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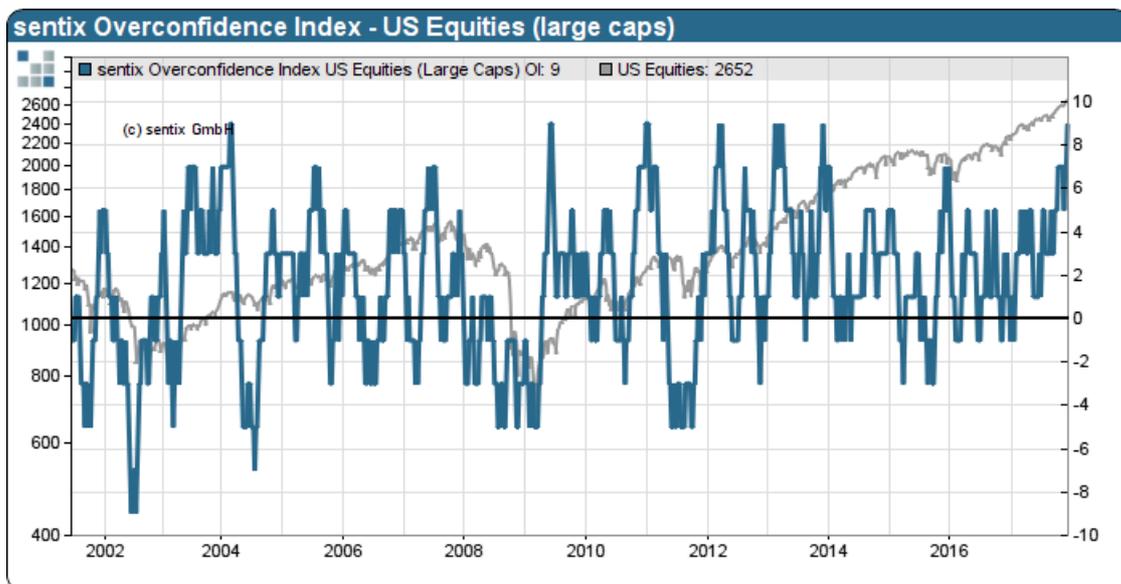
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## Historical signals - Financial crisis greets!

In summer 2007, the world of investors was still in order. Equities should rise, interest rates should also rise - and problems such as the looming subprime crisis are best ignored. This recipe for success proved to be a capital failure. Are investors currently making another historic mistake? The danger that show the sentix overconfidence indices, exists at least.

If markets move in only one direction over a longer period of time, investors get the impression of a "biased" market environment. All you have to do is to continue and participate in the prevailing trends. We test such one-sided perception with the sentix overconfidence indices. These are not derived from the sentix survey, but are calculated using a formula that measures the one-sidedness of market movements. The value range of the indicator varies from -13 to +13.

Values of more than +7 signal a dangerous overconfidence, i. e. overestimation of the prospects by investors. Risks increase. Values below -7, on the other hand, indicate "underconfidence", i. e. an underestimation of the outlook.



sentix Overconfidence Index US equities (large caps)

Investors take the market to be very bullish and, as the banks' forecasts for 2018 show, this trend is eagerly prolonged into the future.



