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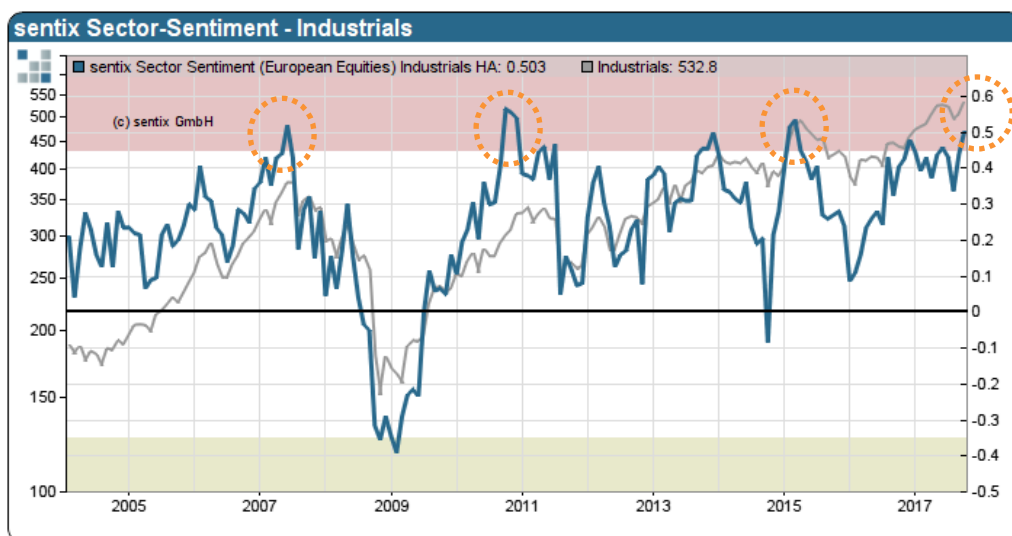
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Euphoria in industrials stocks is alarming

The strong economy is driving investor sentiment for the European industrial sector to a two-and-a-half-year high. Investors feel that the industrial sector is profiting from the booming economy. The euphoria which has broken out, however, is an alert.

The sentix sector-sentiment indicator for industrial stocks in Europe marks a new multi-year high. The current value for October revealed that investors have now built up a high optimism for the industry sector. Currently the sector sentiment is the second best of all 19 STOXX 600 sectors. One of the main factors for the euphoria is the investors' perception of the economic situation. Investors attest to the global economy as well as the economy in Euroland a huge strength (see sentix economic indices). As a result, investors conclude that industrial companies are disproportionately benefiting from a booming economy.



sentix sector-sentiment industrials vs. STOXX 600 Index Industrials

However, the current euphoric mood among the investors for the industrial sector is alarming. From statistical analysis of sentix sentiment data series, it can be seen that such extreme values usually have a contrarian effect on the markets. This can also be seen clearly in the sectoral sentiment chart for industrial stocks. In the past, such extremums were often a harbinger for near-correction (see chart). In addition, there is the strong absolute threat to the sector (technically significantly overbought market situation). In the coming months, we therefore expect an increased risk of a correction in the industrial stocks.



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 current survey was conducted between October 12th and October 14th, 2017, among more than 1.000 private and institutional investors.

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 Behavioural Finance.



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