



sentix economic indices: Negative trend has been stopped for the time being

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Surveyed participants	more than 3.200 European investors, amongst these 730 professionals
Time period	06/30/2011 to 07/02/2011; participants: 922 investors
sentix abstract	Largest independent provider of sentiment indices and behaviourally oriented data in Europe. The data provide deep insights into the expectations and positioning as well as investment preferences of investors.
Methodology & index details	The methodology of the sentix economic index and explanations to index construction can be found <u>attached</u>.

Results for Euroland (historical data set attached):

Euroland	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11
Total index	16,7	17,1	14,2	10,9	3,5	5,3
Headline-Index						
Current situation	21,25	26,00	25,50	23,75	18,50	19,25
Economic expectations	12,25	8,50	3,50	-1,25	-10,50	-7,75
Individual sub-index						
Current situation	21,00	26,50	22,00	23,00	17,50	19,50
Economic expectations	12,00	9,50	5,00	2,00	-6,50	-4,00
Institutional sub-index						
Current situation	21,50	25,50	29,00	24,50	19,50	19,00
Economic expectations	12,50	7,50	2,00	-4,50	-14,50	-11,50

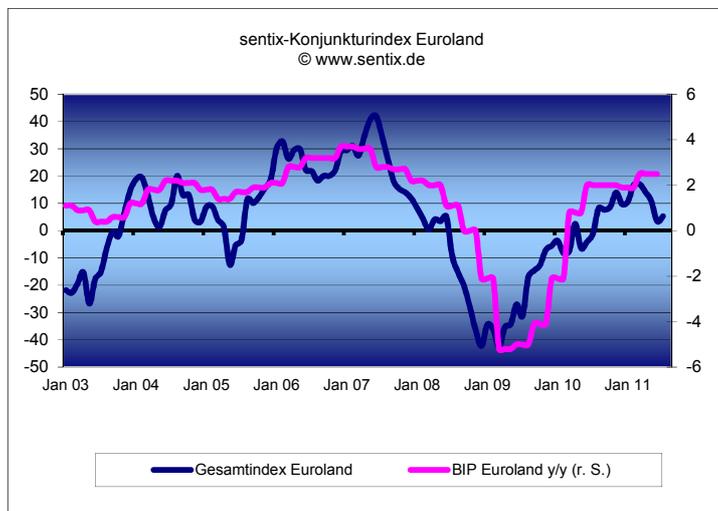
Headlines for July results:

- **The sentix total index for Euroland stops its nose-dive and shows a slight improvement of 1.8 points to 5.3 index points in July. The series of negative values which we had been measuring since April has been cut.**
- **Both sub-components are able to contribute to this improvement. Institutional investors remain more sceptical regarding the future than private investors.**
- **A stabilization can be seen in all six large economic world regions. Especially for the stricken economic expectations in Japan, gains are strongest at +6.75 points.**

Comments and Charts

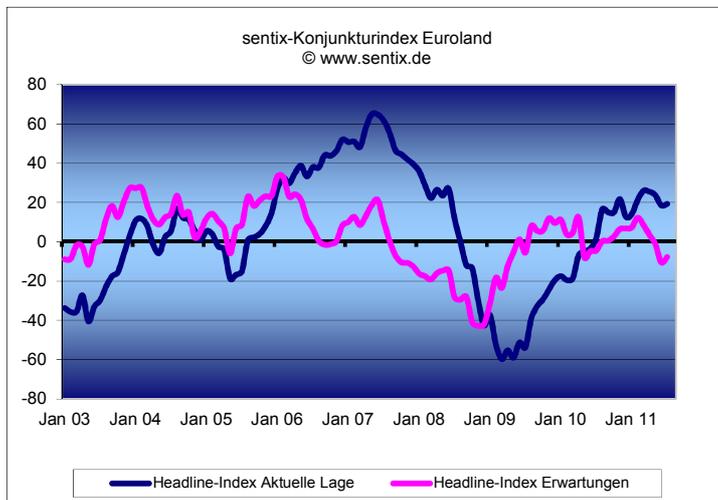
Negative trend has been stopped for the time being

The plus in the sentix economic index for Euroland of 1.8 points signals a certain relaxation after the first mover for Euroland had been falling continuously since April 2011. In all, the index had lost 13.60 points over the past 3 months and is now, thankfully, able to stop this negative trend. Both the component "current situation" and "economic expectations" were able to improve slightly. The last named shows, though, that we cannot give the all-clear yet, as it is still in a negative terrain with -7.75 points and, with this, points to a cooling off of the economy in Euroland. Therefore, the growth rates of the economy in Euroland should drop further although the danger of a sudden plummet seems to have been staved off for the time being. The following chart compares the sentix total index for Euroland with Euroland GDP.



