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sentix Economic Index: Japan and the US contra the emerging markets

- The **sentix Economic Index for the Eurozone rises in May again by +0.5 points**. The headline index now stands at +6.2 points.
- Whereas economic expectations for the Eurozone remain nearly unchanged, expectations for Japan and the US weakened. **Especially the slump in Japan's index to the lowest level since October 2012 is a cause for concern.**
- Despite that the emerging markets continue recovering, their trend cannot prevent the global headline index from falling by 0.9 points.

Statistics

Poll running: **05.05.-07.05.2016**
Survey participants: **972 investors**
(of those are institutional investors: **224**)

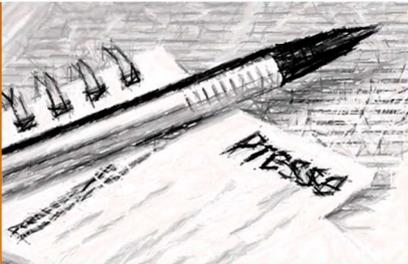
Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
 Eurozone	slight upturn	 USA	upturn
 Germany	upturn	 Japan	downturn
 Switzerland	stagnation	Asia ex-Japan	slight upturn
 Austria	upturn	Latin America	stabilisation
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 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: May 2016

Euro area	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16
Overall Index	15.7	9.6	6.0	5.5	5.7	6.2
Headline Index						
- Current situation	13.5	13.0	10.5	8.3	6.0	7.0
- Expectations	18.0	6.3	1.5	2.8	5.5	5.5



Commentary on the survey results for May 2016

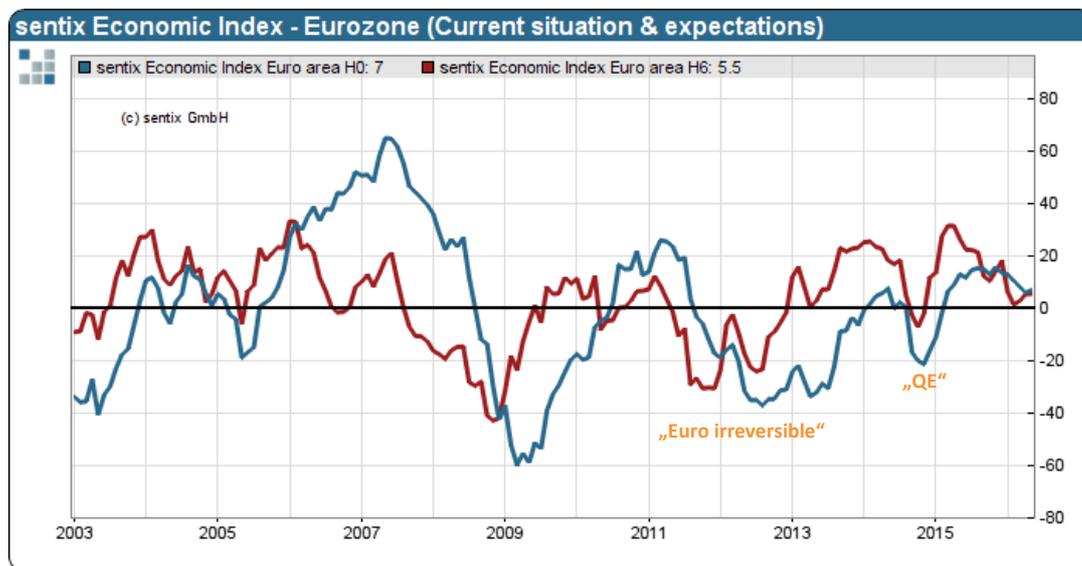
Japan and the US contra the emerging markets

Economic expectations for the Eurozone remain resilient as investors perception about the future development of Japan continues to deteriorate. Moreover, in May investors get wary about the situation of the US economy. Emerging markets proceed their recovery. The headline index for the Eurozone marginally raises by +0.5 points to +6.2 points. Overall investors draw a rather non-dynamic picture about the economic condition of the Eurozone as expectations remain unchanged and the perception of the current situation with a change of +1 point displays weak momentum.

