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## sentix economic index: euro zone shrinking, the world feeble

- **In October, the composite index for the euro zone falls from -9.8 to -13.7 points.** This is its third consecutive decrease. As the assessment of the current situation and the 6-month expectations both are now clearly in negative territory, the sentix indices point currently to a **recession in the euro area**.
- A similar development can be observed for **Germany. Its composite index falls from 11.1 to 5.4 points.** The assessment of the current situation here is the component which keeps the indicator above the zero line – but it is falling, too!
- For all the other regions and countries the composite indices recede, too. **The index for the global aggregate falls to its lowest reading since November 2012.** It is mainly the 6-month expectations which worsen. **According to the sentix indices the world economy thus is about to enter a downturn.**

### Statistics

Poll running: **02.10.-04.10.2014**

Survey participants: **927**

(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!

14.10.2014: **ZEW economic expectations (Germany):**  
strong decrease to about **-2 points**

23.10.2014: **Flash PMIs (manufacturing):** falling to **under 49 points** for the **euro zone**, decreases also for the **China** and the **US**

27.10.2014: **ifo business climate:**  
falling again, now to around **102 points**

30.10.2014: **Economic Sentiment (euro zone):**  
clearly weaker, coming down to a level of approximately **97.5 points**

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

<b>Euroland</b>	<b>May 14</b>	<b>Jun 14</b>	<b>Jul 14</b>	<b>Aug 14</b>	<b>Sep 14</b>	<b>Oct 14</b>	
<b>Gesamtindex</b>	12.8	8.5	10.1	2.7	-9.8	-13.7	Lowest since May 2013
<b>Headline Index</b>							
- Lage	7.5	0.3	2.3	0.5	-16.8	-20.0	Lowest since Aug. 2013
- Erwartungen	18.3	17.0	18.3	5.0	-2.5	-7.3	Lowest since Oct. 2012



### Commentary on the survey results for October 2014

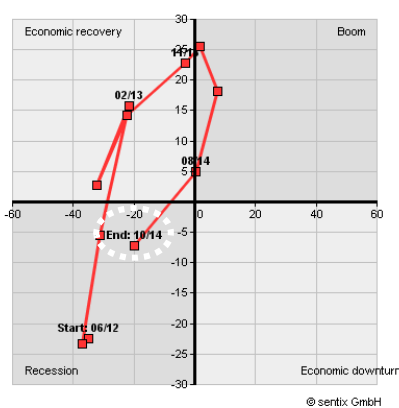
#### Euro zone shrinking, the world feeble

In October, the composite index for the euro zone falls for the third time in a row. As both the assessment of the current situation and the 6-month expectations are now clearly in negative territory, the sentix indices signal shrinking output for the euro area. And there are no positive news coming from the indicators for the other countries or regions either: all composite indices recede this month! Even for the US and Asia ex Japan – both stood out until recently with rather solid indices – the economic shine fades. It is mainly investors' 6-month expectations that worsen. All in all, the data points to a nearing downturn of the world economy.

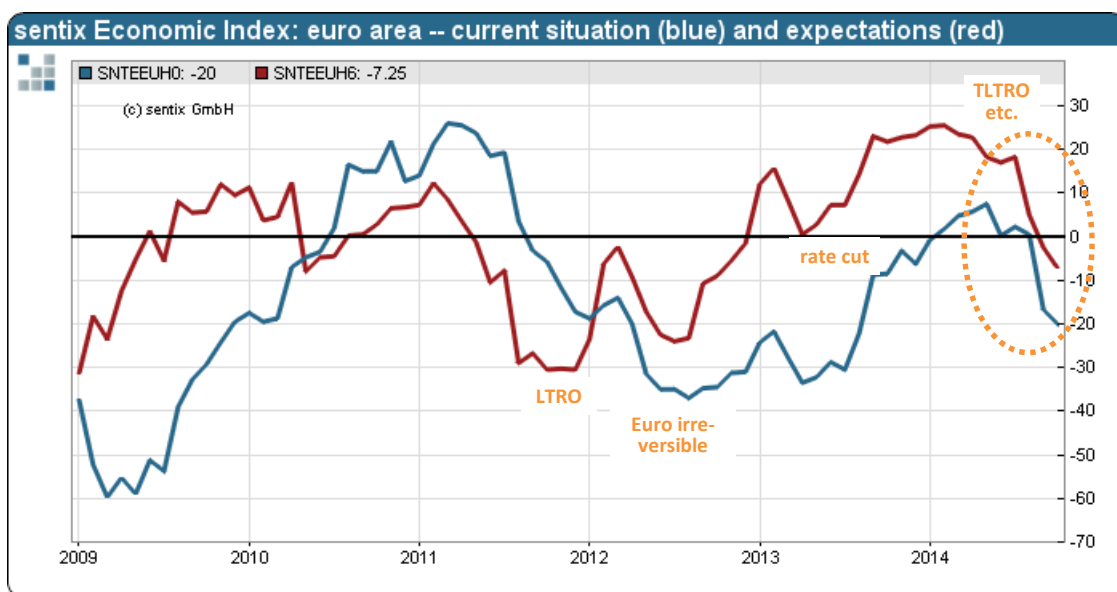
#### Euro zone – shrinking

The composite index for the euro zone decreases from -9.8 to -13.7 points in October. This is its third consecutive setback and its lowest reading since May 2013. As last month, the assessment of the current situation and the 6-month expectations both are negative. While the expectations component stood only slightly below the zero line in September, it has now drifted more clearly into negative territory. With this, a formal euro-area recession – two consecutive quarters of shrinking output – becomes more and more probable. Irrespective of this formal question of the length of the economic weakness, our sentix Economy Clock indicates that the euro-zone economy is shrinking at the very moment (see graph on the left).

