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sentix economic index: The euro zone passes through the dent

- In June, the euro zone composite index rises by 4 points and stands now at **-11.6**. The spring dent now seems to have passed. The current positive turn is taking place earlier than in the previous years where similar patterns could be observed. This points to a more robust economy this time.
- Should the current trend continue in the coming months, the euro zone will finally move back into **growth territory in the course of next quarter**.
- Outside the Eurozone, the composite indices for the US and for Japan reach their **highest readings since May 2006 and August 2007, respectively**. The indices for the Emerging Markets regions weaken once again. For the **global aggregate**, this leads to a **stabilisation**.

Statistics

Poll running: **06.06.-08.06.2013**

Survey participants: **922**

(of which institutional investors: **230**)

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!

18.06.2013: **ZEW economic expectations** (Germany): up to above 40 points

20.06.2013: **Flash PMIs**: weak for **China**, increasing for the **US** and the **euro zone**

24.06.2013: **ifo business climate**: stagnation after strong increase in previous month

27.06.2013: **Economic Sentiment (euro zone)**: rising

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

Euro area	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13
Overall Index	-7.0	-3.9	-10.6	-17.3	-15.6	-11.6
Headline Index						
- Current situation	-24.3	-21.8	-27.8	-33.5	-32.3	-28.8
- Expectations	12.0	15.8	8.3	0.5	2.8	7.3



Commentary on the survey results for June 2013

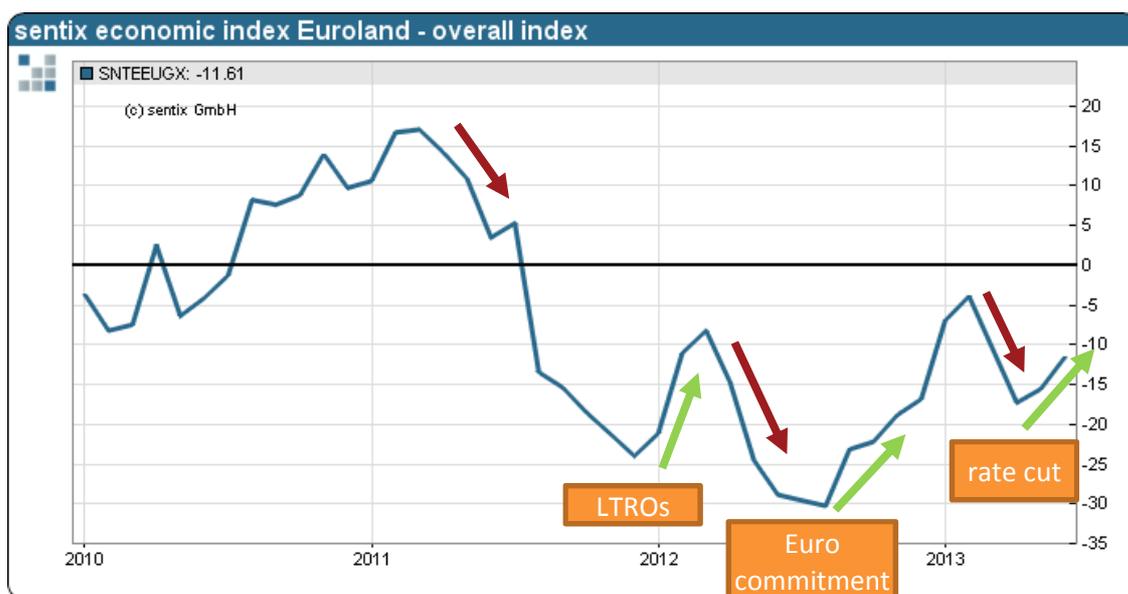
Euroland passes through dent

The composite index for Euroland rises in June by 4 points and stands now at -11.6. The spring dent seems to have passed. The current turn is taking place earlier than in the past years, where similar patterns could be observed. This is pointing to a more robust economy. Should the current trend continue in the coming months, Euroland will finally move back into growth territory in the course of next quarter.

