



sentix Eco Report Indicators for the Global Economy

08. Dezember 2014

Free for active sentix survey participants / standard conditions at www.sentix.de



Dr. Sebastian Wanke

Senior Analyst

sebastian.wanke@sentix.de



sentix GmbH

Wiesenhüttenstraße 17, 60329 Frankfurt am Main

Tel. +49 (69) 3487 961 0, info@sentix.de

sentix economic index: coup in Euroland!

- In December, the composite index for the eurozone rises by 9.4 to now -2.5 points.
- This increase is mainly driven by an extraordinary improvement in investors' 6-month expectations. For the euro area they show the **third strongest increase since the introduction of the time series!** This indicates that the euro area is abruptly leaving its recessionary phase behind and is now entering a recovery.
- The composite indices for the rest of the regions and countries improve, too. The **exception is Japan** for which investors assess the **current situation** much worse than last month. **The composite index for the global aggregate nevertheless rises markedly from 9.7 to 12.8 points.**

Statistics

Poll running: **04.12.-06.12.2014**

Survey participants: **954**

(of which institutional investors: **254**)

sentix indications for upcoming market events

Please find in this section valuable information on important upcoming market events and the expectations that can be derived from sentix data.

sentix – first mover advantage!

16.12.2014: **ZEW economic expectations** (Germany):

Very strong rise to over 40 points!

16.12.2014: **Flash PMIs (manufacturing):**

Improvements for China, the euro area and the US

18.12.2014: **ifo business climate:**

Further increase to 107 points, mainly driven by expectations

08.01.2014: **Economic Sentiment** (euro zone):

Indicator should now improve more markedly than before

Table of the **December 2014** results for the euro-zone economy

Euro area	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
Overall Index	10.1	2.7	-9.8	-13.7	-11.9	-2.5
Headline Index						
- Current situation	2.3	0.5	-16.8	-20.0	-21.3	-16.0
- Expectations	18.3	5.0	-2.5	-7.3	-2.0	12.0



Commentary on the survey results for December 2014

Coup in Euroland!

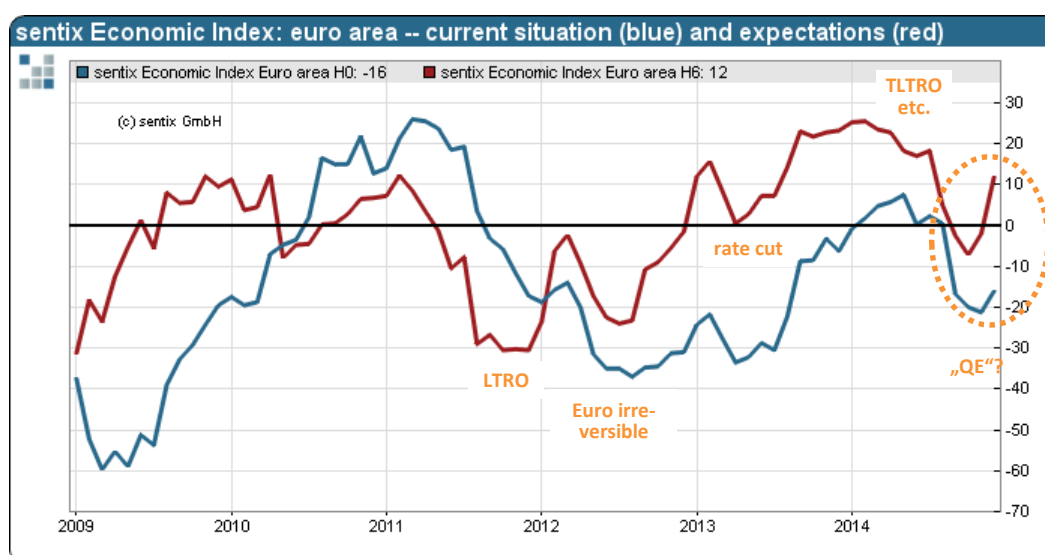
For the euro-area economy investors' 6-month expectations rise in December as strongly as only twice before in the history of the sentix Economic Index. Only in August 2005, ahead of German elections, and in February 2012, when the ECB was about to launch its second LTRO, more pronounced increases could be observed. Also, the assessment of the current situation improves which makes the composite index go up by 9.4 to now -2.5 points. With that, the sentix Economy Clock now points to an upswing for the euro zone!

