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RESEARCH PRODUCTS

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Dukascopy Bank Sentiment Index

Summary

- The six-month and three-year global economic expectations climbed in April, a Dukascopy Bank SA poll showed. The six-month economic sentiment index advanced 0.05 to 0.61. The three-year economic outlook rose to 0.71, up from 0.69 in March.
- The European six-month and three-year economic sentiment indices advanced, a survey showed. Economic expectations rose 0.13 and 0.12, to 0.41 and 0.58 respectively.
- Respondents became more pessimistic about the six-month and three-year North American economic prospects. The six-month and three-year indices fell to 0.63 and 0.72, down from 0.65 and 0.78 in March accordingly.
- The Asia-Pacific six-month economic outlook improved 0.04 to 0.78. The three-year economic outlook was unchanged at 0.83, the highest level in more than a year.






Parameter/ Region	Global	Europe	North America	Asia- Pacific
Six-month economic outlook	 0.61 ↑(0.05)	 0.41 ↑(0.13)	 0.63 ↓(0.02)	 0.78 ↑(0.04)
Three-year economic outlook	 0.71 ↑(0.02)	 0.58 ↑(0.12)	 0.72 ↓(0.06)	 0.83 →(0.00)

Figure 1: Mood indicator

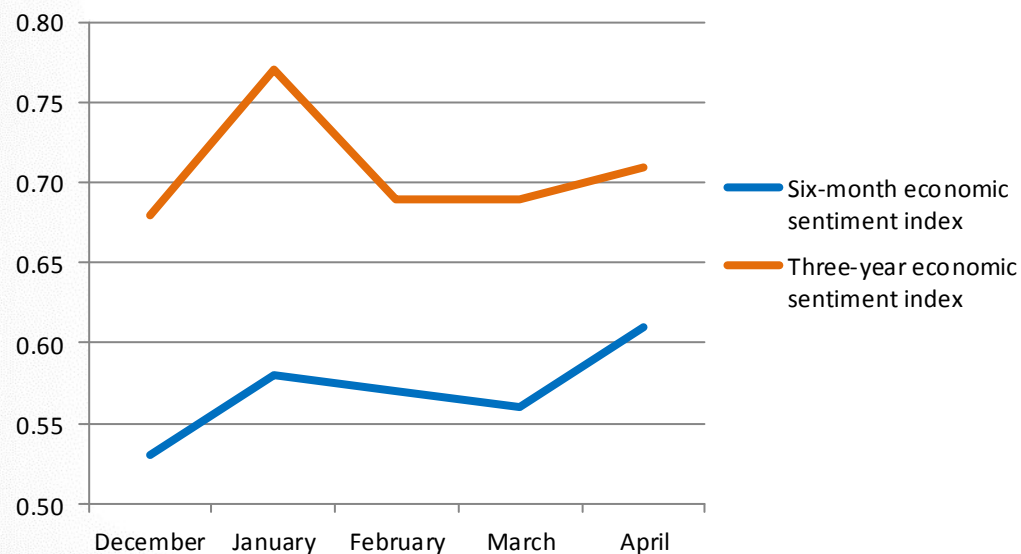


Figure 2: Global economic sentiment index

Economic outlook (term structure)

Parameter/Region	Europe		North America		Asia-Pacific	
	DBSI	Growth f.	DBSI	Growth f.	DBSI	Growth f.
6-month economic outlook	0.41 ↑(0.13)	-0.23%	0.63 ↓(0.02)	1.87%	0.78 ↑(0.04)	3.93%
3-year economic outlook	0.58 ↑(0.12)	0.93%	0.72 ↓(0.06)	2.13%	0.83 →(0.00)	4.47%

Figure 3 presents the term structure of the Dukascopy Bank Sentiment Index (Y-axis) mapped against GDP growth forecasts made by poll respondents (X-axis). Overall, DBSI values and GDP growth forecasts match directionally, suggesting the global economy will improve three years from now.

