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RESEARCH PRODUCTS

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Dukascopy Bank Sentiment Index

Summary

- The six-month and three-year global economic expectations deteriorated in June, a Dukascopy Bank SA survey showed. The six-month economic sentiment index declined 0.03 to 0.57. The three-year economic outlook worsened to 0.69.
- The European six-month economic sentiment index declined 0.03 to 0.38, the lowest reading in two months. The three-year economic outlook slid to 0.58, down from 0.61 in May when it gained 0.03.
- Respondents became more optimistic about the six-month and three-year North American economic prospects. The six-month and three-year indices climbed to 0.70 and 0.77, up from 0.66 and 0.73 in May respectively.
- The Asia-Pacific six-month and three-year economic outlook sentiment indices worsened the most. The six-month outlook tumbled 0.10 to 0.63 and the three-year economic outlook declined 0.05 to 0.73.

Parameter/ Region	Global	Europe	North America	Asia- Pacific
Six-month economic outlook	 0.57 ↓(0.03)	 0.38 ↓(0.03)	 0.70 ↑(0.04)	 0.63 ↓(0.10)
Three-year economic outlook	 0.69 ↓(0.02)	 0.58 ↓(0.03)	 0.77 ↑(0.04)	 0.73 ↓(0.05)

Figure 1: Mood indicator

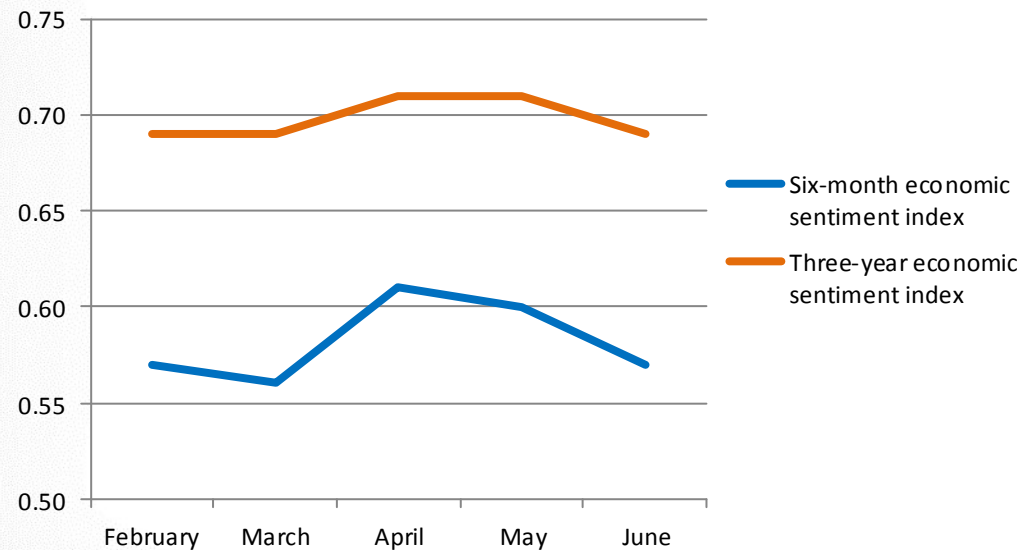


Figure 2: Global economic sentiment index

Economic outlook (term structure)

Parameter/Region	Europe		North America		Asia-Pacific	
	DBSI	Growth f.	DBSI	Growth f.	DBSI	Growth f.
6-month economic outlook	0.38 ↓(0.03)	-0.13%	0.70 ↑(0.04)	1.80%	0.63 ↓(0.10)	3.33%
3-year economic outlook	0.58 ↓(0.03)	1.07%	0.77 ↑(0.04)	2.60%	0.73 ↓(0.05)	3.53%

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.

Poll respondents suggest that the European economy will contract 0.13 per cent six-months from now and will expand 1.07 per cent three years from now.

Respondents revised the North American six-month and three year economic growth forecasts to 1.80% and 2.60% in June, from 1.73% and 2.47% respectively in May.

Despite a significant decline in sentiment, the Asia-Pacific economic growth prospects remain the most prominent, a survey showed. Experts forecast growth of 3.33% and 3.53% six months and three years from now respectively.