sentix -EU- Economy Clock



Furthermore it is worth of note that again this month the European Central Bank did not manage to turn round investors' economic expectations (see graph below). Obviously, the ECB's monetary sword has lost its power in this regard – at least for the moment. **On top, investors' inflation expectations have fallen to their lowest since the end of 2008.** This is shown by another sentix indicator polled over the weekend (sentix Investment Theme Index for the European bond market, sub-index "Inflation").



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



### Germany – more downturn signals

For Germany the composite index stands still in positive territory in October. But this is only due to the assessment of the current situation. **Meanwhile, investors' 6-month expectations are in the negative already for the third month in a row. And, even worse, they continue to fall.** As a result, the sentix indices now clearly point to an **economic downturn for Germany**. The economic risks which can be observed for quite some time already – Ukrainian crisis, other geopolitical conflicts, and also a more restrictive US Fed – investors perceive as a burden that is becoming ever more real.

Deutschland	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	
Gesamtindex	28.1	28.8	29.0	17.9	11.1	5.4	Lowest since Sep. 2012
Headline Index							
- Lage	46.8	47.5	47.5	38.9	26.4	19.5	Lowest since June 2010
- Erwartungen	10.8	11.5	11.8	-1.3	-3.1	-7.8	Lowest since Oct. 2012

### Global Aggregate – even here it looks like a downturn

Against the backdrop of unresolved geopolitical tensions and falling commodity prices the composite indices for all countries and regions recede in October. Consequently, the corresponding index for the global aggregate decreases, too. **It is particularly investors' 6-month expectations that worsen** at the beginning of the last quarter of the year. They fall by 6.7 to 1.1 points and thus only stand marginally above the zero line. **This constellation and development of the sub-indices signal that the world economy is about to enter a downturn.**

Globaler Index	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	
Gesamtindex	12.7	14.9	17.9	13.5	11.5	6.1	Lowest since Nov. 2012
Headline Index							
- Lage	14.2	16.4	19.0	18.5	15.1	11.3	Lowest since Aug. 2013
- Erwartungen	11.2	13.4	16.8	8.5	7.8	1.1	Lowest since Oct. 2012

### Effects on financial markets:

For the euro zone the sentix indices point to a recession. **Historical evidence suggests that stock prices in the euro area will tend to fall now and bond performance will tend to rise over the coming months.** On a global level the development of the economic indices has not gone that far yet, but also here falling investors' expectations are a burden for stock prices and a support for bonds.



# sentix Eco Report Indicators for the Global Economy

06. October 2014

## More tables

USA	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	
Gesamtindex	24.5	25.0	29.3	26.5	25.7	21.0	Lowest since Nov. 2013
Headline Index							
- Lage	33.3	35.0	38.5	40.3	40.0	37.8	
- Erwartungen	16.0	15.5	20.5	13.5	12.3	5.5	Lowest since Oct. 2012

Japan	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	
Gesamtindex	2.2	4.2	9.6	4.7	2.5	-0.6	Lowest since Dec. 2012
Headline Index							
- Lage	3.0	3.8	9.8	5.5	2.5	-0.5	Lowest since Apr. 2013
- Erwartungen	1.5	4.8	9.5	4.0	2.5	-0.8	Lowest since Dec. 2012

Asien ex Japan	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	
Gesamtindex	14.1	19.7	22.5	23.5	23.5	16.7	
Headline Index							
- Lage	17.5	24.0	26.5	30.8	30.3	25.3	
- Erwartungen	10.8	15.5	18.5	16.5	17.0	8.5	Lowest since July 2013

Osteuropa	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	
Gesamtindex	-6.2	1.1	3.0	-12.0	-12.9	-16.3	Lowest since Sept. 2009
Headline Index							
- Lage	-11.3	-3.8	-3.5	-13.3	-17.8	-20.3	Lowest since Dec. 2009
- Erwartungen	-1.0	6.0	9.8	-10.8	-8.0	-12.3	Lowest since Aug. 2012

Lateinamerika	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	
Gesamtindex	0.0	3.3	4.9	-5.9	2.0	-7.6	Lowest since May 2009
Headline Index							
- Lage	-5.5	-1.0	-0.5	-9.0	-1.8	-10.3	Lowest since Feb. 2014
- Erwartungen	5.8	7.8	10.5	-2.8	5.8	-5.0	Lowest since July 2012



## Data availability

**Bloomberg**

**FACTSET**

 **THOMSON REUTERS**

**CEIC** | A Euromoney  
Institutional  
Investor Company

**Macrobond**

 **GLOBAL  
INSIGHT**

**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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