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sentix economic index: The Russia effect: Germany sends a cyclical downturn alarm

- The **total index for Euroland** shows a clear drop in August from 10.1 to now only 2.7 points. Economic expectations put strong pressure on the total index; surprising drop in the sub-index by 13.3 points.
- **Russia effect:** in the wake of the sanctions against Russia, **the total index for Germany drops even more strongly** from 29.0 to 17.9 points. **Expectations lose 13.1 points and are now negative** for the first time since **November 2012 at -1.3 points**. For Germany the composite index stands with 29.0 points at about the same level for the fourth consecutive month.
- **USA and Asia ex Japan** regions prove comparatively **stable**, the **expectational components drop** in these world regions, also. Background: the index for **Eastern Europe drops to -12 points and into recession mode**.

Statistics

Poll running: **01.08.-03.08.2014**

Survey participants: **888**

(of which institutional investors: **217**)

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!

12.08.2014: **ZEW economic expectations** (Germany): clear decline expected, pressure by expectation component

21.08.2014: **Flash PMIs (manufacturing):** sideways in China and US, sharp decline in Germany

25.08.2014: **ifo business climate:** expectations fall under 100 index points

21.08.2014: **China PMI/HSBC (August):** slight increase up to 52 points

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

Euro area	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14
Overall Index	13.9	14.1	12.8	8.5	10.1	2.7
Headline Index						
- Current situation	4.8	5.8	7.5	0.3	2.3	0.5
- Expectations	23.5	22.8	18.3	17.0	18.3	5.0



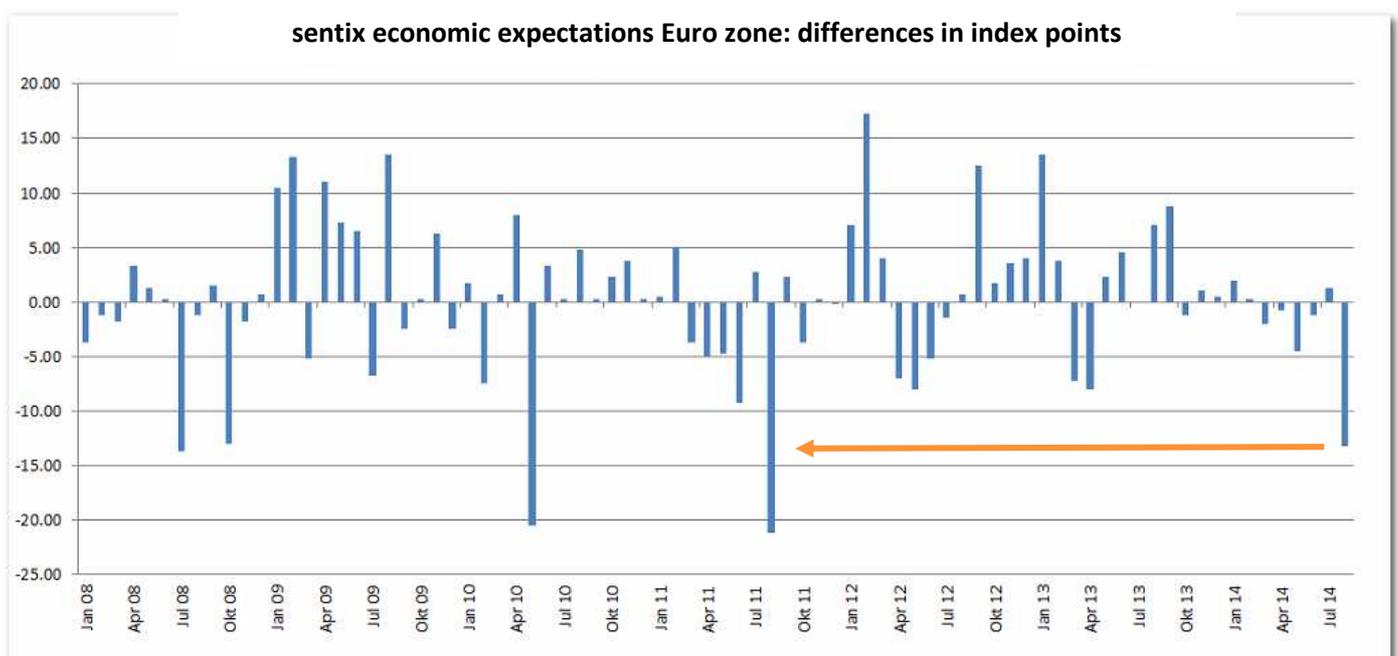
Commentary on the survey results for August 2014

