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sentix economic index: Germany hits a new high

- **In November, the composite index for the euro zone rises by 3.2 to now 9.3 points.** This is its highest value since May 2011, and, this month, the strongest increase among all regions. Investors have especially become more upbeat concerning the economic situation.
- **For Germany, the composite index also improves.** Here, the 6-month expectations are more important for the overall improvement. **Expectations have now reached their highest reading since the beginning of the sentix survey for Germany in 2009.**
- Of the other regions, the US and Japan make a more negative impression, the emerging-markets regions a more positive one. Overall, it is also noteworthy that institutional investors are more careful than private investors this month. Nevertheless, **the composite index for the global aggregate rises for the fourth month in a row due to the good developments in the euro zone and the emerging-markets regions.**

Statistics

Poll running: **31.10.-02.11.2013**
 Survey participants: **813**
 (of which institutional investors: **173**)

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!

19.11.2013: **ZEW economic expectations (Germany):**
 clear increase to about 60 points

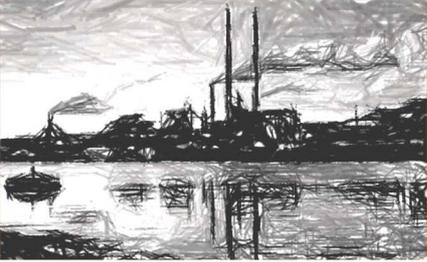
21.11.2013: **Flash PMIs (manufacturing):**
 slight decrease for **China**, improvements for the **US** and the **euro zone**

22.11.2013: **ifo business climate:**
 increase of 1.5 points to about 109 points

28.11.2013: **Economic Sentiment (Euro zone):**
 clear rise to more than 99 points

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

Euro area	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	
Overall Index	-11.6	-12.6	-4.9	6.5	6.1	9.3	Highest value since September 2011
Headline Index							
- Current situation	-28.8	-30.5	-22.3	-8.8	-8.5	-3.3	Highest value since May 2011
- Expectations	7.3	7.3	14.3	23.0	21.8	22.8	

