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## sentix economic index: USA weak, euro zone robust

- **In October, the composite index for the euro zone drops slightly.** This move by -0.4 down to 6.1 points is to be seen as a stabilisation, given the enormous rise of the indicator in the past month.
- **Meanwhile, the composite index for the US takes a nose-dive.** Here, both the assessment of the current situation as well as the 6-month expectations take strong hits from the budget crisis.
- **But the US remain the only problem child this month. The composite indices for the emerging-markets regions rise strongly.** For Japan, optimism also continues to go up. **As a result, the index for the global aggregate gains ground for the third consecutive month and increases to a reading last seen in February.**

### Statistics

Poll running: **02.10.-05.10.2013**

Survey participants: **907**

(of which institutional investors: **221**)

## 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!

15.10.2013: **ZEW economic expectations (Germany):**  
stagnation at about 50 points

24.10.2013: **Flash PMIs (manufacturing):**  
clear increase for **China**, clear decrease for the **US**, and a slight increase for the **euro zone**

25.10.2013: **ifo business climate:**  
further increase, also in economic expectations

30.10.2013: **Economic Sentiment (euro zone):**  
rise to about 98 points

## Table of the **October 2013** results for the euro zone economy

Euro area	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13
<b>Overall Index</b>	-15.6	-11.6	-12.6	-4.9	6.5	6.1
<b>Headline Index</b>						
- Current situation	-32.3	-28.8	-30.5	-22.3	-8.8	-8.5
- Expectations	2.8	7.3	7.3	14.3	23.0	21.8

