



DUKASCOPY
RESEARCH PRODUCTS

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Dukascopy Bank Sentiment Index

Summary

- The six-month global economic sentiment index rose to 0.59 from 0.57 in June. The three-year economic outlook deteriorated 0.03 to 0.66, the lowest level since October 2012.
- The European six-month economic outlook improved 0.04 to 0.42. The three-year economic prospects worsened to 0.51, down from 0.58 in June when they deteriorated another 0.03.
- Respondents became slightly more optimistic about the six-month North American economic prospects. The six-month economic sentiment index climbed to 0.71. The three-year economic outlook worsened to 0.73.
- The Asia-Pacific six-month and three-year economic outlooks were little changed. The six-month outlook climbed 0.02 to 0.65 and the three-year economic outlook was unchanged at 0.73 from the prior month.

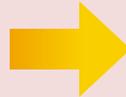
Parameter/ Region	Global	Europe	North America	Asia- Pacific
Six-month economic outlook	 0.59 ↑(0.02)	 0.42 ↑(0.04)	 0.71 ↑(0.01)	 0.65 ↑(0.02)
Three-year economic outlook	 0.66 ↓(0.03)	 0.51 ↓(0.07)	 0.73 ↓(0.04)	 0.73 →(0.00)

Figure 1: Mood indicator

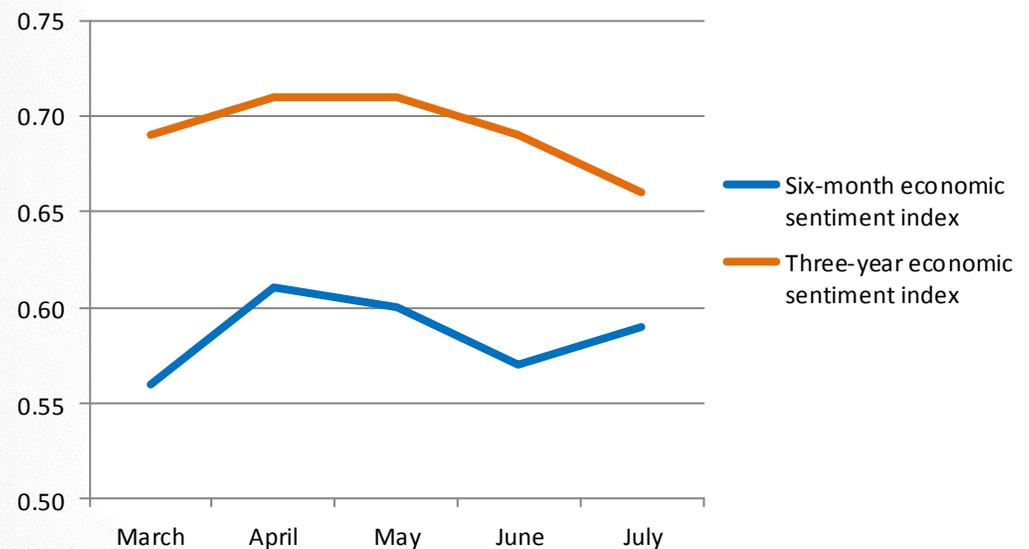


Figure 2: Global economic sentiment index

Economic outlook (term structure)

Parameter/Region	Europe		North America		Asia-Pacific	
	DBSI	Growth f.	DBSI	Growth f.	DBSI	Growth f.
6-month economic outlook	0.42 ↑(0.04)	0.00%	0.71 ↑(0.01)	1.87%	0.65 ↑(0.02)	3.43%
3-year economic outlook	0.51 ↓(0.07)	0.63%	0.73 ↓(0.04)	2.34%	0.73 →(0.00)	3.90%

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.

Poll respondents suggest that the European economy will be flat in 2013 and will expand 0.63 per cent three years from now.

Respondents revised the North American six-month and three year economic growth forecasts to 1.87% and 2.34% in July, from 1.80% and 2.60% respectively in June.

The Asia-Pacific economic growth prospects remain the most promising, despite lower sentiment compared to North America region. Experts forecast growth of 3.43% and 3.90% six months and three years from now respectively.

