

# GLOBAL MARKET SENTIMENT SURVEY 2013

December 2012



**CFA Institute**

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## EXECUTIVE SUMMARY

CFA Institute's annual global market sentiment survey reveals members' cautious optimism about the future of the financial markets in 2013, tempered by their concern that the underlying problems that contributed to the worldwide economic crisis and the decline in the integrity of the markets have not yet been solved. As experienced participants within the global financial services industry, the opinions expressed in this report are a strong reflection of the views of highly educated, ethical practitioners with unique insights into the opportunities and risks of the financial markets.

## EXECUTIVE SUMMARY

When asked whether they believe the global economy will expand, contract, or stay roughly the same over the coming year, 40% of members answered that the economy will expand; 20% believe the global economy will contract. The outlook is still guarded, which is understandable given the ongoing European sovereign debt crisis, an expected slowing of economic growth in China, and the pending fiscal cliff in the United States. But the outlook is clearly more optimistic than last year, when only 34% said the global economy would expand and nearly as many (29%) said the global economy would contract. Members' outlook on other short-term issues, such as employment opportunities for financial professionals, has also improved slightly over the past year. Further, 50% of those surveyed expect equities to outperform all asset classes, while only about 41% thought that a year ago.

## EXECUTIVE SUMMARY

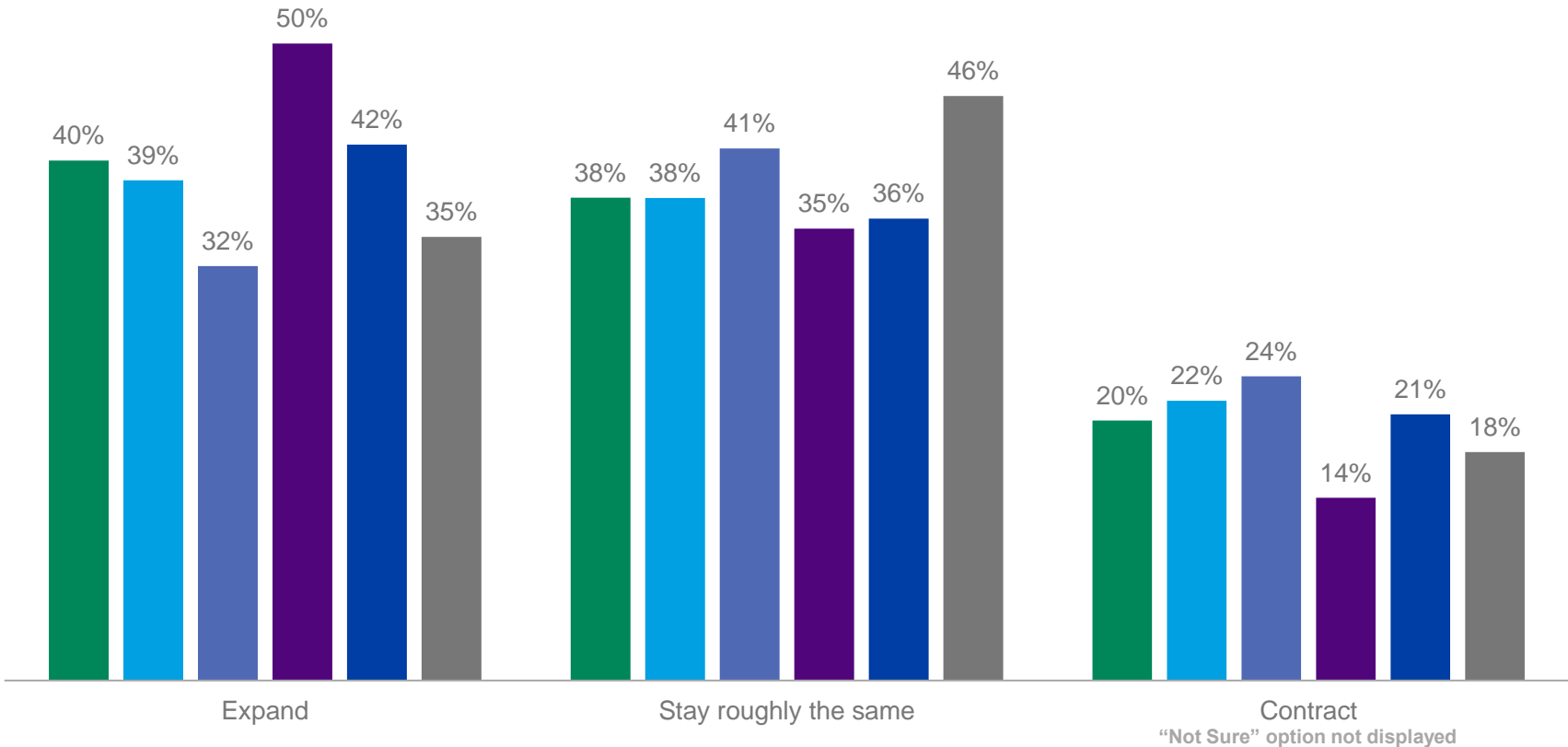
Despite the cautious optimism regarding short-term issues, longer-term issues—the ones that helped bring about the financial crisis whose effects are still being felt—must be addressed for continued positive progress for improvements in economic health and market integrity. In particular, 56% of members identified a continuing lack of ethical culture within financial firms as the major factor contributing to the current lack of trust in the finance industry, and two-thirds said that a culture of ethics and integrity within firms needs to be reestablished. The primary problems are not the physical failures of the market or government actions but the culture of firms within the financial industry.

# INVESTMENT PROFESSIONALS INCREASINGLY OPTIMISTIC ON GLOBAL ECONOMIC GROWTH

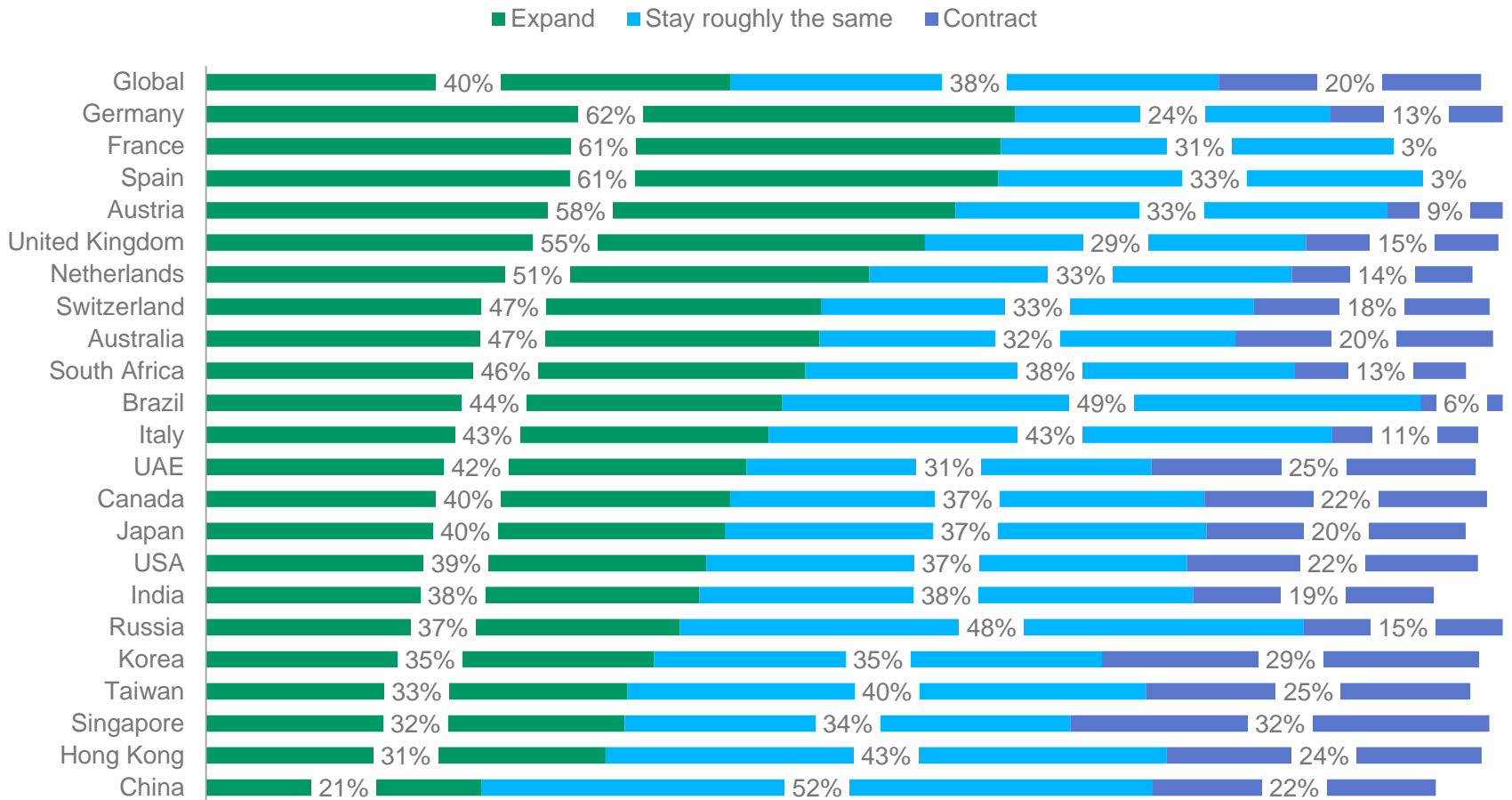
Advanced economies especially optimistic on global economic expansion in 2013, despite the continued worldwide impact of the European sovereign debt crisis

# IN 2013, DO YOU EXPECT THE GLOBAL ECONOMY TO:

■ Global ■ AMER ■ APAC ■ EMEA ■ Advanced ■ Developing



# IN 2013, DO YOU EXPECT THE GLOBAL ECONOMY TO:



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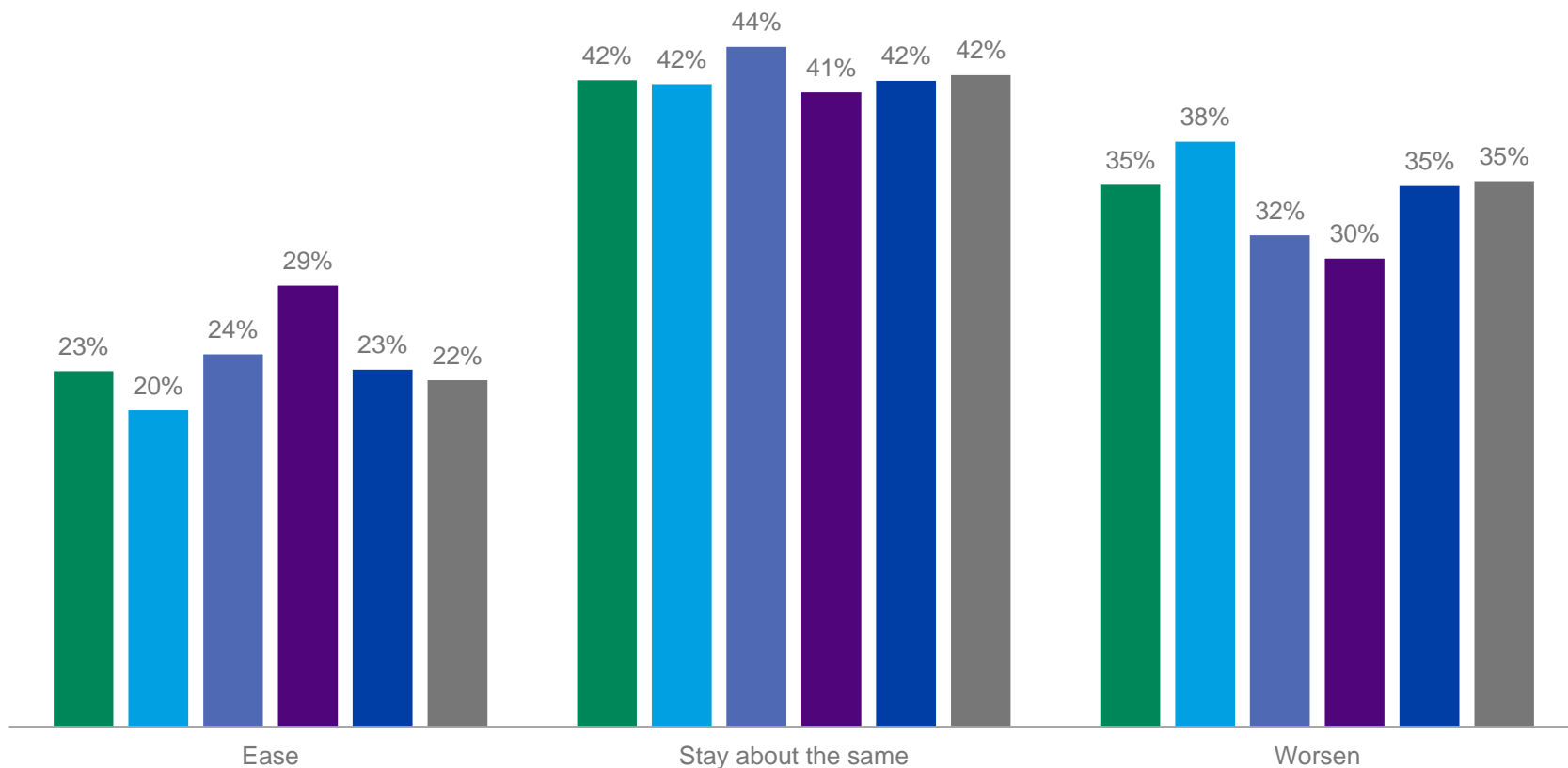


