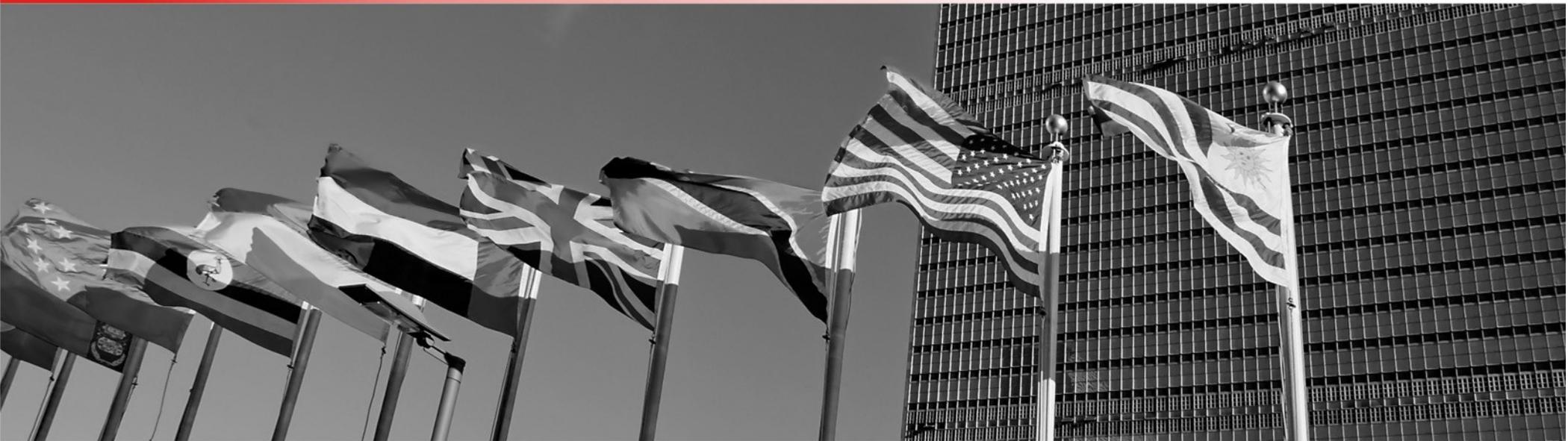




DUKASCOPY
RESEARCH PRODUCTS

November release



Dukascopy Bank Sentiment Index

Summary

- While all eyes now turn to the US as investors, economists and ordinary people with great anticipation are waiting for the Fed's decision in December in regard to the borrowing costs, the rest of the world remains in a somewhat shaky condition.
- The European economy continues to struggle to recover solidly, weighed down by ongoing geopolitical turbulence, refugee crisis and stubbornly weak inflation. While ECB President Mario Draghi has refrained from ramping up stimulus measures so far, he provided investors with the strongest hint yet that the central bank will initiate a new round of fresh stimulus measures at its December meeting. The decision is likely to impact sentiment among investors and economists.
- In the North American region everyone is watching closely the economic developments in the US, as the Fed's decision in December will definitely influence markets and economies worldwide, as well as further actions of major central banks.
- Emerging economies in Asia-Pacific continues to falter due to a slowdown of the Chinese economy, the region's economic powerhouse. In the South Pacific area, policy makers monitor closely how their monetary policies impact the pace of economic growth. Meanwhile, Japan, the world's third biggest economy, continues to recover moderately.

