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sentix Economic Index: “No ECB money, no funny”

- The December sentix Economic Index for the Eurozone continues to rise. The headline index gains +0.6 points to reach +15.7 overall.
- Overall, the Eurozone outperforms other world regions as the effects of ECB’s policy measures kick in.
- The remaining world regions depict signs of a slowdown. Japan slides back into recession. In contrast to Fed’s interpretations of the state of the economy, the sentix indicator for the US economy highlights a contrary view amid the preparations for the first rate rise.

Statistics

Poll running: **03.12.-05.12.2015**

Survey participants: **1.052 investors**

(of which institutional investors: **283**)

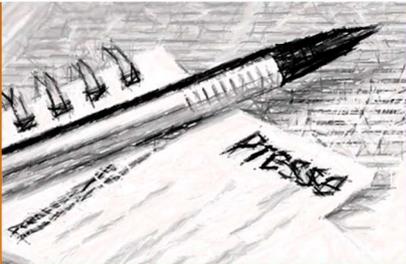
Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
 Eurozone	boom	 USA	upturn
 Germany	upturn	 Japan	stagnation
 Switzerland	slight downturn	Asia ex Japan	upturn
 Austria	stagnation	Latin America	downturn
Eastern Europe	stabilisation	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 penultimate 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.

Results for the Eurozone economy: December 2015

Euro area	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Overall Index	18.5	18.4	13.6	11.7	15.1	15.7
Headline Index						
- Current situation	14.8	15.3	15.0	13.0	16.0	13.5
- Expectations	22.3	21.5	12.3	10.5	14.3	18.0



Commentary on the survey results for December 2015

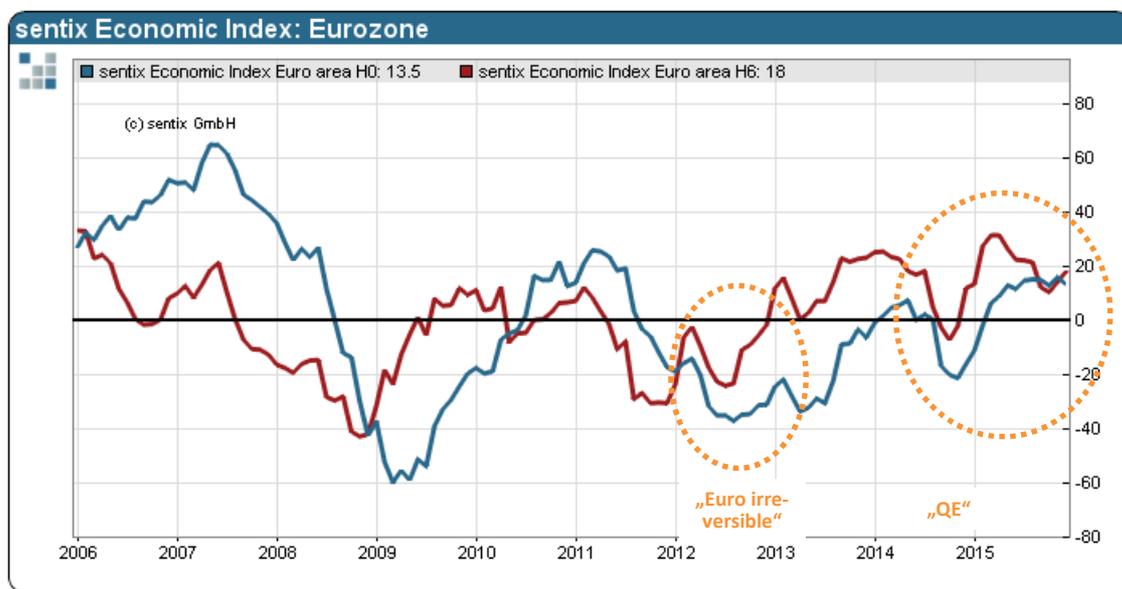
“No ECB money, no funny”

Economic expectations for the Eurozone continue to rise contrary to the global trend. Amid slightly lower growth in global economic momentum, the Eurozone stands out. Explanations should be found in the latest ECB statement. The December round of ECB stimulus felt short of expectations, however, the embracement of ECB’s “whatever it takes massage” has worked yet again. Without more ECB stimulus the Eurozone would most likely be in accordance to the global outlook.

Eurozone – the ECB as transmitter

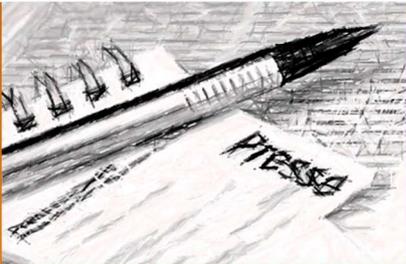
What would the Eurozone economy be without the ECB and its president Mr. Draghi? Actually, we can’t answer precisely. However, the latest commitment of the ECB to proceed with its “ultra-loose” monetary policy makes the difference at least in December. As the economy is slowly in retreat in all other major economies, the condition of the Eurozone economy excels. The sentix index measures moderate improvements in the economic expectations in Germany and Austria.

