



Free for active sentix survey participants / standard conditions at [www.sentix.de](http://www.sentix.de)



## Dr. Sebastian Wanke

Senior Analyst

[sebastian.wanke@sentix.de](mailto:sebastian.wanke@sentix.de)



sentix GmbH

Feldbergstraße 2, 65550 Limburg / Lahn

Tel. +49 (69) 3487 961 0, [info@sentix.de](mailto:info@sentix.de)

## sentix economic index: Germany takes off, the euro zone a breather

- **The composite index for the euro area drops in December from 9.3 to 8.0 points.** The reason for this is a slightly clouded perception of the economic situation. **Investors' expectations rise, however, to their highest reading since April 2006!**
- Germany once more defies the development of the euro zone aggregate. **The composite index for Germany rises by around two to now 32.1 points** and, with that, to its highest reading in three years. Expectations climb, as they did already last month, to a new all-time high.
- **This month's winner, however, is the US.** Here, the composite index increases by over 10 points. **This, in turn, drives the composite index for the global aggregate, which rises for the fifth consecutive month and has now reached a level last seen in April 2011.**

### Statistics

Poll running: **05.12.-07.12.2013**

Survey participants: **896**

(of which institutional investors: **216**)

## 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!

16.12.2013: **Flash PMIs (manufacturing)**: strong increase for the US, improvements for China and the euro area (here to about 52.5 points)

17.12.2013: **ZEW economic expectations (Germany)**: 60 point-mark should finally be exceeded

18.12.2013: **ifo business climate**: increase to over 110 points

09.01.2014: **Economic Sentiment (Euro zone)**: increase to about 99 points

## Table of the **December 2013** results for the euro zone economy

Euro area	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13
<b>Overall Index</b>	-12.6	-4.9	6.5	6.1	9.3	8.0
<b>Headline Index</b>						
- Current situation	-30.5	-22.3	-8.8	-8.5	-3.3	-6.3
- Expectations	7.3	14.3	23.0	21.8	22.8	23.3

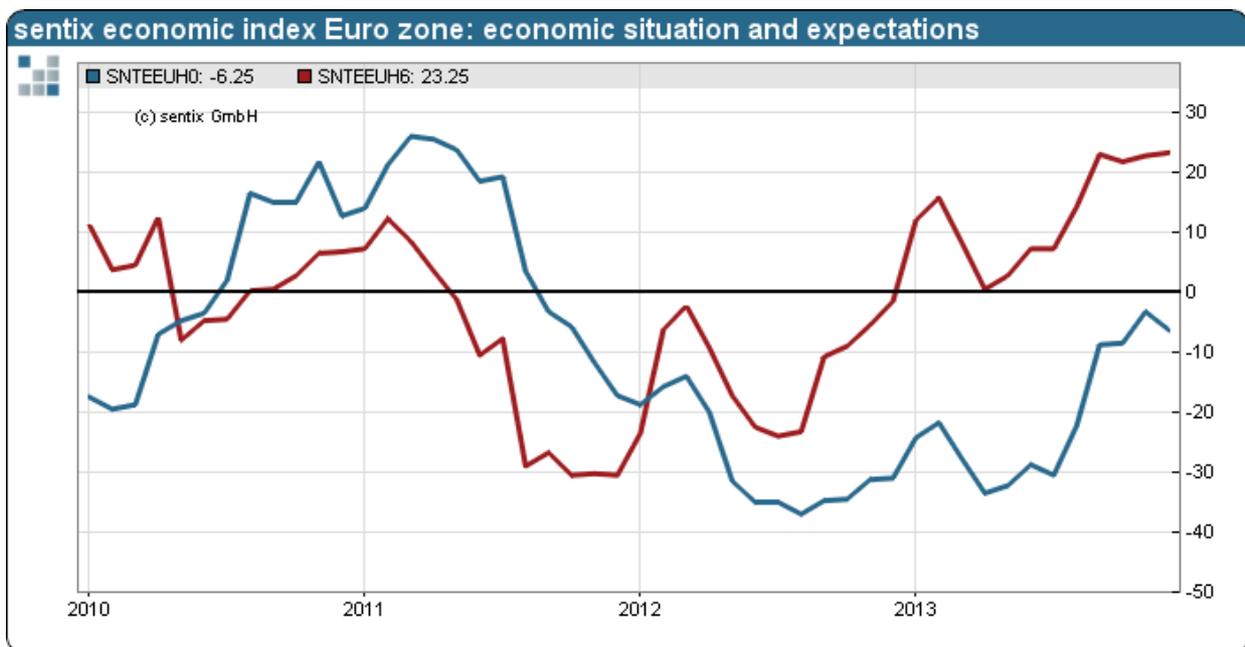
Highest value since April 2006



## Commentary on the survey results for December 2013

The composite index for the euro area drops in November from 9.3 to 8.0 points. The reason for this is a slightly clouded perception of the economic situation. Investor expectations rise, however, to their highest reading since April 2006! Germany once again defies the development of the euro zone aggregate. The composite index for Germany rises by around two to now 32.1 points and, with that, to its highest reading since December 2010. Expectations climb, as they did last month, to new all-time highs (since the introduction of the survey now almost five years ago). This month's winner, however, is the USA. For the US, the composite index rises by over 10 points. This, in turn, drives the composite index for the global aggregate, which rises for the fifth consecutive month and has now reached a level last seen in April 2011.

