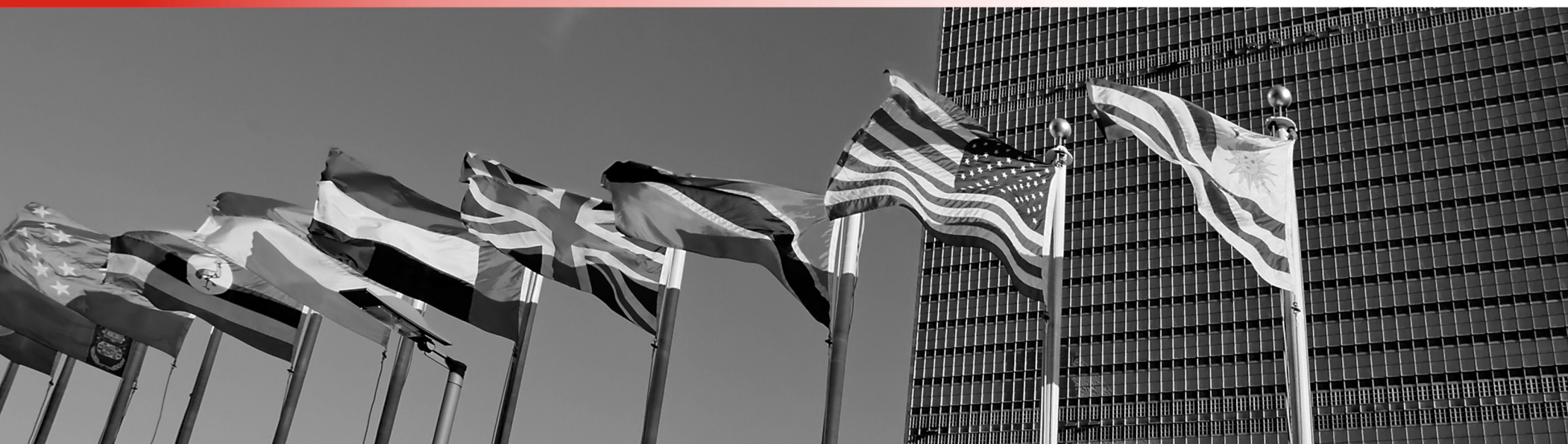




DUKASCOPY
RESEARCH PRODUCTS

May release 05/06/2012



Dukascopy Bank Sentiment Index

Summary

- The current and six-month global economic expectations deteriorated in May. Gauges assessing the economic outlooks fell to 0.47 and 0.48, Dukascopy Bank SA poll showed. The three-year economic outlook improved to 0.65 from 0.64 in April.
- Respondents became significantly less optimistic about Europe's economic prospects in May. The current, six-month and three-year economic sentiment indexes retreated 0.05, 0.12 and 0.01 points to 0.19, 0.22 and 0.47 respectively.
- North American current and three-year economic sentiment indexes rose to 0.56 and 0.73 respectively. The six-month economic outlook darkened by 0.04 to 0.55, a sign the U.S. economy is still facing headwinds.
- Asia-Pacific economic expectations worsened, while the region still retained its appealing outlook with indexes values of 0.66, 0.66 and 0.74 for the current, six-month, and three-year economic outlooks respectively.

| Parameter/ Region | Global | Europe | North America | Asia- Pacific |
|--------------------------------|------------------|------------------|------------------|------------------|
| Current economic outlook | 0.47 ↓(0.02) | 0.19 ↓(0.05) | 0.56 ↑(0.02) | 0.66 ↓(0.02) |
| Six-month economic outlook | 0.48 ↓(0.06) | 0.22 ↓(0.12) | 0.55 ↓(0.04) | 0.66 ↓(0.03) |
| Three-year economic outlook | 0.65 ↑(0.01) | 0.47 ↓(0.01) | 0.73 ↑(0.04) | 0.74 ↓(0.03) |

