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RESEARCH PRODUCTS

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Dukascopy Bank Sentiment Index

Summary

- The six-month and three-year global economic expectations improved in September, a Dukascopy Bank SA poll showed. The six-month economic sentiment index advanced 0.06 to 0.59. The three-year economic outlook improved 0.02 to 0.67, after declining to 0.65 in August.
- Respondents became more optimistic about the six-month and three-year European economic outlooks in September. The six-month economic sentiment index advanced 0.08 to 0.49, the highest reading since records began in 2011. The three-year outlook climbed to 0.58.
- The North American economic outlooks also improved. The six-month and three-year indices climbed to 0.67 and 0.72, up from 0.66 and 0.71, accordingly.
- The Asia-Pacific six-month month and three-year economic expectations rose to 0.63 and 0.73, respectively.

Parameter/ Region	Global	Europe	North America	Asia- Pacific
Six-month economic outlook	 0.59 ↑(0.06)	 0.49 ↑(0.08)	 0.67 ↑(0.01)	 0.63 ↑(0.10)
Three-year economic outlook	 0.67 ↑(0.02)	 0.58 ↑(0.02)	 0.72 ↑(0.01)	 0.73 ↑(0.04)

Figure 1: Mood indicator

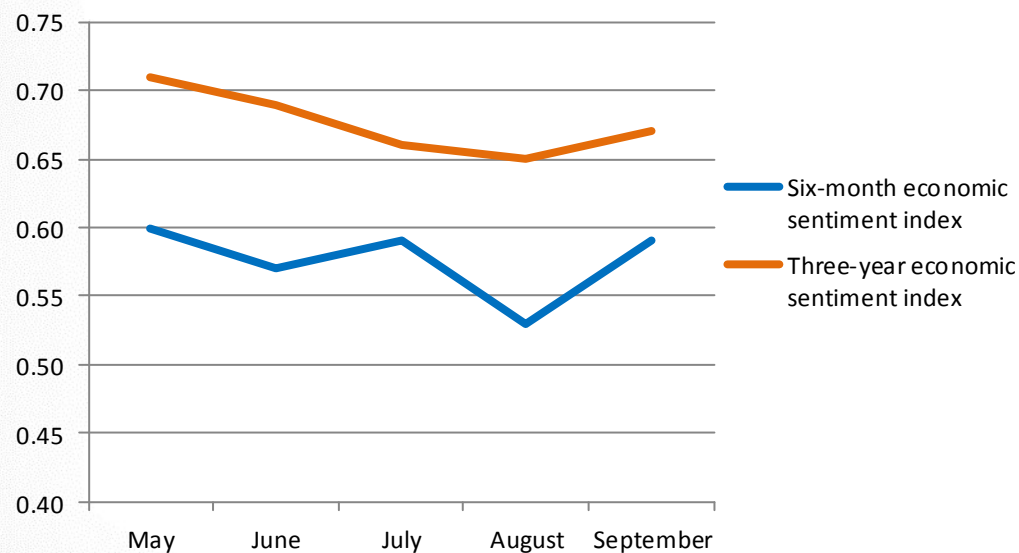


Figure 2: Global economic sentiment index

Economic outlook (term structure)

Parameter/Region	Europe		North America		Asia-Pacific	
	DBSI	Growth f.	DBSI	Growth f.	DBSI	Growth f.
6-month economic outlook	0.49 ↑(0.08)	0.47%	0.67 ↑(0.01)	1.40%	0.63 ↑(0.10)	3.07%
3-year economic outlook	0.58 ↑(0.02)	1.33%	0.72 ↑(0.01)	2.13%	0.73 ↑(0.04)	3.93%

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 0.47% and 1.33% in September, from -0.10% and 0.90% respectively in August.

Poll respondents suggest that the North American economy will expand an annualized 1.40% six months from now and 2.13 three years from now.

The Asia-Pacific economic growth projections are the most prominent. Experts forecast growth of 3.07% and 3.93% six months and three years from now respectively.