Respondents revised the European six-month and three year economic growth forecasts to -0.23% and 0.93% in April, from -0.47% and 0.70% respectively in March.

Poll respondents suggest that the North American economy will expand an annualised 1.87 per cent six-months from now and 2.13 per cent three years from now.

The Asia-Pacific economic outlook remains the most prominent, with a 2016 economic growth forecast of 4.47 per cent, claim experts polled by Dukascopy Bank.

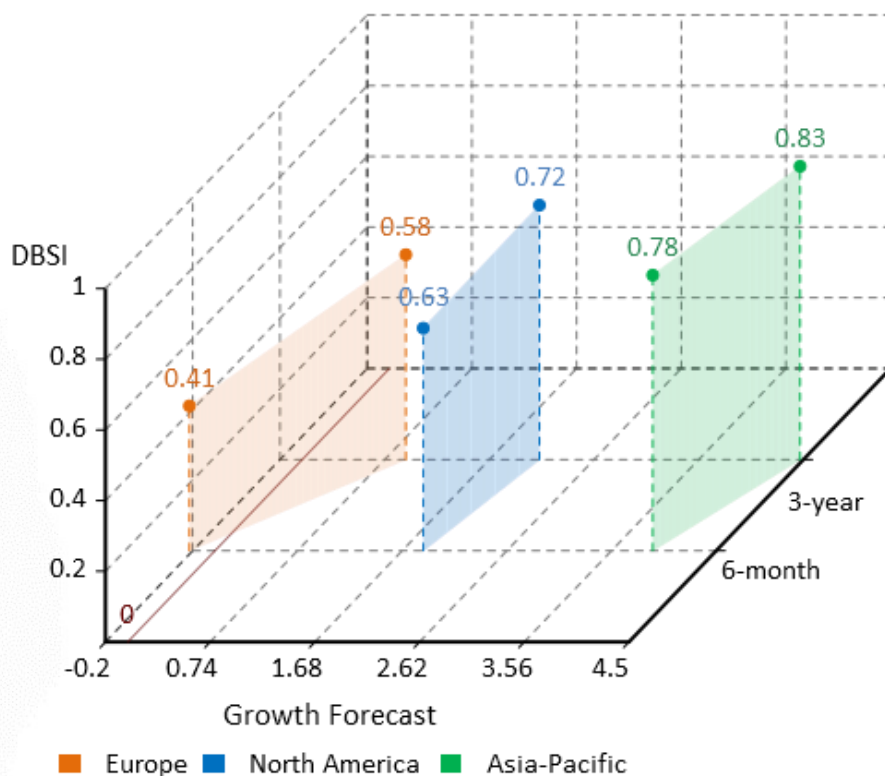


Figure 3: Global economic outlook (term structure)

Economic development stages

Parameter/Region	Europe		North America		Asia-Pacific	
	6-month EDS	3-year EDS	6-month EDS	3-year EDS	6-month EDS	3-year EDS
Contraction	16	5	2	2		
Recessionary Trough	10	11	7	7	1	2
Expansion	4	13	21	21	29	26
Business Peak		1				2