Weak momentum in the Eurozone

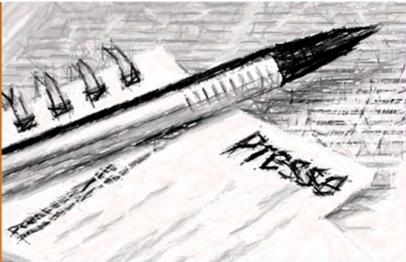
The sentix Economic Indices for the Eurozone continue to show a picture of a weak momentum in comparison to previous months. Despite that the Eurozone remains in the economic regime of "slight upturn", weak monthly gains indicate the heavy burden the global economy projects on the Eurozone. Even the ECB was not able to provide a fresh impulse. Lethargy is especially visible in economic expectations as they remain at previous month's +5.5 points. The current situation value, however, manages to gain +1 point. The indicator stands now at +7 points. Investors are more convinced about the economic condition of Germany as all sub-indices raise (refer to page 4).

Overall, expectations for a more dynamic economic momentum cannot be met for the Eurozone in May. Abundant liquidity and negative interest rates have not managed to create a self-propelling economic upturn in the Eurozone. Though, institutional investors continue to raise expectations on inflation rates. Hence, we expect that the discussion is going to intensify whether the current monetary policy of the ECB and other central banks will yield their intended results or not.



sentix Economic Index for the Eurozone: **current situation** and **expectations index**

The current stalemate is a result of diametrical developments among the individual world regions. Whereas the emerging markets remain on the recovery track, Japan's tendency towards recession as well as the cooling of the US economy unfavourably affects the development of the world economy.



Japan – a tragedy

Market participants in Japan are familiar with sorrows over the last months. Nevertheless, it is surprising that investors persistently lower their economic expectations. The “land of the rising sun” is stuck in a liquidity trap. Economic expectations slide to -8.5 points despite record stimulus by the BoJ. Especially the current situation of -19 points, which is the lowest level since December 2012, is alarming. In consideration of the recent appreciation of the Japanese currency (Yen), which adds further headwinds, Japan is on its way into a severe recession.

Japan	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	
Overall Index	2.9	-3.0	-6.9	-6.3	-10.1	-13.8	Lowest value since October 2012
Headline Index							
- Current situation	-0.3	-0.3	-6.5	-8.3	-14.5	-19.0	Lowest value since December 2012
- Expectations	6.0	-5.8	-7.3	-4.3	-5.5	-8.5	

The US economy loses steam

The US economy disappoints in May. The recovery of the last months has halted. Both current situation and expectation values drop significantly. Economic expectations are especially hard hit as they barely manage to stay above Zero. Thus, optimistic investors lay neck on neck with pessimists. No new impetus towards economic expansion can be identified based on the current stalemate.

USA	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16
Overall Index	18.8	9.6	3.7	9.5	14.5	10.8
Headline Index						
- Current situation	33.0	26.5	17.0	21.8	26.8	21.3
- Expectations	5.5	-6.0	-8.8	-2.0	3.0	0.8

Emerging markets – what a contrast

Investors notice improvements for all emerging markets. Besides, investors sense the largest relief for Latin America whereas Asia ex. Japan and Eastern Europe only moderately gain. Though, the positive contribution from the emerging markets to global GDP is not enough to compensate the negative tendency of the developed world. The sentix global aggregate index loses -0.9 points and quotes at +2.6 points.

