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RESEARCH PRODUCTS

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Dukascopy Bank Sentiment Index

Summary

- The six-month and three-year global economic expectations were little changed in May from the prior month. The six-month economic sentiment index fell 0.01 to 0.60. The three-year economic outlook was unchanged at 0.71.
- The European six-month and three-year economic sentiment indices advanced, a survey showed. The six-month economic outlook rose to 0.42, the highest level since records began in 2011. The three-year outlook improved 3 points to 0.61.
- Respondents also became more optimistic about the six-month and three-year North American economic prospects. The six-month and three-year indices climbed to 0.66 and 0.73, up from 0.63 and 0.72 in April accordingly.
- The Asia-Pacific six-month and three-year economic outlook sentiment indices declined 0.05 to 0.73 and 0.78 respectively.




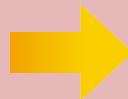


Parameter/ Region	Global	Europe	North America	Asia- Pacific
Six-month economic outlook	 0.60 ↓(0.01)	 0.42 ↑(0.01)	 0.66 ↑(0.03)	 0.73 ↓(0.05)
Three-year economic outlook	 0.71 →(0.00)	 0.61 ↑(0.03)	 0.73 ↑(0.01)	 0.78 ↓(0.05)

Figure 1: Mood indicator

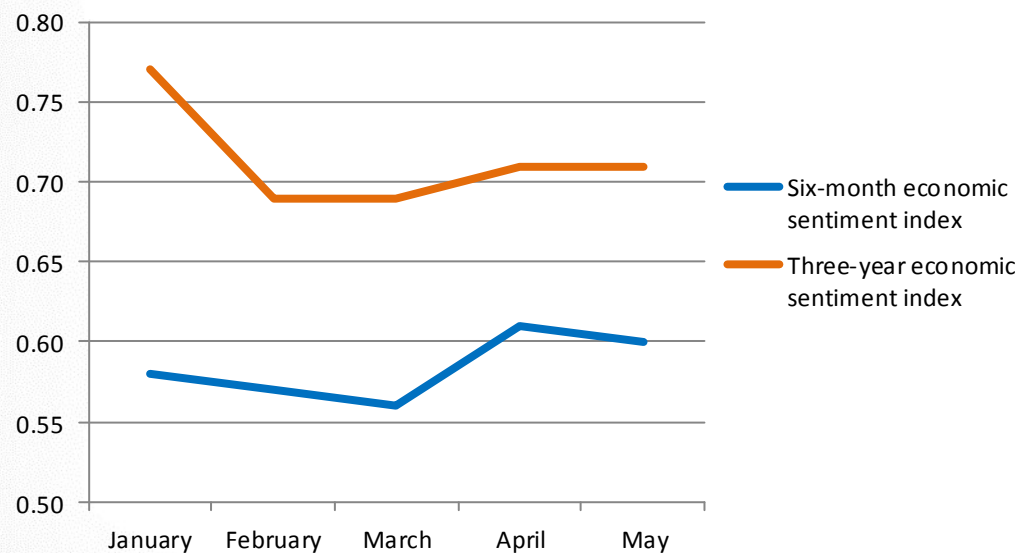


Figure 2: Global economic sentiment index

Economic outlook (term structure)

Parameter/Region	Europe		North America		Asia-Pacific	
	DBSI	Growth f.	DBSI	Growth f.	DBSI	Growth f.
6-month economic outlook	0.42 ↑(0.01)	-0.03%	0.66 ↑(0.03)	1.73%	0.73 ↓(0.05)	3.47%
3-year economic outlook	0.61 ↑(0.03)	1.13%	0.73 ↑(0.01)	2.47%	0.78 ↓(0.05)	4.03%

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 perform better three years from now.

Respondents revised the European six-month and three year economic growth forecasts to -0.03% and 1.13% in May, from -0.23% and 0.93% respectively in April.

Poll respondents suggest that the North American economy will expand an annualised 1.73 per cent six-months from now and 2.47 per cent three years from now.

The Asia-Pacific economic growth prospects remain the most promising, a poll showed. Experts forecast growth of 3.47 per cent six-months from now and 4.03 per cent in 2016.

