



# sentix Eco Report Indicators for the Global Economy

05. August 2013

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## sentix economic index: Economic motor gaining momentum

- **The total index for Euroland rises dynamically by 7.70 points to now -4.9 points.** Both the current assessment (rise of 8.25 points) and the 6-month expectations (rise of 7.00 points) are able to gain ground strongly. This is mirrored in the second-highest value of 2013.
- For **Germany** the recovery continues, also. The total index rises to 20.3 points, driven by a very positive current assessment. For the US economy as well as for the Japanese economy, confidence continues to rise.
- In August, **all world regions** profit from the rise. Especially the Emerging Markets stopped their negative trend of the past months. The index for the global aggregate rises to a five-month high.

### Statistik

Survey period: **01.08.-03.08.2013**

Survey participants: **901**

(Institutionals: **227**)

## 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!

13.08.2013: **ZEW economic expectations** (Germany): increase towards 45 points

22.08.2013: **Flash PMIs**: for **China** recovery towards 49.5, increase for **US** and **euro zone**

20.08. - 24.08.2013: **ifo business climate**: expectations rise up to 105

03.09.2013: **ISM-Manufacturing index**: August data with an increase towards 57,5

## Table of the **August 2013** results for the euro zone economy

Euro area	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13
<b>Overall Index</b>	-10.6	-17.3	-15.6	-11.6	-12.6	-4.9
<b>Headline Index</b>						
- Current situation	-27.8	-33.5	-32.3	-28.8	-30.5	-22.3
- Expectations	8.3	0.5	2.8	7.3	7.3	14.3

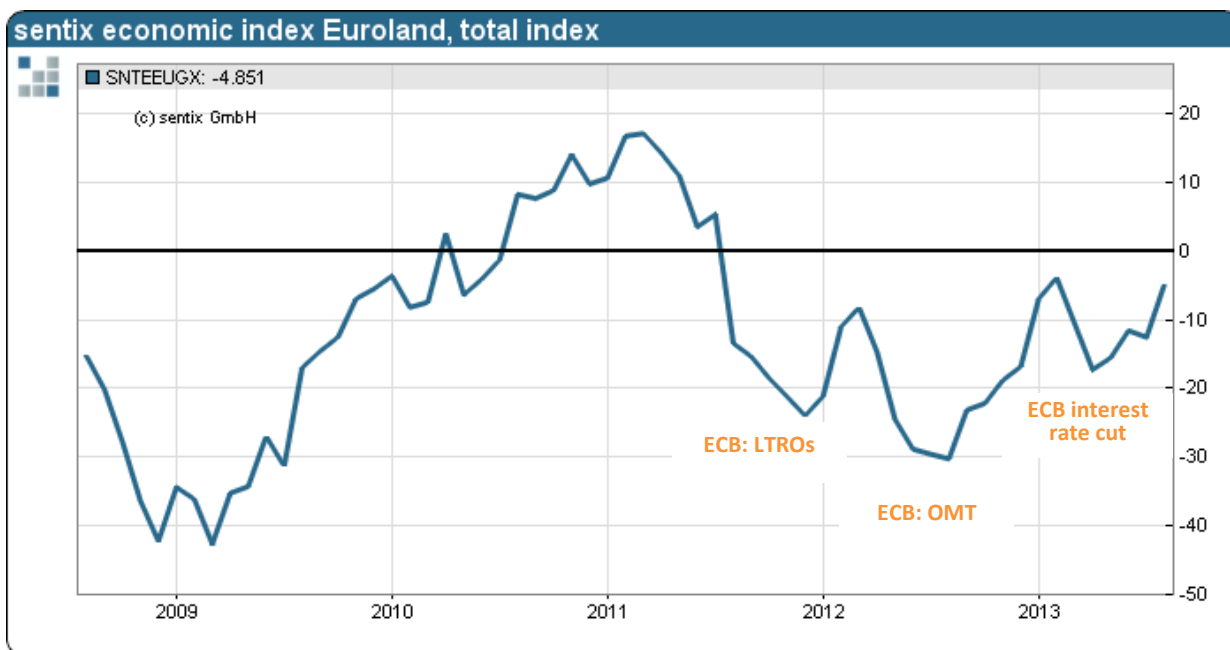


## Commentary on the survey results for August 2013

### The economic motor gains momentum

The total index for Euroland rises dynamically by 7.70 points to now -4.9 points. Driven by an improved current assessment, which rises by 8.25 points, as well as more positive 6-month expectations with a plus of 7.00 points, both parts are able to gain ground. The values mirror the second-highest value of 2013 (February 2013 at -3.9 points). Germany, Japan and the USA, which had also presented themselves positively over the past months, are also part of this concert of positive news. It is positive to see that all world regions are now able to profit from the rise. Especially the Emerging Markets stopped their negative trend of the past months. The index for the global aggregate rises to a five-month high.

