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sentix economic index: Germany starts with strong tailwinds into the new year

- **In January, the German composite index increases in an especially strong manner.** It rises by 7.0 to 26.6 points and thus to its highest reading since last July.
- The much better assessment on the Germany economy also has an impact on the euro area. **The euro-zone composite index improves by 3.4 to +0.9 points.** Consequently, the **signal for an upturn** observed last month is now **confirmed!**
- Furthermore, the increase of the **US composite index** is worth of note. It rises by 2.0 to now 31.4 points, its **highest level since December 2003!** The positive developments in the euro zone and the US also make the composite index for the global aggregate rise again.

Statistics

Poll running: **01.01.-03.01.2015**

Survey participants: **868**

(of which institutional investors: **197**)

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!

20.01.2015: **ZEW economic expectations** (Germany):
The third strong rise in a row, this time to over 50 points

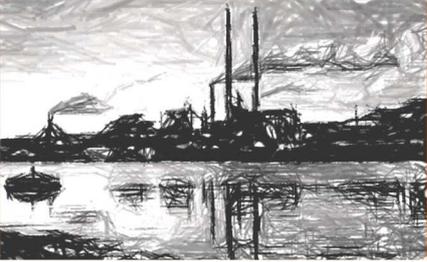
22.01.2015: **Flash PMIs (manufacturing)**:
Better readings for China, the euro area and the US

26.01.2015: **ifo business climate** (Germany):
Marked increase to clearly above 107 points

08.01.15 and 29.01.15: **Economic Sentiment** (euro zone):
Visible improvements

Table of the **January 2015** results for the euro-zone economy

Euro area	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15
Overall Index	2.7	-9.8	-13.7	-11.9	-2.5	0.9
Headline Index						
- Current situation	0.5	-16.8	-20.0	-21.3	-16.0	-11.0
- Expectations	5.0	-2.5	-7.3	-2.0	12.0	13.5



Commentary on the survey results for January 2015

Germany starts with strong tailwinds into the new year

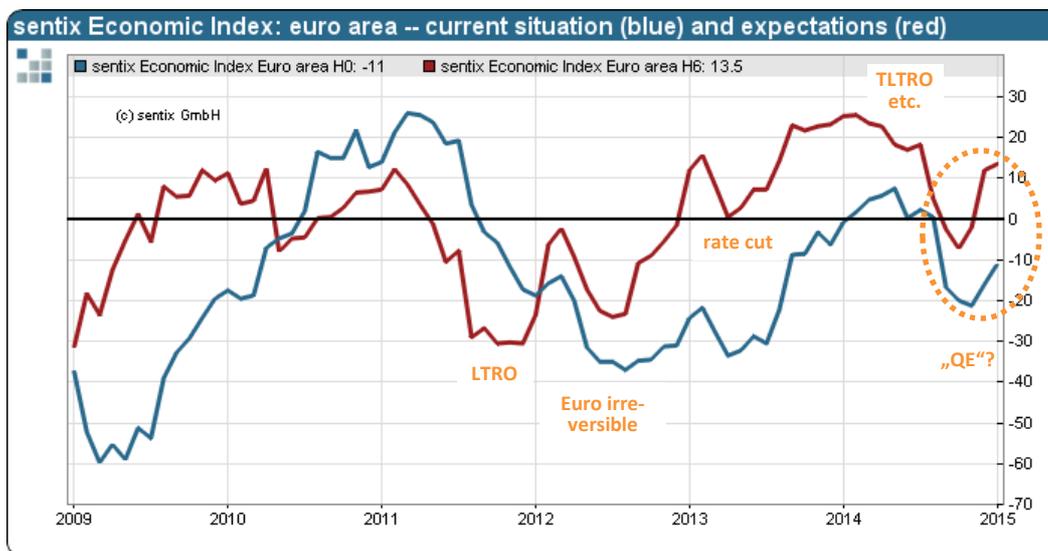
In January, the most outstanding development in the survey of the sentix Economic Index is the, once more, strongly improved perception of the German economy. The composite index for Germany rises by 7.0 to 26.6 points and now stands at about the same level as last summer. Low oil prices and a weak euro continue to have an effect. In addition, the export champion benefits from better assessments of the world economy which are, among other things, driven by developments of the US and the Asia ex Japan indices.

In contrast, investors judge – against the background of falling oil prices – the economic situations in Eastern Europe and Latin America ever worse. But interestingly, 6-month expectations for these regions are on the rise. All in all, investors are rather optimistic regarding economic dynamics in 2015.