Asia ex Japan	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16
Overall Index	8.5	-7.6	-4.3	1.5	5.0	5.4
Headline Index						
- Current situation	6.3	-6.8	-3.8	1.3	4.3	4.8
- Expectations	10.8	-8.5	-4.8	1.8	5.8	6.0



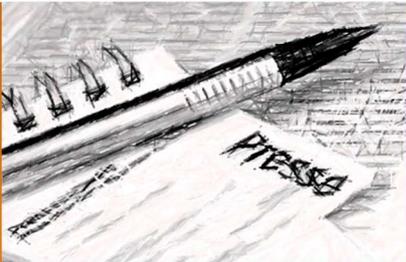
Press release sentix Economic Index

09-May-2016

Eastern Europe	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16
Overall Index	-7.1	-14.7	-17.3	-12.8	-8.7	-7.8
Headline Index						
- Current situation	-16.3	-20.8	-24.3	-20.8	-17.5	-15.3
- Expectations	2.5	-8.5	-10.0	-4.5	0.5	0.0
Latin America	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16
Overall Index	-19.7	-26.6	-28.8	-23.4	-18.2	-15.7
Headline Index						
- Current situation	-36.3	-42.8	-45.3	-41.8	-36.0	-32.8
- Expectations	-1.5	-8.8	-10.5	-3.0	1.5	3.0

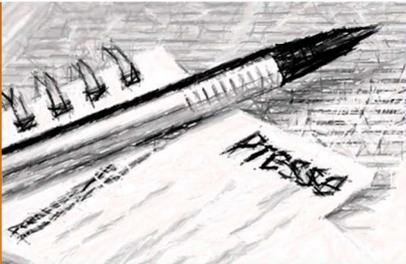
Highest value
since August
2015

Highest value
since May
2015



More tables

Germany	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16
Overall Index	22.7	18.1	14.5	16.9	17.6	18.3
Headline Index						
- Current situation	36.4	35.6	33.0	33.3	32.7	34.1
- Expectations	9.7	1.8	-2.6	1.7	3.4	3.5
Switzerland	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16
Overall Index	-2.5	1.4	5.0	5.4	7.9	1.0
Headline Index						
- Current situation	-2.5	-0.3	8.3	2.4	10.8	3.0
- Expectations	-2.5	3.1	1.8	8.3	5.1	-1.1
Austria	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16
Overall Index	9.6	2.1	6.2	13.1	7.1	-5.3
Headline Index						
- Current situation	3.9	4.3	-0.7	7.9	2.1	-1.4
- Expectations	15.4	0.0	13.3	18.6	12.1	-9.1
Global Aggregate	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16
Overall Index	8.5	-1.6	-3.6	0.5	3.5	2.6
Headline Index						
- Current situation	8.5	1.9	-1.2	1.6	3.7	2.7
- Expectations	8.5	-5.0	-5.9	-0.5	3.2	2.6



Data availability

Bloomberg

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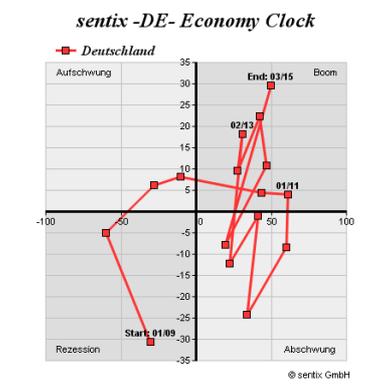
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The sentix GmbH is a Germany-based independent research institute, located in Frankfurt / Main. Founded in 2001, sentix provides analysts and investors, as well as the media and officials, with information about investors' preferences and their estimates and expectations about markets and economic trends.

Sentix is recognized in the industry as one of the leading experts in market sentiment and Behavioral Finance data. Among our clients are big fund managements groups as well as banks and independent fiduciaries. The data products are derived from the sentix Global Investor survey, to which more than 5.000 investors from 20+ countries contribute.

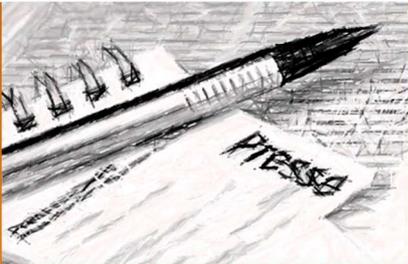
Background, methodology and more

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 an 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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