Parameter/ Region	Global	Europe	North America	Asia- Pacific
Six-month economic outlook	 0.61 ↑(0.02)	 0.43 ↓(0.05)	 0.73 →(0.00)	 0.68 ↑(0.10)
Three-year economic outlook	 0.69 ↑(0.03)	 0.59 ↑(0.01)	 0.73 →(0.00)	 0.76 ↑(0.08)

Figure 1: Mood indicator

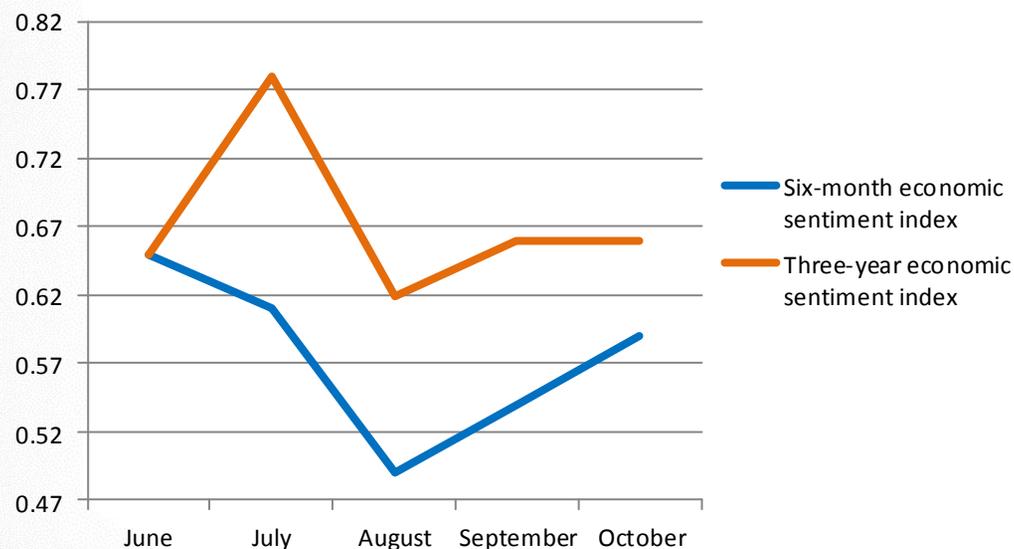


Figure 2: Global economic sentiment index

Economic outlook (term structure)

Parameter/Region	Europe		North America		Asia-Pacific	
	DBSI	Growth f.	DBSI	Growth f.	DBSI	Growth f.
6-month economic outlook	0.43 ↓(0.05)	0.83%	0.73 →(0.00)	2.40%	0.68 ↑(0.10)	3.23%
3-year economic outlook	0.59 ↑(0.01)	1.07%	0.73 →(0.00)	2.53%	0.76 ↑(0.08)	4.00%

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.

Slowdown in emerging markets, the Volkswagen scandal, and a migration crisis derailed the German economy during the third quarter. Meanwhile, the French economy performed better in the three months through September, while Italy's economy continued to grow modestly. Professors' outlook about Europe's growth potential did not change much compared with the previous month, when they expected the region's economy to grow 0.83% and 1.23% in the short and long term, respectively.

Nevertheless, experts upgraded the North American six-month growth outlook from 1.87% in October to 2.40%, but revised slightly downwards the three-year growth forecast to 2.53% from 2.57%.

Even despite turmoil in the emerging economies, economists expected the Asian-Pacific economy to expand at a 3.23% pace in the first half of 2016, accelerating to 4.00% in three years time. The upgrade in the growth outlook came in line with the increase in both short-term and long-term sentiment indexes.