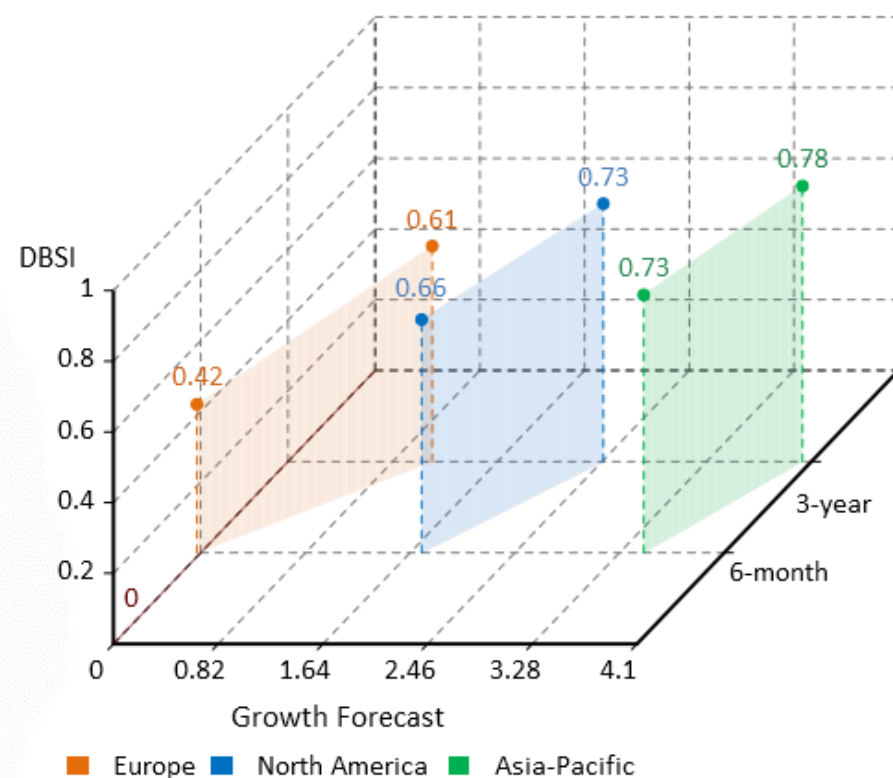


Figure 3: Global economic outlook (term structure)

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	12	6	2	4	3	2
Recessionary Trough	14	9	7	4		4
Expansion	4	14	20	21	25	20
Business Peak		1	1	1	2	4

Real GDP

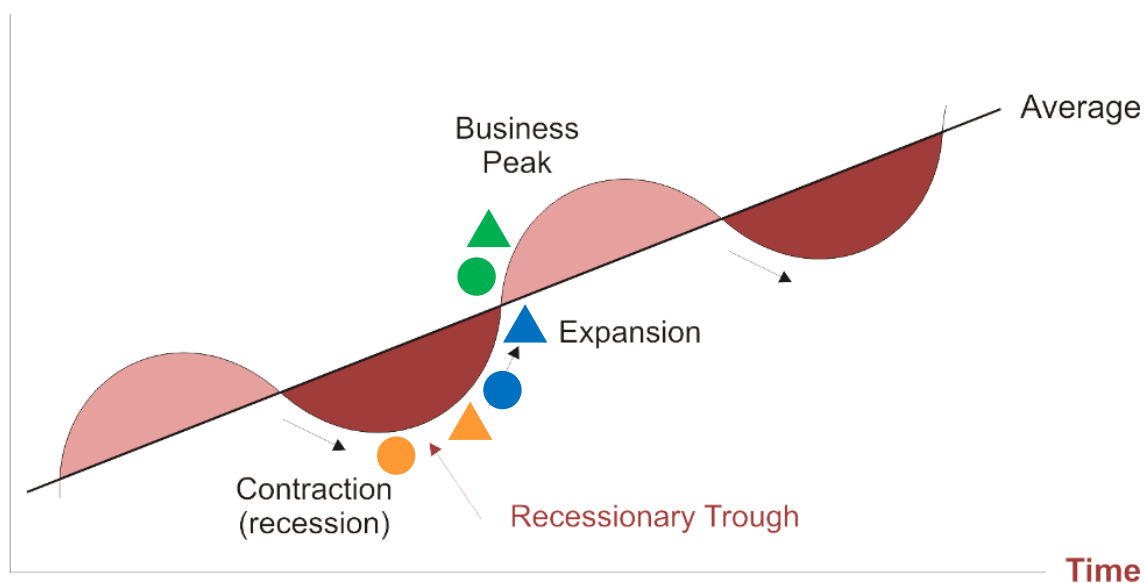


Figure 4: Business cycle

- 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).

