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RESEARCH PRODUCTS

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Dukascopy Bank Sentiment Index

Summary

- The six-month global economic expectations improved by 0.02 in March and reached the level of 0.64, while the three-year sentiment index decreased for the second consecutive month and stood at 0.68, a Dukascopy Bank SA poll showed.
- The European six-month economic outlook recovered from 0.52, the lowest level since September 2013, to 0.55. However, poll respondents did not revise their expectations regarding the three-year index, and the reading stood unchanged at 0.60 in March.
- Experts became less optimistic about the North American region as both the six-month and three-year expectations worsened slightly. The six-month outlook declined 0.01 to 0.68, while the three-year sentiment fell by 0.02 to 0.69, which is October 2012 low.
- The Asia-Pacific economy is forecasted to expand in six-month time as the index grew by 0.04 to 0.70 in March. However, the three-year prospects became less attractive compared to the February poll's results as the experts' three-year outlook worsened to 0.74.





Parameter/ Region	Global	Europe	North America	Asia- Pacific
Six-month economic outlook	 0.64 ↑(0.02)	 0.55 ↑(0.03)	 0.68 ↓(0.01)	 0.70 ↑(0.04)
Three-year economic outlook	 0.68 ↓(0.01)	 0.60 →(0.00)	 0.69 ↓(0.02)	 0.74 ↓(0.02)

Figure 1: Mood indicator

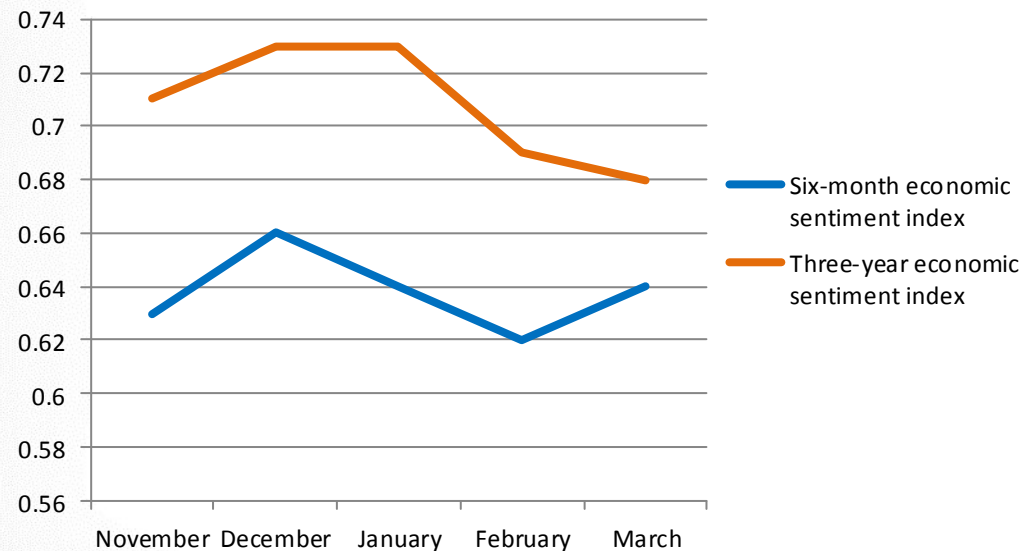


Figure 2: Global economic sentiment index

Economic outlook (term structure)

Parameter/Region	Europe		North America		Asia-Pacific	
	DBSI	Growth f.	DBSI	Growth f.	DBSI	Growth f.
6-month economic outlook	0.55 ↑(0.03)	0.77%	0.68 ↓(0.01)	1.83%	0.70 ↑(0.04)	3.60%
3-year economic outlook	0.60 →(0.00)	1.00%	0.69 ↓(0.02)	2.00%	0.74 ↓(0.02)	4.13%

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 expectations about the European growth rate six months from now improved to 0.77% annualised from 0.50% in February. Three-year economic growth forecasts worsened to 1.00% in March from 1.13% prior month.

Expected economic growth of the North-American region in six-month time stood unchanged at 1.83% , while the three-year growth outlook slowed down by 0.27% to 2.00% annualised.

Poll respondents consider the Asia-Pacific economic growth prospects the strongest. Forecasted growth rate accelerated to 3.60% and 4.13% six months and three years from now respectively.

