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sentix Economic Index: euro area with a 9-year-high, Switzerland in recession

- In February, the composite index for the euro zone increases strongly from 0.9 to 12.4 points. 6-month expectations even reach a 9-year high. The details on the coming QE programme by the ECB, announced at the end of January, should have been the main driver.
- For **Germany** the composite index also rises markedly and, with 35 points, reaches an **all-time high!**
- **Against the backdrop of the Swiss Franc appreciation the composite index for Switzerland, however, collapses in February.** It touches its lowest reading since July 2009 and now signals **recession!** Also of interest is the decrease of the **US index** which may be an indication that the US economy has already reached its **peak** in the current cycle.

Statistics

Poll running: **05.02.-07.02.2015**

Survey participants: **1,029**

(of which institutional investors: **252**)

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!

17.02.2015: **ZEW economic expectations** (Germany):
Strong increase to 65 points!

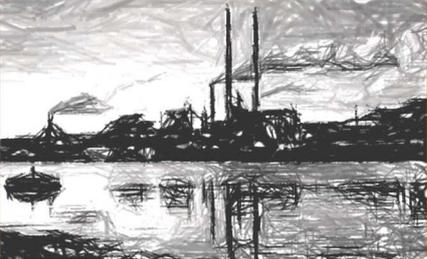
20.02.2015: **Flash PMIs (manufacturing)**:
Clear improvement for the euro zone; weaker indices for China and the US

23.02.2015: **ifo business climate** (Germany):
Strong rise to over 109 points

26.02.2015: **Economic Sentiment** (euro zone):
Further improvement

Table of the February 2015 results for the euro-zone economy

Euro area	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	
Overall Index	-9.8	-13.7	-11.9	-2.5	0.9	12.4	Highest since May 2014
Headline Index							
- Current situation	-16.8	-20.0	-21.3	-16.0	-11.0	-1.8	Highest since Aug. 2014
- Expectations	-2.5	-7.3	-2.0	12.0	13.5	27.5	Highest since Feb. 2006



Commentary on the survey results for February 2015

Euro area with a 9-year-high, Switzerland in recession

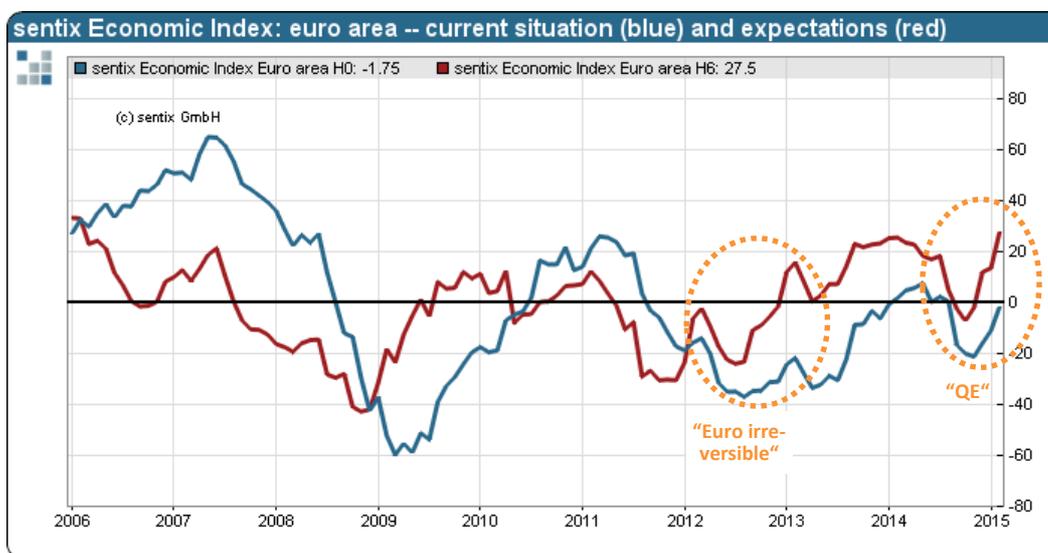
In February the composite indices for the euro zone and Germany both rise strongly. Against the background of the details given by the ECB on its coming QE programme 6-month expectations climb to their highest reading since February 2006 for the euro zone. For Germany the composite index even reaches an all-time high. The weak euro and the low price of oil may also have helped (as in the previous months). But this positive development also has a flipside: The weakness of the euro has led the Swiss National Bank (SNB) to give up on its de-facto peg to the common currency. By doing so, the SNB has sent the Swiss economy into recession – that is at least what the sentix Economic Index for Switzerland says as it collapses this month.

