



DUKASCOPY
RESEARCH PRODUCTS

June release 11/07/2014



Dukascopy Bank Sentiment Index

Summary

- June's findings of Dukascopy Sentiment Index survey revealed that professors were particularly upbeat about the long term economic prospects. Europe enjoyed the biggest gain of confidence, with the corresponding index surging 0.12 points to the highest level this year. The gauge for the Asia-Pacific region also refreshed this year's high, skyrocketing 0.07 to 0.86. In contrast North America region saw its sentiment index inching slightly higher. All in all, optimism about global economic prospects grew 0.07 points in June to this year's high of 0.78.
- While professors share optimistic long term outlook for Europe, in the short-run they lost trust in the region's economy, as the sentiment index slipped by 0.06 to 0.52, the level last seen in February. This might be due to the fact that the recent data out of Europe points to an uneven economic picture, with the core countries reporting disappointing numbers, while periphery continues to slowly recover. The long-term outlook might be supported by the recent decision of the ECB to enter the uncharted waters by launching negative interest rates. This measure is designed to bolster economic growth in the Euro zone and ensure inflation does not fall further.
- The recent data showed that the U.S. economy contracted in the first quarter, with GDP coming in at -2.9%, while Canada's growth also disappointed. Apparently, this negative news weighed on experts short-term outlook, as the corresponding index lost 0.06 points. However, the long-term outlook is still optimistic.
- While Shizno Abe launches the "third arrow" and China shows signs of a rebound, RBNZ hike interest rates and the Australian growth surprises to the upside. All these have contributed to a gain in the short and long term sentiment indices.









Parameter/ Region	Global	Europe	North America	Asia- Pacific
Six-month economic outlook	 0.63 ↓(0.02)	 0.52 ↓(0.06)	 0.67 ↓(0.06)	 0.70 ↑(0.05)
Three-year economic outlook	 0.78 ↑(0.07)	 0.71 ↑(0.12)	 0.78 ↑(0.03)	 0.86 ↑(0.07)

Figure 1: Mood indicator

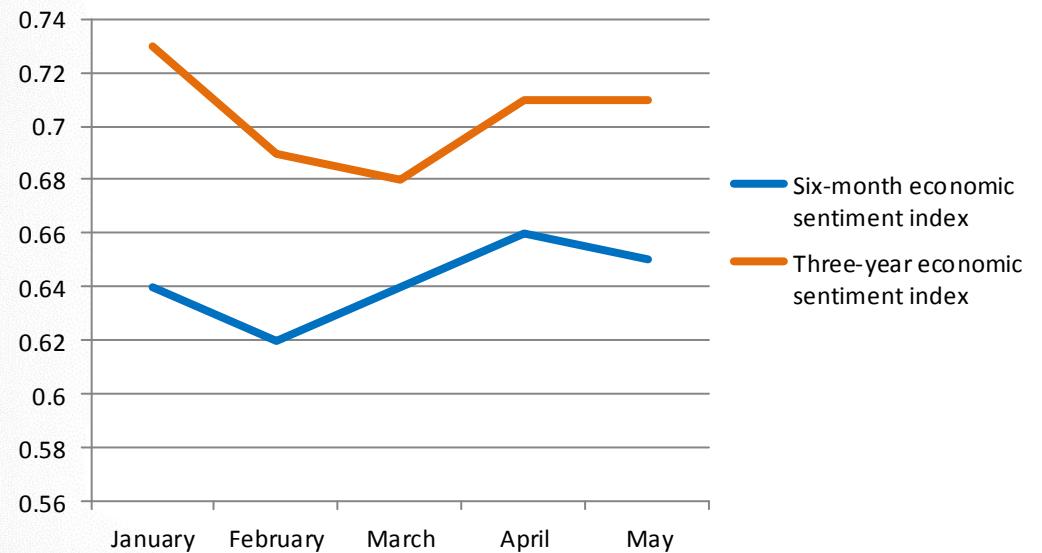


Figure 2: Global economic sentiment index

Economic outlook (term structure)

Parameter/Region	Europe		North America		Asia-Pacific	
	DBSI	Growth f.	DBSI	Growth f.	DBSI	Growth f.
6-month economic outlook	0.52 ↓(0.06)	0.33%	0.67 ↓(0.06)	1.43%	0.70 ↑(0.05)	3.80%
3-year economic outlook	0.71 ↑(0.12)	1.27%	0.78 ↑(0.03)	1.93%	0.86 ↑(0.07)	4.13%

Figure 3 represents the term structure of Dukascopy Bank Sentiment Index (Y-axis) mapped against the 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.

