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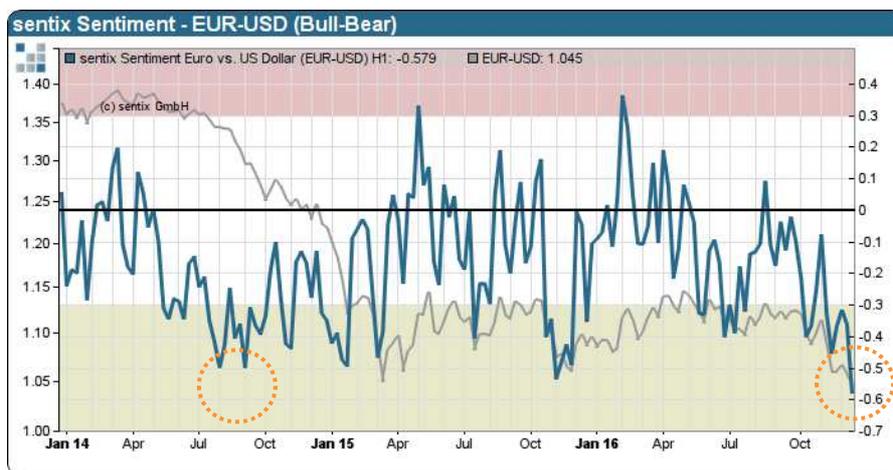
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Ice Age for the Euro

The sentix Sentiment for the Euro US-Dollar exchange rate plunges to an all-time low. The diverging monetary policies of the Fed and the ECB wreak havoc not only on the Euro exchange rate but also on investors' sentiment. Market participants should brace for further Euro weakness.

The US-Dollar has gained in recent days due to diverging monetary policy across both sides of the Atlantic. While the ECB holds rates steady at 0% and extends its asset purchasing program in December, the Federal Reserve tightens rates by 25 basis points. Also, the forward guidance of three Fed rate hikes in 2017 caught investors by surprise. At the same time, the yield spread on 10-year US Treasuries and German Bunds has widened to 230 basis points in December, the largest spread since 1989. Investors sentiment freezes as the Euro US-Dollar exchange rate slips towards parity. Almost 65% of survey participants indicate that they are now “bearish” (pessimistic) towards the Euro. Only 7% of investors remain “bullish”. Pessimism has more than doubled in comparison to the previous month.



Technically, extremely negative sentiment readings are an indicator for an overstretched market and a contrarian buy set up. However, investors currently do express not only a negative sentiment towards the euro but also a lower confidence in the single currency as the balance shifts towards the US-Dollar. Based on positioning data provided by the CFTC, investors' portfolio rebalancing – in contrast to a similar situation in 2014/15 - still lags investors' market view.

Hence, we expect the rebalancing process to last until investors regain confidence in the euro currency.



Background

The **sentix Sentiment** indices, which capture investors' 1-month expectations for a broad range of financial markets, are calculated on a weekly basis since 2001 as part of the sentix Global Investor Survey. The sentix sentiment reflects human emotions – between greed and fear – of market participants. Negative sentiment extremes are usually a straight indication for rising prices. High optimism, in contrast, may be a warning signal for an upcoming market consolidation. A sentiment divergence mostly indicates more important turning points.

The latest sentix Global Investor Survey was conducted from 15-December to 17-December-2016 with 1047 retail and institutional investors.

About sentix

sentix is the pioneer and leading provider of sentiment analyses (behavioural finance) in Europe. Since 2001 sentix surveys on a weekly basis around 5,000 investors from over 20 countries (comprising over 1,000 institutional and almost 4,000 individual investors) about their expectations for financial markets as well as for economic developments and their portfolio actions. The sentix survey results are representative of a broadly diversified group of investors.

sentix surveys offer the rare combination of a vast number of participants, high quality and an outstanding speed with which information is gathered and passed on. All sentix indices are regularly accessible for sentix data clients just about one day after the close of each poll – via the sentix website or Bloomberg. sentix clients thus can use sentix data almost in real time to further improve performance.

sentix GmbH was founded in 2001 and today represents the basis for all the services the sentix group offers to its clients in the field of Behavioral Finance.



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