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sentix economic index: Robust, but heterogeneous

- **The composite index for the euro zone rises in March slightly from 13.3 to now 13.9 points.** While the assessment of the current situation improves further, investors adjust their 6-month expectations to the downside.
- The **German business cycle** is already in a different phase. Here, **expectations fall for the third consecutive month** which usually points to a **trend reversal**. Nevertheless, the German composite index still signals that the biggest euro zone economy is currently in a **boom**.
- **The composite index for the global aggregate remains unchanged.** But a lot of **heterogeneity** hides behind this robustness: **Eastern Europe** and **Japan** are the **losers** this month, while **Asia ex Japan** and **Latin America** are the winners.

Statistics

Poll running: **06.03.-08.03.2014**

Survey participants: **928**

(of which institutional investors: **226**)

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!

18.03.2014: **ZEW economic expectations** (Germany): decrease to around 51 points

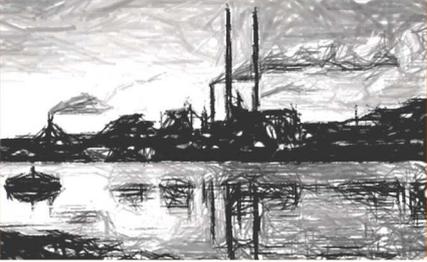
24.03.2014: **Flash PMIs (manufacturing)**: rising for **China**, unchanged for the **US** and the **euro zone**

25.03.2014: **ifo business climate**: falling back to around 110,5 point because of weaker expectations

28.03.2014: **Economic Sentiment** (euro zone): slight increase to 101,5 point

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

Euro area	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	
Overall Index	6.1	9.3	8.0	11.9	13.3	13.9	Highest since April 2011
Headline Index							
- Current situation	-8.5	-3.3	-6.3	-0.8	1.8	4.8	Highest since July 2011
- Expectations	21.8	22.8	23.3	25.3	25.5	23.5	



Commentary on the survey results for March 2014

Robust, but heterogeneous

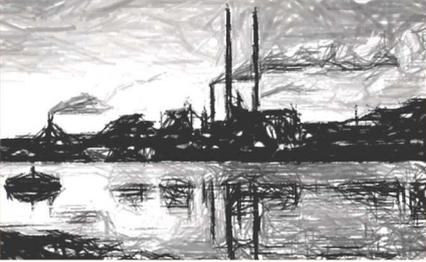
The sentix economic index (composite index) for the euro zone rises again in March and climbs from 13.3 to 13.9 points. This development is driven by investors' assessments of the current situation, while 6-month expectations fall for the first time since September. For Germany, expectations decline for the third month in a row. Nevertheless, the composite index still signals that the German economy is in the middle of boom.

In the rest of the world things look rather mixed: Against the background of the Crimean crisis the sentix economic index for Eastern Europe drops strongly. But it rises for the two other emerging-markets regions, Asia ex Japan and Latin America. For the US, investors' opinions remain almost unchanged, while for Japan sentiment worsens further. The composite index for the global aggregate stays at a constant level, but the relatively high heterogeneity between countries and regions points to an increased uncertainty among investors and blurs the overall picture.

As far as the **sentix economic index for the euro zone** is concerned one has to mention that the **assessment of the current situation improves further** in already positive territory. Consequently, it continues to follow its 6-month expectations. This is all the more noteworthy as there is still a lot of talk about an **expectations bubble** concerning the euro area economy. **But judging from our indicators, this bubble does not exist.** On the contrary, the gap between economic expectations and investors' assessments of the current situation is becoming ever smaller. In March, this is also because **expectations are adjusted to the downside** (for the first time since last September). **This might just be a breather, but it could also point to less economics dynamics for the euro zone in the quarters ahead.** The latter interpretation is underscored by the developments observed for Germany (see next page)...



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



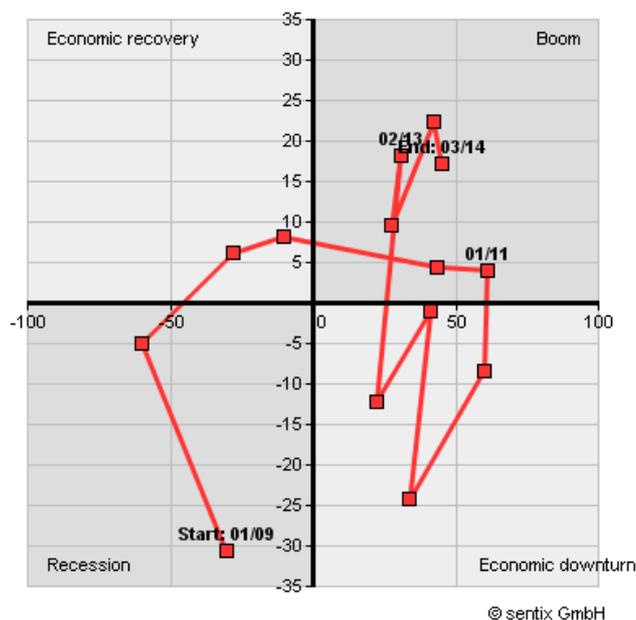
Germany – At least a breather

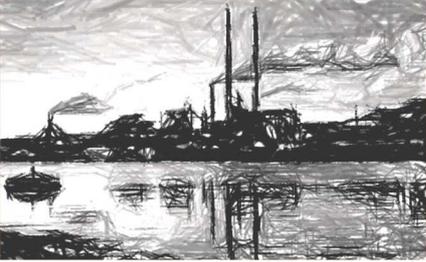
For Germany 6-month expectations fall for a third time in a row. This is, according to an analysts' rule of thumb, a sign for a trend reversal. As a result, the German economy will at least take a breather in the months to come. At the same time, the composite index shows that the euro zone's largest economy is still in the middle of a boom (see graph below).