Investors began the year 2013 with high economic expectations, and they leave it with even higher ones: though the sentix composite index for the euro area economy drops slightly by 1.3 to 8.0 points, the expectations component continues to rise by 0.5 to now 23.3 points. This is its highest reading since April 2006! Is this supposed to be a bubble? Probably not. At least this year, expectations were more or less fulfilled, even if they had to be corrected downward slightly in spring. After all, the assessment of the current situation palpably improved over the past twelve months and is currently close to the zero line, at which investors view economic conditions as normal. Following these high expectations at the beginning of 2013, we then actually saw a clear recovery in the Eurozone economy! Expectations, consequently, were matched.

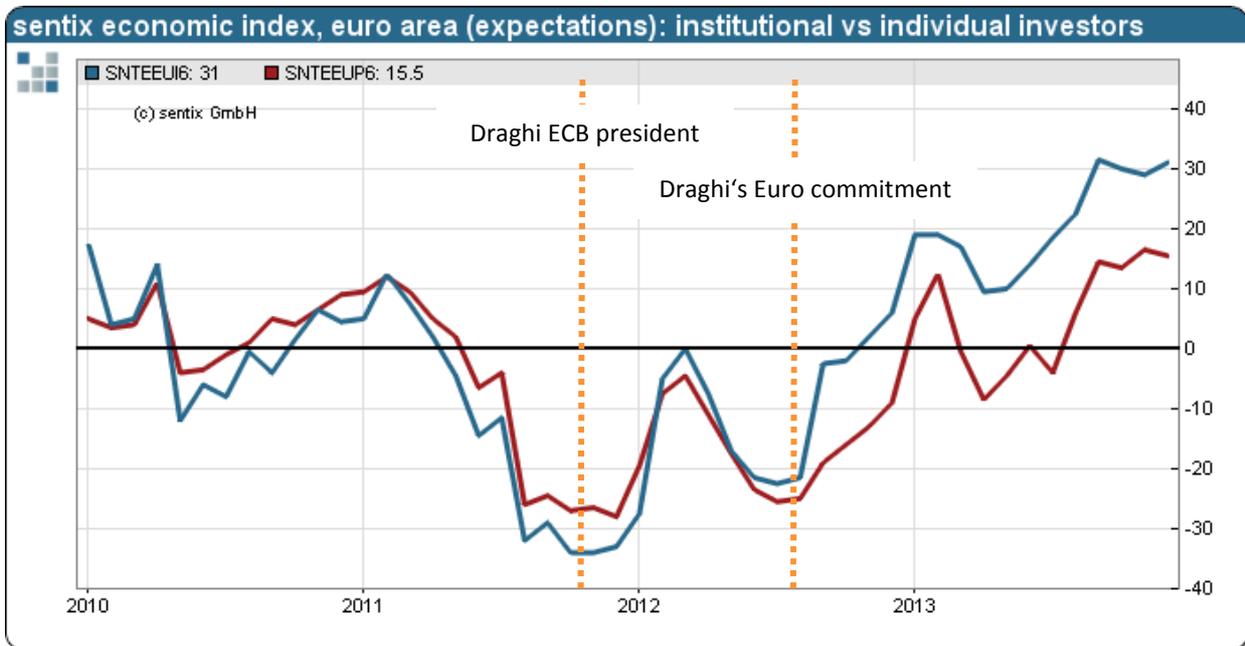


sentix economic index, euro area: **assessment of the current situation (red)** and **expectations (blue)**

A look at the details of the data set also shows that the positive development in expectations probably has yet to come to an end. After all, individual investors are still clearly more sceptical than institutionals. And, usually, they follow the assessments of investment professionals with a time lag. This time history could well repeat itself as the measures of the European Central Bank (ECB) clearly stand behind this drifting apart of the expectational stance of individual and institutional investors. Only after Mario Draghi's taking office as ECB president at the end of 2011, fundamentally changing the ECB policy, did the expectations gap between institutional and individual investors begin to grow (see chart below). Since then, however, the euro area has found its way out of recession, and confidence has slowly but surely grown amongst economic agents – which can, in effect, even be seen in the clear rise in economic



expectations of individual investors themselves. Still, individual investors do not trust much in the abilities of the central bank. **In addition to that, we do not need to fear that institutionals' expectations will palpably worsen in the near future**, which would mean that the gap would close itself 'from above'. The reason for this: institutional investors' expectations have proven to be robust over the past months and had reached even higher readings in the past.