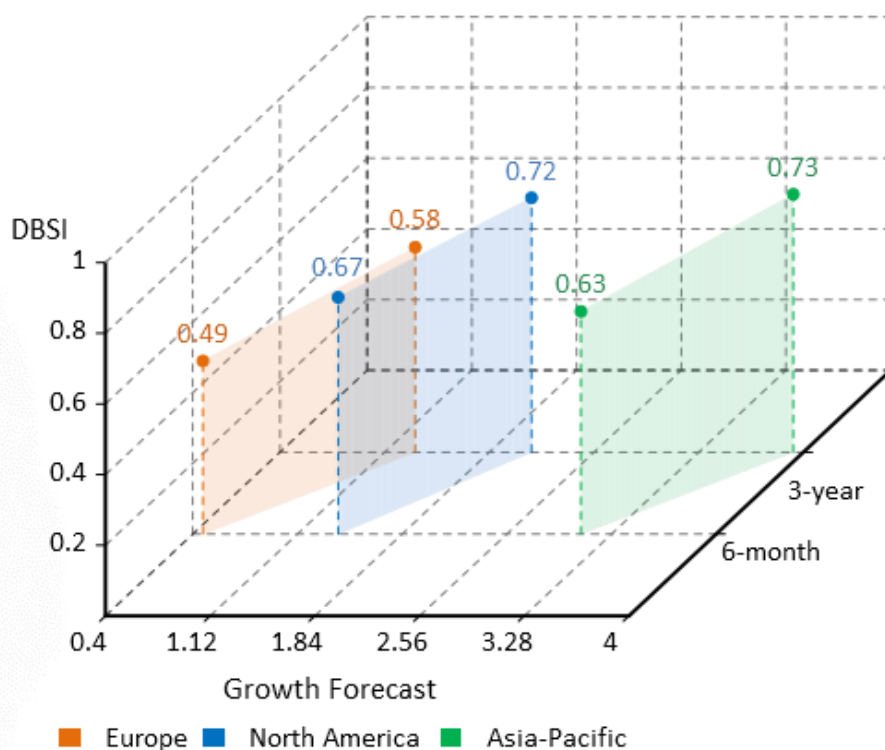


Figure 3: Global economic outlook (term structure)

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	3	2	1	2	5	
Recessionary Trough	13	7	6	2	3	1
Expansion	14	21	22	25	21	26
Business Peak			1	1	1	3

Real GDP

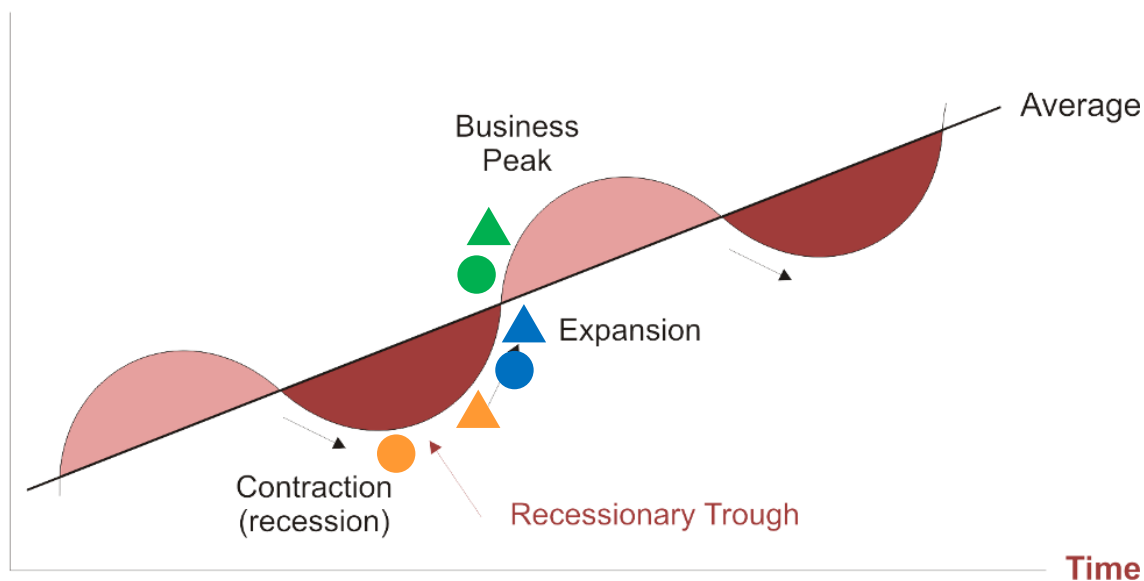


Figure 4: Business cycle

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).

