



**DUKASCOPY**  
RESEARCH PRODUCTS

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# **Dukascopy Bank Sentiment Index**

## Summary

- Participants of the Dukascopy Bank SA December poll share a positive view on the global economy and its future development as both the six-month and three-year economic sentiment indexes improved to 0.66, which is a highest reading since the records began, and 0.73, respectively.
- Experts' six-month outlook on the European economic conditions did not change dramatically and gained 0.01 from the November reading of 0.53, while the three-year expectations advanced 0.03 to 0.65.
- The North American short and long term sentiment indexes both posted the biggest increase among the three regions in December. The six-month outlook gained 0.05 to 0.71 and the three-year forecast rallied 0.04 to 0.77.
- Respondents became more optimistic regarding the Asia-Pacific economy six months from now with sentiment index reaching 0.72 compared to 0.70 prior month, while the forecasts three years from now stood unchanged at 0.78.

Parameter/ Region	Global	Europe	North America	Asia- Pacific
<b>Six-month economic outlook</b>	 0.66 ↑(0.03)	 0.54 ↑(0.01)	 0.71 ↑(0.05)	 0.72 ↑(0.02)
<b>Three-year economic outlook</b>	 0.73 ↑(0.02)	 0.65 ↑(0.03)	 0.77 ↑(0.04)	 0.78 →(0.00)

Figure 1: Mood indicator

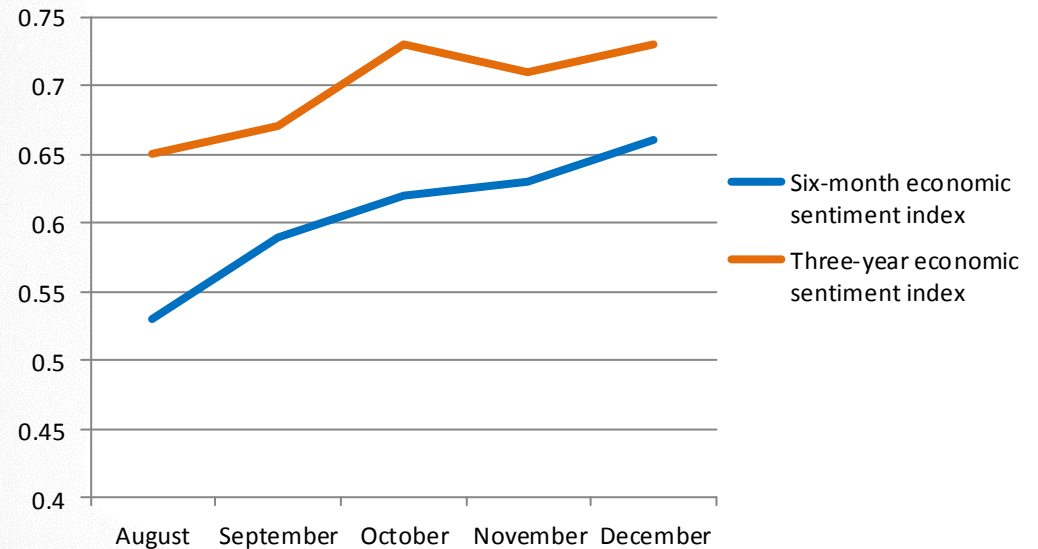


Figure 2: Global economic sentiment index



## Economic outlook (term structure)

Parameter/Region	Europe		North America		Asia-Pacific	
	DBSI	Growth f.	DBSI	Growth f.	DBSI	Growth f.
6-month economic outlook	0.54 <b>↑(0.01)</b>	0.80%	0.71 <b>↑(0.05)</b>	2.07%	0.72 <b>↑(0.02)</b>	4.00%
3-year economic outlook	0.65 <b>↑(0.03)</b>	1.87%	0.77 <b>↑(0.04)</b>	2.47%	0.78 <b>→(0.00)</b>	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 perform better three years from now.

The six-month economic growth within the Europe stood unchanged at 0.80%, while the three-year forecasts were revised upwards to 1.87% in December from 1.73 previous month.

The North American economy is expected to improve at an annualized 2.07% pace six months from now and 2.47% three years from now.

The poll respondents consider prospects of the Asia-Pacific to be the strongest among three regions. The six-month growth is anticipated to reach 4.00%, while three-year projections to stand at 4.47%.

