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sentix Economic Index: Turnaround?!

- In March, the sentix economic index for the eurozone fell significantly by 7.8 points to 24 points. Above all, expectations are clearly losing ground!
- One of the main reasons is the deterioration in Germany. Expectations here are now negative with -2.5 points and the boom threatens to turn into a downturn.
- But the international environment is also deteriorating. All regions are suffering significantly. The US expectations are close to zero. Trump's comments on punitive tariffs give investors a great deal of thought. An economic turnaround is in the air!

Statistics

Poll running: **March 1st to 3rd, 2018**

Survey participants: **1,029 investors**

(**262** of those are institutional investors)

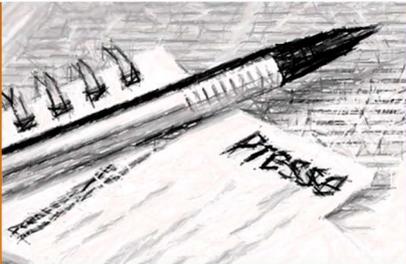
Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
Eurozone	boom	USA	boom
Germany	slowdown	Japan	boom
Switzerland	boom	Asia ex-Japan	boom
Austria	boom	Latin America	boom
Eastern Europe	boom	Global Aggregate	boom

* The regimes – ranging from recession to boom – are derived from the sentix Economic Indices according to the principle of the “economy clock” (see annotation on penultimate page). They reflect investors’ perceptions of different economies. These perceptions are the basis for investors’ behaviour, i.e. their asset allocation, and are thus relevant for financial markets. They are historically close to actual economic activities but need not necessarily be identical.

Results for the Eurozone economy: **March 2018**

Euro area	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Overall Index	29.7	34.0	31.1	32.9	31.9	24.0
Headline Index						
- Current situation	41.8	45.8	46.5	48.0	49.5	45.8
- Expectations	18.3	22.8	16.8	18.8	15.5	4.3



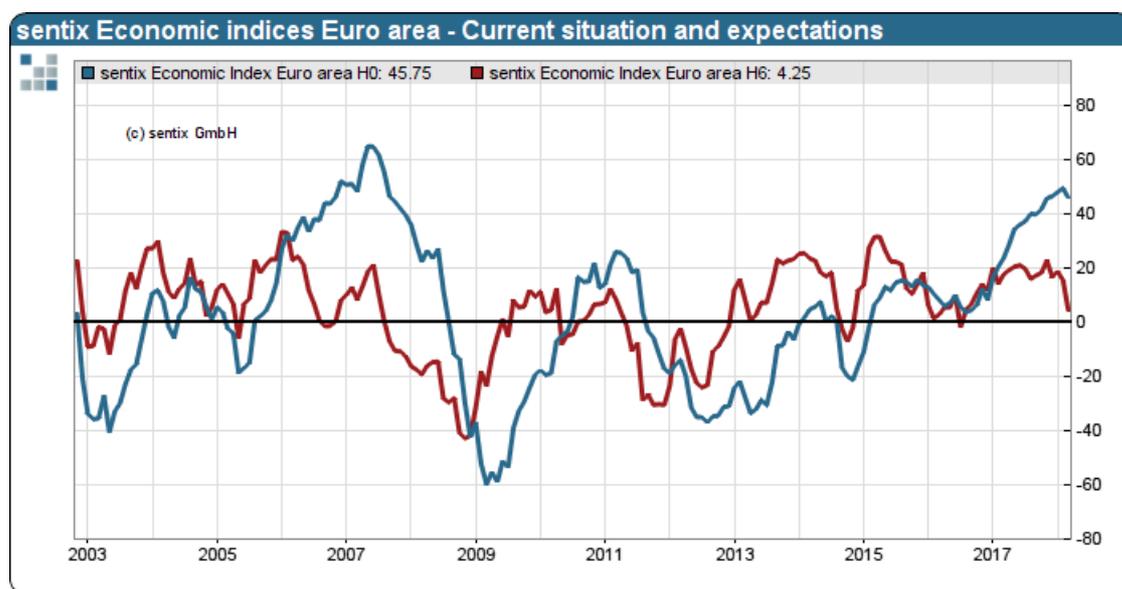
Commentary on the survey results for March 2018

Turnaround?!

