

# „Fewer surprises“ – How to use sentix and Behavioral Finance in Investing

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Zürich, 21.09.2010

Frankfurt, 22.09.2010

**sentix**   
expertise in behavioral finance



# Agenda

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- 1 sentix – Who we are and what we do
- 2 The relevance of Behavioral Finance
- 3 Basics in sentiment research
- 4 „Fewer surprises“- Case study 1: China-Comeback 2009
- 5 „Fewer surprises“ – Case study 2: Dollar-Comeback 2010
- 6 „Fewer surprises“ – Case study 3: The bond conundrum 2010
- 7 Discussion

## sentix – Who we are Facts and Figures

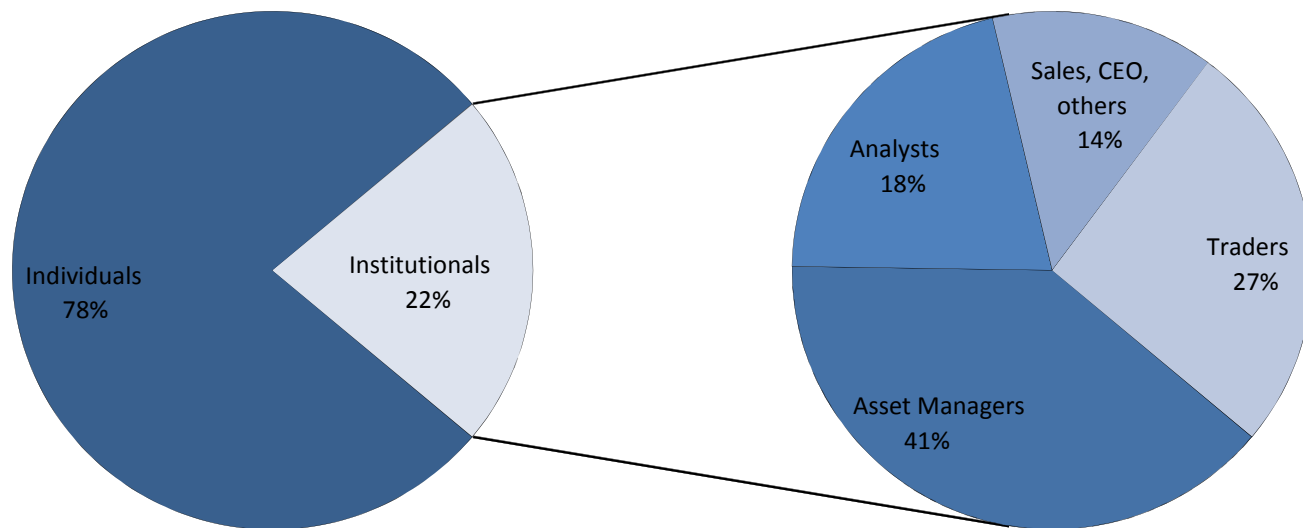
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The Group	Founded in 2001, sentix is one of the leading behavioral finance <b>consultants</b> in Europe.
sentix GmbH	The sentix GmbH runs the weekly <b>sentiment surveys</b> , vendors the <b>sentiment database</b> and publishes our <b>behavioral research</b> .
sentix Asset Management GmbH	The sentix AM <b>advises</b> institutional investors how to take advantage of BF in investing. Also we advise the management of <b>investment funds</b> . In Q4 we will launch the sentix Fonds 1 (Global Asset Allocation).
The survey	Meanwhile, more than 3.000 investors are registered with sentix, among them 700+ institutional investors. With 900 weekly responses sentix is a very representative source of investors' opinion.
Our clients	Traders, Analysts, Asset Managers, individual and other institutional clients take part in the survey, use our data and research or take gain of our expertise in their investments.

## An objective source of investors' opinion

More than 3.000 investors from 20+ countries are participating already

**sentix -Investors by group**



© sentix

Source: sentix

## sentix database Our indicator worldmap



# sentix on Bloomberg

## Online resources and backgrounds



SNTX<GO>

Sentix Behavioral Indices Main Menu

- 1) SNMS Market
- 2) SNTS Sector
- 3) SNPB Invest
- 4) SNTD Market
- 5) SNEI Econo
- 6) SNTF Sentim
- 7) Data
- 8) Request
- 9) About
- 10) Contact

sentix® - The Sentiment Database

- feel the markets! -

sentix

Strategists / TAA Portfolio Managers Economists Technical Analysts Academics Help

Quantify Emotions - sentix-behavioral indices

Sentiment and investor expectations play an important role in the financial markets. Now, it is getting easier to quantify these emotions. sentix - behavioral indices runs the largest database of sentiment indicators. This gives you an objective, comprehensive and up to date view of investor feelings and perceptions.