For the remaining regions and countries the composite indices rise, too. The only exception is Japan. That the euro zone stands out so clearly this month should be due to the expectation that the ECB will start a large-scale asset-buying programme soon. In addition, the weak euro and the fallen price of oil are obviously perceived as economic boosters. And the low oil price does have positive effects not only in the euro zone!

Euro zone – back to the future

The composite index for the euro zone increases strongly in December. It climbs from -11.9 to 2.5 points. This increase is mainly driven by a strong improvement in investors 6-month expectations. But also the assessment of the current situation is better than last month. **With this development the euro zone clearly sticks out among all sentix Economic Indices this month!**

It is worth having a closer look at the investors' expectations. Their rise by 14 to now +12 points is extraordinarily strong! Thus the signal this improvement sends has to be taken very seriously. **Only twice in the indicator's twelve-year history economic perspectives have brightened in a stronger manner for the euro area.** The first time was in August 2005, just before important German general elections. This second time was February 2012 when the ECB was about to launch its second LTRO.



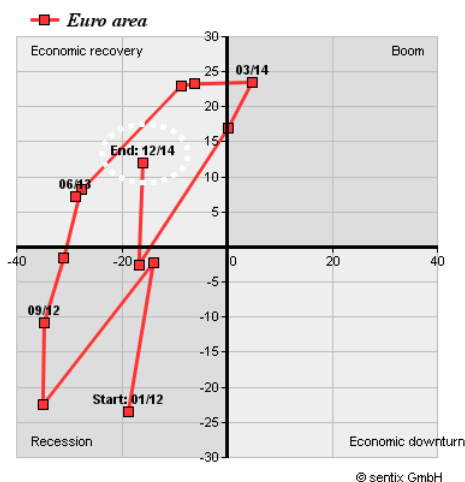
sentix Economic Index, euro zone: **assessment of the current situation (blue)**, **6-month expectations (red)**

Consequently, Mario Draghi once again has taken the perfectly right measures when it comes to influencing investors' economic expectations. His de-facto announcement of a large-scale asset-buying programme to fight deflationary tendencies should be the main reason behind the strong rise in investors' 6-month expectations – which now even have managed to enter positive territory! Resulting from the ever-more-expansive monetary policy is, among



other things, a **weaker euro**. This weakening of the common currency is probably also perceived as an important support for the euro-zone economy by investors.

sentix -EU- Economy Clock



Furthermore, the **oil price has fallen dramatically** over the last weeks. This, obviously is interpreted as an **additional stimulus** by investors, but this stimulus is also having positive effects in other countries and regions.

Quite remarkable is also that this month's increase in expectations is by no means a seasonality! One might derive such an assumption from the nature of stock markets where a so-called "year-end rally" can regularly be observed. Regarding economic developments investors might then also have the habit to hope for improvements in the new year when the old one – with all its flaws – can finally be left behind. But such a hypothesis has to be rejected when looking at the data: on average the sentix economic expectations for the euro zone have risen in December over the past eleven years only by 1.7 points. If one looks only at the data from 2007 on, when the financial crisis began, the "increase" is reduced to a very meagre 0.1 points. **As a result, the current rise in investors' 6-month expectations show all the**

more that something has changed fundamentally in investors' perceptions regarding the euro-zone economy.