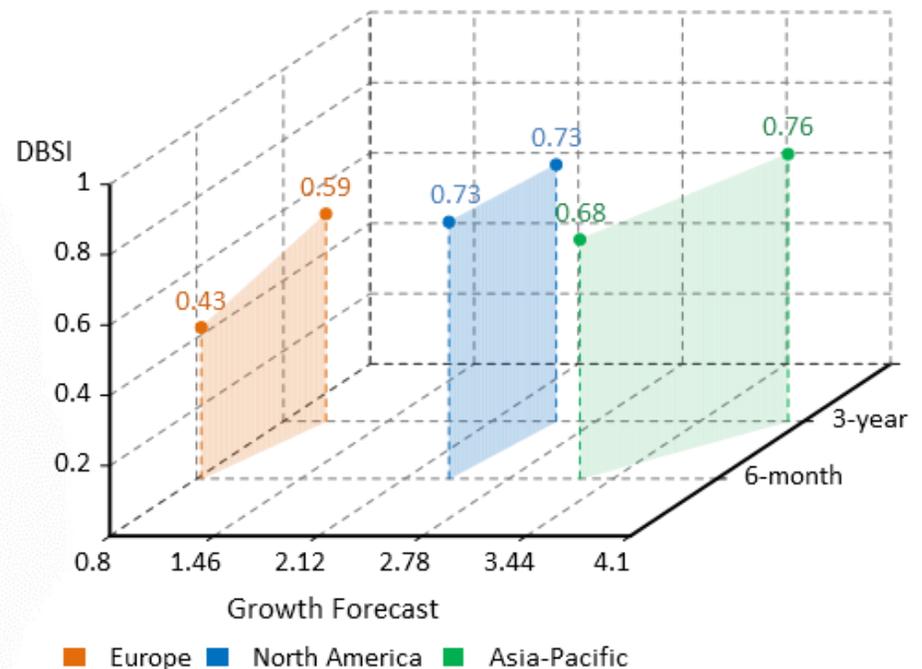


Figure 3: Global economic outlook (term structure)

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	9	2	3	3	2
Recessionary Trough	11	6	2	2	5	2
Expansion	11	14	24	21	22	19
Business Peak	0	1	2	4	0	7

Real GDP

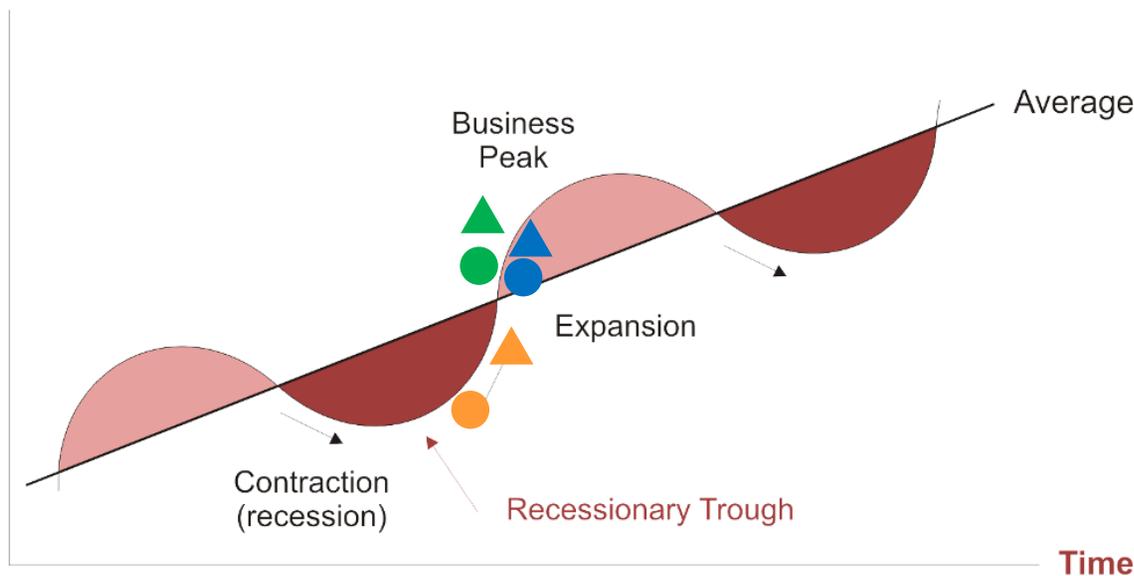


Figure 4: Business cycle

- 6-month EDS
- ▲ 3-year EDS

The overwhelming majority of professors expected the European economy to continue to stagnating in the nearest future. With regards to the longer term outlook, professors were cautious, saying that conditions would improve just marginally.

Experts almost unanimously agreed that the US will remain solidly in the expansion phase for the months to come, with economic conditions gradually improving in the course of next three years.

Despite the economic turmoil in the Asian-Pacific region, professors predicted the economy to continue to stay in expansion in throughout the first half of 2016. The economy would enter the business peak in three-year time, according to seven professors, who took part in the november survey.

