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sentix economic index: Euro-zone expectations drop despite Draghi

- **The composite index for the euro zone drops markedly in June from 12.8 to now 8.5 points.** This setback is mainly driven by a falling assessment of the current situation. But 6-month-expectations also decrease.
- **In contrast, the German composite index recovers slightly.** It increases by 0.7 to now 28.8 points, a level quite similar to the one reached in April.
- **The composite index for the global aggregate increases markedly despite the weak outcome for the euro zone.** In June, investors' sentiment goes up strongly for the emerging-markets regions, but also the index for Japan increases for the first time since January.

Statistics

Poll running: **05.06.-07.06.2014**

Survey participants: **908**

(of which institutional investors: **213**)

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!

17.06.2014: **ZEW economic expectations** (Germany):
increase to around 37 points

23.06.2014: **Flash PMIs (manufacturing)**:
decrease for the **euro zone**, better for **China** and stable for the **US**

24.06.2014: **ifo business climate**:
slight increase

27.06.2014: **Economic Sentiment** (euro zone):
setback to around 101 points

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

Euro area	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	
Overall Index	11.9	13.3	13.9	14.1	12.8	8.5	Lowest since Dec. 2013
Headline Index							
- Current situation	-0.8	1.8	4.8	5.8	7.5	0.3	
- Expectations	25.3	25.5	23.5	22.8	18.3	17.0	Lowest since August 2013



Commentary on the survey results for June 2014

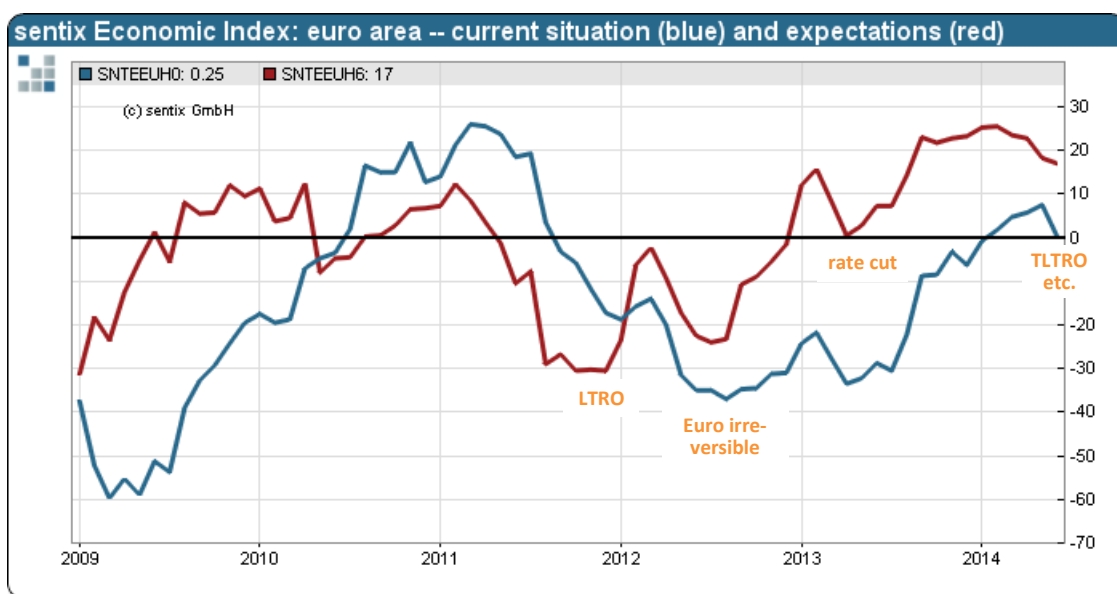
Euro-zone expectations drop despite Draghi

For the euro zone the sentix Economic Index (composite index) drops markedly in June. This is its second decrease in a row. Investors judge the current situation much worse than in the previous month, and their 6-month-expectations also decline.

The clear setback of the euro-zone index surprises as, in June, investors assess the economic conditions for the remaining world regions as better than before. It is mainly the emerging markets for which their sentiment brightens. The euro-zone indicators' decrease all the more comes as a surprise as the European Central Bank has just announced a whole package of new measures to push economic growth and inflation. But investors so far do not see this aspect of the ECB's policy while they do expect strong effects on the bond market, as complementary sentix data show.

