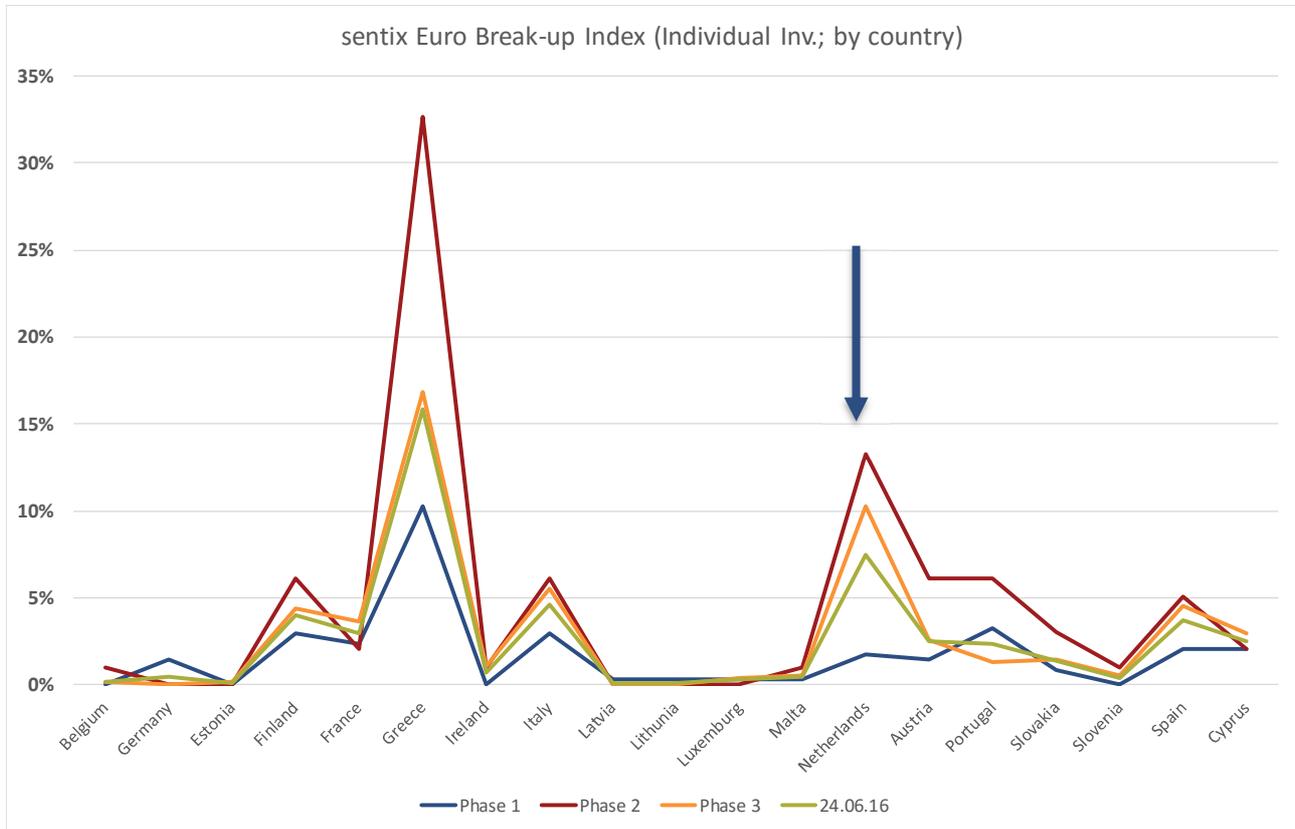
Let us first consider the total value of the sentix Euro Break-up Index (by type of investor):



Without the Brexit-decision, the EBI would have hardly changed appreciably (see Phase 1 of the left-hand panel). The immediate reaction to the news that it actually comes to the Brexit has then led to a shock-like increase in the perceived Break up probability (Phase 2). In the following hours, the people have calmed down, but it remains a significant increase in the EBI-value from 12.3% to 27.2%.



Who believed that it is the well-known countries that are traded as an exit candidate again, sees himself confirmed only partially. As an example, we consider the national EBI values again divided according to the phases 1-3. We look at the expectations of private investors. The values of the professional investors do not differ fundamentally.



In principle, the reaction of the national EBI values corresponding to the pattern in the overall index. But there are some interesting differences. First, especially the values for the Netherlands rise by leaps and bounds and recover far less than signaled by the overall index. The same applies to Italy and Spain, although the EBI values here are considerably lower than those of the Netherlands. Second, Greece remains in focus, but Cyprus is not. Third, the German EBI values surprise through their complete invisibility.

