



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: trend reversal averted!

- In May, the composite index for the euro zone rises again after two dampeners in a row. It improves from -17.3 to now -15.6 points. A formal negative trend reversal was thus averted.
- While investors' sentiment for the euro zone economy stabilizes, the readings for **Germany** worsen, albeit at a much higher level. **But the drop of the German composite index is solely based on the decrease in the assessment of the current situation.**
- The strongest improvement of all composite indices in May can be found for the **US**. For **Japan**, the development also points upwards. The **emerging markets** are seen as slightly weaker. **For the global aggregate, we note a small rise after two drops.**

Statistics

Poll running: **02.05.-04.05.2013**

Survey participants: **967**

(of which institutional investors: **245**)

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!

14.05.2013: **ZEW economic expectations** (Germany): stagnation

23.05.2013: **Flash PMIs**: stable for **China**, better for the **US** and the **euro zone**

24.05.2013: **ifo business climate**: slight decrease is indicated again

30.05.2013: **Economic Sentiment (euro zone)**: dent overcome, rising

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

Euro area	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13
Overall Index	-16.8	-7.0	-3.9	-10.6	-17.3	-15.6
Headline Index						
- Current situation	-31.0	-24.3	-21.8	-27.8	-33.5	-32.3
- Expectations	-1.5	12.0	15.8	8.3	0.5	2.8



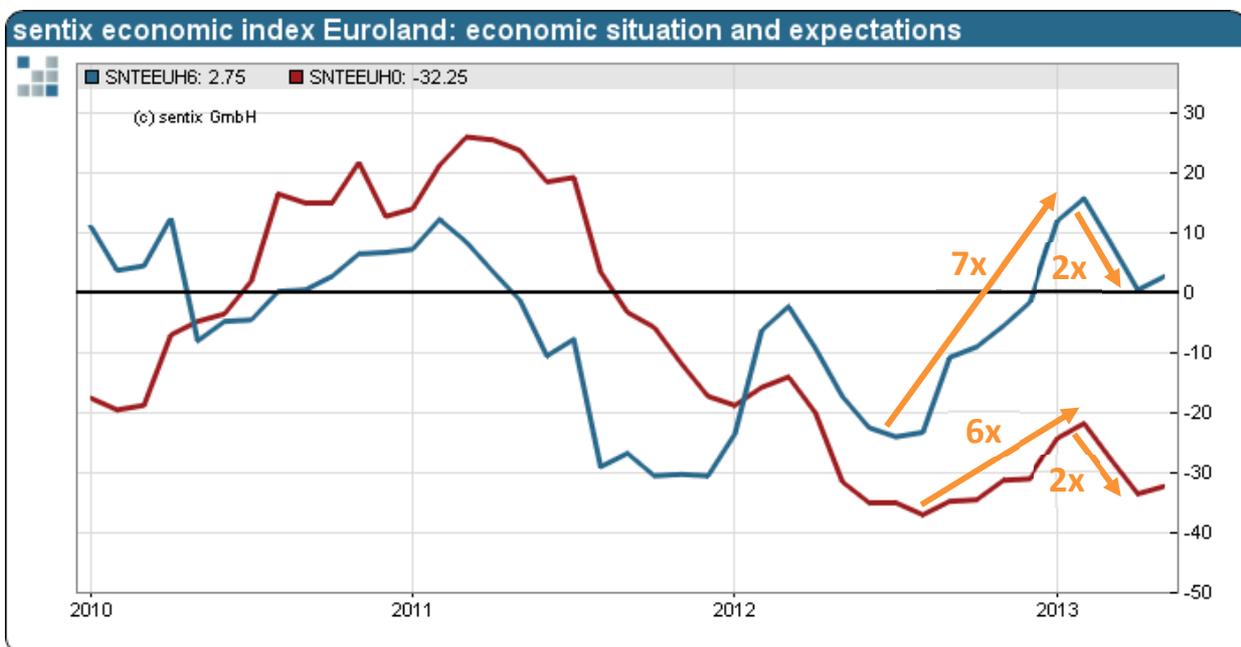
Commentary on the survey results for May 2013

Trend reversal averted!

The composite index for the euro zone rises for the first time after two dampeners in a row. It improves from -17.3 to -15.6 points. With this, a trend reversal to the negative, which would have formally been indicated by the third drop in a row, was averted.

While the economic assessments of investors for the euro zone are stabilizing, the values for Germany worsen, albeit at a much higher level. Here, we see a convergence of investor assessments. The drop in the German composite index is solely based on the decrease in the assessment of the economic situation. The strongest improvement in the composite indices in May can be found for the US. For Japan, the development points upwards, too. The emerging markets, on the other hand, are once again considered as slightly weaker by investors. For the global aggregate, we note a small rise after two drops.

