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sentix Economic Index: Is the US economy overheating?

- The sentix overall index for the economy in Euroland fell again slightly in October from 12.0 to 11.4 points.
- Uncertainties about the fiscal policy stance in Italy and the automobile industry in Germany are depressing the sentiment, although this is not reflected in the German economic data.
- By international standards, the US economy remains strong. The assessment of the situation rises to an all-time high and raises investors' expectations of rising inflation rates and a restrictive central bank policy. Japan is attracting attention with a clear rise in the situation and expectations.

Statistics

Poll running: **4-Oct. to 6-Oct., 2018**
Survey participants: **925 investors**
(**245** of those are institutional investors)

Current economic regimes* of countries /regions in focus:

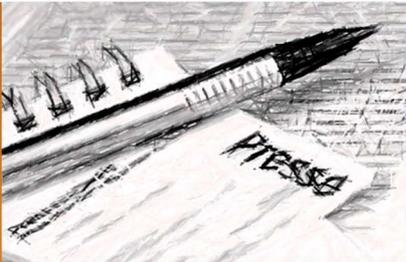
Region / country	Regime	Region / country	Regime
Eurozone	slowdown	USA	slowdown
Germany	downturn	Japan	upturn
Switzerland	slowdown	Asia ex-Japan	slowdown
Austria	upturn	Latin America	downturn
Eastern Europe	slowdown	Global Aggregate	slowdown

* 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: October 2018

Euro Area	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18
Overall index	19.2	9.3	12.1	14.7	12.0	11.4
Headline Index						
- Current situation	42.8	34.5	36.8	37.3	35.0	33.0
- Expectations	-2.0	-13.3	-10.0	-5.8	-8.8	-8.3

Lowest since 04.2017



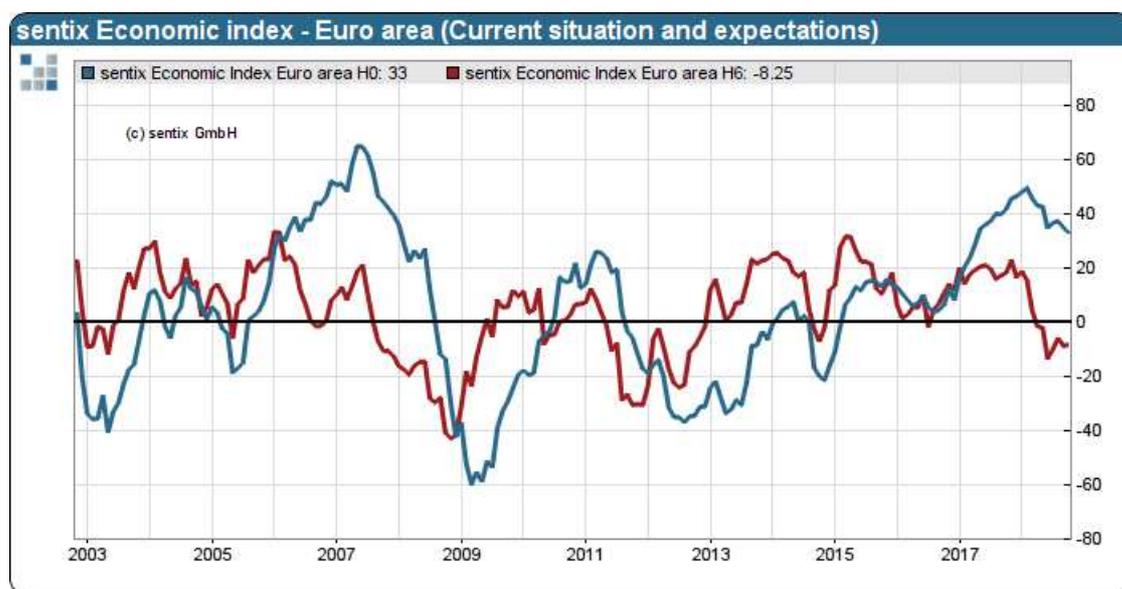
Commentary on the survey results for October 2018

Is the US economy overheating?

The economic development in the individual regions of the world continues to be uneven. Overall, however, the current assessments of the approximately 1,000 investors surveyed by sentix remain relatively relaxed. This is due not insignificantly to the very good assessment of the US economy, where we are once again measuring an all-time high in the current situation index. This is increasingly causing inflation fears among investors, which in turn should prompt the central banks to continue their restrictive monetary policy. This also seems to be one of the reasons why the majority of expectation indices remain slightly negative.

