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sentix Economic Index: The Brexit dampens economic expectations







- The Brexit referendum in the UK hurts investors' expectations for Eurozone. Expectations plummeted from June's +10 points to -2 points in July which mark the lowest level since November 2014. At the same time, the headline index falls to +1.7 points.
- The US economy is not able to remain resilient. Economic expectations fall 4.5 points.
- Selected emerging markets display positive improvements, though. The process of stabilisation proceeds and Asia remains largely unaffected by the turmoil the UK caused.

Statistics

Poll running: **30-June to 02-July-2016**

Survey participants: **1056 investors**
(of those are institutional investors: **260**)

Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
 Eurozone	stagnation	 USA	upturn
 Germany	upturn	 Japan	downturn
 Switzerland	stagnation	Asia ex-Japan	slight upturn
 Austria	slight upturn	Latin America	stabilisation
Eastern Europe	downturn	Global Aggregate	slight upturn

* 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: July 2016

Euro area	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	
Overall Index	6.0	5.5	5.7	6.2	9.9	1.7	lowest level since January 2015
Headline Index							
- Current situation	10.5	8.3	6.0	7.0	9.8	5.5	lowest level since February 2015
- Expectations	1.5	2.8	5.5	5.5	10.0	-2.0	lowest level since November 2014



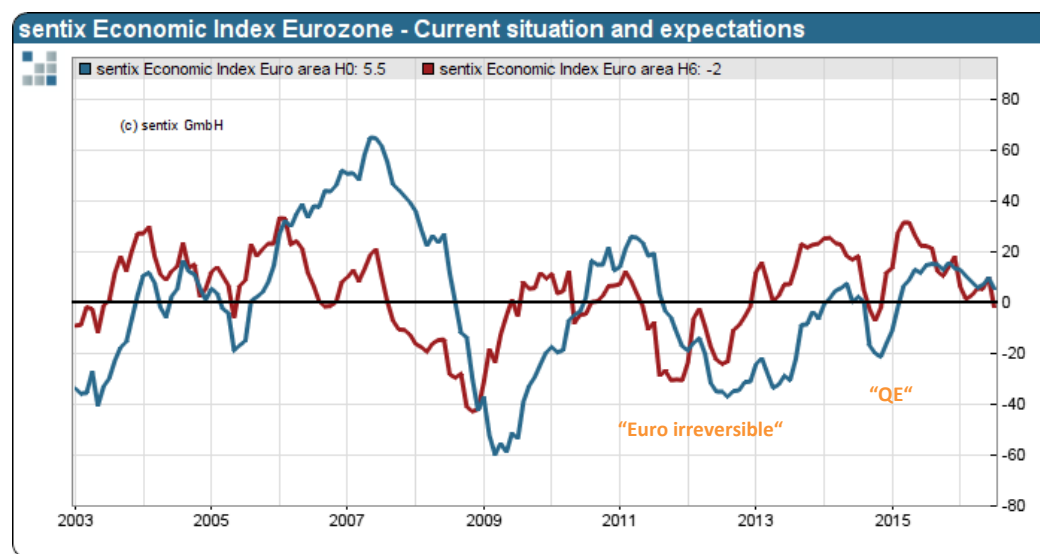
Commentary on the survey results for July 2016

The Brexit dampens economic expectations

The sentix economic survey is the first indicator of its kind to provide an indication whether UK's decision to leave the EU affects the economy of other world regions. Thereby, it turns out that the spring recovery of the sentix economic expectations for the Eurozone has abruptly halted. The British voters' verdict to depart the European Union should be a decisive reason for that. Besides Switzerland, the Eurozone is the biggest loser of the Brexit decision.

The Eurozone – the Brexit as spoilsport

The Brexit referendum in the UK at the end of June differently affects economic expectations of the various world regions. Investors clearly differentiate and believe the Eurozone to be the most adversely affected region, alongside the Swiss economy. Current situation values for the Eurozone drop 4.25 points back to +5.5 points. At the same time, economic expectations are hit far worse. After reaching +12 points in June, expectations collapse to -2 points in July. Which represents the lowest level since November 2014! The headline, on the other hand, falls 8.2 points to +1.7 points which as well marks the lowest level since January 2015.



