



sentix Eco Report Indicators for the Global Economy

06. January 2014

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sentix economic index: The euro zone leaves its crisis behind

- **The composite index for the euro zone rises by 3.9 to 11.9 points in January.** Among the components of the index, the assessment of the current situation improves strongly and has now entered neutral territory. **That means that at the start of 2014 the euro area finally leaves its crisis behind.**
- The **composite index for Germany** which celebrates its fifth anniversary this month rises slightly **from 32.1 to 32.4 points.** Here, 6-month expectations ease a little.
- **The generally positive picture at the beginning of the year is blurred by the figures for Asia ex Japan.** For the emerging region investors now rate the current situation markedly lower than last month. **Nevertheless, the index for the global aggregate increases for the sixth consecutive month.**

Statistics

Poll running: **02.01.-04.01.2014**

Survey participants: **907**

(of which institutional investors: **220**)

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!

21.01.2014: **ZEW economic expectations** (Germany): decrease from 62 to about 58 points

23.01.2014: **Flash PMIs (manufacturing)**: sideways for the **US**, slight decrease for **China**, slight increase for the **euro zone**

27.01.2014: **ifo business climate**: sideways

09.01. (December data), 30.01. (January data): **Economic Sentiment** (euro zone): increase to over 99 at first (December), then to over 100 (January)

Table of the **January 2014** results for the euro zone economy

Euro area	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	-4.9	6.5	6.1	9.3	8.0	11.9	Highest since April 2011
Headline Index							
- Current situation	-22.3	-8.8	-8.5	-3.3	-6.3	-0.8	Highest since August 2011
- Expectations	14.3	23.0	21.8	22.8	23.3	25.3	Highest since Feb. 2006

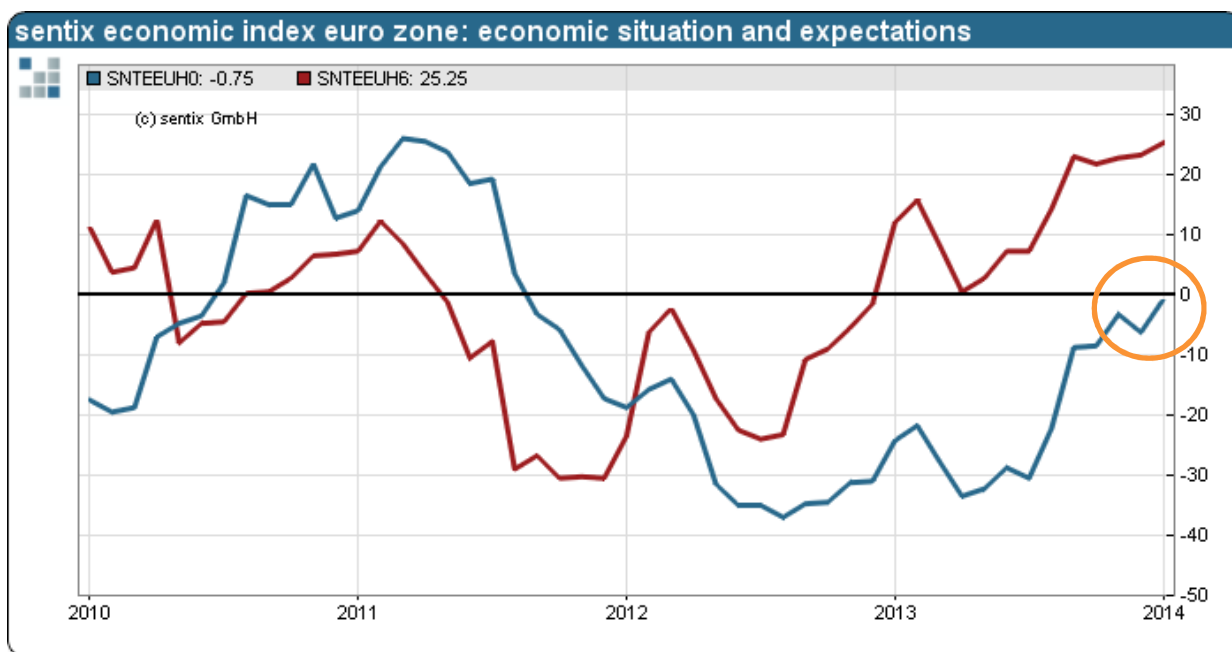


Commentary on the survey results for January 2014

The composite index for the euro zone rises by 3.9 to 11.9 points in January. This increase is the strongest of a composite index in January among all surveyed countries and regions. It is also noteworthy that the assessment of the current situation for the euro zone improves markedly and has now entered neutral territory. Consequently, at the start of 2014 Euroland finally leaves its crisis behind.

