



Free for active sentix survey participants / standard conditions at www.sentix.de



Dr. Sebastian Wanke

Senior Analyst

sebastian.wanke@sentix.de



sentix GmbH

Feldbergstraße 2, 65550 Limburg / Lahn

Tel. +49 (69) 3487 961 0, info@sentix.de

sentix economic index: Italian elections lead to setback for the euro zone

- After six consecutive rises the composite index for the euro zone falls in March from -3.9 to -10.6 points. This is its lowest reading this year, but still higher than in December.
- The results of the Italian elections leave **negative traces** in both the **current assessment of the economic situation** and the **6-month-expectations** of investors. The sentix economic indices are the first economic indicators reflecting the influence of the Italian poll.
- From the other regions in the sentix survey there was no positive impact worth of note, either. Consequently, the index for the **global aggregate recedes, too**. Interestingly, once more the **German composite index inches a little higher** against the general trend of the month.

Statistics

Poll running: **28.02.-02.03.2013**

Survey participants: **989**

(of which institutional investors: **234**)

sentix indications for upcoming market events

Please find in this section valuable information on important upcoming market events and the expectations that can be derived from sentix data.

sentix – first mover advantage!

19.03.2013: **ZEW economic expectations** (Germany): a rise to over 55 points is probable (in March)

21.03.2013: **Flash PMIs**: for **China** (after local New Year) upwards, for **USA** sideways, for the **euro zone** weaker

22.03.2013: **ifo business climate**: in March an increase by about two points to over 109; April will be more difficult

27.03.2013: **Economic Sentiment (euro zone)**: in March a small rise from 91.1 up to 92 is probable, April more difficult

Table of the **March 2013** results for the euro zone economy

Euro area	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13
Overall Index	-22.2	-18.8	-16.8	-7.0	-3.9	-10.6
Headline Index						
- Current situation	-34.5	-31.3	-31.0	-24.3	-21.8	-27.8
- Expectations	-9.0	-5.5	-1.5	12.0	15.8	8.3

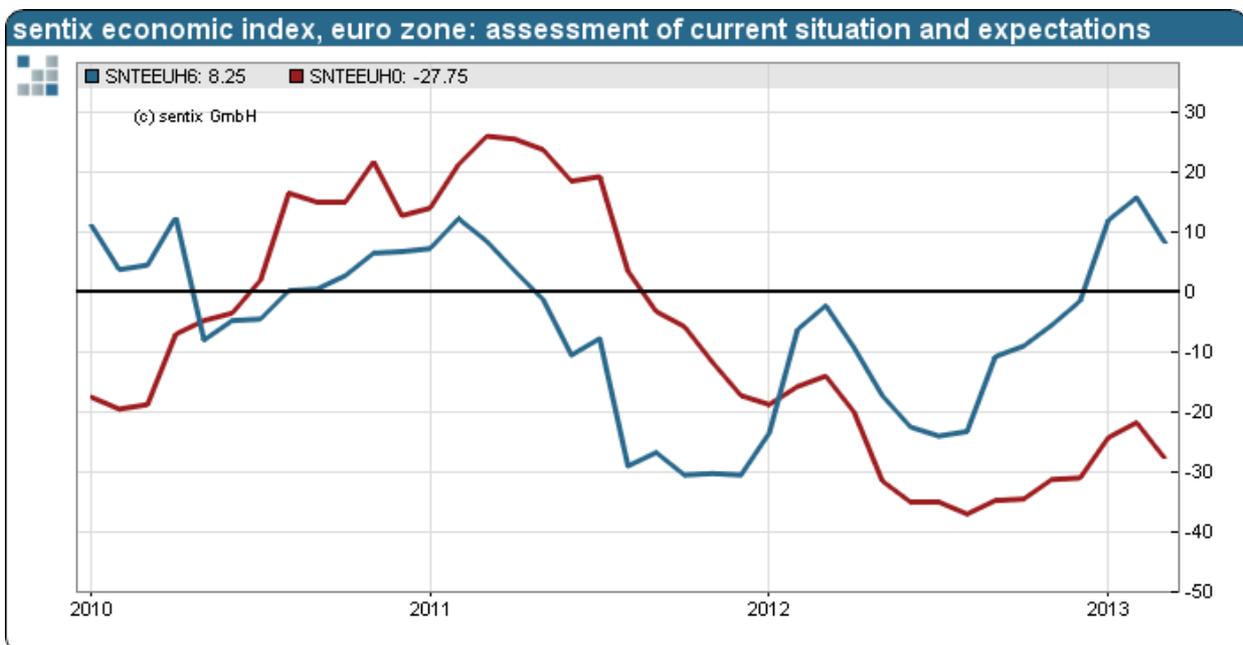


Commentary on the survey results for March 2013

Italian elections lead to setback for the euro zone

After six consecutive rises the composite index for the euro zone falls in March from -3.9 to -10.6 points. This is its lowest reading this year, but still higher than in December. The results of the Italian elections leave negative traces in both the current assessment of the economic situation and the 6-month-expectations of investors.. From the other regions in the sentix survey there was no positive impact worth of note, either. Consequently, the index for the global aggregate recedes, too. Interestingly, once more the German composite index inches a little higher against the general trend of the month.