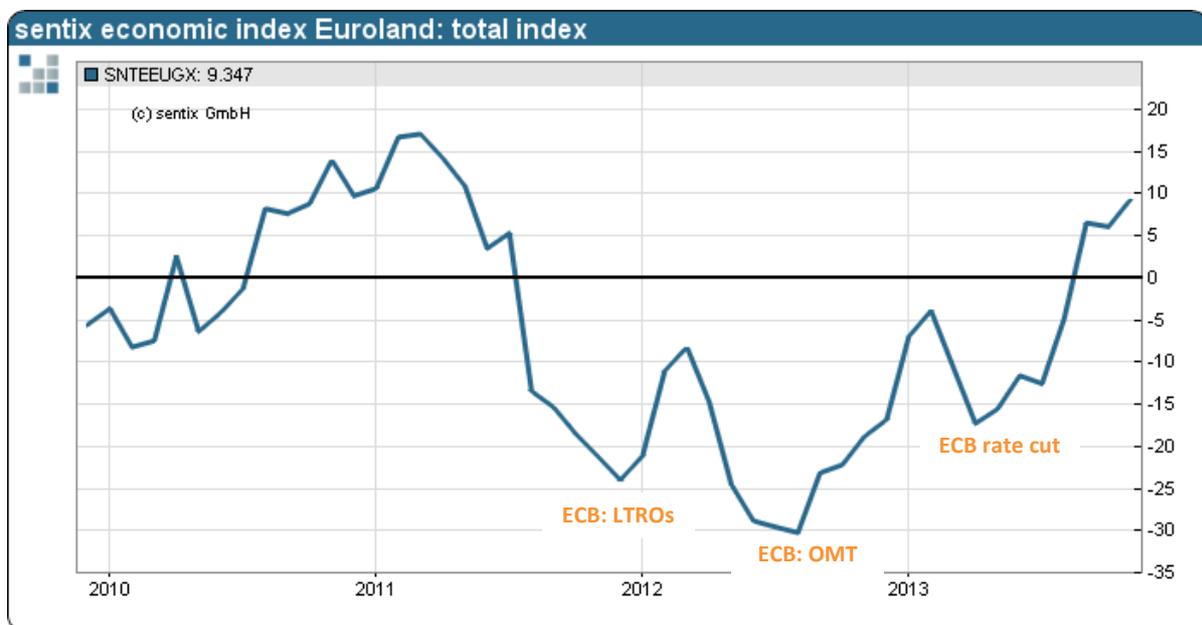


Commentary on the survey results for November 2013

Germany hits a new high

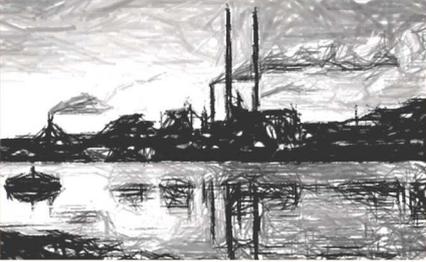
In November, the composite index for the euro zone rises by 3.2 to now 9.3 points. This is its highest value since May 2011, and, this month, the strongest increase among all regions. Investors have become especially upbeat concerning the economic situation. For Germany, the composite index also improves. Here, the 6-month expectations are more important for the overall improvement. They have now reached their highest reading since the beginning of the sentix survey for Germany in 2009. Of the other regions, the US and Japan make a more negative impression, the emerging-markets regions a more positive one. Overall, it is also noteworthy that institutional investors are more careful than private investors this month. Nevertheless, the composite index for the global aggregate rises for the fourth month in a row due to the good developments in the euro zone and the emerging-markets regions.

Since May, the sentix economic index (composite index) for the euro zone has been rising. However, from September to October it hardly made any headway with investor sentiment under pressure by the budget disputes in the USA. Now, the upward trend continues: the sentix economic index rises by 3.2 to 9.3 points and, with this, to its highest reading since May 2011. No other region shows a stronger improvement in its composite index this month. Consequently, investors have more and more confidence in the euro zone even on an international level. With the 6-month expectations already at a high level, the economic situation now follows suit. It rises by 5.2 points and is the main driver of the increase in the composite index. Its current reading of -3.3 is the highest since September 2011, and, with this, only a hairs breadth away from the zero line which indicates that investors, on average, see the economic situation as normal.



sentix economic index (composite) for Euroland (and important ECB decisions)

But the economic improvement does currently not lead to a rise in the danger of inflation – on the contrary. Parallel to the economic indices, sentix surveys topical indices for the bond markets every month. **Here, the topical index “inflation” is this month especially interesting.** In November, it rises to its highest reading since the beginning of 2009, when investors were still reeling from the shock of the collapse of the investment bank Lehman Brothers (see chart below). **And the higher the index rises, the less there is a perceived risk of inflation. That means:**