What others say about sentix

“The range of market surveys, which will be covered by the sentix, is unique in its breadth and depth in Europe, if not beyond.”  
(Michael Riesner, UBS)

Based on a vast panel of investors

Our data is based on the sentix Sentiment Surveys. More than 3,100 investors from over 20 different countries are registered for these surveys, making sentix the leading sentiment survey in the world. Amongst these are over 700 institutional investors - traders, portfolio managers, analysts etc. [Read more...](#)

A broad coverage of markets and styles

A timely and accurate picture of market sentiment and investor expectations

Available here and at Bloomberg

If you want to include Behavioral Finance aspects into your investment process, the sentix indices are the perfect solution.

<http://www.sentix-index.com>

# The relevance of Behavioral Finance

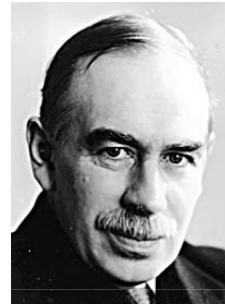
## As time goes by, markets stay the same

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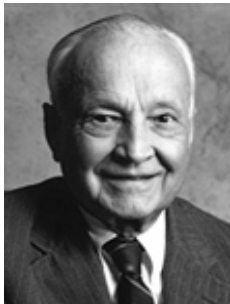
**André Kostolany**

„The market reacts only 10% on facts. Everything else is Psychology “



**John Maynard Keynes**

„It is nothing more disastrous than a rational investment strategy in an irrational world.“



**Sir John Templeton**

„It is not possible to gain unusual returns if you do the same as all other investors.“



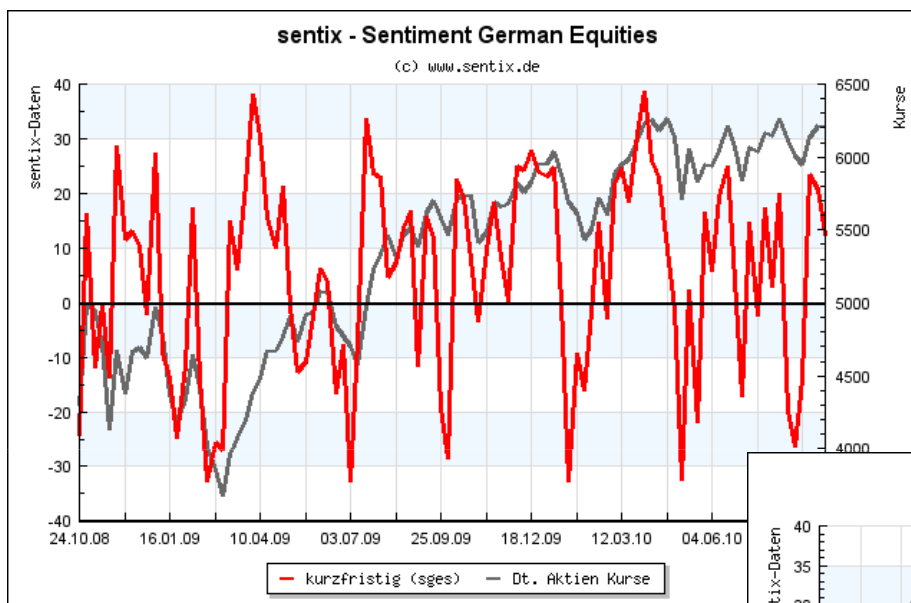
**Isaac Newton**

„I can calculate exactly how the planets move, but not how far stock prices can go up by irrational investors.“



