



# sentix Eco Report Indicators for the Global Economy

10. November 2014

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## 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: expectations downtrend stopped

- In November, the composite index for the Eurozone increases from **-13.7 to -11.9 points**. This is its first improvement since July. While the assessment of the current situation further deteriorates, 6-month expectations are markedly up.
- The latest announcements by the **Bank of Japan** and the **ECB** have obviously had an effect. Especially the strong improvement of the **6-month expectations for Japan** is pointing to that. Also, economic perspectives for **Germany** brighten again.
- Furthermore, the composite index for the US increases strongly. Here, the assessment of the current situation rises even to its highest level since August 2004! **Consequently, the downward trend of the global composite index is currently stopped, too.**

### Statistics

Poll running: **06.11.-08.11.2014**

Survey participants: **991**

(of which institutional investors: **254**)

## 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!

18.11.2014: **ZEW economic expectations** (Germany): strong increase to about +13 points

20.11.2014: **Flash PMIs (manufacturing)**: improvements for China, the Eurozone and the US

24.11.2014: **ifo business climate**: increase to almost 104 points, driven by better expectations

27.11.2014: **Economic Sentiment** (euro zone): sentix indices still do not point to a clear improvement of this indicator

## Table of the **November 2014** results for the euro-zone economy

Euro area	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14
Overall Index	8.5	10.1	2.7	-9.8	-13.7	-11.9
Headline Index						
- Current situation	0.3	2.3	0.5	-16.8	-20.0	-21.3
- Expectations	17.0	18.3	5.0	-2.5	-7.3	-2.0

Lowest since Aug. 2013



## Commentary on the survey results for November 2014

### Expectations downtrend stopped

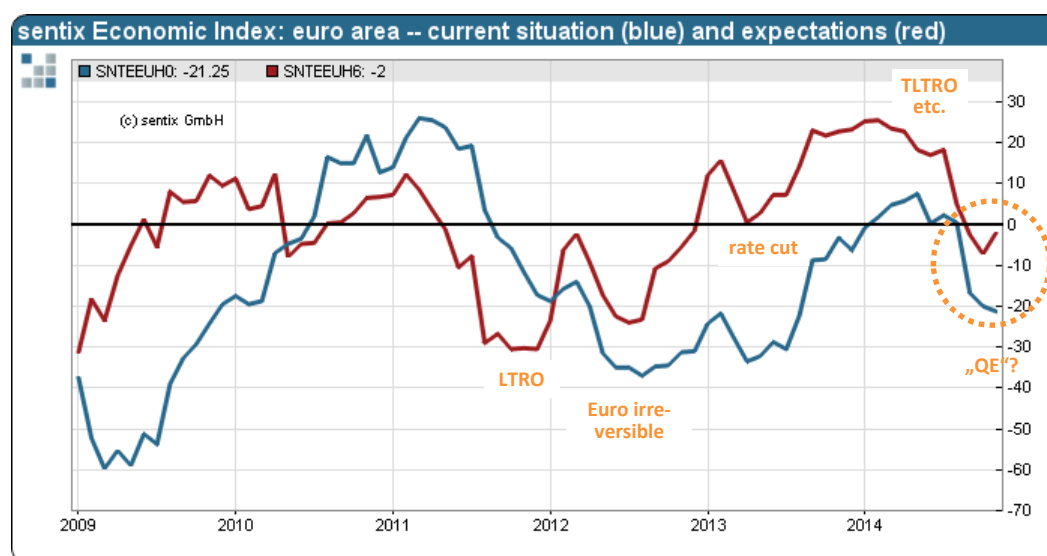
Since August there was a strong downtrend of the economic expectations for all of the important economies. This trend is stopped now. The latest announcements by the Bank of Japan and the European Central Bank (ECB) let investors' 6-month-expectations rise again visibly. This is rather remarkable as it recently looked as if the ECB would have lost its power to turn economic expectations round. But also for the US – where the central bank is on a different path – the composite index improves significantly. All in all, fears of a free fall of the world economy are banned for the moment. Nevertheless, it remains unclear if the current month's rise in economic expectations is just a one-off or a more important turn to the positive. The sentix data justify cautious optimism, but not more than that.