# Press release sentix – indicator in focus

30-October-2017

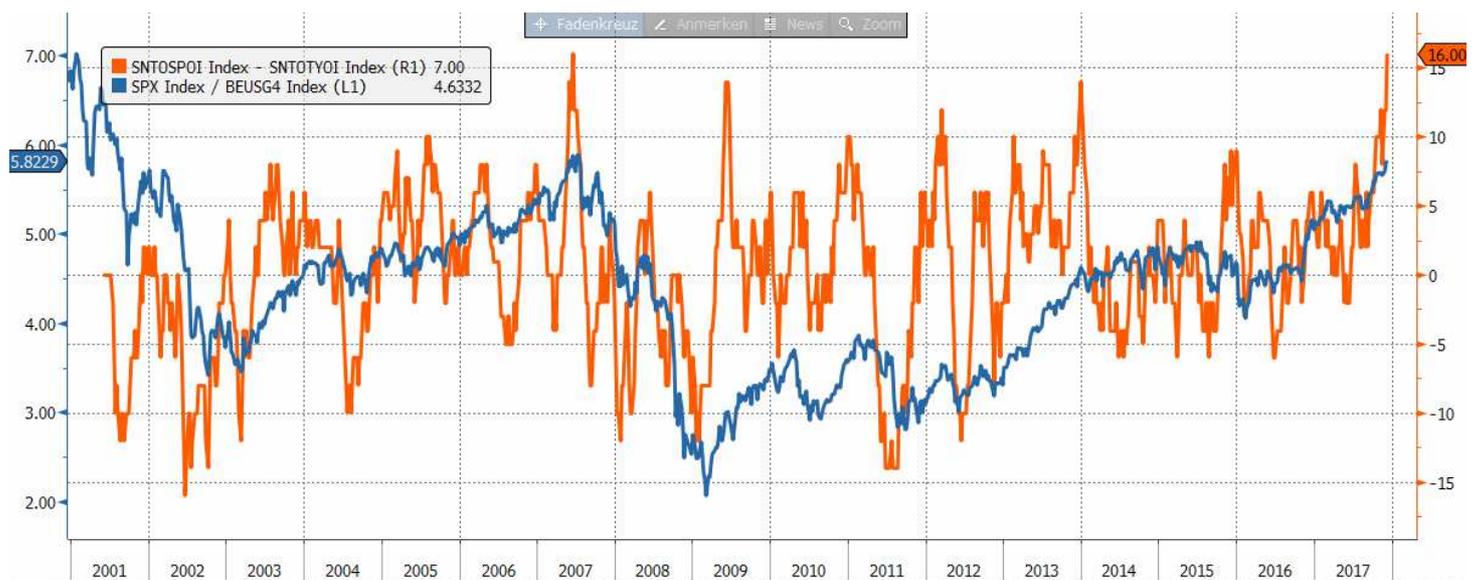
For US bonds, however, the world looks different. The value here is -7, which means that it seems clear to investors at present that bonds are clearly the worse choice.

Looking at the gap between the equity and bond indicator value, this is currently 16 points. It's an all-time high. This is because the extreme values of equities and pensions that are achieved at the same time are quite rare. Strictly speaking, sentix has only once in its history measured a value of 16 as the difference between equity and bond overconfidence.

And that was in June 2007, on the eve of the financial crisis!

The rest is history. This excessive stock market confidence relative to bonds was severely punished in the following two years. Stocks lost massively relative to bonds. It doesn't have to be that bad this time. Similarly high values in the indicator led to lower equity losses relative to bonds. Incidentally, the absolute direction of stocks and bonds is thus not fixed. The indicator indicates relative performance.

Investors who are interested in investing in the US market should not simply continue to follow existing trends. That would be "overconfident", but certainly take into account for 2018 that stocks are not as unattached as they currently seem!



**sentix Overconfidence Index US equities to US bonds (spread) and relative performance S&P500 to US bonds (7-10 years residual maturity)**



## Background

The sentix Overconfidence Index (OCI) shows how probable it is at a given point in time that price behaviour in a market is perceived by investors as a trend. The higher this probability, the stronger the case for investors becoming overconfident regarding their forecasting skills. In a situation of **overconfidence** the likelihood, in turn, rises for a **price movement against the trend** as investors tend to accumulate extreme positions.

The sentix Overconfidence Index can fluctuate between -13 and +13 points. Readings below -7 or above +7 indicate a high probability of investors being in an active trend-perception phase and, thus, for a relatively large degree of **complacency** and **overconfidence**. The potential for a price movement against the trend then depends on the already accumulated investors' positions.

The latest sentix Global Investor Survey was conducted from 7<sup>th</sup> to 9<sup>th</sup> December 2017 with about 1.000 retail and institutional investors participating.

## 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 Behavioural Finance.



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