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sentix economic index: Draghi turns round expectations

- In August, the headline index for Euroland falls for the fifth time in a row. The economic barometer, however, only drops – similar to July – by 0.7 points to -30.3 points.
- Survey participants assess the economic situation once more as clearly worse. The corresponding index drops from -35 to -37 points. 6-months expectations, however, rise slightly by 0.75 points to -23.25 points.
- The headline indices for most of the other regions fall back, too. A positive exception is the Asia ex Japan region. It is noteworthy that a number of expectations have started to turn upward. Especially institutional investors seem to be impressed by the energetic appearances of ECB president Draghi. Also, hopes are on the emerging markets in Asia and Latin America.

Statistics

Survey time: **02.08.-04.08.2012**

survey participants: **856**

sentix indications for upcoming market events

Here, you can find valuable information on important upcoming market events and the expectations that can be derived from already published sentix data on these issues.

14.08.2012 - ZEW economic expectations: slight improvements for Euroland and Germany expected

23.08.2012 - Flash Eurozone PMIs - economic situation still fragile, weaker indicators ahead

27.08.2012 - ifo-index: southward bound, but expectations more stable than before

01.09.2012 - ISM-index (USA) - more weakness ahead of the elections

Table of Results **August 2012** for the Euroland economy

| Euro area | Mar 12 | Apr 12 | May 12 | Jun 12 | Jul 12 | Aug 12 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | -8.2 | -14.7 | -24.5 | -28.9 | -29.6 | -30.3 |
| Headline Index | | | | | | |
| - Current situation | -14.0 | -20.0 | -31.5 | -35.0 | -35.0 | -37.0 |
| - Expectations | -2.3 | -9.3 | -17.3 | -22.5 | -24.0 | -23.3 |



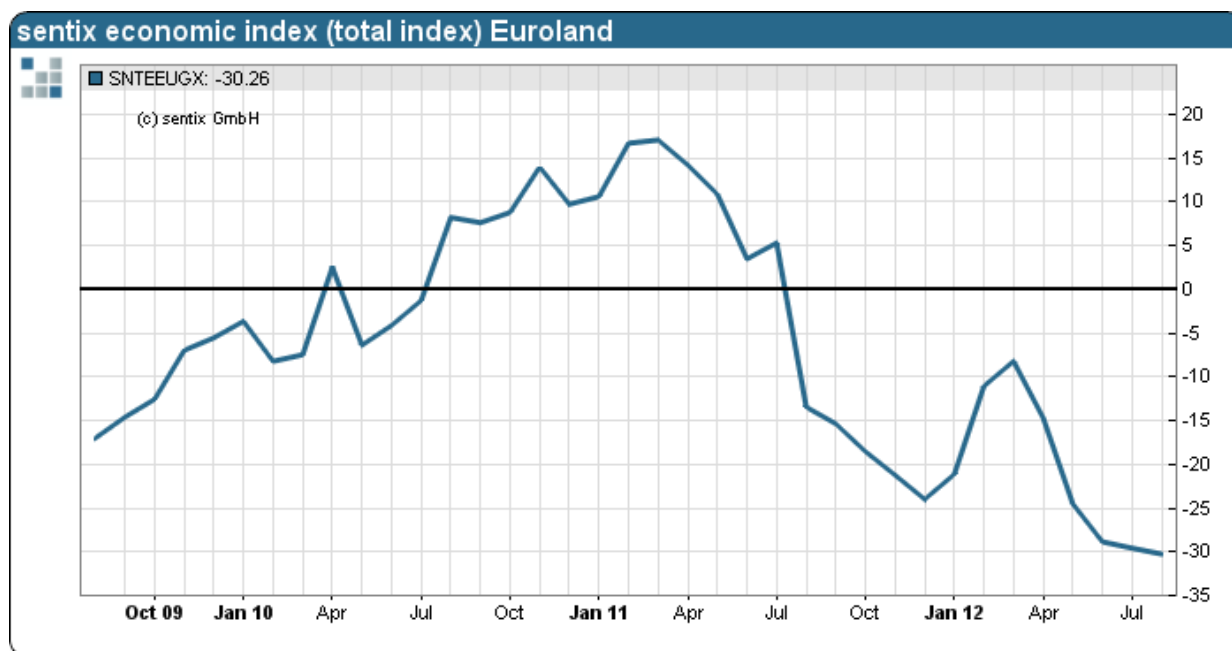
Commentary on the survey results of August 2012

Draghi turns round expectations

While the headline indices of all regions dropped last month, August brings us a slight change to the positive especially in the realm of expectations. In the global aggregate, 6-months expectations improve slightly due to index movements for the Emerging Markets and Euroland. With his energetic appearances, the President of the ECB, Mario Draghi, is the main driver of this development.