The Russia Effect – Germany sends a cyclical downturn alarm

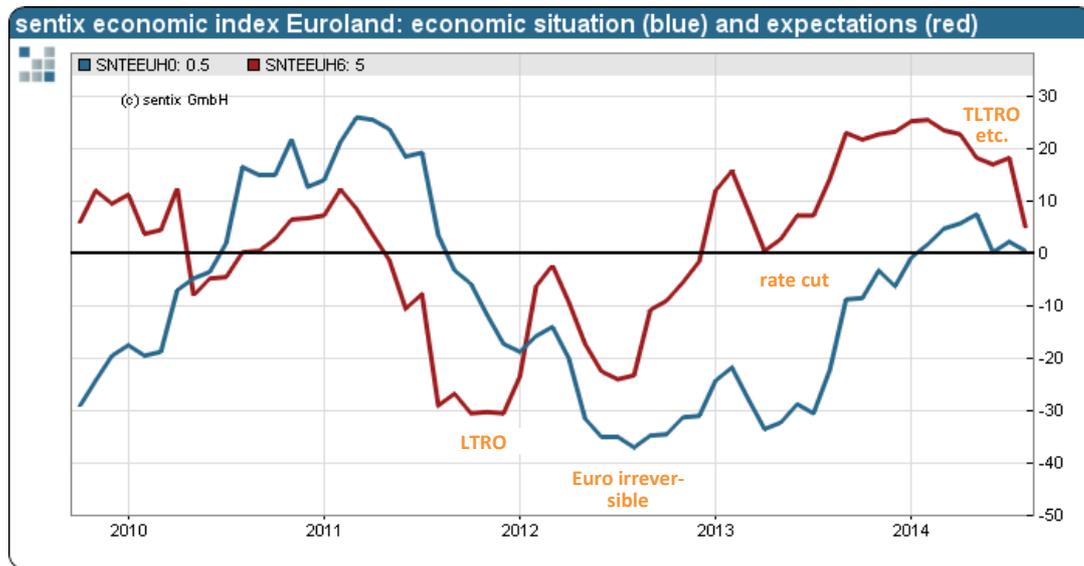
The sentix economic indices leave their mark with a strong drop in August! The total index for Euroland is reduced by 10.1 to now only 2.7 points. The economic expectations put especially strong pressure on the total index. A surprising drop by 13.3 points is founded on the EU's economic sanctions against Russia. The German index feels this effect in particular: the total index there drops even more strongly from 29.0 points to now only 17.9 points. Here, expectations lose 13.1 points and are now negative for the first time since November 2012 at -1.3 points. The USA and Asia ex Japan are fighting against the trend – however, their expectational components drop, also. All these slumps are founded in the Ukraine-crisis which is now radiating out more and more strongly. The index for Eastern Europe drops to -12 points and, with that, into recession mode.

Euroland – painful drop

After the recovery attempt last month, the sentix economic index for Euroland has dropped painfully. The total index loses 7.40 points and drops to a level last measured in August 2013. The economic expectations are an especial burden for the total index with -13.3%: such a clear drop was last seen in August 2011 when equity markets collapsed by 25% over the course of a few days. ECB-policies have calmed things over the past 24 months, radiating out to low rates of change in investor expectations.



