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sentix Economic Index: Chinese glimmers of hope

- The outcome of the Brexit referendum in the UK has no further impact on the sentix Economic expectations. **The headline index for the euro zone rebounds to +4.2 points.**
- The **Chinese economy** gains momentum and **leads global recovery.** Current situation and expectation values both increase.
- The remaining world regions **post improvements in the current situation values** as well. The **US economy** remains pleasantly robust as the current situation value strengthens. The economy in **Latin America** and **Eastern Europe** continue to stabilise.

Statistics

Poll running: **04-to 06-August-2016**

Survey participants: **997 investors**

(of those are institutional investors: **255**)

Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
Eurozone	slight upturn	USA	upturn
Germany	upturn	Japan	stabilisation
Switzerland	slight upturn	Asia ex-Japan	upturn
Austria	slight upturn	Latin America	stabilisation
Eastern Europe	stabilisation	Global Aggregate	slight upturn

* The regimes – ranging from recession to boom – are derived from the sentix Economic Indices according to the principle of the “economy clock” (see annotation on penultimate page). They reflect investors’ perceptions of different economies. These perceptions are the basis for investors’ behaviour, i.e. their asset allocation, and are thus relevant for financial markets. They are historically close to actual economic activities but need not necessarily be identical.

Results for the Eurozone economy: August 2016

Euro area	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16
Overall Index	5.5	5.7	6.2	9.9	1.7	4.2
Headline Index						
- Current situation	8.3	6.0	7.0	9.8	5.5	3.8
- Expectations	2.8	5.5	5.5	10.0	-2.0	4.8

lowest level
since February
2015



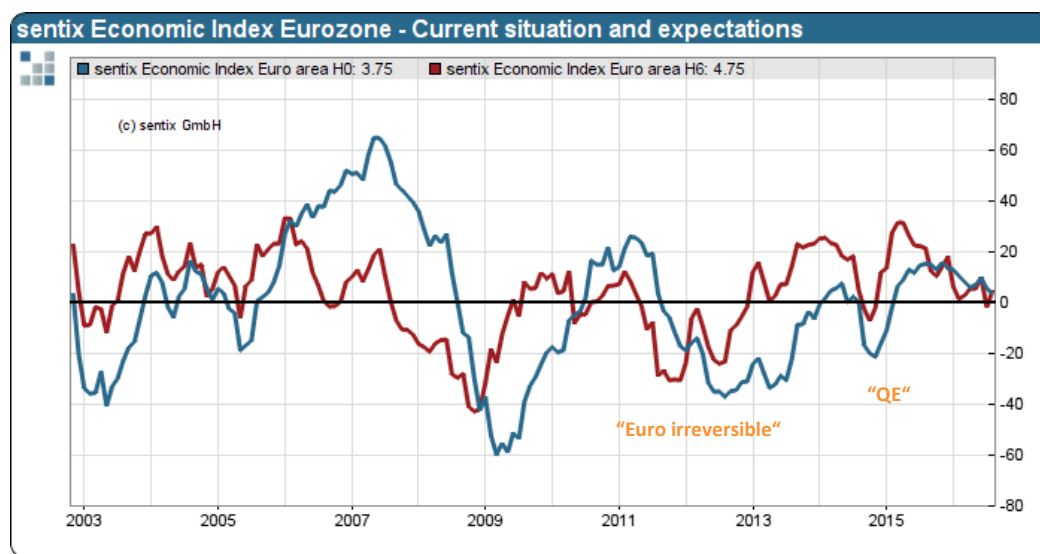
Commentary on the survey results for August 2016

Chinese glimmers of hope

Economic expectations are no longer negatively affected by the Brexit fallout. The sentix Economic Index improves moderately to +4.2 points. Positive growth impulses of the Chinese economy are accountable for the latest upswing, however. The European economy merely contributes to the confidence built up. The index for Asia ex. Japan jumps from +8.2 to +14.1 points. The latest round of yuan depreciation against the US Dollar and the Japanese Yen seems to act as a stimulant.

The Eurozone – Brexit fallout digested

The Brexit shock has negatively impacted expectations only temporary. Worries about an economic downturn have not intensified in August. The headline index for the Eurozone has indeed again slipped back to +3.8 points (the lowest value since February 2015). Nevertheless, economic expectations have improved significantly by +6.8 to +4.8 points. The devaluation of the British pound and monetary easing by the Bank of England should have boosted investors' expectations. According to investors surveyed by sentix, the British economy is not expected to plunge into recession.



sentix Economic Index for the Eurozone: **current situation** and **expectations**

The latest data is not a signal of the inherent strength of the Eurozone. From a macro perspective, the increase of Eurozone's economic expectations is caused by the positive development of economic situations in other world regions. Most notably the improvement of the Asian ex. Japan region cheers investors' economic expectations. Economic expectations of Asia ex. Japan have significantly increased. As a side effect, regained optimism positively affects expectations around the globe (the Asia ex. Japan section provides more details).