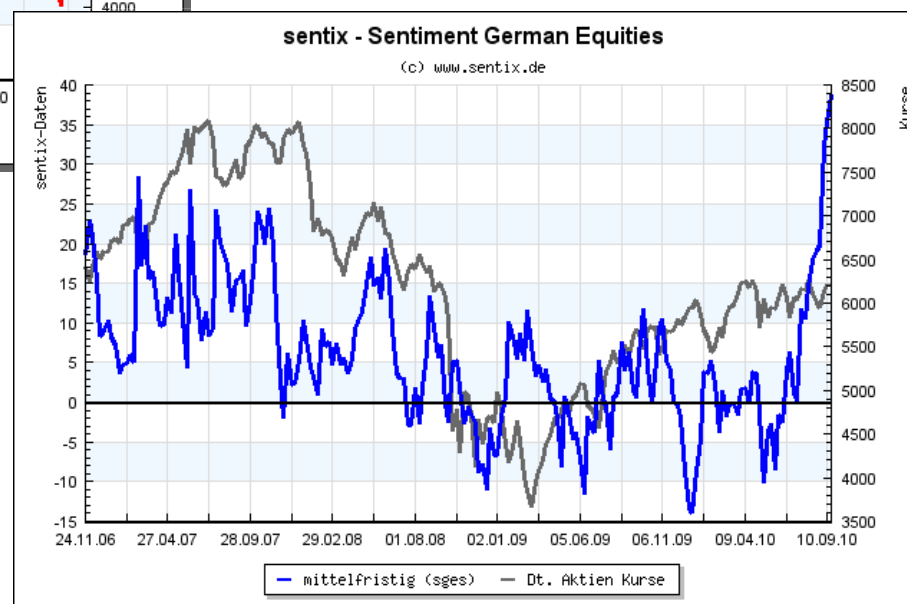
## Basics in sentiment research

### Short-term versus medium-term sentiment



Short-term sentiment fluctuates with prices. Negative extremes are usually good buying opportunities while optimism not necessarily is a negative.

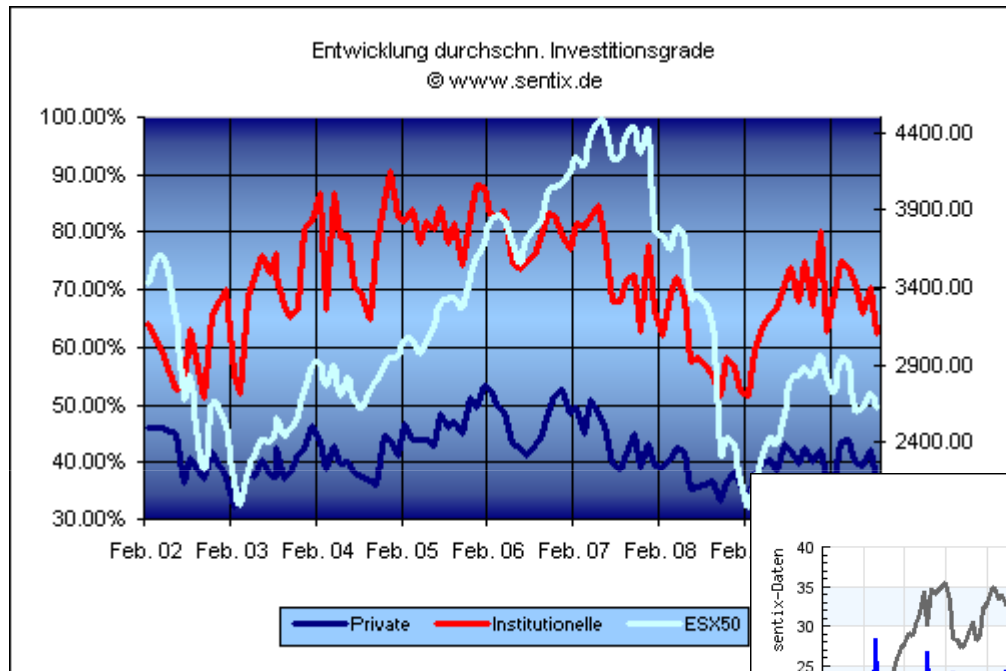
Medium-term sentiment exhibits a trending pattern, but more important reflects the perception of value of an asset. Current development is eye-catching – and a positive!





## Basics in sentiment research

### Sentiment versus positioning

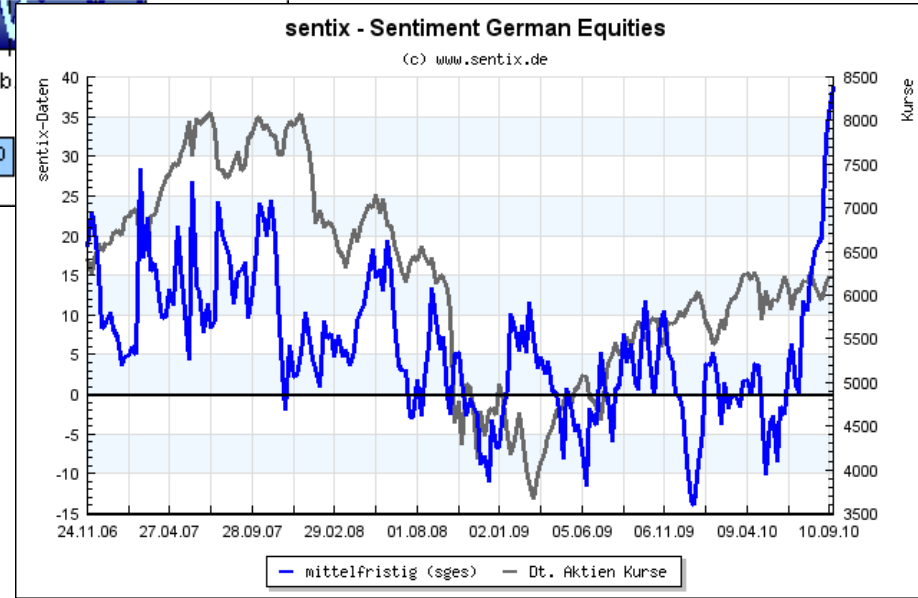


Even a perception of value does not mean that investors will increase their positions.