For the “Global Aggregate” the composite index increases for the fourth time in a row because of the improvements for the euro zone and for Japan. At the same time, the slight setback for the US might be an indication that the US economy has peaked already in the current cycle.

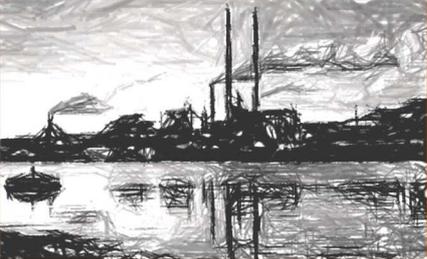
Euro zone – Expectations stronger than ever since the crisis hit

The composite index for the euro zone rises in February by 11.5 to 12.4 points. Investors 6-month expectations even improve by 14 to now 27.5 points, their highest reading in 9 years. Consequently, at no point in time since the outbreak of the financial crisis in the summer of 2007 economic expectations for the euro zone had stood higher than this month. The main driver of this development should have been the details on the coming QE programme by the ECB, given just recently. **Actually, the current rise in expectations is quite similar to the one observed in 2012 when ECB president Draghi had spoken its famous words on the irreversibility of the euro** (see graph). In addition to the new central bank measure, the weak euro (also product of the latter) and the low oil price will have had a positive impact on investors’ optimism for the euro-area economy. Furthermore, investors assess the current situation much better than last month showing that the economy is actually gaining traction.

The strength of the indices for the euro area is all the more noticeable as there prevail two **stress factors**: the unclear future of **Greece** and the still unresolved conflict in **Ukraine**. For Eastern Europe the composite index even rises again this month. This **lack of concern is a risk factor** as investors would be caught on the wrong foot, also as far as their economic assessments for the euro zone are concerned, should the conflicts evolve into heavier problems.



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



Germany – on an all-time high

The composite index for Germany rises in February by 8.4 to 35.0 points, gaining less than its homologue for the euro zone but reaching an all-time high (time series goes back to January 2009). The same holds true for investors' 6-month expectations. They, too, climb to an all-time high (of 27.8 points). In addition, the assessment of the current situation improves markedly, standing at 42.4 now. **And this is the main difference between Germany and the euro zone where the current situation is perceived as much less favourable, reaching – despite this month's improvement – only -1.8.**

As both components of the German composite index are clearly in positive territory, the sentix Economic Index signals a **boom for Germany** – while it is still “only” pointing to an **upswing for the euro zone as a whole**.

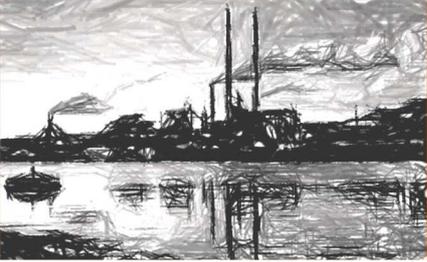
Germany	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	
Overall Index	11.1	5.4	9.8	19.6	26.6	35.0	All-time high
Headline Index							
- Current situation	26.4	19.5	19.1	23.9	33.1	42.4	Highest since July 2014
- Expectations	-3.1	-7.8	1.0	15.3	20.3	27.8	All-time high

Switzerland – collapse

While for the euro zone investors hail the weak euro, they are strongly concerned by the latest strength of the Swiss Franc when it comes to assessing the Swiss economy. **The sentix Economic Index for Switzerland which is surveyed since 2009 and published just since recently collapses in February.** This holds true for both components and thus for the composite index as well. **For Switzerland the latter now even signals recession!**

Last month investors' expectations for the Swiss economy had already fallen. The weak Euro had been a threat to Swiss international competitiveness for some time already, but in January the **Swiss National Bank then abandoned its de-facto peg to the common currency** which led to a very strong appreciation of the Swiss currency via-à-vis the Euro. **Now the sentix composite index stands at its lowest reading since July 2009.** And only once in the history of the indicator investors' 6-month expectations were weaker than they are currently – in August 2011, when the Swiss Franc also had appreciated dramatically against the euro which, shortly after, led the SNB to introduce the (now slashed) minimum level for the EUR-CHF currency pair.

