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sentix Economic Index: Signals of weakness in the US

- The Euroland economy is still very well estimated by investors. The overall Euroland index climbs to 27.4 points, the highest since July 2007.
- This assessment is increasingly based on the assessment of the situation, which has risen to 34.5 points for the fifth time in a row.
- The development in Europe thus decouples strongly from the US economic assessment, which is again declining. With 5.8 points the expectations are only just above the stagnation threshold! There are also signs of fatigue in Asia ex Japan.

Statistics

Poll running: **May 4th to 6th, 2017**
Survey participants: **1,063 investors**
(**289** of those are institutional investors)

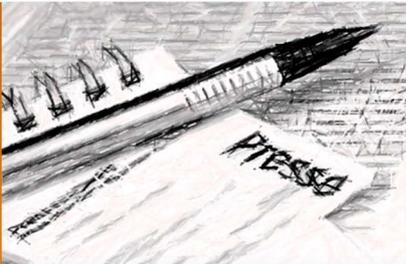
Current economic regimes* of countries /regions in focus:

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

* 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: May 2017

Euro area	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17	
Overall Index	10.0	18.2	17.4	20.7	23.9	27.4	Highest value since 07-2007
Headline Index							
- Current situation	8.3	16.5	20.5	23.8	28.8	34.5	Highest value since 01-2008
- Expectations	11.8	20.0	14.3	17.8	19.3	20.5	Highest value since 08-2015



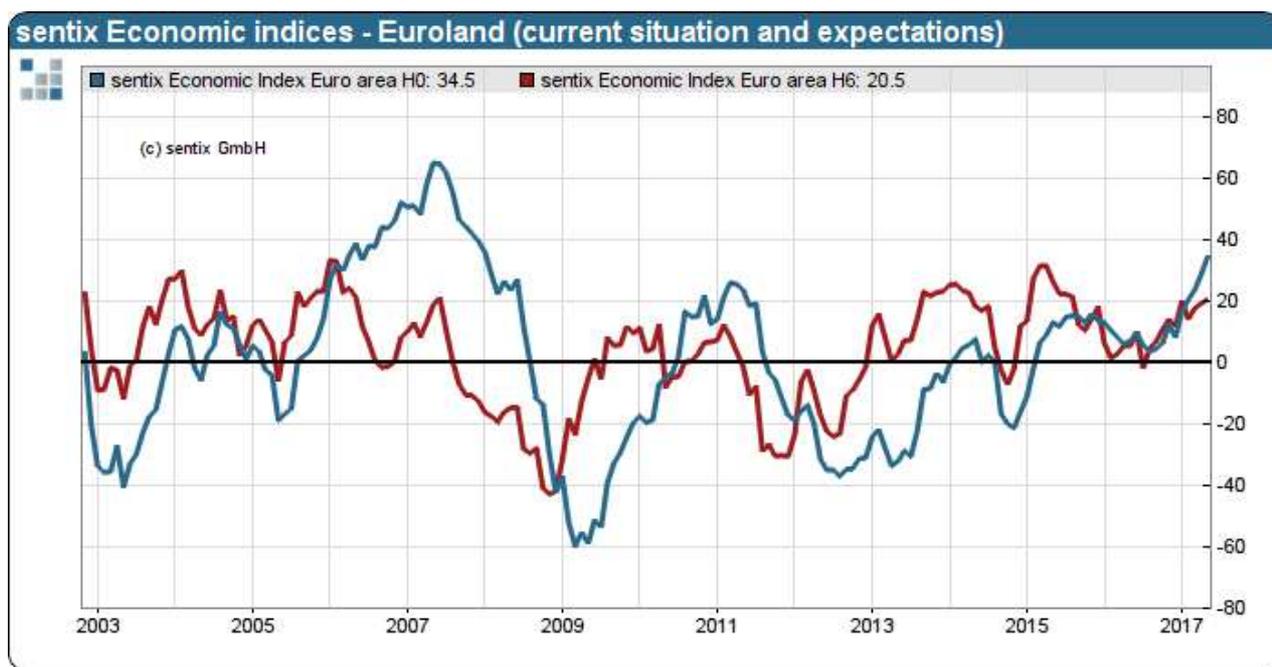
Commentary on the survey results for May 2017

Signals of weakness in the US

The Euroland economy continues to be in good shape. The sentix economic index for the Euro area rises to 27.4 points, the highest since July 2007. These assessments are increasingly supported by the current situation assessment, which reached the highest level since January 2008, with 34.5 points. It is even better in Germany. Here, the current situation judgment reaches 61.3 points the fifth largest ever measured value. Quite different is the situation in the US, where investors are increasingly looking at the economic outlook. US economic expectations are falling again.

