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sentix economic index: Global economic momentum helps the euro zone

- The composite index for the euro zone increases in July from 8.5 to 10.1 points. 6-month expectations improve slightly for the first time after four setbacks in a row.
- For Germany the composite index stands with 29.0 points at about the same level for the fourth consecutive month.
- In contrast, a marked development can be observed for the composite index of the global aggregate. **This index climbs by three to now 17.9 points which is its highest reading since January.** Drivers are investors' assessments regarding the **US, Asia ex Japan and Japan.** For the **US, the composite index even increases to its highest value since February 2004.**

Statistics

Poll running: **03.07.-05.07.2014**

Survey participants: **913**

(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!

15.07.2014: **ZEW economic expectations** (Germany):
slight increase

24.07.2014: **Flash PMIs (manufacturing):**
stabilisation for the **euro zone**, improvements for **China** and the **US**

25.07.2014: **ifo business climate:**
increase back to over 110 points

30.07.2014: **Economic Sentiment** (euro zone):
stabilisation at around 102 points

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

Euro area	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14
Overall Index	13.3	13.9	14.1	12.8	8.5	10.1
Headline Index						
- Current situation	1.8	4.8	5.8	7.5	0.3	2.3
- Expectations	25.5	23.5	22.8	18.3	17.0	18.3



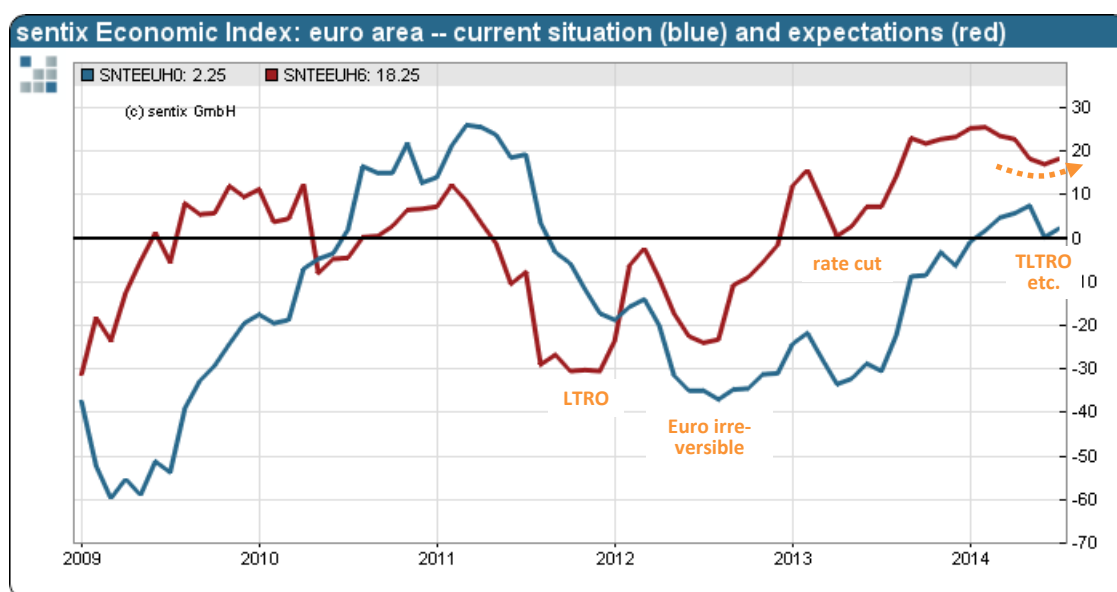
Commentary on the survey results for July 2014

Global economic momentum helps the euro zone

After having receded for two months in a row, the sentix economic index (composite index) for the euro zone increases again in July by 1.6 to now 10.1 points. On the one hand, investors assess the current economic situation as being better than last month. On the other hand, 6-month expectations also increase slightly after having weakened for four consecutive months. This stabilisation of expectations coincides with a European Central Bank taking new expansionary monetary measures. But a probably more important impact for the euro zone comes from the world economy as expectations improve even more strongly for the other regions in the survey. Positive developments are especially pronounced for the US and for Japan. This should also have had a positive influence on investors' judgments concerning the euro area, too. Consequently, the euro zone now seems to benefit from a stronger world economy, while it was itself a prominent motor of global growth until just a few months ago.