# IN 2013, DO YOU EXPECT THE GLOBAL ECONOMY TO:



# IN 2013, DO YOU THINK THE EUROPEAN SOVEREIGN DEBT CRISIS WILL EASE, WORSEN, OR STAY ABOUT THE SAME?

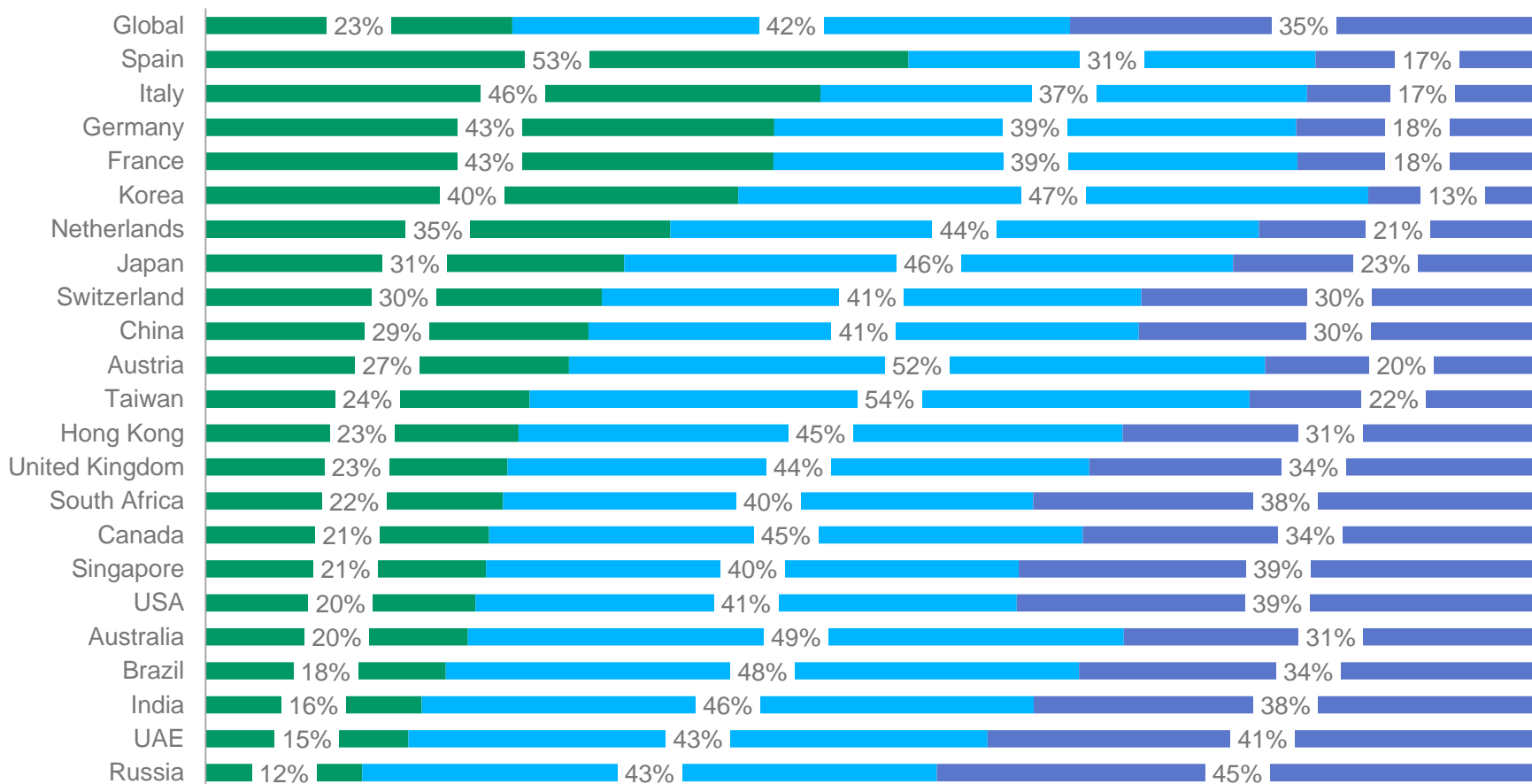
■ Global ■ AMER ■ APAC ■ EMEA ■ Advanced ■ Developing



"No opinion" option excluded from results.

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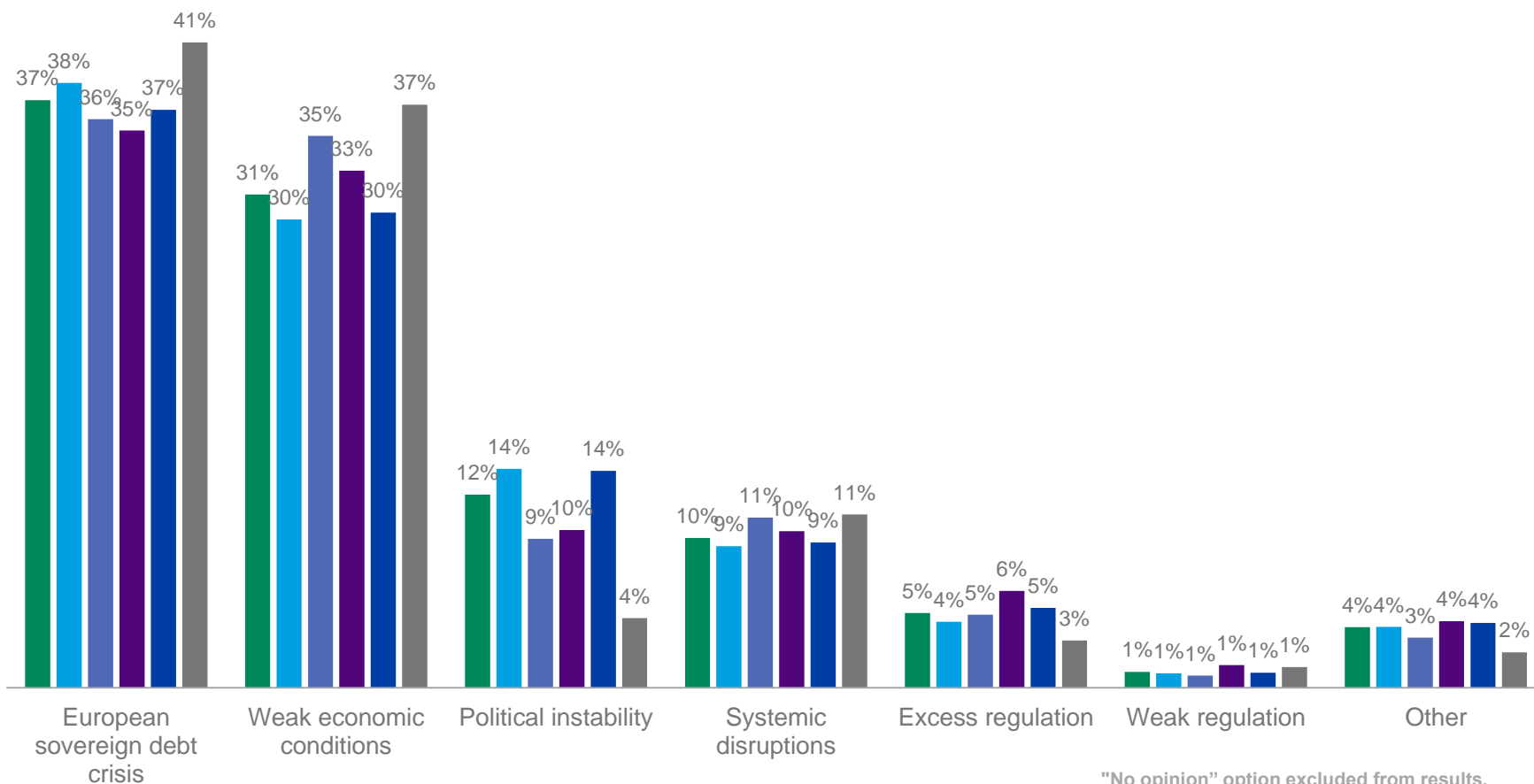
■ Ease ■ Stay about the same ■ Worsen



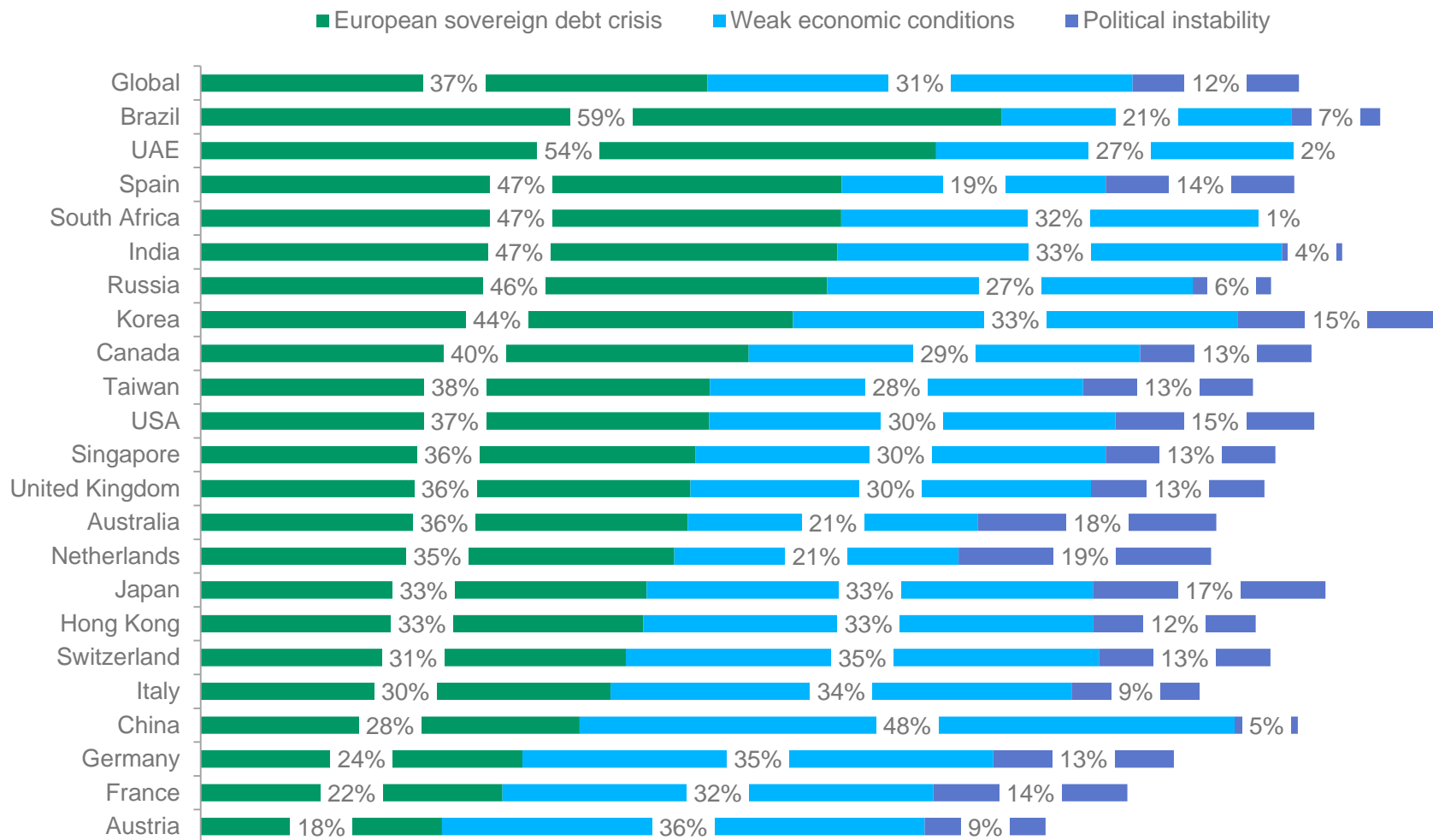
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# WHAT DO YOU SEE AS THE BIGGEST RISK TO GLOBAL CAPITAL MARKETS IN 2013?

■ Global ■ AMER ■ APAC ■ EMEA ■ Advanced ■ Developing



# WHAT DO YOU SEE AS THE BIGGEST RISK TO GLOBAL CAPITAL MARKETS IN 2013?\*

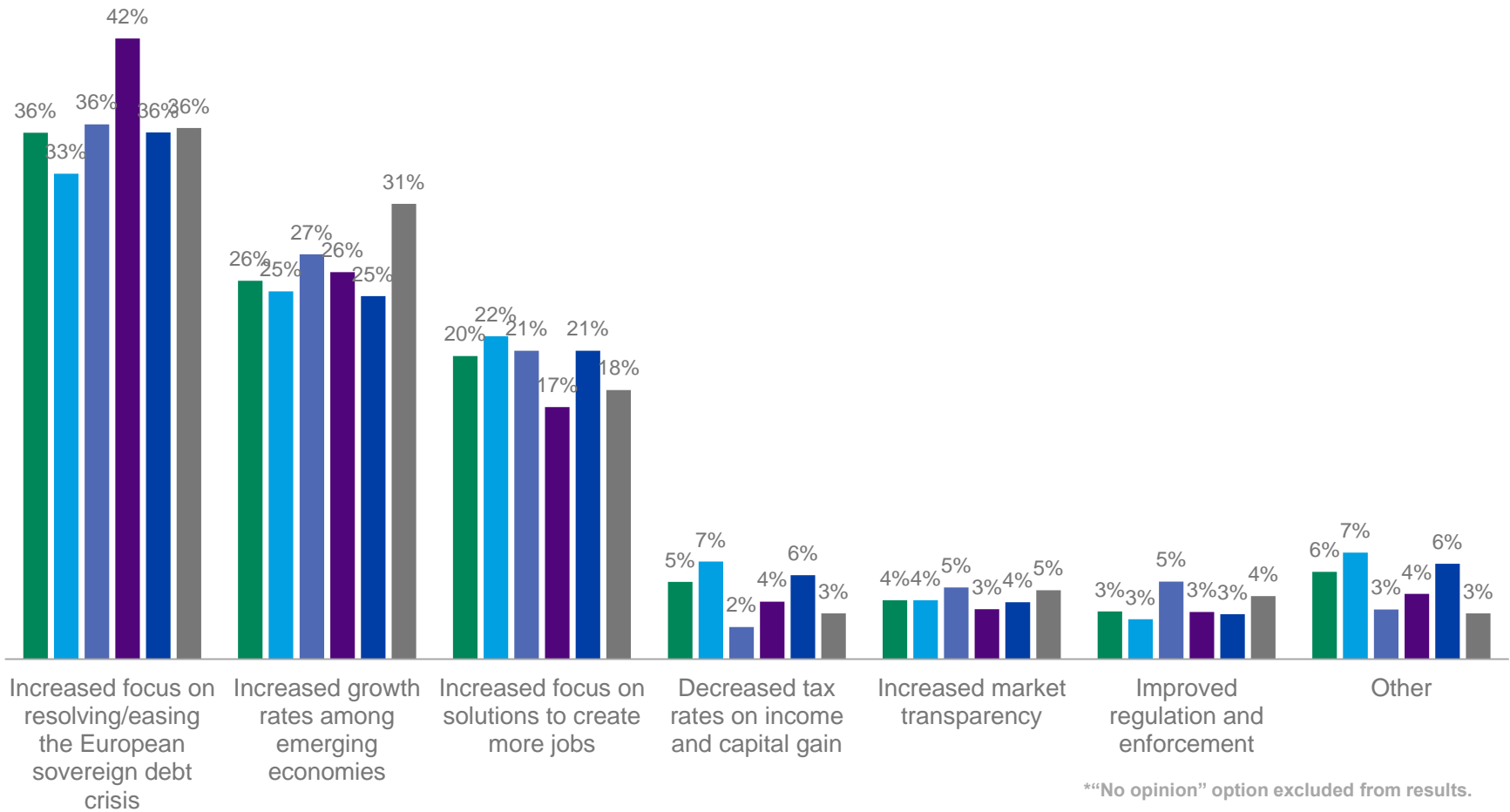


\*Displaying top three risks to global markets.