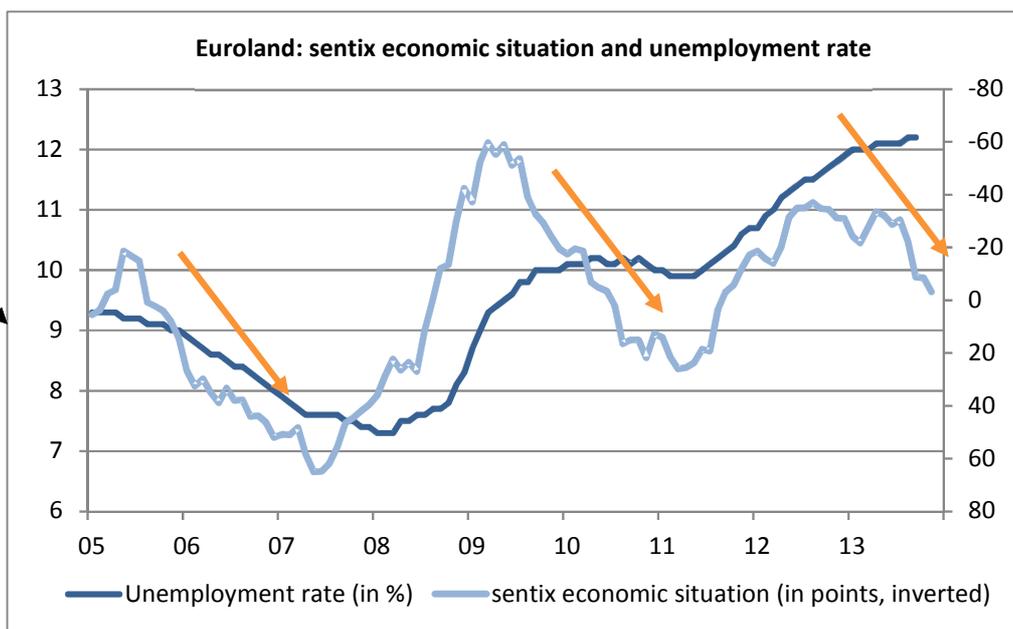


According to this development, the pendulum is currently swinging in the direction of deflation, giving the ECB room to manoeuvre, also for another rate cut. Last week's weak inflation readings for October could therefore not have been the last to show a drop in the development of prices.

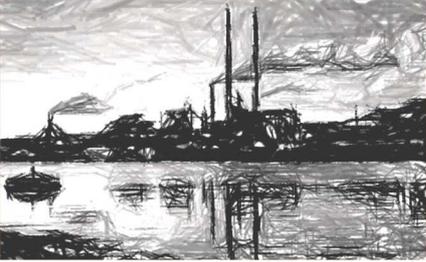


sentix investment topic for the bond market in Euroland: Inflation

But low inflation expectations stand in contrast to the development of investors' assessment of the economic situation. The situational assessment has been pointing upward for the past months (inverted in the chart below) and is heralding an improvement of the labour market in the euro zone. Should the euro zone unemployment rate start to fall, especially in the southern European countries, we could in the coming months see a counter-balance to disinflationary or even deflationary forces.



sentix economic index for Euroland: situational assessment (inverted) and unemployment rate (Euroland)

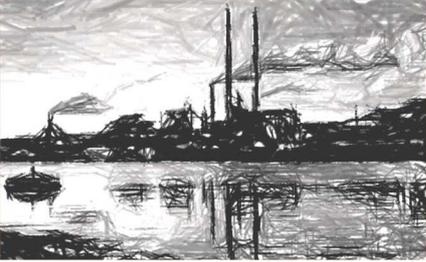


Germany – expectations on new high

Germany is currently the exception in investors' economic assessments. The German composite index rises in November by 1.9 to now 30.2 points. This is its highest reading since April 2011. It is remarkable that the 6-month expectations contribute more to the rise in the composite index than the situational assessment. 6-month expectations rise by 2.6 points to 19.9 points this month – the highest value since the beginning of the sentix survey for Germany in January 2009. Both the indices of private and institutional investors are on the rise. The advanced stage of the government negotiations in Berlin and the continuously robust corporate news continue to have a positive influence on investor assessments. But the stimulating effect of the capital markets (keyword "DAX all-time highs") also plays an important role, here.

Germany	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	
Overall Index	16.2	18.4	20.3	28.4	28.3	30.2	Highest value since April 2011
Headline Index							
- Current situation	24.5	27.7	30.1	39.6	39.7	41.1	Highest value since April 2012
- Expectations	8.3	9.5	10.9	17.7	17.3	19.9	Highest value since beginning of survey 2009
Institutional investor							
- Current situation	25.4	29.7	31.4	40.9	41.1	42.4	
- Expectations	14.3	15.0	16.3	22.9	21.7	25.5	Highest value since beginning of survey 2009
Individual investor							
- Current situation	23.6	25.7	28.7	38.3	38.3	39.7	
- Expectations	2.3	4.0	5.5	12.5	12.9	14.3	

For the other German sentiment indicators, i.e. for the **ZEW-economic expectations** and the **ifo business climate**, the development of the sentix indices show **clear rises** in November. The **ZEW index** should rise to around **60 points**, the **ifo index** to around **109 points**.



USA – stabilisation after political antics

The budget negotiations in the USA continue to leave traces in the sentix economic index: the composite index for the US drops for the third month in a row. The drop in November is rather small, though: -0.6 points to 16.2 points. A positive sign can be found in the fact that the expectational component shows a slight improvement. To this extent, one can speak of a **stabilisation of the developments in the US indices**. At the same time, it remains remarkable that, since August, the sentix economic indices for the euro zone have been developing in a much more positive fashion than those of the USA!