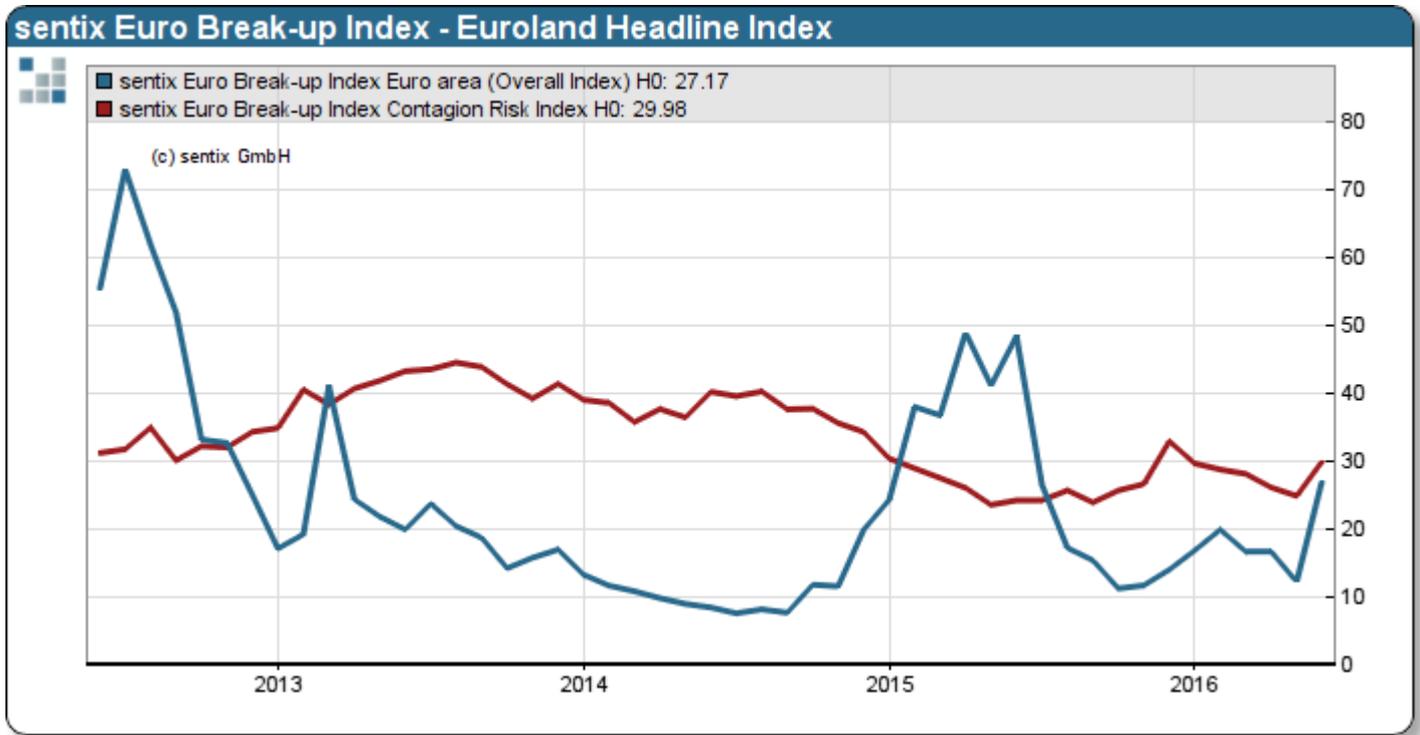
At times of the debt-driven euro crisis, German EBI values always were at elevated levels. Investors felt that in the discussion on money and debt it might be Germany that leaves the euro club if it would not do the Greeks.

The Brexit is clearly seen as a different kind of a problem, primarily a politically one. Here it appears for investors highly unlikely that Germany would act in any way as a driver of a Euro-negative development. This might be an important message for the capital markets, as German Bunds are far less likely drag "honey" out of the crisis, as was the case in the Greek drama.

