



DUKASCOPY
RESEARCH PRODUCTS

April release



Dukascopy Bank Sentiment Index

Summary

- The global economy showed weak performance over the first quarter of 2016 mainly on the back of a slowdown in emerging markets, while growth in developed markets still remains weak. The major headwinds that were determining the global economic scene last month were developments in the oil market, worries about a downturn in China's economy and monetary policy decisions from the US, Europe and Japan. Nevertheless, despite the fact that the Fed decided to leave rates on hold in April along with the possibility of 'Brexit' and surprising inaction from the Bank of Japan, professors' sentiment jumped in the observed month.
- Having faced a number of unpleasant economic and political issues, including 'Brexit' worries, terrorist attacks in Belgium and high inflow of refugees in March, Euro zone's economy seems to have picked up a bit of pace in April, as important growth indicators signalled recovery in domestic demand and jobs market in the Q1. However, the still unsolved Greek crisis and rising nationalistic political moods around the bloc do not seem to have shaken economists' confidence, as both short and long term gauges rose over the measured month.
- With the Federal Reserve maintaining a more cautious stance regarding rate hikes this year and ongoing weakness in the energy market putting a dent in economic activity in the first quarter, North America saw mixed results in April, with the six-month sentiment inching up slightly, while the three-year measure shed 0.01 points.
- The positive sentiment for the Asia-Pacific region does not seem to have been snapped in April, with overall confidence remaining rather positive despite a surprise inaction from the BoJ and persistent uncertainty over the state of Chinese economy.

Parameter/ Region	Global	Europe	North America	Asia- Pacific
Six-month economic outlook	 0.57 ↑(0.04)	 0.49 ↑(0.09)	 0.67 ↑(0.01)	 0.56 ↑(0.04)
Three-year economic outlook	 0.67 ↑(0.04)	 0.61 ↑(0.07)	 0.70 ↓(0.01)	 0.69 ↑(0.05)

Figure 1: Mood indicator

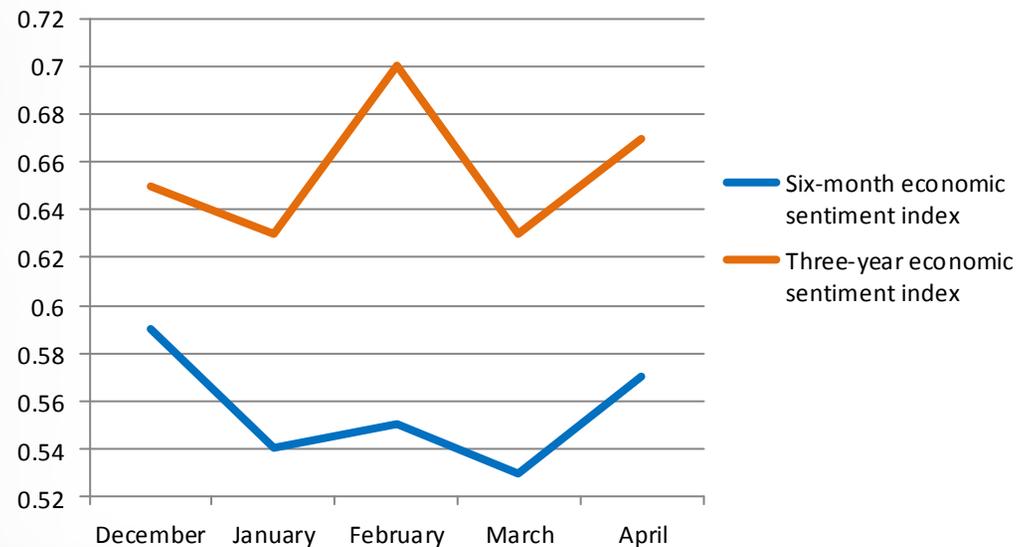


Figure 2: Global economic sentiment index

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 ↑(0.09)	0.56%	0.67 ↑(0.01)	1.23%	0.56 ↑(0.04)	2.30%
3-year economic outlook	0.61 ↑(0.07)	1.20%	0.70 ↓(0.01)	2.20%	0.69 ↑(0.05)	2.66%

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.