In general, the downward movement of the sentix economic indices continues in August. With the exception of Asia ex Japan, the headline indices for all regions lose ground and show that the global economic situation remains fragile. The headline index for Euroland drops moderately, like last month, by 0.7 to -30.3 points (see chart below). This is a level last undercut in July 2009, when the economy hit rock bottom after the fall of Lehman Brothers. Today, the economic situation in most regions is assessed more positively than then, but expectations remain weak. In August, we now see a light at the end of that tunnel: for all regions with the exception of Japan the 6-months expectations of survey participants rise. In the Eurozone, these improve slightly from -24.00 to -23.25 points, even more in Asia ex Japan and Latin America.

The main reason for this development might be the recent, unusually energetic appearance of ECB President Draghi in favour of the Euro. Survey results point to his giving institutional investors the hope that we will soon see decisive measures (also from the political side) to save the common currency. Uncertainty would be reduced, readiness to take risks will rise. This should once again give a little more momentum to the emerging markets who had lately given us the impression of being pulled down more and more by the crisis in Eurozone.



sentix economic index Euroland (headline index)

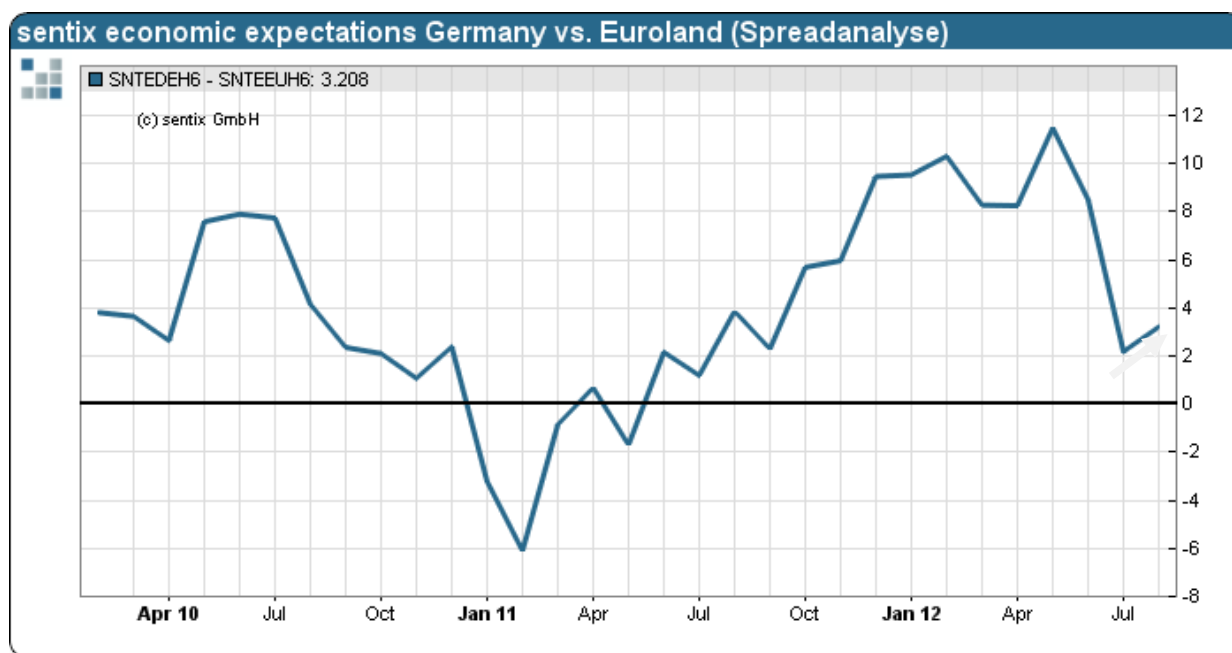
But not only emerging markets would profit from a stabilization in the Euro-crisis situation. Germany's perspectives would also lighten. After the slump in July, 6-months expectations for the German economy rise now from -21.8 points to -20.0 points. Last time the index rose in March 2012 directly after the allotment of the second 3-year tender of the ECB and just before the Greek hair cut. The current impulse mainly comes from institutional investors



that clearly expect that the powerful words around the rescue of the Euro will be followed by concrete measures in the coming weeks and months.

| Germany | Mar 12 | Apr 12 | May 12 | Jun 12 | Jul 12 | Aug 12 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 23.0 | 19.1 | 16.0 | 9.1 | 2.2 | 1.3 |
| Headline Index | | | | | | |
| - Current situation | 41.4 | 41.3 | 40.3 | 35.0 | 29.4 | 25.2 |
| - Expectations | 6.0 | -1.0 | -5.8 | -14.0 | -21.8 | -20.0 |

For more than a year, survey participants had become ever more optimistic concerning the economic perspectives of Germany in comparison to the Eurozone. The difference between the 6-months expectations for Germany and Euroland had risen continuously (see chart below). The German economy was seen more and more as an island of bliss. In June and July, we then saw a clear sobering up. Now, in August, economic expectations for Germany once again rise more quickly than those for the Eurozone. Should there be a general stabilization, Germany should once again profit more.