Fourteen respondents say the European economy is in a recession, and exactly the same number of professors believe the economy will begin expanding three years from now.

Twenty respondents claim that the North American economy is expanding. Even more respondents are more upbeat on the North American economy 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	0.63	0.50	0.75	0.75
Mean (DBSI)	0.60 ↓(0.01)	0.42 ↑(0.01)	0.66 ↑(0.03)	0.73 ↓(0.05)
Mode	0.75	0.50	0.75	0.75
Standard Deviation	0.25 ↑(0.01)	0.22 ↓(0.01)	0.17 ↓(0.02)	0.25 ↑(0.11)

Figure 5 shows the six-month economic outlook for Europe, North America, and Asia-Pacific. Global six-month economic prospects worsened 0.01 to 0.60 in May.

The European six-month economic sentiment index climbed 0.01 points to 0.42 in May. Twelve experts (40%) claim the outlook is “fairly” or “definitely” negative and thirteen respondents (43%) suggest economic prospects are “neutral”.

The North American economic sentiment index rose to 0.66 from 0.63 in April, the highest level in half a year. Eighteen experts (60%) are either “fairly” or “definitely” positive about the six-month economic outlook. Eleven respondents (37%) suggest the prospects are “neutral”.

Asia-Pacific six-month economic prospects deteriorated 0.05 to 0.73. Still, a majority of respondents (73%) are optimistic about the economic outlook and four (13%) claim the outlook is “neutral.”

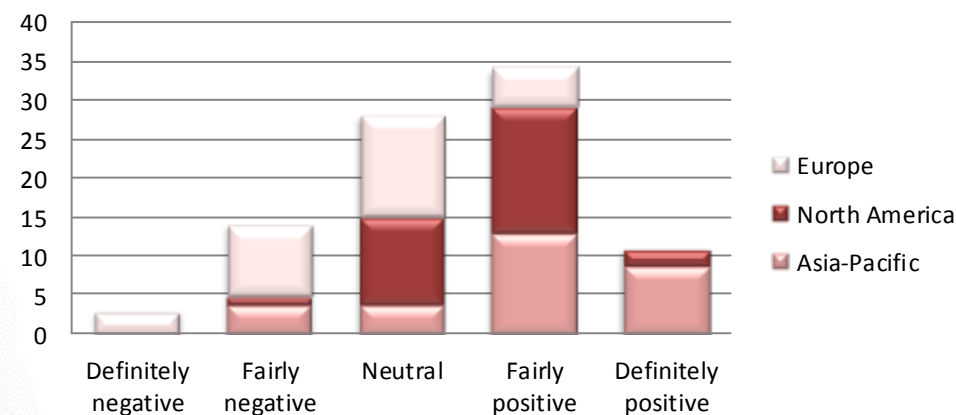


Figure 5: Six-month economic outlook

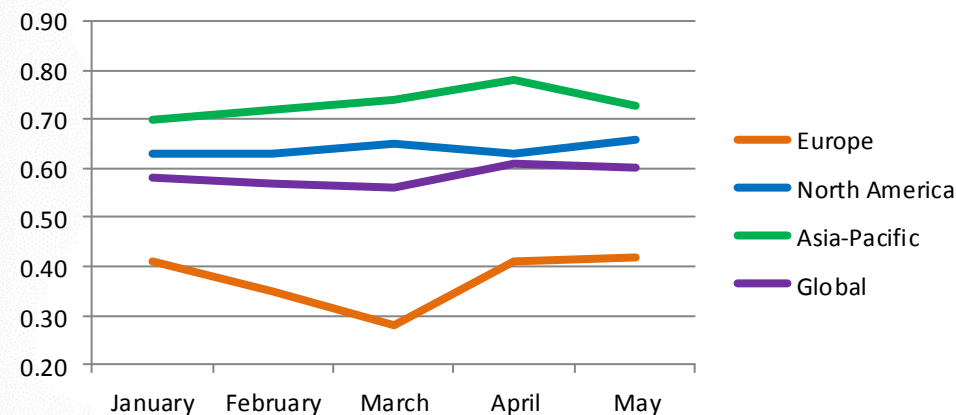


Figure 6: Six-month economic sentiment index

Three-year economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.63	0.75	0.75
Mean (DBSI)	0.71 →(0.00)	0.61 ↑(0.03)	0.73 ↑(0.01)	0.78 ↓(0.05)
Mode	0.75	0.75	0.75	1.00
Standard Deviation	0.27 ↑(0.05)	0.25 ↑(0.03)	0.25 ↑(0.06)	0.28 ↑(0.09)