Switzerland	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	
Overall Index	7.4	4.8	9.6	13.6	12.5	-17.1	Lowest since July 2009
Headline Index							
- Current situation	22.1	16.0	21.7	29.7	40.8	1.3	Lowest since Dez. 2011
- Expectations	-6.4	-5.9	-1.8	-1.4	-12.5	-33.7	Lowest since Aug. 2011



Global Aggregate – stronger euro zone, stronger Japan, weaker US

Outstanding this month is the strong improvement of the euro zone index. Furthermore, the composite index for Japan increases markedly. Investors finally gain confidence in the new measures of the Bank of Japan, introduced last autumn already. At the same time, the composite index for the US decreases slightly **which could be read as a sign that the US economy has peaked already in the current cycle.** Anyway, the bottom line is that **investors currently perceive a much stronger economic momentum for the euro zone than they do for the US.**

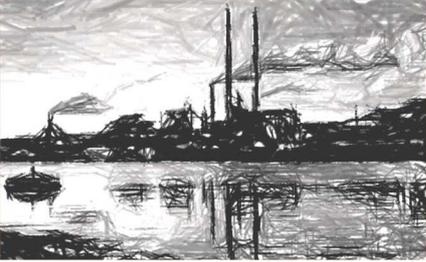
The composite index for the “**Global Aggregate**” rises for the fourth month in a row continuing to **signal growing global economic dynamics.**

Global Aggregate	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	
Overall Index	11.5	6.1	9.7	12.8	13.9	15.9	Highest since July 2014
Headline Index							
- Current situation	15.1	11.3	13.2	13.2	14.1	16.9	Highest since Aug. 2014
- Expectations	7.8	1.1	6.3	12.3	13.7	15.0	Highest since July 2014

Effects on financial markets

For the euro zone the signal for an upturn has further intensified. This is a good sign for euro-zone stocks while it is negative for euro-zone bonds. In this context one should remember that a successful QE usually leads – according to the Anglo-Saxon experiences – to higher yields and thus lower bond prices.

For the US the sentix indices still signal a boom which is supportive for equities and a stress factor for bonds. But the sentix Economic Indices for the US are receding this month. This could be a hint for an US economy having peaked already **which would then both dampen the support for stocks and the burden for bonds.**



More tables

USA	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15
Overall Index	25.7	21.0	27.1	29.4	31.4	29.4
Headline Index						
- Current situation	40.0	37.8	44.5	44.3	48.3	46.3
- Expectations	12.3	5.5	11.0	15.5	15.8	13.8

Japan	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15
Overall Index	2.5	-0.6	5.0	-0.5	0.3	5.8
Headline Index						
- Current situation	2.5	-0.5	1.3	-7.8	-7.5	1.0
- Expectations	2.5	-0.8	8.8	7.0	8.5	10.8

Highest since July 2014

Highest since Jan. 2014

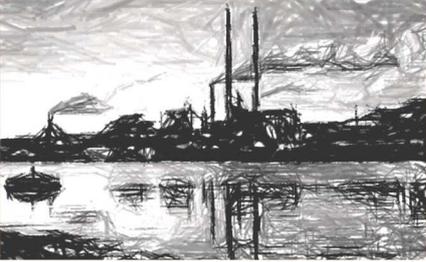
Asia ex Japan	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15
Overall Index	23.5	16.7	18.9	22.3	23.0	22.4
Headline Index						
- Current situation	30.3	25.3	25.5	26.5	25.5	27.3
- Expectations	17.0	8.5	12.5	18.3	20.5	17.8

Eastern Europe	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15
Overall Index	-12.9	-16.3	-12.2	-11.2	-13.4	-11.0
Headline Index						
- Current situation	-17.8	-20.3	-17.8	-19.5	-25.5	-21.8
- Expectations	-8.0	-12.3	-6.5	-2.5	-0.5	0.5

Highest since July 2014

Highest since July 2014

Latin America	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15
Overall Index	2.0	-7.6	-7.2	-6.2	-6.9	-7.2
Headline Index						
- Current situation	-1.8	-10.3	-12.3	-15.0	-17.3	-16.5
- Expectations	5.8	-5.0	-2.0	3.0	4.0	2.5



Data availability

Bloomberg

FACTSET



Macrobond



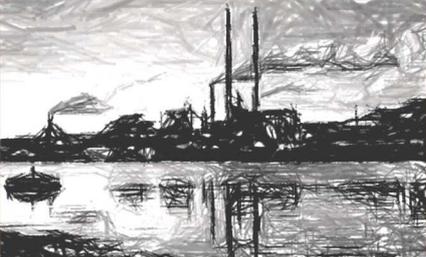
sentix 
expertise in behavioral finance

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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