



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: The euro zone leaves its crisis behind

- **The composite index for the euro zone rises by 3.9 to 11.9 points in January.** Among the components of the index, the assessment of the current situation improves strongly and has now entered neutral territory. **That means that at the start of 2014 the euro area finally leaves its crisis behind.**
- The **composite index for Germany** which celebrates its fifth anniversary this month rises slightly **from 32.1 to 32.4 points.** Here, 6-month expectations ease a little.
- **The generally positive picture at the beginning of the year is blurred by the figures for Asia ex Japan.** For the emerging region investors now rate the current situation markedly lower than last month. **Nevertheless, the index for the global aggregate increases for the sixth consecutive month.**

Statistics

Poll running: **02.01.-04.01.2014**

Survey participants: **907**

(of which institutional investors: **220**)

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!

21.01.2014: **ZEW economic expectations** (Germany): decrease from 62 to about 58 points

23.01.2014: **Flash PMIs (manufacturing)**: sideways for the **US**, slight decrease for **China**, slight increase for the **euro zone**

27.01.2014: **ifo business climate**: sideways

09.01. (December data), 30.01. (January data): **Economic Sentiment** (euro zone): increase to over 99 at first (December), then to over 100 (January)

Table of the **January 2014** results for the euro zone economy

Euro area	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	-4.9	6.5	6.1	9.3	8.0	11.9	Highest since April 2011
Headline Index							
- Current situation	-22.3	-8.8	-8.5	-3.3	-6.3	-0.8	Highest since August 2011
- Expectations	14.3	23.0	21.8	22.8	23.3	25.3	Highest since Feb. 2006

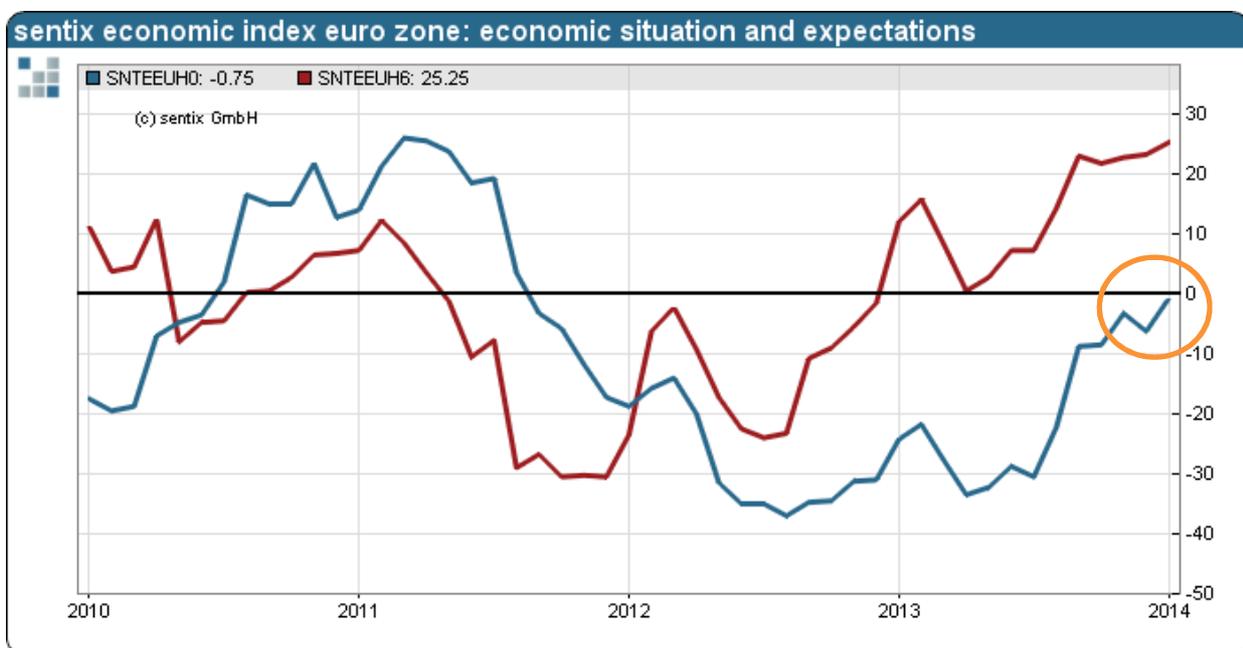


Commentary on the survey results for January 2014

The composite index for the euro zone rises by 3.9 to 11.9 points in January. This increase is the strongest of a composite index in January among all surveyed countries and regions. It is also noteworthy that the assessment of the current situation for the euro zone improves markedly and has now entered neutral territory. Consequently, at the start of 2014 Euroland finally leaves its crisis behind.