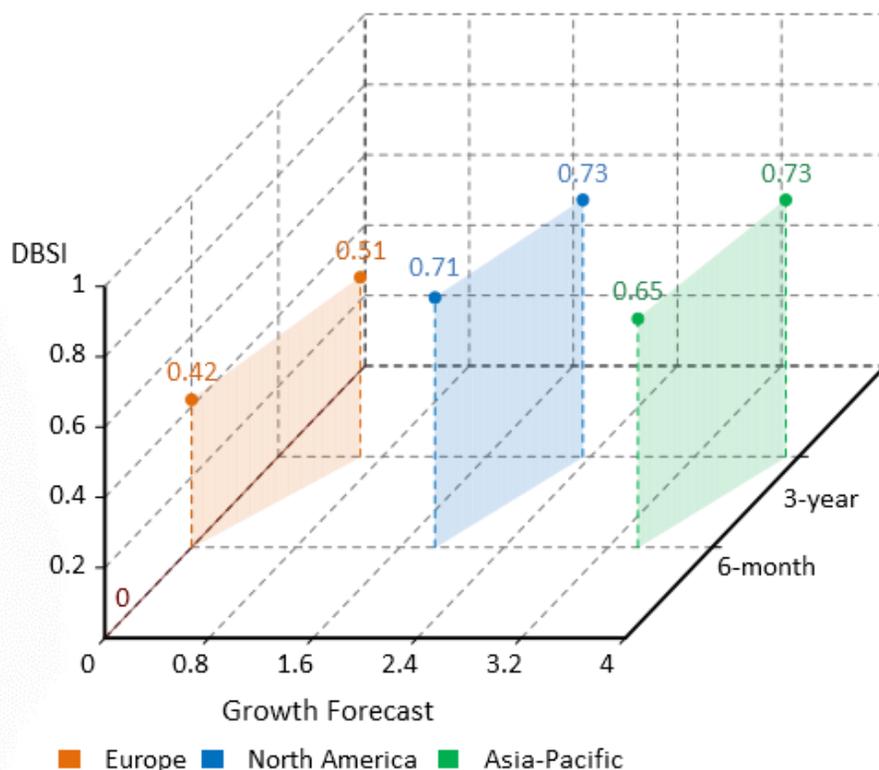


Figure 3: Global economic outlook (term structure)

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	15	8	2	2	4	5
Recessionary Trough	12	10	5	4	4	2
Expansion	3	12	23	18	20	20
Business Peak				6	2	3

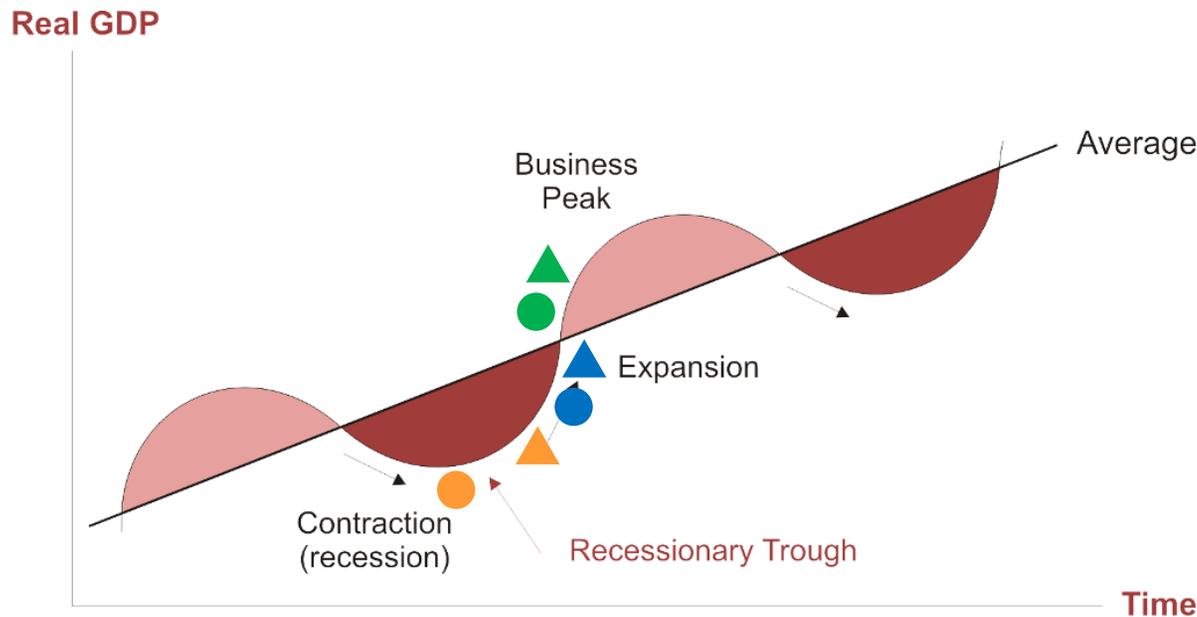


Figure 4: Business cycle

- 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).