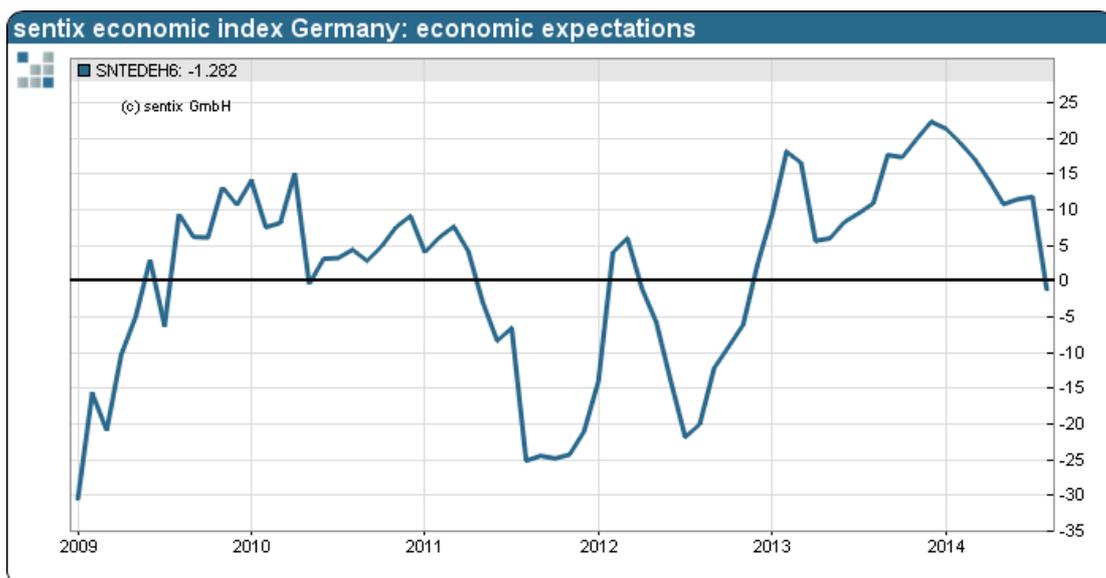
As this drop can be ascribed to an event that is subject to political power struggles, the central banks – first and foremost the ECB – have a difficult time finding counter-measures. In the past months, Draghi was able to nip burgeoning worries in the bud with appropriate counter-measures. The market will have quickly realized that this will not prove so simple this time. The investors surveyed by sentix have clearly positioned themselves and believe in a rising danger of an economic downturn in the Eurozone.



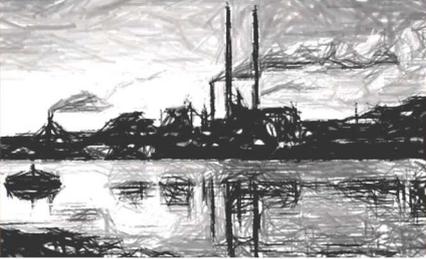
sentix economic index Euroland: current economic assessment (blue) und expectations (red)

Germany feels the Russia Effect

The worries about a negative feedback loop due to the economic sanctions against Russia are especially blatant in Germany: the football world champion is, economically, the worst hit in the sentix economic indices in August 2014. With a drop from 29.0 to now only 17.9 points, the Russia Effect has hit hard – due to the strong ties the European economic locomotive has with the Russia economy. The strong drop in the expectational component, which is negative for the first time since November 2012, is especially noteworthy.



