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## 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
Overall Index	-12.6	-4.9	6.5	6.1	9.3	8.0
Headline Index						
- 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

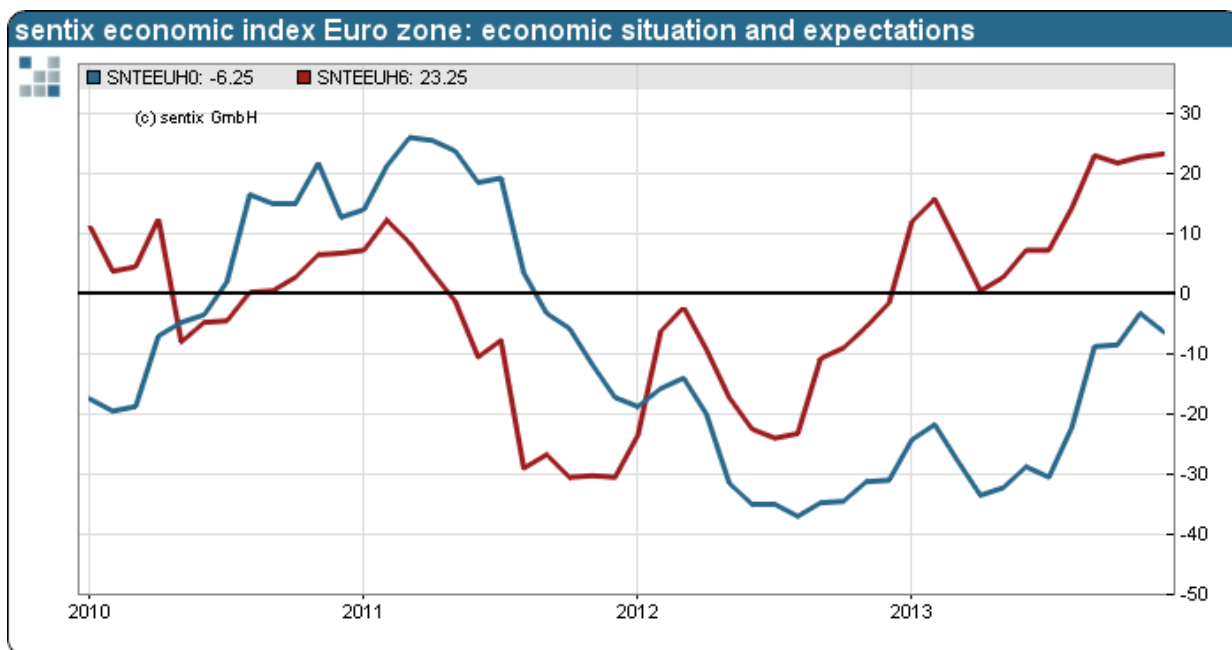
Highest value since April 2006



## 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 Euroland economy! Expectations, consequently, were matched.

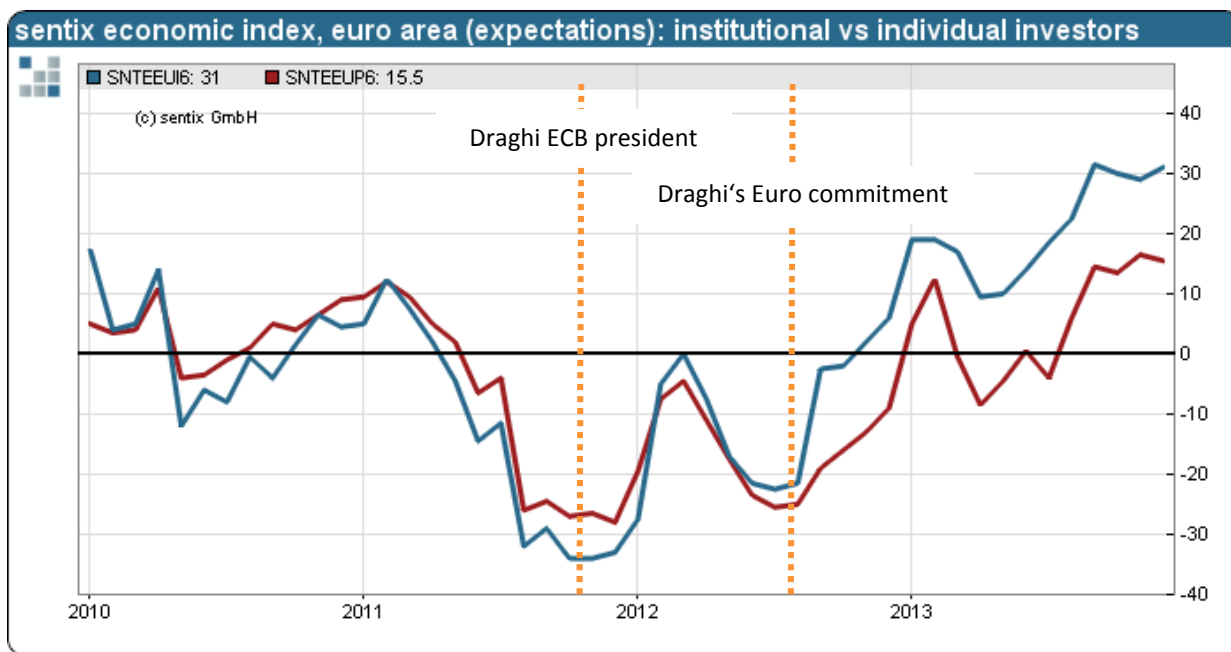


sentix economic index, euro area: **assessment of the current situation (red)** and **expectations (blue)**

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!

