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sentix economic index: German economy loses steam

- In April, the composite index for Germany falls for a third time in a row. It now stands at 28.9 after 30.7 points in the previous month. Once more, 6-month-expectations decrease significantly, while the assessment of the current situation is not improving anymore.
- For the euro zone, the composite index shows robustness and increases slightly by 0.2 to now 14.1 points. But it is only the assessment of the current situation that contributes to its increase.
- The composite index for the global aggregate also rises slightly. This is due to better indices for the **US** and the **emerging-markets regions**, after the Crimean crises had weighed on the sentiment for Eastern Europe last month. In contrast, the composite index for **Japan** falls markedly for the third consecutive month.

Statistics

Poll running: **03.04.-05.04.2014**

Survey participants: **891**

(of which institutional investors: **231**)

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!

15.04.2014: **ZEW economic expectations** (Germany): dropping to around 42 points

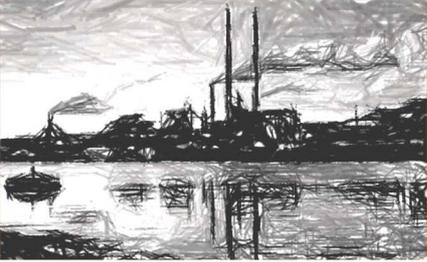
23.04.2014: **Flash PMIs (manufacturing)**: slightly rising for **China** and the **US**, stable for the **euro zone**

24.04.2014: **ifo business climate**: almost unchanged, but third consecutive decrease of expectations

29.04.2014: **Economic Sentiment** (euro zone): stable

Table of the April 2014 results for the euro zone economy

Euro area	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	
Overall Index	9.3	8.0	11.9	13.3	13.9	14.1	Highest since April 2011
Headline Index							
- Current situation	-3.3	-6.3	-0.8	1.8	4.8	5.8	Highest since July 2011
- Expectations	22.8	23.3	25.3	25.5	23.5	22.8	



Commentary on the survey results for April 2014

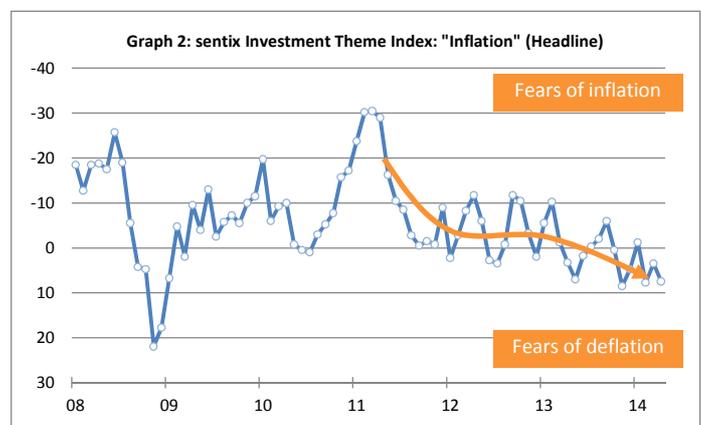
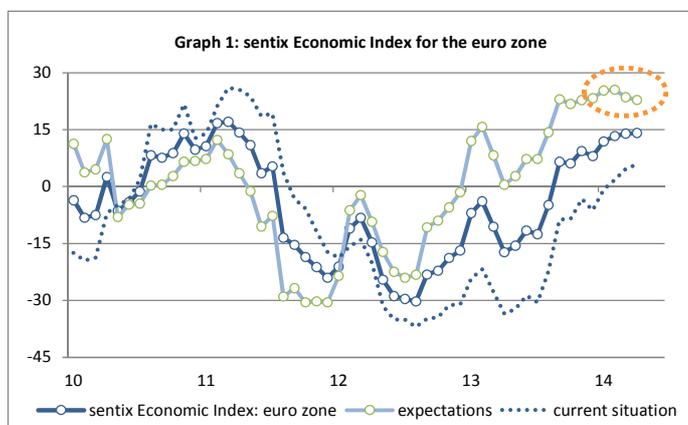
German economy loses steam

The sentix economic index (composite index) for Germany falls in April for the third time in a row. While 6-month-expectations have been dragging down the indicator over the past months, it is now also the assessment of the current situation which is not lending support to the composite index anymore. The German economy thus loses steam. The big question now is how the euro-zone economy will react to this. Still, it is looking robust: The composite index for the euro area increases, once more, slightly. But expectations are down a little for the second consecutive month.