Real GDP

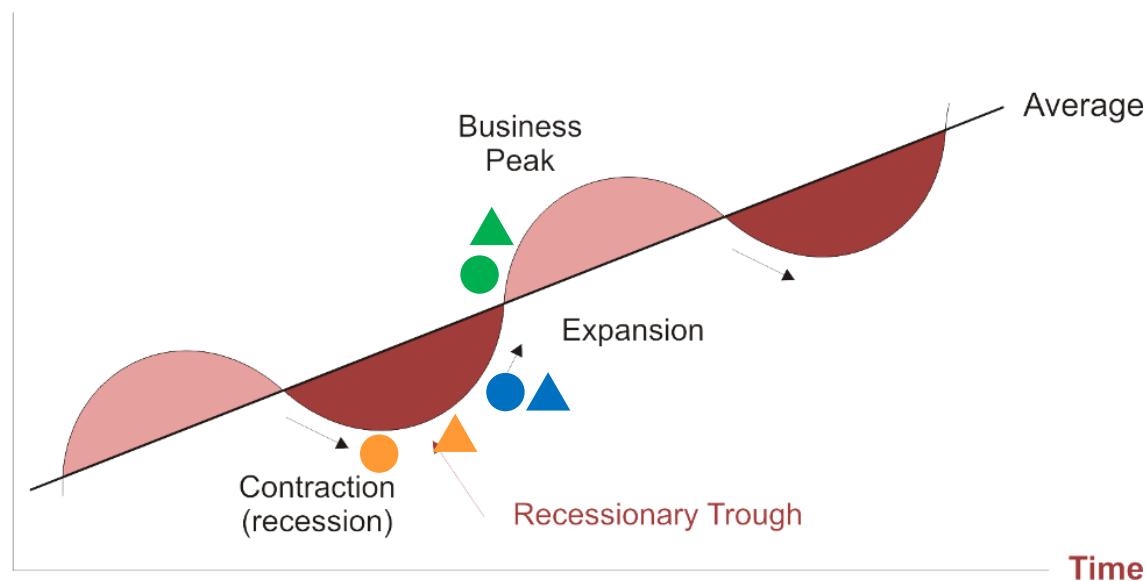


Figure 4: Business cycle

- 6-month EDS for North America
- ▲ 3-year EDS for North America

Figure 4 presents the business cycle and its phases - expansion (real GDP is increasing), peak (real GDP stops increasing and begins decreasing), contraction or recession (real GDP is decreasing), and trough (real GDP stops decreasing and begins increasing).

Sixteen respondents say the European economy is in a recession. Approximately half of the respondents say the economy will begin expanding three years from now.

Twenty one respondents claim that the North American economy is expanding, and exactly the same number of professors believe the economy will continue to expand three years from now.

Experts claim the Asia-Pacific economy is in an expansion phase and is closer to the peak phase, compared to European and North American economies.

Six-month economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.25	0.75	0.75
Mean (DBSI)	0.61 ↑(0.05)	0.41 ↑(0.13)	0.63 ↓(0.02)	0.78 ↑(0.04)
Mode	0.75	0.25	0.75	0.75
Standard Deviation	0.24 ↓(0.02)	0.23 ↑(0.07)	0.19 ↑(0.03)	0.14 ↓(0.04)

Figure 5 shows the six-month economic outlook for Europe, North America, and Asia-Pacific. Global six-month economic prospects improved 0.05 to 0.61 from March.

The European economic sentiment index rose to 0.41 from 0.28 in March. Still, a majority of experts (53%) claim the outlook is negative and ten respondents (33%) suggest the prospects are “neutral”. Only four (14%) are either “fairly” or “definitely” positive about the six-month economic outlook.

The North American six-month economic sentiment index declined 0.02 points to 0.63 in March. Seventeen experts (57%) claim the outlook is “fairly” or “definitely” positive, while ten respondents (33%) suggest economic prospects are “neutral”.

Asia-Pacific six-month economic prospects improved 0.04 to 0.78, the highest reading since records began in 2011. An absolute majority of respondents (90%) are optimistic about the economic outlook and three (10%) claim the outlook is “neutral.”