Whenever short-term fears or irritations arise, investors curb their exposure.

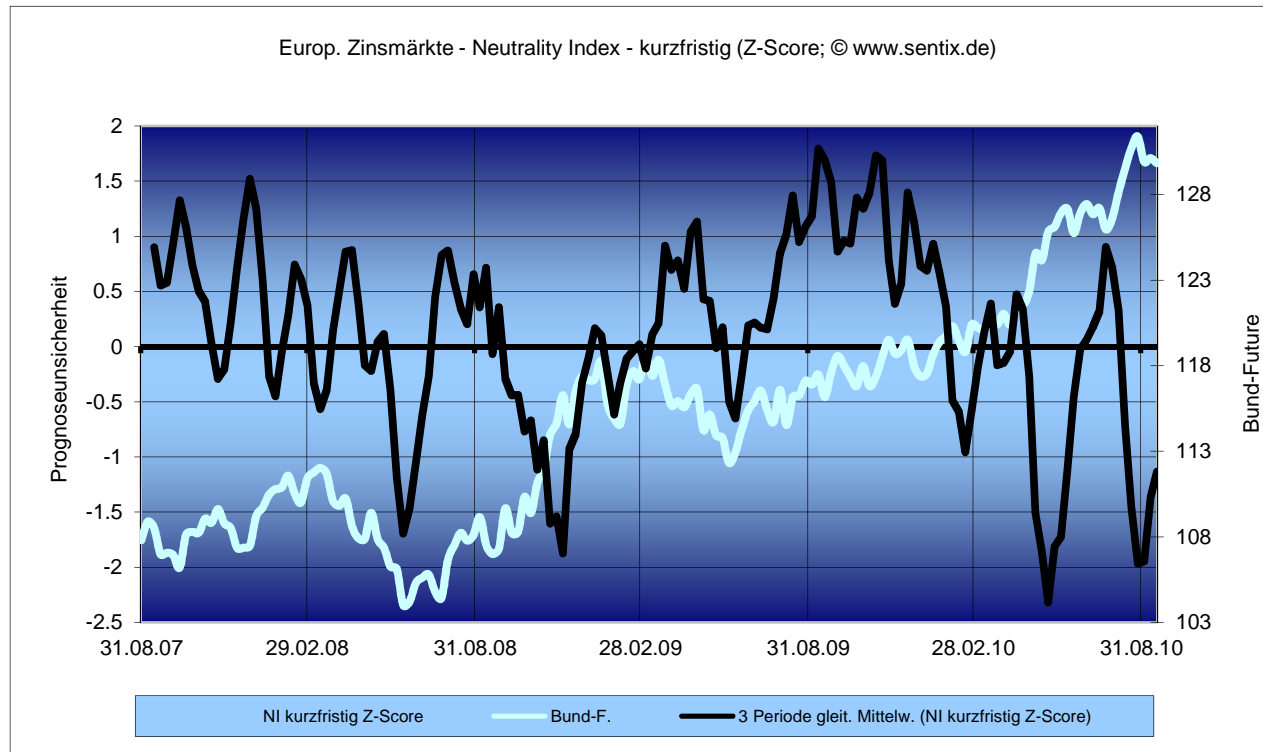
What will happen, if the equity market breaks to the upside?

Theory will have us to expect massive cognitive dissonance amongst investors ...



## Basics in sentiment research

### Neutrality counts



The black line represents the share of investors being neutral short-term. A high „neutrality“ means a lot of investors are irritated. Future volatility may rise as these irritated investors are searching for orientation and have to adjust positions. A low „neutrality“ means that the current is mature.

## Case Studies – „fewer surprises“

### How sentix and Behavioral Finance might help you

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Case 1:  
China  
„reloaded“

End of 2008, investors were deeply concerned about the future of China and Emerging Markets. No reason to invest here, right?

Case 2:  
Comeback of  
the US-  
Dollar 2010

End of 2009, the dollar was the perceived junk in the currency markets. Why invest, where the root of the financial crisis is?