"No opinion" option excluded from results.

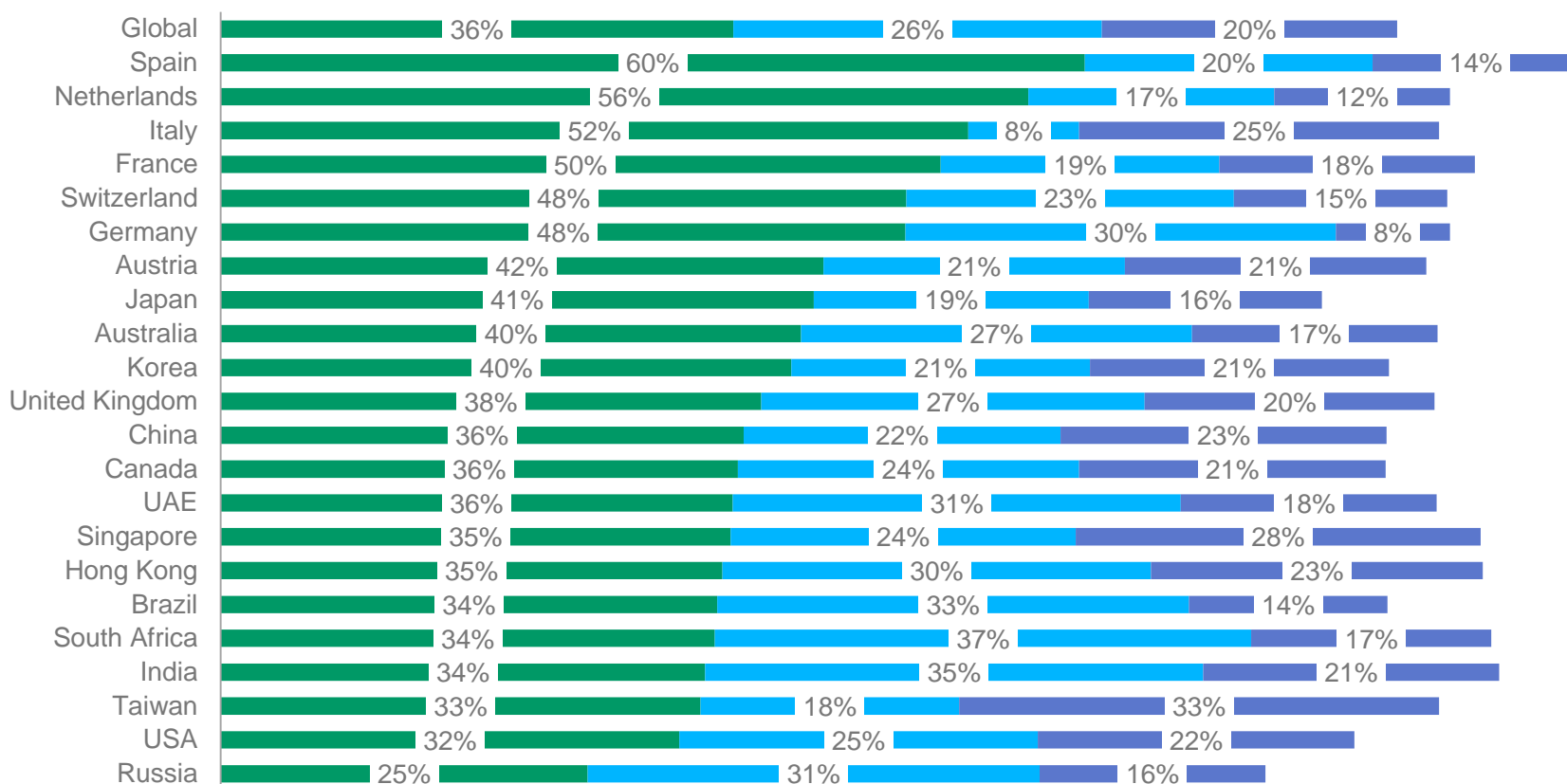
# WHAT DO YOU SEE AS HAVING THE BIGGEST POSITIVE IMPACT ON GLOBAL CAPITAL MARKETS IN 2013?\*

■ Global ■ AMER ■ APAC ■ EMEA ■ Advanced ■ Developing



# WHAT DO YOU SEE AS HAVING THE BIGGEST POSITIVE IMPACT ON GLOBAL CAPITAL MARKETS IN 2013?\*

- Increased focus on resolving/easing the European sovereign debt crisis
- Increased growth rates among emerging economies
- Increased focus on solutions to create more jobs



\*Displaying top three positive impacts on global capital markets.

"No opinion" option excluded from results.

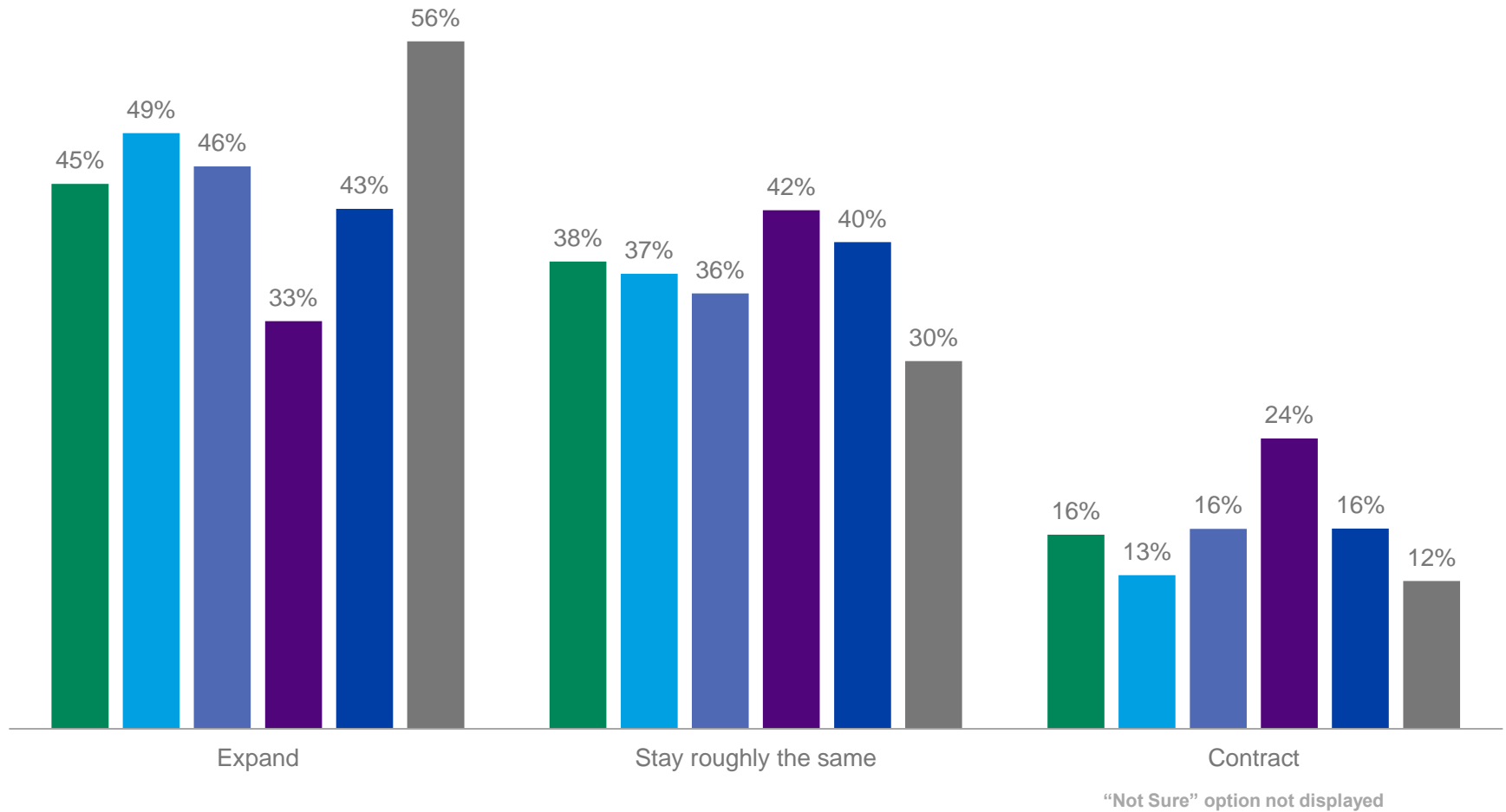
# **THE FUTURE LOOKS BRIGHTER FOR LOCAL ECONOMIC GROWTH, UNLESS YOU'RE IN EUROPE**

Biggest concerns for local markets include weak economic conditions in advanced economies, political instability in developing economies, and the European sovereign debt crisis in Europe

