



# sentix Eco Report Indicators for the Global Economy

07. April 2014

Free for active sentix survey participants / standard conditions at [www.sentix.de](http://www.sentix.de)



## Dr. Sebastian Wanke

Senior Analyst

[sebastian.wanke@sentix.de](mailto:sebastian.wanke@sentix.de)



sentix GmbH

Wiesenhüttenstraße 17, 60329 Frankfurt am Main

Tel. +49 (69) 3487 961 0, [info@sentix.de](mailto:info@sentix.de)

## sentix economic index: German economy loses steam

- In April, the composite index for Germany falls for a third time in a row. It now stands at 28.9 after 30.7 points in the previous month. Once more, 6-month-expectations decrease significantly, while the assessment of the current situation is not improving anymore.
- For the euro zone, the composite index shows robustness and increases slightly by 0.2 to now 14.1 points. But it is only the assessment of the current situation that contributes to its increase.
- The composite index for the global aggregate also rises slightly. This is due to better indices for the **US** and the **emerging-markets regions**, after the Crimean crises had weighed on the sentiment for Eastern Europe last month. In contrast, the composite index for **Japan** falls markedly for the third consecutive month.

### Statistics

Poll running: **03.04.-05.04.2014**

Survey participants: **891**

(of which institutional investors: **231**)

## 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!

15.04.2014: **ZEW economic expectations** (Germany):  
dropping to around 42 points

23.04.2014: **Flash PMIs (manufacturing)**:  
slightly rising for **China** and the **US**, stable for the **euro zone**

24.04.2014: **ifo business climate**:  
almost unchanged, but third consecutive decrease of expectations

29.04.2014: **Economic Sentiment** (euro zone):  
stable

## Table of the **April 2014** results for the euro zone economy

Euro area	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	
Overall Index	9.3	8.0	11.9	13.3	13.9	14.1	Highest since April 2011
Headline Index							
- Current situation	-3.3	-6.3	-0.8	1.8	4.8	5.8	Highest since July 2011
- Expectations	22.8	23.3	25.3	25.5	23.5	22.8	



## Commentary on the survey results for April 2014

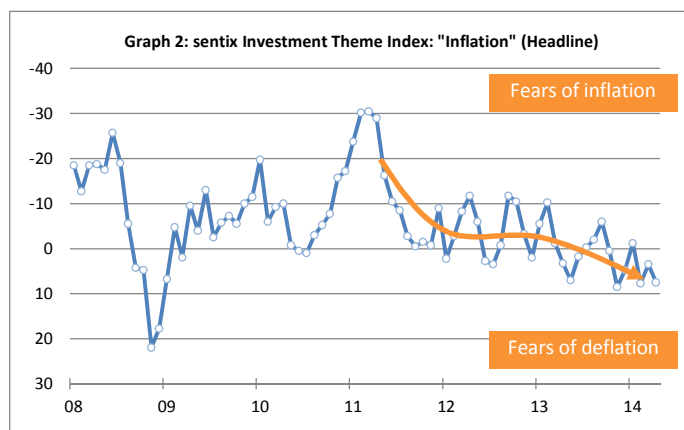
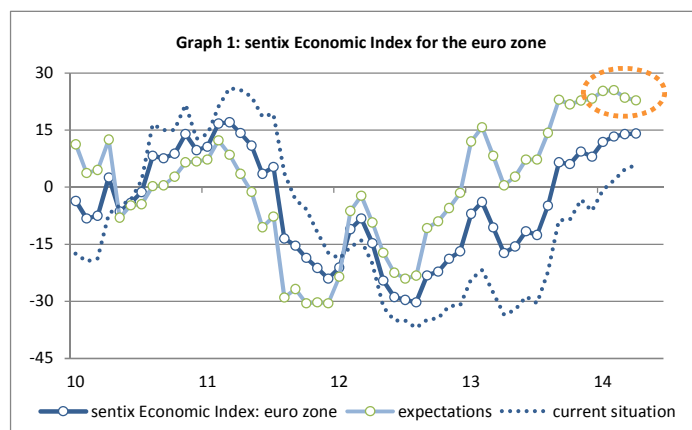
### German economy loses steam

The sentix economic index (composite index) for Germany falls in April for the third time in a row. While 6-month-expectations have been dragging down the indicator over the past months, it is now also the assessment of the current situation which is not lending support to the composite index anymore. The German economy thus loses steam. The big question now is how the euro-zone economy will react to this. Still, it is looking robust: The composite index for the euro area increases, once more, slightly. But expectations are down a little for the second consecutive month.