Euro zone – No positive Draghi effect so far

In June, the sentix Economic Index for the euro zone falls for the second month in a row. It now stands at 8.5 after 12.8 points. The setback is especially pronounced for the assessment of the current situation which decreases from 7.5 to a mere 0.3 points. Obviously, investors are impressed by the latest weak economic data (gdp figures, early indicators), the low euro-zone inflation outcomes and the results of the European elections. Against the backdrop of this correction for the assessment of the current situation it is quite remarkable, that 6-month-expectations cannot improve. They even decrease for the fourth consecutive month and now stand at 17.0 after 18.3 points.



sentix Economic Index, euro zone: **assessment of the current situation (blue)**, **6-month expectations (red)**

The renewed setback in expectations is all the more noteworthy as the European Central Bank has just announced a whole package of additional measures in order to fight deflationary tendencies in the euro area. Interestingly, investors have already reacted on that. This can be seen when looking at the sentix Investment Theme Index for which data was collected along with the data for the sentix Economic Index (just after the ECB's press conference had closed). The indicators of this Investment Theme index family reveal that investors expect strong positive effects on



bond prices stemming from the new ECB measures. At the same time they do not come to the conclusion – at least so far – that the ECB's policy will also have positive effects on the euro-zone economy and inflation. But one has to be reminded that Mario Draghi's measures were not always understood fully just immediately after their announcements: After Draghi's euro commitment in July 2012 it took until September that expectations leap-frogged. After the interest rate cut in May 2013 expectations did not take off until August. And this time there is especially the ABS buying programme that has not been specified so far neither in quality nor in quantity. **Consequently, there is still room for investors' expectations to turn in the coming months against the backdrop of the fresh ECB measures.**

Germany – Not impressed by the euro zone

Although investors have become more skeptical for the euro area this month, the sentix Economic Index for Germany shows – for the first time since January – an improvement. It now stands at 28.8 points after 28.1 before. This is about April's reading. Investors are now a little more upbeat concerning the current situation of the German economy and its perspectives for the next six months, too. But, so far, this does not look as a new trend, **the slight increase of the indicator should rather be understood as a stabilization for the time being.**

Germany	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14
Overall Index	32.4	31.5	30.7	28.9	28.1	28.8
Headline Index						
- Current situation	43.9	44.3	45.1	44.7	46.8	47.5
- Expectations	21.4	19.4	17.1	14.1	10.8	11.5

Highest since August 11

Global Aggregate – Stronger in June, but only sideways since February

In May one got the impression that the sentix Economic Index for the global aggregate would definitely turn to the downside after looking more or less stable from February to April. But in June it is now bouncing. The index increases by 2.2 to now 14.9 points. That is approximately the level the index had reached in February. **To summarise: The neat improvement of the indicator this month looks more or less like a sideways movement since the beginning of the year.** But it is a remarkable increase if one takes into account that the negative development of the euro zone indicator weighs rather heavily on the global aggregate. **It is the emerging-markets regions for which investors become so much more optimistic for this month! Also, the downward trend in the economic index for Japan is stopped, at least this month.**

Global Aggregate	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14
Overall Index	19.2	14.5	14.5	15.0	12.7	14.9
Headline Index						
- Current situation	18.1	14.3	14.8	14.7	14.2	16.4
- Expectations	20.4	14.7	14.2	15.2	11.2	13.4



sentix Eco Report Indicators for the Global Economy

09. June 2014

More tables

USA	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14
Overall Index	28.8	26.6	26.0	27.4	24.5	25.0
Headline Index						
- Current situation	35.0	34.5	33.3	34.8	33.3	35.0
- Expectations	22.8	19.0	19.0	20.3	16.0	15.5

Lowest since
November 13

Japan	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14
Overall Index	18.9	12.2	10.2	6.7	2.2	4.2
Headline Index						
- Current situation	21.5	16.0	11.3	7.8	3.0	3.8
- Expectations	16.3	8.5	9.3	5.8	1.5	4.8

Asia ex Japan	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14
Overall Index	21.6	13.9	16.0	15.7	14.1	19.7
Headline Index						
- Current situation	23.0	16.0	19.3	17.0	17.5	24.0
- Expectations	20.3	11.8	12.8	14.5	10.8	15.5

Highest since
Dec. 13

Eastern Europe	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14
Overall Index	9.1	2.8	-4.8	-2.0	-6.2	1.1
Headline Index						
- Current situation	3.8	-2.8	-9.5	-7.8	-11.3	-3.8
- Expectations	14.5	8.5	0.0	4.0	-1.0	6.0

Latin America	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14
Overall Index	5.9	-5.9	-1.8	0.6	0.0	3.3
Headline Index						
- Current situation	-1.3	-12.5	-8.0	-6.3	-5.5	-1.0
- Expectations	13.3	1.0	4.5	7.8	5.8	7.8

Highest since
Nov. 13



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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