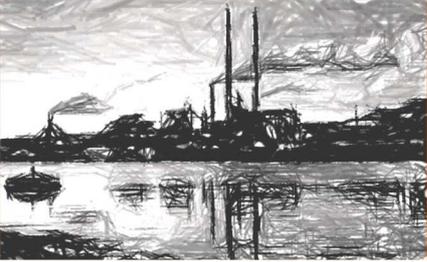
For the rest of the world sentiment is improving slightly in April. Investors are again more upbeat for the emerging-markets regions after last month's Crimean crisis shock. Also do they see improvements for the US. But sorrows are growing for Japan: Here, the composite index falls markedly for the third time in a row. 6-month-expectations for Japan's economy have now reached a level last seen in November 2012. That was exactly the time when the so-called "Abenomics" started to take effects on investors' confidence. Their positive impact has obviously faded now.

Euro zone – Change in driving forces

Since the beginning of the debt crisis in 2009, **Germany** has been the **growth engine for the euro zone**. Now, the **sentix economic index for Germany falls for the third time in a row while the index for the euro area manages to, once again, rise slightly to 14.1 points from 13.9**. This shows that a **change of economic driving forces is under way in the euro area**. But it seems questionable if the monetary union can afford to lose its German locomotive at the current juncture already. A look at the global level, as measured by the sentix economic index for the global aggregate, is more or less reassuring. But the renewed decrease of the 6-month-expectations for the euro area's economy shows (see graph 1) that the situation has become more fragile. Furthermore, fears of deflation persist. Mario Draghi, president of the European Central Bank, has even focused on them during his press conference last week. Here, too, the situation is not clear cut: yes, **investors' deflation fears have increased this month**, according the sentix Investment Theme Index (see graph 2), **but, no, their fears have not reach new extremes**. They were, for instance, higher in February and in November.



Annotation: sentix Investment Theme Indices are conceived for bond markets. A higher reading of any of the indicator family's indices means that more investors expect the theme (here: inflation) to have a positive impact on bond prices over the coming weeks. And as inflation usually has a negative influence on bond prices, we have chosen an inverted depiction of our indicator in graph 2. As such it serves a good measure of investors' inflation expectations.



Germany – Losing steam

The German economy loses steam. 6-month-expectations have been hinting at it already in the previous months, but now it is also the assessment of the current situation which shows some weakness. Quite obviously, the Germany is not the driver of the euro-zone's economy anymore. The question is now if the rest of the euro countries will be able to make up for these decreasing German dynamics in order to successfully cope with their structural changes (see also above). **But for Germany itself, the sentix indices still point to a solid boom at the current juncture.**

Germany	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	
Overall Index	30.2	32.1	32.4	31.5	30.7	28.9	Lowest since October 13
Headline Index							
- Current situation	41.1	42.3	43.9	44.3	45.1	44.7	
- Expectations	19.9	22.3	21.4	19.4	17.1	14.1	Lowest since August 13

US – Extremely robust

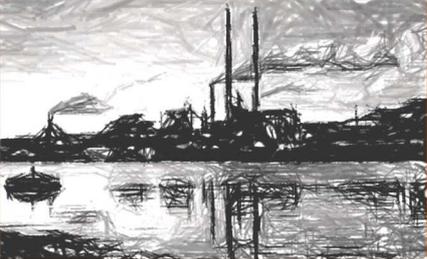
The composite index is enormously robust for the US. After the winter distortions (which also had their impact on the official statistics), the index now displays again a reading close to its January level. That was when the index had reached almost a 10-year high. **Thus, investors still think that the US economy is in excellent shape.**

USA	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	
Overall Index	16.2	26.5	28.8	26.6	26.0	27.4	
Headline Index							
- Current situation	19.5	30.0	35.0	34.5	33.3	34.8	
- Expectations	13.0	23.0	22.8	19.0	19.0	20.3	

