



Registration for the press distribution list and further information at www.sentix.co.uk



Manfred Huebner

CEFA, Managing Director

manfred.huebner@sentix.de



sentix GmbH

Wiesenhüttenstraße 17, 60329 Frankfurt am Main

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

sentix Economic Index: US Mania – Setback in the Eurozone

- The sentix Economic Index for the Eurozone suffers a setback. The headline index declines by-3.1 points to 10.0 points. Economic expectations are dropping 4 points back to 8.3 points.
- Investors celebrate the election of Donald Trump. **Economic expectations for the US economy have skyrocketed to 27.8 points.** Up by 20.5 points. The largest increase of US expectations in the sentix survey, ever.
- Also, the index for the Japanese economy can benefit from the “Trump effect”. The sentix Global Aggregate Index marks a new annual high as the remaining economies enjoy stability.

Statistics

Poll running: **01 to 03-December-2016**

Survey participants: **1.005 investors**

(of those are institutional investors: **279**)

Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
Eurozone	upturn	USA	boom
Germany	boom	Japan	upturn
Switzerland	upturn	Asia ex-Japan	boom
Austria	slight upturn	Latin America	upturn
Eastern Europe	stabilisation	Global Aggregate	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 Euro area economy: December 2016

Euro area	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	1.7	4.2	5.6	8.5	13.1	10.0
Headline Index						
- Current situation	5.5	3.8	4.5	6.3	12.3	8.3
- Expectations	-2.0	4.8	6.8	10.8	14.0	11.8



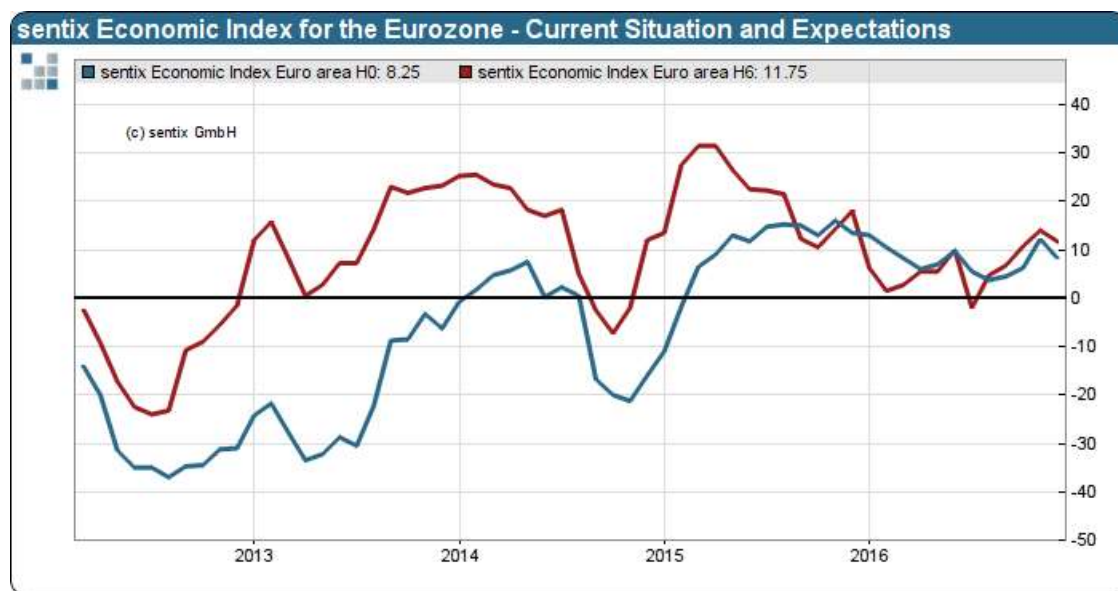
Commentary on the survey results for December 2016

US-Mania - Setback for the Eurozone

The sentix economic indices show as one of the first published leading indicators after the US election a remarkable shift in economic expectations. Investors entirely revise their expectations for the US economy and turn euphoric. Expectations jump by 20.5 points. Another beneficiary of the surprising US election result is Japan. The surge in the US Dollar causes the Japanese Yen to decline which should boost the export-driven economy. While the US, Japan and the sentix Global Aggregate Index benefit, only Europe trails behind. The headline index for the Eurozone slides 3.1 points. The Global Aggregate Index shows a plus of 3.1 points.