sentix economic index, euro area (expectations): **individual investors (red)** and **institutional investors (blue)**

Editorial announcement:



What type of **influence** these **developments** will have on **equity, bond, commodities and FX markets in 2014** will be presented in our annual roadmap entitled „**Die Zucht der Notenbanken**” (in German), which you can order via our homepage. Order your personal copy or offer your clients a **special kind of capital market expertise** as a refreshing welcome to the New Year. As in the past sales are strictly limited. Do not hesitate to contact us and we will be happy to submit you a personal offer:

<http://www.sentix.de/index.php/My-sentix-News/sentix-jahresausblick-2014.html>



## Germany – A country takes off

**Germany remains the euro zone exception when it comes to investors' economic assessments. The German composite index rises in December again by 1.9 to now 32.1 points.** At the same time, 6-month expectations reach a new all-time high (since the introduction of the indicator around five years ago), just like last month. The economic situation is again seen in a more favourable light than before. It is interesting to note that, in this component, the gap between institutional and individual investors has already closed. On the expectations side, however, the institutional assessment level remains much higher than that of the individual investors. But the latter are catching up! This can well be seen as a hint for the developments to come in the euro zone indicator (see commentary above).

Germany	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	
<b>Overall Index</b>	18.4	20.3	28.4	28.3	30.2	32.1	Highest value since Dec. 2010
<b>Headline Index</b>							
- Current situation	27.7	30.1	39.6	39.7	41.1	42.3	Highest value since Aug. 2011
- Expectations	9.5	10.9	17.7	17.3	19.9	22.3	Highest value since introduction of survey in 2009
<b>Institutional investor</b>							
- Current situation	29.7	31.4	40.9	41.1	42.4	42.3	
- Expectations	15.0	16.3	22.9	21.7	25.5	27.2	
<b>Individual investor</b>							
- Current situation	25.7	28.7	38.3	38.3	39.7	42.3	
- Expectations	4.0	5.5	12.5	12.9	14.3	17.4	

For the other German sentiment indicators, the **ZEW economic expectations and the ifo business climate**, the December development of the sentix indices once again heralds clear improvements. The **ZEW index** should finally rise to slightly over **60 points**, the **ifo index** should proceed past **110 points**. sentix – first mover advantage!