Six-month economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.75	0.75	0.75
Mean (DBSI)	0.61 ↑(0.02)	0.43 ↓(0.05)	0.73 →(0.00)	0.68 ↑(0.10)
Mode	0.75	0.75	0.75	0.75
Standard Deviation	0.24 ↓(0.01)	0.20 ↓(0.02)	0.11 ↓(0.13)	0.27 ↑(0.04)

Figures 5 and 6 show the six-month economic outlook for Europe, North America, and Asia-Pacific.

The six-month Europe's economic outlook deteriorated in November, as the corresponding index dropped by 0.05 points to 0.43. The fundamentals continue to suggest that the Euro zone economy has yet to make up the ground it lost since its 2008 peak. At its current rate of patchy, negligible growth, it will be a long while before it does.

Meanwhile, the short term outlook for the North American economy remained unchanged in November at 0.73 points. In contrast, the six-month sentiment index for the Asian-Pacific growth potential surged by 0.10 points to 0.68 in the reported month, leading the increase in the global sentiment index. Despite such a sharp advance, the index remained far from the highest level this year of 0.78, hit in May.

As a result, the overall global sentiment index climbed slightly last month to 0.61, up from 0.59 in October and posting the highest level since June.

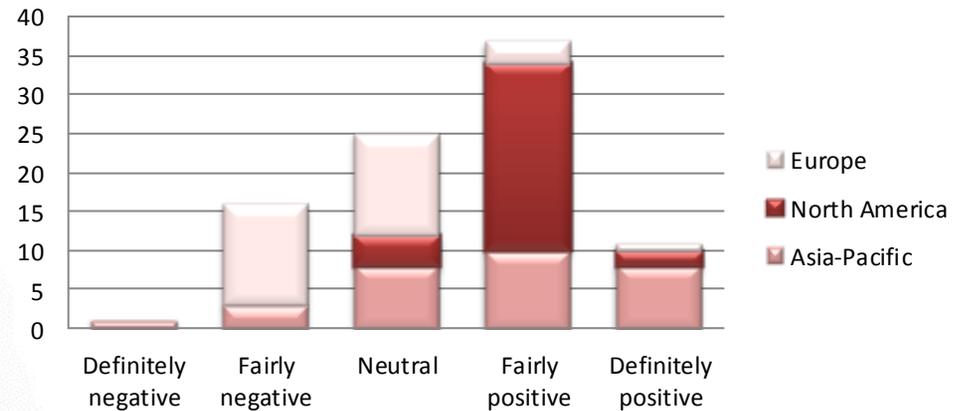


Figure 5: Six-month economic outlook

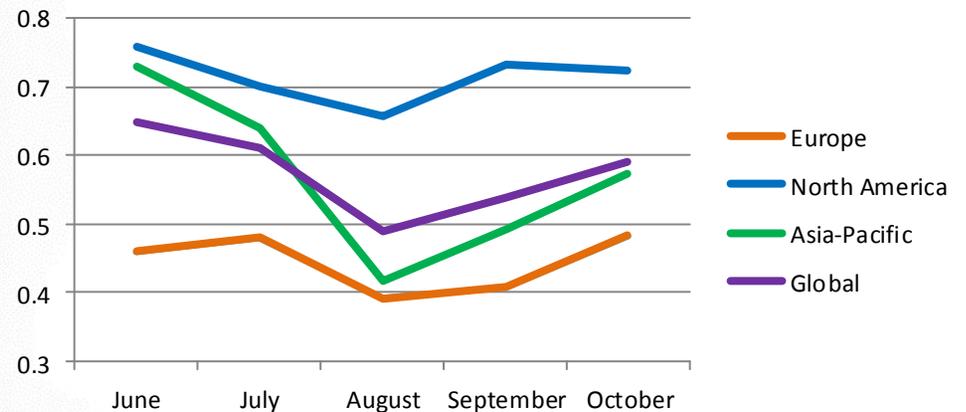


Figure 6: Six-month economic sentiment index

Three-year economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.75	0.75	0.75
Mean (DBSI)	0.69 ↑(0.03)	0.59 ↑(0.01)	0.73 →(0.00)	0.76 ↑(0.08)
Mode	0.75	0.75	0.75	0.75
Standard Deviation	0.21 ↓(0.02)	0.19 ↓(0.01)	0.16 ↓(0.06)	0.24 →(0.00)

Figure 7 and 8 present the three-year economic outlook for Europe, North America, and Asia-Pacific.