Euro area: Current situation momentum still on the retreat

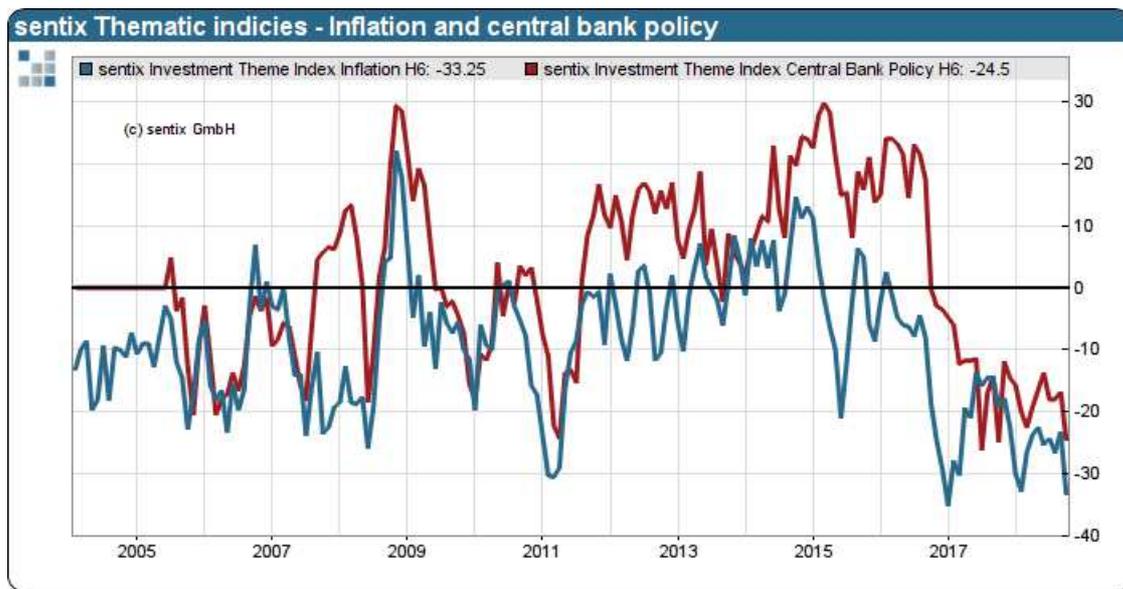
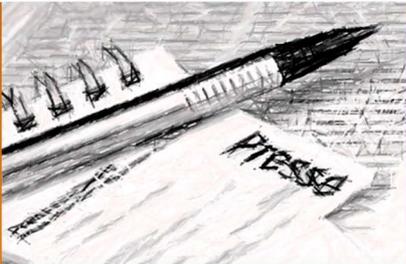
The Euro zone economy is recording a further slight slowdown. The sentix overall economic index fell again slightly in October to 11.4 points. This is attributable to the current situation values, which have weakened to 33.0 points, the lowest value since April 2017. Nevertheless, these data do not represent a fundamentally new assessment by investors, which is also reflected in the hardly changed expectation values. The reason for the slight decline is probably the discussion about the automobile industry in Germany and the uncertainties about the future fiscal policy of the Italian government.



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

Interesting is this month once again a look at the sentix topic barometer. Here we are measuring a substantial rise in inflation expectations. The corresponding sub-index fell from -24 to -37.50 points and is thus as high as in February 2018. Accordingly, investors' expectations of central bank policy have also fallen to -27.5 points. This is the lowest level since October 2017. Investors therefore assume that the bond markets will continue to be subject to significant fundamental pressure and that the central banks, above all the Fed, will continue to tighten their monetary reins.

From the point of view of the investors surveyed by sentix, this puts a strain on both the medium-term economic expectations (negative expectations!) and should also have a negative effect on the investment risk on the stock market.



sentix Investment theme index – Inflation and central bank policy

Germany: Stable despite fundamental burdens

Despite the negative discussions about the automotive industry and the question marks over the continued existence of the current government coalition, the German economic data remain stable. Expectations can even recover to -8.8 points. The economy is cooling down, but a slump is not yet discernible.

Germany	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18
Overall index	23.5	18.5	16.2	20.4	18.1	20.0
Headline Index						
- Current situation	59.8	56.3	51.3	54.8	51.8	53.0
- Expectations	-7.8	-13.8	-14.0	-9.3	-11.0	-8.8

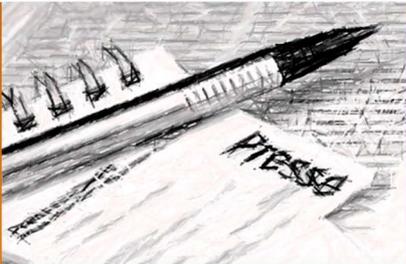
Highest since
05.2018

USA: Situation values signal overheating

Before the upcoming elections for the US House of Representatives, the US economy is still in excellent shape, thanks in part to the tax cuts at the beginning of the year. After the fourth ascent in a row, the situation values again reach an all-time high of 66.5 points! Can it get better? In view of the rising inflationary pressure, the continued restrictive US Federal Reserve and an expiry of the tax policy stimulus next year, investors' cautious assessment of economic expectations seems understandable.