A majority of respondents (15) claim the European economy is contracting and twelve say it is in a recessionary trough. Less than a half (12) believe that the European economy will be expanding three years from now.

Experts became more uncertain about the North American 3-year EDS - 18 experts forecast expansion, 6 say the economy will reach its peak and 4 claim the economy may slide into a recession.

Respondents are largely united about Asia-Pacific economic development stages - a majority (20) believe that the regional economy will be expanding both six months and three years from now.

Six-month economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.50	0.38	0.75	0.50
Mean (DBSI)	0.59 ↑(0.02)	0.42 ↑(0.04)	0.71 ↑(0.01)	0.65 ↑(0.02)
Mode	0.75	0.25	0.75	0.50
Standard Deviation	0.27 ↑(0.03)	0.23 ↑(0.04)	0.21 ↑(0.03)	0.28 ↑(0.06)

Figure 5 shows the six-month economic outlook for Europe, North America, and Asia-Pacific. The global six-month economic sentiment index improved to 0.59 in July, after declining to 0.57 in June.

The European six-month economic sentiment index rose to 0.42, the highest reading since records began in 2011. Still, a half of the respondents (50%) are pessimistic about the economic outlook and only seven (23%) claim the outlook is fairly "positive".

The North American outlook improved for a third consecutive month to 0.71 from 0.70 in June. Twenty one respondents (70%) are either "fairly" or "definitely" positive about the six-month economic outlook. Seven respondents (23%) suggest prospects are "neutral".

The Asia-Pacific six-month economic prospects also improved. The sentiment index gained 0.02 to 0.65 - fourteen experts (47%) claim the outlook is "fairly" or "definitely" positive and approximately one third of respondents (37%) suggest the economic outlook is "neutral".