Outside the Eurozone, the composite indices for the USA and for Japan reach their highest readings since Mai 2006 and August 2007, respectively. The indices for the Emerging Markets regions weaken once again. For the global aggregate, this leads to a stabilisation.

The composite index for the euro zone rises for the second month in a row and seems to have left the spring dent (Italian elections, Cyprus rescue) behind rather quickly. At the same time, the index has not yet reached its February high. It rises to a level that it had last reached – more or less – in March.

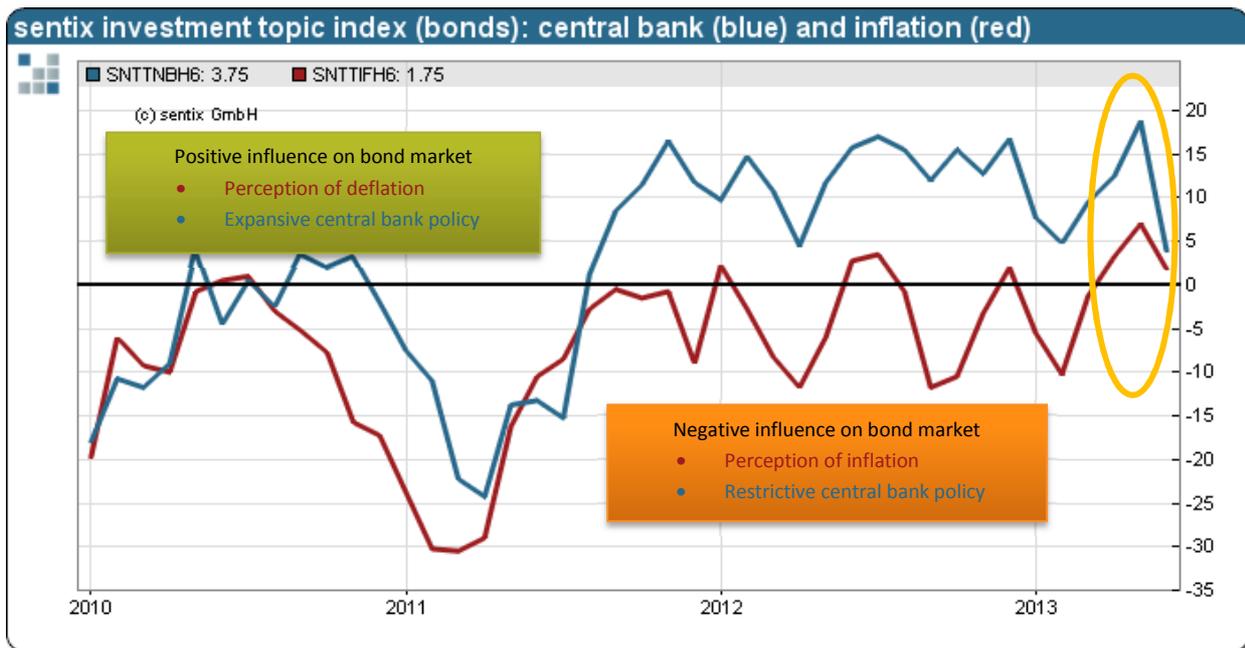
The positive aspect of this news – namely the robustness of economic optimism this year – can be best seen with a glance at the development of the composite index for Euroland over the previous years (see chart): 2011, 2012 and 2013, investors had started with rising economic optimism, reflected by increases in the composite index for the euro zone. But the improving atmosphere was hit by early dampeners in all three years – of very different duration, though: 2011, it took until the end of the year when the LTROs of the new ECB president Draghi finally led to a stabilisation. 2012 it was Draghi's late summer commitment to the Euro that made the index turn again. **And this year the economic optimism counter-movement came promptly, already in May.** This time, again, it was Draghi who – with a cut in the ECB key interest rate – gave an important impulse. **It is also positive** that the current dent in economic expectations has taken place at an elevated level and that investors have not fallen back to their worst crisis modes this time.



