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## sentix economic index: Euro-zone index collapses again – despite Draghi

- Despite the new measures taken by the European Central Bank the sentix Economic Index for the euro zone collapses by 12.5 to now -9.8 points in September.
- Both components of the composite index, the assessment of the current situation as well as investors' 6-month expectations, now have reached negative territory. **This constellation signals a renewed recession for the euro zone.**
- For Germany, the US and Japan the composite indices fall, too. Glimmers of hope come out of the emerging-markets regions. Nevertheless, the index for the global aggregate recedes. **6-month expectations for the global economy even fall to their lowest since November 2012 – the starting point of the Japanese "Abenomics".**

### Statistics

Poll running: **04.09.-06.09.2014**

Survey participants: **906**

(of which institutional investors: **217**)

## 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!

16.09.2014: **ZEW economic expectations** (Germany): further decrease to around 4 points

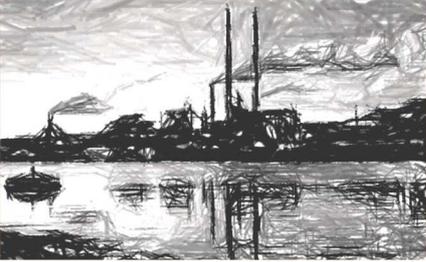
23.09.2014: **Flash PMIs (manufacturing): clear setback for the euro zone to around 49 points**, decrease also for the **US**, but improvement for **China**

24.09.2014: **ifo business climate:** decrease by around 2 points, expectations should fall below 100 points

29.09.2014: **Economic Sentiment** (euro zone): collapse by several points

## Table of the **September 2014** results for the euro-zone economy

Euro area	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	
Overall Index	14.1	12.8	8.5	10.1	2.7	-9.8	Lowest since July 2013
<b>Headline Index</b>							
- Current situation	5.8	7.5	0.3	2.3	0.5	-16.8	Lowest since Aug. 2013
- Expectations	22.8	18.3	17.0	18.3	5.0	-2.5	Lowest since Nov. 2012



## Commentary on the survey results for September 2014

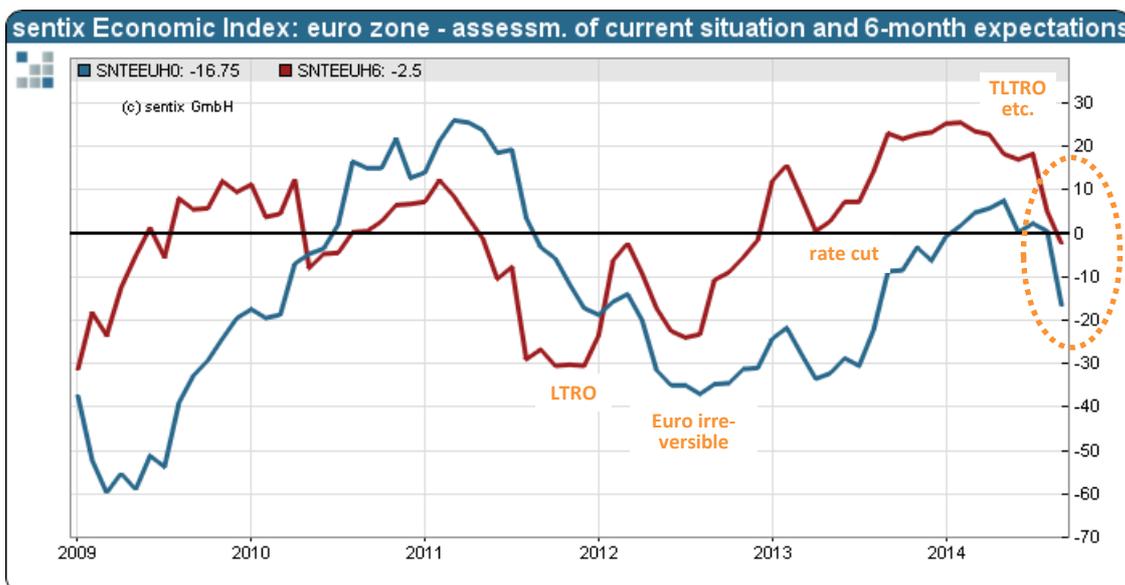
### Euro-zone index collapses again – despite Draghi

Despite the new measures taken by the European Central Bank (ECB) last Thursday the composite index for the euro zone collapses. It falls from +2.7 to now only -9.8 points. As both, the assessment of the current situation and investors' 6-month expectations, now have reached negative territory, the indicator signals a new recession for the euro area! This is all the more noteworthy as during Mario Draghi's presidency the ECB has managed on several occasions to turn round investors' economic expectations. Now, this does not seem to work anymore. In this context it is interesting to know that 6-month expectations of the global aggregate have fallen to their lowest level since November 2012, the time when Japan started its "Abenomics" and managed to influence investors' expectations positively. But obviously central banks have currently – against the backdrop of a number of geopolitical conflicts – lost their power to steer investors' economic expectations.

### Euro zone – Back in recession mode

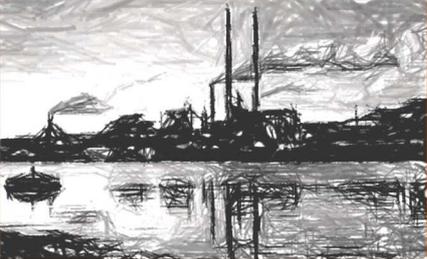
For the second month in a row the composite index for the euro zone falls markedly. In September, the economic barometer collapses by even 12.5 to now -9.8 points. This is its lowest level since July 2013. And as both, the assessment of the current situation and 6-month expectations, have dropped below zero, the indicator now even signals a renewed recession for the euro area.

