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sentix Economic Index: Vote of no confidence against the GroKo

- The economic momentum in the euro zone is weakening somewhat. The overall index dropped by one point to 31.9 points in February.
- While the current situation remains strong, expectations are weakening slightly. This is particularly clear in Germany, the locomotive of the Euro zone economy.
- Internationally, the economy remains strong. The latecomers Eastern Europe and Latin America are clearly improving, and Asia ex Japan is also in good shape. The US can also improve again, as investors are increasingly considering the effects of the tax reform. Japan, on the other hand, shows a slight economic loss of momentum like Euroland.

Statistics

Poll running: **Feb. 1st to Feb. 3rd 2018**

Survey participants: **989 investors**

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

Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
Eurozone	boom	USA	boom
Germany	boom	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: February 2018

Euro area	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18
Overall Index	28.2	29.7	34.0	31.1	32.9	31.9
Headline Index						
- Current situation	39.8	41.8	45.8	46.5	48.0	49.5
- Expectations	17.3	18.3	22.8	16.8	18.8	15.5

Highest since
08.2007



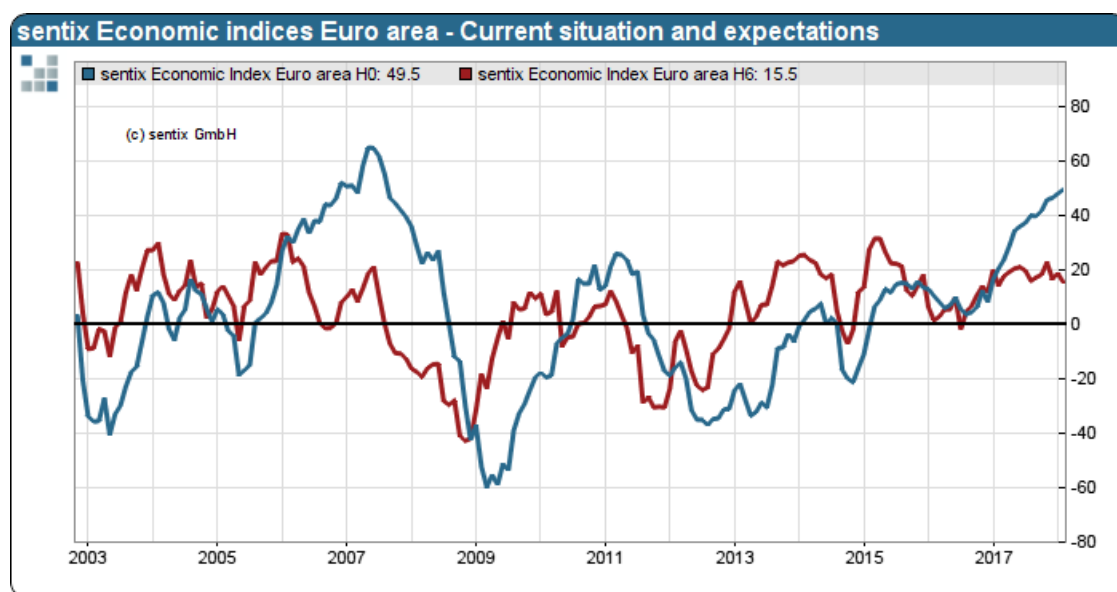
Commentary on the survey results for February 2018

Vote of no confidence against the GroKo

In February, economic momentum in the euro zone is weakening somewhat. The total index drops by one point to 31.9 points. While the situation may continue to improve, expectations have fallen to their lowest level since February 2017. Germany plays a major role in this process. The GroKo negotiations are not well received by investors. Expectations drop by more than 6 points! In the rest of the world, however, investors surveyed by sentix believe that the economic situation remains robust.

Euroland: Slight loss of momentum

In February, sentix's economic expectations for the euro zone are easing. Expectations have fallen by more than 3 points to their lowest level since February 2017, a slight loss of momentum due to developments in Germany, which we will take a closer look at later. By contrast, the euro zone's location indexes are rising for the fifth time in a row, reaching a level of 49.5 points. This is the best value since August 2007! The recovery process in the euro zone is thus continuing, although the first clouds are appearing in the blue economic sky.



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

Investors therefore expect bond markets to continue to suffer the adverse situation. The sentix thematic indices for the bond market are deteriorating again and on a broad front.