Figure 1: Mood indicator for May

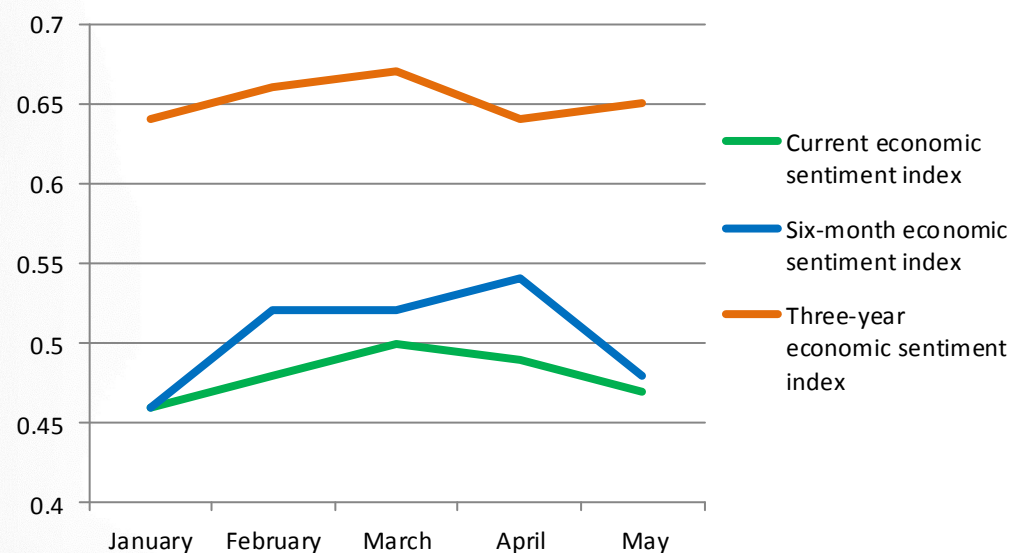


Figure 2: Global economic sentiment index

Economic outlook (term structure)

| Parameter/Region | Europe | | North America | | Asia-Pacific | |
|--------------------------|--------------|-----------|---------------|-----------|--------------|-----------|
| | DBSI | Growth f. | DBSI | Growth f. | DBSI | Growth f. |
| Current economic outlook | 0.19 ↓(0.05) | -0.57% | 0.56 ↑(0.02) | 1.20% | 0.66 ↓(0.02) | 3.67% |
| 6-month economic outlook | 0.22 ↓(0.12) | -0.53% | 0.55 ↓(0.04) | 1.47% | 0.66 ↓(0.03) | 3.73% |
| 3-year economic outlook | 0.47 ↓(0.01) | 0.63% | 0.73 ↑(0.04) | 2.13% | 0.74 ↓(0.03) | 4.20% |

Figure 3 presents the term structure of the Dukascopy Bank Sentiment Index (left-hand scale) mapped against GDP growth forecasts made by poll respondents (right-hand scale). Overall, DBSI values and GDP growth forecasts match directionally, supporting the view that the economic conditions in all three regions will improve gradually in 2015.

Respondents expect mild recession in the European Union over the course of a year with a negative GDP growth of around 0.5 per cent. Experts claim that the economy is going to perform better with a GDP growth of 0.63 per cent three years from now.

Experts forecast North-American GDP growth rate to accelerate at the end of this year to 1.47 per cent and further to 2.13 in 2015. The International Monetary Fund, in turn, forecasts growth rate of 2.1 per cent in 2012.

Asia-Pacific GDP growth forecast is 3.73 per cent for 2012 and 4.2 per cent for 2015, supporting the view the regional economy is performing considerably better, compared to its European and North American counterparts.

