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sentix Economic Index: After New Year's Eve yet another china cracker

- The **sentix Economic Index for the Eurozone significantly falls in January 2016**. The headline index slides 6.1 points down to +9.6 points.
- The **Eurozone is not immune against the drift towards weaker global growth**. Expectations drop to +6.3 points from previously +18.0 points.
- The shakeup at Chinese stock exchanges is perceived more than a “technical issue” by investors. **Economic expectations for Asia ex. Japan show the strongest nosedive ever recorded**. Yet, economic expectations for the **US economy** are negative, the first time since October 2012. Latin America is still battles with recession.

Statistics

Poll running: **07.01.-09.01.2016**

Survey participants: **1.041 investors**
(of which institutional investors: **260**)

Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
Eurozone	upturn	USA	downturn
Germany	upturn	Japan	Slight downturn
Switzerland	stagnation	Asia ex Japan	Slight downturn
Austria	stagnation	Latin America	downturn
Eastern Europe	downturn	Global Aggregate	stagnation

* 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: January 2016

Euro area	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16
Overall Index	18.4	13.6	11.7	15.1	15.7	9.6
Headline Index						
- Current situation	15.3	15.0	13.0	16.0	13.5	13.0
- Expectations	21.5	12.3	10.5	14.3	18.0	6.3



Commentary on the survey results for January 2016

After New Year's Eve yet another china cracker

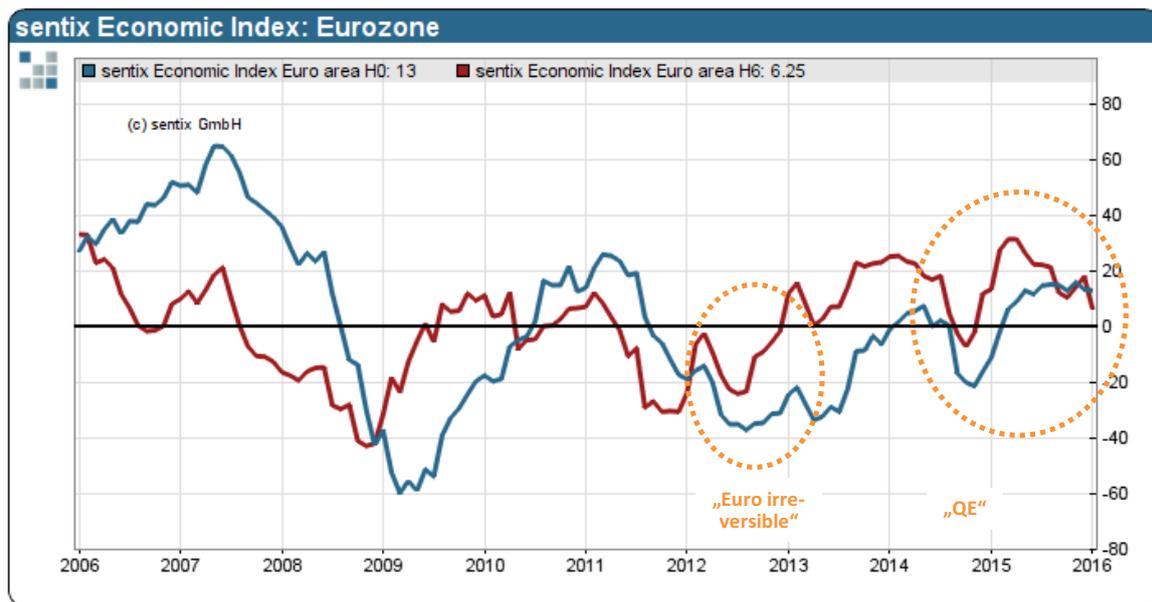
That's not what many investors have expected: right at the start of 2016, investors have to farewell certainties of 2015. Dark clouds arise in the east and could carry more than just light showers. It seems undoubtedly reasonable that the Chinese business cycle face a period of significant slow down, rather it seems like a hard landing. Such a scenario would not pass the Eurozone without damage.

Eurozone – robust current situation covers slump in expectations

The current economic situation in the Eurozone benefits from two developments: on the one side ECB's extremely loose monetary policy stabilises economic recovery as well as investors sentiment. On the other side however, the sheer depth and duration of past's recession caused the Eurozone to lag behind global developments.

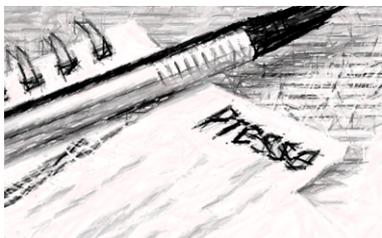
This month's relative development of the sentix economic index clearly demonstrates the above described theory as the headline index falls "only" 6.1 points to +9.6 points. Reason for headline index's modest decline is visible in investor's assessment of the current situation. They remain fairly stable at +13.0 points.