Figure 7 presents the three-year economic outlook for Europe, North America, and Asia-Pacific. The three-year global economic outlook was unchanged at 0.71 from the prior month.

The European three-year economic forecast rose 0.03 to 0.61 in May, after climbing to 0.58 in April. Half of the respondents (50%) say the outlook is either “fairly” or “definitely” positive. Ten (33%) claim that the three-year economic outlook is “neutral” and five (17%) say the outlook is negative.

The three-year North-American economic sentiment index advanced 0.01 to 0.73 in May. Twenty four respondents (80%) say the long-term economic outlook is either “fairly” or “definitely” positive, while four (17%) claim prospects are “fairly” negative.

The Asia-Pacific economic sentiment index declined 0.05 to 0.78. Still, twenty five experts (84%) say prospects are “fairly” or “definitely” positive.

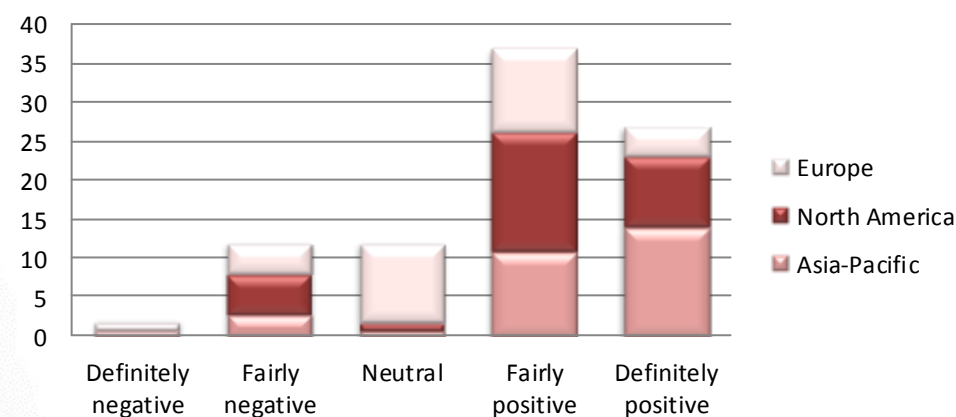


Figure 7: Three-year economic outlook

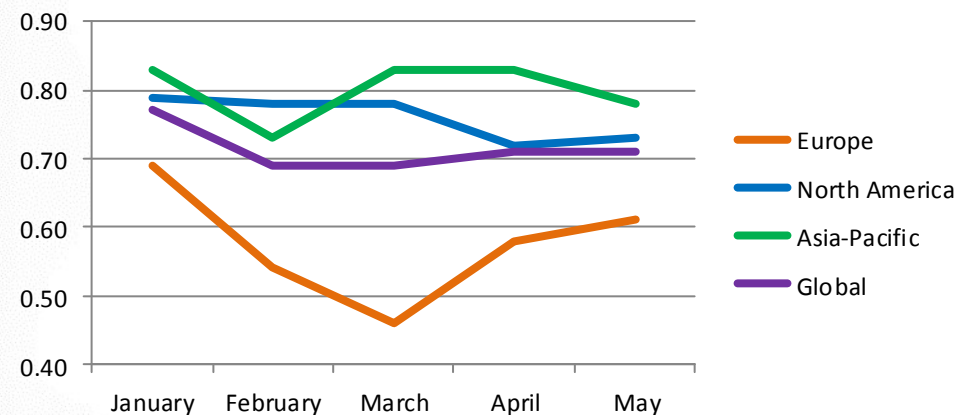


Figure 8: Three-year economic sentiment index

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	0.38	0.44	0.68	0.65	0.78	0.70
3-year economic outlook	0.53	0.65	0.75	0.73	0.90	0.73

Figure 9 presents a discrepancy in views on the economic outlook among local and foreign experts. May poll results reveal that local experts are optimistic about Asia-Pacific economic growth, compared to their colleagues from Europe and North America.