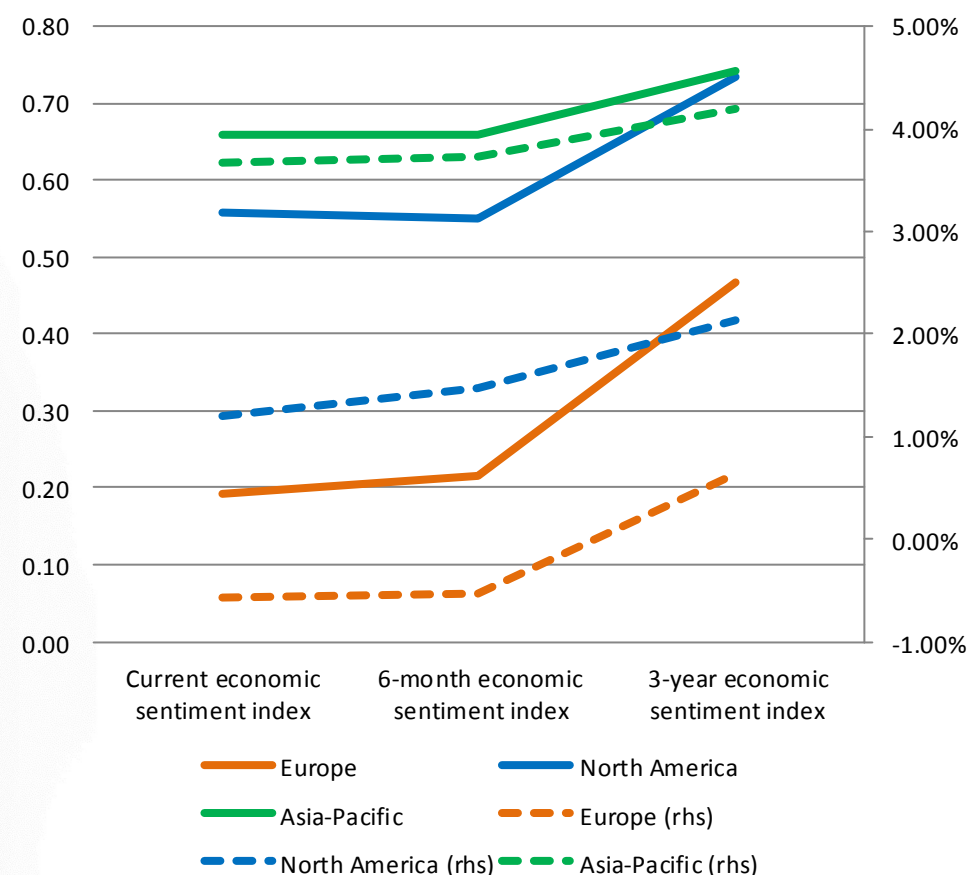


Figure 3: Global economic outlook (term structure)

Current economic outlook

| Parameter/Region | Global | Europe | North America | Asia-Pacific |
|--------------------|--------------|--------------|---------------|--------------|
| Median | 0.50 | 0.25 | 0.50 | 0.75 |
| Mean (DBSI) | 0.47 ↓(0.02) | 0.19 ↓(0.05) | 0.56 ↑(0.02) | 0.66 ↓(0.02) |
| Mode | 0.50 | 0.25 | 0.50 | 0.50 |
| Standard Deviation | 0.26 ↑(0.01) | 0.14 ↓(0.05) | 0.16 →(0.00) | 0.19 ↑(0.01) |

Figure 4 shows the current economic outlook for Europe, North America, and Asia-Pacific. Global outlook worsened 0.02 to 0.47 in May, after declining 0.01 in April, as experts became less optimistic about current global economic prospects.

Europe's current economic outlook deteriorated 0.05 points to 0.19 points. 28 experts (93%) claim the economic outlook is either "definitely negative" or "fairly negative", a sign Europe's economy is facing significant challenges. Only two respondents (7%) believe the economic outlook is "neutral".

Current North American economic prospects ameliorated to 0.56 in May, the highest reading since November, from 0.54 the previous month with majority of respondents claiming the economy is in recovery mode. Only two respondents (7%) are pessimistic over the current economic outlook.

Economic sentiment for Asia-Pacific declined for a second consecutive month to 0.66. Still, an absolute majority of experts (29 / 97%) are optimistic about the current economic performance, while only one claims the outlook is "fairly negative".