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

The Eurozone is dangerously close to stagnation. The economic momentum has seriously suffered in 2016. Therefore, the ECB is confronted with newly emerging expectations. Especially institutional investors caused the sentix styles index for central bank policy to double from +15 points to +30.5 points. The index has reached the highest value since Mr Draghi launched the first round of QE in March 2015. Consequently, investors expect the central bank to relax the already extremely loose monetary policy even further. Even though financial markets have lately recovered from the direct shock relatively rapid, the economic fallout has yet to be weathered.

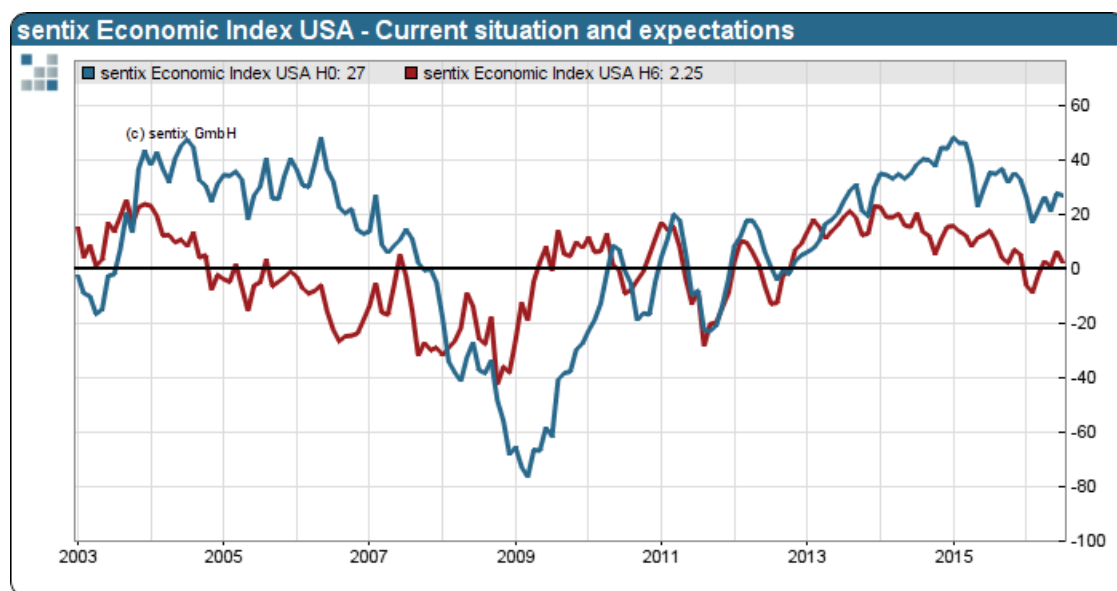
Political risks sparked off the Brexit decision are a heavy burden for the already battered Eurozone. The single currency zone has yet to prove its resilience to cope quickly with such a blow to the European project. In any case, the sentix euro-break up probabilities have increased.



USA – calling off the rate hike

Even the US economy shows signs of slowing economic momentum in July. Although that economic expectations have fallen less than in the Eurozone, a value of only +2.3 points is rather not a sign of a solid economic recovery. The FED might postpone plans for a second rate hike at the end of July, given the current macroeconomic situation. Based on investors perception, a rate hike would be the wrong message at the wrong time.

USA	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16
Overall Index	3.7	9.5	14.5	10.8	17.0	14.3
Headline Index						
- Current situation	17.0	21.8	26.8	21.3	27.8	27.0
- Expectations	-8.8	-2.0	3.0	0.8	6.8	2.3



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

Japan – firmly stuck at the bottom

In a sluggish market environment, it is not surprising that the index values for Japan keep firmly stuck at the bottom. Current situation as well as expectation values remain in negative territory and continue to points towards an economic slowdown. The merely -2.4-point decline of the headline index for the Japanese economy, however, is almost a sign of strength. After all, the Japanese currency, the Yen, has significantly appreciated in the recent weeks.