The composite index for the euro zone was put under pressure first by the results of the elections in Italy, then by the confusion surrounding the Cypriot rescue. In April, it almost seemed as if we would have a negative trend reversal after the indicator had been able to gain ground seven times in a row. **Now, the composite index for the euro zone in May rises once more from -17.3 to -15.6 points. With this, both the investors' assessment of the economic situation and their 6-month expectations improve, with expectations showing a stronger rise than the assessment of the economic situation.** And within the expectations component, private investors are those that drive the index. This is a positive signal, as it underlines that the institutional investors' expectations – which have been at clearly higher levels over the past months – have actually been pointing in the right direction, namely towards a return to positive GDP growth rates in the euro area in the coming months.

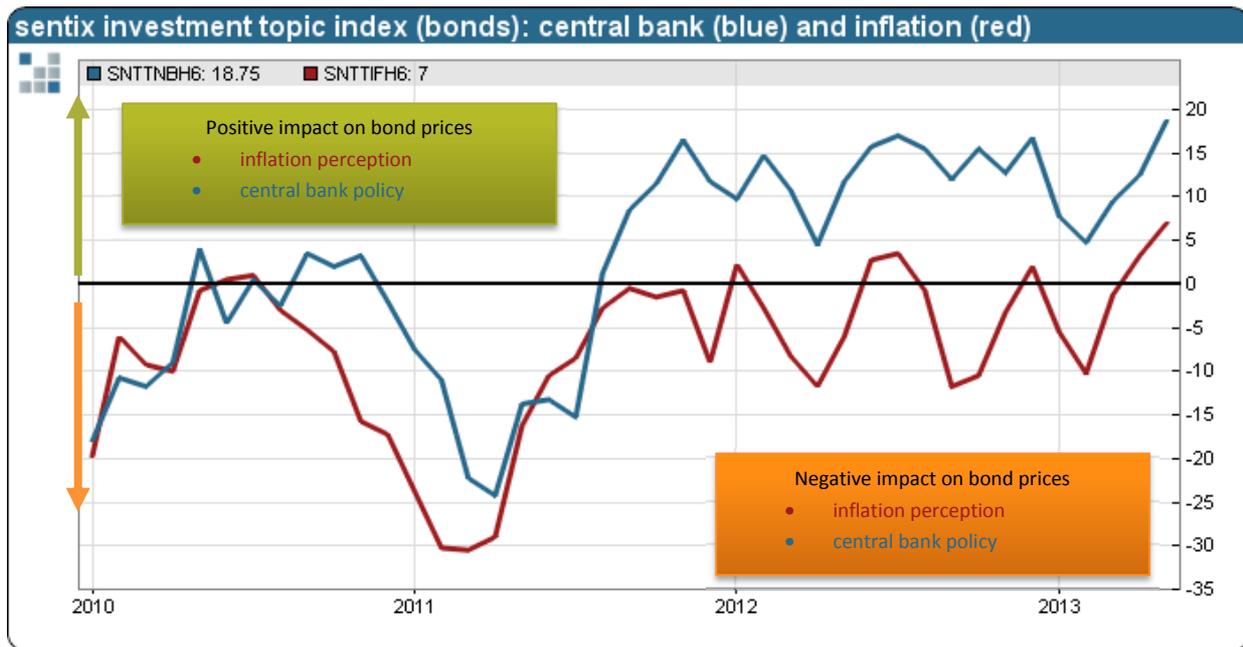


sentix economic index Euroland: **situation** (red) and **expectations** (blue)

The improvement of investors' perceptions of the economic situation and their rising expectations is based on the situation that **Italy** now has formed a new **government**, and the **Cypriot** problem has also lost its sting. This was underscored, for instance, by last week's clear drop in the sentix Euro Break-up index. **A third important factor which changed the perception of investors towards the euro zone economy is the further loosened fiscal policy of**



the **European Central Bank (ECB)** with a parallel falling of inflation expectations. This can, for instance, been seen when having a look at the sentix investment topic index – which was surveyed in parallel with the sentix economic index (see chart below). Here, investors consider the (positive) influence of central bank policies (blue line) on bond prices as clearly stronger than last month. The same holds true for the investors' assessment of the inflation topic (red topic). Here, it seems that the fear of inflation has completely gone up in smoke and that a deflation scenario is coming to the agenda. **Investors can, for the foreseeable future, imagine an even laxer fiscal policy for the euro area. This would then have a positive effect on the economy via the interest rate and the confidence channels.**



sentix investment topic index: bond price impact of **central bank policy** (blue) and **inflation** (red)

The rise of these two topical indices is stronger than that of the economic index for the euro zone. This makes sense: investors have taken on the signal of the ECB – to do everything possible to provide the **best possible framework for an economic recovery for the euro area and, with this, price stability**. They have, however, also noticed that they had also overestimated the shape of the euro zone economy at the beginning of the year. They are therefore currently adjusting their assessment relatively cautiously to the upside, the index levels of January through to March are not yet again reached. Taking this development into consideration, the latest strong development on the equity market is also interesting: it obviously results mainly from a **lowered risk assessment concerning the economy and the probability of worst case scenarios**. With a lot of liquidity floating around, this makes equities very attractive again.