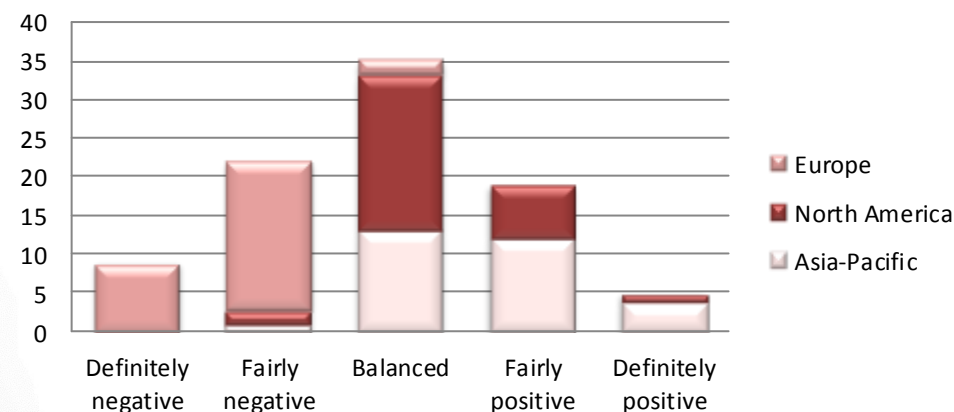


Figure 4: Current global economic outlook

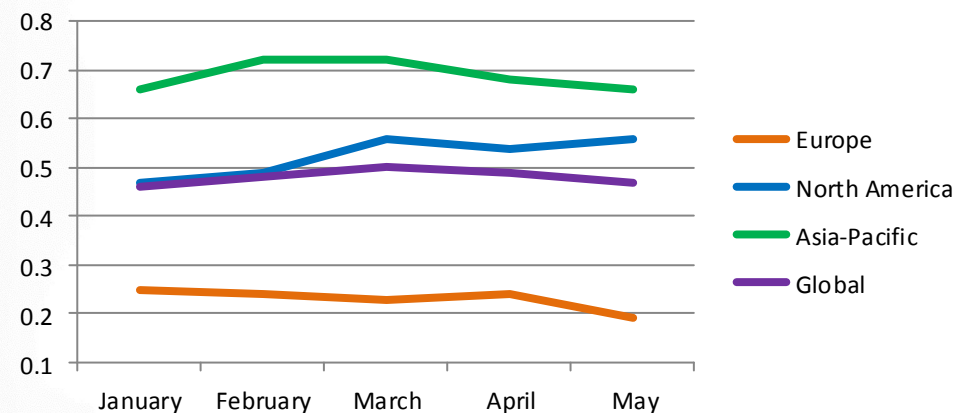


Figure 5: Current economic sentiment index

Six-month economic outlook

| Parameter/Region | Global | Europe | North America | Asia-Pacific |
|--------------------|--------------|--------------|---------------|--------------|
| Median | 0.50 | 0.25 | 0.50 | 0.63 |
| Mean (DBSI) | 0.48 ↓(0.06) | 0.22 ↓(0.12) | 0.55 ↓(0.04) | 0.66 ↓(0.03) |
| Mode | 0.50 | 0.25 | 0.50 | 0.50 |
| Standard Deviation | 0.26 ↑(0.01) | 0.14 ↓(0.06) | 0.17 ↓(0.01) | 0.19 ↓(0.02) |

Figure 6 shows the six-month global economic outlook for the three listed regions. The results of the poll reveal that the six-month economic outlook differs insignificantly from the current economic performance.

Europe's six-month economic forecast tumbled by 0.12 points in May from 0.34 points in April and is only 0.03 points higher, compared to the current economic prospects. The majority of respondents (27) believe that the six-month economic outlook is either "definitely" or "fairly negative".

North American economic prospects also deteriorated, shows Dukascopy Bank poll. The index of sentiment fell 0.04 points to 0.55, while standard deviation slid 0.01 point.

