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sentix Economic Index: US Mania – Setback in the Eurozone

- The sentix Economic Index for the Eurozone suffers a setback. The headline index declines by-3.1 points to 10.0 points. Economic expectations are dropping 4 points back to 8.3 points.
- Investors celebrate the election of Donald Trump. **Economic expectations for the US economy have skyrocketed to 27.8 points.** Up by 20.5 points. The largest increase of US expectations in the sentix survey, ever.
- Also, the index for the Japanese economy can benefit from the “Trump effect”. The sentix Global Aggregate Index marks a new annual high as the remaining economies enjoy stability.







Statistics

Poll running: **01 to 03-December-2016**

Survey participants: **1.005 investors**

(of those are institutional investors: **279**)

Current economic regimes* of countries /regions in focus:

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

* 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: December 2016

Euro area	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	1.7	4.2	5.6	8.5	13.1	10.0
Headline Index						
- Current situation	5.5	3.8	4.5	6.3	12.3	8.3
- Expectations	-2.0	4.8	6.8	10.8	14.0	11.8



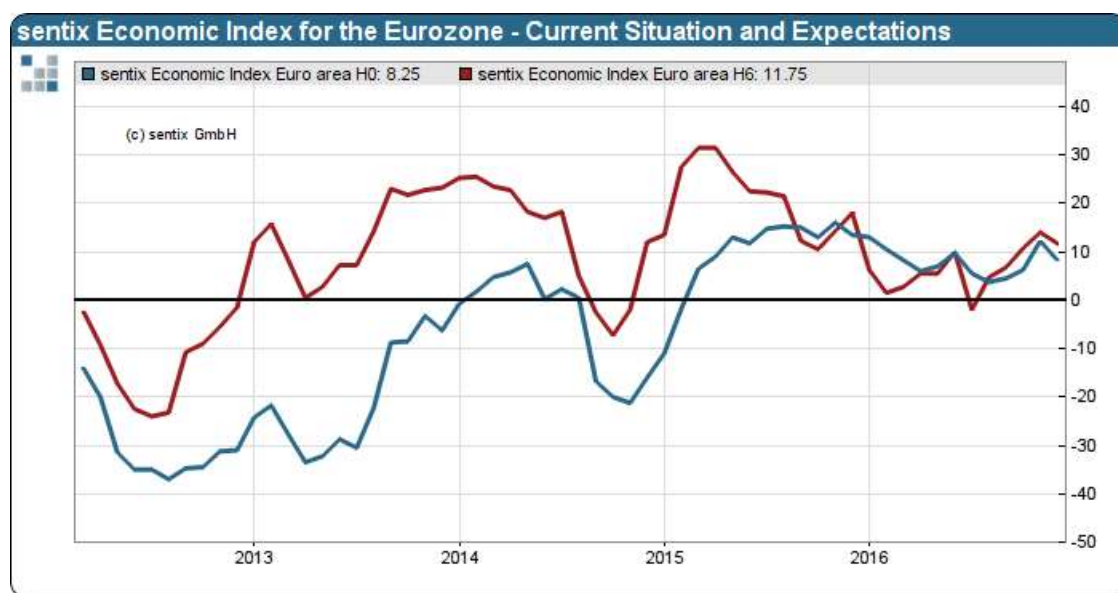
Commentary on the survey results for December 2016

US-Mania - Setback for the Eurozone

The sentix economic indices show as one of the first published leading indicators after the US election a remarkable shift in economic expectations. Investors entirely revise their expectations for the US economy and turn euphoric. Expectations jump by 20.5 points. Another beneficiary of the surprising US election result is Japan. The surge in the US Dollar causes the Japanese Yen to decline which should boost the export-driven economy. While the US, Japan and the sentix Global Aggregate Index benefit, only Europe trails behind. The headline index for the Eurozone slides 3.1 points. The Global Aggregate Index shows a plus of 3.1 points.

Eurozone – No “Trump effect.”

