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sentix Economic Index: Economic expectations Collapse globally

- The sentix economic indices worsen significantly in September driven by a hefty fall of 6-month expectations.
- The most pronounced developments can be observed for Japan as well as for Asia ex Japan (including China). For the latter region, the composite index drops to its lowest level since May 2009. For Latin America, the indices even signal recession. The current-situation index there now stands at an all-time low since inception in 2003.
- The composite index for the euro area decreases from 18.4 to 13.6 points, its lowest level since February. While the assessment of the current situation still shows resilience, 6-month expectations cool down markedly. They drop by 9.2 to now 12.3 points. For Germany, 6-month expectations are already approaching the zero line.

Statistics

Poll running: **03.09.-05.09.2015**
Survey participants: **965 investors**
(of which institutional investors: **247**)

In which economic regime* are we?

Region / Land	Regime	Region / Land	Regime
Eurozone	boom	USA	upturn
Germany	upturn	Japan	stagnation
Switzerland	slight upturn	Asia ex Japan	slight downturn
Austria	slight downturn	Latin America	recession
Eastern Europe	downturn	Global Aggregate	slight upturn

* The regimes – ranging from recession to boom – are derived from the sentix Economic Indices according to the principle of the “economy clock” (see annotation on next page). They reflect investors’ perceptions of different economies. These perceptions are the basis for investors’ behaviour, i.e. their asset allocation, and are thus relevant for financial markets. They are historically close to actual economic activities but need not necessarily be identical.

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

Euro area	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
Overall Index	20.0	19.6	17.1	18.5	18.4	13.6	Lowest since February 2015
Headline Index							
- Current situation	9.0	13.0	11.8	14.8	15.3	15.0	
- Expectations	31.5	26.5	22.5	22.3	21.5	12.3	Lowest since December 2014



Commentary on the survey results for September 2015

Global collapse in economic expectations

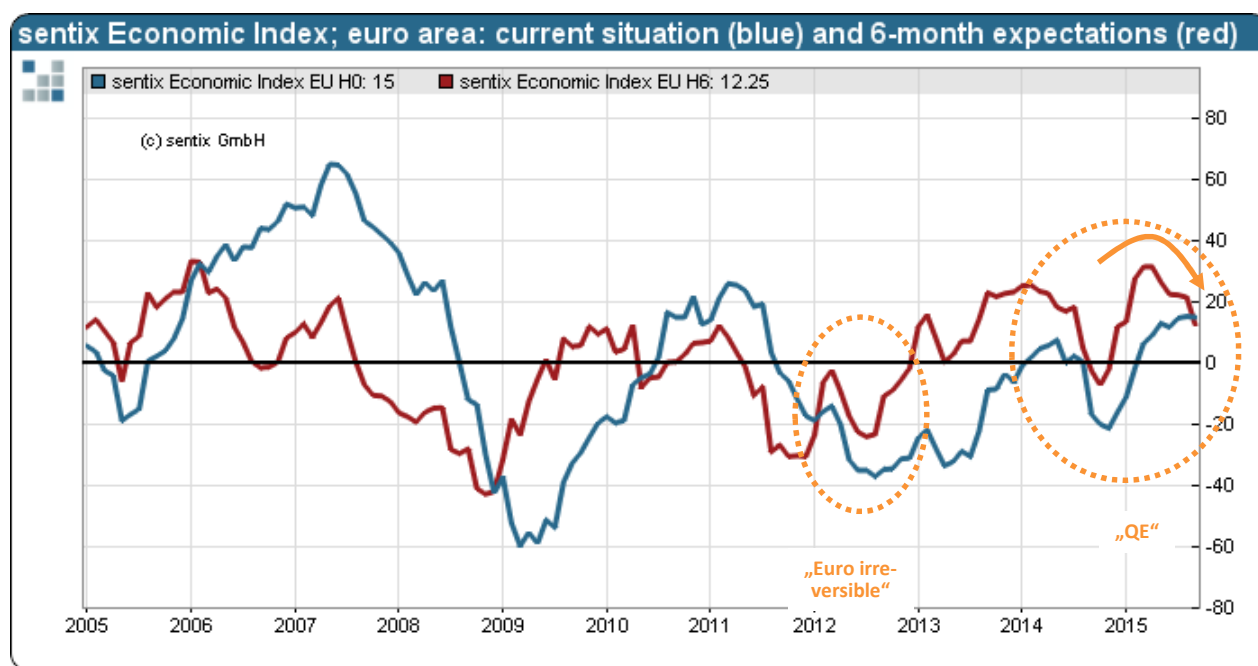
September saw a noticeable decline in the sentix Economic Indices, driven by a plunge in indicators for Japan and Asia ex Japan. In view of the turbulence in China, investors in these regions are drastically lowering their assessments of the situation as well as their expectations for these regions. Other countries and regions have also fallen into the downward spiral. While the skies are darkening for Latin America and Eastern Europe, major corrections are being made to economic outlooks for the regions previously functioning as stability anchors, namely the USA and the euro zone.