Eurozone – No “Trump effect.”

The index for the Eurozone suffers a setback in December. The headline index loses 3.1 points and cannot add to the streak of new annual highs of previous months. The sub-indices depict a similar situation: Despite that the economic expectation is driven index manages to remain with 11.8 points above the October readings, in comparison to November's 14 points to marks a setback of 2.2 points. Moreover, investors assessment of the current state of the Eurozone economy is subdued. The Index for the current situation drops 4 points to only 8.3 points in December. Europe seems to remain in a self-absorbing condition. Whether Austria, Italy or other local elections in 2017, uncertainty among investors continue. By now market pundits stigmatise every election as decisive for the future of the Eurozone. In turn, economic development increasingly stuck in the political spiral, as investors and businesses get cautious on investments. Apparently not a sound environment for far-reaching business decisions. Investors turn their focus across the Atlantic. Economic expectations for the US and the Japanese economy benefit.

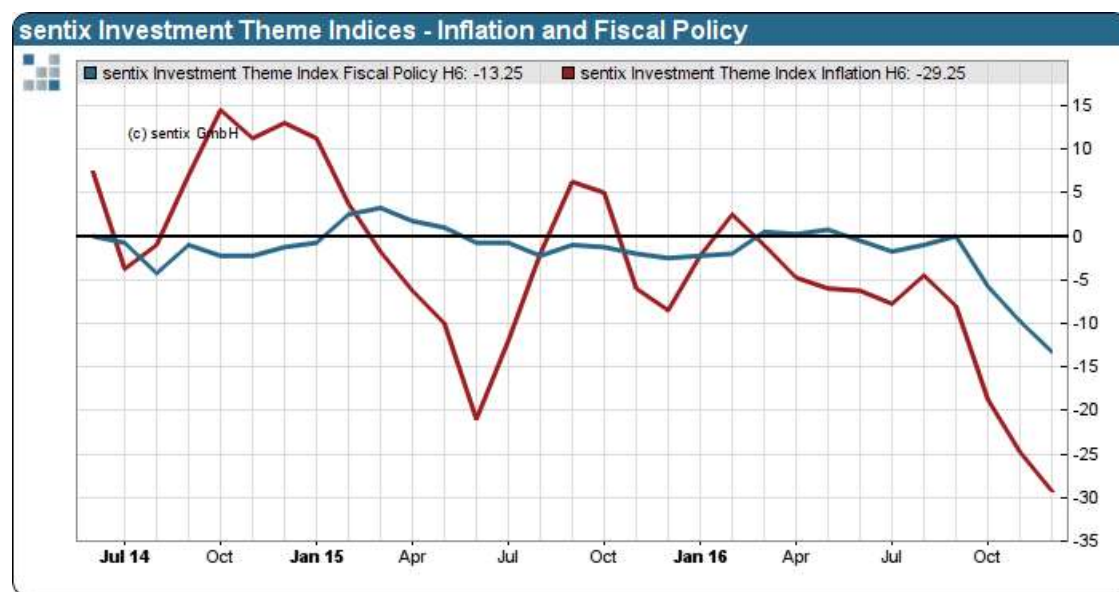


sentix Economic Index for the Eurozone: overall index and economic expectations index



The improvement of global economic expectations causes side effects. Investors communicate those via the sentix Investment Theme Indices. In December, the sub-indices inflation and fiscal policy indicate mounting pressure for the European bond markets. Despite that the EZB shows no sign of monetary tightening, investors sense a climate for rising yields. Moreover, for the third time in a row, investors getting more and more concerned about fiscal policy and the adverse implications for bonds. All mentioned aspects should contribute to a steepening of the yield curve.

Background Investment Theme Indices: sentix asks survey participants besides their opinion on the economy whether inflation, economic development, central bank policy, fiscal policy or the Euro/US-Dollar exchange rate may affect the European bond market.



sentix Investment Theme Indices: **Fiscal Policy** and **Inflation**

Germany – complaining on a high comfort level

Like the Eurozone, the index capturing the economic development for Germany suffers a setback. Both economic expectations, as well as current situation values marginally, decline back to their October 2016 readings – complaining on a high comfort level. Nevertheless, we can state that investors' optimism about the US economy following the election result has not sparked to the German/European indices.