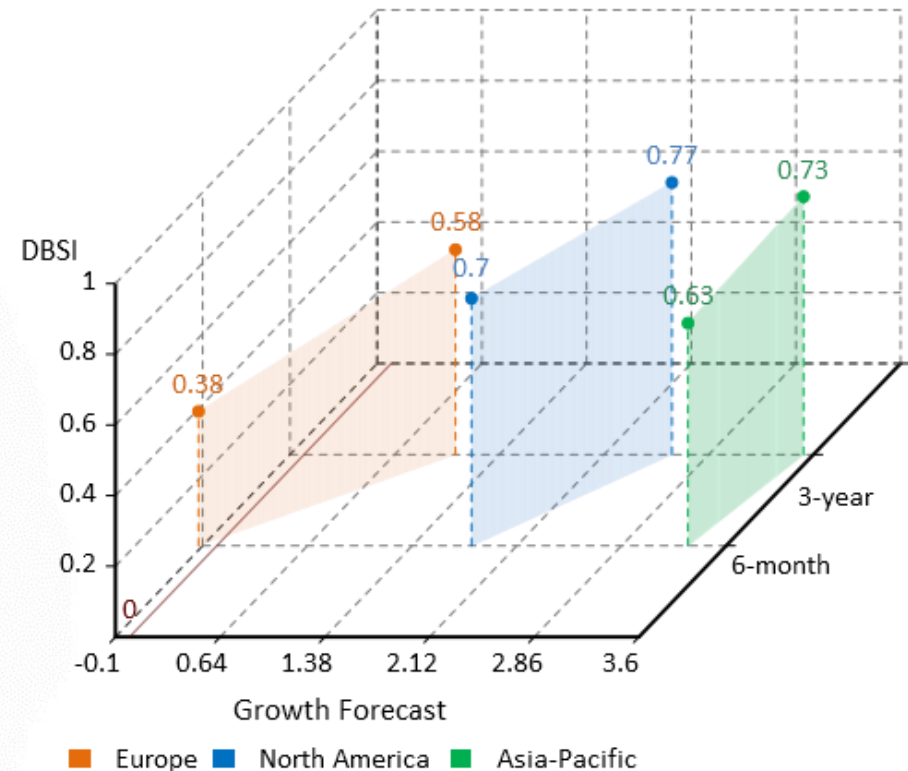


Figure 3: Global economic outlook (term structure)

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	9	4	1	2	4	3
Recessionary Trough	19	9	5	2	4	2
Expansion	2	17	24	25	20	20
Business Peak				1	2	5

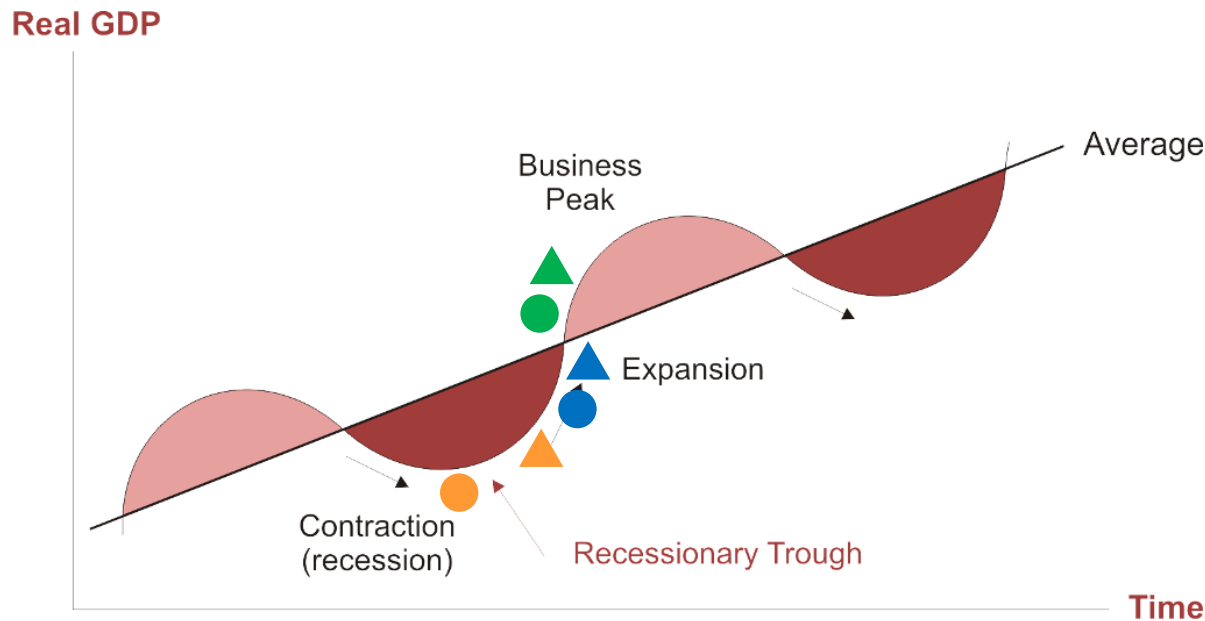


Figure 4: Business cycle

- 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).