Highest since October 2011

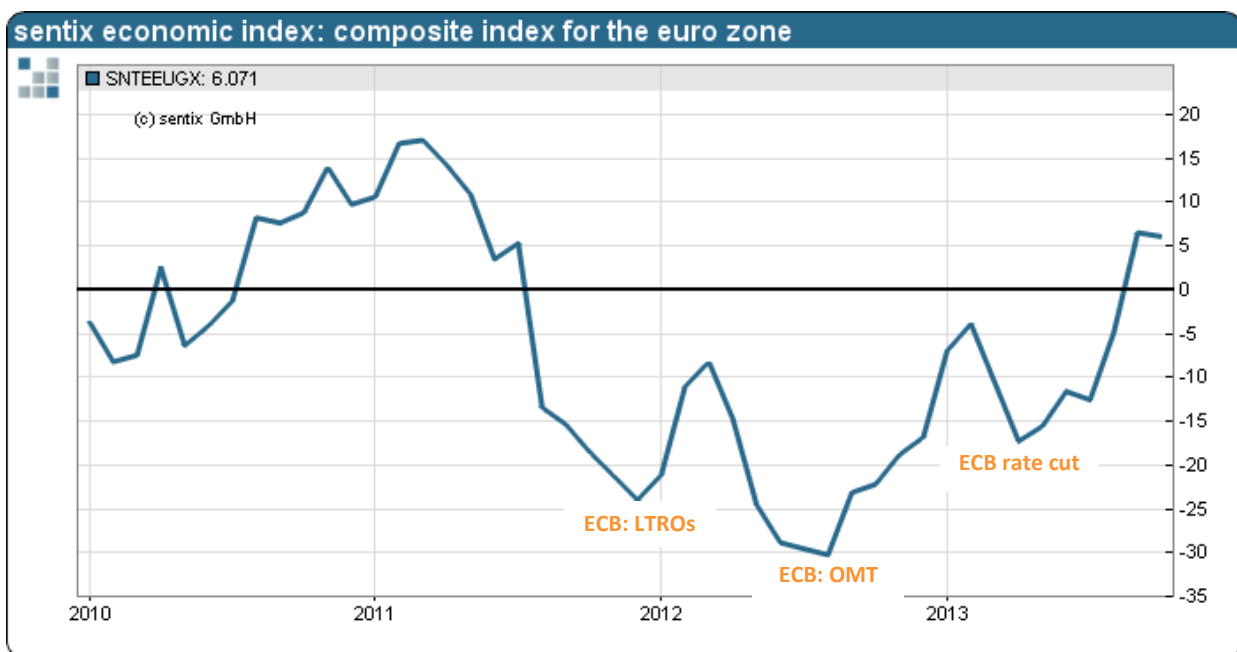


## Commentary on the survey results for October 2013

### USA weak, euro zone robust

In October, the composite index for the euro zone drops slightly. This move by -0.4 down to 6.1 points is to be seen as a stabilisation, given the enormous rise of the past month. Meanwhile, the composite index for the US takes a nose-dive. Here, both the current assessment of the economic situation as well as the 6-month expectations of the surveyed investors take strong hits from the budget crisis. But the US remain the only problem child this month. The composite indices for the emerging-markets regions rise strongly. For Japan, optimism also continues to go up. As a result, the composite index for the global aggregate is able to gain ground for the third consecutive month and increases to a reading last seen in February.

Last month, the composite index for the euro zone rose as strongly as only once before since its introduction in 2003. **After this near record-breaking leap, we now see a slight drop by 0.4 points in October, which should be interpreted as a stabilisation on what now is a healthy level.** After all, at 6.1 points, the index still stands above the zero-line. With this, euro zone GDP should have stabilised its year-over-year growth rate in the current quarter. A value of zero in the composite index shows that economic optimism and pessimism are in balance. This is the case when investors perceive 'normal' growth. Such normal growth should correspond with the expected long-term growth rate and currently lie at growth rate of around 1% year-over-year. The composite index is, however, slightly above the zero line, meaning that at the current juncture economic optimism dominates pessimism slightly. This is very positive for the euro zone as, by the way, investors once again assess the economic situation in October somewhat more favourably (-8.5 after -8.8 points). The marginal drop in the euro zone composite index is rooted in the 6-month expectations, which decrease slightly at a very high level (last reached in 2006) from 23.0 to 21.8 points.



sentix economic index (composite) for Euroland (and important ECB-decisions)

It would look even better for the euro zone were there not an internal brake block and an external burdening factor. The brake block is the uncertainty surrounding the new German government and its euro zone policies. It is to be expected that this new government will take on a euro zone-friendly course, but to what extent has to be seen when the current coalition negotiations are concluded. Then, new phantasies for the euro area may well once again lend wings to the sentix composite index.



**The burdening factor** comes from the other side of the Atlantic: the budget dispute in the US and the problems around the soon-to-be necessary raising of the debt ceiling have strongly increased uncertainties on an international level. The negative development of the US indices this month point in this direction (see next page)

## Germany –stable, too

**After the federal elections, the composite index for Germany remains stable at 28.3 points** (last month: 28.4). This development can also be observed in the two components of the composite index. The analysis here is very similar to the one for the euro zone: after a strong rise last month, the stagnation in October is to be interpreted as a **confirmation at a high level**. More may well have been possible for the German index without the two factors mentioned in the above analysis for the euro zone: uncertainty concerning the composition and the course of the new German government as well as the unclear political situation in the US (budget dispute, debt ceiling). Taking this into consideration, the data is to be seen positively, here, too.

Germany	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13
<b>Overall Index</b>	15.2	16.2	18.4	20.3	28.4	28.3
<b>Headline Index</b>						
- Current situation	24.8	24.5	27.7	30.1	39.6	39.7
- Expectations	6.0	8.3	9.5	10.9	17.7	17.3
<b>Institutional investor</b>						
- Current situation	25.5	25.4	29.7	31.4	40.9	41.1
- Expectations	9.6	14.3	15.0	16.3	22.9	21.7
<b>Individual investor</b>						
- Current situation	24.2	23.6	25.7	28.7	38.3	38.3
- Expectations	2.4	2.3	4.0	5.5	12.5	12.9

For the other German sentiment indicators, the **ZEW economic expectations** and the **ifo business climate**, respectively, a **stagnation** and a **slight rise** is to be expected for October, considering the development of the sentix indices. But as the ifo index has only very tentatively followed the strong upward movement of the sentix index last month, there remains the possibility of a strong ifo rise in October (catch-up effect).