Academia experts were more positive on economic growth outlook for the European region over the last month. In the course of March, the near-term sentiment index stood at 0.40 points, indicating a strongly negative Europe's economic performance due to a number of threatening economic and political factors, compared to the data registered in April, which saw the six-month gauge jumping to 0.49 points. In the longer term, experts remained quite optimistic, revising upwards their three-year economic outlook.

Professors upgraded their outlook on North America's growth potential in the upcoming six months, with the respective gauge gaining modest 0.01 points to 0.67 in April. Despite a slight uptick in the near-term sentiment, the region's economy was expected to lose momentum in three years, with GDP rising 2.20% according to the experts surveyed. The confidence was somewhat dampened by the Fed's decision to hold rates, while the official data showed the economy expanded slowly than expected in the Q1.

Ongoing pessimism over the health of Chinese economy did not manage to dampen experts' expectations for growth in the Asia-Pacific region, as both near and long term gauges tacked on for the third straight month in April, to 0.56 and 0.69 points respectively.

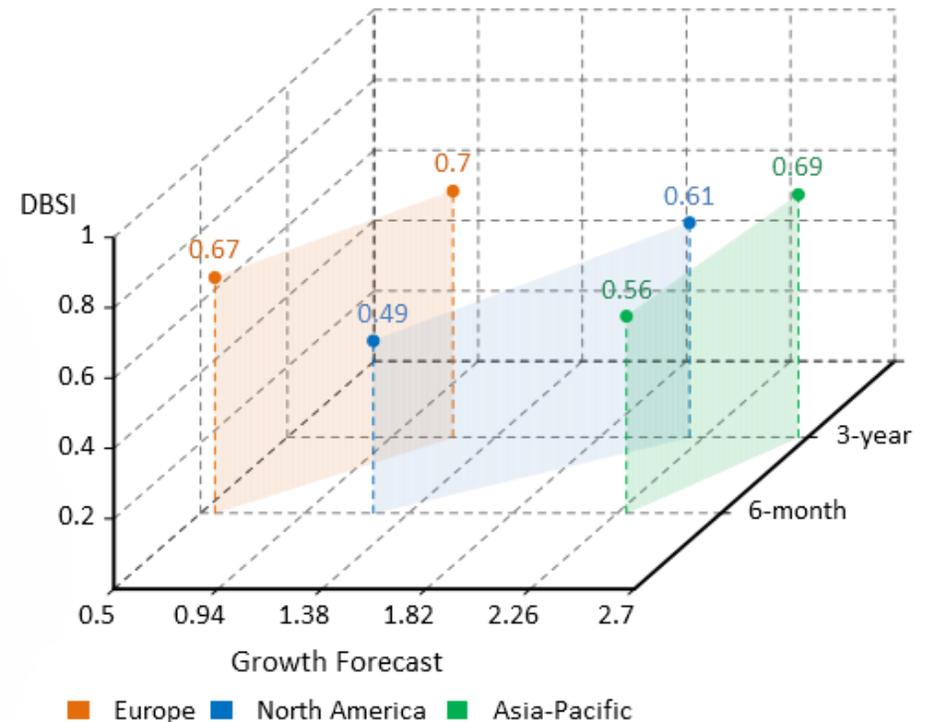


Figure 3: Global economic outlook (term structure)

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	7	4	3	2	6	2
Recessionary Trough	12	8	2	5	10	3
Expansion	10	18	22	20	12	21
Business Peak	1	0	3	3	2	4