The weakness in the leading indicators in Euroland at the beginning of the year is now history. With a dynamic improvement of the economic indices for Euroland, the old continent has returned. The economic recovery signals from France and some southern EU countries convince investors, so that both the 6-month expectations (plus 7 points) as well as the current assessment with +8.25 points can gain significantly. Once again, the central banks are the ones who, by pushing liquidity measures and the eased refinancing framework, give the economic motor a jump-start. The backpedalling of the FED should also have added its weight to the improvement. The annual high of the total index of February 2013 at -3.9 is now within reach.



In the assessment of the **current situation, private and institutional investors are almost of the same opinion**, but in the 6-month expectations one can see a major gap: private investors are much less optimistic with +6.0 points than investment professionals, who see more momentum in the Euroland economy. **The sub-index, there, rises to +22.50 points, which is not only a new annual high (!), but even above the value of May 2006! Professionals have become very bullish for the Euroland economy!**

Private investors, on the other hand, are much more focused on the Euroland national debt crisis and have not let themselves be convinced in the same way as the institutionals by improvement signals. We will need another set of positive news before this scepticism has been dispelled.



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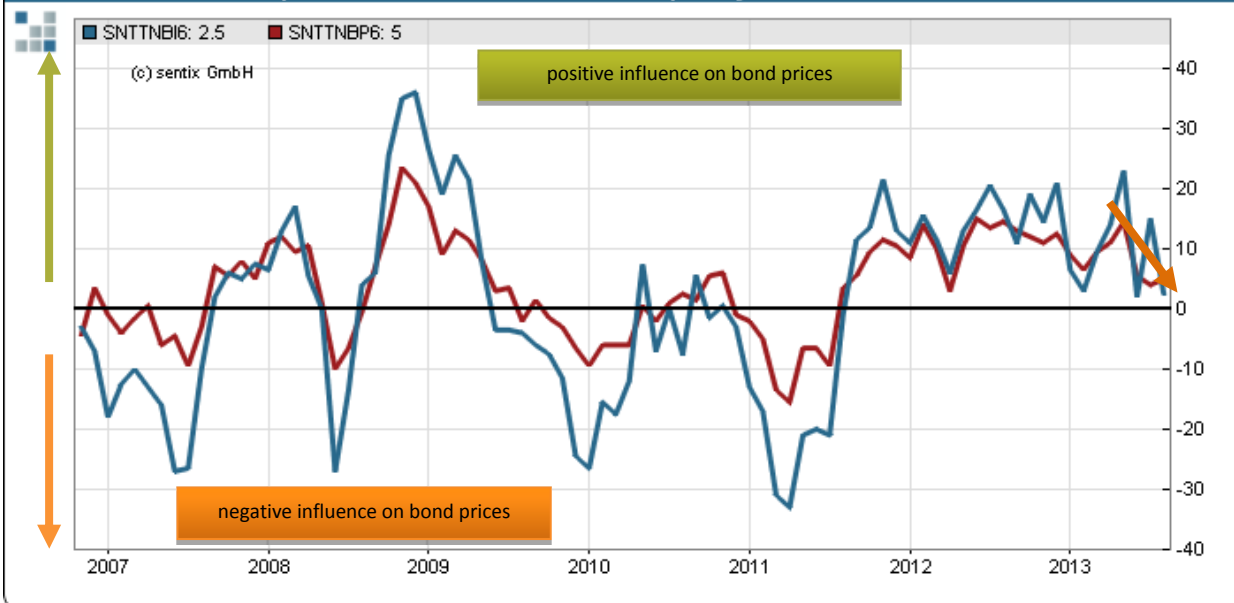
05. August 2013

sentix economic index Euroland, individual (red) and institutional (blue) expectations



If central bank policies were the driving force behind this improvement, this influence we allow for in the future needs to be given heightened attention. The topic barometer, which measures the expected influence of central bank policies on the bond markets, shows a decreasing dynamic. Until now, the level is not worrisome; nevertheless, this factor is losing influence. It is therefore mandatory for the further development of the economy that the economic recovery which was induced by central banks develops its own self-supporting energy.

sentix investment topic index: influence of fiscal policy on bond market





### Germany – solid as a rock

The values measured for Germany present themselves as robust, just as last months. Now, Germany rises further together with the rest of Euroland, albeit not as dynamically. Nevertheless, this is a positive sign for the global economy. After all, Germany as an export nation is dependent on the development of countries such as China. The problems there seem to be counterbalanced by the US with their positive economic dynamic, so that, on average, an economic upward moment is left for Germany. In August, the total index for Germany rises to +20.3 points.

Germany	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13
<b>Overall Index</b>	24.5	17.6	15.2	16.2	18.4	20.3
<b>Headline Index</b>						
- Current situation	32.6	30.2	24.8	24.5	27.7	30.1
- Expectations	16.6	5.7	6.0	8.3	9.5	10.9
<b>Institutional investor</b>						
- Current situation	33.7	31.9	25.5	25.4	29.7	31.4
- Expectations	22.5	9.9	9.6	14.3	15.0	16.3
<b>Individual investor</b>						
- Current situation	31.6	28.6	24.2	23.6	25.7	28.7
- Expectations	10.7	1.4	2.4	2.3	4.0	5.5

The reservations of private investors in comparison to institutionals are similarly strong for the expectations towards the economic development of Germany as for Euroland. Investors probably expect post-election Germany to move to joint liability in some form. Depending on the outcome of the elections this will 'officially' go via Eurobonds or Eurobills or through the back door in the form of co-financed growth programmes.