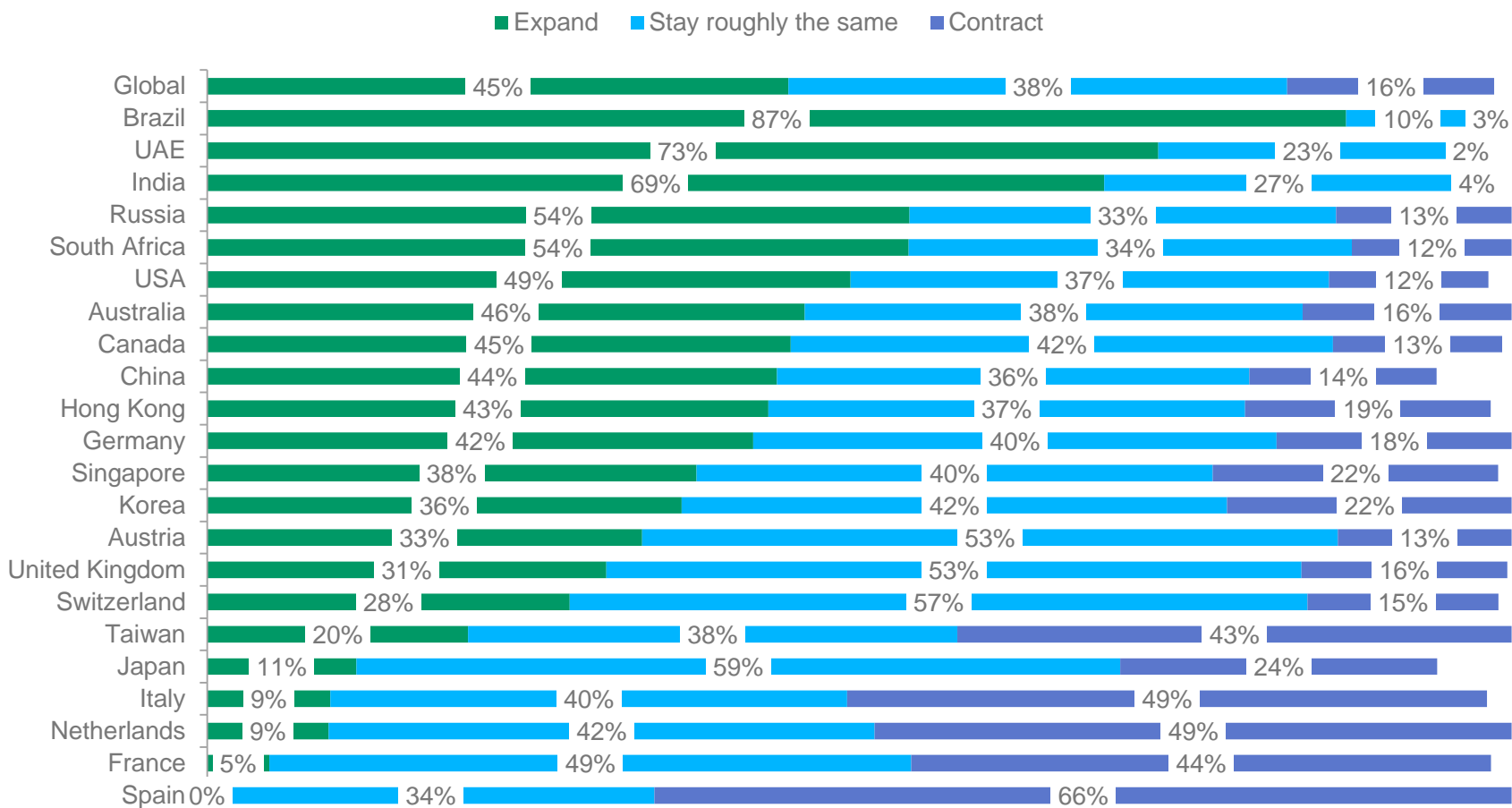


# IN 2013, DO YOU EXPECT YOUR LOCAL ECONOMY TO:

■ Global ■ AMER ■ APAC ■ EMEA ■ Advanced ■ Developing



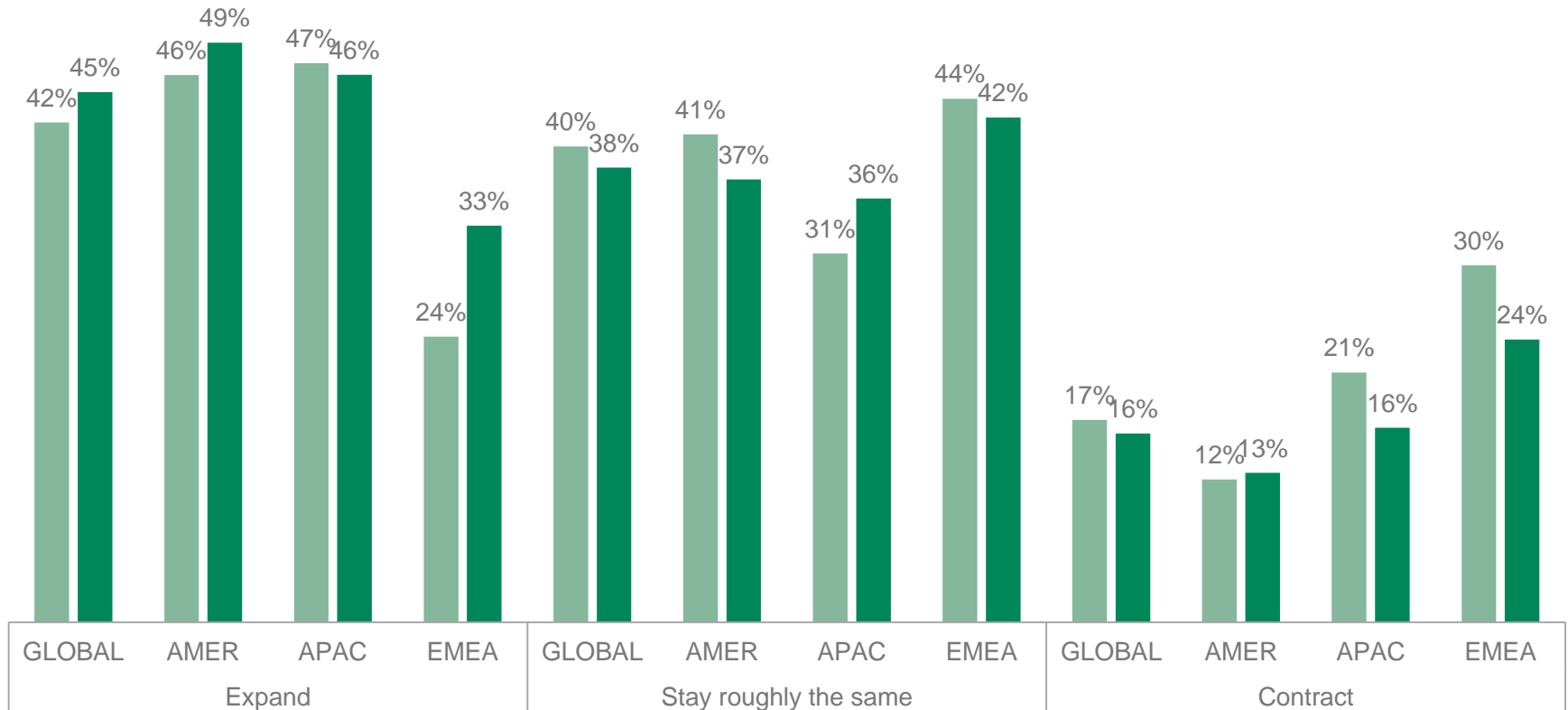
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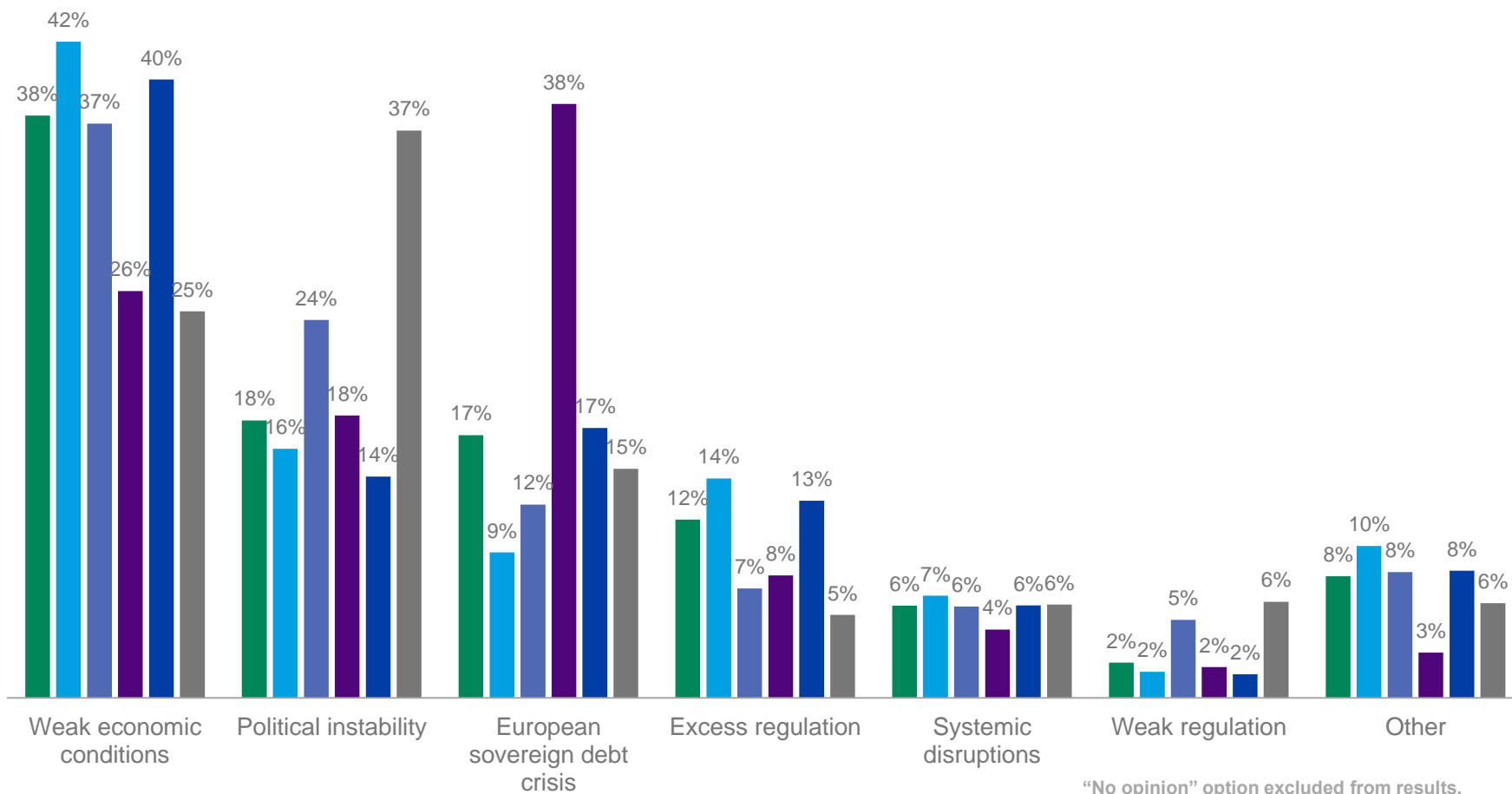
■ 2012 ■ 2013



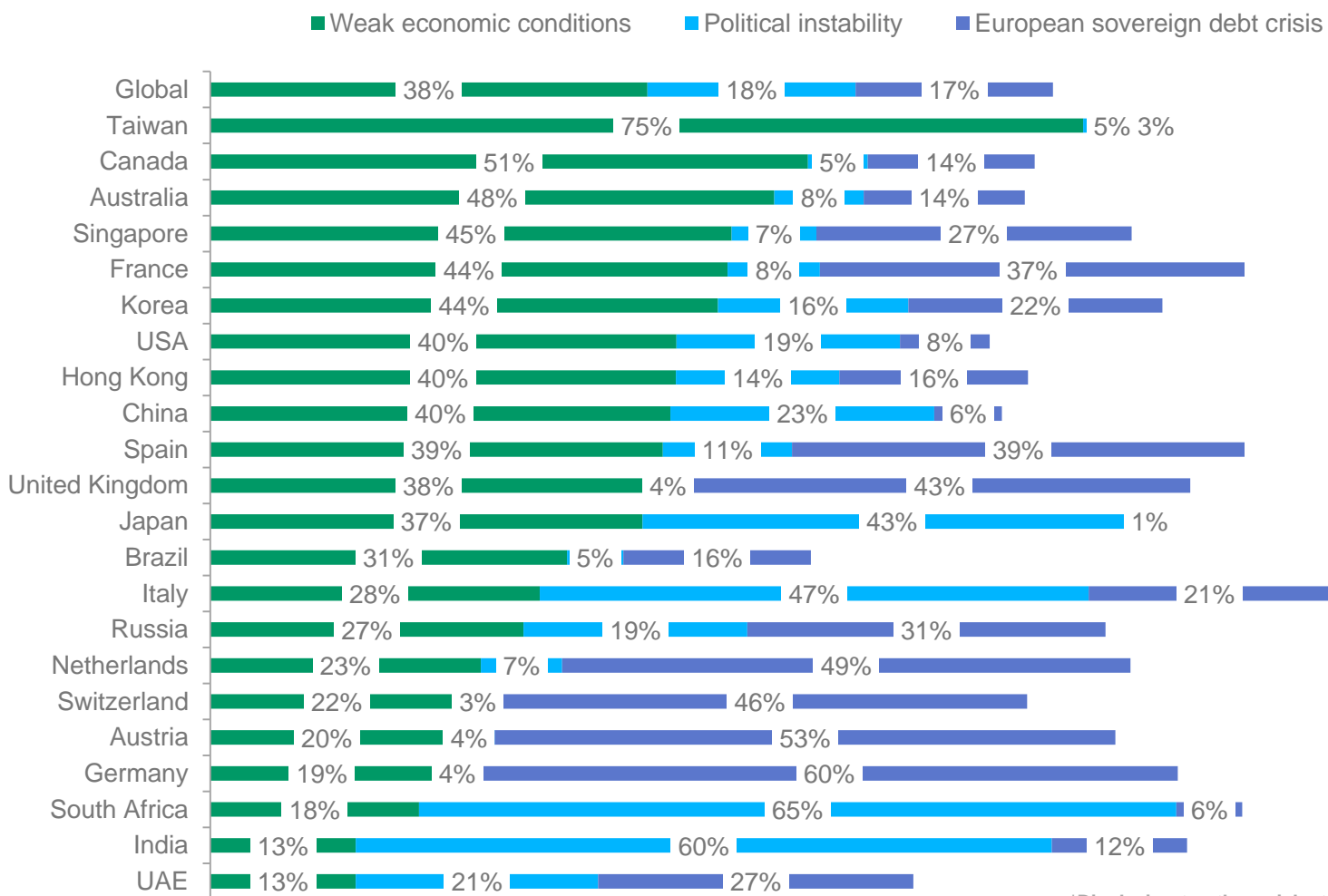
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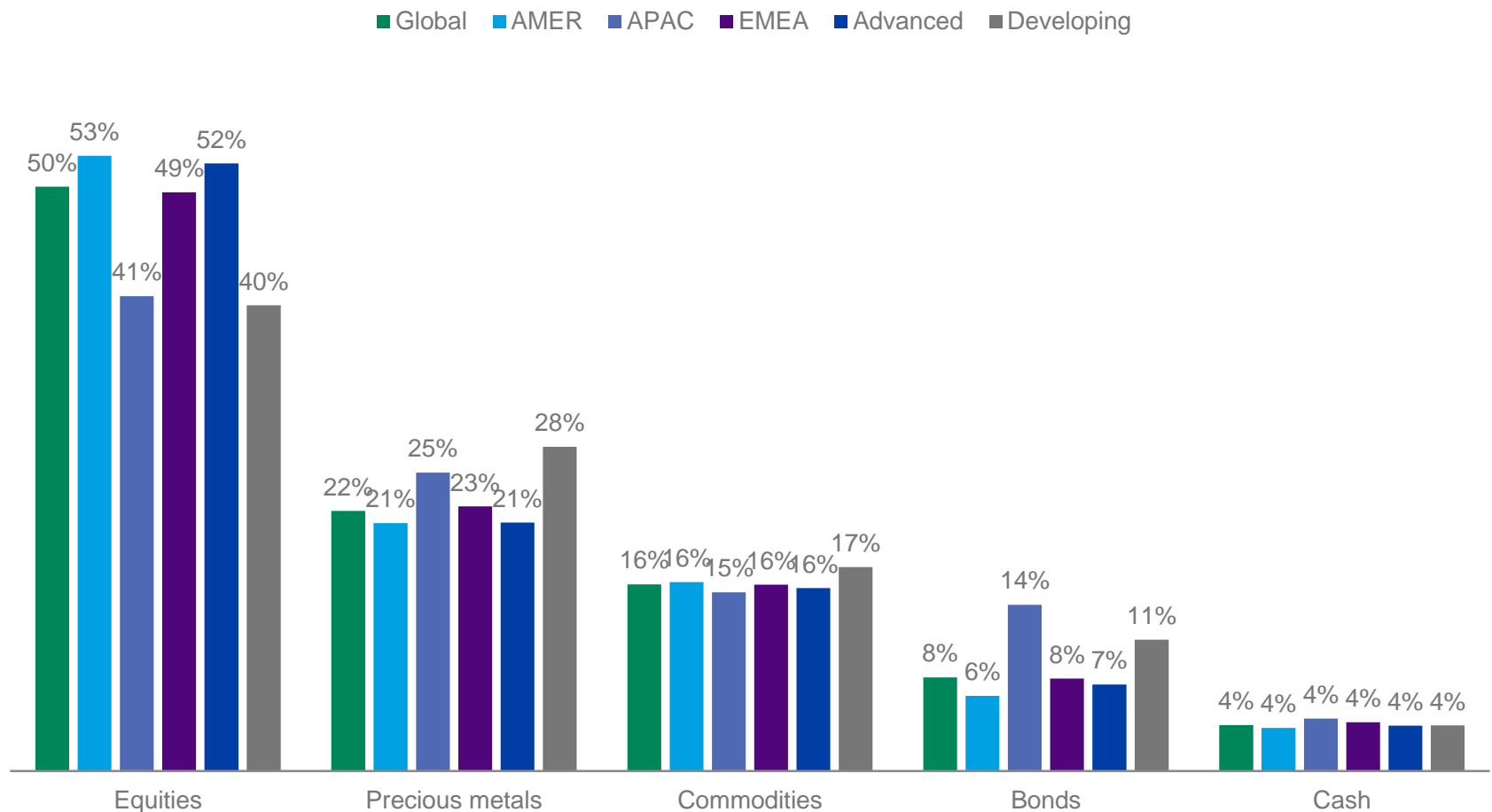


\*Displaying top three risks to local markets.

