

Free of charge for active sentix participants /terms of subscription at www.sentix.co.uk



Patrick Hussy
Managing Director, CEFA
patrick.hussy@sentix.de



sentix GmbH
Wiesenhüttenstraße 17, 60329 Frankfurt / M.
Tel. +49 (69) 3487 961-0, info@sentix.de

Mixture of rubber band, medicinal herbs & paralysis reminds of 2011

Do you remember summer 2011? Back then, economic indicators and the stock market went their separate ways for many months. Within a few trading days, the whole thing turned into a summer crash. In 2019, too, such a gap opened up - more than ever. Investors are fully committed to the auxiliary factor of central bank money and trust in the power of Draghis and Powels medicinal herbs. But the economy continues to slide, the latest sentix economic indicators from the beginning of August even show an acceleration in the downward strudel - and that worldwide!

The current situation values in particular show that the spectre of recession is just around the corner. The figure is negative again for the first time since February 2015, and expectations for the future do not give the all-clear at -20 points. Last year, a number of economists merely dismissed the deterioration as a "mood correction". At the current periphery, the deterioration is only to be seen in the manufacturing sector and is referred to as a "recession in the manufacturing sector". The service sector is excluded, a big mistake from our point of view! If the sentix economic index, as the earliest leading indicator, falls so sharply, this means sustained pressure on all other leading indicators. It is to be expected that the economic signals will weaken more strongly in August and follow the sentix guideline.

The following comparison of sentix's economic expectations for the Euro zone over the past 10 years shows just how stretched the rubber band of the economy and the stock market is. The expectations are reminiscent of the years 2012 and 2011, both periods that were stressful for the stock markets.



sentix economic index Euro area – expectations / comparison of years 2010 to 2019

Let us now look at what the stock market has done in these years. The Euro Stoxx 50, indexed at year-end, has meanwhile achieved the best (!) performance of all the years presented. Is it dawning now? And how do investors react? At the end



of July, they even increased their equity quotas, and the institutional investors have conquered their benchmark. As if in a state of shock, they are now watching the stock market go about its business, as the aim is to avoid being shown the way it was at the end of 2018 by selling their stock positions at an inopportune time.

The sentiment for equities is going down this weekend, which is usually a classic anticyclical buy signal. However, we know that the market low often occurs 2 to 10 trading days after such a negative sentiment extreme. If the diagnosis is correct that investors are literally "paralyzed" and want to sit out the price declines, things could get rough again this year. The summer of 2011 will provide some wonderful illustrative material.



Euro Stoxx 50, indexed at year-end - 2010 up to 2019

Disclaimer

Important information concerning liability, compliance, protection of investors and copyright

This information is meant only for distribution in countries in which this is permitted by law.

This analysis is for information purposes only and (i) does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any financial, money market or investment instrument or any security, (ii) is neither intended as such an offer for sale or subscription of or solicitation of an offer to buy or subscribe for any financial, money market or investment instrument or any security nor (iii) as an advertisement thereof. The investment possibilities discussed in this report may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. The investments discussed may fluctuate in price or value. Investors may get back less than they invested.

Changes in rates of exchange may have an adverse effect on the value of investments. Furthermore, past performance is not necessarily indicative of future results. In particular, the risks associated with an investment in the financial, money market or investment instrument or security under discussion are not explained in their entirety.

We assume no liability for the information contained in this analysis. The analysis is no substitute for personal investment consultation. Even on the basis of the depicted opportunities and risks, investors must individually assess – on the basis of their own personal investment strategies, their financial, legal and fiscal situation - whether an investment in the financial instruments depicted here is sensible for them. As this document is in no way a direct investment recommendation, this document or parts of it should not be used as the basis for any conclusion of contract or for any commitment to obligations of any kind. Investors are asked to contact the investment analysts of their banks for individual investment advice and other individual explanations and advice. Neither the sentix GmbH nor any of its managing directors, employees or other persons assume liability for losses or damages caused in connection with the use of this document or its contents.

The sentiment analysis is made available via the internet to those sentix participants of which is assumed that they do not base their investment decisions inappropriately on the basis of this analysis.

Statements or conclusions made through data or services do not include warrants or guarantees for future market or price changes. The opinions and assessments expressed therein can change without prior notice.

The sentix GmbH explicitly points out that both the sentix GmbH, its legal agents as well as their employees (in the following: the Involved) regularly conduct transactions in equity and other financial instruments which the data and services refer to. They do this both in their own names and for their own accounts as well as in the name and accounts of third parties. Should the Involved have been involved in an emission of instruments for the finance markets in the past 12 months, this is separately indicated at the corresponding place.

All rights of use for this analysis, its data and services are property of the sentix GmbH and are copyrighted. The sentix GmbH reserves its right to inflict penalties for the unauthorized usage of data and services, especially unauthorized commercial use. A reproduction or subsequent processing of website elements, analyses, data or services in electronic, written or other form is prohibited without prior consent by the sentix GmbH. Analyses that are only available in the secure customer area may not be quoted, neither in full, nor in part. An exception to this are analyses, data or services which have been posted by the sentix GmbH via the press mailing list or which have been presented in other form for public propagation.

This analysis must not – either in full or in part, regardless of underlying intent – be forwarded, reproduced or published.

„sentix“ is a registered trademark of sentix Holding GmbH.

DAX, TecDAX, Xetra und Eurex are registered trademarks of the Deutsche Börse AG. Dow Jones EURO STOXX 50 is a registered trademark of the STOXX Limited. Other names of products and companies which may be mentioned in this publication could also be protected or be registered trademarks of other companies.

ANALYST DECLARATION

Neither in the past, present or future is the remuneration of the author linked – either directly or indirectly – to his or her recommendations or views expressed in this context.