The index for the Eurozone suffers a setback in December. The headline index loses 3.1 points and cannot add to the streak of new annual highs of previous months. The sub-indices depict a similar situation: Despite that the economic expectation is driven index manages to remain with 11.8 points above the October readings, in comparison to November's 14 points to marks a setback of 2.2 points. Moreover, investors assessment of the current state of the Eurozone economy is subdued. The Index for the current situation drops 4 points to only 8.3 points in December. Europe seems to remain in a self-absorbing condition. Whether Austria, Italy or other local elections in 2017, uncertainty among investors continue. By now market pundits stigmatise every election as decisive for the future of the Eurozone. In turn, economic development increasingly stuck in the political spiral, as investors and businesses get cautious on investments. Apparently not a sound environment for far-reaching business decisions. Investors turn their focus across the Atlantic. Economic expectations for the US and the Japanese economy benefit.

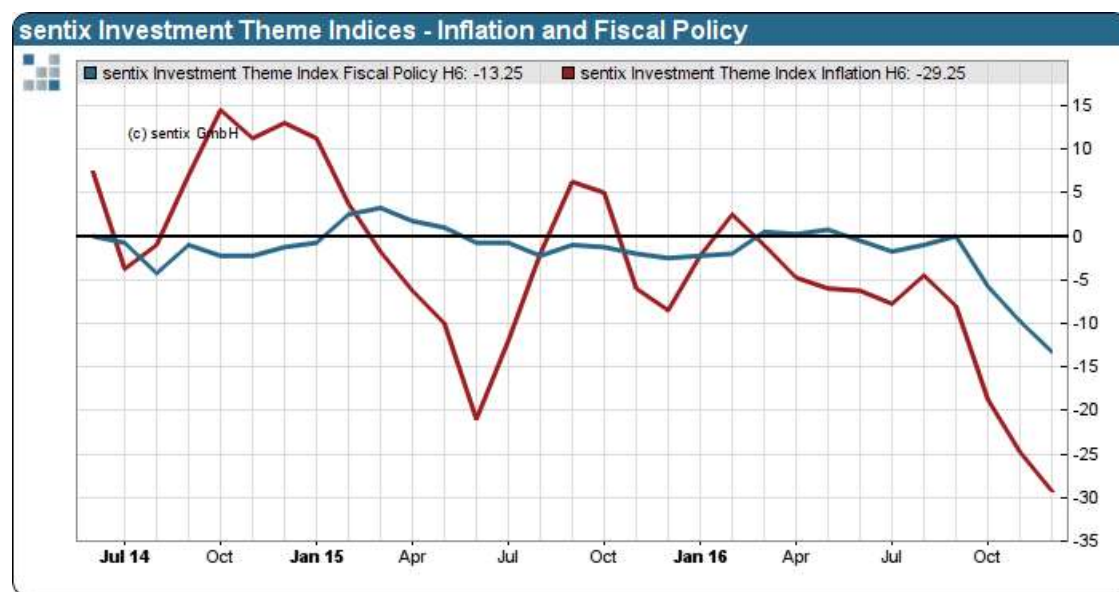


sentix Economic Index for the Eurozone: **overall index** and **economic expectations index**



The improvement of global economic expectations causes side effects. Investors communicate those via the sentix Investment Theme Indices. In December, the sub-indices inflation and fiscal policy indicate mounting pressure for the European bond markets. Despite that the EZB shows no sign of monetary tightening, investors sense a climate for rising yields. Moreover, for the third time in a row, investors getting more and more concerned about fiscal policy and the adverse implications for bonds. All mentioned aspects should contribute to a steepening of the yield curve.

Background Investment Theme Indices: sentix asks survey participants besides their opinion on the economy whether inflation, economic development, central bank policy, fiscal policy or the Euro/US-Dollar exchange rate may affect the European bond market.



sentix Investment Theme Indices: **Fiscal Policy** and **Inflation**

Germany – complaining on a high comfort level

Like the Eurozone, the index capturing the economic development for Germany suffers a setback. Both economic expectations, as well as current situation values marginally, decline back to their October 2016 readings – complaining on a high comfort level. Nevertheless, we can state that investors' optimism about the US economy following the election result has not sparked to the German/European indices.