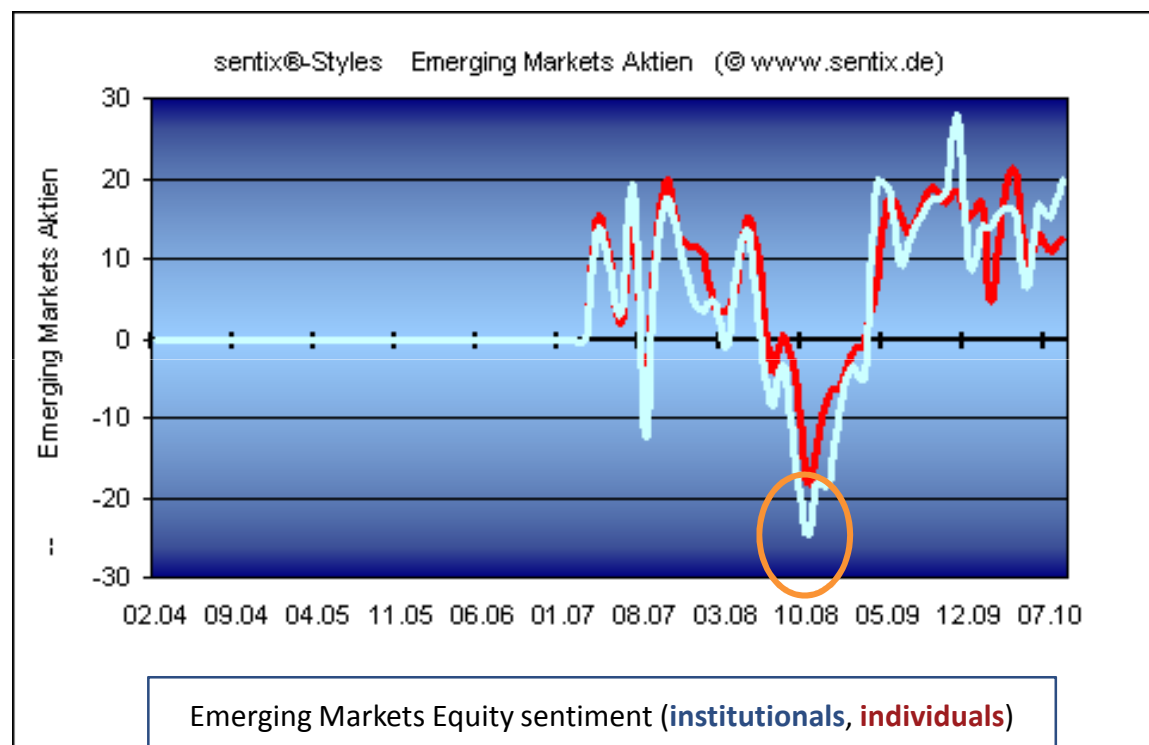
Case 3:  
The bond  
market  
conundrum  
2010

„The central banks are printing money – that must lead to inflation; stay away from bonds“. A very salient idea. Why should you risk your career in buying yield at these low levels?

## Case Study 1 – „China reloaded“

### Key fact: sentix Emerging Markets sentiment Equities

Ende of 2008, investors were very negative on China and Emerging Markets, but ...