“No opinion” option excluded from results.

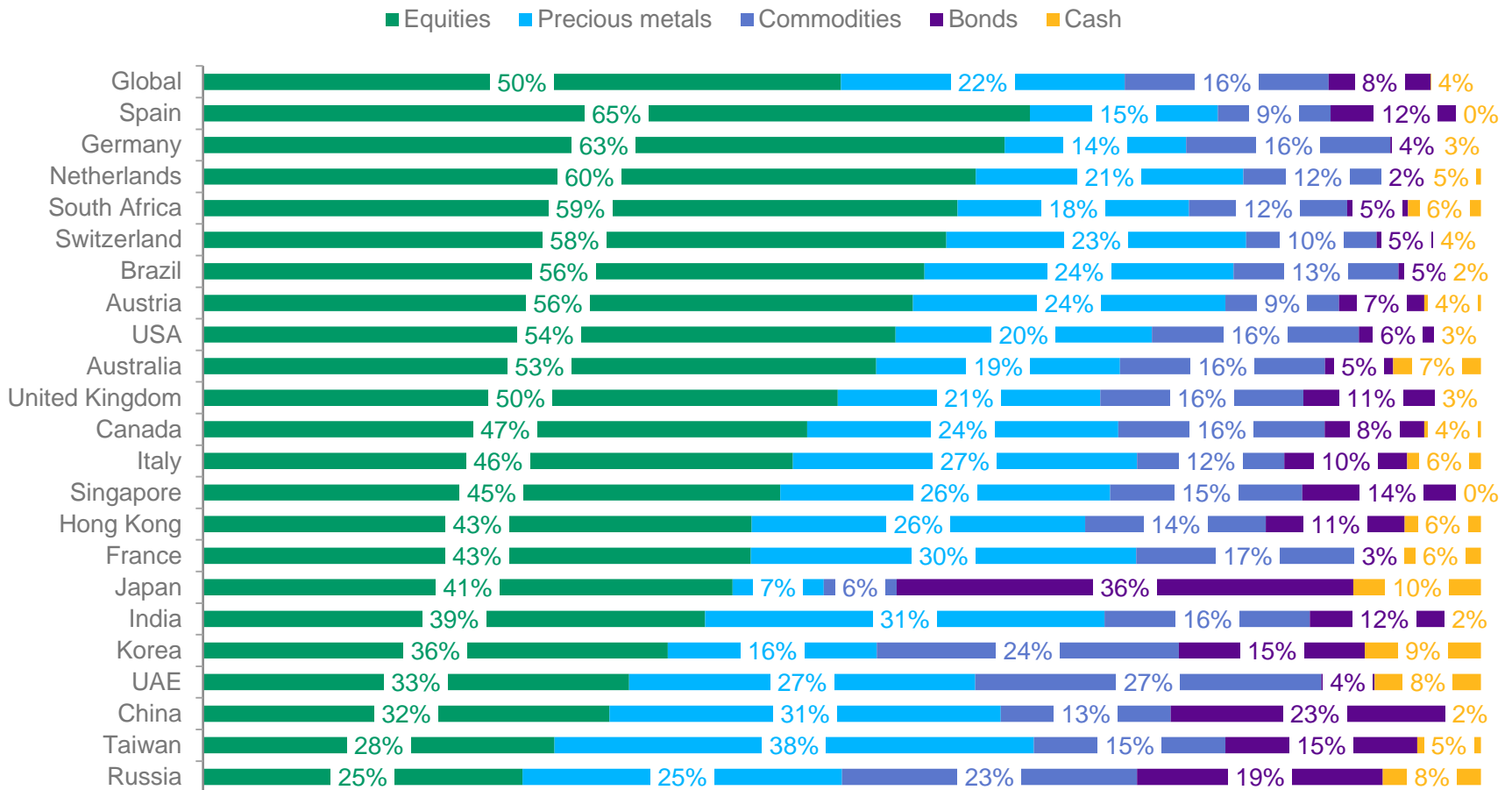
**EQUITIES EXPECTED TO PROVIDE  
THE HIGHEST RETURN**

# RANK THE FOLLOWING ASSET CLASSES IN ORDER OF EXPECTED TOTAL RETURN IN THE GLOBAL MARKETS IN 2013\*



\*Chart displaying proportion of members ranking the asset class as likely to have the highest expected return.

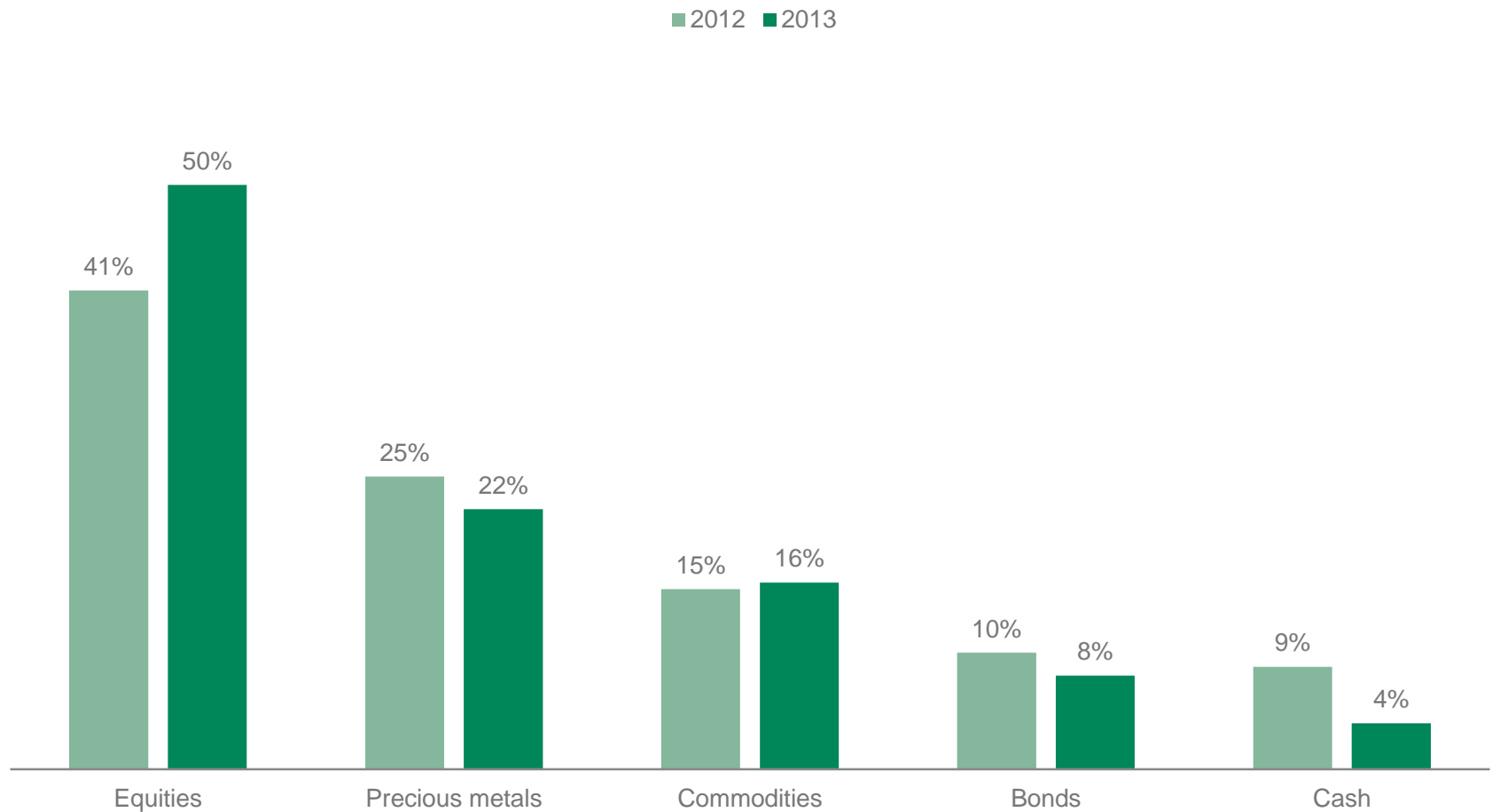
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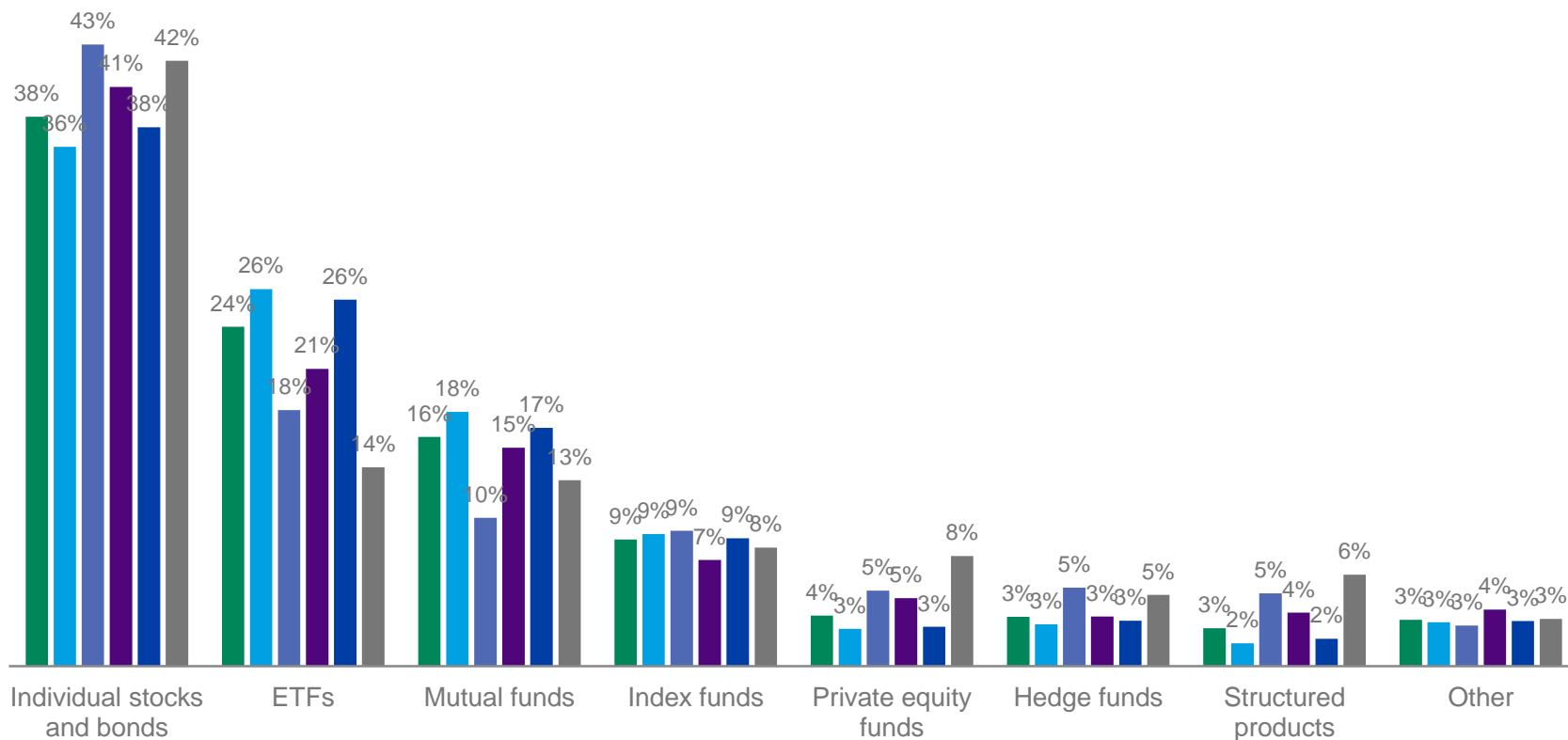
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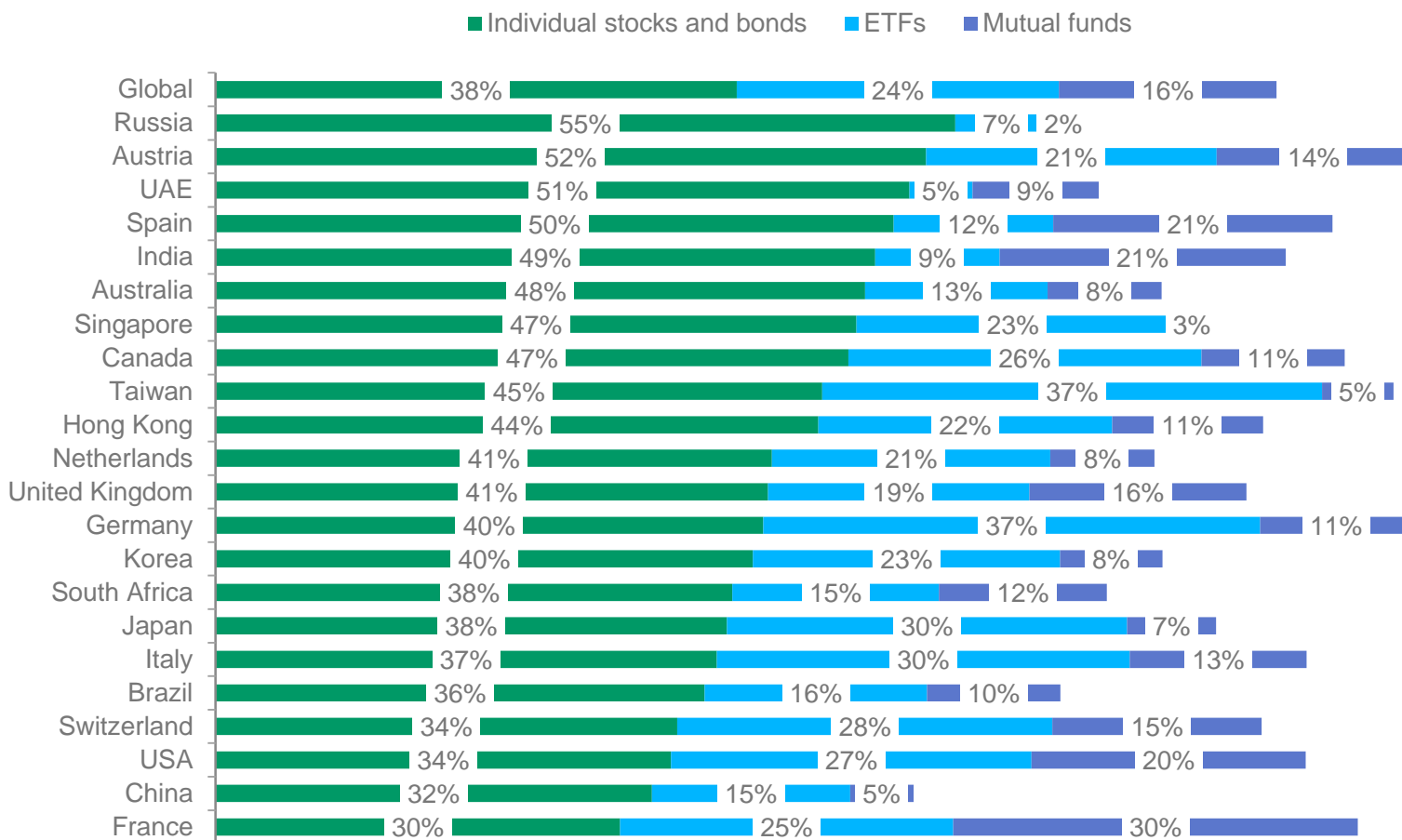
\*Chart displaying proportion of members ranking the asset class as likely to have the highest expected return.