The eurozone again strengthened

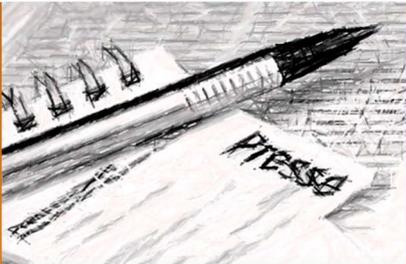
Before the decisive second round in the French presidential election, investors are once again assessing the economic situation in the euro zone improved. Investors are obviously expecting a decrease in political uncertainties in the euro zone. For the fifth time in a row, the assessment of the current situation increases to 34.5 points, while expectations have risen slightly to 20.5 points. The euro zone as a whole has thus overcome the effects of the financial crisis of 2008. The picture, which conveys the sentix economic indices, is surprisingly robust and is thus in contradiction with the still very hesitant assessment of the economy, as made by ECB President Mario Draghi.



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

This tension between the market and the ECB is likely to be decisive for the future bond market development. The sentix topic barometer remains negative, among other things because investors continue to expect the monetary policy impulses to decrease and the inflation expectations to remain negative, despite the sharp drop in oil prices!

However, Mario Draghi may also have a stronger eye on international trends than investors, and here the US economic expectations are increasingly a cause for concern (see comments below).



Germany: Current situation values at very high levels!

The German economy remains in excellent shape. The investor's present situation judgment reaches the fifth-highest ever measured value. Can it get any better? So far, the expectations remain remarkably positive with 14.8 points. The improvement in the Euroland economy and the hope that the political uncertainties in the Eurozone will weaken will support this positive view. But an overheating of the economy is thus becoming more and more likely.

Germany	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17
Overall Index	27.8	33.1	31.3	34.1	35.3	36.9
Headline Index						
- Current situation	45.6	52.5	53.5	56.6	59.0	61.3
- Expectations	11.3	15.3	11.0	13.5	13.8	14.8