The strong increase in expectations makes the sentix Economy Clock turn into its "recovery area" (see graph above, on the left hand side) – **meaning that the euro-zone economy should be about to very abruptly leave its recessionary phase behind to enter a new upswing.**

Germany – the euro-zone's engine works again

For Germany, the composite index increases quite similar to the one for the euro zone. It now stands at **19.6 points and thus clearly in positive territory**. Consequently, Germany seems to be ready to once more assume its **role as engine for the euro area**. Here, it is investors' expectations which drive the development, too. The **weaker euro** clearly helps the "**world exports champion**" in a very special manner. The **lower oil price** has the same effect as a tax reduction – for consumers and companies. It may even act as the often-called-for "**fiscal stimulus**" – in Germany and in the euro zone as a whole, too.

Germany	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
Overall Index	29.0	17.9	11.1	5.4	9.8	19.6
Headline Index						
- Current situation	47.5	38.9	26.4	19.5	19.1	23.9
- Expectations	11.8	-1.3	-3.1	-7.8	1.0	15.3

Highest since
March 2014



Global Aggregate – a new harmony, only Japan on a different track

For all countries and regions the sentix composite indices improve in December as economic perspectives brighten. The exception is Japan where investors perceive the current situation as worse now that the country has officially re-entered recession. Also, expectations are a tad weaker this month as Japan is facing new parliamentary elections on December, 14th (see table on next page).

But the bottom line is that the composite index for the global aggregates increases markedly for the second month in a row. And expectations are about to again reach their healthy level of last summer. Thus, the world economy starts into the year 2015 with significant economic tailwinds!

Global Aggregate	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
Overall Index	17.9	13.5	11.5	6.1	9.7	12.8
Headline Index						
- Current situation	19.0	18.5	15.1	11.3	13.2	13.2
- Expectations	16.8	8.5	7.8	1.1	6.3	12.3

Effects on financial markets

The sentix Economy Clock turns from “recession” to “recovery” for the euro zone. This a strong positive signal for the stock markets in the euro area. On the contrary, this is now not supposed to be an easy phase for bonds.

For the US and the world as a whole the sentix indices even point to a “boom”. One has to expect a positive equity performance in this phase of the cycle, too. But the performance will not be as strong as in a recovery. The total return for US bonds is during a boom slightly negative, according to our calculations.



sentix Eco Report Indicators for the Global Economy

08. Dezember 2014

More tables

USA	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
Overall Index	29.3	26.5	25.7	21.0	27.1	29.4
Headline Index						
- Current situation	38.5	40.3	40.0	37.8	44.5	44.3
- Expectations	20.5	13.5	12.3	5.5	11.0	15.5

Japan	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
Overall Index	9.6	4.7	2.5	-0.6	5.0	-0.5
Headline Index						
- Current situation	9.8	5.5	2.5	-0.5	1.3	-7.8
- Expectations	9.5	4.0	2.5	-0.8	8.8	7.0

Lowest since
March 2013

Asia ex Japan	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
Overall Index	22.5	23.5	23.5	16.7	18.9	22.3
Headline Index						
- Current situation	26.5	30.8	30.3	25.3	25.5	26.5
- Expectations	18.5	16.5	17.0	8.5	12.5	18.3

Eastern Europe	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
Overall Index	3.0	-12.0	-12.9	-16.3	-12.2	-11.2
Headline Index						
- Current situation	-3.5	-13.3	-17.8	-20.3	-17.8	-19.5
- Expectations	9.8	-10.8	-8.0	-12.3	-6.5	-2.5

Latin America	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
Overall Index	4.9	-5.9	2.0	-7.6	-7.2	-6.2
Headline Index						
- Current situation	-0.5	-9.0	-1.8	-10.3	-12.3	-15.0
- Expectations	10.5	-2.8	5.8	-5.0	-2.0	3.0



