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sentix economic index: Euro zone is marking time

- **The composite index for the euro zone drops by one point to -12.6 points in July.** The index is currently marking time. This is mainly caused by the current assessment of the situation which has made no headway over the past months. At the same time, investors' 6-month expectations remain above average.
- For **Germany**, the **US** and **Japan**, composite indices increase significantly. Here, investors are extremely positively predisposed towards the economy.
- However, in the **emerging markets regions**, the composite indices fall strongly, with the assessments of the current situation as a special burden. The index for the global aggregate therefore also declines in July.

Statistics

Poll running: **04.07.-06.07.2013**

Survey participants: **925**

(of which institutional investors: **226**)

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!

16.07.2013: **ZEW economic expectations** (Germany): stable at around 40 points

24.07.2013:

Flash PMIs: weaker for **China**, better for the **US** and the **euro zone**

25.07.2013:

ifo business climate: increase of about 1 point to around 107

30.07.2013: **Economic Sentiment** (euro zone): sideways

Table of the **July 2013** results for the euro zone economy

Euro area	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
Overall Index	-3.9	-10.6	-17.3	-15.6	-11.6	-12.6
Headline Index						
- Current situation	-21.8	-27.8	-33.5	-32.3	-28.8	-30.5
- Expectations	15.8	8.3	0.5	2.8	7.3	7.3



Commentary on the survey results for July 2013

Euro zone is marking time

The composite index for the euro zone drops by one point to now -12.6 in July. The index is currently marking time. This is mainly caused by the assessment of the current situation which has made no headway for the past months. Investors' expectations remain above average, institutional investors are even becoming more optimistic.

For Germany, the US and Japan, the composite indices rise significantly. Here, investors are extremely positively predisposed towards the economy. However, in the emerging markets regions, composite indices fall strongly, with the assessments of the current situation as a special burden. The index for the global aggregate therefore also declines in July.

After two rises in a row, the composite index for the euro zone drops slightly in July. With this it seems – as already mentioned last month – that the dent at the beginning of the year has been overcome, at the same time, the majority of investors currently lack imagination for more pronounced economic dynamics. The weaker composite index reflects the latest sorrows surrounding the governmental crisis in Portugal – a similar, but much stronger reaction of the indicator was registered in March. Then, the uncertainties emanating from the unclear creation of a new government in Italy had unsettled investors.



A glance at the details of the survey gives us a little more hope. It can be seen that only individual investors pulled down the composite index for the euro zone, not, however, institutional investors. The latter assess the current economic situation as palpably weaker than last month, but their 6-month expectations rise more strongly than the situational assessment falls – to an exceptionally high level, which, over a longer period of time, was last achieved in the economically strong phase of the year 2006.