Germany	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	
Overall Index	18.4	19.8	19.5	27.7	29.2	27.8	Highest level since 05.2015
Headline Index							
- Current situation	35.2	33.4	34.3	45.5	47.8	45.8	Highest level since 03.2015
- Expectations	2.7	7.0	5.7	11.3	12.0	11.3	Highest level since 08.2015

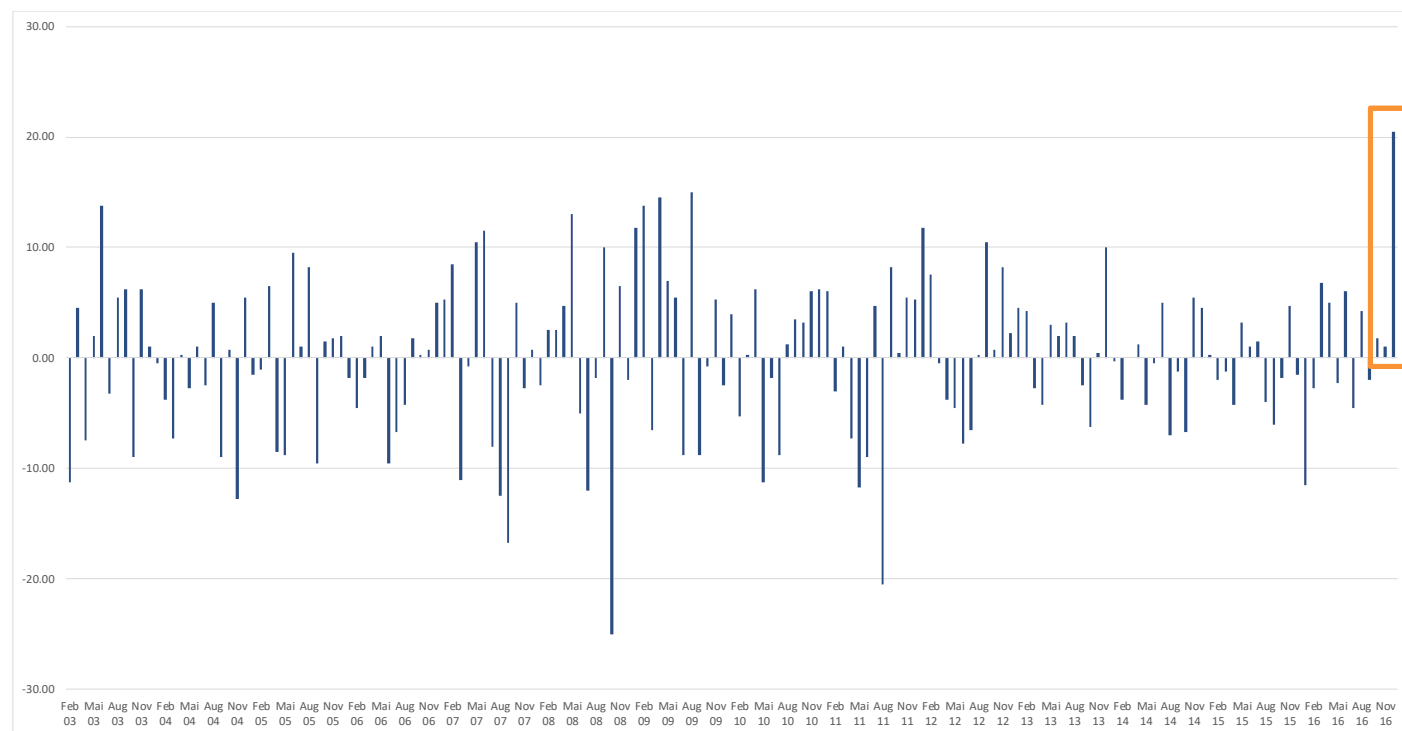


The United States – Donald ignites mania

The latest results of the sentix economic indices for the US economy reveal a real surprise: not only have investors underestimated the likelihood of Donald Trump being the next US President, but also their reaction to the surprise victory is stunning. The change of the US sub-indices is staggering: within only a single month the headline index jumps 15.4 points. The current situation index rises 9.7 points, and economic expectations skyrocket 20.5 points. Sentix – first mover advantage!

