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sentix economic index: second setback in a row for the euro zone

- In April the **composite index for the euro zone** drops from **-10.6** to **-17.3 points** and stands now slightly below last December's value.
- While the election in Italy led to the first setback for the euro zone index in March, the Cyprus issue is an additional strain in April: **both sub-indices, the assessment of the economic situation and the 6-month expectations drop again to a similar degree.** Expectations are now in the neutral zone.
- The **composite index for Germany** is no longer able to keep its distance from the negative development in the euro zone, **expectations drop palpably** – also taking into consideration weaker assessments for Germany's emerging markets export regions. There is, however, **positive news** from the **US** and **Japan**. The **global index nevertheless drops** the second month in a row.

Statistics

Poll running: **04.04.-06.04.2013**

Survey participants: **962**

(of which institutional investors: **228**)

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!

16.04.2013: **ZEW economic expectations** (Germany): decline down to about 30 points indicated

23.04.2013: **Flash PMIs**: for **China, US, Euro zone**: weaker

24.04.2013: **ifo business climate**: second decline in a row probable

29.04.2013: **Economic Sentiment (euro zone)**: further setback indicated, too

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

Euro area	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13
Overall Index	-18.8	-16.8	-7.0	-3.9	-10.6	-17.3
Headline Index	←					
- Current situation	-31.3	-31.0	-24.3	-21.8	-27.8	-33.5
- Expectations	-5.5	-1.5	12.0	15.8	8.3	0.5