An absolute majority of respondents (28) say the European economy is contracting. In the meantime, more than a half of respondents believe the economy will be expanding three years from now.

Compared to the prior month, more respondents (24 vs. 20) now claim that the North American economy is expanding. The economy is likely to preserve a positive trajectory over the next three years, experts claim.

Experts became more uncertain about the Asia-Pacific economy; few respondents suggest that separate countries across the region may slide into recession three years from now.

Six-month economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.50	0.25	0.75	0.63
Mean (DBSI)	0.57 ↓(0.03)	0.38 ↓(0.03)	0.70 ↑(0.04)	0.63 ↓(0.10)
Mode	0.75	0.25	0.75	0.50
Standard Deviation	0.24 ↓(0.01)	0.19 ↓(0.03)	0.18 ↑(0.01)	0.22 ↑(0.11)

Figure 5 shows the six-month economic outlook for Europe, North America, and Asia-Pacific. The global six-month economic sentiment index declined 0.03 to 0.57, the lowest level since March.

European six-month economic prospects deteriorated 0.03 points to 0.38 in June. Sixteen experts (54%) claim the outlook is “fairly” or “definitely” negative and approximately one third of respondents (37%) suggest economic outlook is “neutral”.

The North American economic sentiment index rose to 0.70 from 0.66 in May, the highest level since records began in 2012. Twenty three respondents (77%) are either “fairly” or “definitely” positive about the six-month economic outlook. Five respondents (17%) suggest prospects are “neutral”.

The Asia-Pacific six-month economic sentiment index declined for a second consecutive month, to 0.63. Still, half of the respondents (50%) are optimistic about the economic outlook and twelve (13%) claim the outlook is “neutral.”