Looking at other countries and regions, the composite index for Germany – which celebrates its fifth anniversary this month – rises slightly from 32.1 to 32.4 points. Germany thus remains the growth engine for the euro zone. The generally positive picture at the beginning of the year is only blurred by the figures for Asia ex Japan. Nevertheless, the composite index for the global aggregate increases for the sixth month in a row.

Last month the gap between 6-month expectations for the euro zone economy and the corresponding assessment of the current situation had widened. **Now, in January the gap is becoming smaller again, reducing fears of an expectations bubble.** Against the backdrop of improving labour market data for the euro area and Ireland leaving the euro rescue fund investors now rate the **current situation of the euro area economy much more favourable** than at the start of December. The sentix index for the investors' assessment of the current situation rises by 5.5 to now -0.75 points. This reading is very close to its long-term average (of -0.34 points since 2003) and, as it stands near zero, also formally signals that investors judge the current situation now as neutral. **The index thus indicates a normalisation of the economic activity in the euro area.** Against this background, the rise of the 6-month expectations by 2.0 to 25.25 points is all the more impressive. **Overall the figures show that at the start of 2014 the euro zone finally leaves its economic crisis behind!**

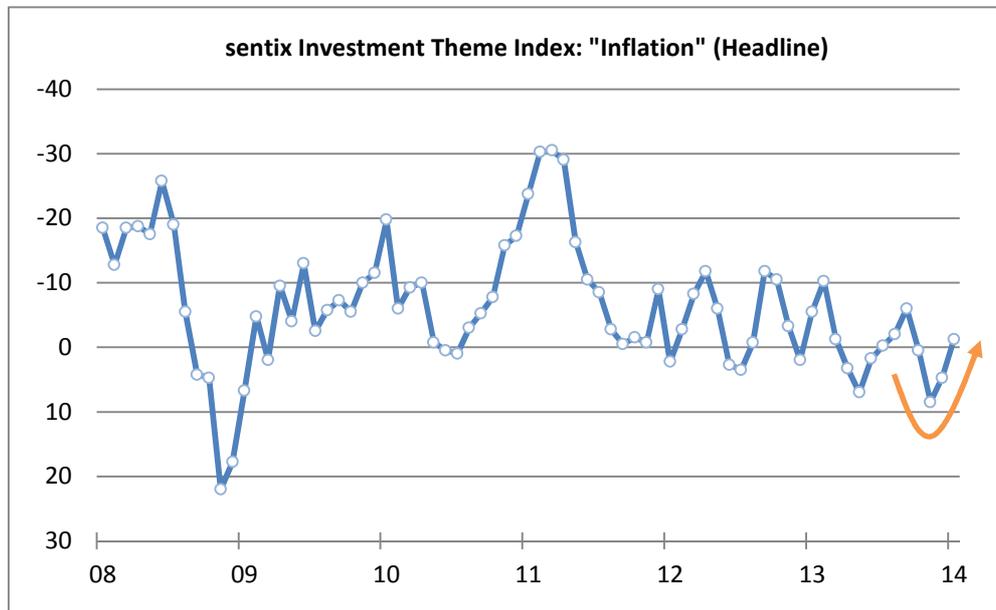


sentix economic index, euro area: **assessment of the current situation (red)** and **expectations (blue)**

A further sign of economic normalisation is this month's development of another sentix indicator: **The sentix investment theme index for the investment topic "inflation" indicates that deflation fears which were rather ex-**



treme during fall are currently fading. The indicator has managed to regain neutral territory over the last two months while the January movement of the index was especially pronounced (see graph below).



sentix investment theme index: inflation (headline)

Annotation: The sentix Investment Theme Indices are conceived for bond markets. A higher reading for these indices means that investors expect positive effects coming from a certain topic (here: inflation) on bond prices. As (expected) inflation usually has a negative impact on bond prices, values are inverted in the above graph: The lower the reading of the indicator, the higher expected inflation and the stronger the negative (!) impact on bond prices. Currently inflation expectations are back on the rise which should be a burden for the bond market.



Germany – Expectations in correction mode after 5-year high

Celebrating its fifth anniversary, the composite index for Germany rises slightly by 0.3 to 32.4 points. While the assessment of the current situation improves, 6-month expectations switch into a correction mode after having reached a 5-year high last month. The gap between institutional investors' and individual investors' expectations which had become large over the previous months now closes a little – a rather constructive sign.