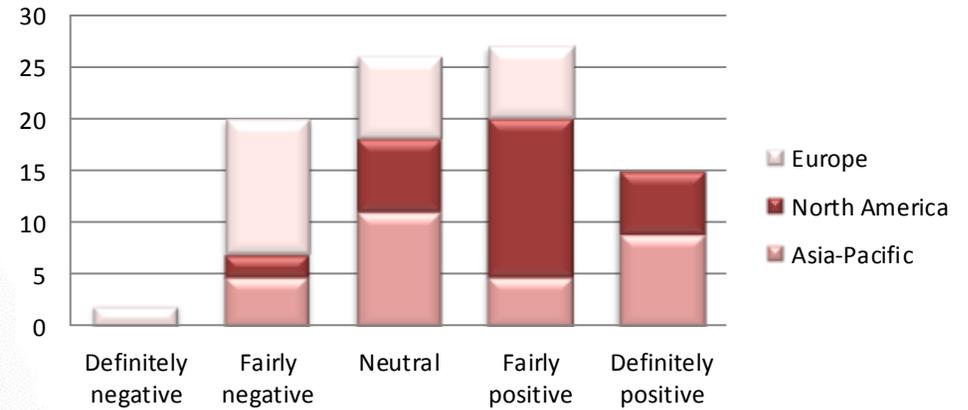


Figure 5: Six-month economic outlook

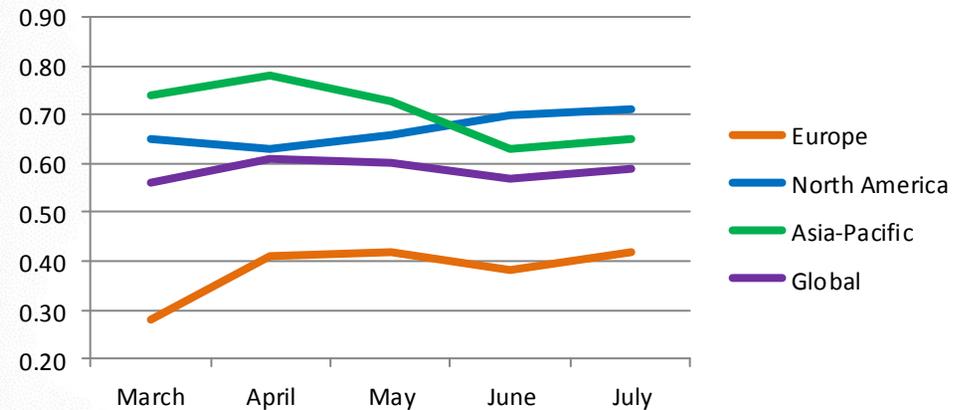


Figure 6: Six-month economic sentiment index

Three-year economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.50	0.75	0.75
Mean (DBSI)	0.66 ↓(0.03)	0.51 ↓(0.07)	0.73 ↓(0.04)	0.73 →(0.00)
Mode	0.75	0.50	0.75	0.75
Standard Deviation	0.27 ↑(0.01)	0.25 ↑(0.04)	0.23 ↓(0.02)	0.27 →(0.00)

Figure 7 presents the three-year economic outlook for Europe, North America, and Asia-Pacific. The three-year global economic outlook worsened 0.03 to 0.66 from the prior month.

The European three-year economic prospects deteriorated 0.07 to 0.51 in July, the lowest level in four months. Eleven respondents (36%) say the long-term economic outlook is either “fairly” or “definitely” positive and ten (33%) claim prospects are “neutral”.

The three-year North American economic sentiment index declined 0.04 to 0.73 in July. A majority of the respondents (77%) say the outlook is “fairly” or “definitely” positive. Four (13%) claim that the three-year economic outlook is “neutral” and three (10%) say that the outlook is negative.

The Asia-Pacific economic sentiment index was unchanged from the prior month at 0.73. Twenty two experts (77%) say prospects are “fairly” or “definitely” positive.

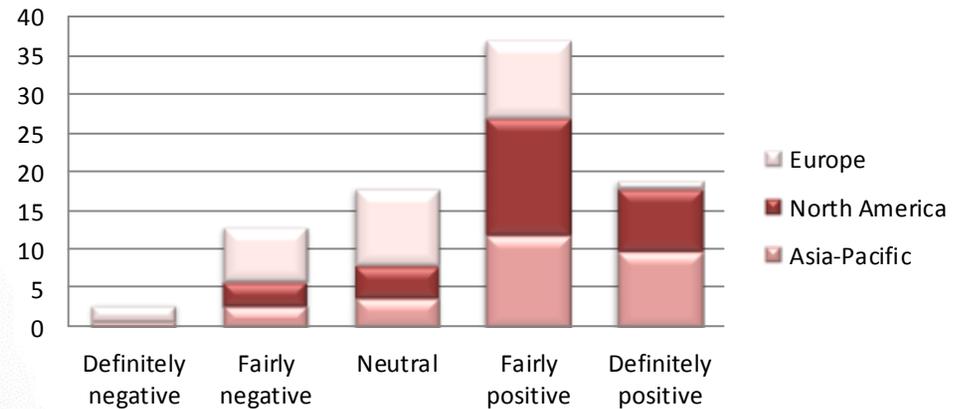


Figure 7: Three-year economic outlook

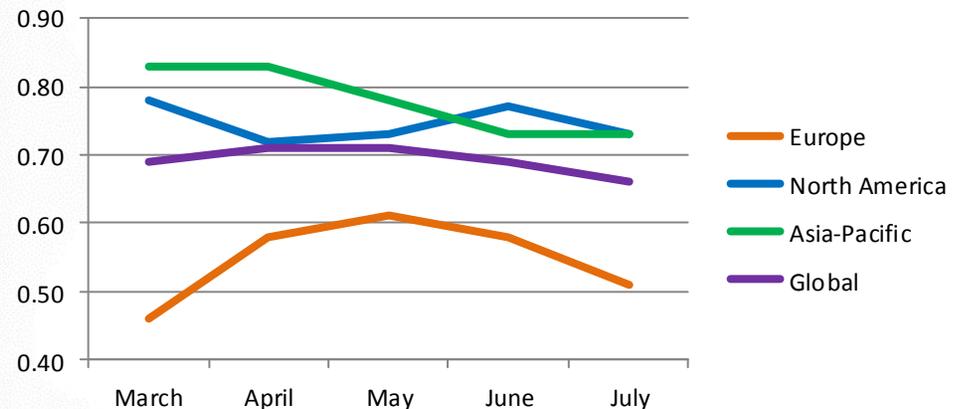


Figure 8: Three-year economic sentiment index

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	0.43	0.41	0.78	0.68	0.73	0.61
3-year economic outlook	0.50	0.51	0.75	0.73	0.83	0.68

Figure 9 presents a discrepancy in views on the economic outlook among local and foreign experts. July poll results reveal that, in general, respondents are more optimistic about local economic growth compared to foreign experts.