# WHICH OF THE FOLLOWING INVESTMENT VEHICLES DO YOU THINK YOU WILL USE THE MOST IN 2013?

■ Global ■ AMER ■ APAC ■ EMEA ■ Advanced ■ Developing



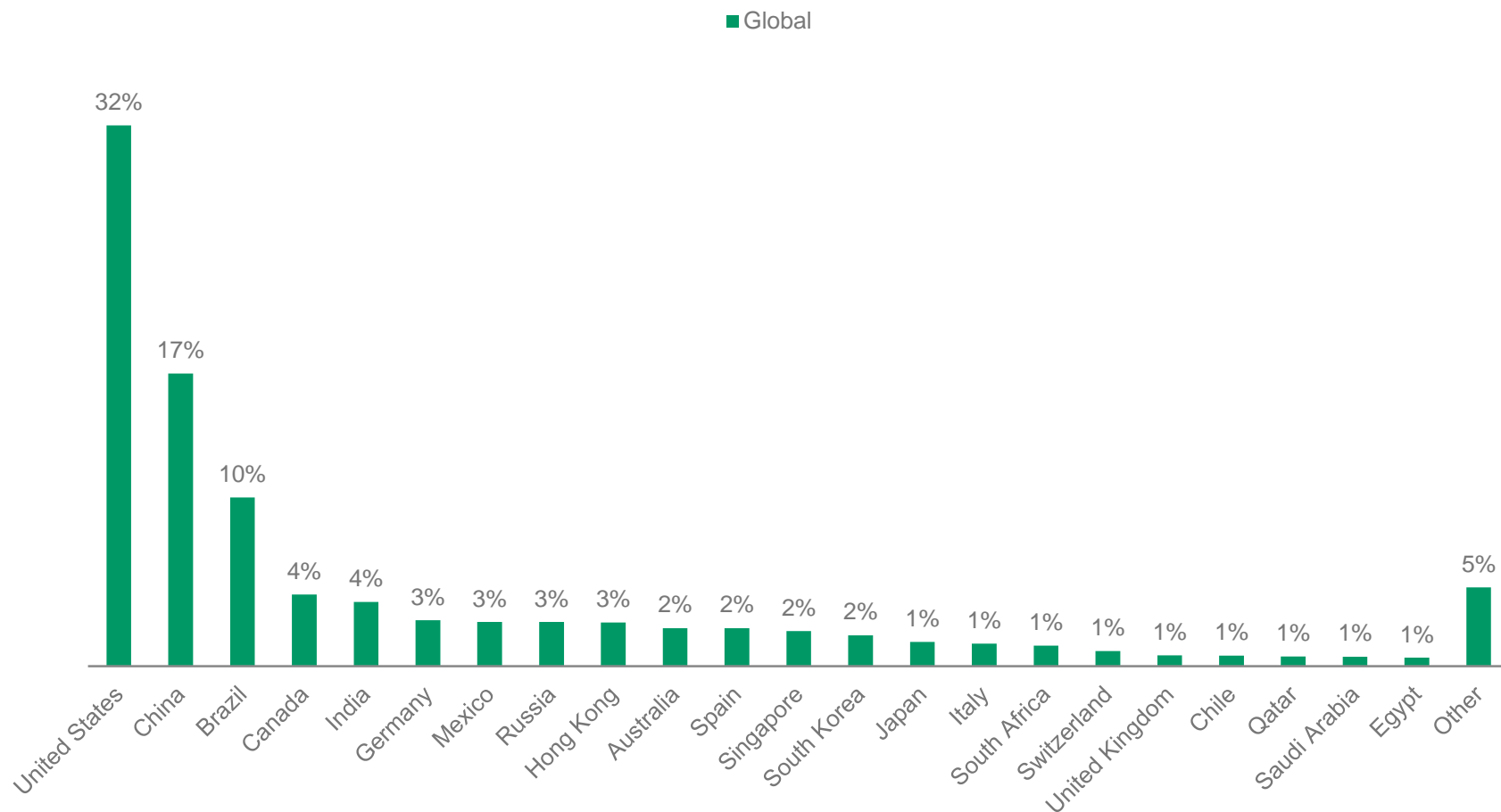
# WHICH OF THE FOLLOWING INVESTMENT VEHICLES DO YOU THINK YOU WILL USE THE MOST IN 2013?\*



\*Chart displaying top three investment vehicles as selected by members globally

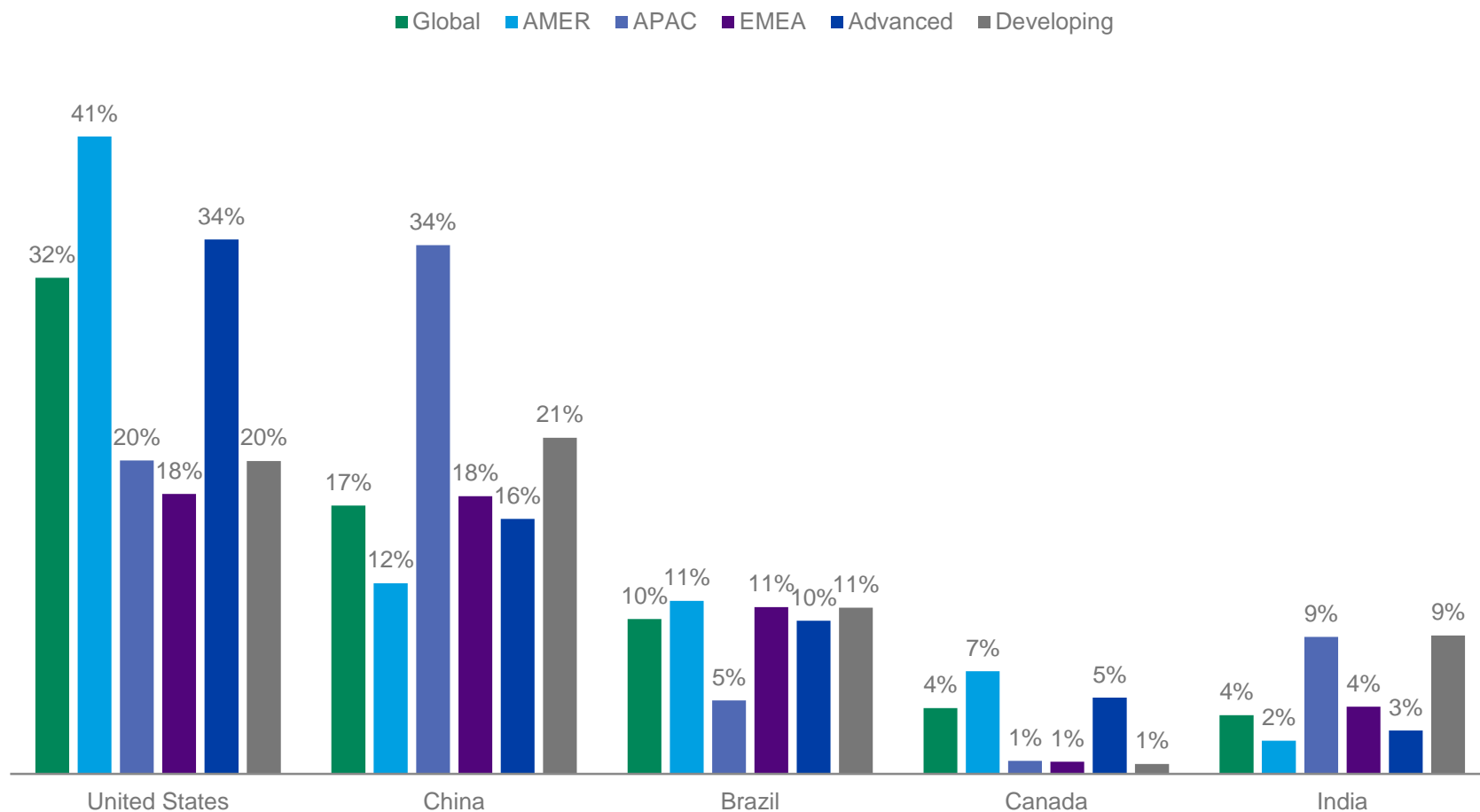
**US, CHINA, AND BRAZIL TO PROVIDE  
THE BEST INVESTMENT  
OPPORTUNITY**

# WHICH EQUITY MARKET DO YOU THINK WILL PROVIDE THE BEST INVESTMENT OPPORTUNITY IN 2013?\*



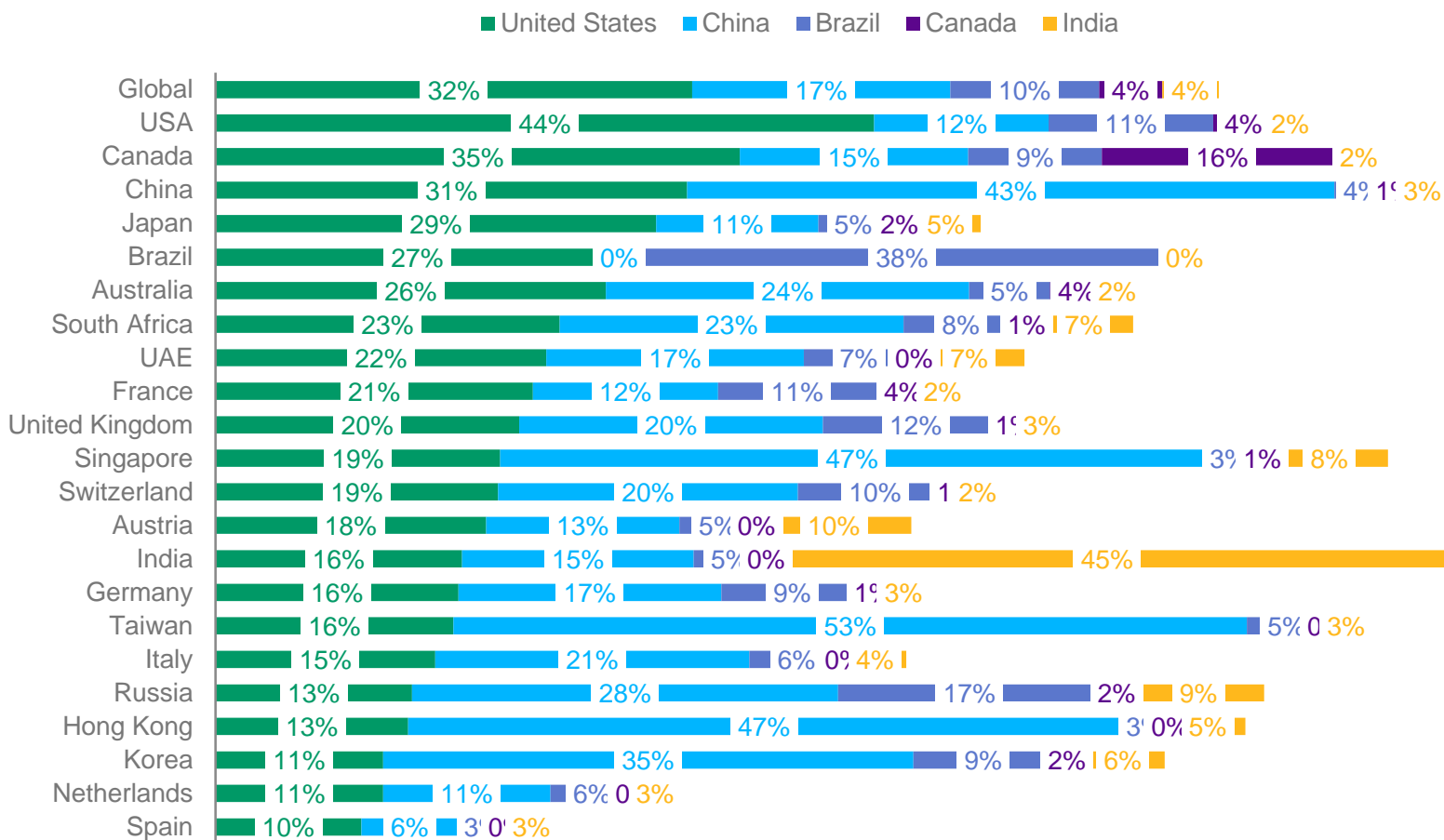
\*Chart shows proportion of members picking the market as the best investment opportunity

# WHICH EQUITY MARKET DO YOU THINK WILL PROVIDE THE BEST INVESTMENT OPPORTUNITY IN 2013?\*



\*Chart shows proportion of members picking the market as the best investment opportunity (top 5 displayed)