Asia-Pacific six-month economic sentiment index erased 0.03 points to 0.66, 0.18 points above the global economic outlook. Half of the respondents (15) claim that the six-month regional economic outlook is positive, while thirteen experts believe that the outlook is neutral.

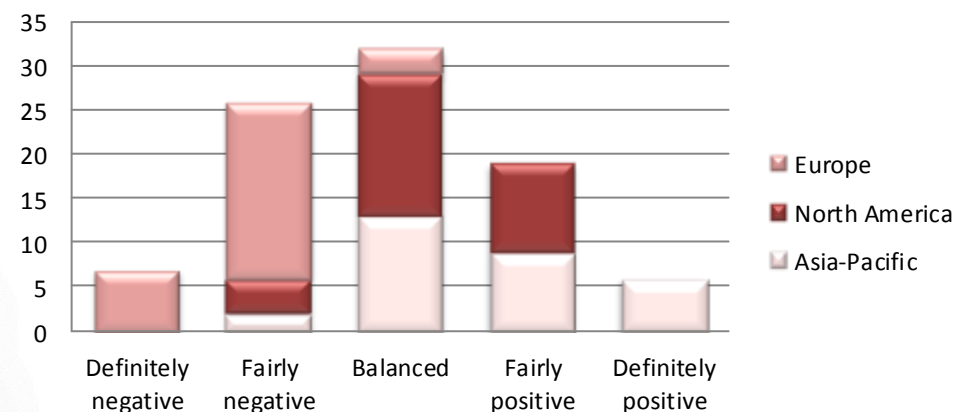


Figure 6: Six-month economic outlook

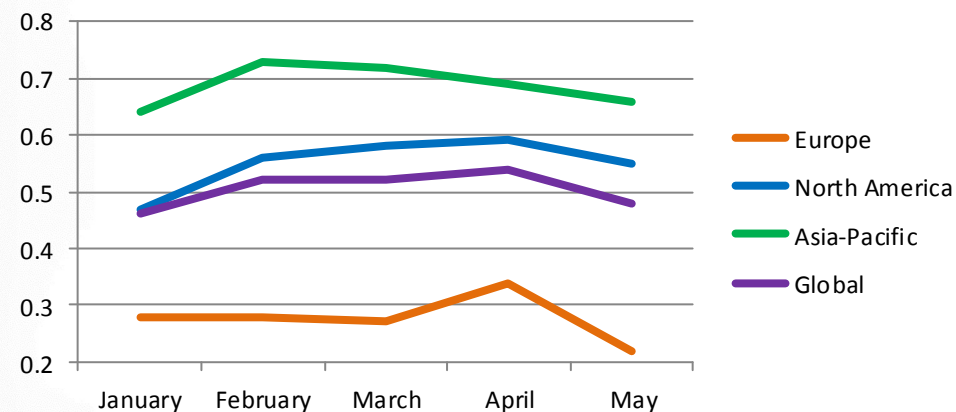


Figure 7: Six-month economic sentiment index

Three-year economic outlook

| Parameter/Region | Global | Europe | North America | Asia-Pacific |
|--------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Median | 0.75 | 0.50 | 0.75 | 0.75 |
| Mean (DBSI) | 0.65 ↑(0.01) | 0.47 ↓(0.01) | 0.73 ↑(0.04) | 0.74 ↓(0.03) |
| Mode | 0.75 | 0.50 | 0.75 | 0.75 |
| Standard Deviation | 0.26 →(0.00) | 0.24 ↑(0.02) | 0.22 ↓(0.06) | 0.22 ↑(0.01) |

Three-year global economic prospects remain considerably better, compared to short-term economic outlook.

Europe's economic outlook for 2015 deteriorated 0.01 points to 0.47, 0.18 points below the global economic forecast. Seven respondents (23%) claim the economic prospects are "fairly" or "definitely" positive, fourteen believe the outlook is neutral and the rest are rather pessimistic about the economic performance three years from now.

The North American economic forecast for 2015 improved 0.04 points to 0.73 points in May from April, the only gain among the three observed regions, and standard deviation fell 0.06 points to 0.22, a sign experts are more united in positive assessment of the regional economy.

