



sentix Eco Report Indicators for the Global Economy

7th May 2012

Free of charge for active sentix survey participants / Standard conditions at www.sentix.de



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sentix economic index: Euroland in recession mode

- Last month's drop in the sentix economic index was a first warning sign; now, the economy in Euroland continues to slide! With -24.5, the total index undercuts last year's low. Its May 2012 values are as low as those of September 2009.
- The current situation experiences an especially sharp drop. An 11.5 point fall pushes the barometer to an index level of -31.5 points and signals a recession in Euroland.
- The economic indicators for Germany are still holding, but the expectations for the next 6 months cannot completely defy Euroland gravity and drop to -5.8 points. The current situation remains conspicuously stable at +40.3 points.
- Besides Euroland, the USA also clouds up. The economic drop isn't quite as pronounced as in Euroland, but the advance praise of the past months seems to have been used up.

Statistics

Survey period: **03.05.-05.05.2012**

Participants: **867**

sentix indications for upcoming market events

At this point we will publish upcoming important market events and the expectations which can be derived from already published sentix data.

sentix – first mover advantage

15.05.2012 - clear cutback expected, even for economic expectations
Germany

24.05.2012 - ifo-Index: pressure based on Euroland visible, current situation stable yet

from 24.05.2012 - Euroland PMIs - enduring weakness

22.05.-25.05.2012 - China PMI - yet supported

Euroland economy chart **May 2012**

Euro area	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12
Overall Index	-24.0	-21.1	-11.1	-8.2	-14.7	-24.5
Headline Index						
- Current situation	-17.3	-18.8	-15.8	-14.0	-20.0	-31.5
- Expectations	-30.5	-23.5	-6.3	-2.3	-9.3	-17.3

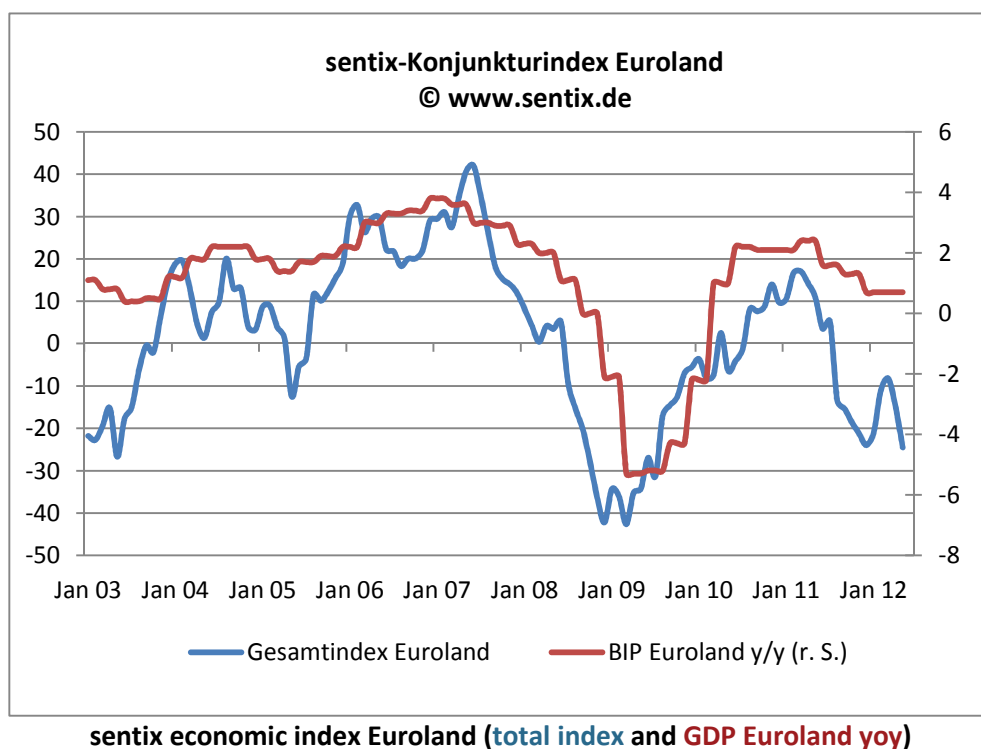


Commentary on survey results for May 2012

Euroland in recession mode

Last month's slumps are aggravated: the sentix total index for Euroland falls strongly by 9.80 points to -24.5 points. Especially the economic situation makes no secret of the fact that investors are acting on the assumption that Euroland is heading for a pronounced recession. The German economy is trying to lift itself out of this development, but the economic expectations cannot get away from the minus signs, either. The US economy has also begun to weaken.