The overall index is down from -18.8 to -20, with the special feature that all sub-indices are falling. This means that both the general economic development, the inflation outlook, the handling of tax revenues, currency trends and ultimately also the central bank policy are bond market negative.

So, this will be exciting in the next few weeks: The investors see Draghi under pressure, but he is hesitating to hold back a restrictive price for as long as possible.



Germany: Vote of no confidence against the GroKo resolutions

The German economic index data stand out this month. Unfortunately, in a negative way. Economic expectations have dropped by more than 6 points to their lowest level since July 2016! The current situation, on the other hand, remains very high, which means that the economy is still booming. As expectations are falling so sharply only in Germany, the domestic factor "coalition negotiations" is likely to be the cause of the decline. The decisions that are urgent to the outside world leave an extremely negative aftertaste for investors.

Germany	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	
Overall Index	34.0	37.7	42.4	39.1	40.1	36.2	
Headline Index							
- Current situation	63.0	65.3	71.8	71.0	72.3	71.5	
- Expectations	8.3	13.0	16.3	11.0	11.8	5.5	Lowest since 07.2016

USA: Tax reform continues to create good mood

Investors are still celebrating the US tax reform, which has a strong stimulating effect on the economy. No wonder, as many employees are currently receiving a special payment from their employer. If we look at expectations, it becomes clear that many of the effects of the tax reform will have an impact above all in the first year and will have far less of an impact in the medium term.

USA	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	
Overall Index	17.1	22.3	27.5	26.5	32.8	33.4	
Headline Index							
- Current situation	35.8	41.0	48.8	50.5	56.5	58.5	Alltime High
- Expectations	0.0	5.0	8.0	4.8	11.3	10.8	

Latin America: The latecomer is catching up

The economic situation in Latin America continues to brighten at the beginning of the year. For the sixth time in a row (+4.2 points) the situation figures are rising to their highest level since May 2013, while expectations are also expected to rise slightly and reach their highest level since March 2013.

Latin America	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	
Overall Index	0.9	6.0	8.9	8.8	11.8	14.2	Highest since 03.2013
Headline Index							
- Current situation	-6.5	-0.5	3.3	4.0	7.8	12.0	Highest since 05.2013
- Expectations	8.5	12.8	14.8	13.8	16.0	16.5	Highest since 03.2013



Further result tables

Switzerland	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18
Overall Index	26.8	26.1	30.4	28.8	35.8	28.6
Austria	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18
Overall Index	40.8	46.6	44.5	40.7	45.5	45.5
Japan	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18
Overall Index	17.6	22.9	27.3	26.2	29.4	28.3
Headline Index						
- Current situation	28.0	33.3	39.3	39.8	43.0	43.5
- Expectations	7.8	13.0	16.0	13.5	16.5	14.0
Asia ex Japan	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18
Overall Index	24.7	28.3	30.7	29.0	31.9	32.8
Headline Index						
- Current situation	36.3	38.5	41.8	41.8	44.8	47.5
- Expectations	13.8	18.5	20.3	17.0	19.8	19.0
Eastern Europe	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18
Overall Index	11.2	15.4	17.7	17.9	20.3	21.9
Headline Index						
- Current situation	13.8	16.5	20.0	21.0	25.3	29.0
- Expectations	8.8	14.3	15.5	14.8	15.5	15.0
Global Aggregate	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18
Overall Index	19.7	23.6	27.3	26.0	29.5	30.0
Headline Index						
- Current situation	30.5	34.1	39.0	39.8	43.5	45.9
- Expectations	9.4	13.6	16.2	13.0	16.4	15.2



Data availability

Bloomberg

FACTSET



Macrobond



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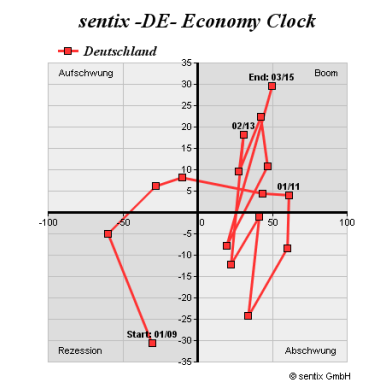
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The sentix GmbH is an independent research institute based in Frankfurt/Main, Germany. Founded in 2001, sentix provides analysts and investors, as well as the media and officials, with information about investors' preferences and their estimates and expectations about markets and economic trends.

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>



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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