



sentix Eco Report Indicators for the Global Economy

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sentix economic index: euro zone counters global drop in sentiment

- **In February, the composite index for the euro area rises by 1.4 to 13.3 points.** It is, once more, mainly the assessment of the current situation which drives the index. It enters positive territory for the first time since August 2011.
- **For the other countries and regions covered by the sentix survey the composite indices fall.** Consequently and ironically, it is the crisis-ridden euro zone that this month counters the general drop in sentiment.
- **Investors' perceptions worsen especially for the emerging-markets regions.** As a result, the composite index for the global aggregate decreases for the first time since last July.

Statistics

Poll running: **06.02.-08.02.2014**

Survey participants: **971**

(of which institutional investors: **249**)

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!

18.02.2014: **ZEW economic expectations (Germany):**
stagnation

20.02.2014: **Flash PMIs (manufacturing):**
weaker for the **US** and **China**, increase for the **euro zone**

24.02.2014: **ifo business climate:**
slight decrease

27.02.2014: **Economic Sentiment (euro zone):**
increase to clearly above 101 points

Table of the February 2014 results for the euro zone economy

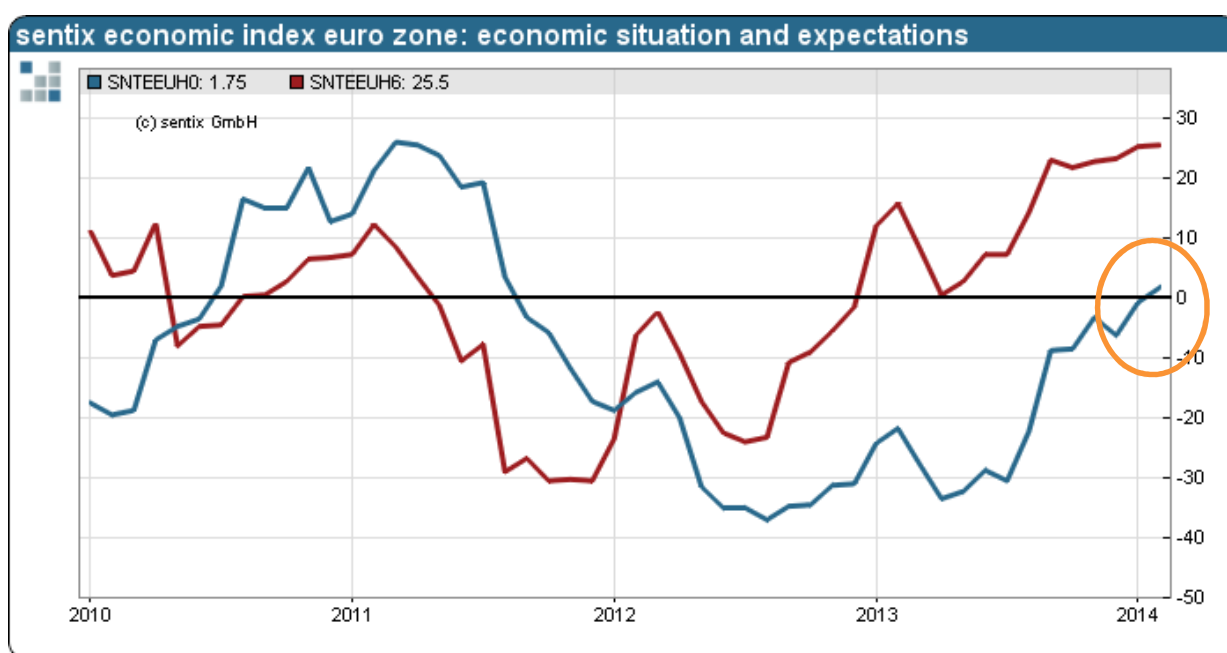
Euro area	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	
Overall Index	6.5	6.1	9.3	8.0	11.9	13.3	Highest since April 2011
Headline Index							
- Current situation	-8.8	-8.5	-3.3	-6.3	-0.8	1.8	Highest since August 2011
- Expectations	23.0	21.8	22.8	23.3	25.3	25.5	Highest since Feb. 2006