Europe: Local experts are more pessimistic (0.38) about the European six-month economic outlook compared to foreign experts (0.44). The discrepancy in views widens to 0.12 for the three-year economic outlook.

North America: Local experts are more optimistic about the North American six-month economic prospects (0.68 vs. 0.65). The discrepancy in opinions sheds to 0.02 for the three-year economic outlook.

Asia-Pacific: Respondents from Asia-Pacific are more optimistic about the regional six-month and three-year economic growth prospects (0.78 vs. 0.70 and 0.90 vs. 0.73 respectively).

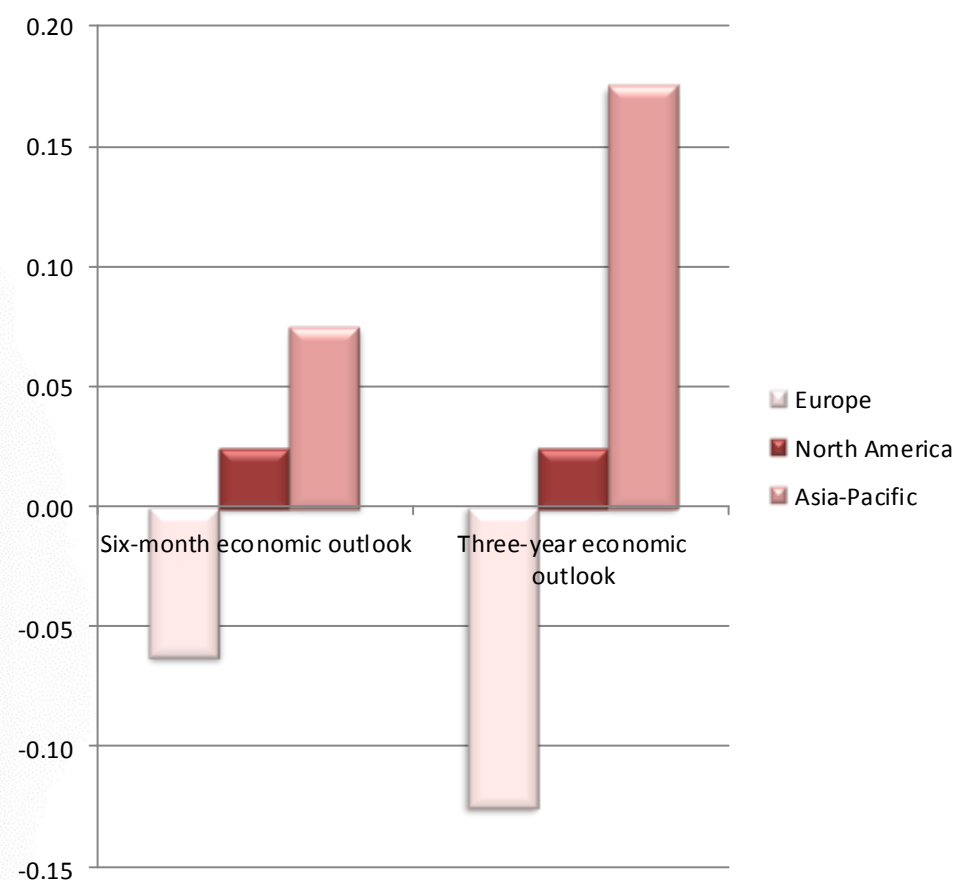


Figure 9: Discrepancy in views on economic outlook among local and foreign experts (*1)

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 May's poll

San Diego State University, University of Michigan Dearborn, MacEwan University, University of Tampa, Colorado State University, University of Nebraska, Florida Atlantic University, Imperial College, Dublin City University, Frankfurt School of Finance & Management, DIT, National University of Ireland, De Montfort University, Kingston University, Cambridge, University of Lincoln, Leeds, The Chinese University of Hong Kong, Adventist International Institute of Advanced Studies, Institute of Business Administration Karachi, Air University, Mohammad Ali Jinnah University, Institute of Business Administration, Central Michigan University, Lahore University of Management Sciences



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