U. S. President Donald Trump's comments that he wants to impose fines on certain products did not only alarm the EU Commission. Investors surveyed by sentix also react clearly. Economic expectations for all regions of the world are declining significantly. Expectations in the eurozone are losing more than 11 points. In Germany, which is already experiencing a weakening of the economy, we are even recording a negative expectation for the first time since February 2016. However, the expectation value for the USA is also falling by more than 10 points. A wake-up call for the US president to reconsider the matter of protectionism.

Euroland: German contagion effects

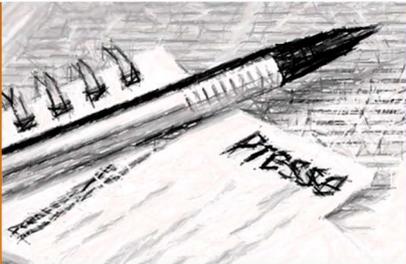
Is the good weather period in danger for the euro zone? This is indicated by the sentix economic indices, which are the first indicators to reflect the statements of the US president - first mover advantage! The overall index dropped by 7.8 points, and expectations fell by as much as 10.25 points. But the European economic barometer is not only affected by international developments. Developments in Germany are also giving cause for concern. A strong loss of momentum was already measurable last month, which points to a negative assessment of GroKo by investors. This trend continued in March.



sentix Economic Index for the Eurozone: **current situation** and **expectations**

On the one hand, these new economic question marks reduce the pressure on the ECB to tighten its monetary policy reins. Something that Mario Draghi does not favour at the moment anyway. The sentix theme barometers show slight increases and thus a decline in the bond market burden.

On the other hand, it is interesting to note that investors still perceive the influence of the central bank as a greater burden on the bond market. This is partly due to the statements made by the new FED President Jerome Powell, who sees the US key interest rates in a continuous raising process. On the other hand, investors see the central banks as "behind the curve" anyway. In the eyes of most investors, a more restrictive monetary policy has also been long overdue in Europe.



Germany: Turnaround

The German economic locomotive is starting to stammer. In addition to the minor charm that the new GroKo edition exudes on investors, the US president's protectionist speeches are now also included. Investors fear that all this will add up to a significant economic burden for Germany. Accordingly, we are measuring a negative expected value for the first time since February 2016!

Germany	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Overall Index	37.7	42.4	39.1	40.1	36.2	29.1
Headline Index						
- Current situation	65.3	71.8	71.0	72.3	71.5	65.8
- Expectations	13.0	16.3	11.0	11.8	5.5	-2.5

Lowest since 02.2016

USA: Trump's protectionist statements upset investors

The US President remains true to himself and works consistently on his "America first" agenda. After the tax reform, which was happily received by investors, the announcements of penalties look like a cold shower. As investors expect that such measures would not remain unanswered by their trading partners, expectations for the USA are also falling. Let's see if this makes an impression on Trump.

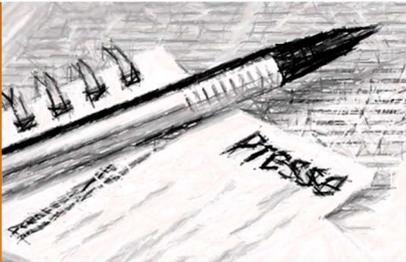
USA	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Overall Index	22.3	27.5	26.5	32.8	33.4	26.6
Headline Index						
- Current situation	41.0	48.8	50.5	56.5	58.5	56.0
- Expectations	5.0	8.0	4.8	11.3	10.8	0.5

Asia ex Japan: Not immune

Protectionism is likely to be one of the greatest threats to the global economy. All economic regions show declining expectations. Penalties and a possible trade war should only know losers. The Asian region is also wobbling in such a scenario, as the noticeable decline in expectations shows.