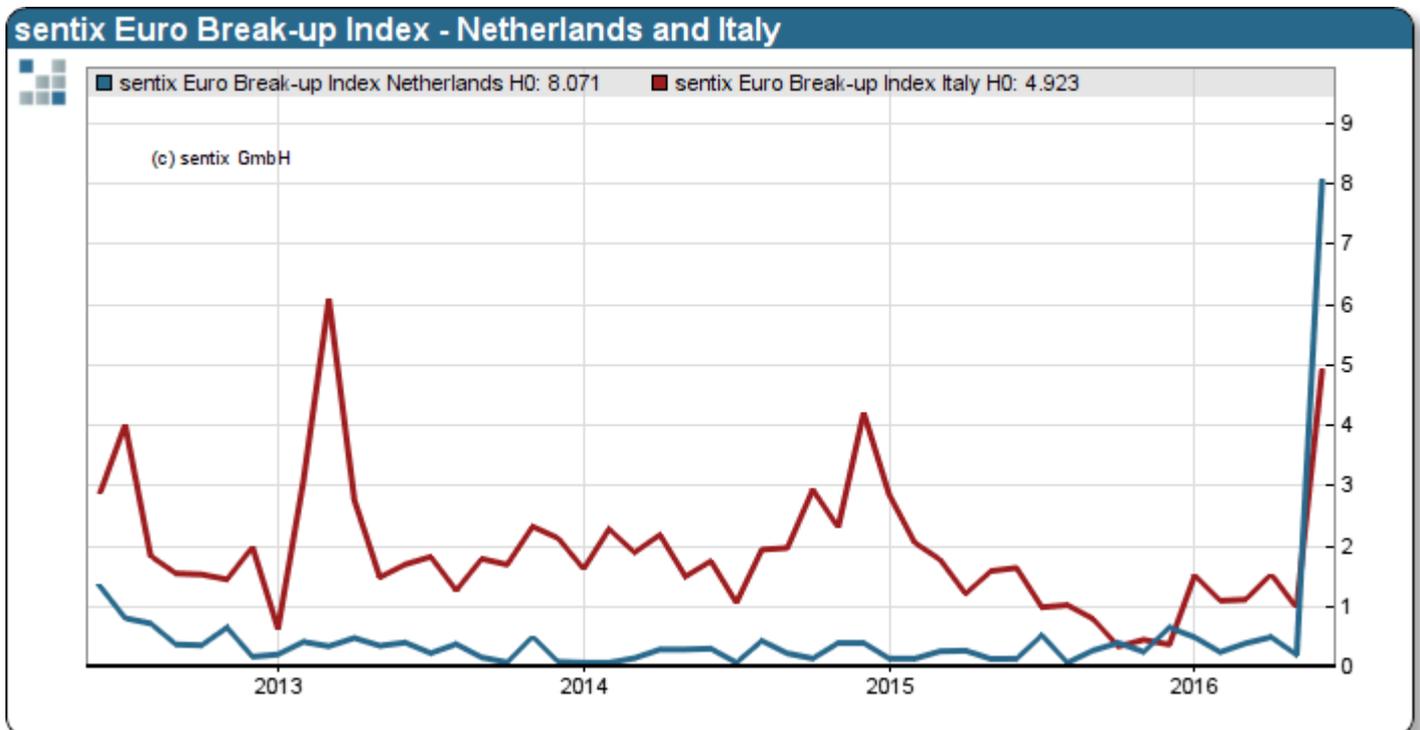
On balance, however, the Brexit referendum has increased not only the likelihood of a breakup of the euro, but also increases the risk of infection. The sentix Contagion Risk index jumps from 24.9% to 30%. Through the Brexit vote, the euro area is now subjected a tough endurance test and political risks are back on the Euro agenda again. And this at a time where the Federal Constitutional Court has withdrawn the instrument of the "OMT" from the ECB practically.



Further sentix Euro Break-up Index Charts



sentix Euro Break-up Index **Headline Index Euroland** and **Contagion Risk Index**



sentix Euro Break-up Index **Netherlands** and **Italy**



Background

The sentix Euro Breakup Index is published on a monthly basis and was launched in June 2012. Its poll is running for two days around the fourth Friday of each month. Results are regularly published on the following Tuesday morning. Survey participants may choose up to three euro-zone member states of which they think they will quit the currency union within the next twelve months. Further details on the sentix Euro Breakup Index can be found on <http://ebr.sentix.de>.

This month's reading of 27,2% means that currently this percentage of all surveyed investors expect the euro to break up within the next twelve months. The EBI has reached its high at 73% in July 2012 and touched its low at 7.6% in July 2014.

The current poll in which 1.305 individual and institutional investors participated was conducted from June 23 to June 25, 2016.

About sentix

sentix is the pioneer and leading provider of sentiment analyses (behavioural finance) in Europe. Since 2001 sentix surveys on a weekly basis around 5,000 investors from over 20 countries (comprising over 1,100 institutional and almost 4,500 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 vast 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 Bloomberg. sentix clients thus can use sentix data almost in real time 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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