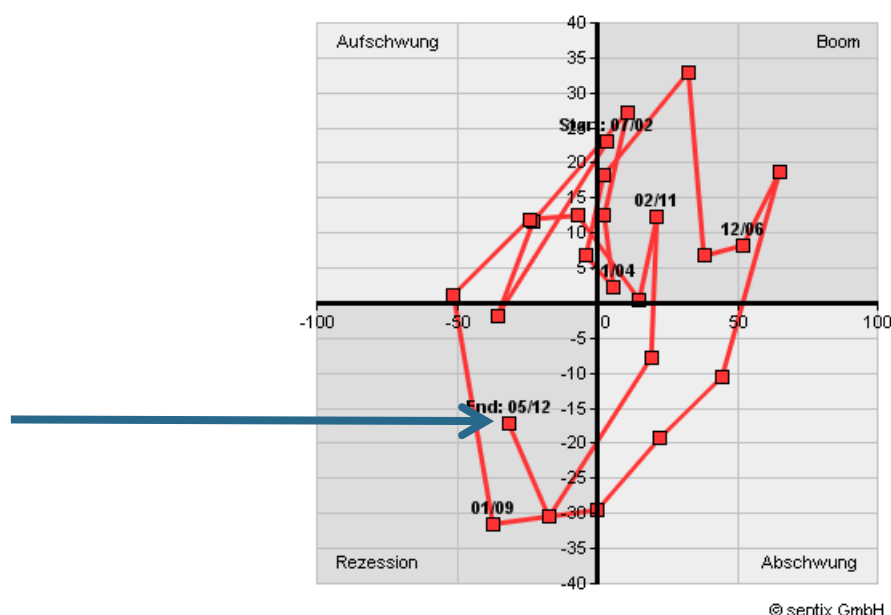
After the disappointment in April, a cold shower follows in May for the Euro zone! The crisis is back, with its symptoms, even though the ECB tried to 'liquidate' the recession spectre. The sentix economic index drops to -24.5 points – completely wiping away the entire recovery movement of 2012. A glance at the historic development of the index shows that the total index was last lower in September 2009. Then, we had the Lehman effect; in May 2012 we have the anxiety surrounding the banking sector as a whole and the solvency of a number of states. The economic situation drops especially strongly. A minus of 11.5 points pushes the sub-component to an index level of -31.5 points and inevitably signals a recession in Euroland.



The effect of a generous handing out of central bank money for the markets and the economy has already been blown to smoke only a few weeks after the second three-year tender of the ECB. One issue should therefore be crucial for the markets, namely what financial leeway central banks and states will still have should a renewed economic weakness hit once more. Public discussion in the past days has been turning away from the political will to save. A growth pact is on the agenda for the next meeting of the EU. Considering the latest sentix results for Euroland, this discussion will become all the more heated. The sentix economic clock is now clearly in the recession quadrant:



sentix -EU- Economy Clock



Euroland is not the same as Germany! Investors seem to see the German economy on an island of tranquillity. The assessment of the current situation remains conspicuously robust at +40.3 points. Only the values for economic expectations feel the Euroland drag. This, at least, has arrived in the red with -5.8 points. One thing can be read from this data: the longer the problems in Euroland continue, the stronger the effects will be for the German economy.

Germany	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12
Overall Index	5.6	10.0	22.0	23.0	19.1	16.0
Headline Index						
- Current situation	36.3	37.0	41.4	41.4	41.3	40.3
- Expectations	-21.0	-14.0	4.1	6.0	-1.0	-5.8

The economy on the other side of the Atlantic also has news for us. The total index for the USA falls back to 7.7 points, economic expectations are once again moving towards the zero line (expansion border). Is the wonder of US economic recovery already over after such a short time? One thing is certain in this context: this development is no good for Obama's election campaign. The short-term hopes of the capital markets are once again centred around the FED and in a QE 3.0. With such measures, short-term successes are possible. Whether this is a feasible medium-term path to a solution is more than questionable after the experiences with QE 1.0 and QE 2.0.

