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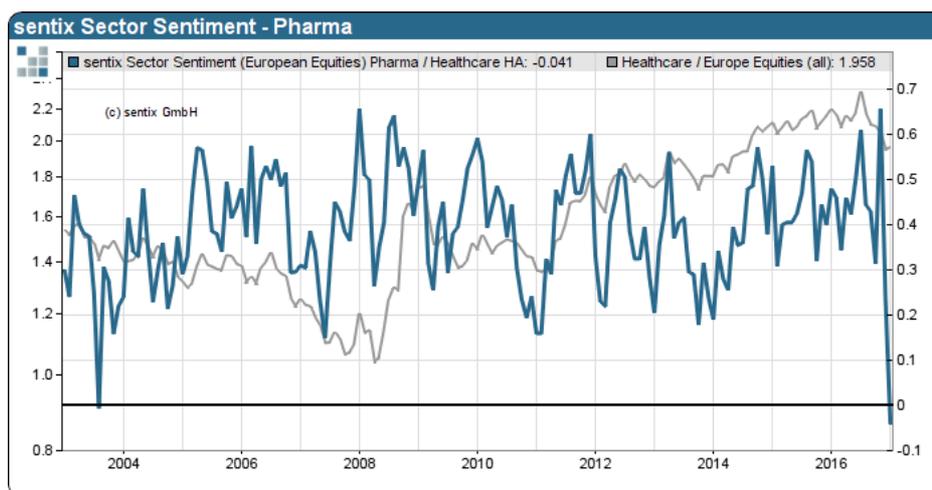
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“Trumped”

The sentix Sector Sentiment for European pharmaceutical stocks has hit the lowest level since 12 years ago. Within only a few weeks, investors’ perception has turned upside down. The latest remarks by president-elect Trump on drug pricing in the US has stirred up investors’ confidence. A short-term buying opportunity could arise.

The “Twitter diplomacy” of US president-elect Trump does scare not only executives of companies planning to invest in Mexico but also investors in pharmaceutical stocks. After nearly five years of persistent outperformance of European STOXX 600 Pharmaceutical and healthcare stocks, investors have lately shown lots of sympathies. Hence, investors react so much more sensible towards negative commentary. While president-elect Trump unloaded his resentment towards the price bidding procedure for drugs in the US onto media at his second official press conference after the election, investors got terrified. The notion that a President Trump would introduce price ceilings depresses investors sentiment towards pharma companies. The sentix Sector Sentiment plummets to the lowest level since 2002, only weeks after an all-time high. Investors (especially institutional investors) now assess the industry’s medium-term outlook rather pessimistic (see chart below).



Comparable sentiment drops, however, tend to result in no significant further price corrections. Due to its composition, the sentix Sector Sentiment does not only incorporate investors’ valuation towards an equity sector but also a standard sentiment component. As the latest shock is most likely fear driven, **investors should prepare for an upside surprise of European pharmaceutical stocks. Extreme sentiment values are contrarian buy signals.**



Background

sentix Sector Sentiment is a monthly survey conducted since 2002 among individual and institutional investors as part of the sentix Global Investor Survey which runs on the second Friday of each month. Investors are asked about their 6-month expectations regarding 19 European stocks sectors. They can indicate whether they expect a sector to outperform, to perform as the market or to underperform. The survey results are normalised and calculated as z-scores. Z-scores are standard deviations from the mean of a given sample. A value of +1 for an industry sentiment says, for instance, that the expectations for the industry stand one standard deviation above the average expectation for all sectors.

The current sentix Sector Sentiment survey ran from 12-January to 14-January-2017 and 1.036 individual and institutional investors took part in it.

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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