sentix economic index for the euro zone: composite index



Last month we pointed to some noteworthy developments in the **sentix investment topic index**, which we survey together with the sentix economic index. There, the **inflation perceptions** pointed gently to a deflationary scenario. In June, we now see a counter-movement, the **inflation perceptions is back to the neutral zone** (see chart: red line). Here, too, the latest ECB interest rate decision has played a role – as, for the time being, it ended the discussion on negative ECB deposit facility rates, for instance. Fittingly, the sentix investment topic index on central bank policies falls back to the neutral zone (see chart: blue line). Both from inflation expectations as well as from central bank policies, investors now expect only a little support for the bond market.



sentix investment topic index (for the bond market):
(positive) influence of the central bank (blue) and the topic "inflation" (red)



Germany – rise after two drops

For **Germany** the **composite index** in June rises by exactly one point **to 16.2**. This rise is mainly based on an improvement of the 6-month expectations of institutional investors, which have become clearly more optimistic. Since summer 2012 (Draghi's Euro-commitment), the expectations of individual investors had, in general, followed the earlier rising expectations of institutionals. The latest Euroland-fears (Italian election, Cyprus rescue) have driven a wedge into this relationship. Should the correlation between the two investor groups' expectations now come back into life, the German economic index is set to rise in the coming months. **After all, individual investor expectations have a lot of catching up to do!**

Germany	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13
Overall Index	17.7	24.3	24.5	17.6	15.2	16.2
Headline Index						
- Current situation	26.5	30.7	32.6	30.2	24.8	24.5
- Expectations	9.3	18.1	16.6	5.7	6.0	8.3
Institutional investor						
- Current situation	24.3	32.0	33.7	31.9	25.5	25.4
- Expectations	14.6	22.1	22.5	9.9	9.6	14.3
Individual investor						
- Current situation	28.6	29.4	31.6	28.6	24.2	23.6
- Expectations	4.0	14.1	10.7	1.4	2.4	2.3

For two other German sentiment indicators, this months' developments point at the following: the **ZEW economic expectations** should rise strongly in June, to **slightly above 40 points**. This is indicated by the development of the institutionals' economic expectations. For the **ifo business climate**, which rose strongly last month, the different time series of the sentix economic indices for Germany point rather to an **unchanged level**.



USA – highest reading since May 2006

Last month, the USA showed the strongest rise in a composite index of all countries and regions surveyed by sentix. This month, the US has to hand over this title to Euroland (!). **Nevertheless, the US composite index continues to rise. It increases by around two points to now 18.2. This is its highest reading since May 2006!** Both, the assessment of the current situation and the 6-month-expectations rise. **In the eyes of investors, the US economy is slowly starting to once again become the growth engine for the global economy, as the dynamics of the emerging markets was assessed negatively once again this month.**

USA	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13	
Overall Index	10.0	12.7	12.9	13.9	16.0	18.2	Highest since May 2006
Headline Index							
- Current situation	6.3	7.5	10.5	16.8	18.0	20.5	Highest since Feb. 2007
- Expectations	13.8	18.0	15.3	11.0	14.0	16.0	

Japan – highest reading since August 2007

In Japan the composite index also continues to rise – by around one point to 8.4. This is driven once more by an improved assessment of the current situation, the economic expectations drop slightly at a high level. **With this, Japan completes this month's positive developments of the “old” industrial nations.**

Japan	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13	
Overall Index	0.5	5.5	3.9	6.3	7.3	8.4	Highest since Aug. 2007
Headline Index							
- Current situation	-12.8	-8.8	-8.5	-3.3	0.3	3.5	Highest since Mar. 2011
- Expectations	14.8	20.8	17.0	16.3	14.5	13.5	



Emerging Markets – cooling off again

The composite indices for the three emerging markets regions (Asia ex Japan, Eastern Europe and Latin America) all drop slightly in June. The indices display a falling trend for four months now. The most important amongst these, the composite index for Asia ex Japan (including powerhouse China) has dropped to its lowest value since October 2012. Economic perceptions and expectations of the surveyed investors obviously suffer under the continued weakness in commodity prices.

