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sentix Economic Index: Danger of overheating

- At the beginning of 2018, the economy in the eurozone remains in excellent shape. The overall index rose slightly to 32.9 points and continues to signal a boom.
- It is astonishing that both the situation and expectations improve slightly. Momentum remains positive. This also applies to Germany, where the situation values are again at an all-time high.
- There are no signs of weakness in the rest of the world. Particularly noteworthy is the USA, where investors are noticeably raising expectations. But latecomers such as Eastern Europe and Latin America can also improve considerably. The upswing is strong and increasingly synchronized.

Statistics

Poll running: **Jan. 4th to Jan. 6th 2018**

Survey participants: **929 investors**
(244 of those are institutional investors)

Current economic regimes* of countries /regions in focus:

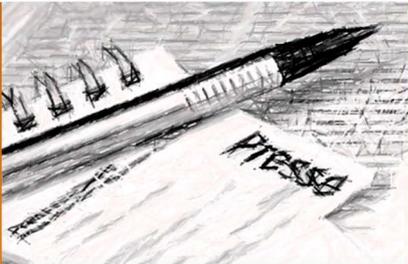
Region / country	Regime	Region / country	Regime
Eurozone	boom	USA	boom
Germany	boom	Japan	boom
Switzerland	boom	Asia ex-Japan	boom
Austria	boom	Latin America	upswing
Eastern Europe	boom	Global Aggregate	boom

* 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 2018

Euro area	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18
Overall Index	27.7	28.2	29.7	34.0	31.1	32.9
Headline Index						
- Current situation	40.0	39.8	41.8	45.8	46.5	48.0
- Expectations	16.0	17.3	18.3	22.8	16.8	18.8

Highest since 08.2007



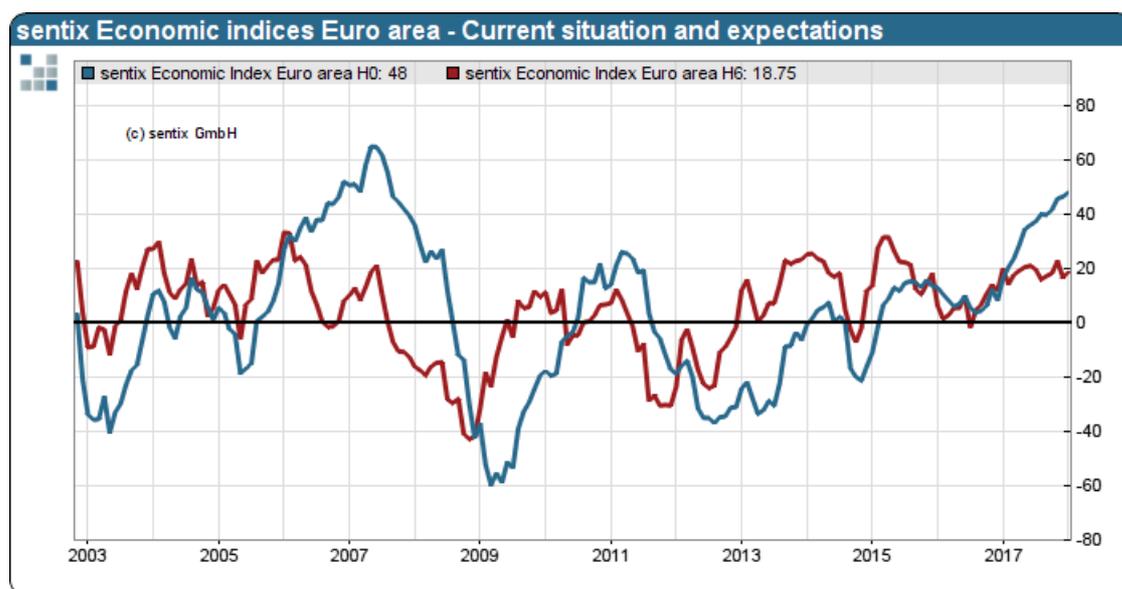
Commentary on the survey results for January 2018

Danger of overheating

In January 2018, there was no sign of a loss of momentum in the sentix economic indices, which we were able to detect in the beginning of December. On the contrary: all regions of the world show a stable, positive and moderately improved economic picture. The US economic expectations, which are stimulated by the tax reform, have improved particularly significantly. In the eurozone, too, progress is continuing. And even latecomers such as Eastern Europe and Latin America continue to improve. The upswing is thus broad and synchronous. The likelihood of overheating is increasing.