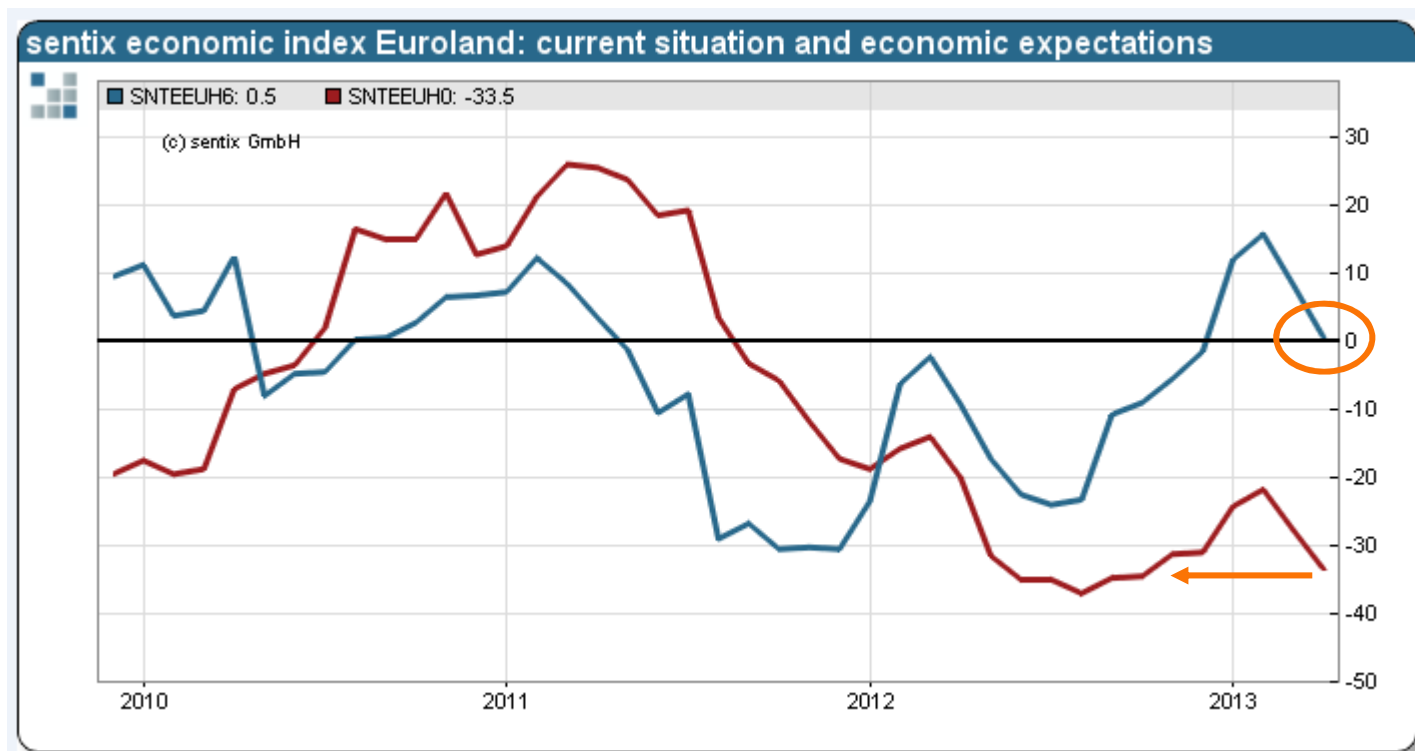


Commentary on the survey results for April 2013

Second setback in a row for the euro zone

The composite index for the euro zone drops in April from -10.6 points to -17.3 points and stands now slightly below last December's value. While the election in Italy led to the first setback for the index in March, the Cyprus issue is, amongst others, an additional strain in April: both sub-indices, the assessment of the economic situation and the 6-month expectations drop again. Expectations are now in the neutral zone. The composite index for Germany is no longer able to keep its distance from the negative development in the euro zone, expectations drop palpably – also taking into consideration weaker assessments for Germany's export regions, especially in Asia ex Japan. The global index drops the second month in a row.

The approximately 1.000 investors surveyed by sentix in April assessed both the economic situation of the euro zone as well as the economic expectations as clearly weaker than in March. The index for the **assessment of the current situation** drops from -27.8 to now -33.5 points. This is the lowest value since October 2012. The **6-month expectations** index drops from +8.3 to +0.5 points. With this development, we are back to the neutral zone. The palpable optimism which had built up to the turn of the year has dissipated for the time being. The sub-index for institutional investors, however, remains with 9.5 points (after 17.0 points in March) in the positive zone – in contrast to the individual investors' assessments.



sentix economic index Euroland: **current situation** (red) and **expectations** (blue)

The question (as last month) remains whether this development marks a trend reversal or just a temporary correction of the clearly improved assessments of late, especially of expectations. In March we built on the assumption that this is only a correction, the trigger of which was the result of the Italian elections. In the past weeks, however, the Cyprus problem has joined Italian insecurity. Also, in the recent past, the global economy has



only been sending mixed signals: amongst others, the sentix economic indices for the emerging markets regions Asia ex Japan, Eastern Europe and Latin America have slumped. **With this, there is currently little support for economic optimists, the pessimists are making themselves heard more and more.**

Nevertheless, we continue to view this as an economic weak spot and not as a trend reversal: for the US and Japan, the composite indices continue to rise as the economic situation is following the very high expectations. This is an important support for the **global recovery**. **For the euro zone, we need to take into consideration the unusually long winter** which has pushed the spring recovery further back, and which will have distorted the perception of the underlying tendency of the euro zone economy.

At the same time, the risk of a trend reversal – in the euro zone and globally – has risen, the decisive factor could be the emerging markets: for Asia ex Japan (with heavyweight China) the cooling off carries on, although at an elevated level. Also, the indices for both other emerging markets regions, Latin America and Eastern Europe, are ailing.

Germany – composite index drops back to the level of the beginning of the year

For Germany, the composite index in April drops after it had been able to hold its own against the euro zone trend in March. The composite index drops back to January levels. Despite a drop, the assessment of the economic situation remains at an astonishingly high level, expectations on the other hand are clearly correcting (still in the positive zone). Here, institutional investors have clearly become more pessimistic. This could also be due to the worsened assessments for the export prospects of German companies in emerging markets. This is indicated by the indices for Asia ex Japan, for Eastern Europe and for Latin America which have all dropped over the month.