After six consecutive rises in the composite index for the euro zone (and seven increases in a row for the 6-month-expectations) the composite index for the euro zone now suffers a setback in March. **The reason is obvious: It is the results of the Italian elections which have markedly increased the uncertainty surrounding the Italian economy and the economy of the euro area as a whole.** Consequently, investors have adjusted their assessments of the current situation to the downside (from -21.8 auf 27.8) and also corrected their 6-month-expectations (from +15.8 to 8.3). The fall in the expectations index was driven by private investors (from +12.5 to -0.5) while the perspectives of institutional investors have only slightly worsened (from +19 to +17). In their assessments of the current situation private investors also reacted more strongly than their institutional peers but the divergence here was not so extreme.



sentix economic index, euro zone: **assessment of current situation** (red) and **6-month-expectations** (blue)

While in February it looked as if the composite index for the euro zone was about to move into positive territory (and thus signal growth for the euro area), now the question arises what the March setback means for the future performance of the euro zone? **Is it a one-off decrease or trend reversal? At the current juncture we think that it is a one-off correction of the investors' general assessments.** The following reasons point in this direction:



1. **The global recovery remains intact.** Although the positive dynamics in other regions than the euro zone have slowed down in March, the level of the sentix economic indices for Asia ex Japan, the US and Japan stay on high levels.
2. **The composite index for Germany has improved further.** That shows that there is still positive dynamics within the core of the euro area.
3. Against the background of the strong German index the hefty reaction of private investors concerning the euro zone could be interpreted as a negative **overreaction** which could be **partly reversed already next month**.

If our thesis of a one-off correction is right, we have to add that the assumed **continuation of the uptrend observed in the last months would probably be somewhat less powerful than before**. A flash survey sentix has conducted last week points in that direction: 73% of the investors polled last week were of the opinion that the Italian elections result would only have a temporary effect on financial markets and the economy. But a non-negligible 24% thought that it was an event with a lasting impact. The lasting impact on the economy is the heightened uncertainty which makes companies delay their investments. This is the main difference to the situation before the elections, and this will have a dampening effect on the euro zone economy – even if the current recovery remains intact.

sentix composite index for the euro zone and Economic Sentiment for the euro zone

	04/12	05/12	06/12	07/12	08/12	09/12	10/12	11/12	12/12	01/13	02/13	03/13
sentix GX (EWU)	–	–	–	–	–	+	+	+	+	+	+	–
Economic Sentiment	–	–	–	–	–	–	–	+	+	+	+	?

The sentix composite index (sentix GX (EWU)) for the euro zone has a lead on the Economic Sentiment (euro zone). Consequently, the current fall in the sentix economic index does not indicate a decrease in the Economic Sentiment this month, but probably a month later, in April.



Germany – Composite index improves further

For Germany the composite index improves further in March. **Against the general trend this month it increases slightly from 24.3 to 24.5 points.** The driver behind it is the better assessment of the current situation. This is where private and institutional investors agree. Where they disagree is their 6-month-expectations: while institutional investors' perspectives improve a little, private investors' expectations fall back clearly.

Germany	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13
Overall Index	6.4	9.4	13.0	17.7	24.3	24.5
Headline Index						
- Current situation	23.2	26.2	24.2	26.5	30.7	32.6
- Expectations	-9.2	-6.1	2.4	9.3	18.1	16.6
Institutional investor						
- Current situation	26.1	29.1	24.7	24.3	32.0	33.7
- Expectations	-9.6	-4.4	8.4	14.6	22.1	22.5
Individual investor						
- Current situation	20.4	23.4	23.7	28.6	29.4	31.6
- Expectations	-8.8	-7.8	-3.6	4.0	14.1	10.7

This is important for all those who want to gauge other German market movers developments from the sentix indices. For the **ZEW economic expectations** our data signals a further increase in March and (at least) a stable development in April – here you have to look at institutional investors' expectations. For the German **ifo business climate** the sentix indices hint at a further increase in March, but at a possible setback in April – here you should look at private investors' assessments of the current situation and their expectations, and then combine them.

What do the sentix indices mean for other German leading indicators?

	04/12	05/12	06/12	07/12	08/12	09/12	10/12	11/12	12/12	01/13	02/13	03/13
sentix I6 (DE)	–	–	–	–	+	+	–	+	+	+	+	+
ZEW expectations	+	–	–	–	–	+	+	–	+	+	+	?

The 6-month-expectations for Germany of institutional investors (sentix I6 (DE)) show that the ZEW economic expectations for Germany will rise further in March as the sentix index has (currently) a lead of one month on the ZEW index. The increase of the sentix expectations of institutional investors was small this month. Consequently, one would rather expect a stabilization of the ZEW index in April.



	04/12	05/12	06/12	07/12	08/12	09/12	10/12	11/12	12/12	01/13	02/13	03/13
sentix GX (P, DE)	–	–	–	–	–	+	+	+	+	+	+	–
ifo business climate	–	–	–	–	–	–	–	+	+	+	+	?