In the coming six months Europe's economy is projected to expand by 0.33%, the lowest rate this year, on the back of sticky inflation in the Euro area, deterioration in consumer sentiment and business climate, slowdown in manufacturing sectors in the core countries, and high unemployment rate. In order to stimulate the Euro zone's economy and avoid a Japan-style deflationary spiral, the ECB decided to take unprecedented steps by introducing negative interest rates. The long term forecast hints at a slight growth of around 1.27%. Thus, the recent ECB actions have not still translated into strong optimism about the Euro area economic future.

After striking negative GDP data out of the North America, experts have revised the region's six-month and three-year growth outlook downwards, expecting a growth rate at 1.43% and 1.93% in the near term and in 2017, respectively.

Meanwhile, optimism concerning Asia-Pacific economic stance spreads around the world, as the gauge of six-month growth rose from 3.20% in May to 3.80% in June, while the region's economy is expected to grow at 4.13% in 2017.

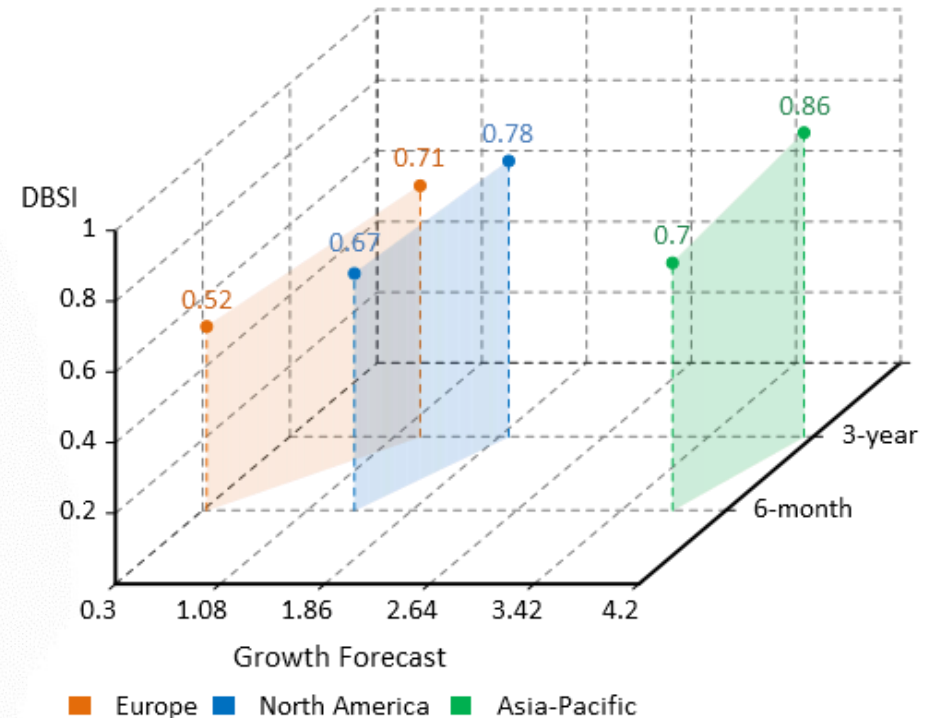


Figure 3: Global economic outlook (term structure)

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	8	1	2	1	2	2
Recessionary Trough	10	8	5	4	2	0
Expansion	12	20	22	20	26	22
Business Peak	0	1	1	5	0	6