Euroland: Further upward trends

The economy in the eurozone continues to expand. Investor sentiment and expectations may improve in January. The current situation index rises for the fourth time in a row and reached its highest level since August 2007. Also expectations are also improving slightly. From the point of view of the investors surveyed by sentix, the economy is therefore very robust. The boom is not only being driven by catch-up effects in the euro zone, but above all by a very strong global economy. All regions are experiencing an upturn or boom and signs of weakness are hard to detect.

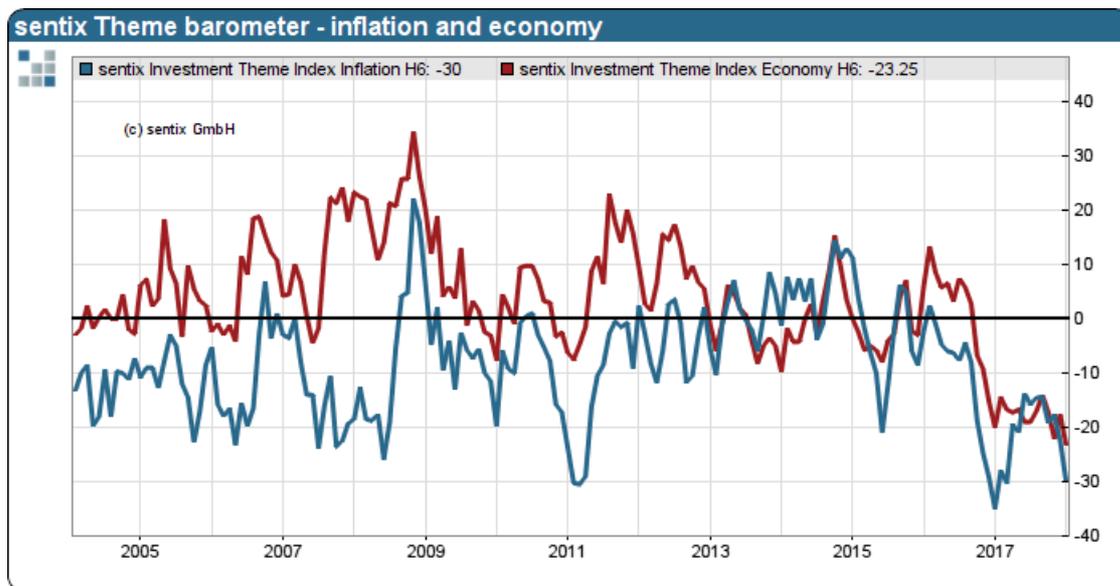
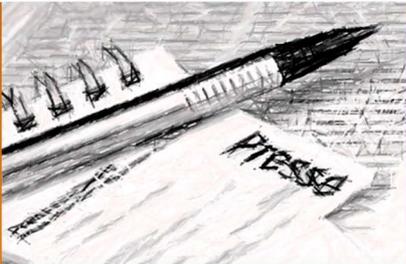


sentix Economic Index for the Eurozone: **current situation** and **expectations**

It doesn't bother that the growth engine Germany is currently governed only by managing directors. Business is running smoothly.

However, such a strong and synchronous upswing inevitably raises the question of how long it will continue to develop without the typical signs of overheating.

In any case, investors expect that the current economic momentum will increasingly become a burden on the bond markets. On the one hand, the real economy is likely to increasingly demand more capital and thus increase the supply of bonds. On the other hand, investors are concerned about further inflationary developments. The corresponding sentix theme barometer falls sharply. The thematic environment for bonds remains difficult.



sentix Theme barometer for the bond market - Inflation and the economy

Germany: Business runs on auto-pilot at full speed

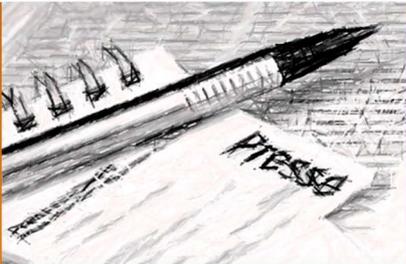
The economy continues to be in full swing. The situation values rise to an all-time high of 72.3 points! So far, the economy has not yet missed a new government. Instead, investors are beginning to assess the effects of Trump's tax reform, which is also having a positive impact on corporate profits, but is also likely to have a positive impact on demand for capital goods. And this is particularly important for Germany.