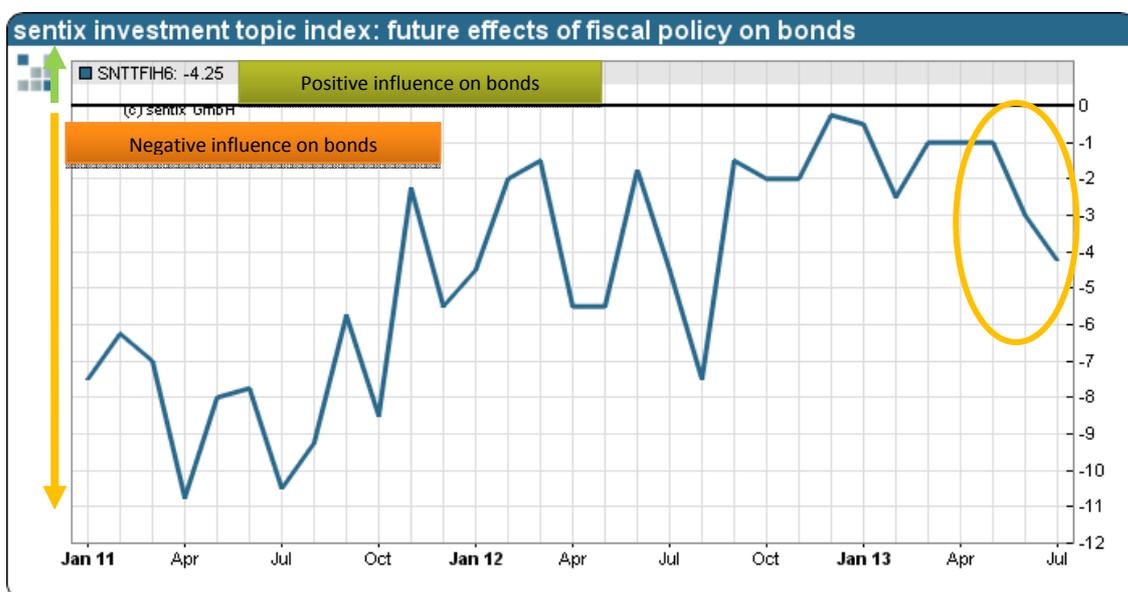
What has moved the institutionals to this verdict? It was probably once again the energetic behaviour of ECB president Draghi at his press conference on the ECB interest rate decision last Thursday. At the press conference, for the first time in the history of the ECB, he gave market participants a longer term guidance by saying that the ECB would hold its base rate at its current low level (or even lower) for an extended period of time. Institutional investors' expectations were fired immediately (see table on the next page), just as around a year ago, when Draghi



introduced his OMT programme. **Then, the expectations of private investors – who are, in general, not as close to the ECB as institutional investors – also followed suit with a slight delay.**

Euro area	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
Overall Index	-3.9	-10.6	-17.3	-15.6	-11.6	-12.6
Headline Index						
- Current situation	-21.8	-27.8	-33.5	-32.3	-28.8	-30.5
- Expectations	15.8	8.3	0.5	2.8	7.3	7.3
Institutional investor						
- Current situation	-26.5	-31.0	-35.5	-32.5	-29.0	-32.0
- Expectations	19.0	17.0	9.5	10.0	14.0	18.5
Individual investor						
- Current situation	-17.0	-24.5	-31.5	-32.0	-28.5	-29.0
- Expectations	12.5	-0.5	-8.5	-4.5	0.5	-4.0

Once again it is monetary policy that is giving positive impulses. At the same time, euro zone governments (aside from Portugal also Greece) once more have put a strain on economic assessments. More governmental calm generally has positive effects via the confidence channel and thus could again lead to a rise in the composite index for the euro zone. **But when speaking of governments one should also look at what is currently happening in fiscal policies?** After all, general elections are waiting in Germany in September, after which the fiscal policy in Euroland (Eurobonds? Less austerity?) could see a clear change. Investors surveyed by sentix are working on the assumption that fiscal policy will have negative effects on the prices of government bonds in the near future (see chart). This means: investors have a tendency to assume a more expansive fiscal policy for the foreseeable future. This usually has a positive impact on the economy – as long as it is not foiled by an excessive rise in interest rates/ risk premia.





Germany – rise despite euro zone weakness

In Germany, the composite index in July rises from 16.2 to 18.4 points. This is the second increase in a row. Both, the assessment of the current situation as well as the 6-month expectations of investors rise. This is the case both for institutional investors and for individual investors. It is a good sign for the German economy that the various sub-indices improve across the board. The fact that individual investors' expectations are once again moving upwards and are thus following the already much higher institutional investors' expectations is positive, too.

Germany	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
Overall Index	24.3	24.5	17.6	15.2	16.2	18.4
Headline Index						
- Current situation	30.7	32.6	30.2	24.8	24.5	27.7
- Expectations	18.1	16.6	5.7	6.0	8.3	9.5
Institutional investor						
- Current situation	32.0	33.7	31.9	25.5	25.4	29.7
- Expectations	22.1	22.5	9.9	9.6	14.3	15.0
Individual investor						
- Current situation	29.4	31.6	28.6	24.2	23.6	25.7
- Expectations	14.1	10.7	1.4	2.4	2.3	4.0

For two other German sentiment indicators, the development of the sentix economic index means the following: the **ZEW economic index** should remain stable in July, or rise slightly to around 40 points. Here, the development of the institutional investors' expectations index points in this direction. For the **ifo business climate**, which rose only slightly last month, the various time series of the sentix economic index for Germany point to a renewed clear rise of around one point to around 107 points.