Real GDP

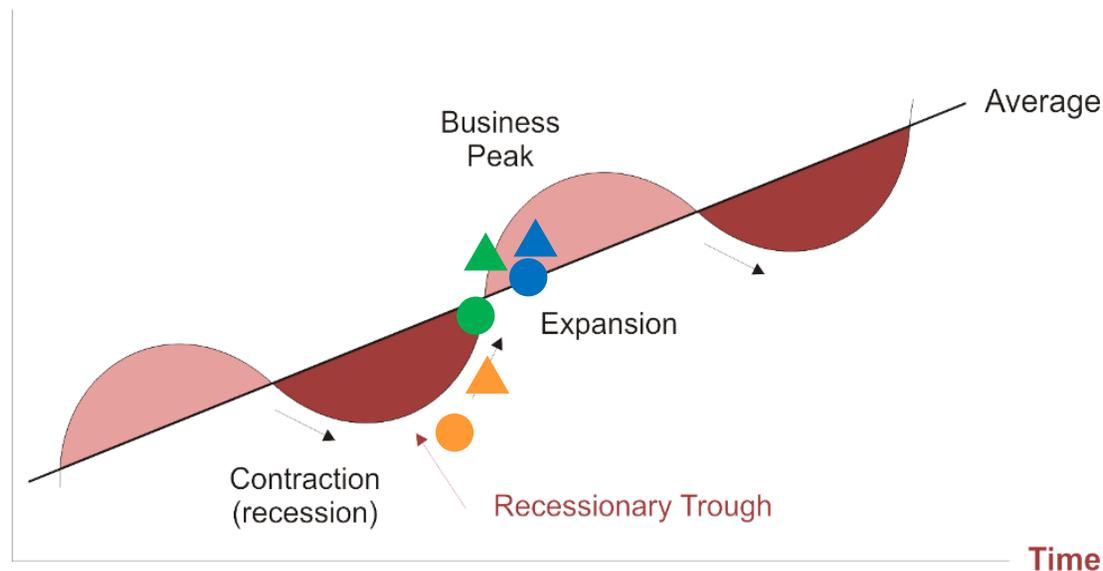


Figure 4: Business cycle

- 6-month EDS
- ▲ 3-year EDS

Professors' view of Europe's economic performance saw the region having a hard time for the third straight month, as the vast majority of experts predicted the economy to reach the lower end of the business cycle curve in the next six months. In the longer term, however, most of the economists remained firmly positive, as the best part of professors expected the economy to expand in three years from now, while 8 out of 30 experts still remained negative, anticipating the situation in Europe to hit the bottom in three years from now.

According to the professors surveyed, North America continued its expansion, heading towards the business peak in both the short and long runs, as the overwhelming majority of professors remained strongly confident on the growth prospects in the region.

Experts' sentiment towards the Asia-Pacific region remained undecided, as the preponderance of experts saw the economy either expanding or reaching the bottom of the business cycle curve in the nearest future, most probably on the back of unclear EM performance and other external factors such as oil price instability. Nevertheless, the region's performance was still expected to gain a strong momentum in the next three years.

Six-month economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.50	0.50	0.75	0.50
Mean (DBSI)	0.57 ↑(0.04)	0.50 ↑(0.10)	0.67 ↑(0.01)	0.56 ↑(0.04)
Mode	0.75	0.25	0.75	0.50
Standard Deviation	0.23 ↓(0.02)	0.24 ↑(0.02)	0.20 ↓(0.07)	0.22 ↑(0.02)

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

The near-term economic sentiment index for Europe rebounded over the course of the previous month, after slumping as much as 0.11 points in March. Despite that, it did not come as a surprise that the most recent negative economic developments in Europe including 'Brexit' worries and the still-undecided Greek crisis continued to cast a pall upon the forecast for Europe's economic performance among the professors surveyed on the matter, as they saw the European economy in a fairly negative state in the months to come.

The general outlook for North America's economic performance in the coming six months remained fairly positive according to the experts that took part in the last month's poll, despite the fact that the possibility of a rate hike taking place as soon as June faded, as the Fed kept dovish stance on the matter, indicating that current economic situation could have a devastating impact on the US economy.