Spread of sentix economic expectations Germany to Euroland

The former 'pacemaker' for the global economy, the USA, is currently no longer on the podium of economic locomotives. The expectations for the economy on the other side of the Atlantic stagnate more or less (-12.50 points in August after -12.75 in July). The current assessment of the economic situation even drops by almost 5 points to -4.00, despite last week's better than expected labour market report for July. In fact the US economy – aside from the Eurozone crisis – is up for choppy months. At least until the elections in November, the uncertainty surrounding the US fiscal policy will remain high. And afterwards it will also not be easy to get over the 'tax rift' that has grown due to high national debt without economic damage.



sentix Eco Report Indicators for the Global Economy

06. August 2012

| USA | Mar 12 | Apr 12 | May 12 | Jun 12 | Jul 12 | Aug 12 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 13.7 | 11.8 | 7.7 | -0.1 | -6.1 | -8.3 |
| Headline Index | | | | | | |
| - Current situation | 17.8 | 17.8 | 14.0 | 6.3 | 0.8 | -4.0 |
| - Expectations | 9.8 | 6.0 | 1.5 | -6.3 | -12.8 | -12.5 |

The positive surprise of the month was the region Asia ex Japan. For them, both the situation and expectations are better than the past month (see following chart). The 6-months expectations for Latin America rise, too, which pulls the global aggregate upward (see next page). This time, the emerging markets are the ones investors are banking their hopes for the global economy on – no longer the USA! That is, assuming the Euro-crisis loses its terror...

| Asia ex Japan | Mar 12 | Apr 12 | May 12 | Jun 12 | Jul 12 | Aug 12 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 28.8 | 21.8 | 22.4 | 12.7 | 9.8 | 10.8 |
| Headline Index | | | | | | |
| - Current situation | 41.0 | 34.8 | 36.8 | 27.3 | 24.5 | 25.0 |
| - Expectations | 17.3 | 9.5 | 9.0 | -1.0 | -4.0 | -2.5 |



Further data and charts

| Global aggregate | Mar 12 | Apr 12 | May 12 | Jun 12 | Jul 12 | Aug 12 |
|-------------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 13.8 | 9.2 | 5.7 | -1.6 | -4.9 | -5.6 |
| Headline Index | | | | | | |
| - Current situation | 17.8 | 14.7 | 11.7 | 4.6 | 2.0 | -0.1 |
| - Expectations | 9.9 | 3.8 | -0.2 | -7.7 | -11.6 | -11.0 |

| Japan | Mar 12 | Apr 12 | May 12 | Jun 12 | Jul 12 | Aug 12 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 1.7 | 0.6 | -1.8 | -6.3 | -10.8 | -13.8 |
| Headline Index | | | | | | |
| - Current situation | -4.5 | -0.8 | -2.8 | -6.0 | -8.8 | -12.5 |
| - Expectations | 8.0 | 2.0 | -0.8 | -6.5 | -12.8 | -15.0 |

| Latin America | Mar 12 | Apr 12 | May 12 | Jun 12 | Jul 12 | Aug 12 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 23.8 | 18.2 | 13.7 | 5.3 | 4.6 | 4.3 |
| Headline Index | | | | | | |
| - Current situation | 33.3 | 28.3 | 25.8 | 15.0 | 16.3 | 13.8 |
| - Expectations | 14.8 | 8.5 | 2.3 | -4.0 | -6.5 | -4.8 |

| Eastern Europe | Mar 12 | Apr 12 | May 12 | Jun 12 | Jul 12 | Aug 12 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 8.2 | 5.2 | 1.3 | -3.8 | -6.6 | -7.1 |
| Headline Index | | | | | | |
| - Current situation | 9.5 | 9.0 | 6.3 | 1.8 | 0.3 | -1.0 |
| - Expectations | 7.0 | 1.5 | -3.5 | -9.3 | -13.3 | -13.0 |



Data availability

Bloomberg

FACTSET



Macrobond



sentix 
expertise in behavioral finance

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Background, methodology and more

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



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