Germany	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	20.3	28.4	28.3	30.2	32.1	32.4	Highest since March 2011
Headline Index							
- Current situation	30.1	39.6	39.7	41.1	42.3	43.9	Highest since August 2011
- Expectations	10.9	17.7	17.3	19.9	22.3	21.4	
Institutional investor							
- Current situation	31.4	40.9	41.1	42.4	42.3	44.8	
- Expectations	16.3	22.9	21.7	25.5	27.2	24.7	
Individual investor							
- Current situation	28.7	38.3	38.3	39.7	42.3	43.1	
- Expectations	5.5	12.5	12.9	14.3	17.4	18.0	

After strong developments in the last two months, it now looks as if the other two prominent sentiment indicators for the German economy are now set for a breather. **For January, the sentix indices point to a decrease from 62 to 58 points for the ZEW's economic expectations and to a stagnation of the ifo business climate.**

US – Composite index highest in almost ten years!

The composite index for the US continues to rise. At the beginning of 2014 it now stands at 28.8 points and almost marks a 10-year high. In December, the index had already sky-rocketed. Against this background this month's improvement is all the more remarkable.

USA	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	25.0	24.8	16.8	16.2	26.5	28.8	Highest since Feb. 2004
Headline Index							
- Current situation	28.8	31.0	21.3	19.5	30.0	35.0	Highest since June 2006
- Expectations	21.3	18.8	12.5	13.0	23.0	22.8	



Japan – Assessment of the current situation improving, expectations volatile

The composite index for Japan rises slightly from 18.7 to 18.9 points. The improvement is exclusively driven by the situational component of the indicator. **6-month expectations fall back on a monthly basis. But this decrease should not be a reason to worry:** Firstly, the level of the **expectations** index is still high, and secondly, expectations have been **bouncing around** for a year or so while showing an **underlying upward trend**. Possibly this is a **consequence of the so-called “Abenomics”**, the ultra-loose monetary and fiscal policy in Japan which was started towards the end of 2012. This unprecedented policy has generally positive effects on investors’ expectations but at the same time seems to prompt doubts ever so often.

Japan	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	14.5	14.1	18.1	15.4	18.7	18.9	Highest since July 2007
Headline Index							
- Current situation	11.8	15.0	18.0	16.8	18.0	21.5	Highest since August 2007
- Expectations	17.3	13.3	18.3	14.0	19.5	16.3	

Emerging Markets – Asia ex Japan blurs the overall positive picture

The disappointment of the month is the figures for Asia ex Japan. Here, the composite index falls by 4.4 points to 21.6, back to its October level. A little bit of consolation delivers the fact that this still represents a very robust level. Furthermore, 6-month expectations display relative resilience. **Against this backdrop it is noteworthy, that for the two other emerging-markets regions improvements in the composite indices can be observed.**

Asia ex Japan	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	14.0	15.1	21.6	23.0	26.0	21.6	
Headline Index							
- Current situation	16.0	16.0	23.0	26.5	29.3	23.0	
- Expectations	12.0	14.3	20.3	19.5	22.8	20.3	

Eastern Europe	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	2.2	3.9	6.7	8.2	7.7	9.1	Highest since March 2013
Headline Index							
- Current situation	-2.8	-1.5	1.8	4.0	1.8	3.8	
- Expectations	7.3	9.5	11.8	12.5	13.8	14.5	Highest since March 2013

... continued on next page



Latin America	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	2.2	-1.5	5.7	4.8	3.6	5.9	Highest since June 2013
Headline Index							
- Current situation	-2.5	-8.8	0.0	0.3	-3.0	-1.3	
- Expectations	7.0	6.0	11.5	9.5	10.5	13.3	Highest since March 2013

Global Aggregate – On the rise again

Despite the decline in the index for the important region Asia ex Japan, the composite index for the global aggregate rises in January, at least slightly by 0.3 to 19.2 points. This is its sixth consecutive increase. Investor sentiment for the world economy is thus remarkably good at the start of the year!

Following the indication of our sentix economic index for the global aggregate we expect the **purchasing manager index for the world economy** and the corresponding **OECD leading indicator** to rise when published in the coming weeks.

Global Aggregate	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	
Overall Index	11.8	13.8	14.7	15.4	18.9	19.2	Highest since March 2011
Headline Index							
- Current situation	9.0	11.8	12.7	14.3	17.0	18.1	Highest since July 2011
- Expectations	14.7	15.8	16.8	16.5	20.8	20.4	



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.