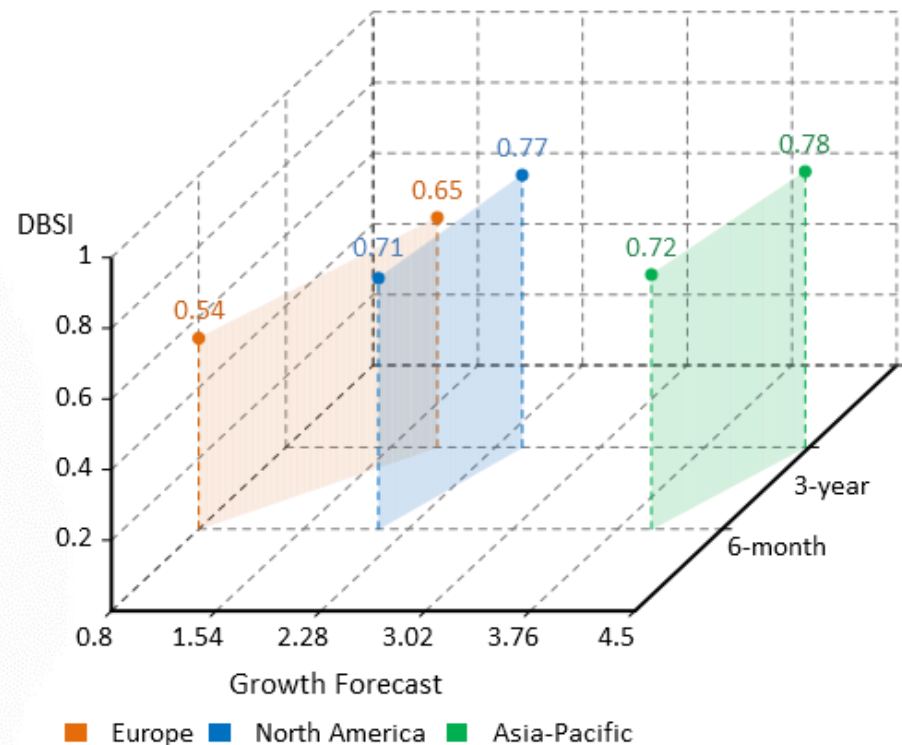


Figure 3: Global economic outlook (term structure)

## 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	1	1	4
Recessionary Trough	11	6	3	1	2	1
Expansion	15	20	25	25	24	23
Business Peak	1	2	1	3	3	2

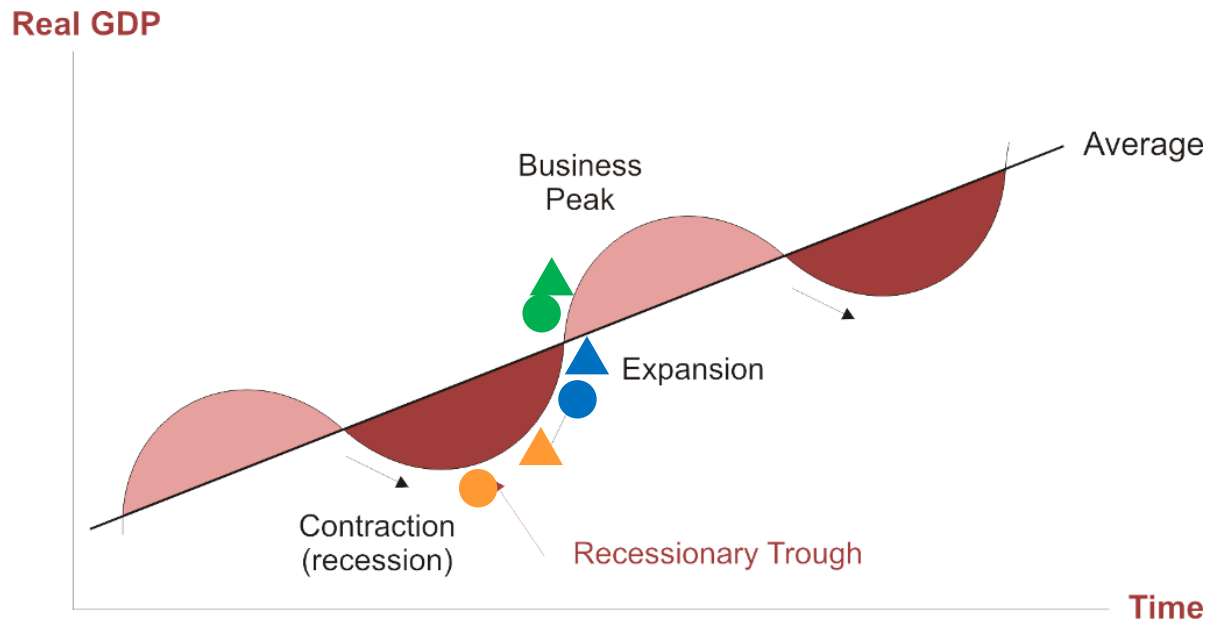


Figure 4: Business cycle

- 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).