Germany	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13
Overall Index	9.4	13.0	17.7	24.3	24.5	17.6
Headline Index						
- Current situation	26.2	24.2	26.5	30.7	32.6	30.2
- Expectations	-6.1	2.4	9.3	18.1	16.6	5.7
Institutional investor						
- Current situation	29.1	24.7	24.3	32.0	33.7	31.9
- Expectations	-4.4	8.4	14.6	22.1	22.5	9.9
Individual investor						
- Current situation	23.4	23.7	28.6	29.4	31.6	28.6
- Expectations	-7.8	-3.6	4.0	14.1	10.7	1.4

What do the sentix indices mean for the other German leading indicators? After the identical developments of sentix economic expectations for institutionals (Germany) and the ZEW economic index in March we can assume that both indices will develop very similarly this month. Therefore, **the ZEW-index should drop noticeably** (from 48.5 to around 30 points). **According to the sentix indication, the ifo business climate should also drop once more in April.**



Asia ex Japan – cooling at elevated levels

For Asia ex Japan with its heavyweight China the composite index drops in April for the second month in a row. At the same time, the index for economic expectations drops more than the assessment of the economic situation. But the latter now also decreases palpably, in contrast to last month. North Korean sabre rattling may have left its traces, here – accompanied by hardly inspiring news from the economic dynamics in China. We should remind ourselves, here, also of the extraordinarily high level which the indicator for economic expectations had reached at the beginning of the year: in February, we stood at the highest value since October 2004!

Asia ex Japan	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13
Overall Index	21.9	26.3	32.7	34.3	32.2	25.0
Headline Index						
- Current situation	27.5	31.8	37.0	39.8	38.8	33.0
- Expectations	16.5	21.0	28.5	29.0	25.8	17.3

Japan – assessment of the economic situation back to normal

For Japan – in contrast to Asia ex Japan – the economic situation clearly improves and pulls the composite index upward. With this, the index for the assessment of the current situation has again reached the normal zone. At the same time, expectations remain comparatively stable. Strong measures especially of the Bank of Japan (even more expansive fiscal policies) impress investors. The movement of both indices (economic situation and expectations) as well as their relationship to one another (expectations remain clearly higher turn Japan into this month's most promising economic candidate.

Japan	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13
Overall Index	-11.7	-4.3	0.5	5.5	3.9	6.3
Headline Index						
- Current situation	-20.3	-15.0	-12.8	-8.8	-8.5	-3.3
- Expectations	-2.8	7.0	14.8	20.8	17.0	16.3

Highest value
since Jan. 2011



USA – assessment of the current situation with strong rise

As in Japan, the assessment of the current situation for the US economy rises strongly and helps the composite index to climb further. It has now reached the highest level since March 2011. With this, the assessment of the current situation index is following the expectations index which had risen strongly at the turn of the year – a healthy development. Expectations drop, on the other hand, even though they remain in the positive zone. To ensure that the recovery continues this should stay this way over the coming months. It is remarkable that the development of our data from the US corresponds with the weak data on the US labour market that were published on Friday. Clearly, the around 1.000 surveyed investors have not let themselves influence in their generally positive assessment of the US economy by this single data point.

USA	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	Highest value since Mar. 2011
Overall Index	5.0	7.1	10.0	12.7	12.9	13.9	
Headline Index							
- Current situation	3.0	5.0	6.3	7.5	10.5	16.8	
- Expectations	7.0	9.3	13.8	18.0	15.3	11.0	

Global – second drop in a row, too

In April, the composite index for the global aggregate drops for the second month in a row and stands now at its lowest point this year. The negative tendency in Euroland is contrasted by positive developments in the two large industrial nations, USA and Japan. The indices for the emerging markets regions Asia ex Japan, Eastern Europe and Latin America send signals of weakness. To sum up: **the global recovery seems to remain intact, but the risk of a drop-off of this recovery has increased markedly.**

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

Eastern Europe	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13
Overall Index	5.3	6.0	10.8	13.1	10.6	4.6
Headline Index						
- Current situation	5.3	3.5	6.8	8.0	6.5	3.3
- Expectations	5.3	8.5	15.0	18.3	14.8	6.0

Latin America	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13
Overall Index	14.7	15.4	20.0	23.5	20.2	14.1
Headline Index						
- Current situation	18.5	17.0	19.8	24.5	21.0	16.3
- Expectations	11.0	13.8	20.3	22.5	19.5	12.0



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>



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