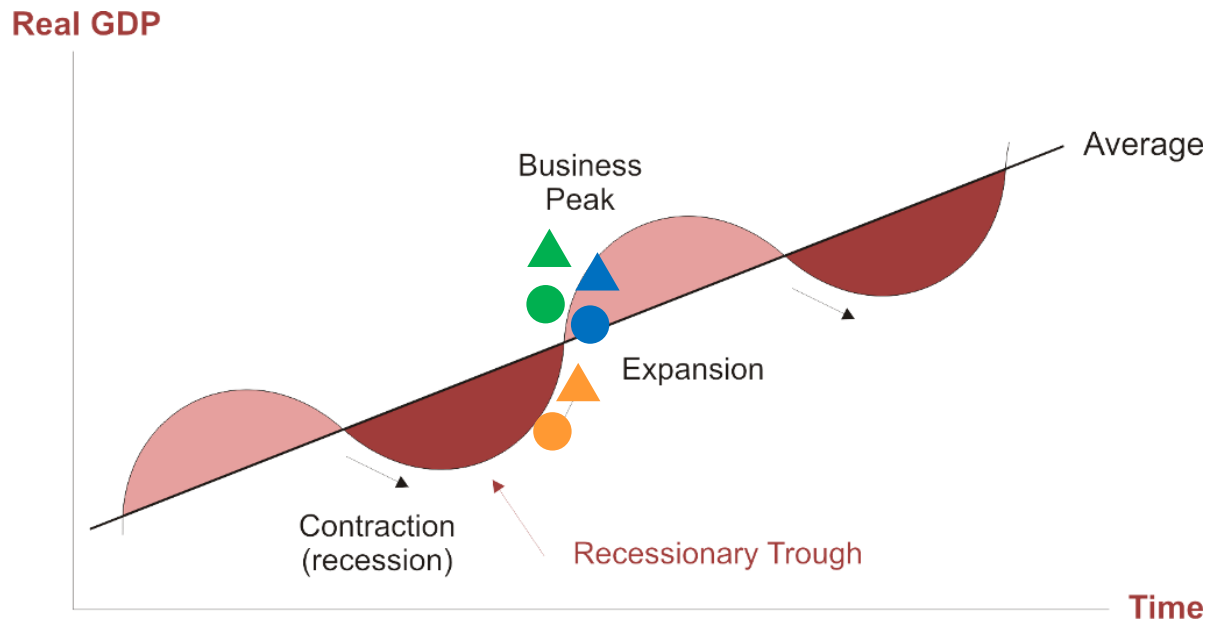


Figure 4: Business cycle

- 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).

While the North America and Asia-Pacific are rushing to reach the business peak, Europe is struggling to move up along the business cycle curve towards the expansion phase. As confidence in Asia-Pacific economy continues to increase, the distance to business peak is constantly shortening. In June the number of experts who see the region's economy reaching the highest point in three-year time increased to 6 up from 3 seen last month.

Meanwhile, North America is lagging behind, as weather-hit first quarter growth surprised to the downside. Nevertheless, 5 professors project the nations' economy to reach business peak in 2017, compared to one expert in the May poll.

Six-month economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.50	0.75	0.75
Mean (DBSI)	0.63 ↓(0.02)	0.52 ↓(0.06)	0.67 ↓(0.06)	0.70 ↑(0.05)
Mode	0.75	0.50	0.75	0.75
Standard Deviation	0.21 ↑(0.04)	0.20 ↑(0.04)	0.19 ↑(0.04)	0.20 ↑(0.03)

Figure 5 shows the six-month economic outlook for Europe, North America, and Asia-Pacific. The global six-month economic prospects fell slightly by 0.02 to 0.63 in June, as experts have become less optimistic about short term economic prospects in Europe and North America. The figure has been hovering above the 60-mark since September 2013, adding to evidence experts confidence continues to gradually improve.

The European six-month sentiment index declined 0.06 points, as 27% of academic experts feel fairly negative about the region's economic prospects. However, 40% of the survey participants are neutral, while 33% share a fairly positive outlook.

North America also saw its gauge for economic confidence slipping by 0.06 points in June. The index fell to 0.67, down from 0.73 seen in May amidst negative data on Canada's and U.S. economic growth in the first quarter. The majority of those surveyed (63%) felt fairly positive, whereas a slight minority (10%) stuck to fairly negative view.

Asia-Pacific, however, was the only region which enjoyed a 0.05 point increase, with the short-term economic sentiment index rising to 0.70 compared to 0.65 recorded last month.