Experts are optimistic regarding the European economy as sixteen poll participants expect it to expand six months from now and twenty two anticipate that the regional economy will gather pace three years from now.

Twenty five respondents forecast the North American economy to expand both in the short and long-term with three experts believing it will reach the peak by the end of 2016.

The vast majority of experts share the view that the Asia-Pacific six-month and three-year EDS will stand at 'Expansion' phase, while three participants consider the region's economy will contract in next six months and five respondents forecast shrinkage in a three-year time span.

## Six-month economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.50	0.75	0.75
Mean (DBSI)	0.66 <b>↑(0.03)</b>	0.54 <b>↑(0.01)</b>	0.71 <b>↑(0.05)</b>	0.72 <b>↑(0.02)</b>
Mode	0.75	0.50	0.75	0.75
Standard Deviation	0.17 <b>↓(0.04)</b>	0.16 <b>↓(0.04)</b>	0.15 <b>↓(0.04)</b>	0.16 <b>↓(0.03)</b>

Figure 5 shows the six-month economic outlook for Europe, North America, and Asia-Pacific, while the global six-month economic prospects improved 0.03 to 0.66 in December.

The European six-month economic sentiment index improved to 0.54, which is the highest reading since the records began in 2011. Four respondents (13%) are pessimistic about the economic outlook, seventeen (57%) say the outlook is “neutral” and the rest (30%) claim the outlook is “positive”.

The North American six-month economic projections improved and the sentiment index advanced 0.05 to 0.71 from 0.66 in November. Twenty four experts (80%) claim the outlook is “fairly” or “definitely” positive and five (17%) suggest the economic outlook is “neutral”.

The Asia-Pacific sentiment index advanced and stood at 0.72. Twenty two respondents (73%) are either “fairly” or “definitely” positive about the six-month economic outlook, eight (27%) say the outlook is “neutral”, whereas no one holds a negative outlook on the region’s economy.