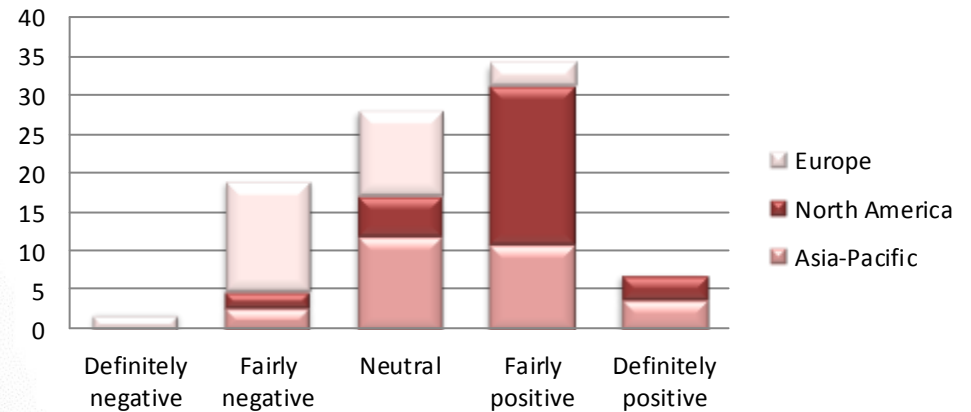


Figure 5: Six-month economic outlook

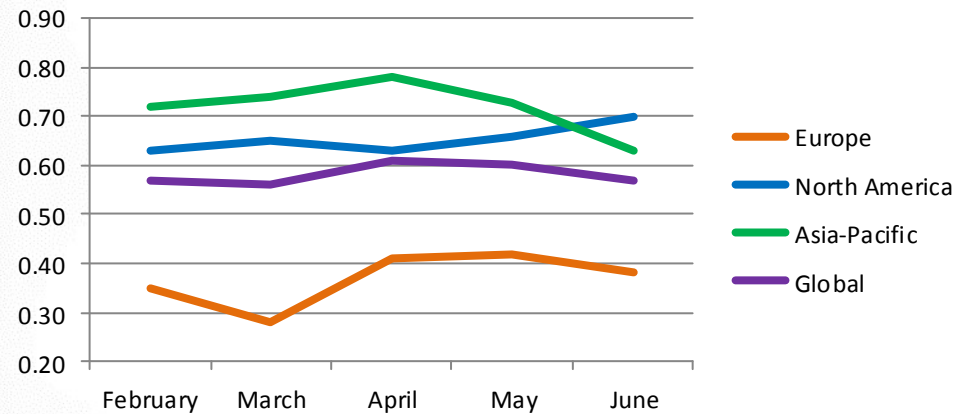


Figure 6: Six-month economic sentiment index

Three-year economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.63	0.75	0.75
Mean (DBSI)	0.69 ↓(0.02)	0.58 ↓(0.03)	0.77 ↑(0.04)	0.73 ↓(0.05)
Mode	0.75	0.75	1.00	0.75
Standard Deviation	0.26 ↓(0.01)	0.21 ↓(0.04)	0.25 →(0.00)	0.27 ↓(0.01)

Figure 7 presents the three-year economic outlook for Europe, North America, and Asia-Pacific. The three-year global economic outlook deteriorated 0.02 to 0.69 from the prior month.

The three-year European economic sentiment index fell 0.03 to 0.58 in June. Half of the respondents (50%) say the outlook is “fairly” positive. Ten (33%) claim that the three-year economic outlook is “neutral” and five (17%) say the outlook is negative.

The North American three-year economic forecast rose 0.04 to 0.77 in June. Twenty three respondents (77%) say the long-term economic outlook is either “fairly” or “definitely” positive and five (17%) claim prospects are “neutral”.

The Asia-Pacific economic sentiment index declined for a second consecutive month, to 0.73, the lowest level since February. Twenty two experts (77%) say prospects are “fairly” or “definitely” positive.

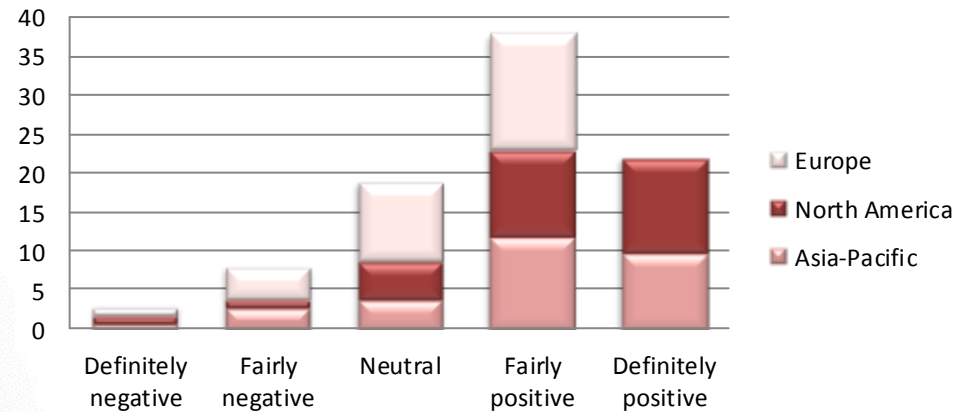


Figure 7: Three-year economic outlook

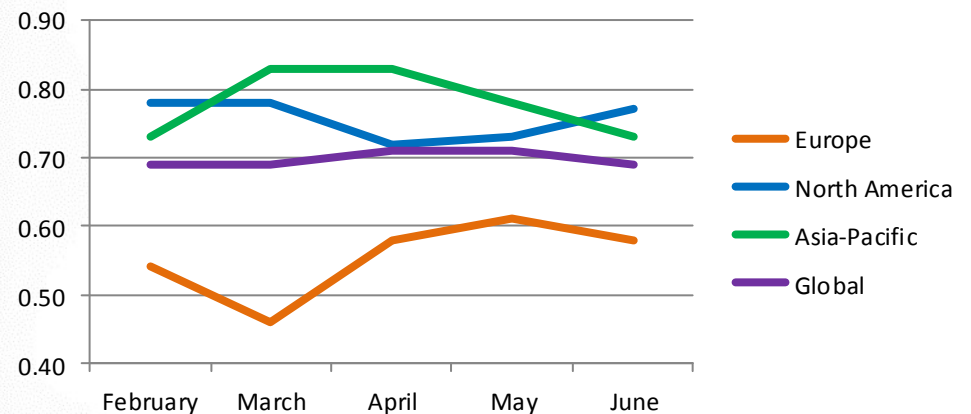


Figure 8: Three-year economic sentiment index

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	0.33	0.40	0.68	0.71	0.70	0.60
3-year economic outlook	0.58	0.58	0.73	0.79	0.75	0.71

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

Europe: Local experts are more pessimistic about the European six-month economic prospects (0.33 vs. 0.40). The discrepancy in opinions sheds to zero for the three-year economic outlook.