"Current situation" remains high

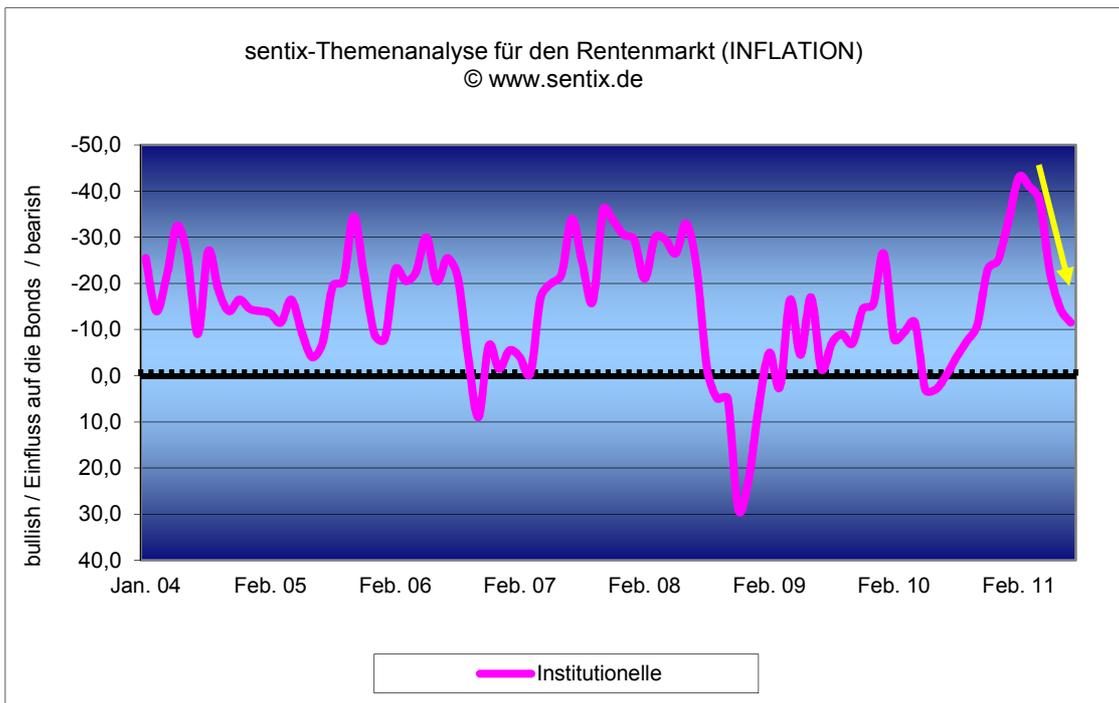
Only when the high index values for the current situation drop clearly would things become especially awkward for economic development. Then, after all, the gap between reduced expectations and the positive status quo would be closed, running parallel with weaker hard data from the real economy. But the index "current situation" (dark blue line) remains pleasantly high at +19.25 points and even has a comfortable head start of 27.25 points in a relative comparison to the assessment of the US economy (USA at -8.0 points)!



EU-emergency help supports, inflation expectations fall

The assessment of investors can also be traced back to the emergency package for Greece. No jubilation, but market participants recognize the efforts to save Greece, which implicitly relaxes the situation of all other stricken states. Investors had been watching the news very sensitively and had feared a spill over of the financial markets to the real economy.

Secondly, it seems that the corrected prices for commodities – above all the drop in crude oil – are perceived as a relief. The fear of inflation has dropped clearly from the hysterical values of February/March 2011. This should also take some pressure off the ECB to raise central rates all too clearly. Together with the continuously positive corporate news and the positive labour market, the index “current situation” remains continuously high.