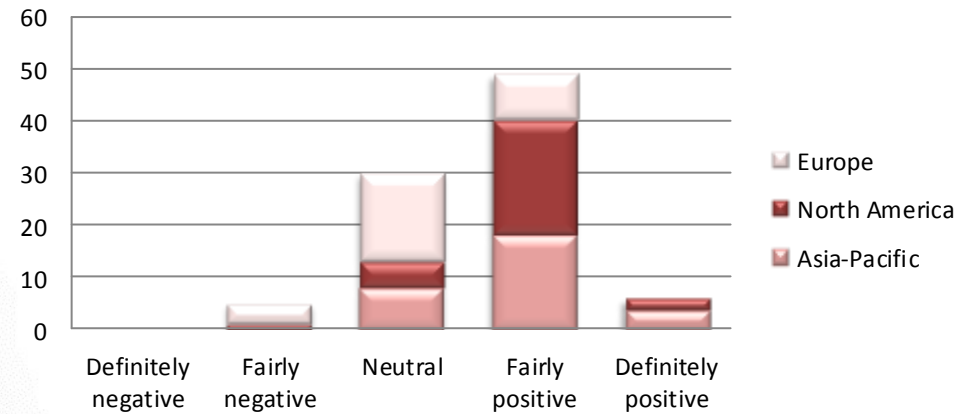


Figure 5: Six-month economic outlook

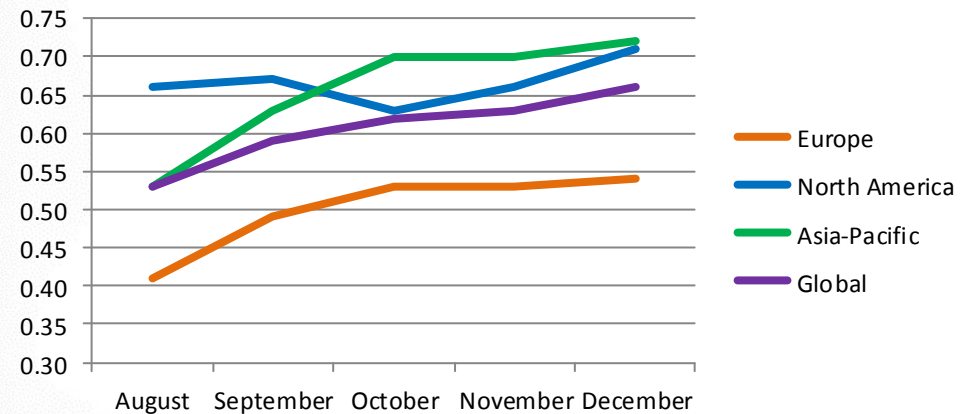


Figure 6: Six-month economic sentiment index



## Three-year economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.75	0.75	0.75
Mean (DBSI)	0.73 <b>↑(0.02)</b>	0.65 <b>↑(0.03)</b>	0.77 <b>↑(0.04)</b>	0.78 <b>→(0.00)</b>
Mode	0.75	0.75	0.75	0.75
Standard Deviation	0.21 <b>→(0.00)</b>	0.20 <b>↓(0.03)</b>	0.16 <b>↓(0.01)</b>	0.23 <b>↑(0.03)</b>

Figure 7 presents the three-year economic outlook for Europe, North America, and Asia-Pacific. The three-year global economic outlook improved to 0.73 after decreasing last month to 0.71.

The three-year European economic forecast rallied 0.03 to 0.65 in December with majority of respondents (60%) saying the outlook is “fairly” or “definitely” positive. Nine experts (30%) claim that the three-year economic outlook is “neutral” and three (10%) say that the forecast is “fairly” negative.

The North American three-year economic sentiment index went up 0.04 to 0.77. Twenty seven respondents (90%) say the outlook is either “fairly” or “definitely” positive, two (7%) claim it to be “neutral” and one participant considers the outlook “fairly” negative.

The Asia-Pacific economic forecast for late 2016 remained unchanged at 0.78. Twenty five experts (84%) say the prospects are either “fairly” or “definitely” positive and two (7%) claim the perspectives are “neutral”.

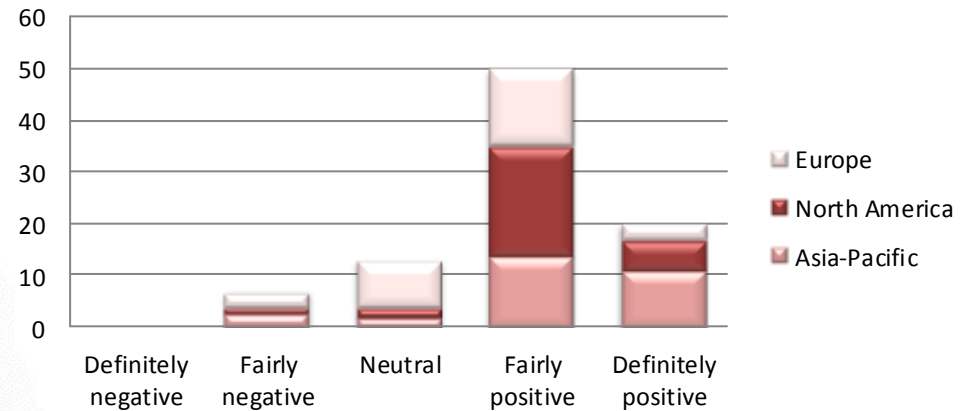


Figure 7: Three-year economic outlook

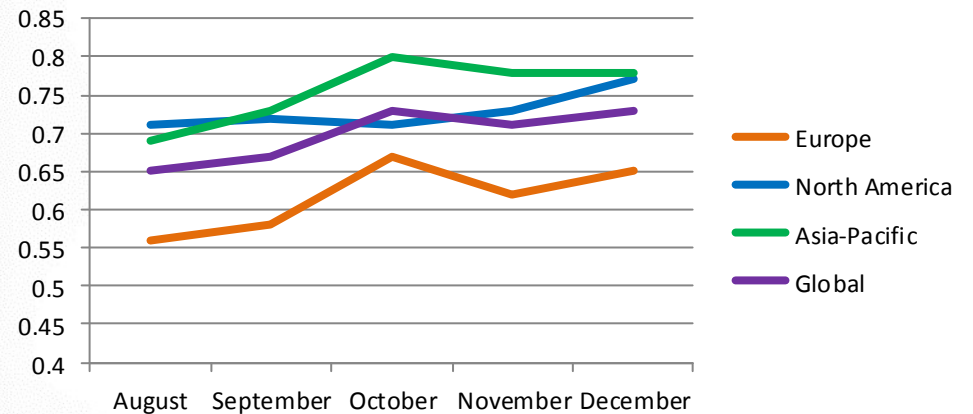


Figure 8: Three-year economic sentiment index

## 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	0.58	0.53	0.68	0.73	0.75	0.70
3-year economic outlook	0.70	0.63	0.70	0.80	0.88	0.73

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

**Europe:** Local experts have more optimism about the European six-month economic prospects compared to their foreign colleagues, while the discrepancy in the opinions between the groups reaches positive 0.07 for the three-year economic outlook.