The Asia-Pacific region registered quite undecided results over the last month, as the majority of the professors surveyed saw the near-term economic performance being neutral rather than positive or negative. The uncertainty was mainly due to the fact that China has entered into a mini-cycle of strong growth, with the economy growing at a strong 6.7% pace in the Q1.

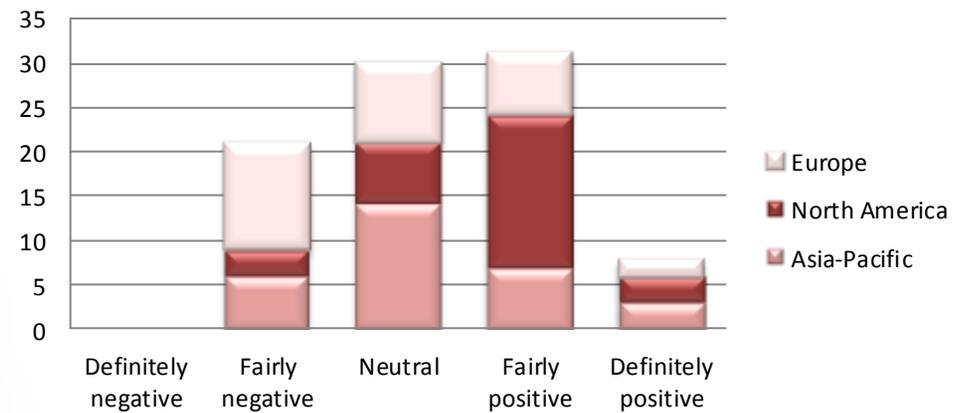


Figure 5: Six-month economic outlook

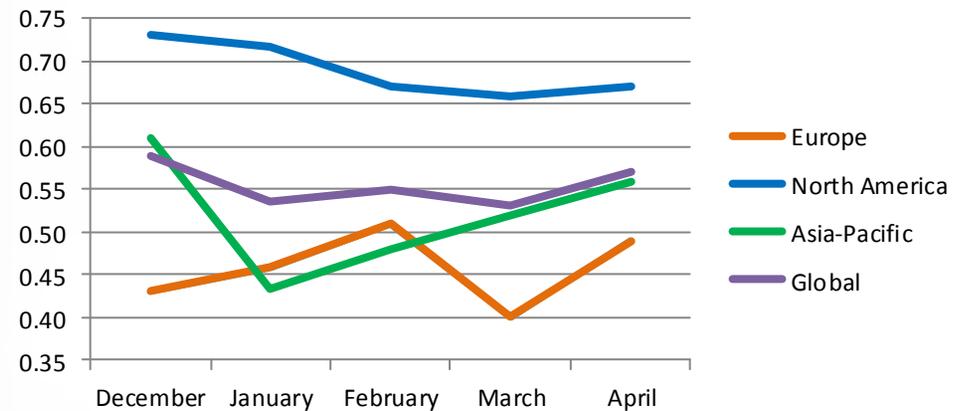


Figure 6: Six-month economic sentiment index

Three-year economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.75	0.75	0.75
Mean (DBSI)	0.67 ↑(0.04)	0.61 ↑(0.07)	0.70 ↓(0.01)	0.69 ↑(0.03)
Mode	0.75	0.75	0.75	0.75
Standard Deviation	0.21 ↓(0.03)	0.21 ↓(0.03)	0.21 ↑(0.04)	0.19 ↓(0.06)

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

In the course of the next three years, experts saw the economic situation improving in all observed regions, except for North America, bringing the global three-year economic forecast 0.04 points higher compared to the data registered in March, when we saw the professors' sentiment standing at 0.63 points.