The importance of the data not only for Euroland could be seen last week on the global level:

China PMI-development accurately pointed out

Our indication for purchase managers in China packed quite a punch. Last week, the June data for China was published. The drop did not surprise us much. With the new survey, we now have a new data point which should also take some pressure off July.

Asia ex Japan	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11
Total index	30,3	27,0	25,4	22,5	17,9	21,8
Headline-Index						
Current situation	55,25	52,00	44,00	45,00	38,50	44,25
Economic expectations	7,75	4,50	8,25	2,00	-1,00	1,50



PMI China and **sentix economic expectations for Asia ex Japan**, monthly data

● New sentix-data point for July, indication of slight relaxation

ISM Prices paid

Also, the price component of the ISM Prices paid was able to be accurately forecast via the sentix indication. The sentix topic barometer "inflation" has a head start on the index that describes corporate cost pressure. This index is of special importance for the US yield market and also signals a drop in inflation pressure. This trend has now been amplified once more in July!

ISM Prices paid and **sentix topic index inflation**, monthly data

● New sentix-data point for July continues to show relaxation



Japan surprises

The most positive news in the July data range comes from Japan. The total index improves clearly by 10.3 points and has caught up with the USA. This is based especially on a dynamic improvement of the current situation, but the component "economic expectations" has the strongest improvement of all world regions with +6.75 points. Investors are acting on the assumption that the worst has passed after the nuclear catastrophe of Fukushima and that we are heading for rosier times.

Japan	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11
Total index	6,2	6,1	-17,7	-14,7	-19,0	-8,7
Headline-Index						
Current situation	3,25	4,75	-26,50	-30,50	-36,00	-22,75
Economic expectations	9,25	7,50	-8,50	2,50	-0,25	6,50

This will please the Tankan, even if the newest data will only be published 3 months from now. In the meantime, the respective sentix indices are pointing the way ...



Tankan and **sentix**: situational assessment (above) and expectational component (below) for Japan



Data availability:

sentix economic index Euroland	Bloomberg Page: SNEI	Data stream	Ecowin
Total Index	SNTEEUGX		
Headline-Index current situation	SNTEEUH0	EMSXESN.R	ew:emu04991
Headline-Index expectations	SNTEEUH6	EMSXESF.R	ew:emu04992

Further information on index history, index calculation and about sentix can be found on the following pages.



Methodology of the sentix-economic indices

The **sentix-economic index** is a monthly survey of more than **3.200** (status of January 2011, value can change over time due to rise in numbers of participants) individual and institutional financial market participants on their assessment of the economic situation and further economic expectations over a time period of six months in – all in all – six regions. The following questions are surveyed:

Current situation: How do you assess the economy (measured according to the growth in GDP) in the following regions: Euroland, USA, Japan, Asia ex Japan, eastern Europe, Latin America. The possible answers are: very good, good, neutral, bad, very bad.

Expectational component: Starting from the current situation, will the economy (measured according to the growth in GDP) over the coming 6 months...: strongly improve, improve, remain the same, deteriorate, strongly deteriorate.

All in all, the sentix economic index is composed of 36 different indicators. For both individual and institutional investor groups, a situational and an expectational component are published for all six countries / regions. (**24 partial indicators**) Also, the respective situational and expectational components for each country are summarized in the so-called headline indices in which the answers of private and institutional investors are given the same weight, independent of the amount of answers given in each investor group.

6 world regions with 6 partial indexes: therefore, six indicators are available for each region. Two partial indicators, respectively, for the situational and the expectational component, divided into private and institutional investors, and the combined headline index.

Global aggregate: Of these 6 world regions, sentix calculates the sentix Global Aggregate H6 (expectations) and H0 (current situation). The weight of each region is dependent on its stake in global GDP.

Total indexes: For comparability with other leading indicators, (e.g. ifo) sentix calculates the partial indexes 'current situation' and 'expectational component' into a total index using the calculation methodology of the ifo business climate.

Calculation: The individual partial indicators are calculated as qualitative diffusion indicators and can fluctuate between -100 (very bad or strongly deteriorating) and +100 (very good or strongly improving). The neutral point is, in any case, at 0. For the current situation, this leads to an economic assessment that is neither positive nor negative. For the expectational component, however, a value of zero means an unchanged situation in comparison to the current situation.