Germany	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	
Overall Index	18.4	19.8	19.5	27.7	29.2	27.8	Highest level since 05.2015
Headline Index							
- Current situation	35.2	33.4	34.3	45.5	47.8	45.8	Highest level since 03.2015
- Expectations	2.7	7.0	5.7	11.3	12.0	11.3	Highest level since 08.2015

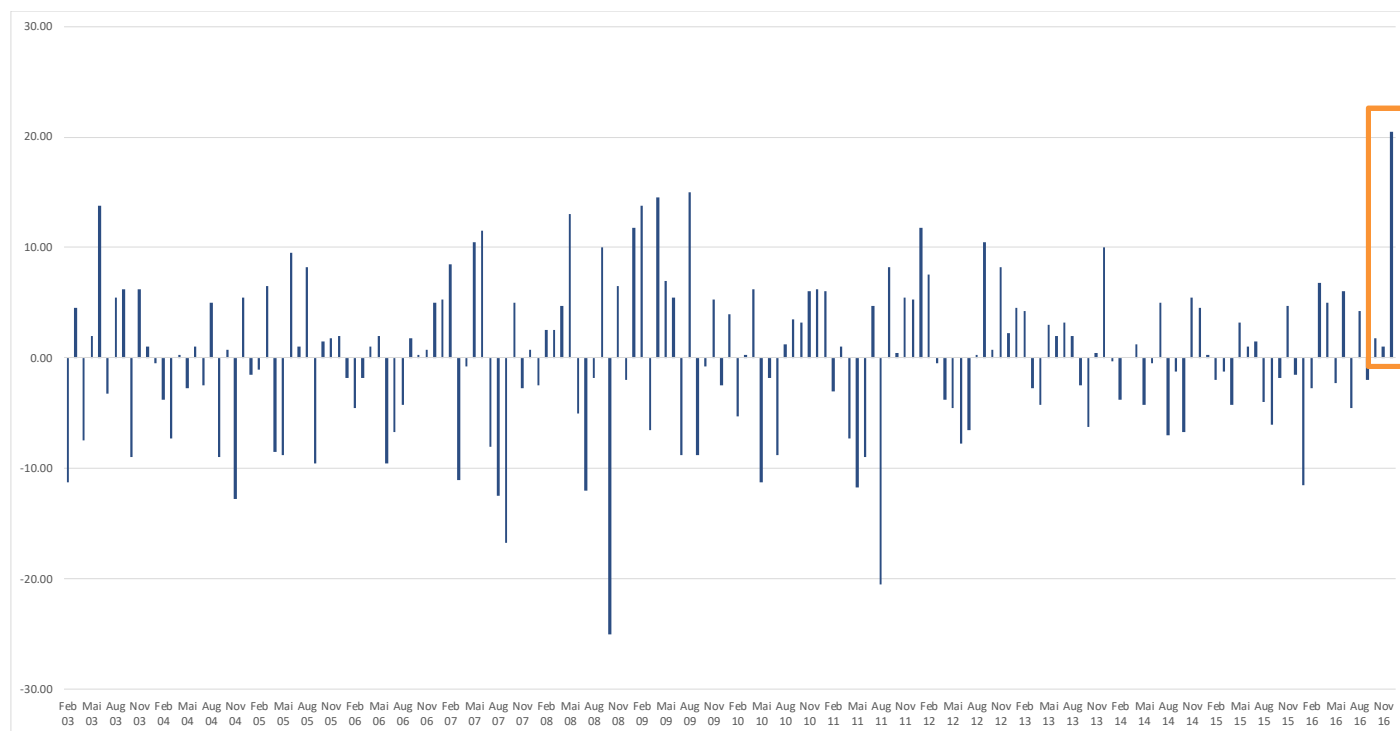


The United States – Donald ignites mania

The latest results of the sentix economic indices for the US economy reveal a real surprise: not only have investors underestimated the likelihood of Donald Trump being the next US President, but also their reaction to the surprise victory is stunning. The change of the US sub-indices is staggering: within only a single month the headline index jumps 15.4 points. The current situation index rises 9.7 points, and economic expectations skyrocket 20.5 points. Sentix – first mover advantage!