Looking at other countries and regions, the composite index for Germany – which celebrates its fifth anniversary this month – rises slightly from 32.1 to 32.4 points. Germany thus remains the growth engine for the euro zone. The generally positive picture at the beginning of the year is only blurred by the figures for Asia ex Japan. Nevertheless, the composite index for the global aggregate increases for the sixth month in a row.

Last month the gap between 6-month expectations for the euro zone economy and the corresponding assessment of the current situation had widened. **Now, in January the gap is becoming smaller again, reducing fears of an expectations bubble.** Against the backdrop of improving labour market data for the euro area and Ireland leaving the euro rescue fund investors now rate the **current situation of the euro area economy much more favourable** than at the start of December. The sentix index for the investors' assessment of the current situation rises by 5.5 to now -0.75 points. This reading is very close to its long-term average (of -0.34 points since 2003) and, as it stands near zero, also formally signals that investors judge the current situation now as neutral. **The index thus indicates a normalisation of the economic activity in the euro area.** Against this background, the rise of the 6-month expectations by 2.0 to 25.25 points is all the more impressive. **Overall the figures show that at the start of 2014 the euro zone finally leaves its economic crisis behind!**

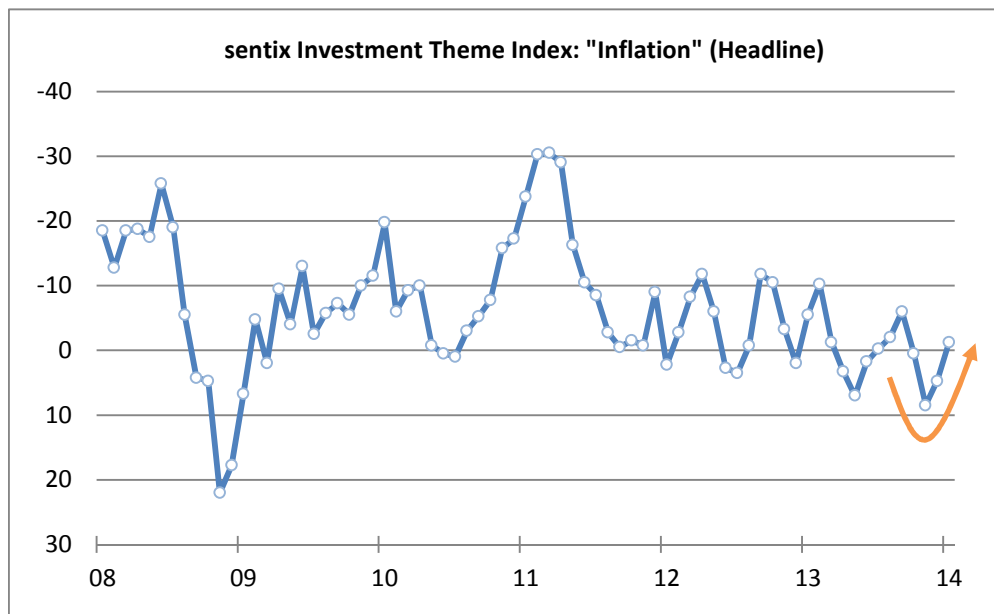


sentix economic index, euro area: **assessment of the current situation (red)** and **expectations (blue)**

A further sign of economic normalisation is this month's development of another sentix indicator: **The sentix investment theme index for the investment topic "inflation" indicates that deflation fears which were rather ex-**



treme during fall are currently fading. The indicator has managed to regain neural territory over the last two months while the January movement of the index was especially pronounced (see graph below).



sentix investment theme index: **inflation (headline)**

Annotation: The sentix Investment Theme Indices are conceived for bond markets. A higher reading for these indices means that investors expect positive effects coming from a certain topic (here: inflation) on bond prices. As (expected) inflation usually has a negative impact on bond prices, values are inverted in the above graph: The lower the reading of the indicator, the higher expected inflation and the stronger the negative (!) impact on bond prices. Currently inflation expectations are back on the rise which should be a burden for the bond market.



Germany – Expectations in correction mode after 5-year high

Celebrating its fifth anniversary, the composite index for Germany rises slightly by 0.3 to 32.4 points. While the assessment of the current situation improves, 6-month expectations switch into a correction mode after having reached a 5-year high last month. The gap between institutional investors' and individual investors' expectations which had become large over the previous months now closes a little – a rather constructive sign.