Respondents are divided on the European six-month EDS. Thirteen claim the economy will be in a recession while fourteen say the economy will be expanding.

Experts support the view that the North American economy will be expanding both six months and three years from now.

Experts are united about the Asia-Pacific 3-year EDS – twenty six experts forecast expansion and three say the economy will reach its peak.

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

Six-month economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.50	0.50	0.75	0.50
Mean (DBSI)	0.59 ↑(0.06)	0.49 ↑(0.08)	0.67 ↑(0.01)	0.63 ↑(0.10)
Mode	0.75	0.50	0.75	0.50
Standard Deviation	0.22 ↓(0.02)	0.18 ↓(0.03)	0.18 ↑(0.01)	0.25 ↓(0.02)

Figure 5 shows the six-month economic outlook for Europe, North America, and Asia-Pacific. The global six-month economic prospects ameliorated 0.06 to 0.59 in September.

The European six-month economic sentiment index advanced 0.08 to 0.49, the highest reading since records began in 2011. Six respondents (20%) are pessimistic about the economic outlook, eighteen (60%) say the outlook is “neutral” and the rest (20%) claim the outlook is “positive”.

The North America six-month economic prospects improved to 0.67 from 0.66 in August. Twenty two experts (73%) claim the outlook is “fairly” or “definitely” positive and five (17%) suggest the economic outlook is “neutral”.

The Asia-Pacific sentiment index rose to 0.63, up from 0.53 in August. Fourteen respondents (47%) are either “fairly” or “definitely” positive about the six-month economic outlook. Eleven (37%) say the outlook is “neutral”.

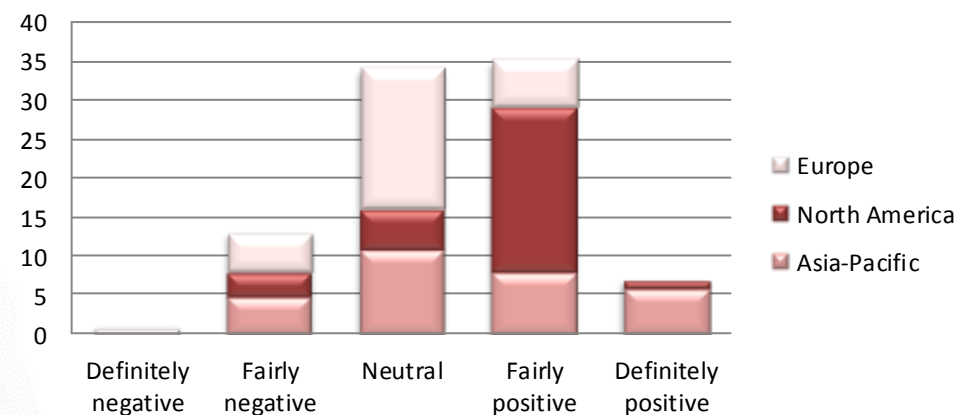


Figure 5: Six-month economic outlook

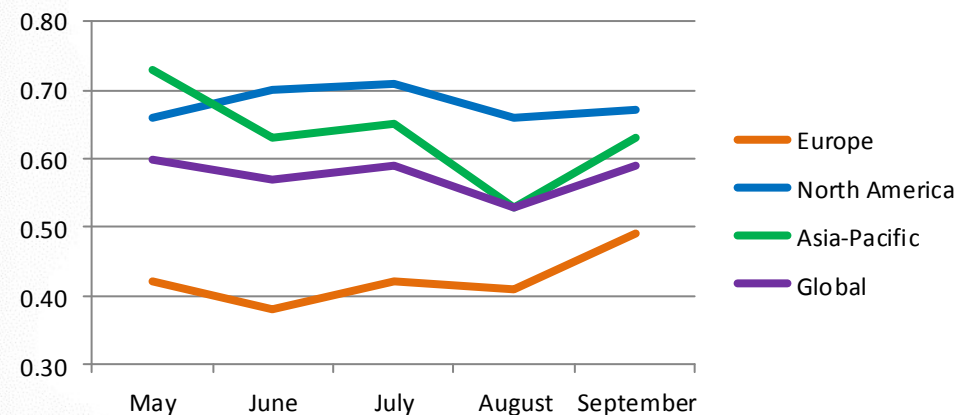


Figure 6: Six-month economic sentiment index

Three-year economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.50	0.75	0.75
Mean (DBSI)	0.67 ↑(0.02)	0.58 ↑(0.02)	0.72 ↑(0.01)	0.73 ↑(0.04)
Mode	0.75	0.50	0.75	0.75
Standard Deviation	0.22 ↓(0.02)	0.21 →(0.00)	0.24 →(0.00)	0.18 ↓(0.03)