Europe's long-term sentiment index improved slightly in November, as professors remained cautious about the region's growth prospects in the three years from now. With the expected 1.07% growth rate, experts appeared to be more pessimistic about growth potential than world's leading think-tanks, which predict the Euro zone's economy to expand at around 2% pace in the coming years.

The North American long-term economic sentiment index remained unchanged in November at 0.73 points.

The Asian-Pacific three-year economic sentiment index continued to rise in November after falling abruptly in August, when the gauge plunged by 0.18 points, the sharpest decline on record.

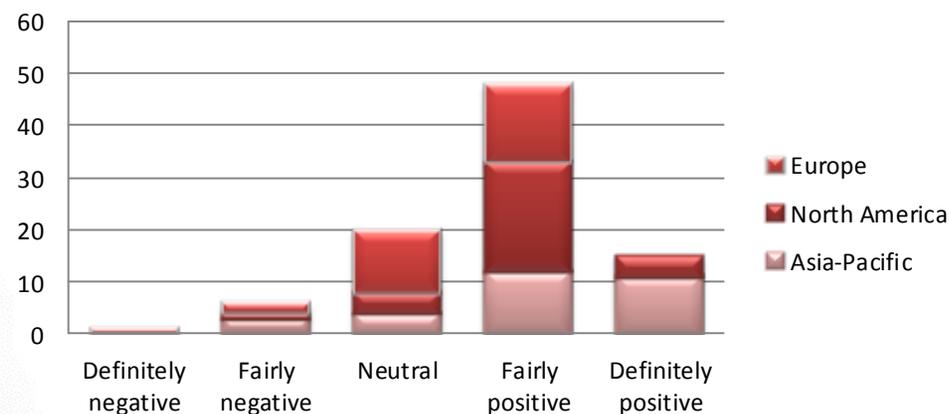


Figure 7: Three-year economic outlook

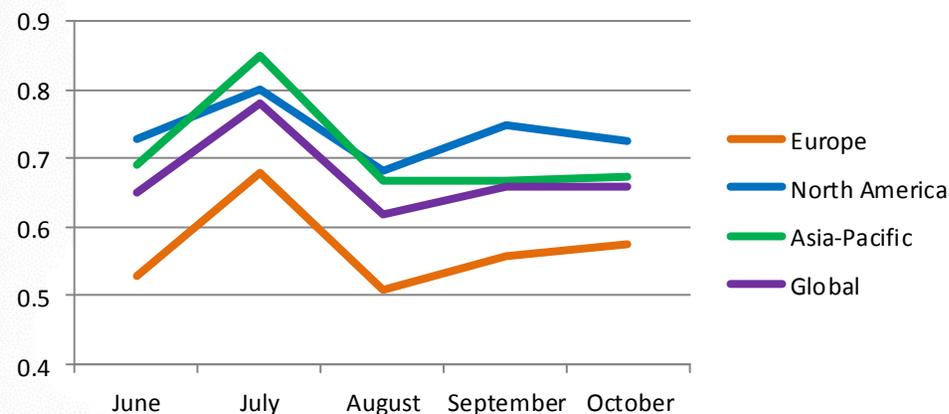


Figure 8: Three-year economic sentiment index

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	0.45	0.43	0.73	0.74	0.78	0.63
3-year economic outlook	0.53	0.63	0.73	0.74	0.83	0.73

Figure 9 presents a discrepancy in views on the economic outlook of two time frames among the local and foreign professors.