USA	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13
Overall Index	18.2	22.1	25.0	24.8	16.8	16.2
Headline Index						
- Current situation	20.5	25.0	28.8	31.0	21.3	19.5
- Expectations	16.0	19.3	21.3	18.8	12.5	13.0

Lowest value since May 2013

Japan – sobering after strong month

Japan has kept investors scratching their heads since the end of summer. The total index has been fluctuating since then. In November, it drops palpably by 2.7 points to 15.4 points. Expectations give the most ground. Nevertheless, by Japanese standards, the overall bar is still kept very high.

Japan	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13
Overall Index	8.4	12.3	14.5	14.1	18.1	15.4
Headline Index						
- Current situation	3.5	9.0	11.8	15.0	18.0	16.8
- Expectations	13.5	15.8	17.3	13.3	18.3	14.0



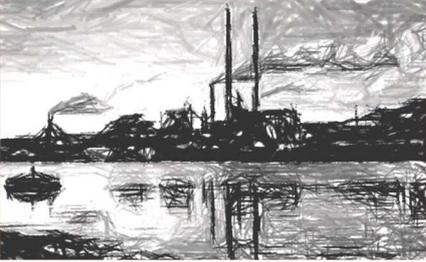
Emerging Markets – continued upward path, institutionals more careful

After the weakness in the first half of the year, the composite indices for the Emerging Markets continue to point upwards this month. To this effect, it is almost solely the situational assessment of investors that is driving the composite indices upward. Seen over all regions, expectations drop slightly. Especially institutional investors are now much more careful than last month. While the composite indices for Asia ex Japan and for Eastern Europe have been pointing upwards since August, the index for Latin America has clearly been unsteady since. Its upward movement seems much more fragile.

Asia ex Japan	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	
Overall Index	21.8	12.3	14.0	15.1	21.6	23.0	Highest value since May 2013
Headline Index							
- Current situation	29.3	17.3	16.0	16.0	23.0	26.5	
- Expectations	14.5	7.5	12.0	14.3	20.3	19.5	

Eastern Europe	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	
Overall Index	3.5	-2.1	2.2	3.9	6.7	8.2	Highest value since March 2013
Headline Index							
- Current situation	0.8	-6.5	-2.8	-1.5	1.8	4.0	Highest value since March 2013
- Expectations	6.3	2.5	7.3	9.5	11.8	12.5	Highest value since March 2013

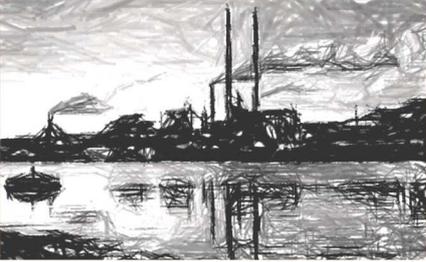
Latin America	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	
Overall Index	8.2	-1.5	2.2	-1.5	5.7	4.8	
Headline Index							
- Current situation	7.3	-5.0	-2.5	-8.8	0.0	0.3	
- Expectations	9.3	2.0	7.0	6.0	11.5	9.5	



Global Aggregate – fourth rise in a row, thanks to the euro zone!

The composite index for the global aggregate rises for the fourth month in a row. The regional drivers of this development are the euro zone and the Emerging Markets, and, amongst the components, the situational assessment (highest value since April 2012). 6-month expectations consolidate. In the coming month, special attention should be paid to the expectations of institutionals. After all, they have already started their correction this month. Only private investors ensured that the expectations headline index does not show a palpable drop in November. The indication for the OECD Leading Indicator is therefore clear: it should produce further rises.

Global Aggregate	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	
Overall Index	11.2	8.2	11.8	13.8	14.7	15.4	Highest value since February 2013
Headline Index							
- Current situation	10.1	6.1	9.0	11.8	12.7	14.3	Highest value since April 2012
- Expectations	12.3	10.3	14.7	15.8	16.8	16.5	



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>



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