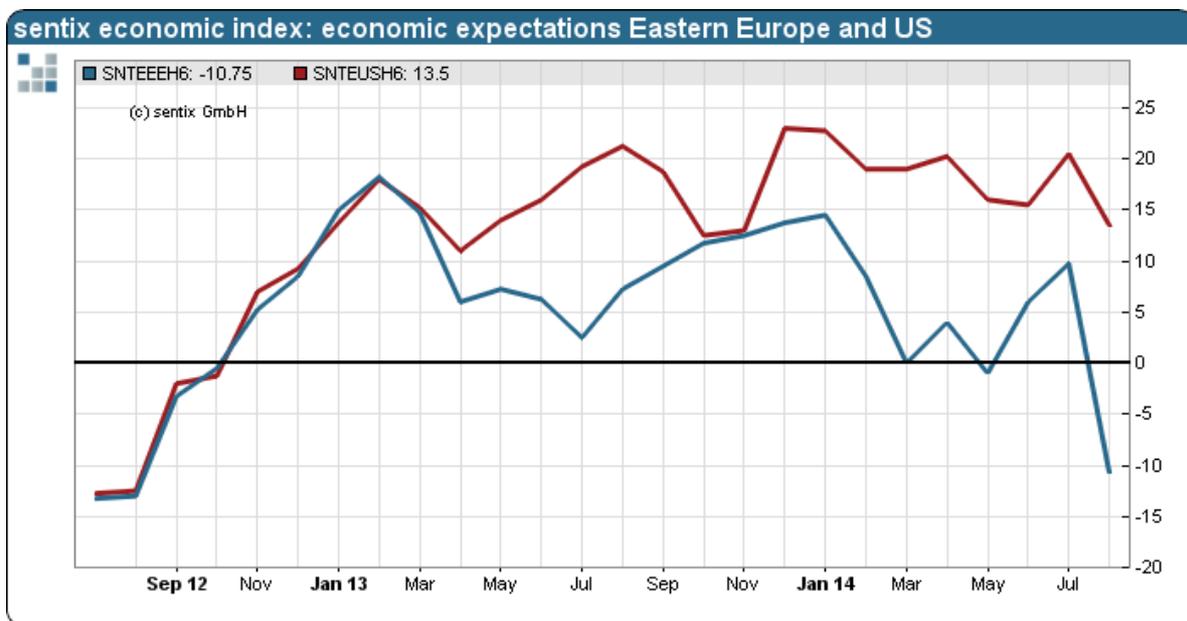
sentix economic expectations Germany



Germany	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14
Overall Index	30.7	28.9	28.1	28.8	29.0	17.9
Headline Index						
- Current situation	45.1	44.7	46.8	47.5	47.5	38.9
- Expectations	17.1	14.1	10.8	11.5	11.8	-1.3

USA and Asia ex Japan are fighting against the trend – Eastern Europe in recession mode

The global regions USA and Asia ex Japan are putting up a fight and remain roughly stable – at least in the current economic assessment. Both world regions are even able to gain, slightly (see charts on the following page). Worries remain, there, also, as the expectational components drop alongside those of the other countries. The root cause of this downturn lies in Eastern Europe, where the total index drops back into recession mode from 3.0 to -12 points. Expectations collapse by 20.6 index points. All in all these are developments a highly valued equity market has first to stomach. In any case, economic risks are on the rise – a clear signal from the first mover!



sentix economic index: economic expectations for Eastern Europe (blue) und US (red)

More tables



sentix Eco Report Indicators for the Global Economy

04. August 2014

USA	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14
Overall Index	26.0	27.4	24.5	25.0	29.3	26.5
Headline Index						
- Current situation	33.3	34.8	33.3	35.0	38.5	40.3
- Expectations	19.0	20.3	16.0	15.5	20.5	13.5

Asia ex Japan	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14
Overall Index	16.0	15.7	14.1	19.7	22.5	23.5
Headline Index						
- Current situation	19.3	17.0	17.5	24.0	26.5	30.8
- Expectations	12.8	14.5	10.8	15.5	18.5	16.5

Eastern Europe	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14
Overall Index	-4.8	-2.0	-6.2	1.1	3.0	-12.0
Headline Index						
- Current situation	-9.5	-7.8	-11.3	-3.8	-3.5	-13.3
- Expectations	0.0	4.0	-1.0	6.0	9.8	-10.8



Data availability

Bloomberg

FACTSET



Macrobond



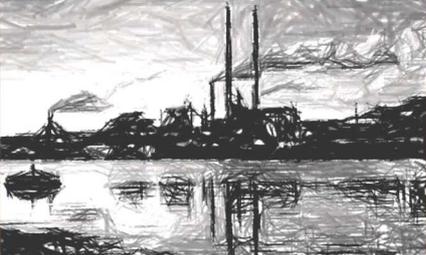
sentix 
expertise in behavioral finance

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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