### Euro zone – economic expectations on the rise again

In November, the composite index for the euro zone improves from -13.7 to -11.9 points. This is its first increase since July. While the assessment of the current situation further deteriorates, investors' 6-month expectations rise strongly by 5.3 to now -2.0 points. But as both components of the indicator remain in negative territory, the sentix indices still point to recessionary tendencies in the Eurozone.

Nevertheless, it is remarkable that – for the first time this year – investors' 6-month expectations climb markedly. This improvement occurs against the backdrop of the ECB confirming its aim to inflate its balance sheet to the level last seen at the beginning of 2012 – by implementing even more measures if needed. Over summer, the ECB had not managed to prevent economic expectations from falling strongly although it had announced the application of a new set of liquidity-enhancing instruments (see graph).

But it is not only for the Eurozone that perspectives brighten again. Also, for the other big economies 6-month expectations improve clearly. Consequently, investors obviously expect the Eurozone to benefit from a more dynamic global economy, too. A cautious optimism for the euro area thus seems to be justified even if not all recessionary dangers are banned yet as it remains unclear how sustainable the improvement of the investors' expectations is.



sentix Economic Index, euro zone: assessment of the current situation (blue), 6-month expectations (red)



### Germany – expectations jump here, too

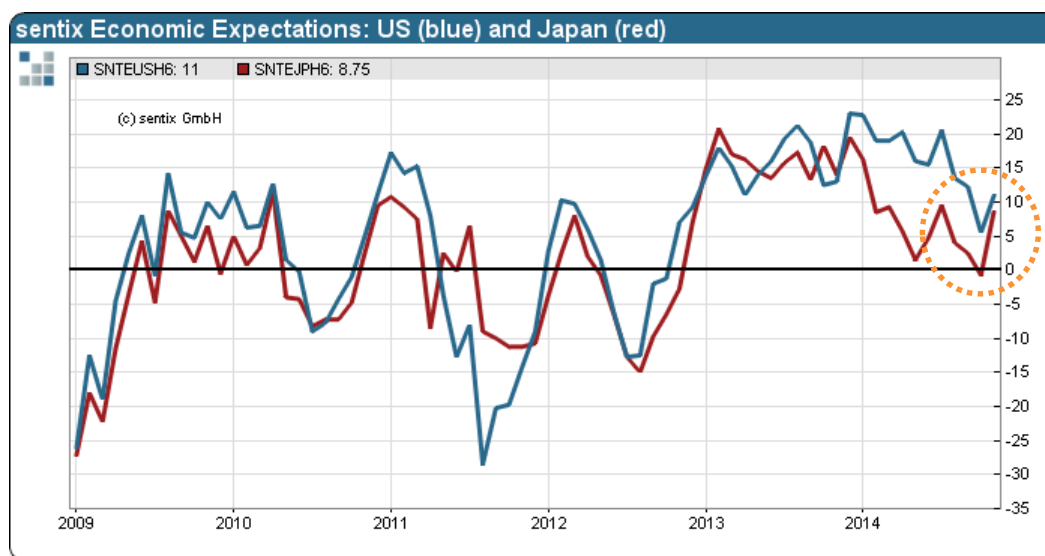
For Germany, the composite index increases even more strongly than for the Eurozone. This is mainly due to rising 6-month expectations which jump in November. A reason for this change in investors' perception might be the much stronger economic expectations for Japan and the US this month. Investors seem to bet on a healthier world economy helping Germany to grow faster, too. But also perspectives for Eastern Europe brighten (see tables on page 5). **But the rather intransparent Ukraine conflict here is still an important risk factor.** Nevertheless, currently the sentix indices signal at least a stabilisation in German economic dynamics. ZEW economic expectation and also the ifo business climate are thus set to rise this month after a long period of decline.