Japan	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16
Overall Index	-6.9	-6.3	-10.1	-13.8	-6.2	-8.6



The rest of the world – continued stabilisation in Latin America

The search for bright spots in this month's rather grim forecasts leads to the emerging markets. Especially Latin America excels. The headline index rises by +4.3 points against the trend and reaches -13.7 points; the highest reading since July 2015. The process of stabilisation proceeds and is backed by the recovery of the Brazilian currency. Therefore, it is unlikely that negative economic news divert attention away from the Olympic Games.

The region Asia ex. Japan looks relatively robust. Although, falling economic expectations negatively affect the headline index.

The large weights of the US and Eurozone economy in the global aggregate index burdens the global economy despite positive contributions of the emerging markets. The global headline index falls 2.4 points to +4.3 points. The economic engine continues to stutter.

Asia ex Japan	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16
Overall Index	-4.3	1.5	5.0	5.4	9.0	8.2
Headline Index						
- Current situation	-3.8	1.3	4.3	4.8	7.5	9.5
- Expectations	-4.8	1.8	5.8	6.0	10.5	7.0
Latin America	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16
Overall Index	-28.8	-23.4	-18.2	-15.7	-18.0	-13.7
Headline Index						
- Current situation	-45.3	-41.8	-36.0	-32.8	-36.8	-30.3
- Expectations	-10.5	-3.0	1.5	3.0	3.0	4.5
Global Aggregate	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16
Overall Index	-3.6	0.5	3.5	2.6	6.7	4.3
Headline Index						
- Current situation	-1.2	1.6	3.7	2.7	6.1	6.2
- Expectations	-5.9	-0.5	3.2	2.6	7.3	2.4

highest level
since July
2015

highest level
since August
2015

highest level
since May
2015





More tables

Germany	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16
Overall Index	14.5	16.9	17.6	18.3	20.7	18.4
Headline Index						
- Current situation	33.0	33.3	32.7	34.1	34.4	35.2
- Expectations	-2.6	1.7	3.4	3.5	7.9	2.7
Switzerland						
	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16
Overall Index	5.0	5.4	7.9	1.0	7.7	-0.9
Headline Index						
- Current situation	8.3	2.4	10.8	3.0	5.3	7.4
- Expectations	1.8	8.3	5.1	-1.1	10.1	-8.8
Austria						
	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16
Overall Index	6.2	13.1	7.1	-5.3	11.1	4.1
Headline Index						
- Current situation	-0.7	7.9	2.1	-1.4	6.6	1.0
- Expectations	13.3	18.6	12.1	-9.1	15.8	7.3
Eastern Europe						
	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16
Overall Index	-17.3	-12.8	-8.7	-7.8	-5.5	-7.3
Headline Index						
- Current situation	-24.3	-20.8	-17.5	-15.3	-14.3	-14.3
- Expectations	-10.0	-4.5	0.5	0.0	3.8	0.0



Data availability

Bloomberg

FACTSET



Macrobond



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expertise in behavioral finance

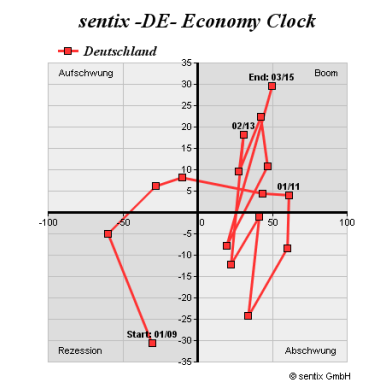
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The sentix GmbH is an independent research institute based in Frankfurt/Main, Germany. Founded in 2001, sentix provides analysts and investors, as well as the media and officials, with information about investors' preferences and their estimates and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