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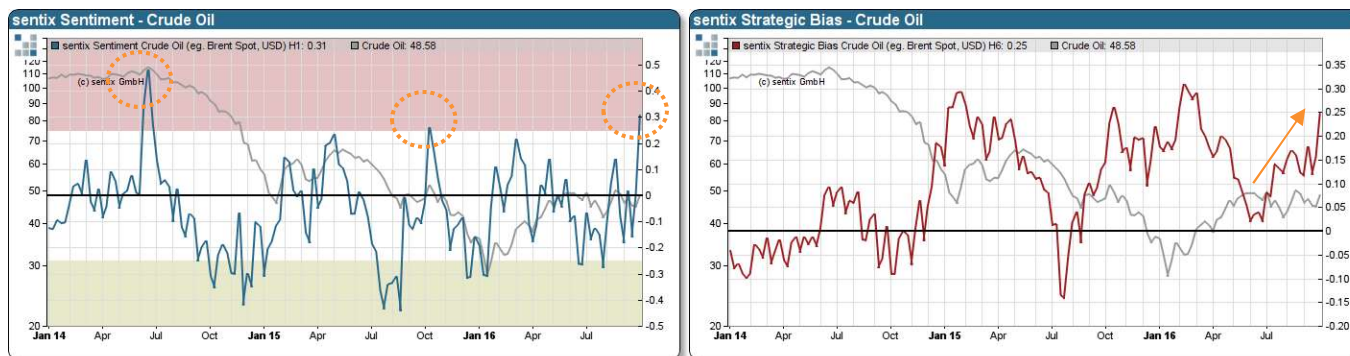
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OPEC boosts investor sentiment

After OPEC announces production cuts, sentiment among oil market participants spikes and hits a bullish level not seen in more than two years. At the same time, investors' confidence in higher crude prices solidifies. Both signals combined yield higher crude prices in the coming months, based on past studies.

Last week's agreement on crude oil production cuts by OPEC members in Algiers came at a surprise for most market participants. Amid the deadlock between Saudi-Arabia and Iran, current production surplus suppresses crude prices. If the agreement holds, it would be the first significant reduction in oil output quotas for OPEC members since 2008. Hence, investors turn optimistic in anticipation of a falling output surplus and higher oil prices. The latest sentix sentiment for crude oil jumps from -0.1 to +0.3 points and hits the highest level in more than two years (refer to the left chart, blue line). An impulse of similar magnitude last appeared in June 2014. A high degree of optimism on its own is a potential warning of an immediate market correction.



However, we currently do not believe that the crude oil market is ripe for a significant correction as an improving medium-term confidence supports investors' sentiment advance. The sentix Strategic Bias, which measures investors' six-month price expectations, continues to increase since May 2016. The latest survey reveals a substantial increase by +0.1 to 0.25 points (refer to the right chart, red line). Ideally, growing confidence precedes portfolio commitments and indicates that investors enter the market as buyers in rising numbers.

The coincident of strong investor sentiment and increasing confidence in crude oil supports the notion for an impending directional impulse and subsequently rising crude oil prices over a medium term horizon.



Background

The **sentix Sentiment** indices, which capture investors' 1-month expectations for a broad range of financial markets, are calculated on a weekly basis since 2001 as part of the sentix Global Investor Survey. The sentix sentiment reflects human 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. A sentiment divergence mostly indicates more important turning points.

The **sentix Strategic Bias** (investors' six-month market confidence) is conducted 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.

The latest sentix Global Investor Survey was conducted from 29-September to 01-October-2016. 1039 individual and institutional investors took part in it.

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 1,000 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 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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