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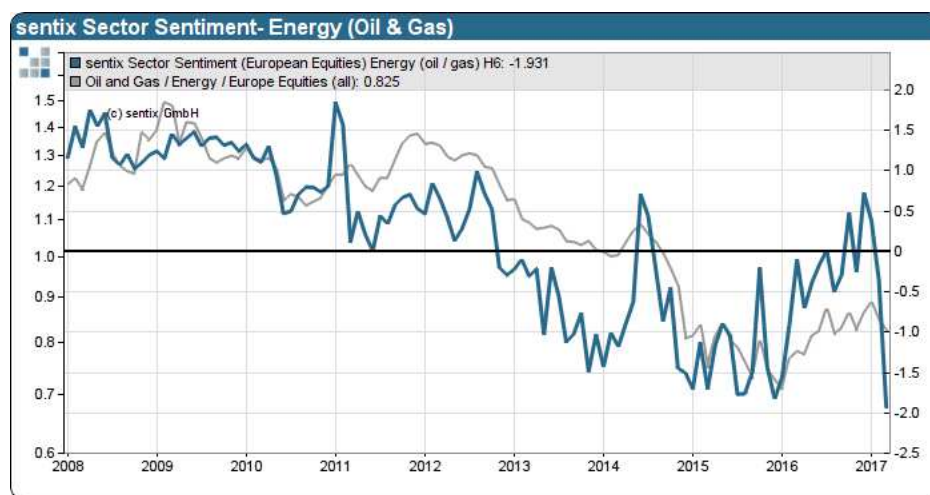
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## Extreme pessimism emerges on energy stocks

The sentix Sector Sentiment for European energy stocks has hit the lowest level since 2002. Within only a few weeks, investors' perception has turned upside down. The latest shift in investors' sentiment reflects the latest oil price shock. Energy stocks are not out of the woods yet due to an unfavourable oil market setup.

After last month's rather optimistic sentiment towards the European energy sector, the situation in March has flipped upside down. Investors' sentiment has plummeted to the lowest level ever recorded since 2002 (refer to chart). The close relationship between crude oil prices and European energy stocks has caused quite a stir with investors. Especially institutional investors downgrade their expectations, and for the first, in 12 months they even express a pessimistic sector outlook, on average. Nevertheless, **comparable sentiment drops yield positive sector performance within the following months, as such shocks are most likely an overreaction** (fear-driven). Due to its composition, the sentix Sector Sentiment does incorporate investors' valuation towards an industry but also a standard sentiment component. Contrarian theory teaches that extreme negative sentiment values ought to be interpreted positively.



sentix Sector Sentiment – Energy and Brent crude oil (USD)

Despite that, **energy stocks are not out of the woods yet, as the oil market itself remains troubled**. Both, sentiment and investors' valuation towards crude oil continue declining. At the same time, investors' portfolios remain heavily "long" invested in crude oil futures. As long as this discrepancy remains unsolved, we do not expect strength in the European energy sector.



## Background

**sentix Sector Sentiment** is a monthly survey conducted since 2002 among individual and institutional investors as part of the sentix Global Investor Survey which runs on the second Friday of each month. Investors are asked about their 6-month expectations regarding 19 European stocks sectors. They can indicate whether they expect a sector to outperform, to perform as the market or to underperform. The survey results are normalised and calculated as z-scores. Z-scores are standard deviations from the mean of a given sample. A value of +1 for an industry sentiment says, for instance, that the expectations for the industry stand one standard deviation above the average expectation for all sectors.

The current sentix Sector Sentiment survey ran from 09-March to 11-March-2017, and 1.078 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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