Survey: The survey is internet-based and conducted on the Friday and Saturday before the respective publication date. In general, the index is published on Monday after the first Friday in the month at 10:30 a.m., securing that the results are available promptly. Indicators are not seasonally adjusted or revised.

Time series: Data has been surveyed regularly on a monthly basis since February 2003.

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Appendix – Extract of the data history of Headline Eurozone Indices since 2007

Total Index Eurozone		Headline Indices of current situation / expectations Eurozone			
Jan 07	29,5	Jan 07	50,75	10,00	
Feb 07	31,1	Feb 07	51,00	12,75	
Mrz 07	27,5	Mrz 07	48,25	8,50	
Apr 07	34,7	Apr 07	58,25	13,25	
Mai 07	40,8	Mai 07	65,00	18,75	
Jun 07	42,0	Jun 07	64,75	21,25	
Jul 07	34,7	Jul 07	61,75	10,50	
Aug 07	26,3	Aug 07	55,50	0,50	
Sep 07	18,1	Sep 07	46,50	-7,00	
Okt 07	15,3	Okt 07	44,50	-10,50	
Nov 07	14,0	Nov 07	42,00	-10,75	
Dez 07	11,9	Dez 07	39,50	-12,50	
Jan 08	8,2	Jan 08	36,00	-16,25	
Feb 08	4,3	Feb 08	28,75	-17,50	
Mrz 08	0,4	Mrz 08	22,25	-19,25	
Apr 08	4,1	Apr 08	26,50	-16,00	
Mai 08	3,5	Mai 08	23,50	-14,75	
Jun 08	5,2	Jun 08	27,00	-14,50	
Jul 08	-9,3	Jul 08	11,75	-28,25	
Aug 08	-15,3	Aug 08	0,00	-29,50	
Sep 08	-20,2	Sep 08	-12,00	-28,00	
Okt 08	-27,8	Okt 08	-13,50	-41,00	
Nov 08	-36,4	Nov 08	-29,75	-42,75	
Dez 08	-42,3	Dez 08	-42,50	-42,00	
Jan 09	-34,4	Jan 09	-37,25	-31,50	
Feb 09	-36,1	Feb 09	-52,25	-18,25	
Mrz 09	-42,7	Mrz 09	-59,75	-23,50	
Apr 09	-35,3	Apr 09	-55,25	-12,50	
Mai 09	-34,3	Mai 09	-59,00	-5,25	
Jun 09	-27,0	Jun 09	-51,25	1,25	
Jul 09	-31,3	Jul 09	-53,75	-5,50	
Aug 09	-17,0	Aug 09	-39,00	8,00	
Sep 09	-14,6	Sep 09	-32,75	5,50	
Okt 09	-12,6	Okt 09	-29,25	5,75	
Nov 09	-7,0	Nov 09	-24,25	12,00	
Dez 09	-5,5	Dez 09	-19,50	9,50	
Jan 10	-3,7	Jan 10	-17,50	11,25	
Feb 10	-8,2	Feb 10	-19,50	3,75	
Mrz 10	-7,5	Mrz 10	-18,75	4,50	
Apr 10	2,5	Apr 10	-7,00	12,50	
Mai 10	-6,4	Mai 10	-4,75	-8,00	
Jun 10	-4,1	Jun 10	-3,50	-4,75	
Jul 10	-1,3	Jul 10	2,00	-4,50	
Aug 10	8,2	Aug 10	16,50	0,25	
Sep 10	7,6	Sep 10	15,00	0,50	
Okt 10	8,8	Okt 10	15,00	2,75	
Nov 10	14,0	Nov 10	21,75	6,50	
Dez 10	9,7	Dez 10	12,75	6,75	
Jan 11	10,6	Jan 11	14,00	7,25	
Feb 11	16,7	Feb 11	21,25	12,25	
Mrz 11	17,1	Mrz 11	26,00	8,50	
Apr 11	14,2	Apr 11	25,50	3,50	
Mai 11	10,9	Mai 11	23,75	-1,25	
Jun 11	3,5	Jun 11	18,50	-10,50	
Jul 11	5,3	Jul 11	19,25	-7,75	

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