USA	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	
Overall Index	14.3	17.6	16.5	17.8	19.6	35.0	Highest level since 07-2002
Headline Index							
- Current situation	27.0	29.3	29.3	30.0	32.8	42.5	Highest level since 03-2015
- Expectations	2.3	6.5	4.5	6.3	7.3	27.8	Highest level since 07-2002

The latest increase of economic expectations is the strongest monthly change ever recorded since the inception of the sentix economic indices in July 2002. At the same time, it is the most positive ever recorded value in the US headline and excitation index. Neither an election, an economic crisis, war, a terroristic incident nor a central bank decision has ever caused such an intense impulse! In retrospective, we are now able to comprehend the surge of markets in November. The next logical consequence based on our data is that other leading indicators should follow the sentix indices. Moreover, we believe that the FED might now accelerate their restrictive stance to monetary policy. An acceleration of monetary tightening should affect not only yields for longer dating maturities but also the US-Dollar and the US labour market.





sentix Economic Index for the US Economy: **Expectations**

Japan the beneficiary

As the US-Dollar strengthens, the Japanese Yen declines and boosts investors' expectations for the development of the Japanese economy. The sub-index which measures expectations over the next six month increases to 12.3 points, the highest level since April 2015.

Japan	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	
Overall Index	-8.6	-6.2	-4.8	-1.3	1.3	9.0	Highest value since 08.2015
Headline Index							
- Current situation	-13.0	-12.8	-10.3	-6.8	-3.0	5.8	Highest value since 09.2015
- Expectations	-4.0	0.5	0.8	4.3	5.8	12.3	Highest value since 04.2015



More tables

Switzerland	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	-0.9	3.7	10.8	18.7	13.6	15.4

Austria	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	4.1	9.4	3.4	6.2	3.3	6.2

Asia ex Japan	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	8.2	14.1	16.4	19.7	22.4	20.6
Headline Index						
- Current situation	9.5	15.0	18.0	21.5	25.5	23.0
- Expectations	7.0	13.3	14.8	18.0	19.3	18.3

Eastern Europe	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	-7.3	-5.0	-2.9	-1.6	2.2	1.8
Headline Index						
- Current situation	-14.3	-12.8	-10.0	-8.5	-4.8	-6.5
- Expectations	0.0	3.0	4.5	5.5	9.5	10.5

Latin America	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	-13.7	-12.5	-9.1	-6.0	0.8	-5.0
Headline Index						
- Current situation	-30.3	-29.3	-23.8	-21.5	-13.3	-21.3
- Expectations	4.5	6.0	6.8	10.8	16.0	12.8

Global Aggregate	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Overall Index	4.3	7.9	9.1	11.6	14.8	17.9
Headline Index						
- Current situation	6.2	8.4	10.3	12.5	16.8	17.8
- Expectations	2.4	7.4	7.9	10.7	12.9	18.0



Data availability

Bloomberg

FACTSET

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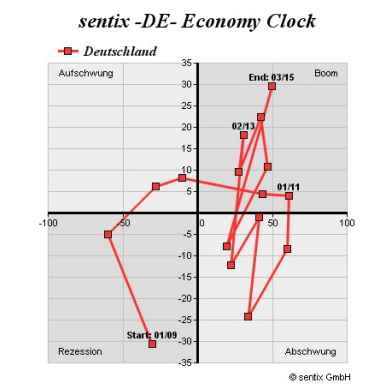
About sentix

The sentix GmbH is an independent research institute based in Frankfurt/Main, Germany. Founded in 2001, sentix provides analysts and investors, as well as the media and officials, with information about investors' preferences and their estimates and expectations about markets and economic trends.

Sentix is recognised in the industry as one of the leading experts in market sentiment and Behavioral Finance data. Among our clients are big fund managements groups as well as banks and independent fiduciaries. The data products are derived from the sentix Global Investor survey, to which more than 5.000 investors from 20+ countries contribute.

Background, methodology and more

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



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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