## US – political farce puts a strain on investor votes

The political farce around the budget and the necessary raising of the debt ceiling leaves deep traces in the sentix economic index for the US: **the composite index moves downward against the general trend. And it even drops smartly by eight points to now 16.8 points.** Both, the assessment of the current situation and the 6-month expectations fall. In the light of the government shutdown, the drop is much more pronounced in the situational assessment (almost 10 points) than in expectations.

**Conclusion: USA weak – euro zone robust! When did we last see this constellation?**

USA	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13
<b>Overall Index</b>	16.0	18.2	22.1	25.0	24.8	16.8
<b>Headline Index</b>						
- Current situation	18.0	20.5	25.0	28.8	31.0	21.3
- Expectations	14.0	16.0	19.3	21.3	18.8	12.5

## Japan – hug thy neighbours

In October, investors have a completely different view of Japan than of the US. **The composite index rises by four to now 18.1 points and, with this, to its highest reading since July 2007.** Both, the assessment of the current situation as well as investor 6-month expectations increase. Besides the economic dynamic in Japan itself, investors will have recognized that the economies of the Asian trading partners have improved, again. This is an additional plus for Nippon this time around.

Japan	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	
<b>Overall Index</b>	7.3	8.4	12.3	14.5	14.1	18.1	Highest since July 2007
<b>Headline Index</b>							
- Current situation	0.3	3.5	9.0	11.8	15.0	18.0	Highest since August 2007
- Expectations	14.5	13.5	15.8	17.3	13.3	18.3	Highest since February 2013



## Emerging Markets – turnaround completed

After their prolonged period of weakness in the first half of 2013, the emerging-markets regions have now completed their positive trend turnaround. The composite index for all three regions – Asia ex Japan, Latin America and Eastern Europe – are clearly on the rise. The improvements this month are especially pronounced for Asia ex Japan and Latin America. While we observe the **third rise in a row** in the composite indices for **Asia ex Japan** and **Eastern Europe**, the same cannot be said for Latin America. Here, the composite index has been fluctuating strongly over the past months. But in October, the Latin American indicator now climbs the strongest by 7.2 points and thus significantly gains ground.

Asia ex Japan	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13
<b>Overall Index</b>	23.5	21.8	12.3	14.0	15.1	21.6
<b>Headline Index</b>						
- Current situation	31.0	29.3	17.3	16.0	16.0	23.0
- Expectations	16.3	14.5	7.5	12.0	14.3	20.3

Latin America	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13
<b>Overall Index</b>	12.7	8.2	-1.5	2.2	-1.5	5.7
<b>Headline Index</b>						
- Current situation	14.5	7.3	-5.0	-2.5	-8.8	0.0
- Expectations	11.0	9.3	2.0	7.0	6.0	11.5

Eastern Europe	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13
<b>Overall Index</b>	4.9	3.5	-2.1	2.2	3.9	6.7
<b>Headline Index</b>						
- Current situation	2.5	0.8	-6.5	-2.8	-1.5	1.8
- Expectations	7.3	6.3	2.5	7.3	9.5	11.8



## Global Aggregate – third rise in a row despite weaker US

**The composite index for the global aggregate rises for the third month in a row and leaves behind the infirmities of spring and summer.** This is all the more striking as the US index puts significant downward pressure on the global aggregate due to its hefty drop (by eight points) this month. But, surprisingly enough, this negative development is overcompensated by the strong rises in the indices for Japan and the three emerging-markets regions! **Should the situation in the US clear up, then the world economy would be in an excellent position, possibly as good as the one at the beginning of 2011!**

Global Aggregate	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	
Overall Index	10.8	11.2	8.2	11.8	13.8	14.7	Highest since February 2013
Headline Index							
- Current situation	9.8	10.1	6.1	9.0	11.8	12.7	
- Expectations	11.8	12.3	10.3	14.7	15.8	16.8	





## 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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