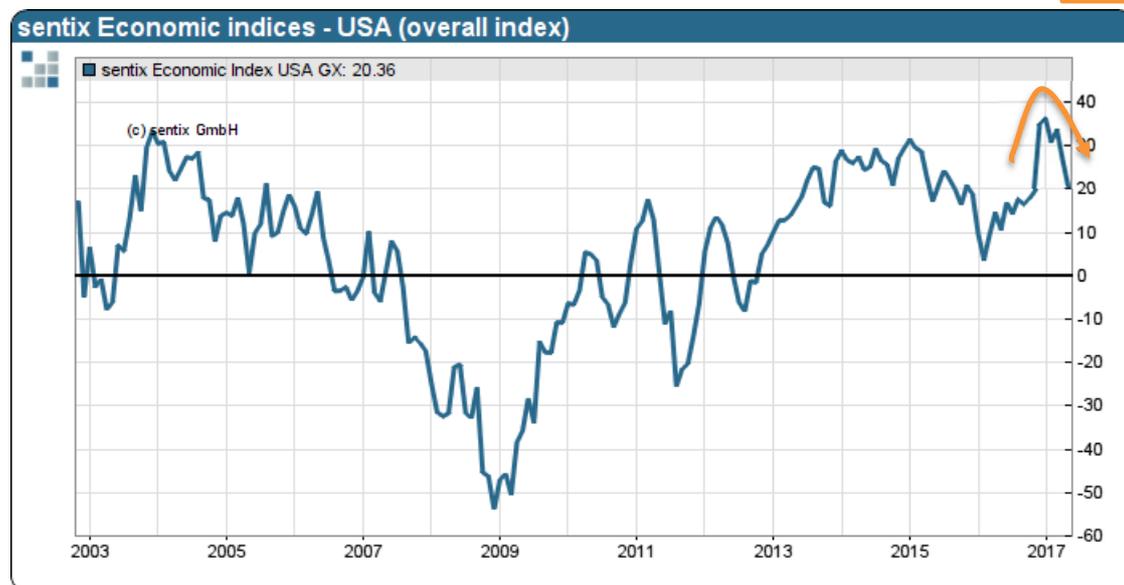
Highest value since 03-2015

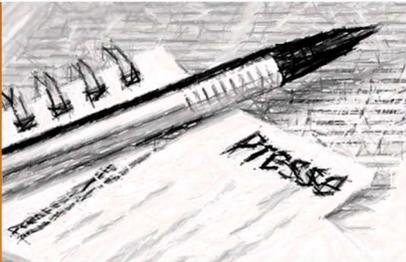
Highest value since 07-2011

US economy is becoming a problem

A completely different investors assessment reveals against the US economy. Current situation index and expectations fall for the second time in succession and the expectations are only slightly above the expansion threshold with +5.8 points. The "attractiveness" of Trumps policy is becoming increasingly smaller. At the same time, the US central bank is preparing a further rate hike for June. So here is the source for a negative surprise potential in the next weeks.

USA	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17
Overall Index	35.0	36.3	31.0	33.6	26.7	20.4
Headline Index						
- Current situation	42.5	46.5	45.0	47.8	45.0	36.0
- Expectations	27.8	26.5	17.8	20.3	9.8	5.8





Further result tables

Switzerland	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17
Overall Index	15.4	20.9	18.1	19.3	28.1	29.0

Austria	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17
Overall Index	6.2	21.2	19.4	20.6	29.2	29.0

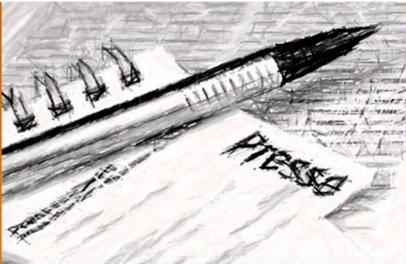
Japan	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17
Overall Index	9.0	14.7	13.2	17.0	14.1	15.2
Headline Index						
- Current situation	5.8	13.3	16.0	18.8	19.3	20.0
- Expectations	12.3	16.3	10.5	15.3	9.0	10.5

Asia ex Japan	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17
Overall Index	20.6	21.7	19.8	24.6	24.8	22.9
Headline Index						
- Current situation	23.0	24.5	25.8	29.5	31.5	30.5
- Expectations	18.3	19.0	14.0	19.6	16.3	15.5

Eastern Europe	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17
Overall Index	1.8	7.1	5.1	8.8	7.6	9.5
Headline Index						
- Current situation	-6.5	0.0	0.5	4.0	5.5	8.0
- Expectations	10.5	14.5	9.8	13.8	9.8	11.0

Latin America	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17
Overall Index	-5.0	-2.6	-0.6	3.2	0.1	-0.7
Headline Index						
- Current situation	-21.3	-16.5	-10.8	-7.5	-9.8	-9.8
- Expectations	12.8	12.3	10.0	14.5	10.5	8.8

Global Aggregate	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17
Overall Index	17.9	21.2	18.9	22.6	20.8	19.3



Data availability

Bloomberg

FACTSET

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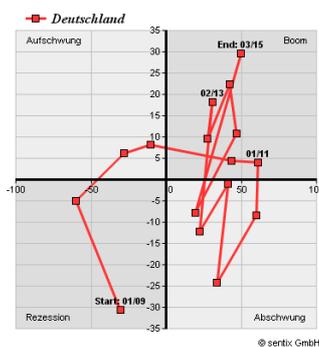
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Background, methodology and more

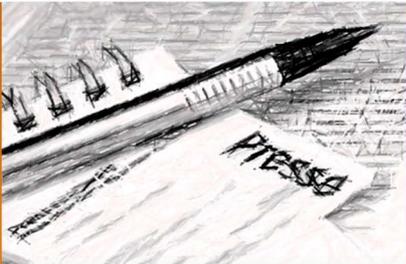
See <http://economics.sentix.de>

sentix -DE- Economy Clock



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.



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