Euro zone – Desired stabilisation of expectations

The sentix economic index for the euro zone increases in July after two setbacks in a row. It now stands at 10.1 after 8.5. Investors' assessments of the current situation climb by two to now 2.3 points. Also, 6-month expectations improve slightly from 17.0 to 18.3 points. **After having decreased for four times in a row expectations are thus stabilising now.** This development occurs about one month after the announcement of the European Central Bank (ECB) to further expand its monetary policy. Having this in mind, the ECB has consequently reached a first stage in its new plan to reflate the euro zone economy: Mario Draghi and his colleagues have once more managed to stabilise investors' economic expectations (see graph) – this time, one has to add, also with the friendly help of the world economy. Currently expectations for the world economy show renewed positive dynamics (see section below on the sentix economic index for the global aggregate) which is also beneficial for the euro zone. **Furthermore, it seems well possible that expectations for the euro-area economy not only stabilise but even turn to the upside soon.** One reason for this is (as pointed out) the improving global environment. The other reason is that deflationary dangers are becoming smaller at the moment. This is, for instance, signaled by our sentix indicator referring to inflation expectations of bond market players (regularly collected in synch with the economic indicators). In July this index shows a clear relaxation of deflationary pressures.



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



Germany – Like a rock

The composite index for Germany remains – at an extraordinary high level – almost unchanged for the fourth month in a row. In July it stands at 29.0 points. But it is not only the composite index that shows currently no movement, it is also its components. **With this, Germany looks like a rock standing in the midst of a sea of global economic tides:** In May, when the index for the global aggregate fell markedly, this did not leave traces in the German index. And in the following two months during which the global index went up, the German index did not take notice either. **But should the remarkable development of better investors' assessments for the world economy continue, this should also have a positive impact on the old export champion Germany** – even if the domestic economy here now plays a more important role than in the years before the financial and European debt crisis.

Germany	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14
Overall Index	31.5	30.7	28.9	28.1	28.8	29.0
Headline Index						
- Current situation	44.3	45.1	44.7	46.8	47.5	47.5
- Expectations	19.4	17.1	14.1	10.8	11.5	11.8

Global Aggregate – Strong US, Asia with new momentum

Remarkable things are going on in the global aggregate. Here, the composite index increases by three points to now 17.9, its highest reading since January. Investors show an improvement of their assessments of the current economic situation. **They rate the state of the world economy as good as they last did in May 2011. On top of that, their 6-month expectations also increase!** Drivers are mainly investors' judgments regarding the US and the Japanese economies while the indices for the Emerging Markets regions also improve (see tables on next page). Against the backdrop of the recent excellent data on the US labour market, the assessment of the current situation for the US reaches its highest reading since May 2006. At the same time, 6-month expectations improve for the US, too (against the background of an unchanged monetary policy by the Fed). **As a result, the composite index for the US now stands at its highest since February 2004** (see again table on the following page)! Extraordinary developments can also be observed for Asia: indices climb for Japan while investors are successfully digesting this spring's VAT shock. In addition, assessments improve for Asia ex Japan, too, for the second month in a row. Fears of a slowdown in China thus seem to be exaggerated.

Global Aggregate	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	
Overall Index	14.5	14.5	15.0	12.7	14.9	17.9	Highest since January 2014
Headline Index							
- Current situation	14.3	14.8	14.7	14.2	16.4	19.0	Highest since May 2011
- Expectations	14.7	14.2	15.2	11.2	13.4	16.8	Highest since January 2014

Consequently, the accelerating global economic momentum is set to become a surprise factor for stock markets (positive) and bonds (negative). After the mixed news during the second quarter the “first mover” now sends a clearly positive signal in that direction.



sentix Eco Report

Indicators for the Global Economy

07. July 2014

More tables

USA	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	
Overall Index	26.6	26.0	27.4	24.5	25.0	29.3	Highest since February 2004
Headline Index							
- Current situation	34.5	33.3	34.8	33.3	35.0	38.5	Highest since May 2006
- Expectations	19.0	19.0	20.3	16.0	15.5	20.5	Highest since January 2014

Japan	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	
Overall Index	12.2	10.2	6.7	2.2	4.2	9.6	
Headline Index							
- Current situation	16.0	11.3	7.8	3.0	3.8	9.8	
- Expectations	8.5	9.3	5.8	1.5	4.8	9.5	Highest since January 2014

Asia ex Japan	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	
Overall Index	13.9	16.0	15.7	14.1	19.7	22.5	Highest since December 2013
Headline Index							
- Current situation	16.0	19.3	17.0	17.5	24.0	26.5	Highest since December 2013
- Expectations	11.8	12.8	14.5	10.8	15.5	18.5	Highest since January 2014

Eastern Europe	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	
Overall Index	2.8	-4.8	-2.0	-6.2	1.1	3.0	Highest since January 2014
Headline Index							
- Current situation	-2.8	-9.5	-7.8	-11.3	-3.8	-3.5	
- Expectations	8.5	0.0	4.0	-1.0	6.0	9.8	Highest since January 2014

Latin America	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	
Overall Index	-5.9	-1.8	0.6	0.0	3.3	4.9	Highest since January 2014
Headline Index							
- Current situation	-12.5	-8.0	-6.3	-5.5	-1.0	-0.5	Highest since November 2013
- Expectations	1.0	4.5	7.8	5.8	7.8	10.5	Highest since January 2014



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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