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## sentix Economic Index: Excellent situation, expectations diminish

- The sentix Economy Index for the Eurozone concludes its series of rising highs and returns 2.9 points in December. Expectations are responsible for this, with a more pronounced drop of 6.0 points. The assessment of the situation, on the other hand, can even increase slightly (+0.7 points).
- The values for Germany are also falling. The overall index dropped by 3.3 points to 39.1 points. Economic expectations have fallen by 5.3 points.
- There is also a calming effect on the global economy. Falling expectations dominate, with the emerging markets losing the least in relative terms. The autumn revival seems to be coming to an end.







### Statistics

Poll running: **Nov. 30<sup>th</sup> to Dec. 2<sup>nd</sup> 2017**

Survey participants: **975 investors**

(**254** of those are institutional investors)

## Current economic regimes\* of countries /regions in focus:

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

\* 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 Eurozone economy: December 2017

Euro area	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	
Overall Index	28.3	27.7	28.2	29.7	34.0	31.1	
Headline Index							
- Current situation	37.3	40.0	39.8	41.8	45.8	46.5	Highest since 09.2007
- Expectations	19.8	16.0	17.3	18.3	22.8	16.8	



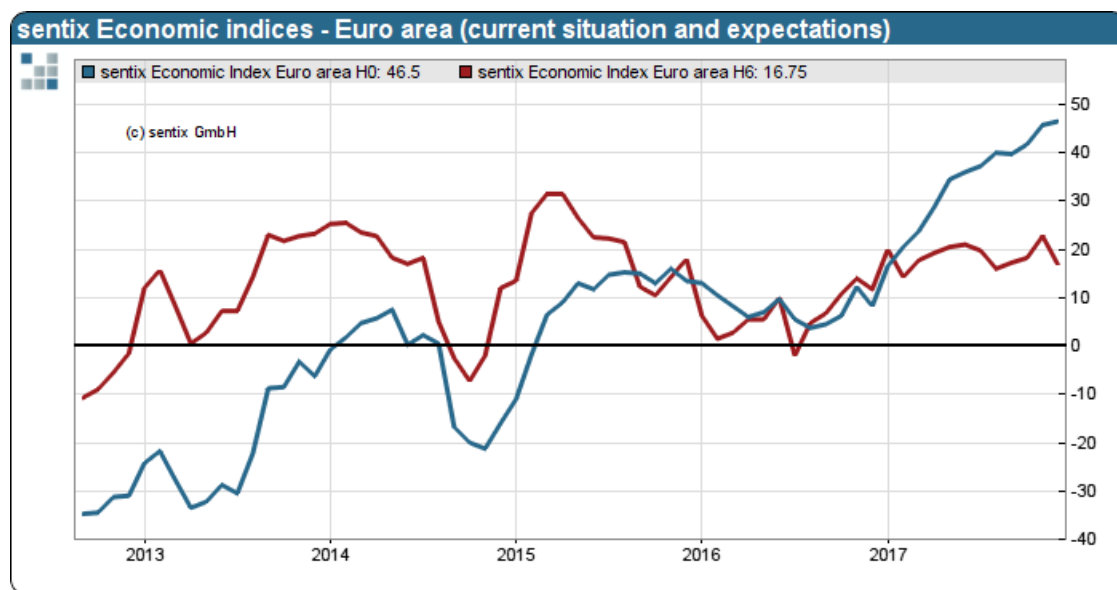
## Commentary on the survey results for December 2017

### Excellent situation, expectations diminish

The sentix Economy Index for the Eurozone concludes its series of rising highs and returns 2.9 points in December. Expectations are responsible for this, with a more pronounced drop of 6.0 points. The assessment of the situation, on the other hand, can even increase slightly (+0.7 points). The values for Germany are also falling. The overall index dropped by 3.3 points to 39.1 points. Economic expectations have fallen by 5.3 points. There is also a calming effect on the global economy. Falling expectations dominate, with the emerging markets losing the least in relative terms. The autumn revival seems to be coming to an end.

### Euroland: Loss of momentum

The situation in the eurozone continues to improve. Apart from the short breather in September 2017, a steady improvement of the economic environment in 2017 can thus be observed for the eurozone. This index value is excellent and corresponds exactly to the level of September 2007, which means that, from the point of view of the investors surveyed, it is excellent in Euroland, but the outlook for the future seems to be questioned once again. The considerable loss of momentum in the economic expectations of 6.0 points in the December data was hardly an observer like that. Investors are wondering whether it will be even better in 2018 and are scaling back the prospects for the future below the level of September 2017. The overall index for the eurozone therefore lost 2.9 points.



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

Strictly speaking, this decline is not yet a broken leg. It would be a problem if this would lead to a new trend. Looking back, we would have seen a top in the economy in November.