USA	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	
Overall Index	14.3	17.6	16.5	17.8	19.6	35.0	Highest level since 07-2002
Headline Index							
- Current situation	27.0	29.3	29.3	30.0	32.8	42.5	Highest level since 03-2015
- Expectations	2.3	6.5	4.5	6.3	7.3	27.8	Highest level since 07-2002

The latest increase of economic expectations is the strongest monthly change ever recorded since the inception of the sentix economic indices in July 2002. At the same time, it is the most positive ever recorded value in the US headline and excitation index. Neither an election, an economic crisis, war, a terroristic incident nor a central bank decision has ever caused such an intense impulse! In retrospective, we are now able to comprehend the surge of markets in November. The next logical consequence based on our data is that other leading indicators should follow the sentix indices. Moreover, we believe that the FED might now accelerate their restrictive stance to monetary policy. An acceleration of monetary tightening should affect not only yields for longer dating maturities but also the US-Dollar and the US labour market.



Monthly changes in the sentix Economic Expectations Index for the US Economy



sentix Economic Index for the US Economy: **Expectations**

Japan the beneficiary

As the US-Dollar strengthens, the Japanese Yen declines and boosts investors' expectations for the development of the Japanese economy. The sub-index which measures expectations over the next six month increases to 12.3 points, the highest level since April 2015.

Japan	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	
Overall Index	-8.6	-6.2	-4.8	-1.3	1.3	9.0	Highest value since 08.2015
Headline Index							
- Current situation	-13.0	-12.8	-10.3	-6.8	-3.0	5.8	Highest value since 09.2015
- Expectations	-4.0	0.5	0.8	4.3	5.8	12.3	Highest value since 04.2015



More tables

Switzerland	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	-0.9	3.7	10.8	18.7	13.6	15.4

Austria	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	4.1	9.4	3.4	6.2	3.3	6.2

Asia ex Japan	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	8.2	14.1	16.4	19.7	22.4	20.6
Headline Index						
- Current situation	9.5	15.0	18.0	21.5	25.5	23.0
- Expectations	7.0	13.3	14.8	18.0	19.3	18.3

Eastern Europe	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	-7.3	-5.0	-2.9	-1.6	2.2	1.8
Headline Index						
- Current situation	-14.3	-12.8	-10.0	-8.5	-4.8	-6.5
- Expectations	0.0	3.0	4.5	5.5	9.5	10.5

Latin America	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	-13.7	-12.5	-9.1	-6.0	0.8	-5.0
Headline Index						
- Current situation	-30.3	-29.3	-23.8	-21.5	-13.3	-21.3
- Expectations	4.5	6.0	6.8	10.8	16.0	12.8

Global Aggregate	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	4.3	7.9	9.1	11.6	14.8	17.9
Headline Index						
- Current situation	6.2	8.4	10.3	12.5	16.8	17.8
- Expectations	2.4	7.4	7.9	10.7	12.9	18.0



Data availability

Bloomberg

FACTSET

 **THOMSON REUTERS**

CEIC | A Euromoney
Institutional
Investor Company

Macrobond

**IHS GLOBAL
INSIGHT**

HAVER ANALYTICS®

sentix 
expertise in behavioral finance

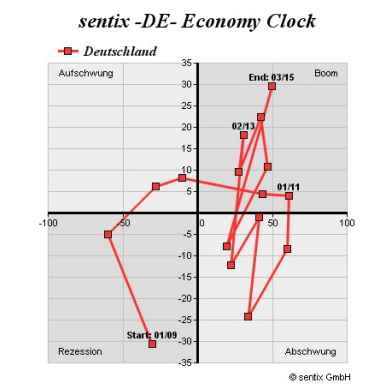
About sentix

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 evaluation 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.



Disclaimer

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

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

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 hurt 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 by the depicted opportunities and risks, investors must individually assess – by their 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 the contract or 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 assumes 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 by this analysis.

Statements or conclusions made through data or services do not include warrants or guarantees for the 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 names and for their 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 the property of the sentix GmbH and are copyrighted. The sentix GmbH reserves its right to inflict penalties for the unauthorised usage of data and services, especially unauthorised commercial use. Reproduction or subsequent processing of website elements, analyses, data or services in electronic, written or another form is prohibited without prior consent by the sentix GmbH. Analyses that are only available in the secure customer area may 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 another 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 sentix Holding GmbH.

DAX, TecDAX, Xetra und Eurex have 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.