Euro zone – sharp fall in expectations here too

While **euro area** investors' assessment of the current situation has remained stable at around 15 points thanks to a sound domestic economy and lessening worries about Greece, **economic expectations** for the area have declined this month. **Having fallen by nine points to 12.3 points, they are at their lowest level since December 2014.** A similar development has been observed for **Germany** (see table on p. 4). Expectations for that country have however already neared the zero line, which means that now only a bare majority of investors still anticipate an increase in economic momentum over the next six months.

Investors now see the clouds shadowing China as well as the other emerging markets as a major burden for the euro-zone economy, which can no longer be offset by positive performance of its domestic economies themselves or by the US (as the world's largest national economy). In this light, investors' economic outlook can be considered significantly dampened.

The decline in the indices is somewhat reminiscent of last October when the even looser monetary policy of the Bank of Japan and the ECB subsequently was able to turn investor expectations back around. This will hardly be possible in the current situation without direct intervention by China itself to stabilize its stock markets and economy.



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



Asia ex Japan – investors no longer trust China

Economic concerns about Asia ex Japan with heavyweight China are growing ever further. The composite index for the region has fallen this month by over 10 points to just -4.3 points. This is its lowest level since May 2009 when the global economy was still reeling from the collapse of the Lehman Brothers investment bank.

It is therefore hardly surprising that investors are taking a negative view of the economic situation given China's stock market mayhem and weak economic momentum at this time. **However, it is unsettling that investors now actually expect economic deterioration when looking ahead to the beginning of 2016.** This is indicated by the negative figure of -4.5 points in the six-month expectations (see table). If China's policymakers do not pluck up courage soon, the spiral will likely continue downward – for the global economy as well.

Asia ex Japan	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
Overall Index	23.0	22.8	19.4	15.0	6.1	-4.3	Lowest since May 2009
Headline Index							
- Current situation	26.5	27.0	24.8	19.0	6.5	-4.0	Lowest since July 2009
- Expectations	19.5	18.8	14.3	11.0	5.8	-4.5	Lowest since August. 2012

Global aggregate – very gloomy picture

Composite indices for all major countries and regions fell dramatically in September. This development was driven by Japan and Asia ex Japan (see above). Indices for the two other emerging market regions, Eastern Europe and Latin America, also fell noticeably. The sentix indicators for **Latin America** even go as far as to signal **recession** given the current weak commodity prices. The assessment of the current situation now standing at -38.8 points is at its lowest level since creation of the indicator in January 2003.

Indices for the USA and the euro zone are also buckling – the old industrialized nations can no longer elude the current weakness in the emerging markets. **This is also reflected in the composite index of the global aggregate, which has dropped by 6.7 to a mere 3.3 points, its lowest level since October 2012.** The Gordian knot of China's weak economy must be cut before any positive change can be seen here. How this can be done remains is yet unclear; however hiking US key rates will be of little help in solving this problem.

