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sentix Economic Index: Uncertainties over world trade

- The sentix economic index for the Euro zone falls for the 4th time in a row in May and reaches 19.2 points, its lowest level since 02.17! Situation and expectations both fell slightly.
- The assessment of investors in Germany is also experiencing the fourth consecutive damper, which is due to a stronger decline in the assessment of the situation.
- In the international environment, US values can improve against the trend, as can expectations for the Asian region. Hopes of a positive outcome to the US-China trade talks are resonating here. All other regions, on the other hand, are giving up slightly, so that the global scenario of a cooling off continues.

Statistics

Poll running: **May 03rd to 5th, 2018**
Survey participants: **974 investors**
(**274** of those are institutional investors)

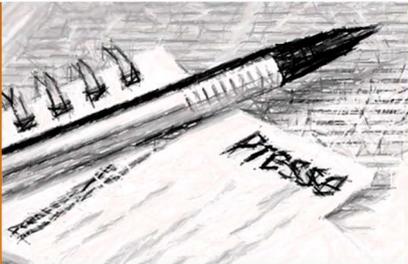
Current economic regimes* of countries /regions in focus:

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

* 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: **May 2018**

Euro Area	Dec. 17	Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18		
Overall index	31.1	32.9	31.9	24.0	19.6	19.2	Lowest since 02.2017	4. decline in a row
Headline Index								
- Current situation	46.5	48.0	49.5	45.8	43.0	42.8	Lowest since 10.2017	3. decline in a row
- Expectations	16.8	18.8	15.5	4.3	-1.5	-2.0	Lowest since 10.2014	4. decline in a row



Commentary on the survey results for May 2018

Uncertainties over world trade

Are they coming or not, the U.S. punitive tariffs? The decision has not yet been made and it is therefore not surprising that the sentix economic indices hardly changed in May. Nevertheless, the sentix economic index for the euro zone fell slightly for the fourth month in succession to 19.2 points. This trend also determines the global picture. We are only measuring slight improvements for the USA and Asia ex Japan. Investors are obviously hoping for a positive outcome to the bilateral trade talks between the two nations.

Euro area: Fourth decline in a row

The sentix economic indices continue to reflect a loss of momentum in the Euro zone economy. The overall index for the euro-zone fell for the fourth month in a row to 19.2 points, its lowest level since February 2017, and expectations are also falling slightly, with expectations now at their lowest level since October 2014. Uncertainties about the introduction of punitive US tariffs and the danger that this could lead to an expansion of protectionist measures are weighing on us.

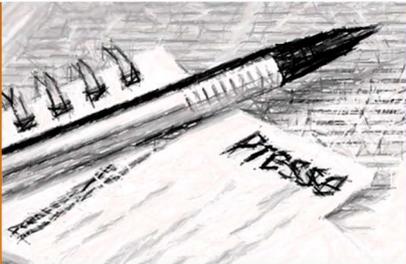


sentix Economic Index for the Eurozone: **current situation** and **expectations**

The fixed euro is also having a negative impact. On the one hand, this leads to easing inflation risks and thus to a lower risk of monetary tightening by the ECB, but it also worsens the competitive position of the export industry.

The economy in the euro zone is therefore cooling, but there is still no danger of a recession. This would only be the case if the situation values were to deteriorate more markedly than hitherto.

Nevertheless, the scenario of a slowdown generally changes the performance expectations of individual asset classes. Statistically, negative stock returns can be expected over a 6-month period if the expectations for the economy - as at present - are negative.



Germany: Situation values lose surprisingly significantly

The economy in Germany is booming and yet the zenith seems to have passed. Although sentix economic expectations have not changed compared with the previous month, they remain negative. And the assessment of the situation has now also clearly passed its all-time high of January. At 59.8 points, this is the fourth consecutive fall and the lowest level since April 2017, no wonder, as current government policy is primarily characterised by more burdens rather than relief.

Germany	Dec. 17	Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18		
Overall index	39.1	40.1	36.2	29.1	24.4	23.5	Lowest since 09.2016	4. decline in a row
Headline Index								
- Current situation	71.0	72.3	71.5	65.8	62.0	59.8	Lowest since 04.2017	4. decline in a row
- Expectations	11.0	11.8	5.5	-2.5	-7.8	-7.8		

USA: Hope for a pullback from Trump

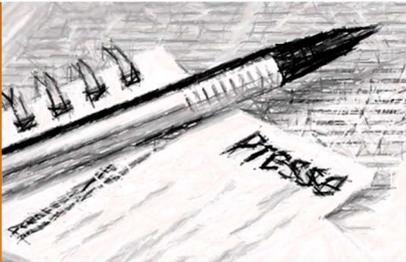
The good labour market data in the USA give investors hope that the economy will hold its own. The same applies to the effects of the US tax reform, which should support the second quarter in particular. The third reason for the positive trend in the US indicators is probably that Trump has barked so far and has not yet bitten. The current negotiations between the USA and China are currently the focus of attention.