Commentary on the survey results for February 2014

A little surprisingly, the sentix economic index (composite index) for the euro area continues its upward trend in February, rising by 1.4 to 13.3 points. It is mainly the current situation which is assessed in a better way than in the previous month by the almost 1,000 individual and institutional investors in the sentix survey. The correspondent index now reaches positive territory for the first time since August 2011. The increase of the composite index for the euro zone is all the more remarkable as investors perceive a clear drop in economic activity on a global level. Especially for the emerging markets they become more skeptical. But also for Japan sentiment is muted.

And the winner is: the euro zone! The crisis-shaken currency unions' economy is perceived as further improving by investors in February. The index for the assessment of the current situation rises by 2.6 points to now +1.8. This positive figure means that now a majority of investors – while still a tiny one – rates the current state of the euro zone's economy as good. Thus the economic normalisation in the 18 countries sharing the euro is further progressing – and that, as mentioned earlier, against the general trend! It is also remarkable, that the 6-month expectations of investors remain on an elevated level.

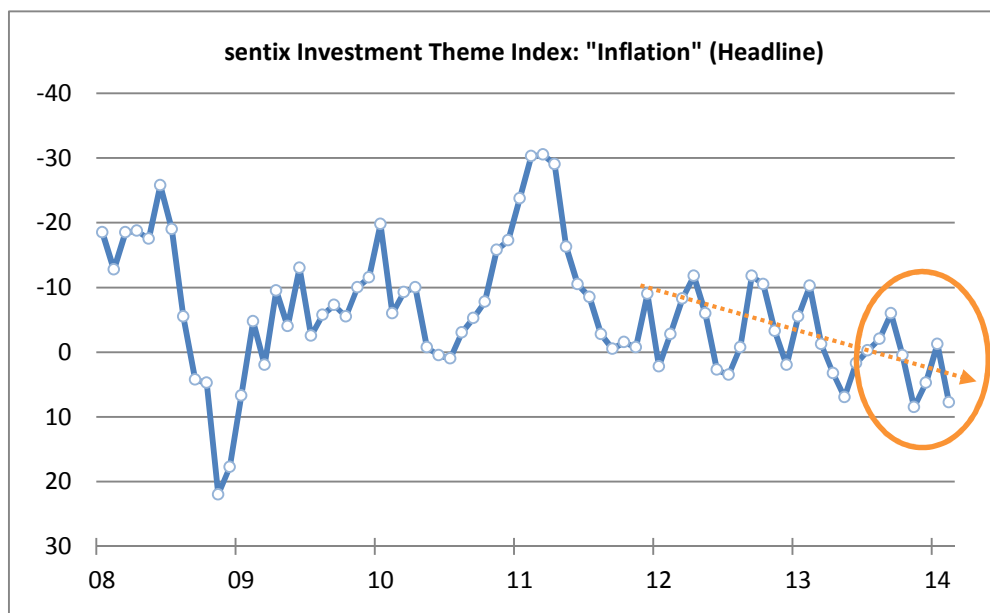


sentix economic index, euro area: **assessment of the current situation (red)** and **expectations (blue)**

While the economic perspectives brighten, investors feel that deflation remains a threat for the euro-zone economy. Actually, the sentix Investment Theme Index for the topic inflation points again in the direction of deflation in February (see graph below). This development occurs against the backdrop of, once more, very low inflation figures for the euro area, published recently for the month of January. It will remain a very interesting issue in the months to come as it remains still unclear which direction inflation expectations will take. In the past two months it looked as if



deflationary fears would fade. Now, they are definitely back while the corresponding sentix index at least does not mark a new extreme. Last November, the deflationary reading was even stronger (see again 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 falling again which should be a support for the bond market.

