



20-March-2017

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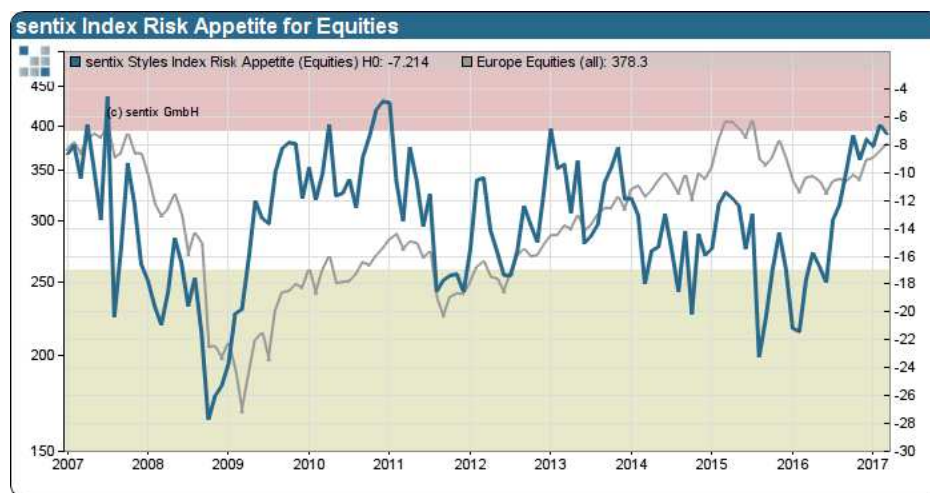
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Appetite for risk is back

Investors' risk preference has reached levels last seen in 2011 and before the financial crisis 2007/08. In both cases, the sentix indicator was a warning signal for coming trouble in equity markets.

Recently investors demonstrate rising appetite for risk as in contrast to previous months and years. The sentix index for risk appetite, which is set up as a composite of investors preference for asset style and class, has reached with -7 points its extreme upper bound. The last time we could measure comparable risk appetite levels were in the summer of 2007 and at the beginning of 2011. In general, risk levels higher than -6 seldom occur. The more risk seeking behaviour stems from a gradual change in investors attitude towards investment style and asset class. Until recently, investor preferred value-oriented investment strategies. However, investors now favourite growth oriented strategies. In addition to this tilt in investing preferences, investors more and more focus on small cap stocks rather than their "safer" counterparts.



sentix Index Risk Appetite – Equities and STOXX 600 Europe

Perhaps many investors are either unaware or ignore their leveraged preference for risk. Just a few weeks ago, in a one of our weekly sentix survey, most investors undoubtedly expressed that their portfolios are only moderately allocated. Options markets, in contrast, contradict this narrative. As options premiums are falling and implied volatilities settle at record lows, the market indicates investors hold more risk than they normally do. Therefore, investors should watch out for downside risks in the weeks to come.



Background

The sentix Syles Index Risk Appetite (Equities) is a monthly survey based indicator estimating survey participants risk appetite for stocks. The indicator is effectively a composite index of investors preference for a particular asset style and class. Very negative values represent a low-risk appetite whereas higher values represent stronger appetite for risk. In theory, investors favouring value oriented over growth strategies have on average a reduced preference for taking risky bets. Moreover, investors found of small caps tend to be more willing to risk capital than those investing solely in large cap stocks. Hence, investors' appetite for risk is not only a function of the degree of portfolio investment but also a function of investment style and class.

The current sentix Sector Sentiment survey ran from 16-March to 18-March-2017, and 1.099 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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