Nevertheless, the rising economic thunderstorm indeed casts its shadows on expectation readings. The Eurozone experiences a slump of 18.0 points to only +6.3 points, alike for other economies. After September 2011 and August 2014, the strongest decline in years.



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

Therefore, it will be exiting to watch EZB's reactions on the latest sentix economic signals. Once more, monetary policy based economic recovery is debunked as short-lived. With regards to the sentix-Styles-Indicators, meanwhile investors exhibit declining inflation expectations. At the same time, their optimism is kept in limits regarding potential central bank activism.



China – more than a stock market shakeup

In last week's financial news experts exhaustively stressed that recent stock market turmoil was only a "technical issue" and that markets at no stage reflected the "true" state of the economy. **Investors polled by sentix had deviating opinions.** With a decline of a mere 19.3 points, **economic expectations downright collapsed for Asia ex. Japan. The strongest decline in the sentix time series.** Current situation values reveal a similar pattern, as only the drop after Lehman (2008) was stronger.

Therefore, the **current shape of the Chinese economy represents a bigger threat to global economy than the mainstream assumes.** This could explain why the Chinese administration reacts with such hysteria. They probably would react in a different manner if they only have to tackle Chinese attitude to gamble on the financial markets.

Asia ex Japan	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16
Overall Index	6.1	-4.3	-0.4	9.9	8.5	-7.6
Headline Index						
- Current situation	6.5	-4.0	-2.5	9.3	6.3	-6.8
- Expectations	5.8	-4.5	1.8	10.5	10.8	-8.5

Global aggregate – stagnation spreads as growth drivers wane

Other world regions can't compensate a downturn of the Chinese economy. In the **USA**, Fed's December rate hike emerges as a mistake. Falling sentix economic expectations signalise a downturn for world's largest economy. In **Japan**, Abenomics continues to go astray. As the the Yen currency continues to appreciate the sentix economic indicators tarnish. Moreover, the **emerging market complex** suffers under current circumstances alike, as commodity markets remain in a free-fall mode and the US dollar appreciation exacerbates the situation further. **Latin America** and **Eastern Europe** continue to dispatch distress signals.

USA	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16
Overall Index	22.1	19.8	16.4	20.8	18.8	9.6
Headline Index						
- Current situation	35.0	36.8	31.5	35.5	33.0	26.5
- Expectations	10.0	4.0	2.3	7.0	5.5	-6.0

Global Aggregate	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16
Overall Index	10.0	3.3	3.0	9.5	8.5	-1.6



More tables

Germany	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16
Overall Index	25.7	20.6	17.8	20.1	22.7	18.1
Headline Index						
- Current situation	39.5	37.9	35.1	36.4	36.4	35.6
- Expectations	12.7	4.4	1.8	5.0	9.7	1.8
Switzerland						
Overall Index	1.3	7.7	5.5	10.2	-2.5	1.4
Austria						
Overall Index	13.6	-5.1	6.7	-0.6	9.6	2.1
Japan						
Overall Index	11.6	1.1	-2.5	3.9	2.9	-3.0
Headline Index						
- Current situation	14.8	4.0	-2.5	4.3	-0.3	-0.3
- Expectations	8.5	-1.8	-2.5	3.5	6.0	-5.8
Eastern Europe						
Overall Index	-5.9	-13.0	-12.7	-6.8	-7.1	-14.7
Headline Index						
- Current situation	-12.8	-18.3	-20.3	-14.5	-16.3	-20.8
- Expectations	1.3	-7.5	-4.8	1.3	2.5	-8.5
Latin America						
Overall Index	-18.9	-25.7	-26.2	-19.5	-19.7	-26.6
Headline Index						
- Current situation	-30.0	-38.8	-42.5	-35.8	-36.3	-42.8
- Expectations	-7.1	-11.5	-8.3	-1.8	-1.5	-8.8



Data availability

Bloomberg

FACTSET

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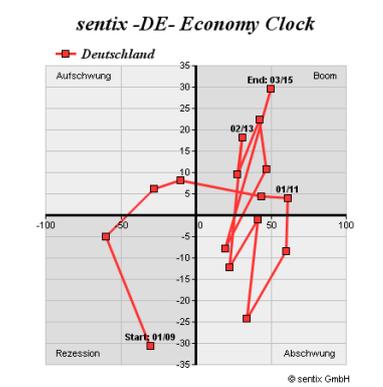
sentix 
expertise in behavioral finance

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 shows 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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