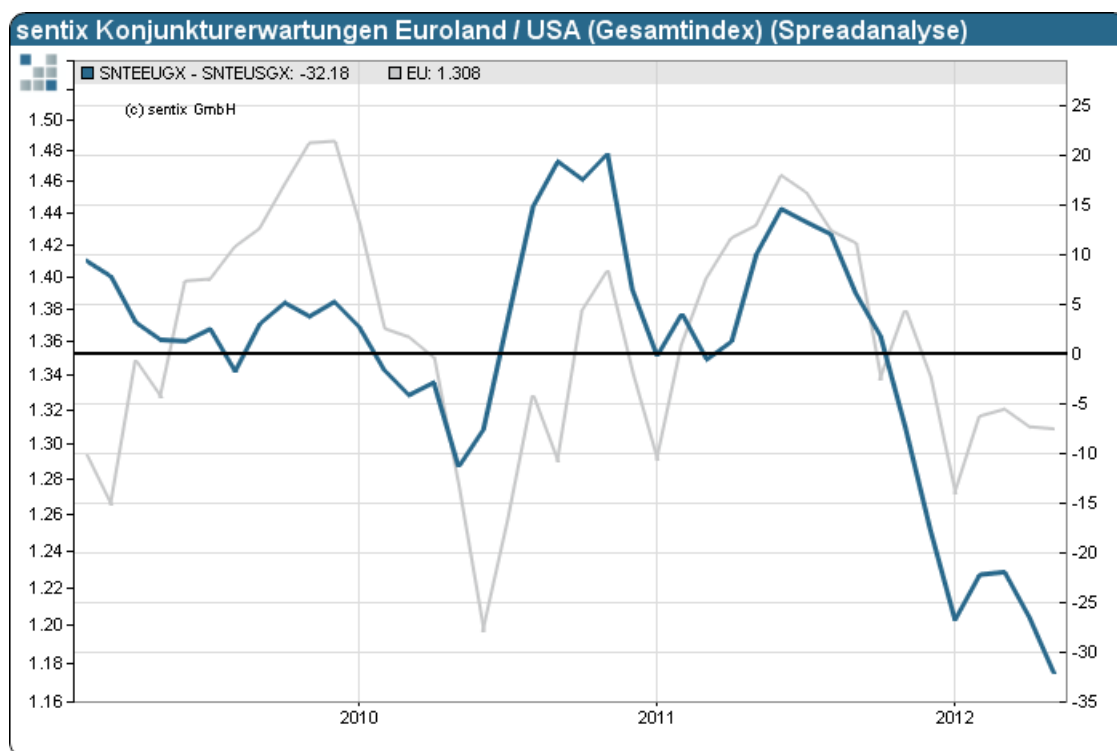


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USA	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12
Overall Index	-6.4	5.6	11.1	13.7	11.8	7.7
Headline Index						
- Current situation	-3.8	8.5	12.0	17.8	17.8	14.0
- Expectations	-9.0	2.8	10.3	9.8	6.0	1.5

A glance at the relative assessment of the Euroland and US economic zones also gives us a hint to the currency development of EUR/USD. With the latest data, a prognosis can be made from the spread analysis of both total indexes. It points to high structural pressure for the Euro. This will prove to have enormous explosive potential in the coming weeks.



Spread analysis sentix economic index (total index Euroland without USA) and EUR/USD

The region Asia ex Japan is holding up surprisingly well. The total index is able to improve against the general trend by 0.6 points. In the competition of global economies the region remains the growth motor for the time being.

Asia ex Japan	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12
Overall Index	11.8	14.4	25.7	28.8	21.8	22.4
Headline Index						
- Current situation	31.3	30.8	37.5	41.0	34.8	36.8
- Expectations	-6.0	-0.8	14.5	17.3	9.5	9.0



Data availability

Bloomberg

FACTSET



Macrobond



sentix 
expertise in behavioral finance

About sentix

On a weekly basis, more than 3.200 registered investors (of which more than 700 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 seven 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 and methodology

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



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