Germany – composite index drops against the general trend

For **Germany** the **composite index** drops in May against the overall trend from **17.6 to 15.2 points**. This decrease is solely based on a weaker assessment of the current situation. Investors' economic expectations remain stable, though. **Here, it should be noted that the composite index for Germany is at a much higher level (+15.2 points) than the euro zone index (-15.6 points)**. In that sense, we are seeing a harmonization that is long overdue. Once again, investors become aware of the fact that Germany is not an island in Europe. It is also to be seen positively (just as in the euro area) that the expectations of private investors are now following the – much higher – expectations of institutional investors.

Germany	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13
Overall Index	13.0	17.7	24.3	24.5	17.6	15.2
Headline Index						
- Current situation	24.2	26.5	30.7	32.6	30.2	24.8
- Expectations	2.4	9.3	18.1	16.6	5.7	6.0
Institutional investor						
- Current situation	24.7	24.3	32.0	33.7	31.9	25.5
- Expectations	8.4	14.6	22.1	22.5	9.9	9.6
Individual investor						
- Current situation	23.7	28.6	29.4	31.6	28.6	24.2
- Expectations	-3.6	4.0	14.1	10.7	1.4	2.4

For the two other German sentiment indicators, the development of the sentix economic index leads to the following conclusions: the **ZEW economic index** should remain more or less **stable** this month. This can be seen in the development of the economic expectations of the institutional investors. **The ifo business climate index should once again drop slightly** – this is signaled by the two time series of private investors.



USA – this month's winner

The strongest rise of all composite indices in May can be found in the US. The index rises by 2.1 points to now 16.0. This is its highest reading since March 2011. It is especially positive that both the situational and expectational components of the composite index improve. Investors have hardly any remaining doubts that the economic recovery in the USA will continue – last Friday's better-than-expected US labour market report will have confirmed their assessment.

USA	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13	
Overall Index	7.1	10.0	12.7	12.9	13.9	16.0	Highest reading since 03/2011
Headline Index							
- Current situation	5.0	6.3	7.5	10.5	16.8	18.0	
- Expectations	9.3	13.8	18.0	15.3	11.0	14.0	

Japan – assessment of the current situation back over zero

For Japan, the composite index rises by one point to now 7.3 points and, with this, to its highest reading since the beginning of 2011. For the first time since March 2011, the index for the assessment of the current situation climbs over the zero mark: this means that, on average, the surveyed investors no longer assess the economic situation of Japan as negative. Expectations normalize – just as in Germany and Asia ex Japan – here, too.

Japan	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13	
Overall Index	-4.3	0.5	5.5	3.9	6.3	7.3	Highest reading since 01/2011
Headline Index							
- Current situation	-15.0	-12.8	-8.8	-8.5	-3.3	0.3	
- Expectations	7.0	14.8	20.8	17.0	16.3	14.5	



Asia ex Japan – cooling off slowing down

For Asia ex Japan with its heavyweight China, the development that was averted for the euro zone has occurred: the composite index drops for the third time in a row and signals a formal trend reversal. But the index only drops by 1.5 to 23.5 points in May. Consequently, the latest downward momentum slows markedly. At the same time, the level of the composite index remains high. The development can therefore – just as in Germany – be seen as a correction of extremely strong investor assessments at the beginning of the year.

Asia ex Japan	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13
Overall Index	26.3	32.7	34.3	32.2	25.0	23.5
Headline Index						
- Current situation	31.8	37.0	39.8	38.8	33.0	31.0
- Expectations	21.0	28.5	29.0	25.8	17.3	16.3

Global aggregate – stabilization

The US, the euro zone and Japan, in other words, the three 'old' industrial nations drive the global index upward in May, while the developments in the emerging markets regions Asia ex Japan and Latin America dampen the upward movement. All in all, this results in a slight rise from 10.4 to 10.8 points for the global aggregate index, which can be interpreted as a stabilization after two drops in a row. If one takes into consideration that the investors' assessment especially for the USA and the euro zone display new positive momentum and that, at the same time, the negative momentum of the index for Asia ex Japan has slowed, the global economic index should rise again next month. It has, with a high probability, overcome its dent of the last two months.

Global aggregate	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13
Overall Index	8.5	14.1	16.8	14.3	10.4	10.8
Headline Index						
- Current situation	5.9	9.8	12.2	11.0	9.8	9.8
- Expectations	11.0	18.6	21.5	17.7	11.1	11.8



Further data and charts

Eastern Europe	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13
Overall Index	6.0	10.8	13.1	10.6	4.6	4.9
Headline Index						
- Current situation	3.5	6.8	8.0	6.5	3.3	2.5
- Expectations	8.5	15.0	18.3	14.8	6.0	7.3

Latin America	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13
Overall Index	15.4	20.0	23.5	20.2	14.1	12.7
Headline Index						
- Current situation	17.0	19.8	24.5	21.0	16.3	14.5
- Expectations	13.8	20.3	22.5	19.5	12.0	11.0



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>



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.