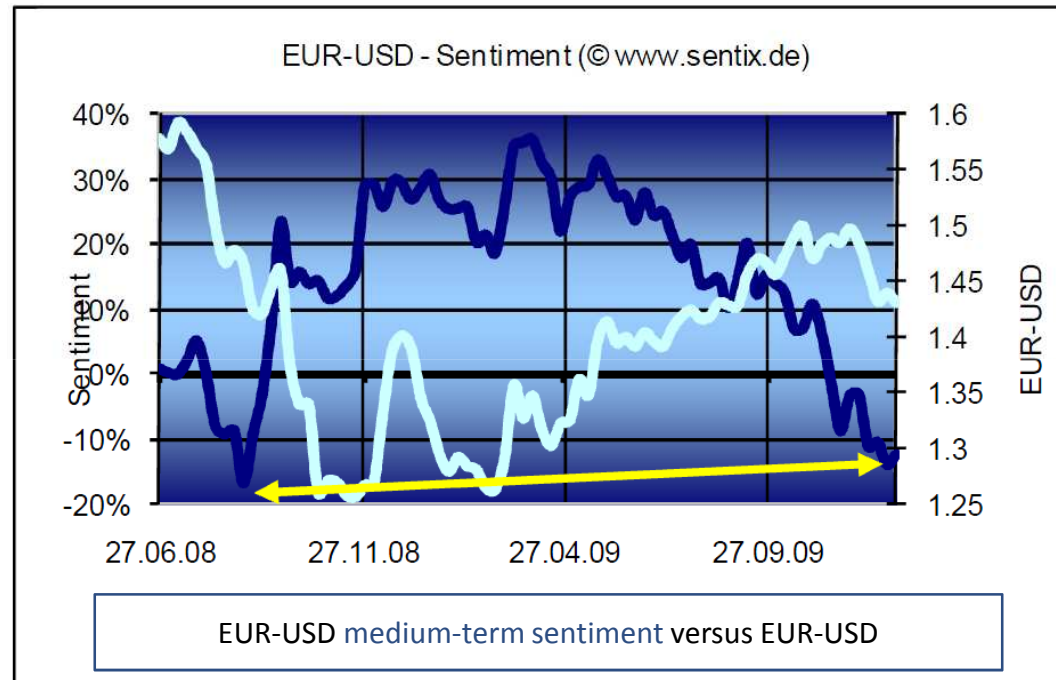


... relative strength of CSI300 versus SPX was already climbing ... China yield curve was steeper ... China is used to deal with the new „era of interventions“ ... Yuan-appreciation was stopped already ...

## Case Study 2 – „Comeback of the USD“

**Key fact: Media very negative, but medium-term sentiment improves**

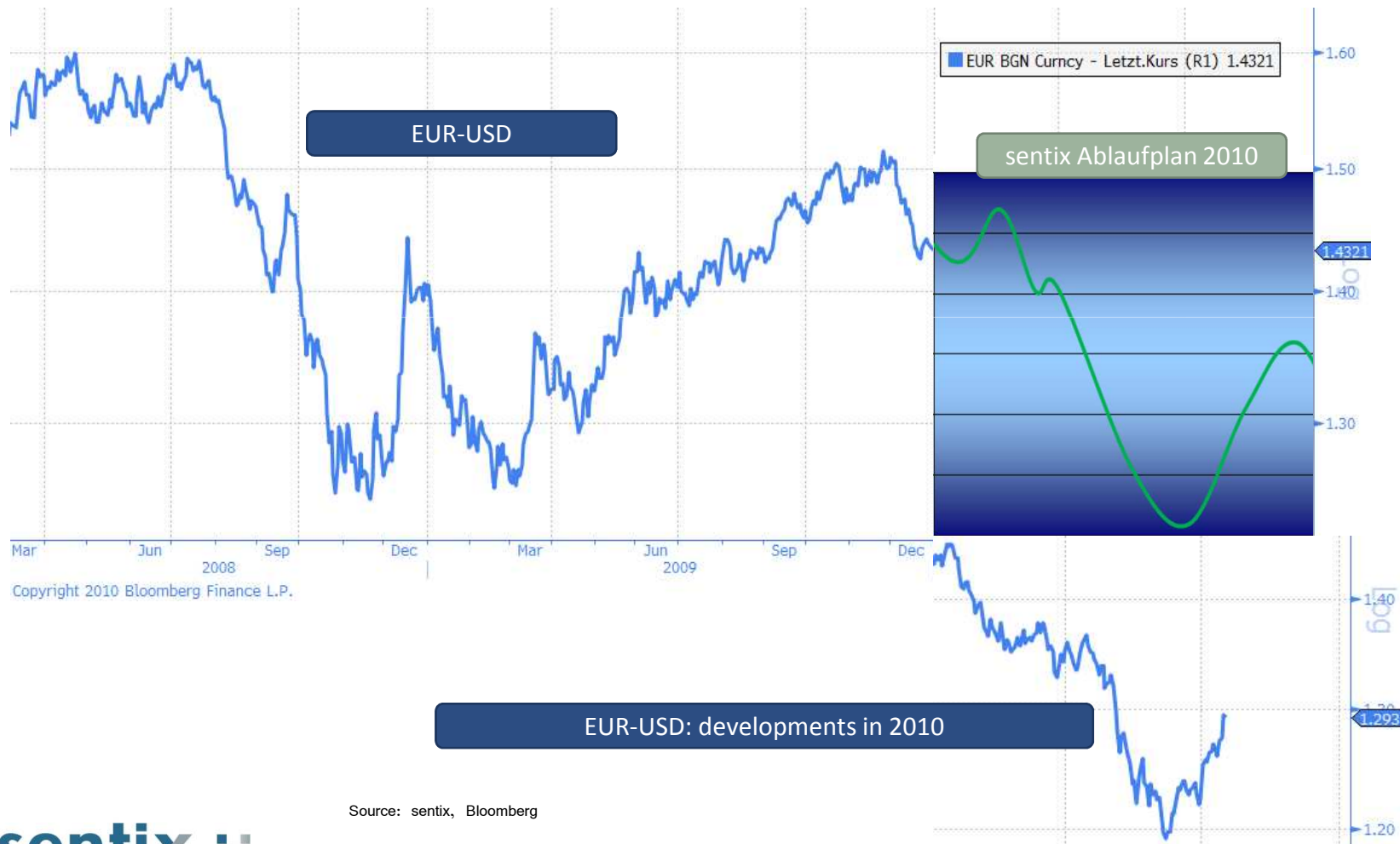
The media was very negative. A pro US-Dollar stance was against the norm and a career risk, but ...