Germany – Expectations down for a second month in a row

While the sentiment improves for the euro zone, the composite index for Germany falls slightly from 32.4 to 31.5 points. This decrease results from weaker 6-month expectations. Interestingly, it is here exclusively individual investors who become more skeptical. Institutional investors' expectations remain stable. As a result, ZEW economic expectations for Germany should also stay robust. According to the sentix indices, ifo business climate should cool down a bit in February.

Germany	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14
Overall Index	28.4	28.3	30.2	32.1	32.4	31.5
Headline Index						
- Current situation	39.6	39.7	41.1	42.3	43.9	44.3
- Expectations	17.7	17.3	19.9	22.3	21.4	19.4

Highest since
August 2011



US – Composite index cooling down at elevated level

The composite index for the US stood at almost a 10-year high in January. Now it recedes from 28.8 to 26.6 points. This is still a higher level than the one observed in last December. **Consequently, this month's drop should serve as a gentle warning – but not more than that.**

USA	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14
Overall Index	24.8	16.8	16.2	26.5	28.8	26.6
Headline Index						
- Current situation	31.0	21.3	19.5	30.0	35.0	34.5
- Expectations	18.8	12.5	13.0	23.0	22.8	19.0

Japan – Nervousness rising

On a more pronounced note, the composite index for Japan falls in February. It decreases by 6.7 to 12.2 points. That is still above average. But against perceptions of a cooling down of the other Asian economies (see below), investors obviously become more and more nervous: the index for the Japanese 6-month expectations even falls by about eight points to the lowest level since December 2012. Then, the so-called “Abenomics” had just started to take effect...

Japan	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	
Overall Index	14.1	18.1	15.4	18.7	18.9	12.2	Lowest since June 2013
Headline Index							
- Current situation	15.0	18.0	16.8	18.0	21.5	16.0	
- Expectations	13.3	18.3	14.0	19.5	16.3	8.5	Lowest since Dec. 2012



Emerging Markets – Remarkably worse

The strongest decreases for the composite indices this month are registered for the emerging-market regions **Asia ex Japan, Eastern Europe, and Latin America**. For Asia ex Japan and Eastern Europe the indices now display readings that could last be observed in July 2013. For Latin America the composite index even falls to the lowest level since July 2009!

Asia ex Japan	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	
Overall Index	15.1	21.6	23.0	26.0	21.6	13.9	Lowest since July 2013
Headline Index							
- Current situation	16.0	23.0	26.5	29.3	23.0	16.0	
- Expectations	14.3	20.3	19.5	22.8	20.3	11.8	Lowest since July 2013

Eastern Europe	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	
Overall Index	3.9	6.7	8.2	7.7	9.1	2.8	Lowest since July 2013
Headline Index							
- Current situation	-1.5	1.8	4.0	1.8	3.8	-2.8	Lowest since August 2013
- Expectations	9.5	11.8	12.5	13.8	14.5	8.5	Lowest since July 2013

Latin America	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	
Overall Index	-1.5	5.7	4.8	3.6	5.9	-5.9	Lowest since July 2009
Headline Index							
- Current situation	-8.8	0.0	0.3	-3.0	-1.3	-12.5	Lowest since July 2009
- Expectations	6.0	11.5	9.5	10.5	13.3	1.0	Lowest since August 2012



Global Aggregate – First setback since July 2013

As, apart from the index for the euro zone, all composite indices fall in February, also the composite index for the global aggregate decreases. It recedes by 4.7 points. With 14.5 points this is now the lowest reading since September. At the same time, it is its first setback since last July when the emerging markets were hit by Ben Bernanke's "tapering" announcement. Then, a recovery of the index occurred again from August on. This time, China should play a central role. China's New Year's celebrations now come to an end and could set the stage for new economic dynamics in the People's Republic.

Global Aggregate	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14
Overall Index	13.8	14.7	15.4	18.9	19.2	14.5
Headline Index						
- Current situation	11.8	12.7	14.3	17.0	18.1	14.3
- Expectations	15.8	16.8	16.5	20.8	20.4	14.7

Lowest since August 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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