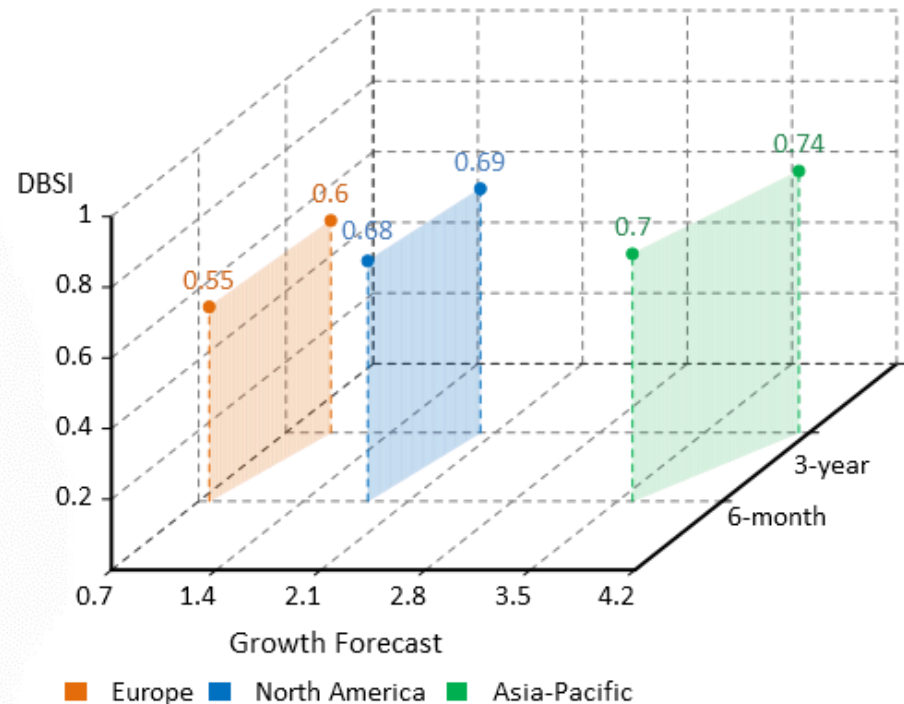


Figure 3: Global economic outlook (term structure)

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	0	3	1	4	1	1
Recessionary Trough	11	5	2	2	0	1
Expansion	18	21	27	20	27	23
Business Peak	1	1	0	4	2	5

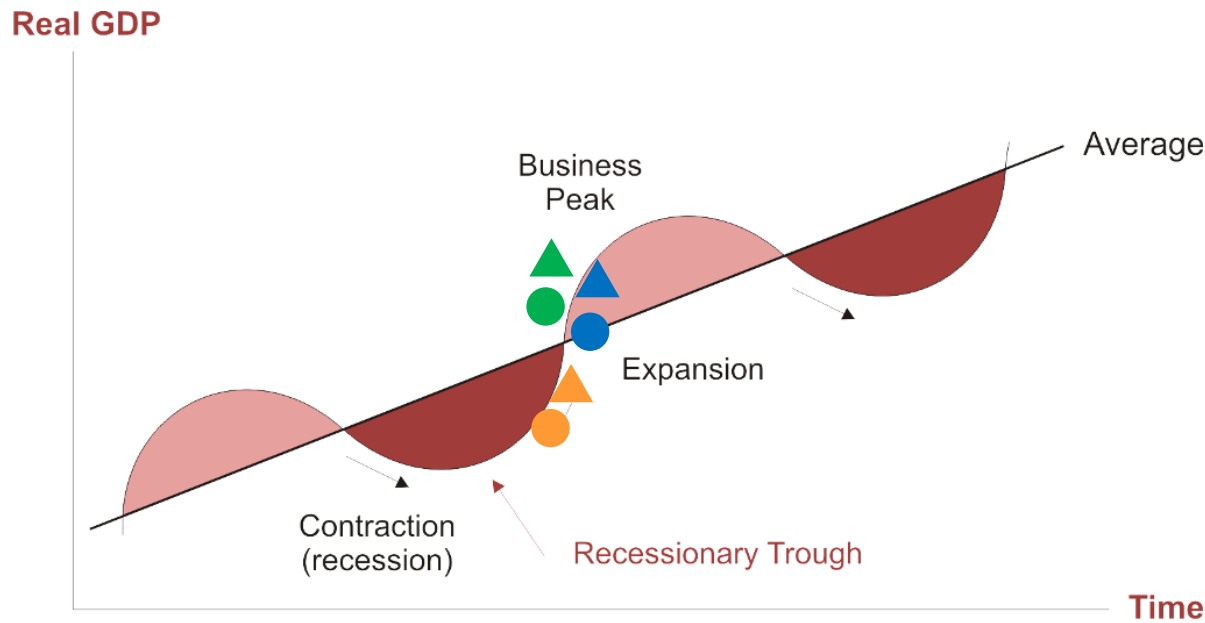


Figure 4: Business cycle

- 6-month EDS
- ▲ 3-year EDS

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).