Asia ex Japan	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Overall Index	28.3	30.7	29.0	31.9	32.8	26.5
Headline Index						
- Current situation	38.5	41.8	41.8	44.8	47.5	44.5
- Expectations	18.5	20.3	17.0	19.8	19.0	9.8

Lowest since 07.2016



Further result tables

Switzerland	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Overall Index	26.1	30.4	28.8	35.8	28.6	23.0

Austria	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Overall Index	46.6	44.5	40.7	45.5	45.5	42.8

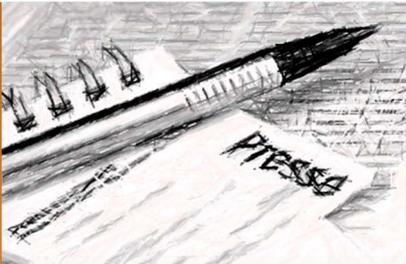
Japan	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Overall Index	22.9	27.3	26.2	29.4	28.3	22.0
Headline Index						
- Current situation	33.3	39.3	39.8	43.0	43.5	41.5
- Expectations	13.0	16.0	13.5	16.5	14.0	4.0

Eastern Europe	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Overall Index	15.4	17.7	17.9	20.3	21.9	16.2
Headline Index						
- Current situation	16.5	20.0	21.0	25.3	29.0	25.0
- Expectations	14.3	15.5	14.8	15.5	15.0	7.8

Latin America	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Overall Index	6.0	8.9	8.8	11.8	14.2	9.9
Headline Index						
- Current situation	-0.5	3.3	4.0	7.8	12.0	11.0
- Expectations	12.8	14.8	13.8	16.0	16.5	8.8

Global Aggregate	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Overall Index	23.6	27.3	26.0	29.5	30.0	23.5
Headline Index						
- Current situation	34.1	39.0	39.8	43.5	45.9	43.0
- Expectations	13.6	16.2	13.0	16.4	15.2	5.6

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Data availability

Bloomberg L.P.

FACTSET



Macrobond



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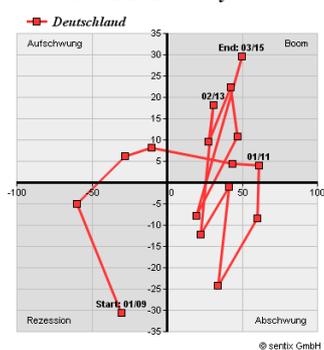
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Sentix is recognised in the industry as one of the leading experts in market sentiment and Behavioral Finance data. Among our clients are big fund managements groups as well as banks and independent fiduciaries. The data products are derived from the sentix Global Investor survey, to which more than 5.000 investors from 20+ countries contribute.

Background, methodology and more

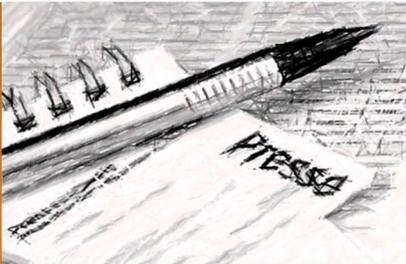
See <http://economics.sentix.de>

sentix -DE- Economy Clock



The idea of the „economy clock“

The sentix economy clock shows the assessment of the current situation and investors' 6-month expectations in an x-y diagram. The evaluation of the current situation is displayed on the x-axis and 6-month expectations on the y-axis. An upturn, for instance, is characterised by still negative readings for the assessment of the current situation but already positive values for investors' expectations. This is why the upturn area lies in the upper left part of the clock. The graph on the left-hand side shows Germany starting in 2009 from a recession ending in 03/15 in a boom.



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