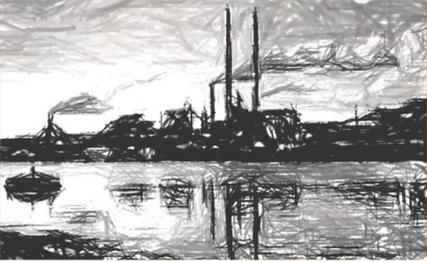
Euro zone – upturn signal confirmed!

The composite index for the euro zone rises in January from -2.5 to +0.9 points. This is its third consecutive increase. According to a rule of thumb among economists this indicates a trend reversal to the positive. **More importantly, with this development the signal for an upturn of the euro-zone economy – which the sentix indices had sent already last month – has now been confirmed!** 6-month expectations further brighten in already positive territory, and the assessment of the current situation improves, too. However, with -11.0 points it remains in the negative. **This combination of a (still) weak assessment of the current situation and strong expectations is usually observed in recoveries.**

The development is remarkable for two reasons. First, because since last month with the early elections in **Greece** a new burdening factor has emerged. But obviously investors see Greece more and more as an isolated problem not having significant impacts on the euro zone as a whole anymore – last weeks' sentix Euro Break-up Index gave the same impression. And second, the upturn signal is of special interest as the **ECB** is about to launch a broad-based security purchasing programme to fight deflationary tendencies. But in an upswing such a measure usually does not make much sense. **As a result, with the new sentix data it has become more difficult to argue for such a “QE” – meaning that probably the programme will come sooner than later!**



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



Germany – back at almost full speed

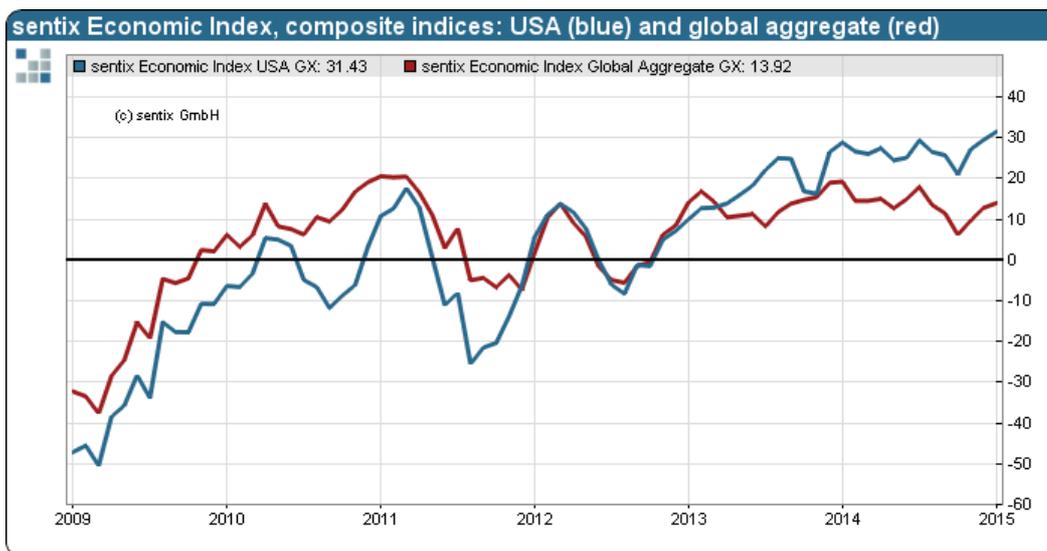
At the year's start the composite index for Germany rises more strongly than for any other country or region. The index climbs by 7.0 to 26.6 points, its highest reading since last July. Germany is thus not only again the euro zone's growth engine, **but this engine is now back at almost full speed.** With an assessment of the current situation and 6-month expectations both far into positive territory, the sentix Economic Index even sends a strong **signal for a boom!** Investors expect the low oil price and the weak euro to help the export champion in a pronounced manner. Furthermore, the German economy benefits from the good assessment for the world economy which has just lately has improved three times in a row.

The sentix indices do, by the way, indicate that also the **other early indicators for Germany will improve in January.** **The third consecutive rise of the ifo business climate** for Germany will probably receive the widest **attention** as it will be interpreted by many analysts as a general trend reversal to the positive in economic terms.