Majority of poll respondents consider the European six-month and three-year EDS to reach 'Expansion' phase, while only eleven believe economy will be in recession six months from now and eight—three years from now.

Twenty-seven experts anticipate that the North American region will experience economic expansion by October 2014 and only three believe the economy will slow down. Respondents are less optimistic about North-American three-year EDS as twenty-four consider region's economy to expand, while six expect it to reach recession.

The Asia-Pacific economy is forecasted to grow both in the short and long term by vast majority of experts.

Six-month economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.50	0.75	0.75
Mean (DBSI)	0.64 ↑(0.02)	0.55 ↑(0.03)	0.68 ↓(0.01)	0.70 ↑(0.04)
Mode	0.75	0.50	0.75	0.75
Standard Deviation	0.21 ↓(0.01)	0.20 →(0.00)	0.21 ↑(0.02)	0.19 ↓(0.04)

Figure 5 shows the six-month economic outlook for Europe, North America, and Asia-Pacific. The global six-month economic prospects improved by 0.02 to 0.64 in March.

The six-month European economic sentiment index regained to 0.55, which is the highest reading since the records began in 2011. Four respondents (13%) are pessimistic about the economic outlook, sixteen (53%) say the outlook is “neutral” and the rest claim the outlook is “positive”.

North America is the only region the poll respondents expect to slow down six month from now as sentiment index slipped to 0.68 from 0.69 in February. Nineteen experts (63%) claim the outlook is “fairly” or “definitely” positive and nine (30%) suggest the economic outlook is “neutral”.

The Asia-Pacific sentiment index stood at three-month high 0.66. Twenty two (73%) are either “fairly” or “definitely” positive about the six-month economic outlook. Six (20%) say the outlook is “neutral”.