Only the weaker euro currency, as desired side-effect of ECB’ policy, is reckoned to have boosted the situation for the Eurozone. Nevertheless, for supporting the world economy the ECB impulse has not been strong enough. Beyond Europe, economies are affected by rising currencies and regional issues.



sentix Economic Index, Eurozone: **current assessment (blue)** and **expectations (red)**

Is there no alternative to the policy of ECB’s Draghi? Such an impression could arise. However, solving problems by flooding the market and the economy with cheap cash gradually loses its appeal. This is even more visible within the coming months. As professional market participants expect the return of another facet of current monetary policy: **rising inflation**. Market participants expect inflation rates to go up as the respective sentix indicator for the bond market slides to -16.5 points which indicates downward pressure on bonds as inflation is expected.



USA – The rise of interest rates is not a confirmation of economic robustness

Between 2010 and 2013 economic momentum were three times under stress. Every time the Fed saw it as its duty to stem against raising pessimism through verbal statements or monetary action. QE1, QE2, QE3, “operation twist” – we all know these acronyms of monetary power. However, **this time is different (at the end of 2015)**. Once more the economy is in retreat and expectation levels drop close to zero. But this time the Fed seems to mean business and let interest rate rise. **The US dares risking its recovery!**

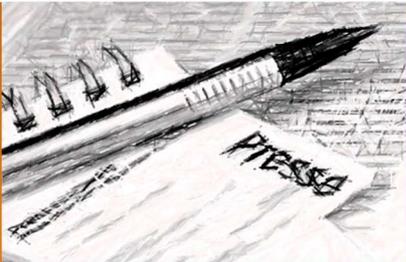
USA	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Overall Index	24.4	22.1	19.8	16.4	20.8	18.8
Headline Index						
- Current situation	35.3	35.0	36.8	31.5	35.5	33.0
- Expectations	14.0	10.0	4.0	2.3	7.0	5.5

Global aggregate – no real glimmers of hope

In contrast to last month’s outlook that the **global economy** could successfully turnaround under east Asian leadership, the December outlook is not that rosy anymore. Amid rather cloudy economic expectations, the region **Asia ex. Japan** continues as the glimmer of hope of last resort for the world economy. For **Japan**, we have to announce a fall-back into recession. The policy of premier Abe has failed restarting Japan’s economy so far. In effect it means nothing more than more stimulus to come at the BoJ’s meeting on December 18th. At least stock markets should cheer.

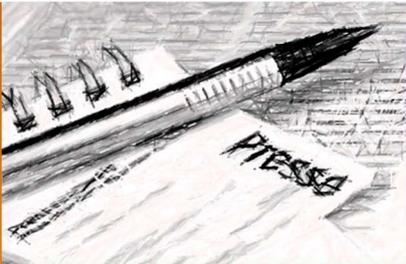
In contrast, the recession in **Latin America** turns out to be a hard nut to crack.

Asia ex Japan	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Overall Index	15.0	6.1	-4.3	-0.4	9.9	8.5
Headline Index						
- Current situation	19.0	6.5	-4.0	-2.5	9.3	6.3
- Expectations	11.0	5.8	-4.5	1.8	10.5	10.8
Global Aggregate						
Overall Index	14.2	10.0	3.3	3.0	9.5	8.5



More tables

Germany	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Overall Index	26.8	25.7	20.6	17.8	20.1	22.7
Headline Index						
- Current situation	39.1	39.5	37.9	35.1	36.4	36.4
- Expectations	15.1	12.7	4.4	1.8	5.0	9.7
Austria	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Overall Index	-0.9	13.6	-5.1	6.7	-0.6	9.6
Switzerland	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Overall Index	-2.2	1.3	7.7	5.5	10.2	-2.5
Headline Index						
- Current situation	0.7	-3.0	7.6	5.4	4.2	-2.5
- Expectations	-5.0	5.7	7.8	5.6	16.5	-2.5
Japan	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Overall Index	14.1	11.6	1.1	-2.5	3.9	2.9
Headline Index						
- Current situation	17.3	14.8	4.0	-2.5	4.3	-0.3
- Expectations	11.0	8.5	-1.8	-2.5	3.5	6.0
Eastern Europe	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Overall Index	-5.1	-5.9	-13.0	-12.7	-6.8	-7.1
Headline Index						
- Current situation	-13.3	-12.8	-18.3	-20.3	-14.5	-16.3
- Expectations	3.5	1.3	-7.5	-4.8	1.3	2.5
Latin America	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Overall Index	-10.0	-18.9	-25.7	-26.2	-19.5	-19.7
Headline Index						
- Current situation	-21.5	-30.0	-38.8	-42.5	-35.8	-36.3
- Expectations	2.3	-7.1	-11.5	-8.3	-1.8	-1.5



Data availability

Bloomberg

FACTSET



Macrobond



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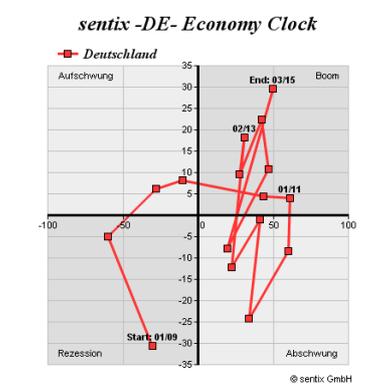
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About sentix

On a weekly basis, more than 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.

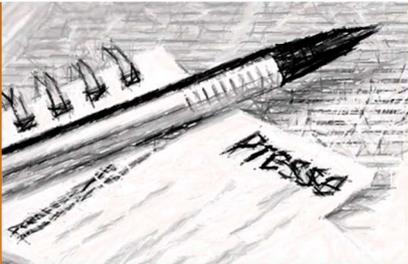
Background, methodology and more

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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