But, on a more positive note, it has to be mentioned that the latest cooling off was rather moderate, overall, with Latin America as this month's exception. **Also, the composite indices of all three emerging markets regions stand still clearly above their long-term averages** (see chart on next page).

Asia ex Japan	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13
Overall Index	32.7	34.3	32.2	25.0	23.5	21.8 Lowest since Oct. 2012
Headline Index						
- Current situation	37.0	39.8	38.8	33.0	31.0	29.3
- Expectations	28.5	29.0	25.8	17.3	16.3	14.5

Eastern Europe	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13
Overall Index	10.8	13.1	10.6	4.6	4.9	3.5
Headline Index						
- Current situation	6.8	8.0	6.5	3.3	2.5	0.8
- Expectations	15.0	18.3	14.8	6.0	7.3	6.3

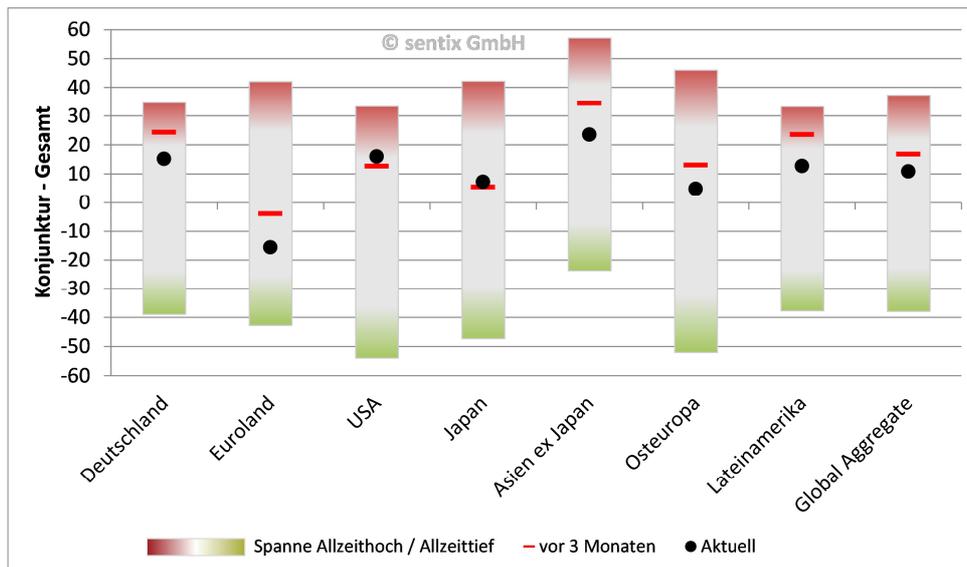
Latin America	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13
Overall Index	20.0	23.5	20.2	14.1	12.7	8.2
Headline Index						
- Current situation	19.8	24.5	21.0	16.3	14.5	7.3
- Expectations	20.3	22.5	19.5	12.0	11.0	9.3



Global Aggregate – stabilisation, part 2

June is very similar to May: the US, the euro zone and Japan, in other words, the “old” industrial nations, drive the global index, while the emerging markets regions put a brake on this upward momentum. All in all, this results in a slight rise of 0.4 to now 11.2 points for the global aggregate. The stabilisation after the dent in March and April carries on. Except for Euroland, the composite indices of all countries and regions surveyed by sentix stay in the positive zone (more optimists than pessimists!) and above their longer-term averages (see chart below). And Euroland is now catching up – with the strongest monthly rise of all countries and regions!

Global aggregate	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13
Overall Index	14.1	16.8	14.3	10.4	10.8	11.2
Headline Index						
- Current situation	9.8	12.2	11.0	9.8	9.8	10.1
- Expectations	18.6	21.5	17.7	11.1	11.8	12.3



sentix economic index: countries and regions



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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