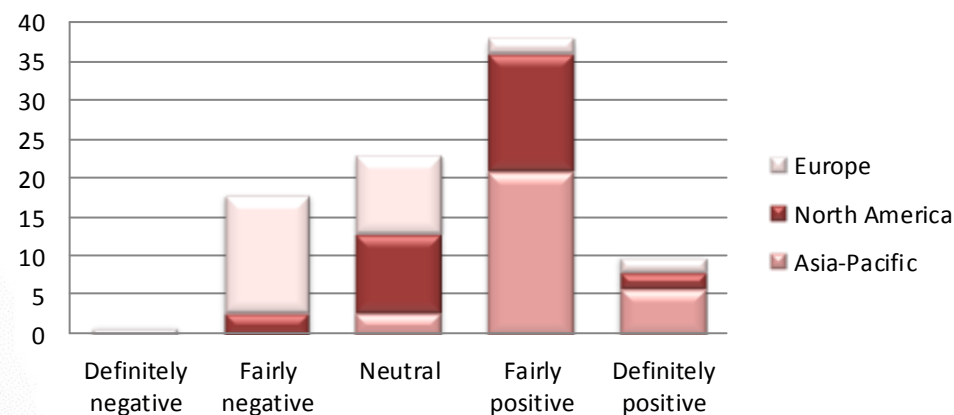


Figure 5: Six-month economic outlook

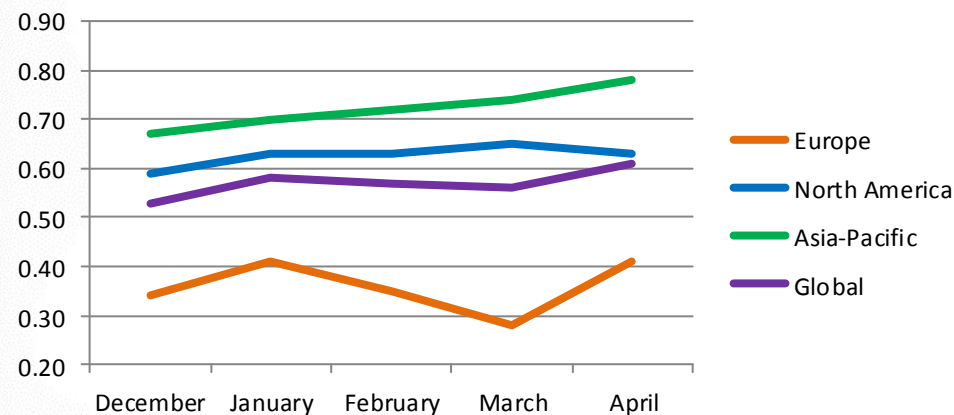


Figure 6: Six-month economic sentiment index

Three-year economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.50	0.75	0.75
Mean (DBSI)	0.71 ↑(0.02)	0.58 ↑(0.12)	0.72 ↓(0.06)	0.83 →(0.00)
Mode	0.75	0.50	0.75	1.00
Standard Deviation	0.22 ↓(0.02)	0.22 ↑(0.05)	0.19 ↑(0.02)	0.19 →(0.00)

Figure 7 presents the three-year economic outlook for Europe, North America, and Asia-Pacific. The three-year global economic outlook was unchanged at 0.69 from the prior month.

The three-year European economic sentiment index jumped 0.12 to 0.58 in March. Seventeen respondents (57%) say the long-term economic outlook is either “neutral” or “fairly” negative, while the other thirteen (43%) claim prospects are positive.

The North American three-year economic forecast declined 0.06 to 0.72, the lowest level in four months. Twenty three respondents (77%) say the outlook is either “fairly” or “definitely” positive. Five (17%) claim that the three-year economic outlook is “neutral” and only two say the outlook is “fairly” negative.

The Asia-Pacific economic sentiment index was unchanged from the previous month at 0.83, the highest level in more than a year. Twenty seven experts (90%) say prospects are “fairly” or “definitely” positive.