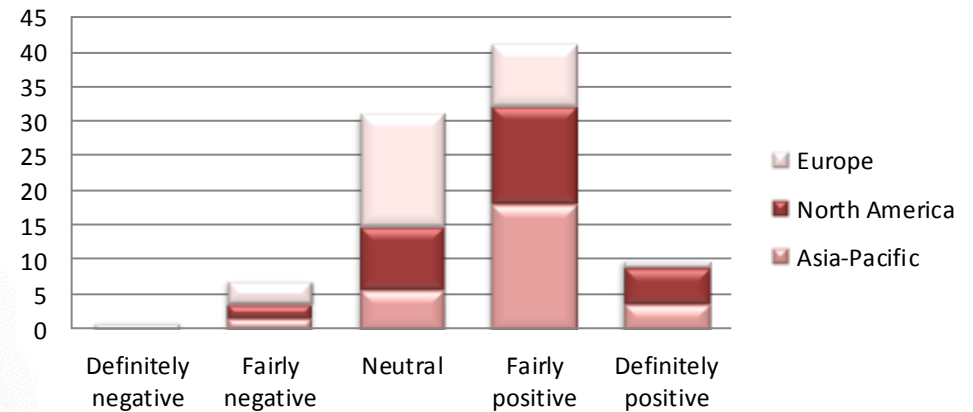


Figure 5: Six-month economic outlook

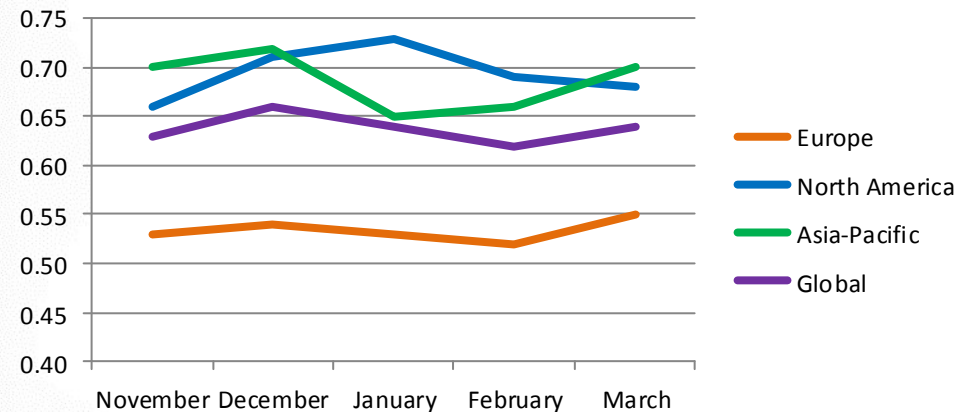


Figure 6: Six-month economic sentiment index

Three-year economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.50	0.75	0.75
Mean (DBSI)	0.68 ↓(0.01)	0.60 →(0.00)	0.69 ↓(0.02)	0.74 ↓(0.02)
Mode	0.75	0.50	0.75	0.75
Standard Deviation	0.21 ↓(0.02)	0.18 ↓(0.02)	0.19 ↓(0.01)	0.22 ↓(0.04)

Figure 7 presents the three-year economic outlook for Europe, North America, and Asia-Pacific. The three-year global economic outlook declined to 0.68 from 0.69 in February.

European three-year outlook stood unchanged at 0.60. Fourteen respondents (46%) say the outlook is “fairly” or “definitely” positive. Thirteen experts (43%) claim that the three-year economic outlook is “neutral” and three say that the outlook is negative.

The North American three-year economic sentiment index continued to decrease and reached 0.71 in March. However, the majority of respondents (64%) say the outlook is either “fairly” or “definitely” positive. Ten (33%) claim that the three-year economic outlook is “neutral”.

The Asia-Pacific economic forecast for early 2017 deteriorated by 0.02 to 0.74. Still, twenty four (80%) experts say the prospects are either “fairly” or “definitely” positive and three (10%) claim the perspectives are “neutral”.

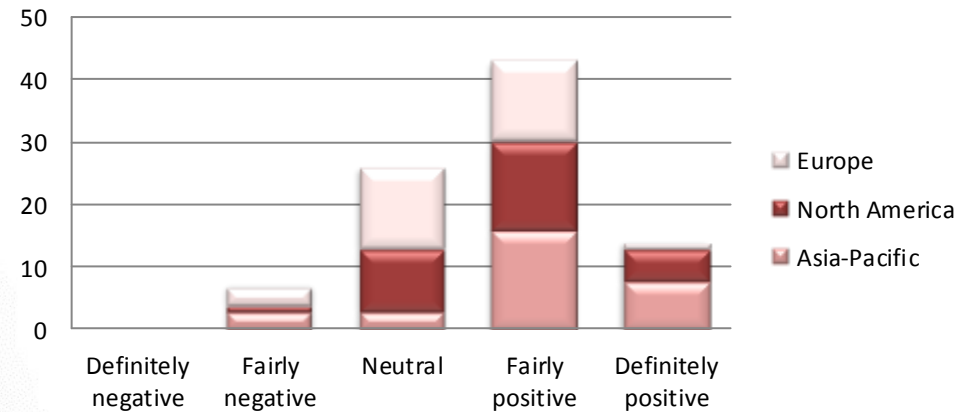


Figure 7: Three-year economic outlook

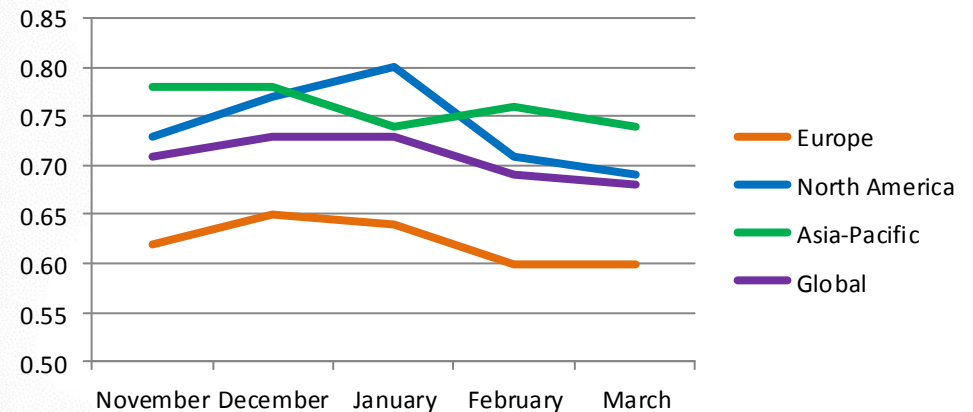


Figure 8: Three-year economic sentiment index

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	0.54	0.73	0.68	0.78	0.66
3-year economic outlook	0.63	0.59	0.66	0.70	0.83	0.70

Figure 9 presents a discrepancy in views on the economic outlook among local and foreign experts. March poll results reveal that respondents from Europe are more optimistic about the local economic outlook compared to their foreign colleagues. The same is true for the Asia-Pacific region.