Germany	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14
Overall Index	28.8	29.0	17.9	11.1	5.4	9.8
Headline Index						
- Current situation	47.5	47.5	38.9	26.4	19.5	19.1
- Expectations	11.5	11.8	-1.3	-3.1	-7.8	1.0

Lowest since  
June 2010

### Global Aggregate – even here it looks like a downturn

This month the strong increases of the composite indices for the US and for Japan spring to one's eye (each by about 6 points). While for Japan investors' expectations should mainly have been influenced by the newly announced liquidity provisions of the Bank of Japan, the impact on investors' perceptions of the US economy is less clear. The better-than-expected gdp figures for the third quarter might have been a driver for the strong improvement of the assessment of the current situation. **But expectations also rise and their increase is even more remarkable against the background of the highest reading of the assessment of the current situation in over ten years! At the same time this exceptional level shows that further improvements in US economic dynamics look ever less probable.**



sentix Economic Expectations: USA (blue) and Japan (red)



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The strong developments in the above mentioned countries and regions also lead to an improvement in the **composite index for the Global Aggregate**. It goes up by 3.6 to now 9.7 points. It is mainly its expectations component that is behind this increase. **Consequently, the downward trend in global economic dynamics is stopped – at least for the moment.**

Global Aggregate	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14
Overall Index	14.9	17.9	13.5	11.5	6.1	9.7
Headline Index						
- Current situation	16.4	19.0	18.5	15.1	11.3	13.2
- Expectations	13.4	16.8	8.5	7.8	1.1	6.3

### Effects on financial markets

The sentix indices still point to a recession in the Eurozone. This should continue to **weigh on equity prices and be positive for Eurozone bonds**, although the recessionary signal has become weaker this month. But should the economic stabilisation continue in the coming month this will have undoubtedly have new implications for the expected returns of these asset classes.

**On a global level things look different.** Especially for the **US** the sentix indices point to an economic boom. This should support stock prices. Furthermore, for the US bond market there is a danger of rising interest rates at the short-end. Overall, the sentix indices point to a flattening of the US yield curve.



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## More tables

USA	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14
Overall Index	25.0	29.3	26.5	25.7	21.0	27.1
Headline Index						
- Current situation	35.0	38.5	40.3	40.0	37.8	44.5
- Expectations	15.5	20.5	13.5	12.3	5.5	11.0

Highest since  
Aug. 2004

Japan	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14
Overall Index	4.2	9.6	4.7	2.5	-0.6	5.0
Headline Index						
- Current situation	3.8	9.8	5.5	2.5	-0.5	1.3
- Expectations	4.8	9.5	4.0	2.5	-0.8	8.8

Asia ex Japan	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14
Overall Index	19.7	22.5	23.5	23.5	16.7	18.9
Headline Index						
- Current situation	24.0	26.5	30.8	30.3	25.3	25.5
- Expectations	15.5	18.5	16.5	17.0	8.5	12.5

Eastern Europe	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14
Overall Index	1.1	3.0	-12.0	-12.9	-16.3	-12.2
Headline Index						
- Current situation	-3.8	-3.5	-13.3	-17.8	-20.3	-17.8
- Expectations	6.0	9.8	-10.8	-8.0	-12.3	-6.5

Latin America	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14
Overall Index	3.3	4.9	-5.9	2.0	-7.6	-7.2
Headline Index						
- Current situation	-1.0	-0.5	-9.0	-1.8	-10.3	-12.3
- Expectations	7.8	10.5	-2.8	5.8	-5.0	-2.0

Lowest since  
Feb. 2014



## Data availability

**Bloomberg**

**FACTSET**



**Macrobond**



**sentix**   
expertise in behavioral finance

## About sentix

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## Background, methodology and more

See <http://economics.sentix.de>





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