Germany	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
Overall Index	28.3	30.2	32.1	32.4	31.5	30.7
Headline Index						
- Current situation	39.7	41.1	42.3	43.9	44.3	45.1
- Expectations	17.3	19.9	22.3	21.4	19.4	17.1
Institutional investor						
- Current situation	41.1	42.4	42.3	44.8	46.6	47.1
- Expectations	21.7	25.5	27.2	24.7	24.9	24.7
Individual investor						
- Current situation	38.3	39.7	42.3	43.1	42.0	43.1
- Expectations	12.9	14.3	17.4	18.0	13.9	9.5

Highest since Aug.11
Lowest since Aug.13

sentix -DE- Economy Clock





US – No news this time

In March, the least spectacular developments can be observed for the US indices. Here, investors adjust their assessments of the current situation a little to the downside. In turn, the composite index decreases slightly (on a very high level). That is all. **The picture for the US thus remains more or less unchanged this month.**

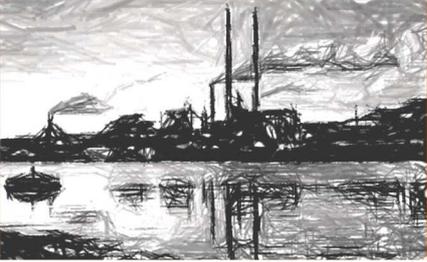
USA	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
Overall Index	16.8	16.2	26.5	28.8	26.6	26.0
Headline Index						
- Current situation	21.3	19.5	30.0	35.0	34.5	33.3
- Expectations	12.5	13.0	23.0	22.8	19.0	19.0

Japan – Investors lose their fantasy

The worst news for the group of industrialised countries this month come from Japan. Here, Abenomics obviously have lost its magic. While oscillating on a high level during 2013, the **sentix composite index now seems to be a downtrend.** The good news is that at least expectations do not fall further this month.

Japan	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
Overall Index	18.1	15.4	18.7	18.9	12.2	10.2
Headline Index						
- Current situation	18.0	16.8	18.0	21.5	16.0	11.3
- Expectations	18.3	14.0	19.5	16.3	8.5	9.3

→ **Lowest since Jun3 13**
→ **Lowest since July 13**
→



Emerging Markets – Crimean crisis weighing on Eastern Europe, but not on the rest!

The Crimean crisis weighs on the composite index for Eastern Europe. But the indices for Asia ex Japan, including economic heavy weight China, and for Latin America increase markedly. The latter fact is, seen isolated, definitely a ray of light as positive news for China is also positive news for the world economy as a whole. But the question is in how far investors' here have judged relative situations, in how far the bad Ukrainian crisis has had a positive effect on the assessments of the other two – not so bad – emerging-markets regions? Or do investors really feel that things are improving, also in absolute terms, for Asia ex Japan and Latin America? Very difficult to tell at the current juncture – the next sentix economic index will probably provide the answer!

Asia ex Japan	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
Overall Index	21.6	23.0	26.0	21.6	13.9	16.0
Headline Index						
- Current situation	23.0	26.5	29.3	23.0	16.0	19.3
- Expectations	20.3	19.5	22.8	20.3	11.8	12.8

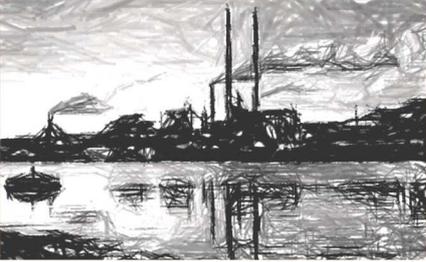
Eastern Europe	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
Overall Index	6.7	8.2	7.7	9.1	2.8	-4.8
Headline Index						
- Current situation	1.8	4.0	1.8	3.8	-2.8	-9.5
- Expectations	11.8	12.5	13.8	14.5	8.5	0.0

Lowest since Aug. 12

Lowest since March 10

Lowest since Oct. 12

Latin America	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
Overall Index	5.7	4.8	3.6	5.9	-5.9	-1.8
Headline Index						
- Current situation	0.0	0.3	-3.0	-1.3	-12.5	-8.0
- Expectations	11.5	9.5	10.5	13.3	1.0	4.5

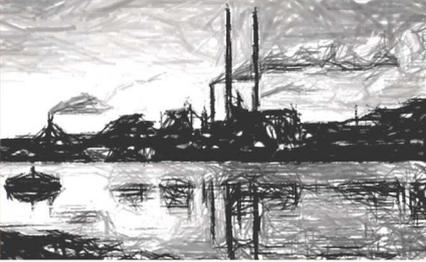


Global Aggregate – Robust, but highly heterogeneous

The composite index for the global aggregate remains unchanged in March. But the heterogeneity on the level of countries and regions points to an increase in investors' uncertainty about the economic prospects for the world economy. This heterogeneity blurs the picture as a whole.

Global Aggregate	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
Overall Index	14.7	15.4	18.9	19.2	14.5	14.5
Headline Index						
- Current situation	12.7	14.3	17.0	18.1	14.3	14.8
- Expectations	16.8	16.5	20.8	20.4	14.7	14.2

Lowest since July 13



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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