For the rest of the world sentiment is improving slightly in April. Investors are again more upbeat for the emerging-markets regions after last month's Crimean crisis shock. Also do they see improvements for the US. But sorrows are growing for Japan: Here, the composite index falls markedly for the third time in a row. 6-month-expectations for Japan's economy have now reached a level last seen in November 2012. That was exactly the time when the so-called "Abenomics" started to take effects on investors' confidence. Their positive impact has obviously faded now.

### Euro zone – Change in driving forces

Since the beginning of the debt crisis in 2009, Germany has been the **growth engine for the euro zone**. Now, the **sentix economic index for Germany falls for the third time in a row while the index for the euro area manages to, once again, rise slightly to 14.1 points from 13.9**. This shows that a change of economic driving forces is under way in the euro area. But it seems questionable if the monetary union can afford to lose its German locomotive at the current juncture already. A look at the global level, as measured by the sentix economic index for the global aggregate, is more or less reassuring. But the renewed decrease of the 6-month-expectations for the euro area's economy shows (see graph 1) that the situation has become more fragile. Furthermore, fears of deflation persist. Mario Draghi, president of the European Central Bank, has even focused on them during his press conference last week. Here, too, the situation is not clear cut: yes, **investors' deflation fears have increased this month**, according the sentix Investment Theme Index (see graph 2), **but, no, their fears have not reach new extremes**. They were, for instance, higher in February and in November.



Annotation: sentix Investment Theme Indices are conceived for bond markets. A higher reading of any of the indicator family's indices means that more investors expect the theme (here: inflation) to have a positive impact on bond prices over the coming weeks. And as inflation usually has a negative influence on bond prices, we have chosen an inverted depiction of our indicator in graph 2. As such it serves a good measure of investors' inflation expectations.



### Germany – Losing steam

**The German economy loses steam.** 6-month-expectations have been hinting at it already in the previous months, but now it is also the assessment of the current situation which shows some weakness. Quite obviously, the Germany is not the driver of the euro-zone's economy anymore. The question is now if the rest of the euro countries will be able to make up for these decreasing German dynamics in order to successfully cope with their structural changes (see also above). **But for Germany itself, the sentix indices still point to a solid boom at the current juncture.**

Germany	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	
Overall Index	30.2	32.1	32.4	31.5	30.7	28.9	Lowest since October 13
Headline Index							
- Current situation	41.1	42.3	43.9	44.3	45.1	44.7	
- Expectations	19.9	22.3	21.4	19.4	17.1	14.1	Lowest since August 13

### US – Extremely robust

The composite index is enormously robust for the US. After the winter distortions (which also had their impact on the official statistics), the index now displays again a reading close to its January level. That was when the index had reached almost a 10-year high. **Thus, investors still think that the US economy is in excellent shape.**

USA	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
Overall Index	16.2	26.5	28.8	26.6	26.0	27.4
Headline Index						
- Current situation	19.5	30.0	35.0	34.5	33.3	34.8
- Expectations	13.0	23.0	22.8	19.0	19.0	20.3

### Japan – Falling down

**For Japan, the composite index falls for the third month in a row.** But in contrast to Germany where this phenomenon can be observed, too, the Japanese index is falling fast. Also, the level it displays is much lower. Furthermore, **expectations are at their lowest since November 2012.** That was the time when “Abenomics” began to have an effect on investors' confidence. **But, now that the Japanese VAT had been raised, “Abenomics” have lost most of their lustre.** Thus, at the current juncture one cannot hope for positive impulses from Japan for the global economy anymore. On the contrary, **one has to closely watch if Nippon could become a major drag in the months ahead.**

Japan	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	
Overall Index	15.4	18.7	18.9	12.2	10.2	6.7	Lowest since April 13
Headline Index							
- Current situation	16.8	18.0	21.5	16.0	11.3	7.8	Lowest since June 13
- Expectations	14.0	19.5	16.3	8.5	9.3	5.8	Lowest since November 12



### Emerging Markets – Sigh of relief

After months of an increasing number of question marks behind the emerging-markets economies, **April** now brings a **sigh of relief**. This is, on the one hand, due to the **Crimean crisis** which is **not featuring the headlines** so prominently anymore as last month. On the other hand, it is because investors' **sentiment is rising for Latin America** – be that in the absence of negative news or in joyful anticipation of the big football event in Brazil this summer. For **Asia ex Japan**, the composite index almost remains unchanged. The positive news is here that 6-month-expectations are improving **which gives hope that the Chinese economy will finally regain momentum in the coming months**.