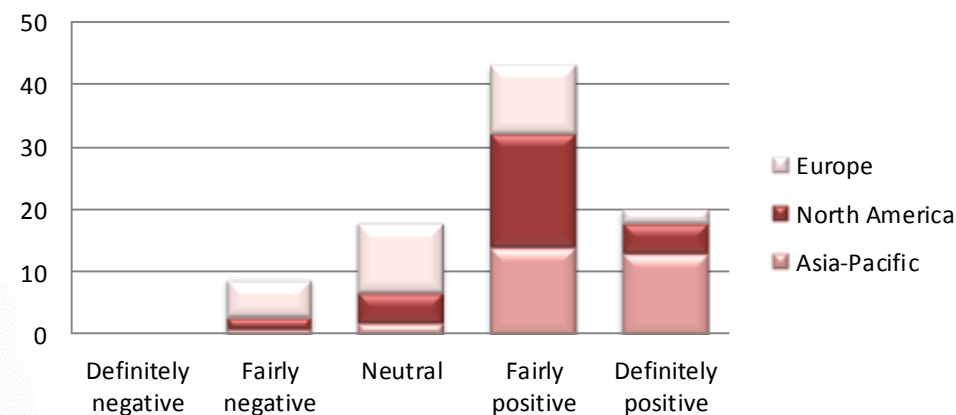


Figure 7: Three-year economic outlook

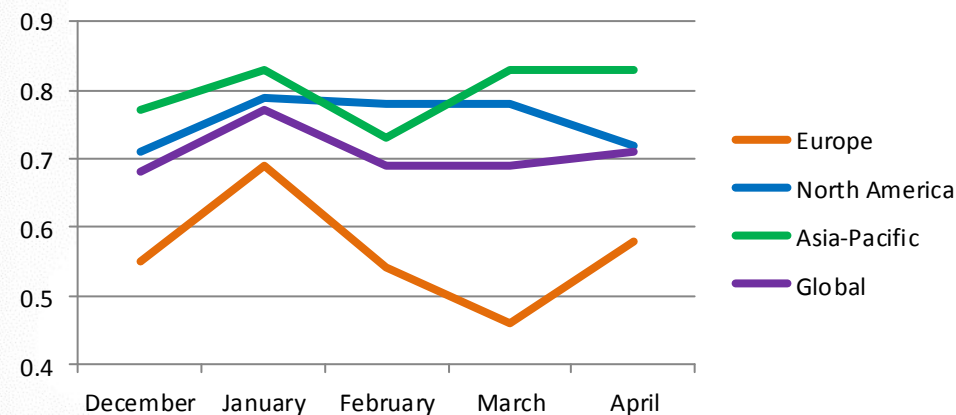


Figure 8: Three-year economic sentiment index

Economic outlook comparison

Parameter/Region	Europe		North America		Asia-Pacific	
	Local experts	Foreign experts	Local experts	Foreign experts	Local experts	Foreign experts
6-month economic outlook	0.45	0.39	0.65	0.63	0.78	0.78
3-year economic outlook	0.55	0.59	0.75	0.70	0.83	0.83

Figure 9 presents a discrepancy in views on the economic outlook among local and foreign experts. April poll results reveal that local and foreign respondents are united in a positive assessment of the Asia-Pacific economy.

Europe: Local experts are more optimistic (0.45) about the European six-month economic outlook compared to foreign experts (0.39). The discrepancy in views reverses to -0.04 for the three-year economic outlook.

North America: Local experts are more optimistic about the European six-month economic prospects (0.65 vs. 0.63). The discrepancy in opinions widens to 0.05 for the three-year economic outlook.

Asia-Pacific: Respondents from Asia-Pacific and experts from overseas are united in a positive assessment of the six-month and three-year economic outlooks.