The best sentix indicator for gauging the developments of the ifo business climate is (currently) a composite index built with private investors' assessments of the current situation and private investors' 6-month-expectations (has to be constructed, so far not available as a sentix time series). As private investors' expectations for Germany have worsened this month, the composite index of private investors has gone down, too. This would mean that the ifo business climate could decrease in April. For March it is still set to rise – as the respective sentix index (currently) displays a lead on the ifo business climate.

But what does the worsening of private investors' expectations mean for the future development of the composite index for Germany (see table above)? Following our thesis for the euro zone we would say that this is a **one-off correction** to the downside which will be followed by a – somewhat dampened – continuation of the latest uptrend next month.

Asia ex Japan – A slight cooling down at high levels

For Asia ex Japan with its heavyweight China the composite index decreases by two points. This is mainly due to a cooling of expectations which stood at their highest level since October 2004 last month. This shows that one cannot expect additional positive impacts for the world economy coming from Asia ex Japan at the moment. Nevertheless, the dynamics remain high. The weaker values for March also have to be seen against the background of the Chinese New Year's celebrations which this time fell fully into February. So, data and news coming from there over the past few weeks were extremely hard to interpret and probably underestimated.

Asia ex Japan	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13
Overall Index	13.2	21.9	26.3	32.7	34.3	32.2
Headline Index						
- Current situation	19.5	27.5	31.8	37.0	39.8	38.8
- Expectations	7.0	16.5	21.0	28.5	29.0	25.8



US – Weaker expectations, better assessment of current situation

The expectations index for the US falls in March after having reached a nine year-high in February. Nevertheless, the composite index improves slightly as investors' assessments of the current situation improve. **This rise of the composite index is encouraging as the US economy is going to experience sharp reductions in government expenditure soon.** Interestingly, institutional investors are not irritated by that, their 6-month-expectations even improve slightly. Private investors, though, see it as a more important problem for the US economy as their expectations fall significantly.

USA	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13
Overall Index	-1.5	5.0	7.1	10.0	12.7	12.9
Headline Index						
- Current situation	-1.8	3.0	5.0	6.3	7.5	10.5
- Expectations	-1.3	7.0	9.3	13.8	18.0	15.3

Highest reading since March 12

Global – Italy spoils the party

After six consecutive rises the composite index for the global aggregate falls in March by 2.5 to a still high 14.3 points. It is mainly the 6-month-expectations which act as a drag on the indicator. Expectations fall for every region in the sentix poll this month. Italy directly spoils the party for the euro zone where also the assessment of the current situations worsens. Indirectly the Italian elections will have had an impact on investors' votes for the other regions, too. For Asia ex Japan, the US and for Japan expectations had lately risen to almost euphoric regions. The Italian poll has now made investors take a more realistic view on possible future developments. **But the general tone remains upbeat** as the 6-month-expectations still are on a much higher level than they were at the end of last year.

Global aggregate	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13
Overall Index	-0.6	6.2	8.5	14.1	16.8	14.3
Headline Index						
- Current situation	-1.2	5.4	5.9	9.8	12.2	11.0
- Expectations	0.0	7.0	11.0	18.6	21.5	17.7



Further data and charts

Japan	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13
Overall Index	-13.5	-11.7	-4.3	0.5	5.5	3.9
Headline Index						
- Current situation	-20.3	-20.3	-15.0	-12.8	-8.8	-8.5
- Expectations	-6.5	-2.8	7.0	14.8	20.8	17.0

Eastern Europe	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13
Overall Index	-0.5	5.3	6.0	10.8	13.1	10.6
Headline Index						
- Current situation	-0.5	5.3	3.5	6.8	8.0	6.5
- Expectations	-0.5	5.3	8.5	15.0	18.3	14.8

Latin America	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13
Overall Index	9.7	14.7	15.4	20.0	23.5	20.2
Headline Index						
- Current situation	14.3	18.5	17.0	19.8	24.5	21.0
- Expectations	5.3	11.0	13.8	20.3	22.5	19.5



Data availability

Bloomberg

FACTSET



Macrobond



sentix 
expertise in behavioral finance

About sentix

On a weekly basis, almost 4.000 registered investors (of which about 900 are institutionals) supply us with their market assessment. Out of this data, sentix calculates sentiment indexes, which mirror the sentiment of equity markets (DAX, EuroSTOXX 50, Nikkei 225, S&P 500), bond markets (Bund-Future, US-Treasury-Future) and currencies (EUR/USD, USD/YEN). These sentiment indexes are setting the standard, held in high regard by many renowned financial players and are used by investment professionals in their analyses and investment processes. A history of more than eleven years and the simple access to data via reputable data providers as well as a website document the outstanding position of sentix as the leading independent sentiment data base.

Background, methodology and more

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



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, the 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 may not – either in full or in part, regardless of underlying intent – be forwarded, reproduced or published.

„sentix“ is a registered trademark of Manfred Hübner and Patrick Hussy.

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 on this site 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.