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Euro Break-up Index: conditional relief

The situation in the Eurozone significantly calms after the general elections in the Netherlands. The surprising weak turnout for the Eurosceptic Wilder party is the reason for investors to reconsider their pessimism about the union. In March, the sentix Euro break up Index eases below the 20-percentage point mark. Contagion risks, in contrast, remain high.

In March, the situation in the Eurozone settles, at least on the surface, as the sentix Euro Break-up Index (refer to chart 1, blue line) drops to 18.7%. It is the first time since October 2016 that the sentix Index, which measures the probability that a member country exits the block, ranks below the 20-percentage point mark. The unexpected outcome of the general election the Netherlands put oil on troubled waters. Investors did not expect that Dutch voters defy the populist trend in Europe. Hence at least from a Dutch point of view, voters averted the worst-case scenario of a Wilder – Le Pen axis.

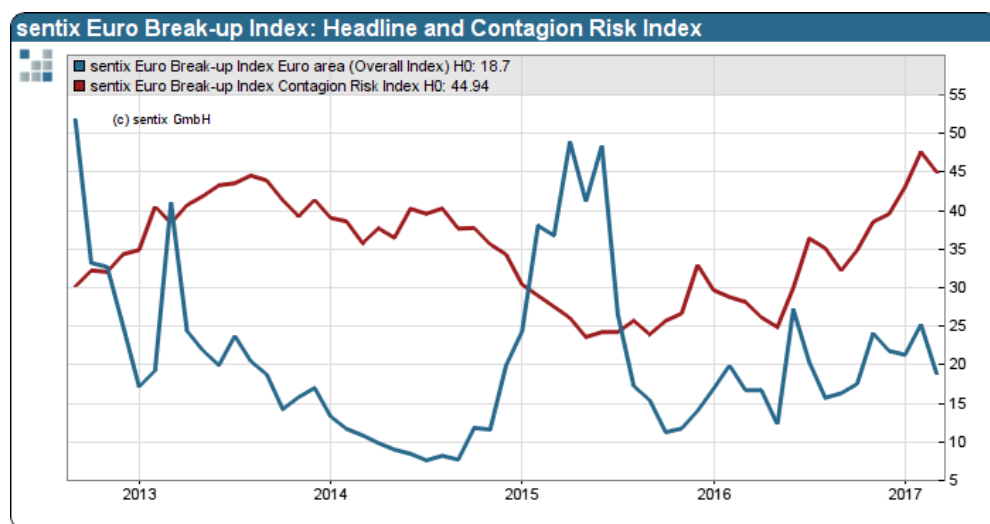


Chart 1: sentix Euro Break-up Index: Headline Index Eurozone and Contagion Risk Index

Although the Dutch election results are the main driver for reducing the exit probabilities, the effect is not limited to the Dutch sub-index, which finally drops back to 0% exit probability. Moreover, spillover effect is particularly pronounced for the Greek, Italian and French sub-indices. Last month we dedicated those a nickname: the threatening three. The exit probability based on the opinion of surveyed investors significantly falls from 14% to 10%. Greece's sub-index exhibits an even bigger decline. Exit probability drops from 19% percent in February to 13% in March (refer to Chart 2).



Press release sentix Euro Break-up Index

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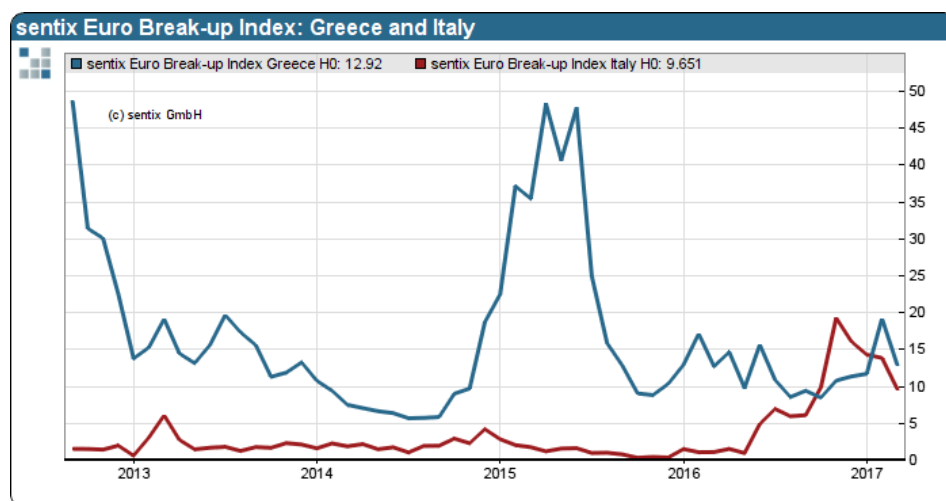


Chart 2: sentix Euro Break-up Index – sub-indices for Greece and the Italy

Although that the far-right populists in Europe suffered a blow in the Dutch general elections, the French presidential election remains a close call. Investors are still worried about a Le Pen victory. Therefore, it is too early to call the latest drop of the sentix Euro Break-up index a relief. The sentix contagion index remains elevated, thus, pointing towards significant risks.



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 18,7% 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 1.164 institutional and retail investors participated was conducted from March, 23th to March, 25th 2017.

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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