... a medium-term sentiment pro USD shows that value was recognized ... the yield differentials as well as the technical trend have reversed already ... currencies a relative prices and not only the USD has problems ....

## Case Study 2 – „Comeback of the USD“ sentix EUR-USD forecast 31.12.2009

Based on our publication „yearly outlook 2010“

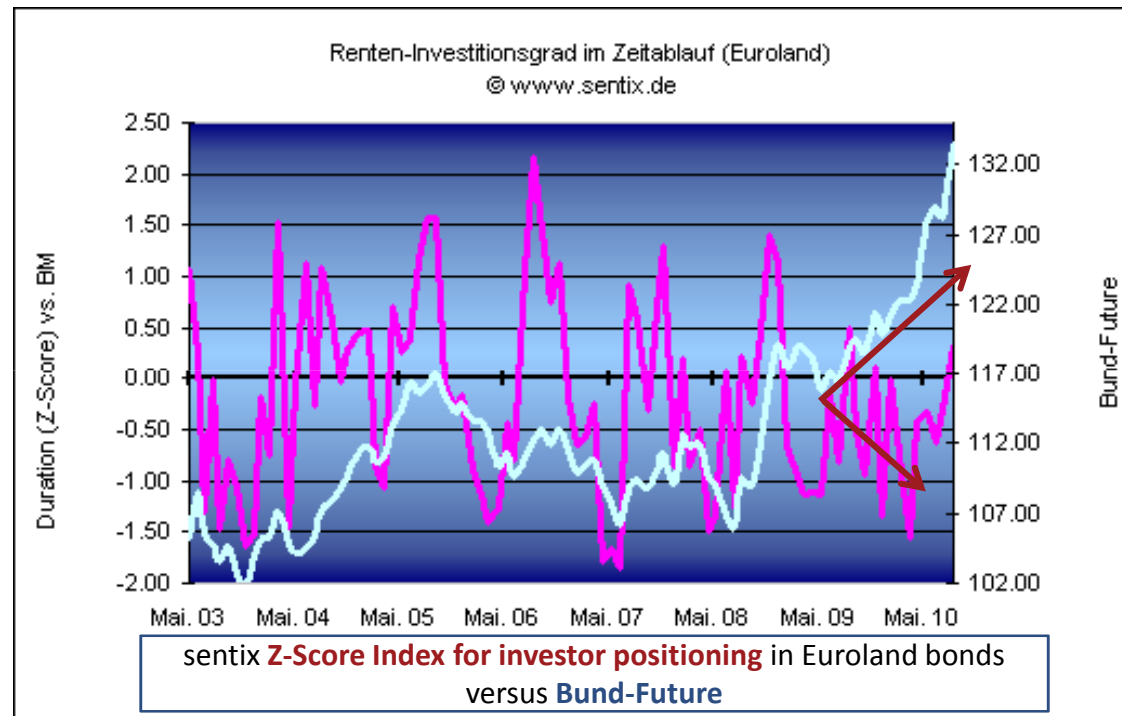


Source: sentix, Bloomberg

## Case Study 3 – „The bond conundrum 2010“

### Key fact: denial of duration

Investors feared inflation and denied to invest in longer term bonds, but ...



... the bullish trend continues ... financial crisis often lead to deflationary developments ... markets very seldom reward the mainstream. **Attention:** see the change in perception at the current end ...



## Conclusions

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### Behavioral Finance

... helps to understand the important and lasting market principles.

... is relevant in individual investment decisions as well as to identify opportunities in the markets.

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### sentix

... helps to identify risks and opportunities in the markets that stem from trend denial or blindfolded investing. Some of the „black swans“ investors witness from time to time are avoidable surprises.

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### Next steps

... start incorporating Behavioral Finance into your investment process

... and use the leading database right from the beginning!