United States	Dec. 17	Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18		
Overall index	26.5	32.8	33.4	26.6	19.8	22.1		
Headline Index								
- Current situation	50.5	56.5	58.5	56.0	52.0	52.8		
- Expectations	4.8	11.3	10.8	0.5	-8.3	-4.8		

Japan: The strong Yen is slowing the Economy

Japan is also not immune to the cooling tendencies in the global economy, especially as its own currency has a dampening effect, as in the Euro zone. The Japanese sentix economic index fell to 17.3 points for the fourth time in a row. Position and expected values give way.

Japan	Dec. 17	Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18		
Overall index	26.2	29.4	28.3	22.0	18.3	17.3	Lowest since 08.2017	4. decline in a row
Headline Index								
- Current situation	39.8	43.0	43.5	41.5	38.5	36.8	Lowest since 10.2017	3. decline in a row
- Expectations	13.5	16.5	14.0	4.0	-0.3	-0.5	Lowest since 07.2016	4. decline in a row



Further result tables

Asia ex Japan	Dec. 17	Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18		
Overall index	29.0	31.9	32.8	26.5	21.9	22.7		
Headline Index								
- Current situation	41.8	44.8	47.5	44.5	43.3	42.3	Lowest since 12.2017	3. decline in a row
- Expectations	17.0	19.8	19.0	9.8	2.5	4.8		

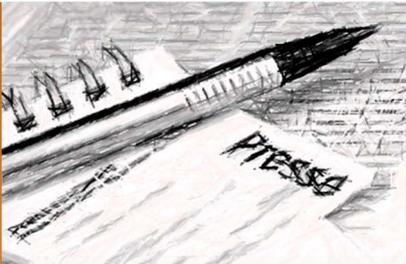
Eastern Europe	Dec. 17	Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18		
Overall index	17.9	20.3	21.9	16.2	12.6	12.2	Lowest since 09.2017	3. decline in a row
Headline Index								
- Current situation	21.0	25.3	29.0	25.0	24.3	21.5	Lowest since 12.2017	3. decline in a row
- Expectations	14.8	15.5	15.0	7.8	1.5	3.3		

Latin America	Dec. 17	Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18		
Overall index	8.8	11.8	14.2	9.9	8.1	7.1	Lowest since 10.2017	3. decline in a row
Headline Index								
- Current situation	4.0	7.8	12.0	11.0	12.3	11.8		
- Expectations	13.8	16.0	16.5	8.8	4.0	2.5	Lowest since 04.2016	3. decline in a row

Global	Dec. 17	Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18		
Overall index	26.0	29.5	30.0	23.5	18.8	19.4		
Headline Index								
- Current situation	39.8	43.5	45.9	43.0	40.9	40.3	Lowest since 12.2017	3. decline in a row
- Expectations	13.0	16.4	15.2	5.6	-1.3	0.3		

Switzerland	Dec. 17	Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18		
Overall index	28.8	35.8	28.6	23.0	27.0	23.5		
Headline Index								
- Current situation	48.0	51.3	46.5	47.5	48.3	43.8	Lowest since 11.2017	
- Expectations	11.0	21.3	12.0	1.0	7.5	5.0		

Austria	Dec. 17	Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18		
Overall index	40.7	45.5	45.5	42.8	44.8	41.7	Lowest since 12.2017	
Headline Index								
- Current situation	63.0	70.5	62.0	62.0	64.0	67.0		
- Expectations	20.3	22.8	30.0	25.0	27.0	18.8	Lowest since 03.2017	



Data availability

Bloomberg L.P.

FACTSET



Macrobond



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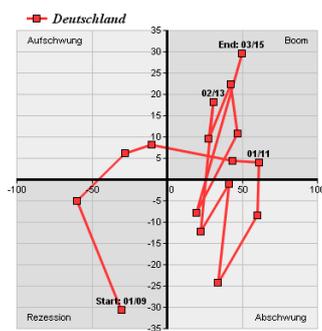
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Background, methodology and more

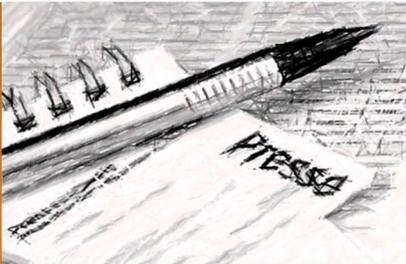
See <http://economics.sentix.de>

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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