Germany	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18
Overall Index	33.2	34.0	37.7	42.4	39.1	40.1
Headline Index						
- Current situation	64.3	63.0	65.3	71.8	71.0	72.3 Alltime High
- Expectations	5.8	8.3	13.0	16.3	11.0	11.8

USA: Tax reform ensures good mood

Investors are increasingly realizing the positive effects of the US tax reform. Expectations have risen accordingly, but also the situation values are again at an all-time high. So many investors have quarrels with the US president, it remains to be noted that the economy and markets are constantly surprise on the positive side.

USA	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18
Overall Index	14.1	17.1	22.3	27.5	26.5	32.8
Headline Index						
- Current situation	34.3	35.8	41.0	48.8	50.5	56.5 Alltime High
- Expectations	-4.3	0.0	5.0	8.0	4.8	11.3

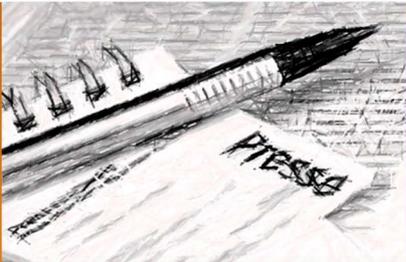


Global Economy: Everything in the green zone

The Global Aggregate Index, which has risen to its highest level since May 2006, shows how well the world economy is doing. Situation and expectations are rising moderately. All regions of the world are contributing to this positive development. The latecomers, Eastern Europe and Latin America, are also showing signs of improvement. For Latin America, we are measuring the fifth consecutive rise in the situation to its highest level since May 2013.

Global Aggregate	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18
Overall Index	18.1	19.7	23.6	27.3	26.0	29.5
Headline Index						
- Current situation	29.2	30.5	34.1	39.0	39.8	43.5
- Expectations	7.5	9.4	13.6	16.2	13.0	16.4

Highest since
08.2007



Further result tables

Switzerland	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18
Overall Index	20.1	26.8	26.1	30.4	28.8	35.8
Austria	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18
Overall Index	35.4	40.8	46.6	44.5	40.7	45.5
Japan	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18
Overall Index	13.8	17.6	22.9	27.3	26.2	29.4
Headline Index						
- Current situation	22.3	28.0	33.3	39.3	39.8	43.0
- Expectations	5.8	7.8	13.0	16.0	13.5	16.5
Asia ex Japan	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18
Overall Index	24.3	24.7	28.3	30.7	29.0	31.9
Headline Index						
- Current situation	36.0	36.3	38.5	41.8	41.8	44.8
- Expectations	13.3	13.8	18.5	20.3	17.0	19.8
Eastern Europe	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18
Overall Index	10.0	11.2	15.4	17.7	17.9	20.3
Headline Index						
- Current situation	11.5	13.8	16.5	20.0	21.0	25.3
- Expectations	8.5	8.8	14.3	15.5	14.8	15.5
Latin America	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18
Overall Index	-1.6	0.9	6.0	8.9	8.8	11.8
Headline Index						
- Current situation	-9.8	-6.5	-0.5	3.3	4.0	7.8
- Expectations	7.0	8.5	12.8	14.8	13.8	16.0



Data availability

Bloomberg

FACTSET

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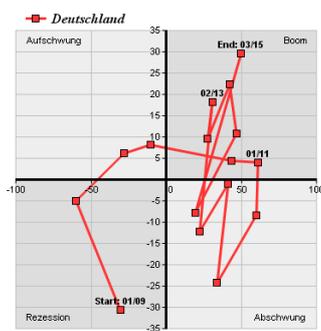
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Sentix is recognised in the industry as one of the leading experts in market sentiment and Behavioral Finance data. Among our clients are big fund managements groups as well as banks and independent fiduciaries. The data products are derived from the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

Background, methodology and more

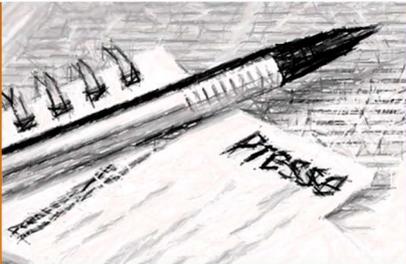
See <http://economics.sentix.de>

sentix -DE- Economy Clock



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 evaluation 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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