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## **Addendum**

# sentix survey

## How it works

\* 1. DAX® (Deutsche Börse AG)

	bullish	neutral	bearish
kurzfristig (1 Monat)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
mittelfristig (6 Monate)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Index calculation  
and research

$$sentix = \frac{\sum Bullish - \sum Bearish}{\sum Alle}$$

Participation in the  
survey until  
Saturday eve.  
Active participation  
will be rewarded

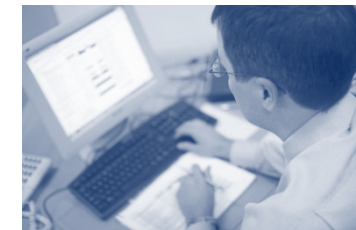
Sunday evening  
Access to charts,  
data and research



Every Friday:  
Survey invitation by  
mail

Start

Information of  
participants by mail



One-time, free of charge registration at  
[www.sentix.de](http://www.sentix.de) required

Source: sentix (<http://www.sentix.de>)

## Our business units and main competitors

Sentiment surveys	Sentiment databases	Behavioral Finance Research	Asset Management
<ul style="list-style-type: none"> <li>• ifo</li> <li>• ZEW</li> <li>• Bloomberg</li> <li>• ISM</li> <li>• CFTC</li> <li>• Bank of America / ML</li> </ul>	<ul style="list-style-type: none"> <li>• Bloomberg</li> <li>• StateStreet</li> <li>• CFTC</li> <li>• Investor Intelligence</li> <li>• Market data                             <ul style="list-style-type: none"> <li>• Put-Call-Ratio</li> <li>• Implied Volatility</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Market Semiotics</li> <li>• Cognitrend</li> <li>• Ned Davis Research</li> <li>• Societe Generale</li> </ul>	<ul style="list-style-type: none"> <li>• LGT</li> <li>• Fuller-Thaler Asset Management</li> <li>• Quoniam</li> <li>• Kepler AM</li> <li>• Others</li> </ul>

sentix – first hand data – one hand service – top quality!

Source: own research

## What data do you use for sentiment analysis?

You want ...	Put-Call-ratio	COT data (CFTC)	Investor Intelligence	ZEW	sentix
... a US equity sentiment	✓	✓	✓	✓	✓
... a sentiment of individual and institutional investors	x	✓	✓	x	✓
... to compare sentiment between US and EU	✓	x	x	✓	✓
... to compare sentiment between equities and bonds	(✓)	✓	x	(✓)	✓
... to see what positions investors have	x	(✓)	x	x	✓
... to know what themes are in investors' minds	x	x	x	x	✓
... to know at which price level will the majority be caught on the back foot	x	x	x	x	✓
... all data without any biases and with high transparency	x	(✓)	?	✓	✓
... to know how old the data is when you get it? (in business days)	1	3	?	3-8	1

Source: own research

## sentix database

### An other view on our data

	BoA ML Fund Manager Survey	Bloomberg Global Confidence	ZEW	sentix
Who participates in the survey?	ca. 300 institutionals, retail investors and fund managers	ca. 1.200 Bloomberg users	ca. 300 Analysts	ca. 900 institutionals, fund managers, analysts and individual investors
How long does it take to collect the data?	approx. 6 days	1 week	21 days	2 days
How long does it take from the end of the survey until you have the data?	6 days	1 day	1 day	1 day
Coverage	comprehensive	Konjunktur Aktien FX	Economy Asset classes	comprehensive, see our indicator worldmap
Own contribution to the data possible=	No	As customer	Only institutionals	Yes
Who has access to the results?	Only BoA clients	Bloomberg clients	Anybody on request	All survey participants and subscribers
Where and at what costs?	On request, costs not known	Free of charge for Bloomberg clients	Some data free of charge at some provider	Comprehensive for data subscribers via web or Bloomberg; service starts at € 175,-- pM

Source: own research

# sentix database

## What you should know



### Which packages do we offer?

- SNMS – market sentiment for 12 markets + other series
- SNTS – equity sector sentiment
- SNPB – Preferences, styles, positioning
- SNTX – full coverage with 400+ indices and additional services



### Where do you have access?

- sentix Website: all data, subscription
- Bloomberg (SNTX<GO>): all data by subscription. SNTS und SNTF free of charge
- Our economic indices as well as the asset classes sentiment do you find here: Thomson Reuters, Factset, CEIC Data, Global Insight



### In which formats can you get our data?

- Direct download with the Bloomberg API (Excel, etc.)
- sentix Website  
ASCII or CSV download (manual request)  
HTTP-POST or .net-API (programmational request)



### Your costs?

- Depends on the package
- Please request your individual offer by a mail to [info@sentix.de](mailto:info@sentix.de)



## Contacts

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