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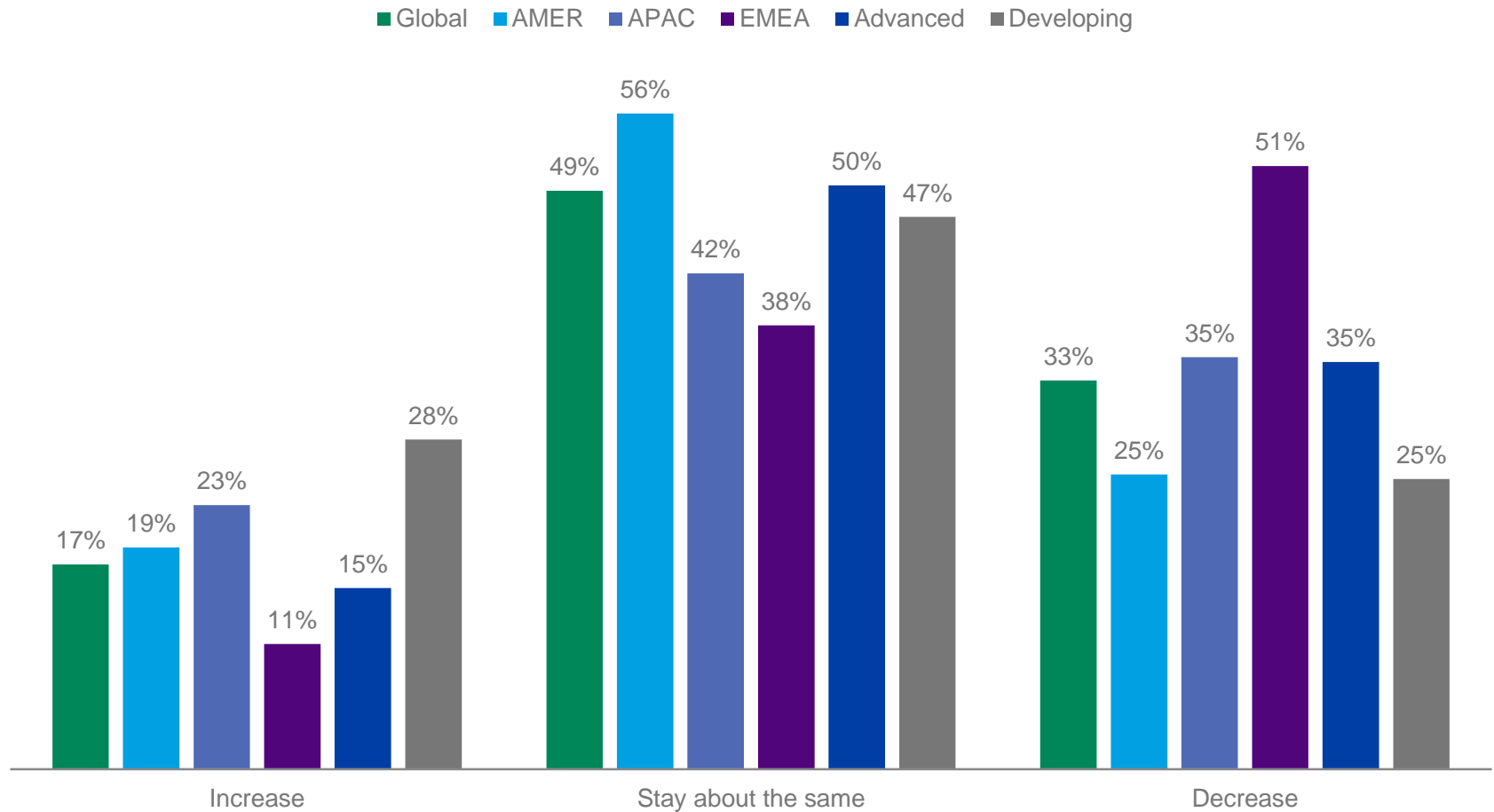


\*Chart shows proportion of members picking the market as the best investment opportunity (top 5 global responses displayed)

**EMPLOYMENT OPPORTUNITIES FOR  
INVESTMENT PROFESSIONALS  
EXPECTED TO REMAIN STABLE**

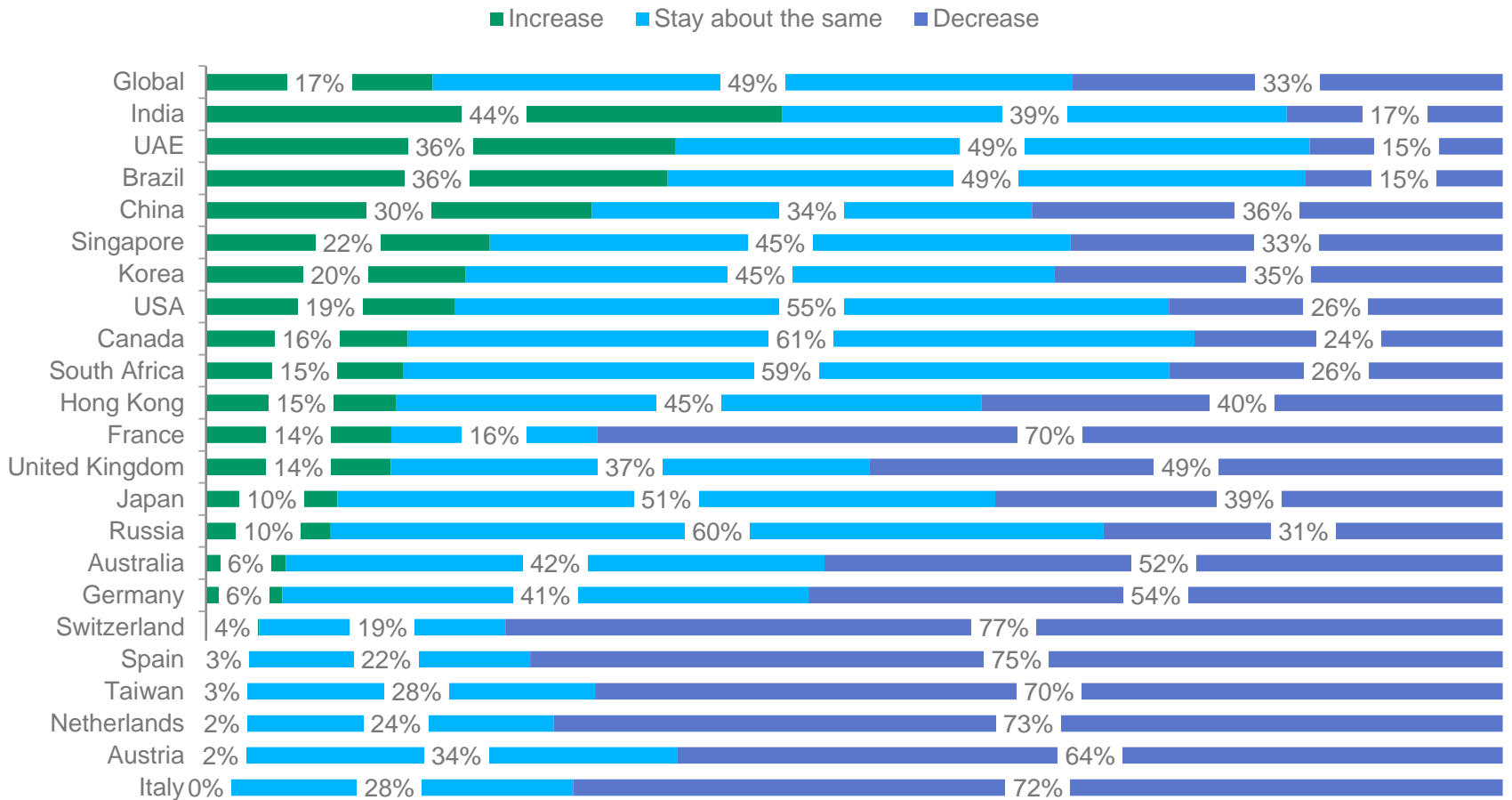


# IN 2013, DO YOU EXPECT EMPLOYMENT OPPORTUNITIES FOR INVESTMENT PROFESSIONALS IN YOUR LOCAL MARKET TO INCREASE, DECREASE, OR STAY ABOUT THE SAME?



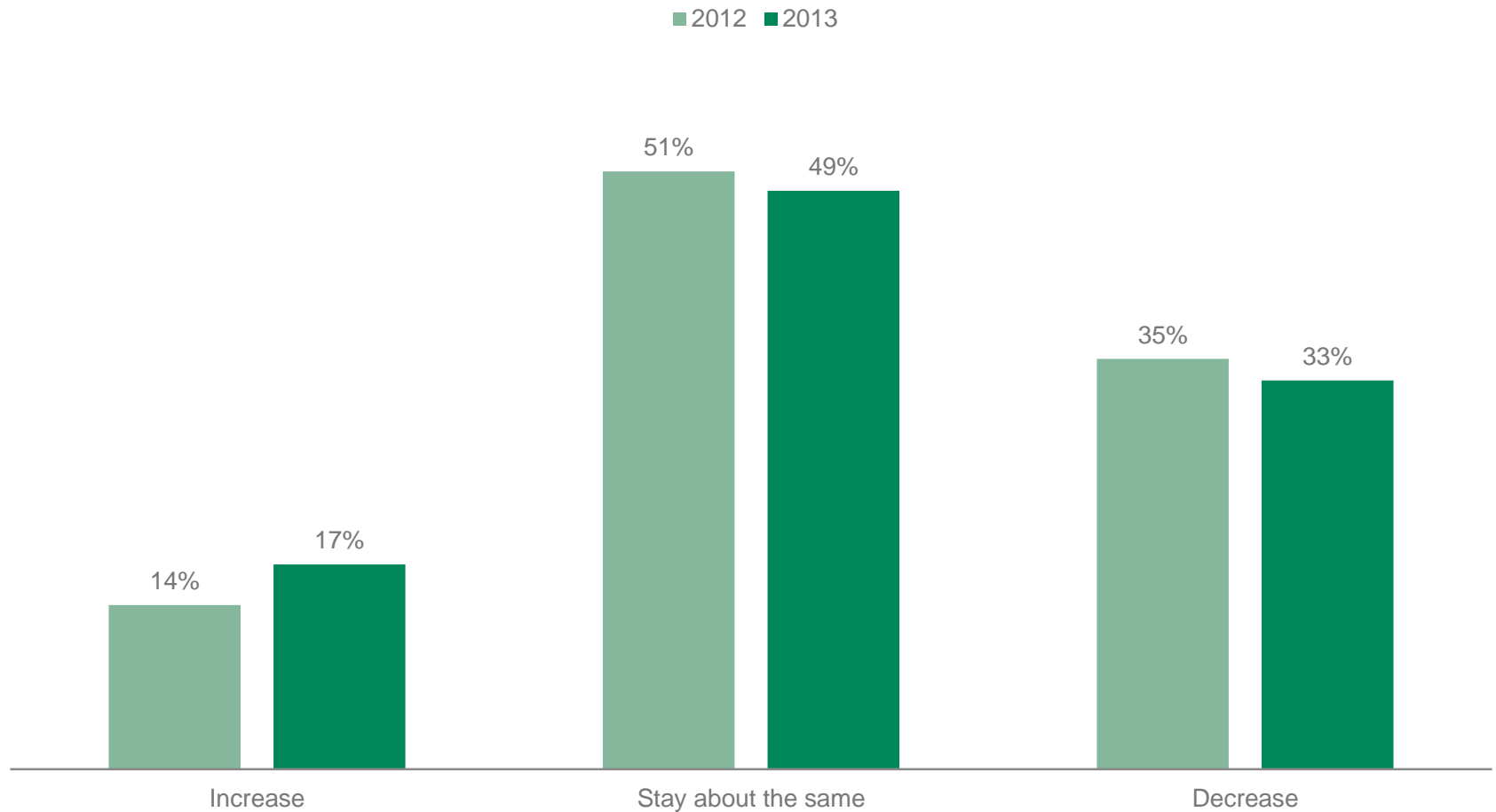
*"Not Sure" option excluded.*

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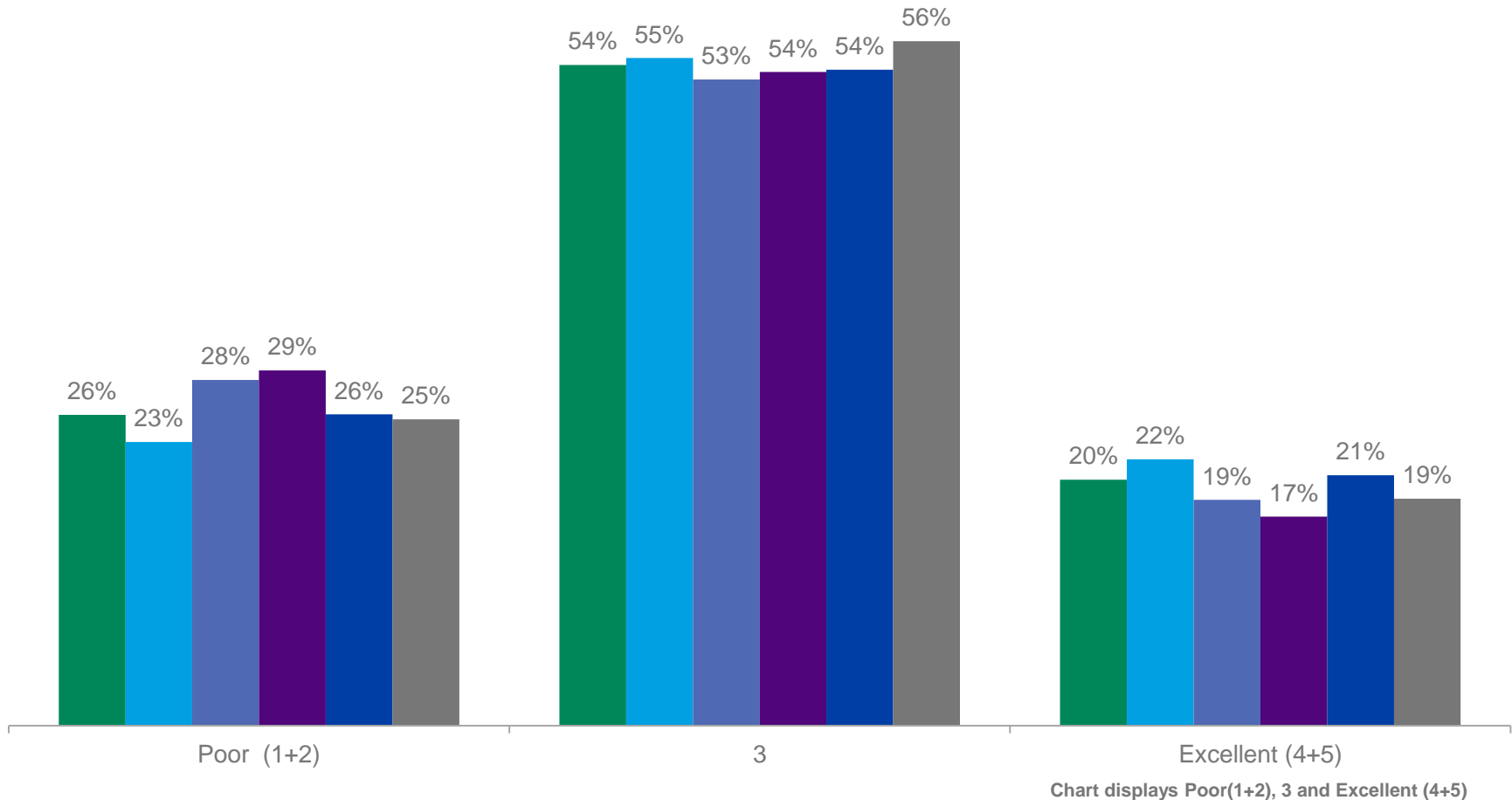
*"Not Sure" option excluded.*