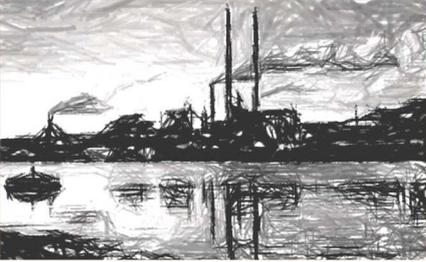
Germany	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	
Overall Index	17.9	11.1	5.4	9.8	19.6	26.6	Highest since July 2014
Headline Index							
- Current situation	38.9	26.4	19.5	19.1	23.9	33.1	
- Expectations	-1.3	-3.1	-7.8	1.0	15.3	20.3	Highest since Jan. 2014

Global Aggregate – US and the euro zone are driving

The euro zone and the US are the drivers of the global aggregate this month. For the US, the composite index improves by 2.0 to 31.4 points. Here it is less the extent of the increase than more the level of the indicator which is impressive: **the index now has reached its highest reading since December 2003!**



sentix Economic Index, composite indices: USA (blue) and global aggregate (red)



During the 12-year history of the sentix Economic index investors almost never have seen the US economy in such a good shape! Consequently, from an economic point of view there are now enough reasons for a soon-to-implemented rate hike by the US Fed.

The improvements of the composite indices for the euro zone and the US are accompanied by sideways movements of the indices for Asia ex Japan (at a good level) and Japan (at a moderate level) as well as by worsening indicators for Eastern Europe (crisis in Russia) and Latin America (weak oil prices). **Overall, the composite index for the global aggregate increases by 1.1 to 13.9 points.** This is its highest reading since last July and its third rise in a row. **For the world economy this looks like a solid basis for 2015!**

Global Aggregate	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	
Overall Index	13.5	11.5	6.1	9.7	12.8	13.9	Highest since July 2014
Headline Index							
- Current situation	18.5	15.1	11.3	13.2	13.2	14.1	
- Expectations	8.5	7.8	1.1	6.3	12.3	13.7	Highest since July 2014

Effects on financial markets

For the euro zone the signal for an upturn observed last month has been confirmed. According to our research an upswing represents the **best phase for euro-zone stocks**. For **bonds**, on the contrary, **it means a hard time**. This will all the more hold true, should the ECB manage to implement a trustworthy “QE” programme thereby dissipating deflationary fears.

For the **US** and the world the sentix Economic indices continue to point to a **boom**. **This part of the US cycle has proved to be beneficiary for US equities while it is associated with slightly negative total returns of US government bonds!**



More tables

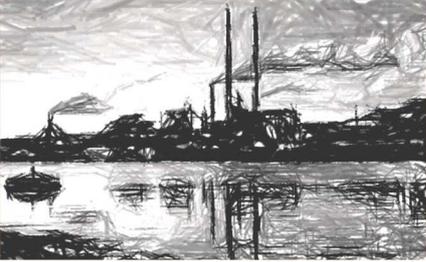
USA	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	
Overall Index	26.5	25.7	21.0	27.1	29.4	31.4	Highest since Dec. 2003
Headline Index							
- Current situation	40.3	40.0	37.8	44.5	44.3	48.3	Highest since May 2006
- Expectations	13.5	12.3	5.5	11.0	15.5	15.8	Highest since July 2014

Japan	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	
Overall Index	4.7	2.5	-0.6	5.0	-0.5	0.3	
Headline Index							
- Current situation	5.5	2.5	-0.5	1.3	-7.8	-7.5	
- Expectations	4.0	2.5	-0.8	8.8	7.0	8.5	

Asia ex Japan	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	
Overall Index	23.5	23.5	16.7	18.9	22.3	23.0	
Headline Index							
- Current situation	30.8	30.3	25.3	25.5	26.5	25.5	
- Expectations	16.5	17.0	8.5	12.5	18.3	20.5	Highest since Dec. 2013

Eastern Europe	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	
Overall Index	-12.0	-12.9	-16.3	-12.2	-11.2	-13.4	
Headline Index							
- Current situation	-13.3	-17.8	-20.3	-17.8	-19.5	-25.5	Lowest since Dec. 2009
- Expectations	-10.8	-8.0	-12.3	-6.5	-2.5	-0.5	Highest since July 2014

Latin America	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	
Overall Index	-5.9	2.0	-7.6	-7.2	-6.2	-6.9	
Headline Index							
- Current situation	-9.0	-1.8	-10.3	-12.3	-15.0	-17.3	Lowest since July 2009
- Expectations	-2.8	5.8	-5.0	-2.0	3.0	4.0	



Data availability

Bloomberg

FACTSET



Macrobond



sentix 
expertise in behavioral finance

About sentix

On a weekly basis, almost 5.000 registered investors (of which over 1,000 are institutional investors) supply us with their market assessments. 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 13 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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