Japan – Falling down

For Japan, the composite index falls for the third month in a row. But in contrast to Germany where this phenomenon can be observed, too, the Japanese index is falling fast. Also, the level it displays is much lower. Furthermore, **expectations are at their lowest since November 2012.** That was the time when “Abenomics” began to have an effect on investors' confidence. **But, now that the Japanese VAT had been raised, “Abenomics” have lost most of their lustre.** Thus, at the current juncture one cannot hope for positive impulses from Japan for the global economy anymore. On the contrary, **one has to closely watch if Nippon could become a major drag in the months ahead.**

Japan	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	
Overall Index	15.4	18.7	18.9	12.2	10.2	6.7	Lowest since April 13
Headline Index							
- Current situation	16.8	18.0	21.5	16.0	11.3	7.8	Lowest since June 13
- Expectations	14.0	19.5	16.3	8.5	9.3	5.8	Lowest since November 12



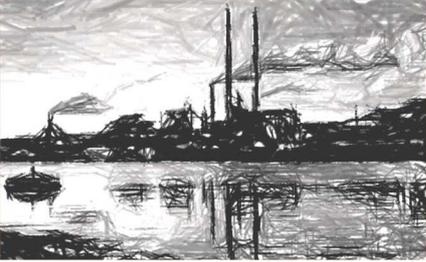
Emerging Markets – Sigh of relief

After months of an increasing number of question marks behind the emerging-markets economies, **April** now brings a **sigh of relief**. This is, on the one hand, due to the **Crimean crisis** which is **not featuring the headlines** so prominently anymore as last month. On the other hand, it is because investors' **sentiment is rising for Latin America** – be that in the absence of negative news or in joyful anticipation of the big football event in Brazil this summer. For **Asia ex Japan**, the composite index almost remains unchanged. The positive news is here that 6-month-expectations are improving **which gives hope that the Chinese economy will finally regain momentum in the coming months**.

Asia ex Japan	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
Overall Index	23.0	26.0	21.6	13.9	16.0	15.7
Headline Index						
- Current situation	26.5	29.3	23.0	16.0	19.3	17.0
- Expectations	19.5	22.8	20.3	11.8	12.8	14.5

Eastern Europe	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
Overall Index	8.2	7.7	9.1	2.8	-4.8	-2.0
Headline Index						
- Current situation	4.0	1.8	3.8	-2.8	-9.5	-7.8
- Expectations	12.5	13.8	14.5	8.5	0.0	4.0

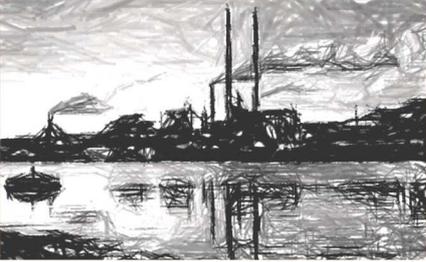
Latin America	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
Overall Index	4.8	3.6	5.9	-5.9	-1.8	0.6
Headline Index						
- Current situation	0.3	-3.0	-1.3	-12.5	-8.0	-6.3
- Expectations	9.5	10.5	13.3	1.0	4.5	7.8



Global Aggregate – Continued stability

The composite index for the global aggregate rises slightly in April. 6-month-expectations increase which is positive. But as the developments stay quite heterogeneous on the country and regional level, many question marks remain. This month it is the Japanese index which casts a shadow. At the same time emerging markets are sending signs of life again while the US and euro-zone indices show robustness. **In short: at least one more sentix economic index will be needed to see if the global economy will really get out of the current tight spot...**

Global Aggregate	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
Overall Index	15.4	18.9	19.2	14.5	14.5	15.0
Headline Index						
- Current situation	14.3	17.0	18.1	14.3	14.8	14.7
- Expectations	16.5	20.8	20.4	14.7	14.2	15.2



Data availability

Bloomberg

FACTSET



Macrobond



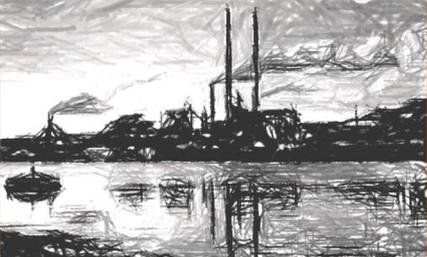
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expertise in behavioral finance

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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