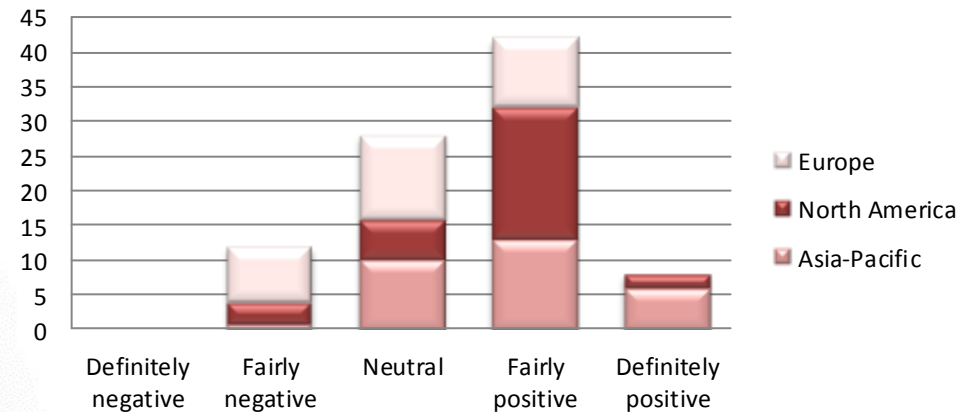


Figure 5: Six-month economic outlook

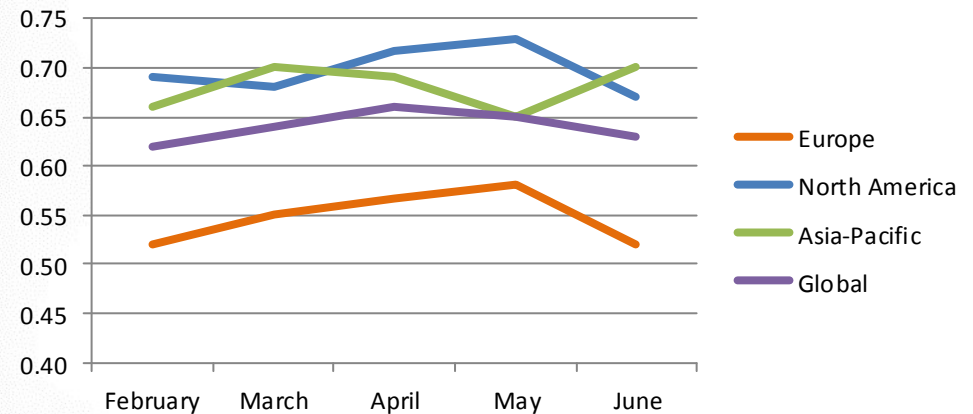


Figure 6: Six-month economic sentiment index

Three-year economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.75	0.75	0.75
Mean (DBSI)	0.78 ↑(0.07)	0.71 ↑(0.12)	0.78 ↑(0.03)	0.86 ↑(0.07)
Mode	0.75	0.75	0.75	0.75
Standard Deviation	0.20 ↓(0.01)	0.21 ↓(0.02)	0.18 ↑(0.03)	0.18 ↓(0.01)

Figure 7 presents the three-year economic outlook for Europe, North America, and Asia-Pacific. The three-year global economic outlook surged 0.07 points to 0.78 from the previous month at 0.71, with the corresponding index rising in each region.

Europe enjoyed the biggest advance among other regions, as the gauge jumped 0.12 points in June and reached the highest level this year at 0.71. 70% of respondents felt positive about the region's three-year economic prospects, with 50% being fairly positive and 20% – definitely positive.

Meanwhile, the American index rose slightly by 0.03 points, not being able to reach this year's high at 0.80 recorded in January. Nevertheless, the vast majority of professors (80%) feel extremely upbeat, and no one shared a negative outlook.

As Asia Pacific economies continue to gather steam, so does the region's three-year economic sentiment index, which surged 0.07 point in June up from the May reading of 0.79. This is the first time this year when the index reached 0.86 level, with the uptrend having been sustained since April. 87% of professors shared a positive outlook, with 57% being definitely positive about the Asian-Pacific long term economic prospects.