A potential immediate devastating effect of the 'Brexit' on overall performance of the European economic area is expected to fade in the next three years, as most of the experts said they would see the economic performance of the region being fairly positive in a longer term, as the sentiment index rose 0.07 points last month on the back of expectations for a pickup in domestic demand and the effectiveness of the current ECB policy.

It came as no surprise that the experts saw the economic performance of North America still being fairly positive in three years from now, even despite a modest downtick in confidence.

It appeared that concerns over sluggish growth in emerging markets did not manage to dampen professors' assessment of Asia-Pacific economy, as the three-year outlook added 0.03 points in April, indicating that professors see the situation in the region to be fairly positive.

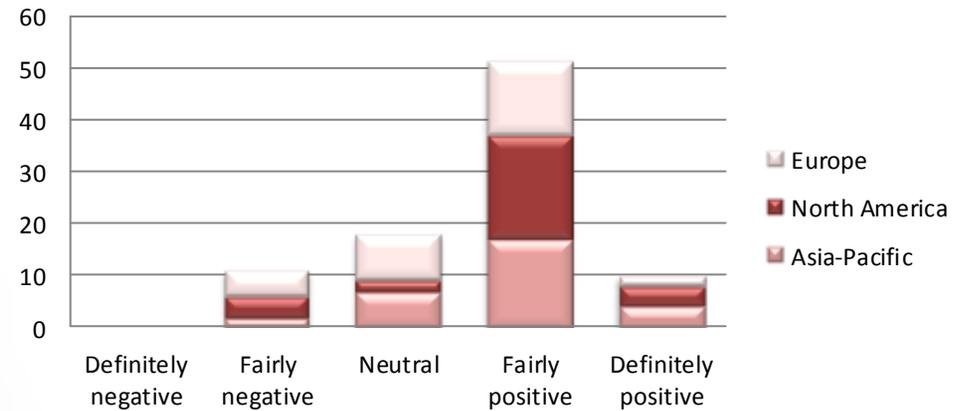


Figure 7: Three-year economic outlook

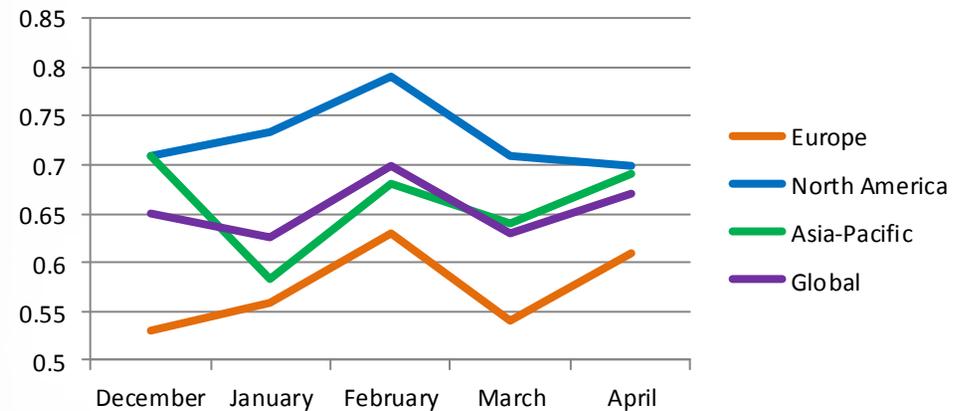


Figure 8: Three-year economic sentiment index

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	0.51	0.67	0.66	0.52	0.57
3-year economic outlook	0.65	0.58	0.67	0.71	0.62	0.72

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

Over the course of the prior month, both European and foreign professors became slightly more optimistic about the region's near-term economic performance. As concerns the long-term outlook, last month's poll showed mixed result in confidence, as local and experts appeared to see Europe's economy recovering, voicing a lot more optimism about the three-year gauge, while foreign experts downgraded their outlook significantly.