In November, European experts remained cautious about the region’s economic prospects both in the short-term and in the long run. Foreign experts, in contrast, voiced more optimism about the European economic future, particularly in three years from now.

Americans and foreign experts appeared to be almost unanimous when evaluating America’s growth outlook in the near term and in three-year time. Discrepancy in views among professors was narrow in November.

Unlike Europe and North America, the Asian-Pacific region experts felt more upbeat about the economy compared with their colleagues from overseas. The gap in views was particularly big when economists assessed the six-month economic outlook.

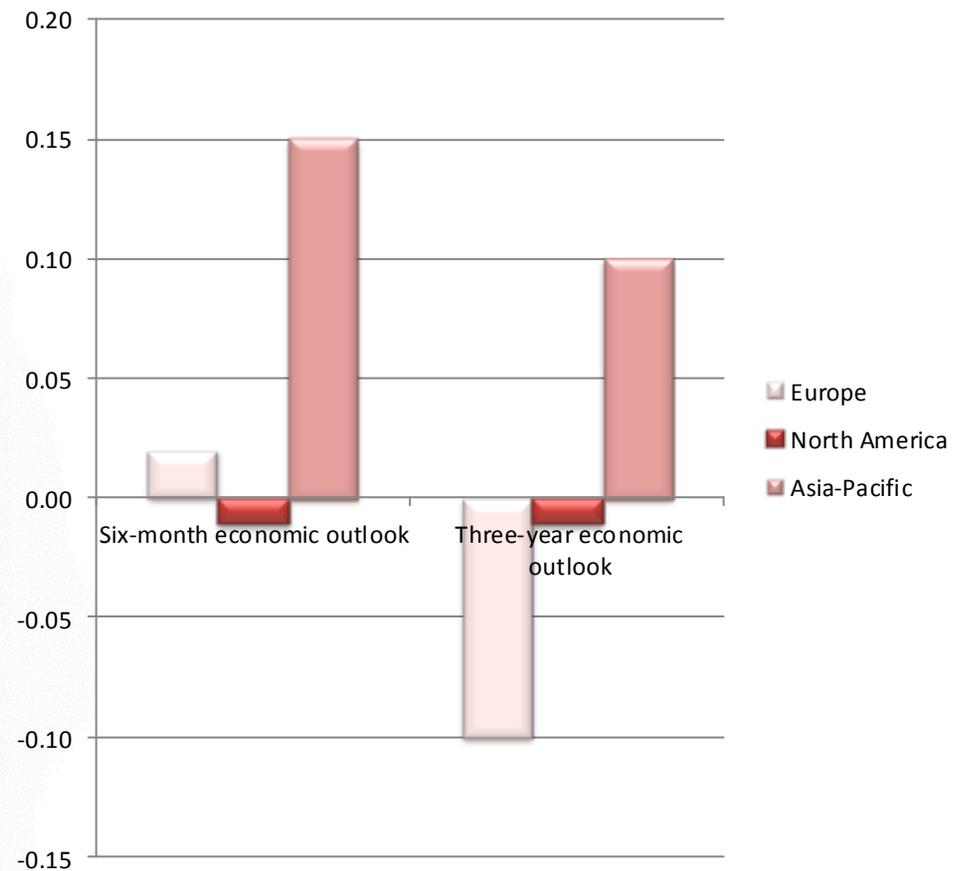


Figure 9: Discrepancy in views on economic outlook among local and foreign experts (*1)

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 November's poll:

Lamar University; University of California at Berkeley; Boston University; University of Connecticut; Tufts University; Johannes Kepler University Linz; University of York; Nova School of Business and Economics; University of Dundee; University of Glasgow; University of East Anglia; University College London; Saints Cyril and Methodius University; Kaunas University of Technology; Birkbeck, University of London; Daffodil International University; Green University of Bangladesh; Hebrew University of Jerusalem; Forman Christian College; Carmel Academic Center; Universiti Malaysia Sarawak; University of Western Australia



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