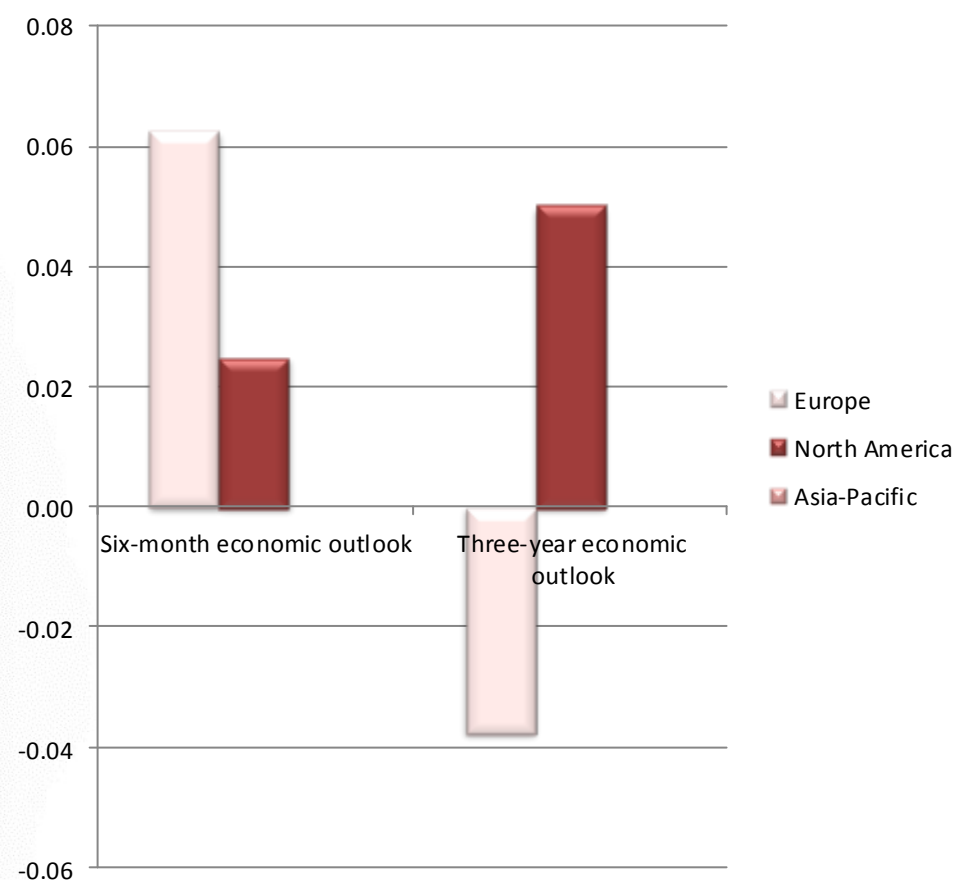


Figure 9: Discrepancy in views on economic outlook among local and foreign experts (*1)

Explanations

Description

Starting from November 2011, Dukascopy Bank SA is publishing a monthly Dukascopy Bank Sentiment Index (DBSI). The index is based on a survey of 30 experts from academia (10 from every region in focus), who are asked to assess future (six-month and three-year) economic prospects of the three regions: Europe, North America and Asia-Pacific.

The DBSI can take values from 0 to 1 as outlined below.

Value	Outlook
0	Extremely negative
0 – 0.5	Negative
0.5	Balanced
0.5 – 1	Positive
1	Extremely positive

Parameters

- Median – the middle observation in a data set;
- Mean – the sum of the values divided by the number of values;
- Mode – the value that occurs most frequently in a data set;
- Standard deviation – the variation from the average (mean).

Calculations

(*1) – difference between local experts mean estimate and foreign experts mean estimate.

Universities that have participated in April's poll

Bradley University, DePaul University, MacEwan University, Mount Allison University, Florida Atlantic University, Saint Mary's University, University of Alberta, University of Northern British Columbia, Cardiff University, Imperial College London, Universitat Pompeu Fabra, ETH Zurich, Erasmus University Rotterdam, ESCP Europe Business School, Hitotsubashi University, University of Canberra, Al Ain University of Science and Technology, IMT Ghaziabad, Universiti Malaysia Sarawak, Institute of Management Technology, Monash University, Indian Institute of Foreign Trade, Shanghai Jiao Tong University



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