Figure 7 presents the three-year economic outlook for Europe, North America, and Asia-Pacific. The three-year global economic outlook improved for the first time in four months to 0.67 from 0.65 in August.

The three-year European economic sentiment index climbed 0.02 to 0.58 in September. Thirteen respondents (43%) say the outlook is “fairly” or “definitely” positive. The same number of experts (43%) claim that the three-year economic outlook is “neutral” and four (14%) say that the outlook is negative.

The North American three-year economic forecast rose 0.01 to 0.72. A majority of respondents (76%) say the outlook is either “fairly” or “definitely” positive. Four (13%) claim that the three-year economic outlook is “neutral”.

The Asia-Pacific economic forecast for late 2016 ameliorated 0.04 to 0.73 in September. Twenty three experts say the prospects are either “fairly” or “definitely” positive and six claim the perspectives are “neutral”.

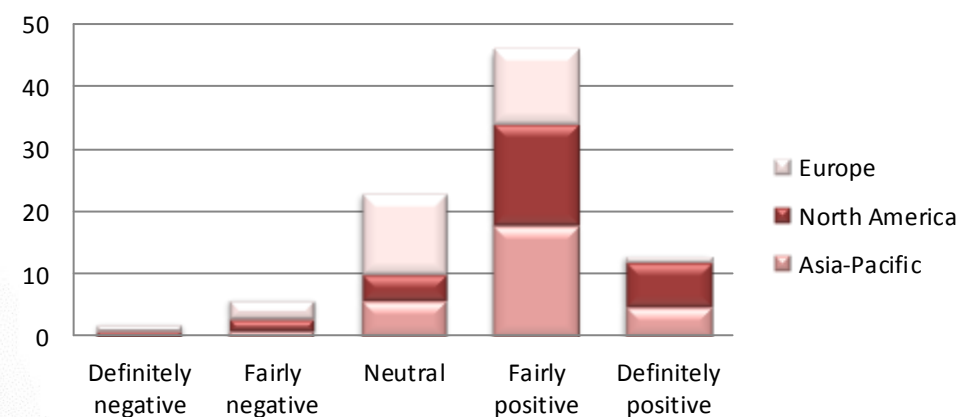


Figure 7: Three-year economic outlook

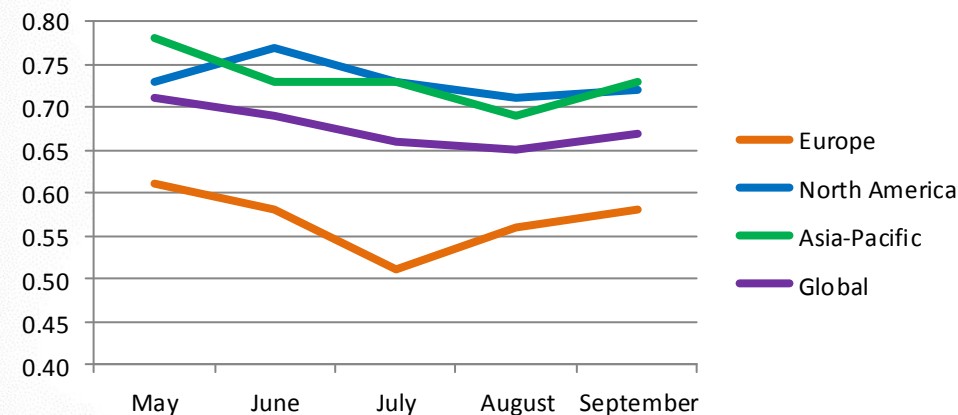


Figure 8: Three-year economic sentiment index

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	0.63	0.43	0.55	0.73	0.58	0.65
3-year economic outlook	0.65	0.54	0.58	0.79	0.75	0.71

Figure 9 presents a discrepancy in views on the economic outlook among local and foreign experts. September poll results reveal that respondents from North America are less optimistic about the local economic outlook compared to their foreign colleagues.