Europe: Local experts are more optimistic about the European six-month and three-year economic outlook compared to their foreign colleagues, with a discrepancy in views of 0.4 for both time horizons.

North America: Local respondents from North America are more optimistic about the regional six-month outlook (0.73 vs. 0.68), however the discrepancy in views reaches -0.02 when it comes to the three-year growth prospects.

Asia-Pacific: Local respondents are more optimistic (0.78) about the Asia-Pacific six-month economic prospects compared to foreign experts (0.66). The same tendency applies for longer time span, as the discrepancy in views sheds to 0.13 for the three-year economic outlook.

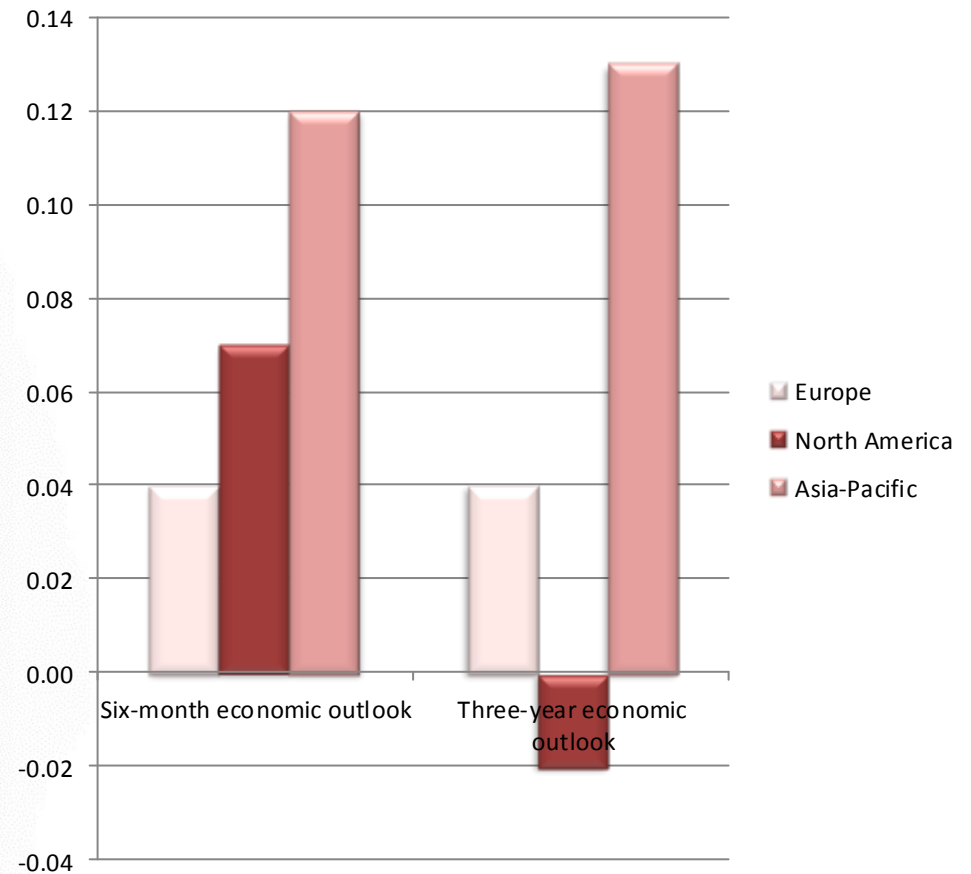


Figure 9: Discrepancy in views on economic outlook among local and foreign experts (*1)

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 March's poll

Xavier University, University of British Columbia, Columbia University, University of Nebraska-Lincoln, Lehigh University, University of South Alabama, University of Missouri-Columbia, Shippensburg University, University of Missouri-Columbia, University of Texas at Arlington
 Tufts University, Paris Dauphine University, University of Groningen, University of London, Kozminski University, Silesian University in Opava, Zurich University of Applied Sciences - ZHAW, University of Pardubice, International Business Academy, University of Gdańsk, University of Adelaide, Xavier University, Symbiosis International University, Melbourne Business School, Chinese University of Hong Kong, University of Adelaide, University of South Australia, Universiti Sains Malaysia, American University of Sharjah, Universiti Sains Malaysia



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