**North America:** Respondents from North America grant less confidence to the six-month and three-year economic outlooks than the foreign poll participants (0.68 vs. 0.73 and 0.70 vs. 0.80, respectively).

**Asia-Pacific:** Local respondents' projections about the Asia-Pacific six-month economic outlook are stronger than those of the foreign poll participants. The discrepancy in views reaches the value of 0.15 for the three-year economic sentiment index.

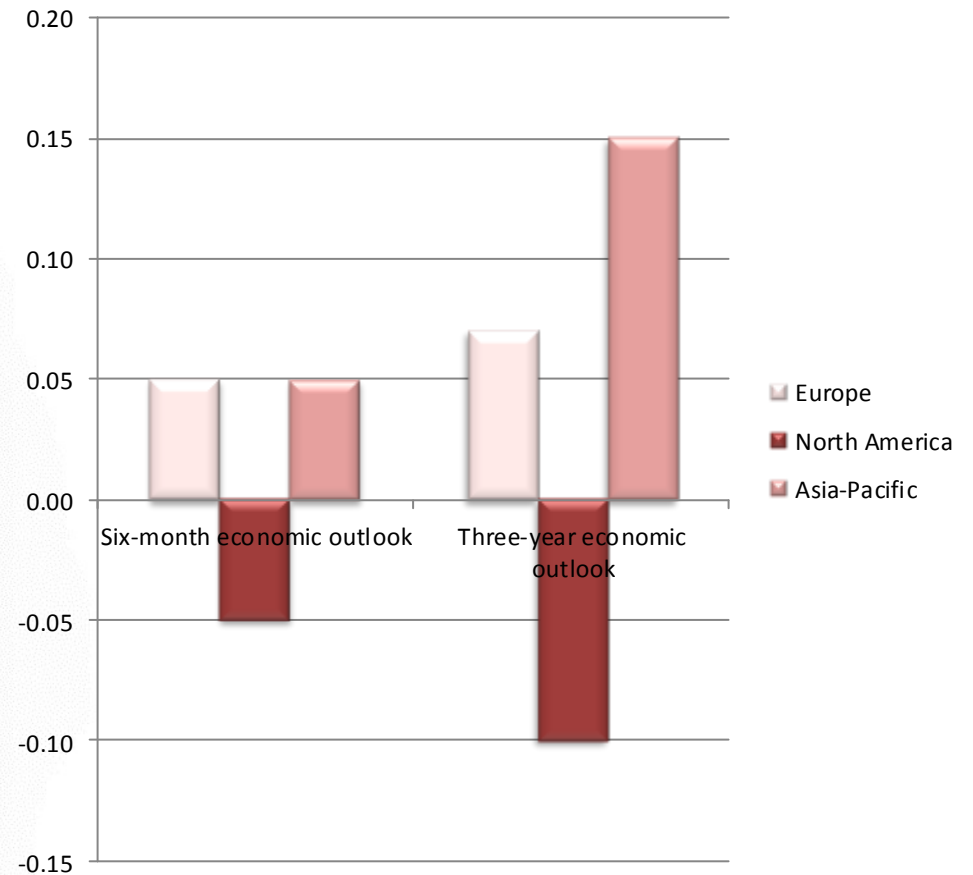


Figure 9: Discrepancy in views on economic outlook among local and foreign experts (\*1)



## 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 December's poll

University of Arkansas, University of Guelph, Lamar University, University of Nevada Reno, University of North Carolina at Charlotte, University of Alberta, Tulane University, Radford University, Saint Louis University, University U of Illinois at Chicago, University of Nottingham, University of Lausanne, Masaryk University, Aarhus University, University of Latvia, University of Kent, Université Catholique de Lille, American University of Paris, Private College of Economic Studies in Znojmo, IMD Business School, Federation University Australia, National University of Singapore, Zhejiang University, Indian Institute of Foreign Trade, Chulalongkorn University, Xiamen University, Griffith University, Hitotsubashi University, Saint Louis University, Georgia State University





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