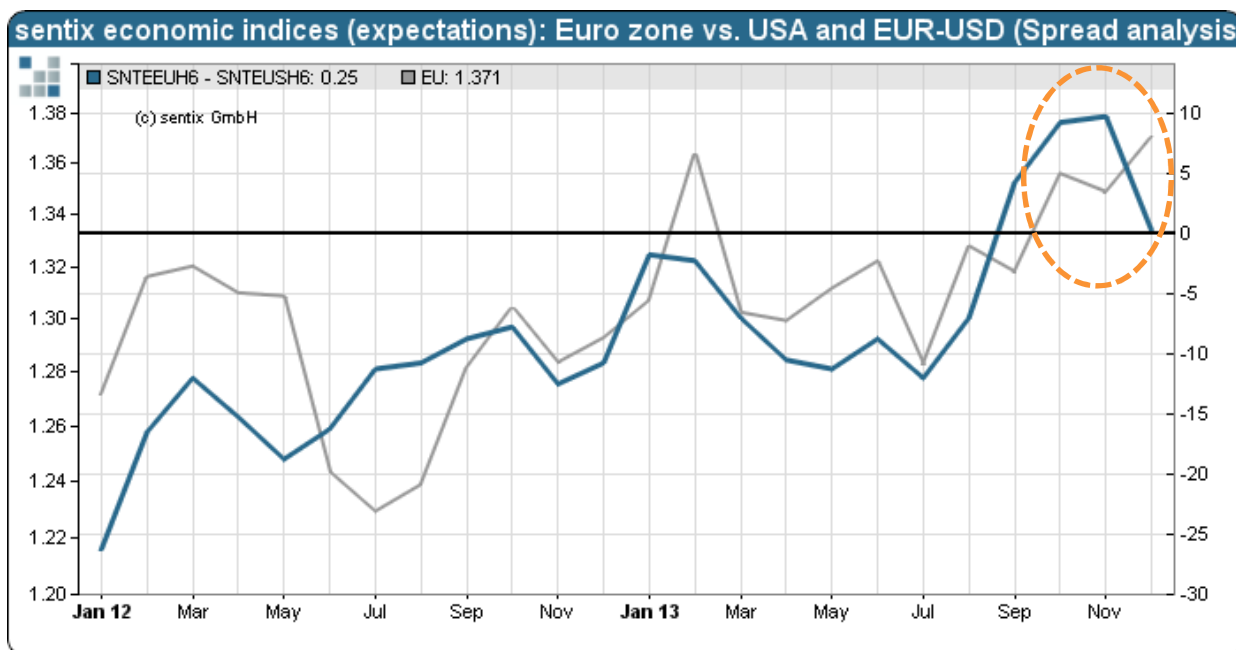


## USA – Liberation

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



# sentix Eco Report Indicators for the Global Economy

09. December 2013

Latin America	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13
Overall Index	-1.5	2.2	-1.5	5.7	4.8	3.6
Headline Index						
- 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	
Overall Index	8.2	11.8	13.8	14.7	15.4	18.9	Highest value since Mar. 2012
Headline Index							
- 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>





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