Poll respondents are the most optimistic about Asia-Pacific economic performance three years from now with a sentiment index value of 0.74 points. Specifically, ten experts claim the three-year economic outlook is "definitely" positive and another ten say the outlook is "fairly positive".

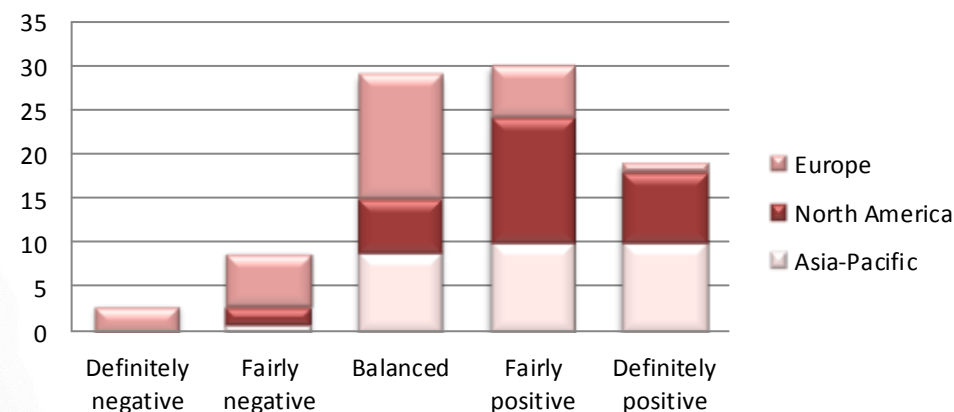


Figure 8: Three-year economic outlook

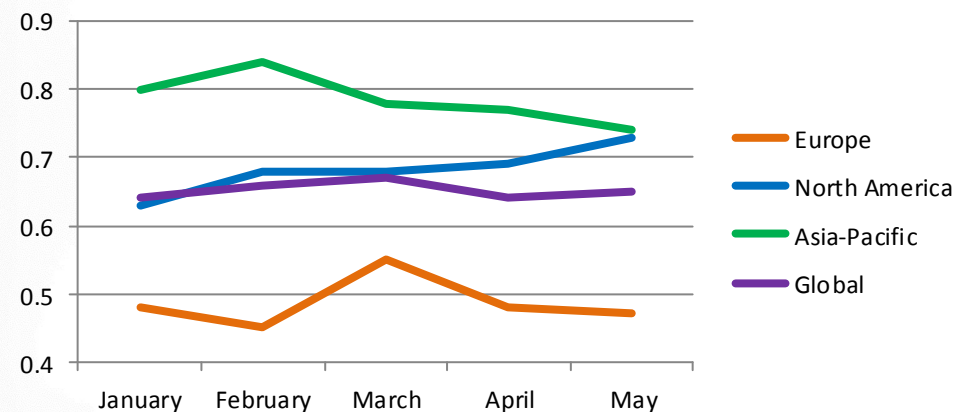


Figure 9: Three-year economic sentiment index

Economic outlook comparison

| Parameter/Region | Europe | | North America | | Asia-Pacific | |
|--------------------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|
| | Local experts | Foreign experts | Local experts | Foreign experts | Local experts | Foreign experts |
| Current economic outlook | 0.20 | 0.19 | 0.57 | 0.55 | 0.65 | 0.66 |
| 6-month economic outlook | 0.18 | 0.24 | 0.55 | 0.55 | 0.70 | 0.64 |
| 3-year economic outlook | 0.43 | 0.49 | 0.67 | 0.76 | 0.85 | 0.69 |

Figure 10 shows a discrepancy in views on economic outlook among local and foreign experts. May's poll results reveal that experts from Europe and North America are more pessimistic about the three-year economic performance of their regions, compared to their colleagues from overseas.

Europe: Local experts are slightly more optimistic about the current economic performance than their colleagues from North America and Asia-Pacific. The discrepancy in views widens to negative 6 points for the six-month and three-year economic outlooks.