North America: Local experts are more pessimistic (0.68) about North American six-month economic prospects compared to their colleagues from overseas (0.71). The discrepancy in views widens to -0.06 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 (0.70 vs. 0.60 and 0.75 vs. 0.71 respectively).

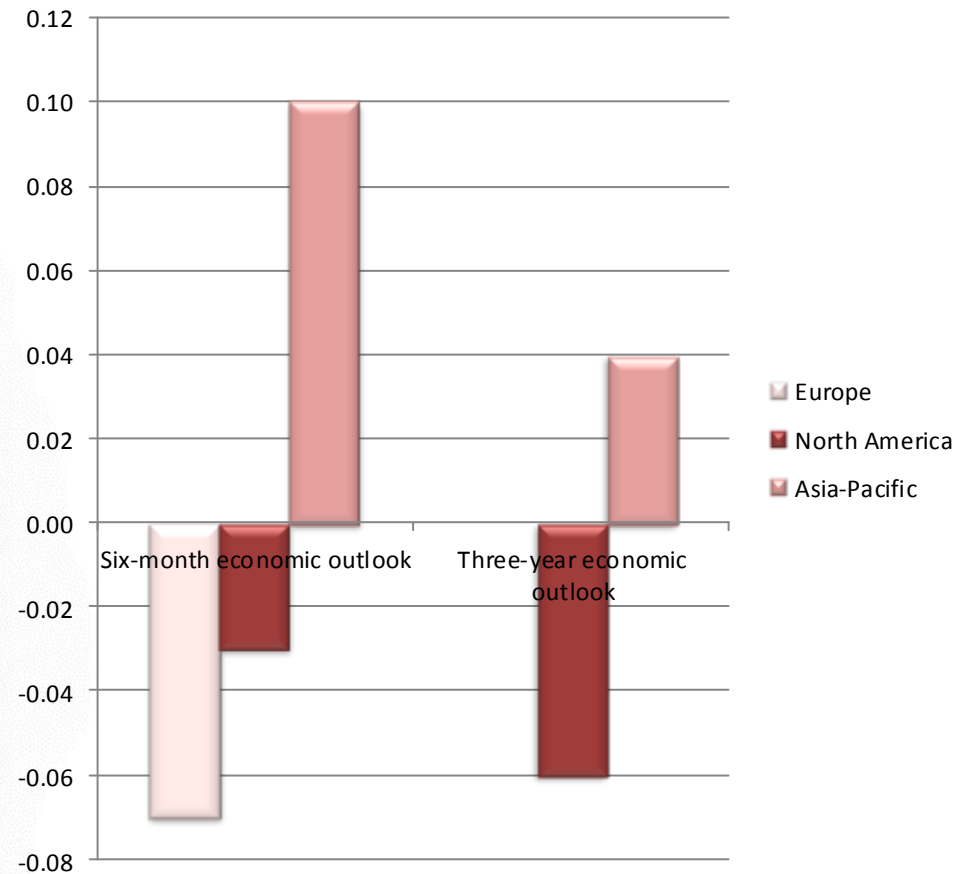


Figure 9: Discrepancy in views on economic outlook among local and foreign experts (*1)

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 June's poll

University of Notre Dame, Northwestern University, University of Illinois at Chicago, Radford University, Wake Forest University, Central Michigan University, University of Nevada, Missouri State University, University of Leeds, University of Lincoln, Lancaster University, University of Central Lancashire, Bocconi University, NRU Higher School of Economics, Cardiff University, LUISS Guido Carli, Berlin School of Economics and Law, Institute of Business Administration, University of Tasmania, Institute of Management Technology, Indian Institute of Management Bangalore, RISEBA, University of London, SBS Swiss Business School



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