Germany	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	20.3	28.4	28.3	30.2	32.1	32.4	Highest since March 2011
Headline Index							
- Current situation	30.1	39.6	39.7	41.1	42.3	43.9	Highest since August 2011
- Expectations	10.9	17.7	17.3	19.9	22.3	21.4	
Institutional investor							
- Current situation	31.4	40.9	41.1	42.4	42.3	44.8	
- Expectations	16.3	22.9	21.7	25.5	27.2	24.7	
Individual investor							
- Current situation	28.7	38.3	38.3	39.7	42.3	43.1	
- Expectations	5.5	12.5	12.9	14.3	17.4	18.0	

After strong developments in the last two months, it now looks as if the other two prominent sentiment indicators for the German economy are now set for a breather. **For January, the sentix indices point to a decrease from 62 to 58 points for the ZEW's economic expectations and to a stagnation of the ifo business climate.**

US – Composite index highest in almost ten years!

The composite index for the US continues to rise. At the beginning of 2014 it now stands at 28.8 points and almost marks a 10-year high. In December, the index had already sky-rocketed. Against this background this months' improvement is all the more remarkable.

USA	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	25.0	24.8	16.8	16.2	26.5	28.8	Highest since Feb. 2004
Headline Index							
- Current situation	28.8	31.0	21.3	19.5	30.0	35.0	Highest since June 2006
- Expectations	21.3	18.8	12.5	13.0	23.0	22.8	



Japan – Assessment of the current situation improving, expectations volatile

The composite index for Japan rises slightly from 18.7 to 18.9 points. The improvement is exclusively driven by the situational component of the indicator. **6-month expectations fall back on a monthly basis. But this decrease should not be a reason to worry:** Firstly, the level of the **expectations** index is still high, and secondly, expectations have been **bouncing around** for a year or so while showing an **underlying upward trend**. Possibly this is a **consequence of the so-called “Abenomics”**, the ultra-loose monetary and fiscal policy in Japan which was started towards the end of 2012. This unprecedented policy has generally positive effects on investors’ expectations but at the same time seems to prompt doubts ever so often.

Japan	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	14.5	14.1	18.1	15.4	18.7	18.9	Highest since July 2007
Headline Index							
- Current situation	11.8	15.0	18.0	16.8	18.0	21.5	Highest since August 2007
- Expectations	17.3	13.3	18.3	14.0	19.5	16.3	

Emerging Markets – Asia ex Japan blurs the overall positive picture

The disappointment of the month is the figures for Asia ex Japan. Here, the composite index falls by 4.4 points to 21.6, back to its October level. A little bit of consolation delivers the fact that this still represents a very robust level. Furthermore, 6-month expectations display relative resilience. **Against this backdrop it is noteworthy, that for the two other emerging-markets regions improvements in the composite indices can be observed.**

Asia ex Japan	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	14.0	15.1	21.6	23.0	26.0	21.6	
Headline Index							
- Current situation	16.0	16.0	23.0	26.5	29.3	23.0	
- Expectations	12.0	14.3	20.3	19.5	22.8	20.3	

Eastern Europe	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	2.2	3.9	6.7	8.2	7.7	9.1	Highest since March 2013
Headline Index							
- Current situation	-2.8	-1.5	1.8	4.0	1.8	3.8	
- Expectations	7.3	9.5	11.8	12.5	13.8	14.5	Highest since March 2013

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Latin America	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	2.2	-1.5	5.7	4.8	3.6	5.9	Highest since June 2013
Headline Index							
- Current situation	-2.5	-8.8	0.0	0.3	-3.0	-1.3	
- Expectations	7.0	6.0	11.5	9.5	10.5	13.3	Highest since March 2013

Global Aggregate – On the rise again

Despite the decline in the index for the important region Asia ex Japan, the composite index for the global aggregate rises in January, at least slightly by 0.3 to 19.2 points. This is its sixth consecutive increase. Investor sentiment for the world economy is thus remarkably good at the start of the year!

Following the indication of our sentix economic index for the global aggregate we expect the **purchasing manager index for the world economy** and the corresponding **OECD leading indicator** to rise when published in the coming weeks.

Global Aggregate	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	11.8	13.8	14.7	15.4	18.9	19.2	Highest since March 2011
Headline Index							
- Current situation	9.0	11.8	12.7	14.3	17.0	18.1	Highest since July 2011
- Expectations	14.7	15.8	16.8	16.5	20.8	20.4	



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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