North America: Americans are more confident on the current economic outlook than their colleagues from overseas. The discrepancy in opinions sheds to zero for the six-month economic outlook and widens to a negative 0.09 points for the three-year economic outlook.

Asia-Pacific: Respondents from Asia-Pacific are slightly less optimistic (0.65) about the current economic outlook compared to foreign experts (0.66). Discrepancy in views widens to 0.06 points for the six-month economic outlook and 0.16 points for the three-year outlook.

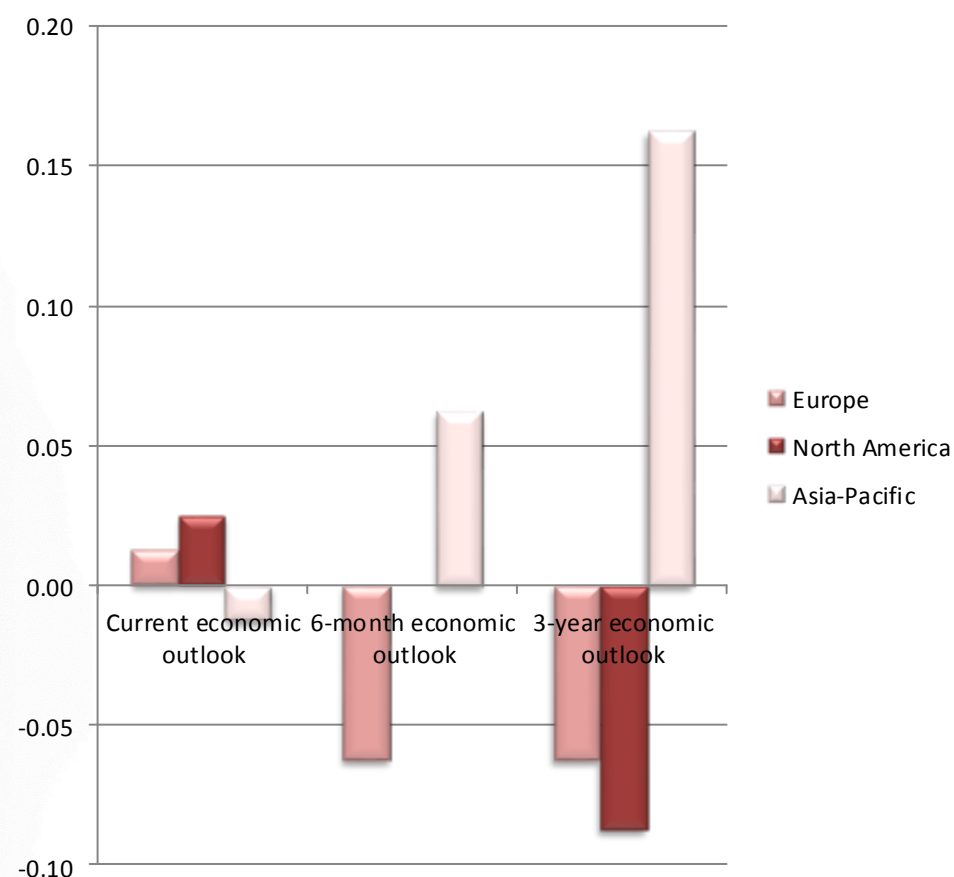


Figure 10: Discrepancy in views on economic outlook among local and foreign experts (*1)

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 the current and 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 May's poll

Marquette, Tulane, University of Missouri, West Virginia University, UNC Charlotte, Lamar University, Saint Mary's College of California, University of Illinois, University of Montreal, University of Pittsburgh, Lund University, Charles University, Cardiff, University of Buckingham, University of Groningen, University of Warwick, Cardiff Business School, Wake Forest University, University of Technology, Loyola Institute of Business, Jawaharlal Nehru University, China Europe International Business School, Curtin University, University of Wollongong, University of Adelaide, Indian Institute of Management Indore, University of California.



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