Looking at the data, the collapse of the index relating to the assessment of the current situation springs to eye first. Its decrease of 17.25 points is its strongest ever since the launch of the sentix Economic Index in the year 2003. An enormous disillusion has thus taken place among investors against the background of the Ukrainian conflict and resulting economic sanctions. In this new light the still uncomfortably high euro-zone unemployment and record-low inflation obviously look much more like a threat than before.



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

Also worth of note is that 6-month expectations further contract over the month. This is surprising against the backdrop of the visibly corrected assessment of the current situation and the new measures taken by the ECB just last Thursday. In the past Mario Draghi had always managed to turn round investors' expectations when needed (see graph). But now the ECB obviously has lost its power to steer these expectations.



When in times of heightened uncertainty (because of the Ukrainian conflict) **monetary policy** fails as an instrument in order to stimulate the economy, there remains usually a determined **fiscal policy** as an adequate tool. But such a policy currently barely seems to be possible as many government budgets are still not balanced and some important reforms have still not been carried out. Consequently, investors do not see positive impacts on the economy coming from that front any time soon. This, by the way, is also mirrored in some of our sentix data (e.g. in our topics indicator for the bond market relating to fiscal policy).

## Germany – clear signals for a downturn

For Germany the composite index decreases in September, too. **This is its second marked setback in a row and thus a clear signal for a downturn in the Germany economy.** But the indicator is not pointing to a recession so far as investors' assessment of the current situation is still in positive territory. **Nevertheless, the conflict in the Ukraine and resulting sanctions will be a burden especially for the euro-zone's heavy weight in the near future...**

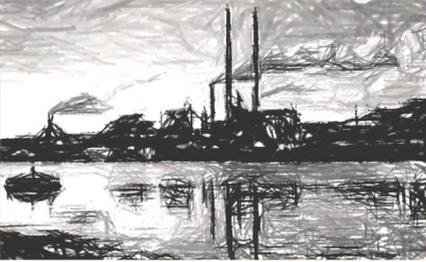
Germany	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	
Overall Index	28.9	28.1	28.8	29.0	17.9	11.1	Lowest since Nov. 2012
Headline Index							
- Current situation	44.7	46.8	47.5	47.5	38.9	26.4	Lowest since June 2013
- Expectations	14.1	10.8	11.5	11.8	-1.3	-3.1	Lowest since Nov. 2012

## Global Aggregate – emerging markets dampen the fall

The global aggregate is heavily influenced by the negative development of the euro-zone indicator. But for the US and Japan investors are also less optimistic than in August. **Glimmers of hope come from the emerging-markets regions, but the net outcome for the global aggregate is negative.** The composite index falls for the second month in a row and now stands at its lowest level since July 2013. **6-month expectations even decline to their lowest level since November 2012, the time when the Japanese "Abenomics" were just started.**

Global Aggregate	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	
Overall Index	15.0	12.7	14.9	17.9	13.5	11.5	Lowest since July 2013
Headline Index							
- Current situation	14.7	14.2	16.4	19.0	18.5	15.1	
- Expectations	15.2	11.2	13.4	16.8	8.5	7.8	Lowest since Nov. 2012

Concerning the effects on financial markets, one has to state that the developments on equity markets currently differ visibly from those of investors' economic expectations. Consequently, it will be interesting to see for how long equities – which at present are deemed to be without alternative – will manage to maintain their performance in an environment of ever weaker (and even recessionary) economic dynamics.



## More tables

USA	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14
Overall Index	27.4	24.5	25.0	29.3	26.5	25.7
Headline Index						
- Current situation	34.8	33.3	35.0	38.5	40.3	40.0
- Expectations	20.3	16.0	15.5	20.5	13.5	12.3

Lowest since April 2013

Japan	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14
Overall Index	6.7	2.2	4.2	9.6	4.7	2.5
Headline Index						
- Current situation	7.8	3.0	3.8	9.8	5.5	2.5
- Expectations	5.8	1.5	4.8	9.5	4.0	2.5

Lowest since May 2013

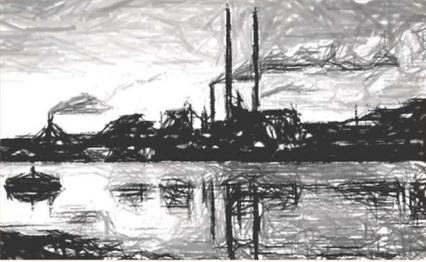
Asia ex Japan	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14
Overall Index	15.7	14.1	19.7	22.5	23.5	23.5
Headline Index						
- Current situation	17.0	17.5	24.0	26.5	30.8	30.3
- Expectations	14.5	10.8	15.5	18.5	16.5	17.0

Eastern Europe	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14
Overall Index	-2.0	-6.2	1.1	3.0	-12.0	-12.9
Headline Index						
- Current situation	-7.8	-11.3	-3.8	-3.5	-13.3	-17.8
- Expectations	4.0	-1.0	6.0	9.8	-10.8	-8.0

Lowest since October 2009

Lowest since January 2010

Latin America	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14
Overall Index	0.6	0.0	3.3	4.9	-5.9	2.0
Headline Index						
- Current situation	-6.3	-5.5	-1.0	-0.5	-9.0	-1.8
- Expectations	7.8	5.8	7.8	10.5	-2.8	5.8



## 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>



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