Europe: Local experts are significantly more optimistic about the European six-month economic outlook compared to their foreign colleagues, with a discrepancy in views of 0.20. The discrepancy sheds to 0.11 for the three year economic outlook.

North America: Respondents from North America are less optimistic about the regional six-month and three-year economic growth prospects (0.55 vs. 0.73 and 0.58 vs. 0.79, respectively).

Asia-Pacific: Local respondents are less optimistic (0.58) about the Asia-Pacific six-month economic prospects compared to foreign experts (0.65). The discrepancy in views reverses to a positive 0.04 for the three-year economic outlook.

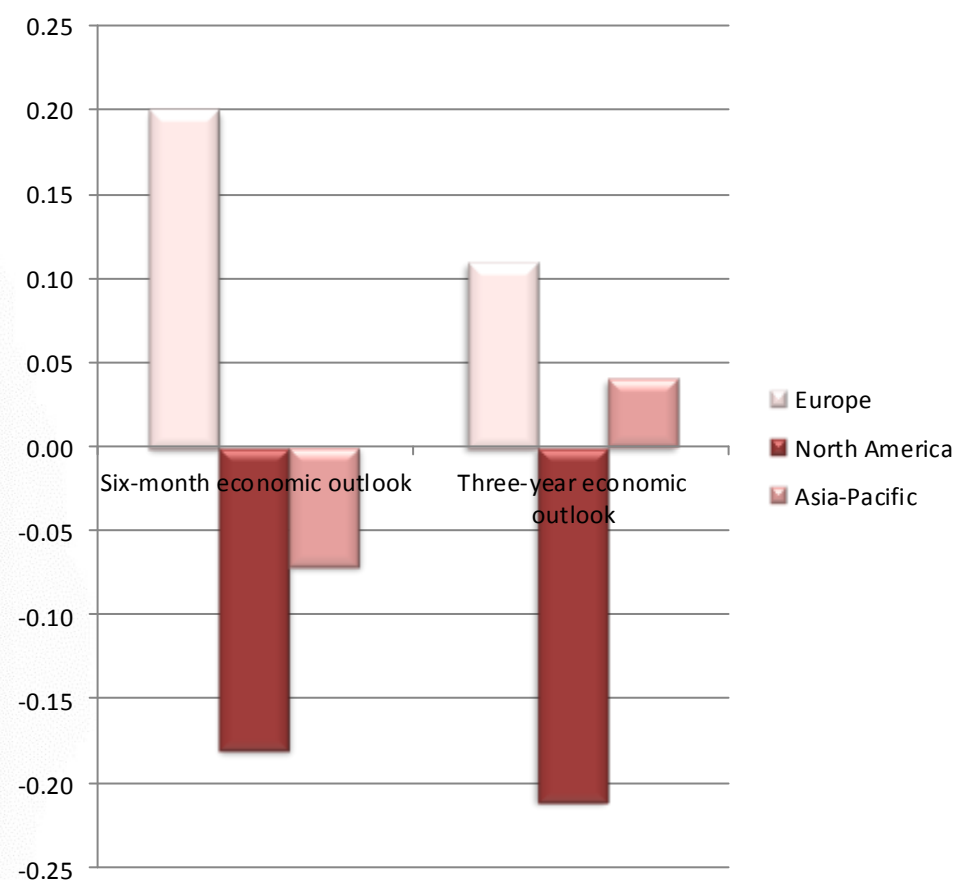


Figure 9: Discrepancy in views on economic outlook among local and foreign experts (*1)

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 September's poll

Miami University, Carnegie Mellon University, Drexel University, Ohio University, Assumption College, Lamar University, University of Pittsburgh, Tufts University, Samford University, University of North Carolina at Charlotte, University of Antwerp, University of East Anglia, Goethe University Frankfurt, HEC Management School – University of Liège, Central European University, Masaryk University, University of Cambridge, University of Vigo, University of Victoria, Mercer



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