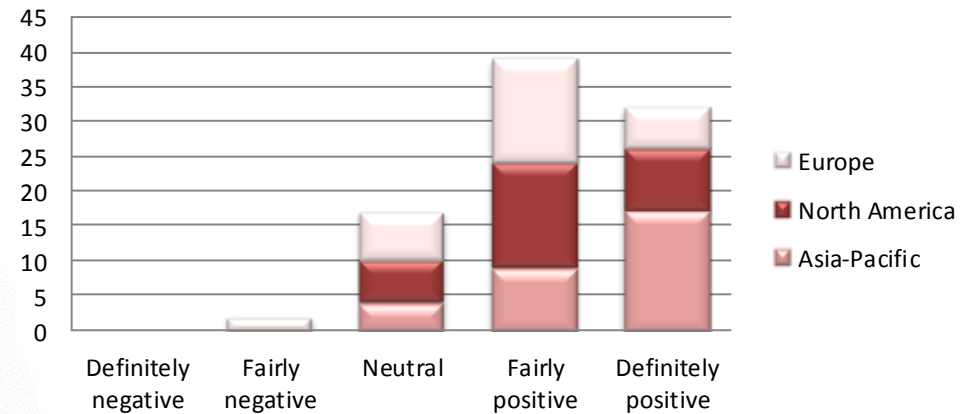


Figure 7: Three-year economic outlook

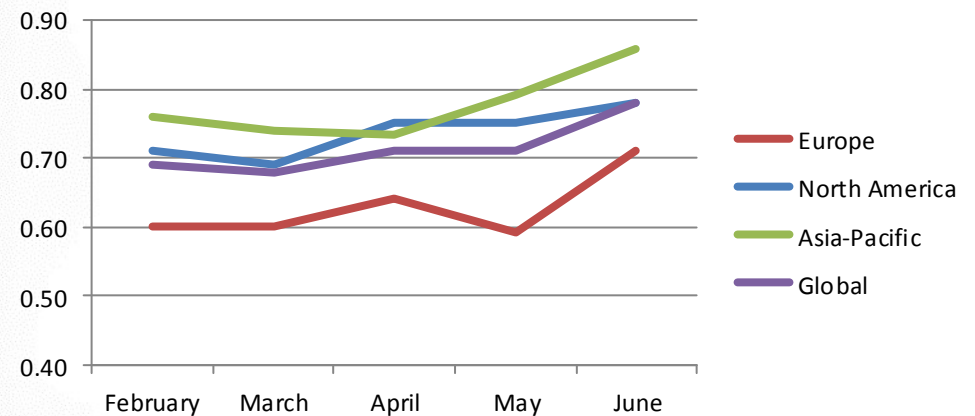


Figure 8: Three-year economic sentiment index

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	0.53	0.51	0.73	0.64	0.60	0.75
3-year economic outlook	0.73	0.70	0.85	0.74	0.83	0.88

Figure 9 presents a discrepancy in views on the economic outlook among the local and foreign experts. In June, the local and foreign professors disagree on every region's economic stance in the short and long term.

Europe saw a slight difference in views both for the 6-month and three-year economic outlook, with European professors being more optimistic than their foreign colleagues.

Meanwhile, experts outside North America do not share that bright economic outlook compared to Americans. The discrepancy in the short term forecasts reaches 0.09 points, while the difference in views becomes even more significant when it comes to the three-year growth prospects.

Slightly different picture can be observed when analyzing professors' responses concerning the Asia-Pacific region. Unlike the previous report results which showed local professors were more upbeat than their foreign colleagues, June's poll findings reveal that local experts have become less confident in the region's six-month and three-year economic outlook, as the discrepancy reached -0.15 points and -0.05 points, respectively.