United States	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18
Overall index	22.1	20.3	18.6	25.6	23.6	25.3
Headline Index						
- Current situation	52.8	50.8	53.8	62.8	63.3	66.5
- Expectations	-4.8	-6.5	-11.8	-6.3	-10.0	-9.5

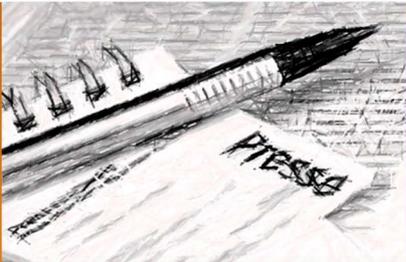
Alltime High! 4. increase in a row



Japan: Significant improvement

Japan is currently experiencing a marked improvement in investors' perception of the economy. Current situation and expectation values can increase significantly and thus bring the Japanese economy back into the upswing zone, which should have a positive effect on the stock assessment.

Japan	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18	
Overall index	17.3	14.3	10.9	13.2	12.3	17.9	Highest since 04.2018
Headline Index							
- Current situation	36.8	32.0	30.5	30.3	30.8	37.0	Highest since 04.2018
- Expectations	-0.5	-2.0	-7.0	-2.5	-4.8	0.3	Highest since 03.2018



Further result tables

Asia ex Japan	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18
Overall index	22.7	20.6	12.4	16.1	11.9	13.9
Headline Index						
- Current situation	42.3	38.5	33.3	34.8	28.5	29.3
- Expectations	4.8	4.0	-6.5	-1.0	-3.5	-0.5

Eastern Europe	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18
Overall index	12.2	6.0	4.9	8.2	1.4	3.3
Headline Index						
- Current situation	21.5	17.3	18.8	20.5	13.0	13.3
- Expectations	3.3	-4.8	-8.0	-3.5	-9.5	-6.3

Latin America	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18
Overall index	7.1	-4.5	-6.9	-3.9	-19.0	-12.9
Headline Index						
- Current situation	11.8	-1.5	-4.8	-3.8	-21.0	-17.3
- Expectations	2.5	-7.5	-9.0	-4.0	-17.0	-8.5

Global	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18
Overall index	19.4	15.0	11.2	15.2	10.7	12.8
Headline Index						
- Current situation	40.3	34.4	32.8	35.5	30.4	31.7
- Expectations	0.3	-2.7	-8.4	-3.3	-7.3	-4.6

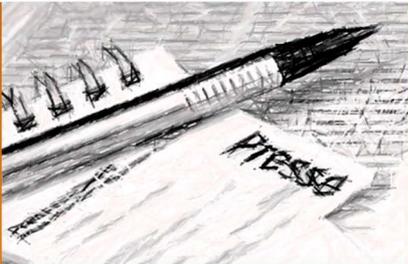
Switzerland	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18
Overall index	23.5	16.9	25.5	24.4	21.7	19.6
Headline Index						
- Current situation	43.8	47.5	44.8	49.5	49.5	50.8
- Expectations	5.0	-10.0	7.8	1.8	-3.0	-7.8

3. decline in a row

Highest since
01.2018

3. decline in a row

Austria	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18
Overall index	41.7	38.1	32.0	33.8	34.0	32.3
Headline Index						
- Current situation	67.0	64.0	60.0	53.0	64.5	58.3
- Expectations	18.8	14.8	7.0	16.0	7.0	9.0



Data availability

Bloomberg L.P.

FACTSET



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About sentix

sentix is the pioneer and leading provider of sentiment analyses (behavioural finance) in Europe. Since 2001 sentix surveys on a weekly basis around 5.000 investors from over 20 countries (comprising over 1.000 institutional and almost 4.000 individual investors) about their expectations for financial markets as well as for economic developments and their portfolio actions. The sentix survey results are representative of a broadly diversified group of investors.

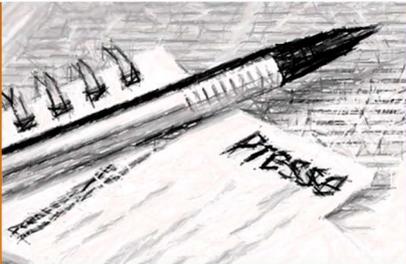
sentix surveys offer the rare combination of a vast number of participants, high quality and an outstanding speed with which information is gathered and passed on. All sentix indices are regularly accessible for sentix data clients just about one day after the close of each poll – via the sentix website or Bloomberg. sentix clients thus can use sentix data almost in real time to further improve performance.

sentix GmbH was founded in 2001 and today represents the basis for all the services the sentix group offers to its clients in the field of Behavioural Finance.

Background, methodology and more

Current reports and documentation: <https://www.sentix.de/index.php/en/sentix-Economic-News/>

Charts and tables: <https://www.sentix.de/index.php/en/sentix-Economic-Factsheets/economy-at-a-glance.html>



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