Global Aggregate	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
Overall Index	16.6	15.0	14.6	14.2	10.0	3.3	Lowest since October 2012
Headline Index							
- Current situation	17.4	14.6	16.2	16.1	11.5	6.7	Lowest since July 2013
- Expectations	15.8	15.4	13.1	12.4	8.4	0.1	Lowest since October. 2012



More tables

Germany	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
Overall Index	31.4	28.2	26.8	26.8	25.7	20.6	Lowest since December 2014
Headline Index							
- Current situation	40.8	39.4	40.3	39.1	39.5	37.9	Lowest since January 2015
- Expectations	22.4	17.5	14.1	15.1	12.7	4.4	Lowest since November 2014

USA	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
Overall Index	22.6	17.2	20.8	24.4	22.1	19.8	
Headline Index							
- Current situation	38.0	23.0	29.5	35.3	35.0	36.8	
- Expectations	8.3	11.5	12.5	14.0	10.0	4.0	Lowest since October 2012

Japan	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
Overall Index	10.9	8.7	13.4	14.1	11.6	1.1	Lowest since January 2015
Headline Index							
- Current situation	9.0	8.0	15.3	17.3	14.8	4.0	Lowest since February 2015
- Expectations	12.8	9.5	11.5	11.0	8.5	-1.8	Lowest since November 2012

Eastern Europe	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
Overall Index	-3.9	-2.0	-3.0	-5.1	-5.9	-13.0	Lowest since January 2015
Headline Index							
- Current situation	-15.5	-12.3	-11.0	-13.3	-12.8	-18.3	Lowest since February 2015
- Expectations	8.5	8.8	5.3	3.5	1.3	-7.5	Lowest since October 2014

Latin America	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
Overall Index	-8.1	-6.5	-8.4	-10.0	-18.9	-25.7	Lowest since March 2009
Headline Index							
- Current situation	-19.3	-17.5	-17.5	-21.5	-30.0	-38.8	All-time low!
- Expectations	3.8	5.3	1.3	2.3	-7.1	-11.5	Lowest since October 2011



Press release

sentix Economic Index

07th September 2015

Switzerland	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
Overall Index	7.9	6.9	-4.8	-2.2	1.3	7.7	
Headline Index							
- Current situation	13.3	8.7	-6.6	0.7	-3.0	7.6	
- Expectations	2.6	5.1	-3.0	-5.0	5.7	7.8	Highest since July 2014

Austria	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	
Overall Index	-1.3	7.4	1.8	-0.9	13.6	-5.1	Lowest since November 2014
Headline Index							
- Current situation	-9.6	-1.8	3.6	-0.1	7.0	-3.1	
- Expectations	7.5	17.0	0.0	-1.7	20.3	-7.0	Lowest since November 2014



Data availability

Bloomberg

FACTSET

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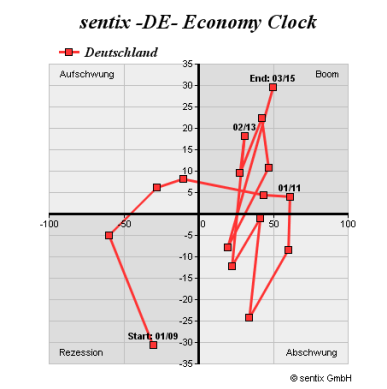
On a weekly basis, almost 5.000 registered investors (of which over 1,000 are institutional investors) supply us with their market assessments. Out of this data, sentix calculates sentiment indexes, which mirror the sentiment of equity markets (DAX, EuroSTOXX 50, Nikkei 225, S&P 500), bond markets (Bund-Future, 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>

The idea of the „economy clock“

The sentix economy clock show the assessment of the current situation and investors' 6-month expectations in a x-y diagram. The assessment of the current situation is displayed on the x-axis and 6-month expectations on the y-axis. An upturn, for instance, is characterised by still negative readings for the assessment of the current situation but already positive values for investors' expectations. This is why the upturn area lies in the upper left part of the clock. The graph on the left hand side shows Germany starting in 2009 from a recession ending in 03/15 in a boom.





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