USA – soaring

The US once again show the strongest of all rises in composite indices – this time, however, together with Japan. In July, the US composite index rises by almost four points to now 22.1. This is its highest reading since August 2004! Both, the assessment of the current situation (highest since February 2007) as well as the 6-month-expectations (highest since February 2004) contribute to the improvement. **The hopes of the world economy currently rest on the USA – and as of late, Japan** (see below)!

USA	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	
Overall Index	12.7	12.9	13.9	16.0	18.2	22.1	Highest value since Aug. 2004
Headline Index							
- Current situation	7.5	10.5	16.8	18.0	20.5	25.0	
- Expectations	18.0	15.3	11.0	14.0	16.0	19.3	

Japan – investors showing more and more confidence

For Japan, the composite index also continues to rise, just as in the USA, by almost four points to 12.3. In July, both the assessment of the current situation and the expectations index increase. **With “Abenomics”, Japan is currently developing into the second source of hope for global economic growth (beside the US) amongst investors.**

Japan	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	
Overall Index	5.5	3.9	6.3	7.3	8.4	12.3	Highest value since Aug. 2007
Headline Index							
- Current situation	-8.8	-8.5	-3.3	0.3	3.5	9.0	
- Expectations	20.8	17.0	16.3	14.5	13.5	15.8	



Emerging Markets – strong declines

The composite indices for the three emerging markets regions (Asia ex Japan, Eastern Europe and Latin America) fall strongly in July. The downturn is especially pronounced in Asia ex Japan (with its powerhouse China) and in Latin America. For these two regions, the composite indices drop by almost 10 points, respectively, whereas the situational assessments fall stronger than expectations. **The situational assessment for Asia ex Japan is at its lowest level since October 2009, for Latin America even since August 2009, and for Eastern Europe since March 2010.**

Asia ex Japan	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
Overall Index	34.3	32.2	25.0	23.5	21.8	12.3
Headline Index						
- Current situation	39.8	38.8	33.0	31.0	29.3	17.3
- Expectations	29.0	25.8	17.3	16.3	14.5	7.5

Lowest value since Sep. 2012

Latin America	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
Overall Index	23.5	20.2	14.1	12.7	8.2	-1.5
Headline Index						
- Current situation	24.5	21.0	16.3	14.5	7.3	-5.0
- Expectations	22.5	19.5	12.0	11.0	9.3	2.0

Lowest value since Sep. 2012

Eastern Europe	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
Overall Index	13.1	10.6	4.6	4.9	3.5	-2.1
Headline Index						
- Current situation	8.0	6.5	3.3	2.5	0.8	-6.5
- Expectations	18.3	14.8	6.0	7.3	6.3	2.5

Lowest value since Jul. 2009



Global Aggregate – burdened by emerging markets

The past months had already pointed in this direction, in July we now see the picture in its extreme: **the US, Germany and Japan, the large 'old' industrial nations, are giving the global index positive impulses, whereas the emerging markets regions are a massive burden.** All in all, this results in the first drop – a palpable one at 3 points – of the global aggregate since March. Further developments remain unclear. It is, however, not easy to imagine that such a strong downward development in the emerging markets indices as this month can continue for longer without any damage occurring elsewhere.

Global aggregate	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
Overall Index	16.8	14.3	10.4	10.8	11.2	8.2
Headline Index						
- Current situation	12.2	11.0	9.8	9.8	10.1	6.1
- Expectations	21.5	17.7	11.1	11.8	12.3	10.3

Lowest value since Nov. 2012



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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