Asia ex Japan	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
Overall Index	23.0	26.0	21.6	13.9	16.0	15.7
Headline Index						
- Current situation	26.5	29.3	23.0	16.0	19.3	17.0
- Expectations	19.5	22.8	20.3	11.8	12.8	14.5

Eastern Europe	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
Overall Index	8.2	7.7	9.1	2.8	-4.8	-2.0
Headline Index						
- Current situation	4.0	1.8	3.8	-2.8	-9.5	-7.8
- Expectations	12.5	13.8	14.5	8.5	0.0	4.0

Latin America	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
Overall Index	4.8	3.6	5.9	-5.9	-1.8	0.6
Headline Index						
- Current situation	0.3	-3.0	-1.3	-12.5	-8.0	-6.3
- Expectations	9.5	10.5	13.3	1.0	4.5	7.8



### Global Aggregate – Continued stability

**The composite index for the global aggregate rises slightly in April.** 6-month-expectations increase which is positive. But as the developments stay quite heterogeneous on the country and regional level, many question marks remain. This month it is the Japanese index which casts a shadow. At the same time emerging markets are sending signs of life again while the US and euro-zone indices show robustness. **In short: at least one more sentix economic index will be needed to see if the global economy will really get out of the current tight spot...**

Global Aggregate	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
Overall Index	15.4	18.9	19.2	14.5	14.5	15.0
Headline Index						
- Current situation	14.3	17.0	18.1	14.3	14.8	14.7
- Expectations	16.5	20.8	20.4	14.7	14.2	15.2



## 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>



## Disclaimer

### Important information concerning liability, compliance, protection of investors and copyright

This information is meant only for distribution in countries in which this is permitted by law.

This analysis is for information purposes only and (i) does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any financial, money market or investment instrument or any security, (ii) is neither intended as such an offer for sale or subscription of or solicitation of an offer to buy or subscribe for any financial, money market or investment instrument or any security nor (iii) as an advertisement thereof. The investment possibilities discussed in this report may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. The investments discussed may fluctuate in price or value. Investors may get back less than they invested.

Changes in rates of exchange may have an adverse effect on the value of investments. Furthermore, past performance is not necessarily indicative of future results. In particular, the risks associated with an investment in the financial, money market or investment instrument or security under discussion are not explained in their entirety.

We assume no liability for the information contained in this analysis. The analysis is no substitute for personal investment consultation. Even on the basis of the depicted opportunities and risks, investors must individually assess – on the basis of their own personal investment strategies, the financial, legal and fiscal situation - whether an investment in the financial instruments depicted here is sensible for them. As this document is in no way a direct investment recommendation, this document or parts of it should not be used as the basis for any conclusion of contract or for any commitment to obligations of any kind. Investors are asked to contact the investment analysts of their banks for individual investment advice and other individual explanations and advice.

Neither the sentix GmbH nor any of its managing directors, employees or other persons assume liability for losses or damages caused in connection with the use of this document or its contents.

The sentiment analysis is made available via the internet to those sentix participants of which is assumed that they do not base their investment decisions inappropriately on the basis of this analysis.

Statements or conclusions made through data or services do not include warrants or guarantees for future market- or price changes. The opinions and assessments expressed therein can change without prior notice.

The sentix GmbH explicitly points out that both the sentix GmbH, its legal agents as well as their employees (in the following: the Involved) regularly conduct transactions in equity and other financial instruments which the data and services refer to. They do this both in their own names and for their own accounts as well as in the name and accounts of third parties. Should the Involved have been involved in an emission of instruments for the finance markets in the past 12 months, this is separately indicated at the corresponding place.

All rights of use for this analysis, its data and services are property of the sentix GmbH and are copyrighted. The sentix GmbH reserves its right to inflict penalties for the unauthorized usage of data and services, especially unauthorized commercial use. A reproduction or subsequent processing of website elements, analyses, data or services in electronic, written or other form is prohibited without prior consent by the sentix GmbH. Analyses that are only available in the secure customer area may not be quoted, neither in full, nor in part. An exception to this are analyses, data or services which have been posted by the sentix GmbH via the press mailing list or which have been presented in other form for public propagation.

This analysis may not – either in full or in part, regardless of underlying intent – be forwarded, reproduced or published.

„sentix“ is a registered trademark of Manfred Hübner and Patrick Hussy.

DAX, TecDAX, Xetra und Eurex are registered trademarks of the Deutsche Börse AG. Dow Jones EURO STOXX 50 is a registered trademark of the STOXX Limited. Other names of products and companies which may be mentioned on this site could also be protected or be registered trademarks of other companies.

### ANALYST DECLARATION

Neither in the past, present or future is the remuneration of the author linked – either directly or indirectly – to his or her recommendations or views expressed in this context.