Despite a better economic outlook, investors have surprisingly altered their inflation expectations. In contrast to previous month's inflation uptick, expectations on inflation have been revised down again. Despite ultra-low interest rate levels and accommodative monetary policies in all major economies, measurable inflation is still not in sight. Furthermore, investors continue to doubt the robustness of the world economy. The latest upward revisions of the sentix Economic Indices could not alter the status quo.



Asia ex. Japan – Currency depreciation is beginning to take effect

The depreciation of the Chinese Yuan against the US Dollar and the Japanese Yen starts bearing fruits. The Chinese economy experiences vitalising momentum as the sentix Economic Index for Asia ex. Japan, which is heavily influenced by Chinese economy, improves. Both, economic situation and expectation values significantly gained strength in comparison to last month. Expectations have risen by +18 points within the last six months. The last time we measured a comparably strong increase was back in March 2013.

Asia ex Japan	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	
Overall Index	1.5	5.0	5.4	9.0	8.2	14.1	Highest level since July 2015
Headline Index							
- Current situation	1.3	4.3	4.8	7.5	9.5	15.0	Highest level since July 2015
- Expectations	1.8	5.8	6.0	10.5	7.0	13.3	Highest level since June 2015



sentix Economic Index for Asia ex. Japan: **current situation** and **expectations**

Latin America – Stabilisation continues throughout the Olympic games

The process of economic stabilisation for the Latin American region continues. As the weight of the Brazilian economy dominates the regional index, the sentix indicator signals no further economic deterioration. In contrast: investors have consistently revised their expectations up over the last six months. The overall increase of +16.5 points nurtures hopes for a significant turnaround in the weeks to come.

Latin America	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	
Overall Index	-23.4	-18.2	-15.7	-18.0	-13.7	-12.5	Highest level since July 2015



More tables

Germany	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16
Overall Index	16.9	17.6	18.3	20.7	18.4	19.8
Headline Index						
- Current situation	33.3	32.7	34.1	34.4	35.2	33.4
- Expectations	1.7	3.4	3.5	7.9	2.7	7.0
Switzerland	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16
Overall Index	5.4	7.9	1.0	7.7	-0.9	3.7
Austria	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16
Overall Index	13.1	7.1	-5.3	11.1	4.1	9.4
USA	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16
Overall Index	9.5	14.5	10.8	17.0	14.3	17.6
Headline Index						
- Current situation	21.8	26.8	21.3	27.8	27.0	29.3
- Expectations	-2.0	3.0	0.8	6.8	2.3	6.5
Japan	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16
Overall Index	-6.3	-10.1	-13.8	-6.2	-8.6	-6.2
Headline Index						
- Current situation	-8.3	-14.5	-19.0	-12.3	-13.0	-12.8
- Expectations	-4.3	-5.5	-8.5	0.0	-4.0	0.5
Eastern Europe	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16
Overall Index	-12.8	-8.7	-7.8	-5.5	-7.3	-5.0
Global Aggregate	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16
Overall Index	0.5	3.5	2.6	6.7	4.3	7.9



Data availability

Bloomberg

FACTSET

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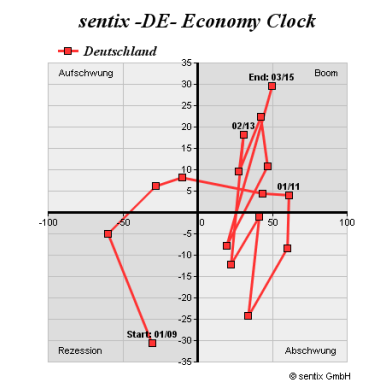
About sentix

The sentix GmbH is an independent research institute based in Frankfurt/Main, Germany. Founded in 2001, sentix provides analysts and investors, as well as the media and officials, with information about investors' preferences and their estimates and expectations about markets and economic trends.

Sentix is recognised in the industry as one of the leading experts in market sentiment and Behavioral Finance data. Among our clients are big fund managements groups as well as banks and independent fiduciaries. The data products are derived from the sentix Global Investor survey, to which more than 5.000 investors from 20+ countries contribute.

Background, methodology and more

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



The idea of the „economy clock“

The sentix economy clock shows the assessment of the current situation and investors' 6-month expectations in an x-y diagram. The assessment of the current situation is displayed on the x-axis and 6-month expectations on the y-axis. An upturn, for instance, is characterised by still negative readings for the assessment of the current situation but already positive values for investors' expectations. This is why the upturn area lies in the upper left part of the clock. The graph on the left-hand side shows Germany starting in 2009 from a recession ending in 03/15 in a boom.



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