The tenacious and still questionable formation of a government in Berlin certainly contributes significantly to the loss of momentum. After all, Germany is one of the most important engines of Euroland's economic recovery and a guarantor of stability. Can Germany, in the new constellation of governments, still fully play its current leading role in Europe (keyword "potential minority government") or will Germany and thus Europe be able to act in urgent matters? This important and still unresolved question is currently putting the economy to one side. After all, it is booming and who wants to be distracted by the political hiccup?



However, the more time passes, the more this problem is likely to have a negative impact on the economy.

## Germany: How much does it cost?

Economic expectations for Germany are falling more sharply by 5.3 points, which means that the autumn recovery has disappeared. When assessing the possible new edition of the GroKo, investors are looking with suspicious eyes at the demands of the SPD. She wants to and must sharpen her profile and show hard edges if she wants to somehow avoid the next election debacle and convince her base of her participation in the government. The price for Merkel's continued government and thus for Germany's finances is likely to be high. Foreign investors in particular should therefore pay close attention to the extent of additional expenditure and whether labour market conditions are deteriorating.

Germany	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17
Overall Index	37.5	33.2	34.0	37.7	42.4	39.1
Headline Index						
- Current situation	65.5	64.3	63.0	65.3	71.8	71.0
- Expectations	12.5	5.8	8.3	13.0	16.3	11.0

Those who do not believe in a sustained economic slowdown will then have to deal with negative side effects of the boom, such as capacity and staff shortages and possible inflationary pressures? Serious questions must be answered in any case within the next few months.

## USA: Successful tax reform - and what happens now?

Donald Trump has finally got it - his tax reform. Probably the most important item on his agenda has successfully passed through the Senate. This once again provides for an economic celebration of joy, the assessment of the situation increases by 1.7 points to 50.5 points to a new all-time high. But what now? What stimulus could the US economy experience next? The answer may be sobering for many investors: economic expectations are falling by 3.2 points and are threateningly close to zero.

USA	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17
Overall Index	14.8	14.1	17.1	22.3	27.5	26.5
Headline Index						
- Current situation	32.5	34.3	35.8	41.0	48.8	50.5
- Expectations	-1.5	-4.3	0.0	5.0	8.0	4.8

Alltime High

## Global Economy: Emerging markets bring some stability

This makes it clear that the trends of the USA and the eurozone are also evident in the assessment of the global economy. Situation up, expectations down! The world as a whole is somewhat more robust, as the emerging markets are holding up relatively well. The markdowns in economic expectations there are moderate and give the sentix Global Aggregate Index a little more stability.



# Press release sentix Economic Index

04. December-2017

Global Aggregate	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Highest since 08.2007
Overall Index	19.0	18.1	19.7	23.6	27.3	26.0	
Headline Index							
- Current situation	27.5	29.2	30.5	34.1	39.0	39.8	
- Expectations	10.8	7.5	9.4	13.6	16.2	13.0	



## Further result tables

<b>Austria</b>	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17
Overall Index	35.4	35.4	40.8	46.6	44.5	40.7
<b>Switzerland</b>	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17
Overall Index	29.4	20.1	26.8	26.1	30.4	28.8
<b>Japan</b>	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17
Overall Index	16.7	13.8	17.6	22.9	27.3	26.2
Headline Index						
- Current situation	23.3	22.3	28.0	33.3	39.3	39.8
- Expectations	10.3	5.8	7.8	13.0	16.0	13.5
<b>Asia ex Japan</b>	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17
Overall Index	25.0	24.3	24.7	28.3	30.7	29.0
Headline Index						
- Current situation	33.3	36.0	36.3	38.5	41.8	41.8
- Expectations	17.0	13.3	13.8	18.5	20.3	17.0
<b>Eastern Europe</b>	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17
Overall Index	12.1	10.0	11.2	15.4	17.7	17.9
Headline Index						
- Current situation	12.5	11.5	13.8	16.5	20.0	21.0
- Expectations	11.8	8.5	8.8	14.3	15.5	14.8
<b>Latin America</b>	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17
Overall Index	-1.1	-1.6	0.9	6.0	8.9	8.8
Headline Index						
- Current situation	-9.8	-9.8	-6.5	-0.5	3.3	4.0
- Expectations	8.0	7.0	8.5	12.8	14.8	13.8



## Data availability

**Bloomberg**

**FACTSET**



**Macrobond**



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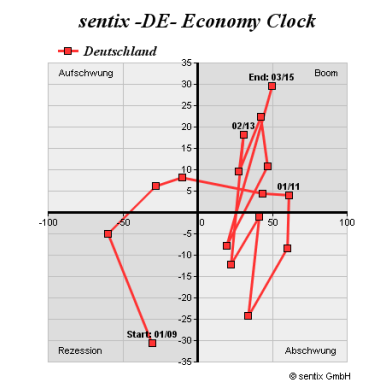
## About sentix

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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