In North America, overall, professors shared more optimistic outlook for the economy in the foreseeable future, with the six-month sentiment index jumping substantially among local experts, while overseas professors downgraded their view on the region's economy. As concerns the long-term outlook, foreign economists appeared to be more sceptic than domestic experts. Nevertheless, confidence of both still remained in the positive territory in the observed month.

Recent economic developments in the Asia-Pacific region seem to have drastically weighed on experts' opinions, as the vast majority of both overseas and local professors stepped away from being vividly optimistic on future economic health in the region.

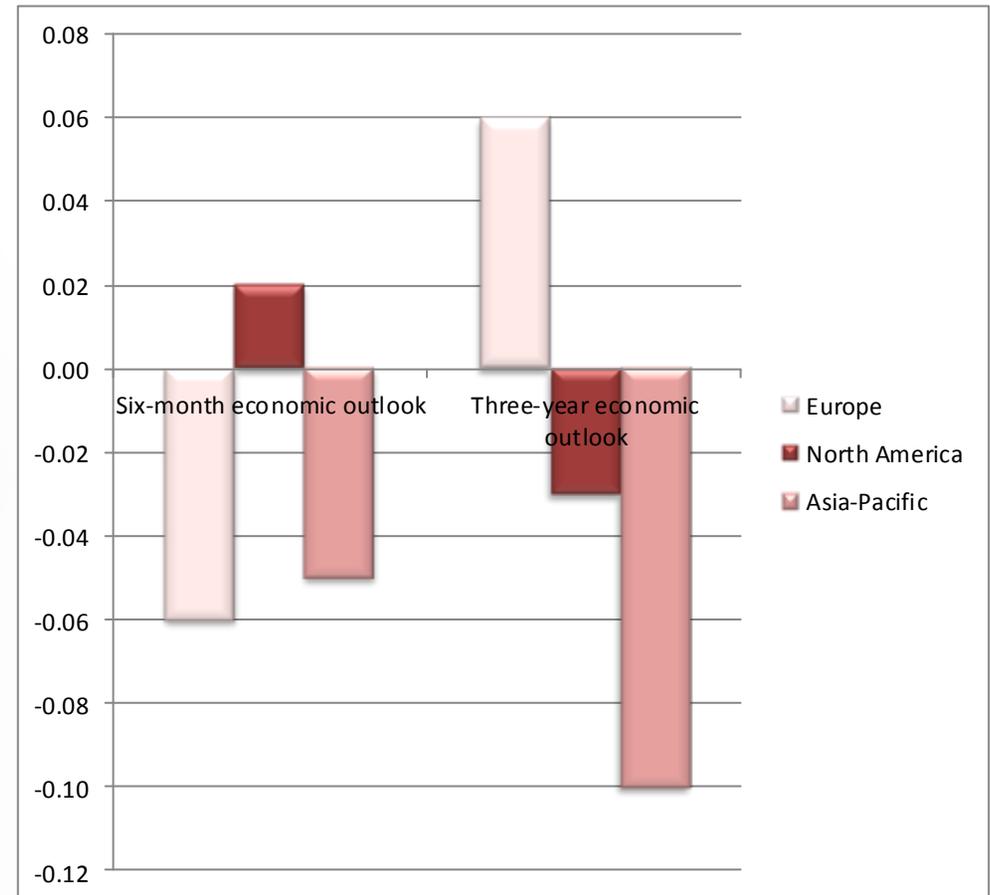


Figure 9: Discrepancy in views on economic outlook among local and foreign experts (*1)

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	Definitely negative
0 – 0.5	Fairly negative
0.5	Neutral
0.5 – 1	Fairly positive
1	Definitely 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:

University of Notre Dame; Tufts University; Fairleigh Dickinson University; Elmira College; DePaul University; Dartmouth College; Michigan State University; Walsh University; Mendel University; University of Pardubice; IE University; Riga International School of Economics and Business Administration (RISEBA); Pepperdine University; Asia Pacific University of Technology & Innovation; University of New England; University of Bergamo; University of Palermo.



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.