Data availability

Bloomberg

FACTSET



Macrobond



sentix 
expertise in behavioral finance

About sentix

On a weekly basis, almost 4.000 registered investors (of which about 900 are institutionals) supply us with their market assessment. Out of this data, sentix calculates sentiment indexes, which mirror the sentiment of equity markets (DAX, EuroSTOXX 50, Nikkei 225, S&P 500), bond markets (Bund-Future, US-Treasury-Future) and currencies (EUR/USD, USD/YEN). These sentiment indexes are setting the standard, held in high regard by many renowned financial players and are used by investment professionals in their analyses and investment processes. A history of more than eleven years and the simple access to data via reputable data providers as well as a website document the outstanding position of sentix as the leading independent sentiment data base.

Background, methodology and more

See <http://economics.sentix.de>



Disclaimer

Important information concerning liability, compliance, protection of investors and copyright

This information is meant only for distribution in countries in which this is permitted by law.

This analysis is for information purposes only and (i) does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any financial, money market or investment instrument or any security, (ii) is neither intended as such an offer for sale or subscription of or solicitation of an offer to buy or subscribe for any financial, money market or investment instrument or any security nor (iii) as an advertisement thereof. The investment possibilities discussed in this report may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. The investments discussed may fluctuate in price or value. Investors may get back less than they invested.

Changes in rates of exchange may have an adverse effect on the value of investments. Furthermore, past performance is not necessarily indicative of future results. In particular, the risks associated with an investment in the financial, money market or investment instrument or security under discussion are not explained in their entirety.

We assume no liability for the information contained in this analysis. The analysis is no substitute for personal investment consultation. Even on the basis of the depicted opportunities and risks, investors must individually assess – on the basis of their own personal investment strategies, the financial, legal and fiscal situation - whether an investment in the financial instruments depicted here is sensible for them. As this document is in no way a direct investment recommendation, this document or parts of it should not be used as the basis for any conclusion of contract or for any commitment to obligations of any kind. Investors are asked to contact the investment analysts of their banks for individual investment advice and other individual explanations and advice.

Neither the sentix GmbH nor any of its managing directors, employees or other persons assume liability for losses or damages caused in connection with the use of this document or its contents.

The sentiment analysis is made available via the internet to those sentix participants of which is assumed that they do not base their investment decisions inappropriately on the basis of this analysis.

Statements or conclusions made through data or services do not include warrants or guarantees for future market- or price changes. The opinions and assessments expressed therein can change without prior notice.

The sentix GmbH explicitly points out that both the sentix GmbH, its legal agents as well as their employees (in the following: the Involved) regularly conduct transactions in equity and other financial instruments which the data and services refer to. They do this both in their own names and for their own accounts as well as in the name and accounts of third parties. Should the Involved have been involved in an emission of instruments for the finance markets in the past 12 months, this is separately indicated at the corresponding place.

All rights of use for this analysis, its data and services are property of the sentix GmbH and are copyrighted. The sentix GmbH reserves its right to inflict penalties for the unauthorized usage of data and services, especially unauthorized commercial use. A reproduction or subsequent processing of website elements, analyses, data or services in electronic, written or other form is prohibited without prior consent by the sentix GmbH. Analyses that are only available in the secure customer area may not be quoted, neither in full, nor in part. An exception to this are analyses, data or services which have been posted by the sentix GmbH via the press mailing list or which have been presented in other form for public propagation.

This analysis may not – either in full or in part, regardless of underlying intent – be forwarded, reproduced or published.

„sentix“ is a registered trademark of Manfred Hübner and Patrick Hussy.

DAX, TecDAX, Xetra und Eurex are registered trademarks of the Deutsche Börse AG. Dow Jones EURO STOXX 50 is a registered trademark of the STOXX Limited. Other names of products and companies which may be mentioned on this site could also be protected or be registered trademarks of other companies.

ANALYST DECLARATION

Neither in the past, present or future is the remuneration of the author linked – either directly or indirectly – to his or her recommendations or views expressed in this context.