Europe: Local experts are slightly more optimistic about the European six-month economic prospects (0.43 vs. 0.41). The discrepancy in opinions sheds to -0.01 for the three-year economic outlook.

North America: Respondents from North America are more optimistic about the regional six-month and three-year economic growth prospects (0.78 vs. 0.68 and 0.75 vs. 0.73 respectively).

Asia-Pacific: Local experts are significantly more optimistic (0.73) about North American six-month economic prospects compared to their colleagues from overseas (0.61). The discrepancy in views widens to 0.15 for the three-year economic outlook.

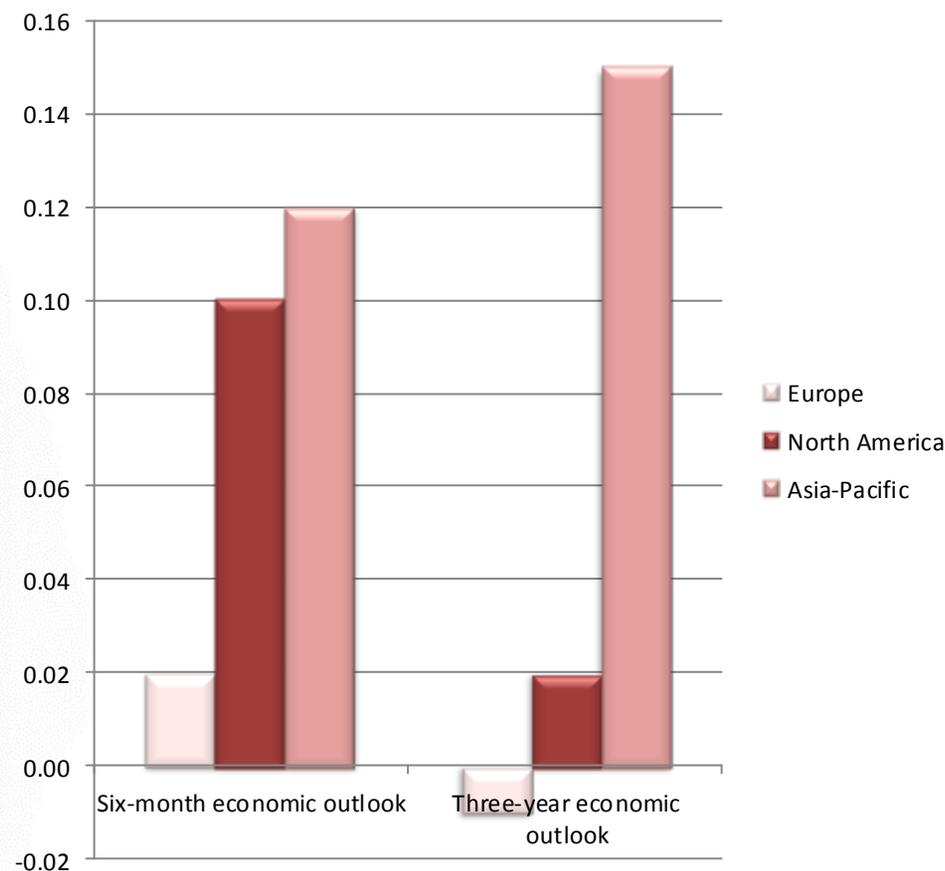


Figure 9: Discrepancy in views on economic outlook among local and foreign experts (*1)

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 July's poll

Binghamton University, St. John's University, Campbell University, William Paterson University of New Jersey, Wake Forest University, University of Pittsburgh, DePaul University, Iona College, EBS European Business School Paris, Leon Kozminski University, Aston University, University of Bradford, Syracuse University, Clemson University, University of Rhode Island, Pace University, Imperial College London, Birla Institute of Management Technology, Curtin University, La Trobe University, Chonnam National University, University of Chittagong, University of Dhaka, University of New South Wales, Indian Institute of Management Udaipur, ESEUNE Business School Beijing, National Institute of Technology, Trichy



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