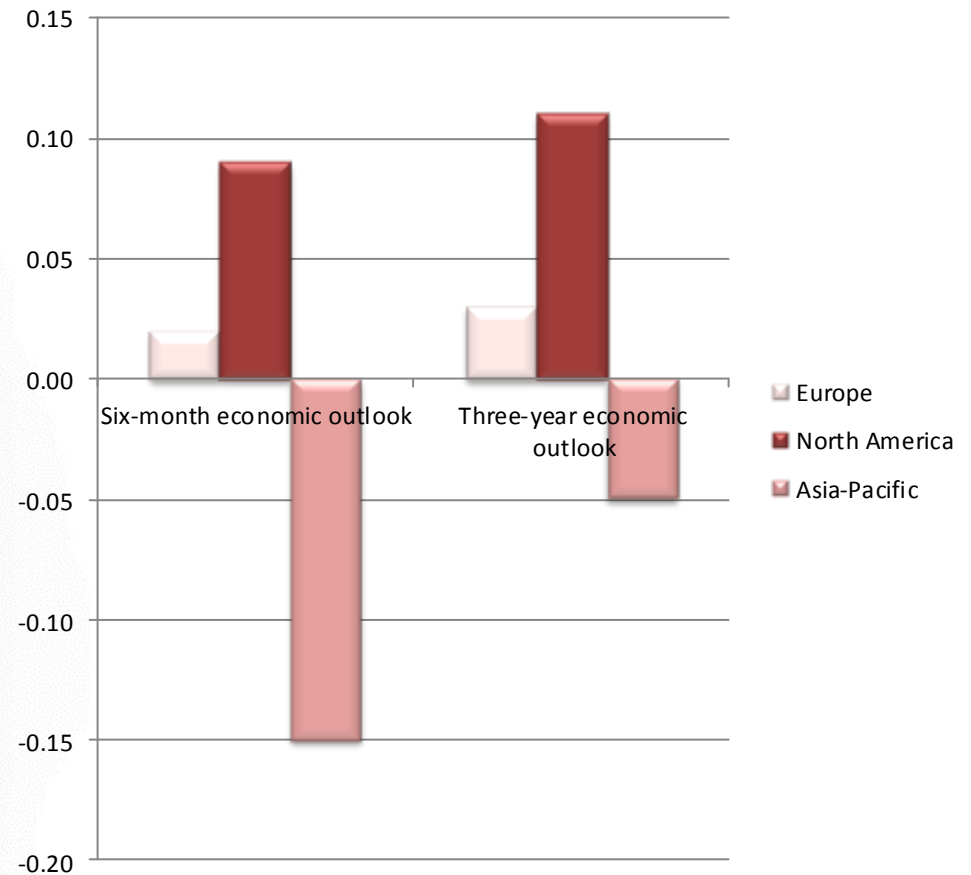


Figure 9: Discrepancy in views on economic outlook among local and foreign experts (*1)

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:

Syracuse University, University of Georgia, Indiana University Robert H. McKinney School of Law, University of Utah, Duquesne University of the Holy Spirit, Jönköping International Business School, University of Bamberg, RISEBA, ISMAI, School of Accounting and Administration of Porto, University of Vienna, Erasmus University Rotterdam, Zurich University of Applied Sciences, Freie Universität Berlin, Birkbeck, University of London, Higher School of Economics, University of Basel, Philipp University of Marburg, East China University of Science and Technology, Indian Institute of Management Bangalore, Universiti Malaysia Sarawak, Institute of Business Administration, Karachi, Shanghai Jiao Tong University, Aarhus University, University of St. Gallen, BA School of Business and Banking



Newest releases and archive:

- Fundamental Analysis
- Technical Analysis
- Press Review
- Market Research
- Expert Commentary
- Dukascopy Sentiment Index
- Trade Pattern Ideas
- Global Stock Market Review
- Commodity Overview
- Economic Research
- Quarterly Report
- Aggregate Technical Indicator

Additional information:

- Dukascopy Group Home Page
- Market News & Research
- FXSpider
- Live Webinars
- Dukascopy TV
- Daily Pivot Point Levels
- Economic Calendar
- Daily Highs/Lows
- SWFX Sentiment Index
- Movers & Shakers FX
- Forex Calculators
- Currency Converter
- Currency Index
- CoT Charts

Social networks:



Disclaimer

Everything in this article, including opinions and figures, is provided for informational purposes only and may not be interpreted as financial advice or solicitation of products. Dukascopy group assume no responsibility for the completeness or the accuracy of any data contained in this article. Financial figures indicated in this article have not been verified by the Dukascopy group. Views, opinions and analyses are those of the author of the article, and are not endorsed by the Dukascopy group.

Dukascopy group waive any and all warranties, express or implied, regarding, but without limitation to, warranties of the merchantability or the fitness for a particular purpose, with respect to all information in this article. Dukascopy group shall under no circumstances be responsible for any direct, indirect, consequential, contingent or any other damages sustained in connection with the use of this article.