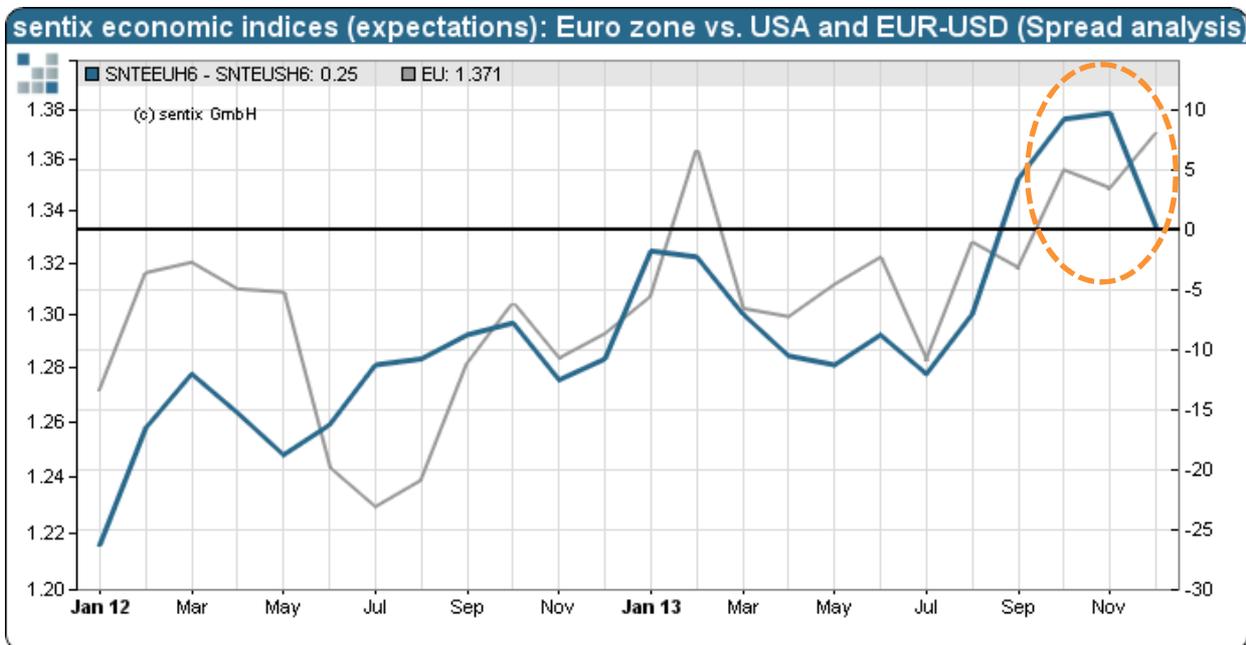


## USA – Liberation

The budgetary dispute is currently no longer an issue and now, strong results from the labour market report wow market players: investors see the US economy as much stronger in December than they did a month ago. **The composite index for the US explodes after three drops in a row. It rises by more than 10 points and hits a level we last saw in August 2004!** Improvements can be found equally in the situational assessment as well as in the 6-month expectations.

USA	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	
<b>Overall Index</b>	22.1	25.0	24.8	16.8	16.2	26.5	Highest value since Aug. 2004
<b>Headline Index</b>							
- Current situation	25.0	28.8	31.0	21.3	19.5	30.0	
- Expectations	19.3	21.3	18.8	12.5	13.0	23.0	Highest value since Jan. 2004

A remarkable aspect of the development of the sentix economic index for the US this month is also that, since summer, the relative position of the economic expectations for the US in comparison to Euroland had continuously deteriorated. In December, this changes in leaps and bounds. **This development points to an upcoming strength of the US Dollar in comparison to the Euro** (see chart below)!



sentix economic index: spread between expectations for the euro area and the US (blue) and EUR-USD (grey)



## Japan – Notch in November now grinded out

Investors regain confidence in ‘Abenomics’: **the composite index for Japan is able to overcompensate for the severe drop in the past month, rising by 3.3 points to now 18.7 points** – the highest value since July 2007. Investors’ expectations, again improve significantly this month against the background of an apparently liberated Japanese equity market and the clearly weaker Yen.

Japan	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	
<b>Overall Index</b>	12.3	14.5	14.1	18.1	15.4	18.7	Highest value since July 2007
<b>Headline Index</b>							
- Current situation	9.0	11.8	15.0	18.0	16.8	18.0	
- Expectations	15.8	17.3	13.3	18.3	14.0	19.5	Highest value since Feb. 2013

## Emerging Markets – Asia ex Japan especially strong

At first glance, the December data for the emerging-markets regions seem mixed. The composite index for Asia ex Japan rises palpably and hits a level last seen this March. But the indices for Eastern Europe and Latin America drop. **In both cases, however – just as in Asia ex Japan – the expectations components are on the rise. This points to a positive picture in the coming months for the emerging nations.**

Asia ex Japan	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	
<b>Overall Index</b>	12.3	14.0	15.1	21.6	23.0	26.0	Highest value since Mar. 2013
<b>Headline Index</b>							
- Current situation	17.3	16.0	16.0	23.0	26.5	29.3	Highest value since June 2013
- Expectations	7.5	12.0	14.3	20.3	19.5	22.8	Highest value since Mar. 2013

Eastern Europe	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13
<b>Overall Index</b>	-2.1	2.2	3.9	6.7	8.2	7.7
<b>Headline Index</b>						
- Current situation	-6.5	-2.8	-1.5	1.8	4.0	1.8
- Expectations	2.5	7.3	9.5	11.8	12.5	13.8

...continued on next page



Latin America	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13
<b>Overall Index</b>	-1.5	2.2	-1.5	5.7	4.8	3.6
<b>Headline Index</b>						
- Current situation	-5.0	-2.5	-8.8	0.0	0.3	-3.0
- Expectations	2.0	7.0	6.0	11.5	9.5	10.5

## Global Aggregate –This time it’s the US

The composite index of the global aggregate rises for the fifth month in a row. This time, however, the driver has changed: in summer, it was mainly Euroland that led improvements in the global aggregate, at the end of the year, it is now the US. **This should be seen positively, as there is currently no region that drags back the global aggregate over a longer period of time. Furthermore, situational assessment and expectations component are moving upward in tandem, rather steadily. This points to a stable development, and looks like an excellent basis for the economy in the coming year.** Following the global aggregate of the sentix index, the Global Purchasing Managers’ Index as well as the OECD Leading Indicator should display further improvements when published in the coming days!

Global Aggregate	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	
<b>Overall Index</b>	8.2	11.8	13.8	14.7	15.4	18.9	Highest value since Mar. 2012
<b>Headline Index</b>							
- Current situation	6.1	9.0	11.8	12.7	14.3	17.0	Highest value since April 2011
- Expectations	10.3	14.7	15.8	16.8	16.5	20.8	Highest value since Feb. 2013



## 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.