For two of the German sentiment indicators, this development in the sentix economic indices has the following consequence: the **ZEW-economic expectations** for Germany should continue to rise in August, for the Euroland ZEW data, a positive surprise is around the corner. This is signalled by the development of the institutionals' economic expectations. For the **ifo business expectations** the expectational component of the sentix economic index for Germany points to a **rise of around 105 points**.



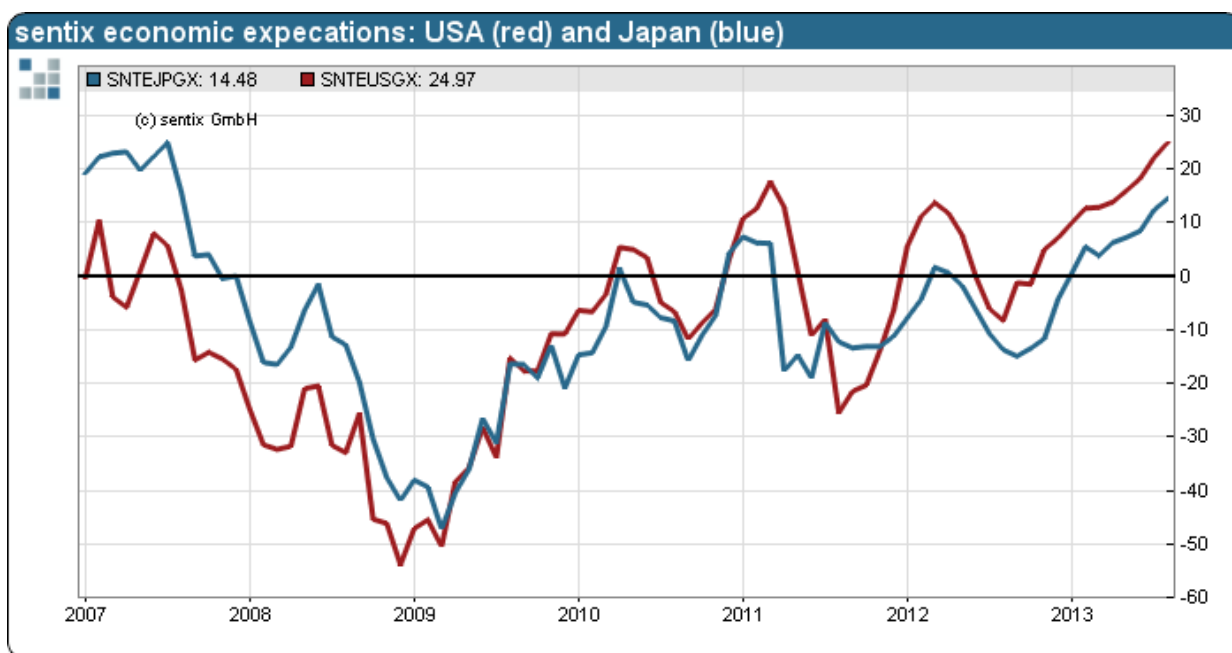
## USA – trend continues

**For the USA, the total indices continue to climb.** The positive economic news give us tail wind both for the current assessment and expectations. With +28.8 points, the current assessment rises to its highest value since July 2006, investors' 6-month expectations rise above the value of February 2004.

USA	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	
<b>Overall Index</b>	12.9	13.9	16.0	18.2	22.1	25.0	highest value since Aug. 2004
<b>Headline Index</b>							
- Current situation	10.5	16.8	18.0	20.5	25.0	28.8	
- Expectations	15.3	11.0	14.0	16.0	19.3	21.3	

## Japan – from problem child to high flyer

**The hopes of the global economy currently do not rest solely on the USA, but also on Japan.** The total index there rises by another 2.2 points to 14.5. In August, both the current assessment as well as the expectations is able to gain ground.





## Emerging Markets – negative trend stopped

After strong backlashes in the past months, the sentix economic indices for the Emerging Markets are able to stop the negative trend for the time being and rise in August between +1.7 points (Asia ex Japan) and +5.5 points (Eastern Europe). It is still too early for a general all-clear. For this, the rises – especially in Asia ex Japan – are too small. Especially the current assessment is still sinking. **This region remains the Achilles heel of the global economy.**

Asia ex Japan	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13
<b>Overall Index</b>	32.2	25.0	23.5	21.8	12.3	14.0
<b>Headline Index</b>						
- Current situation	38.8	33.0	31.0	29.3	17.3	16.0
- Expectations	25.8	17.3	16.3	14.5	7.5	12.0

lowest value  
since Oct. 2009





## Data availability

**Bloomberg**

**FACTSET**



**Macrobond**



**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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