# **TO RESTORE INTEGRITY TO THE GLOBAL CAPITAL MARKETS, CHANGE MUST COME FROM WITHIN**

Investment professionals are cautiously optimistic about the global economy in 2013, but ethical culture within financial firms needs to be addressed to solve systemic problems that led to fiscal crisis

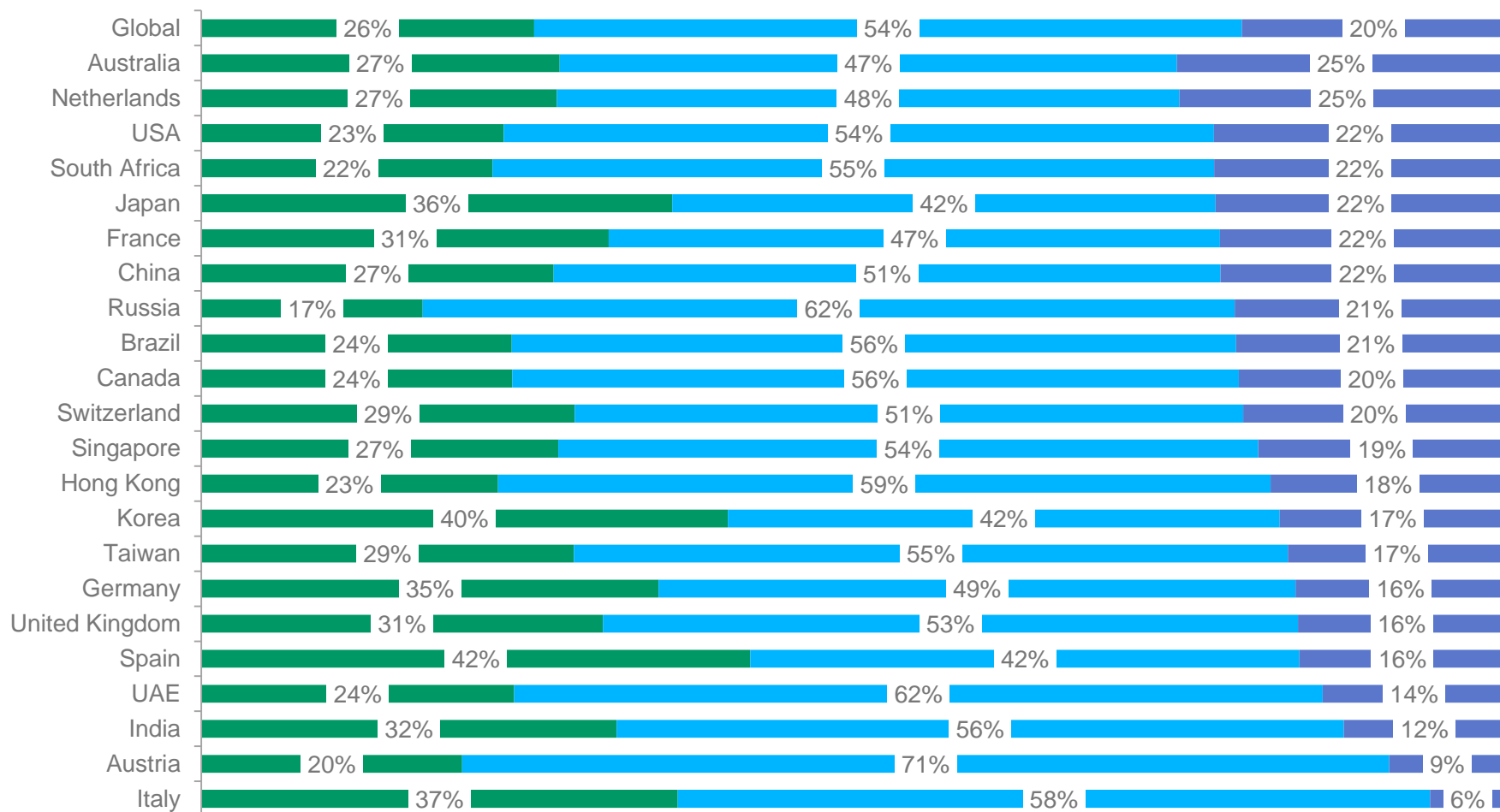
# HOW WOULD YOU RATE THE LEVEL OF INTEGRITY OF GLOBAL CAPITAL MARKETS IN 2012? *Scale: Poor (1) to Excellent (5)*

■ Global ■ AMER ■ APAC ■ EMEA ■ Advanced ■ Developing



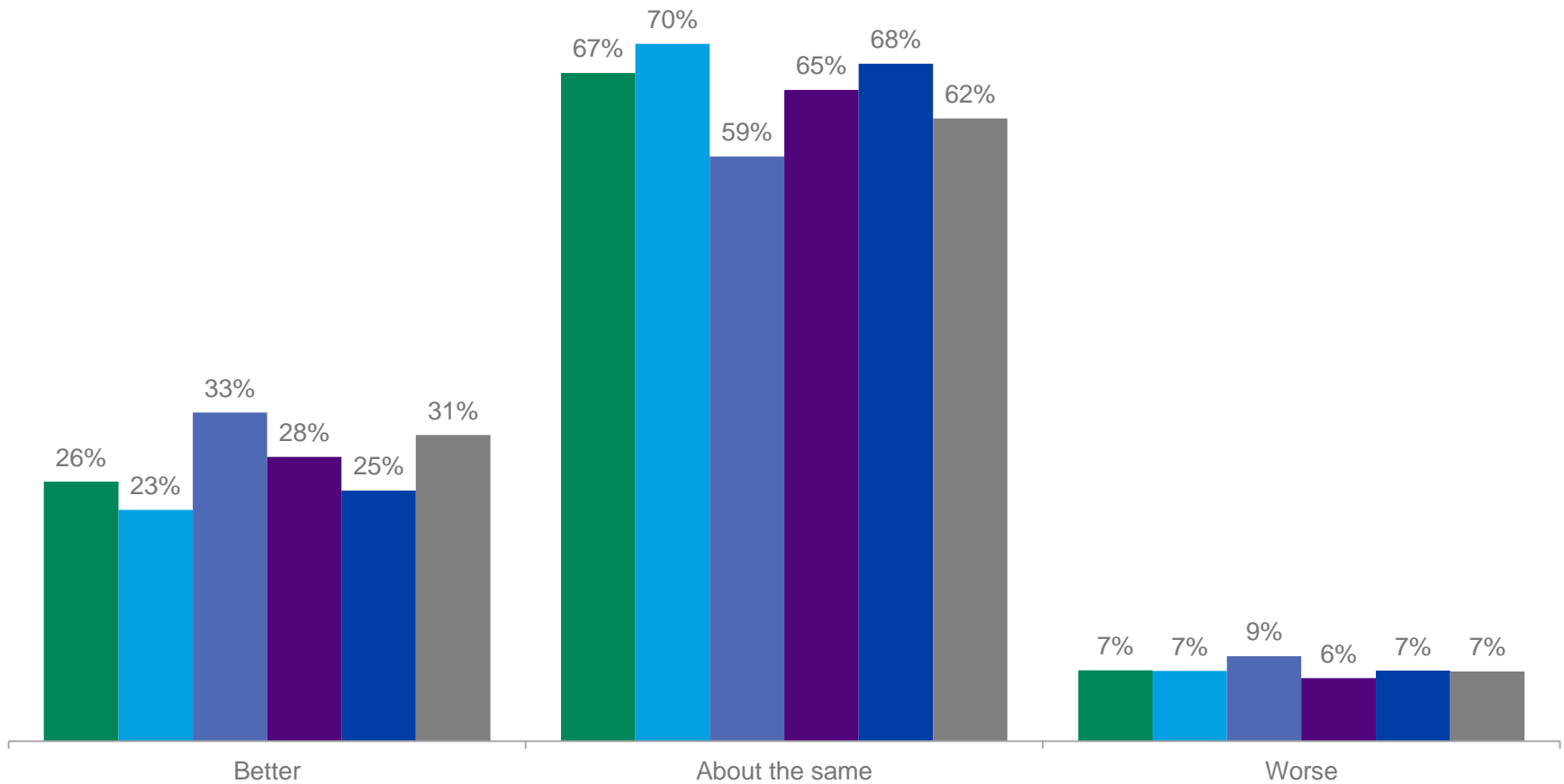
# HOW WOULD YOU RATE THE LEVEL OF INTEGRITY OF GLOBAL CAPITAL MARKETS IN 2012? *Scale: Poor (1) to Excellent (5)*

■ Poor (1+2) ■ 3 ■ Excellent (4+5)



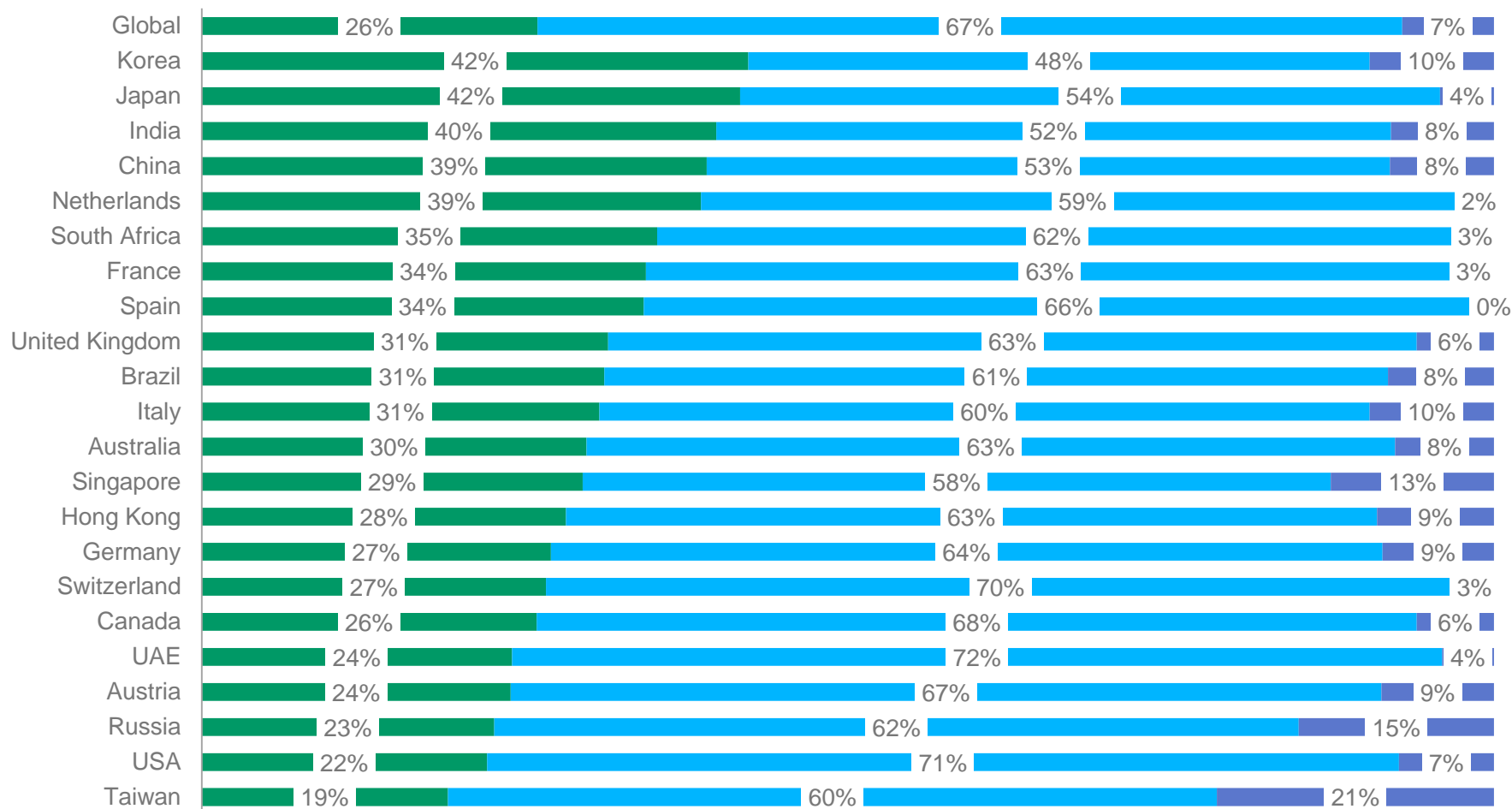
# DO YOU THINK THE INTEGRITY OF GLOBAL CAPITAL MARKETS IN 2013 WILL BE BETTER OR WORSE THAN IN 2012?

■ Global ■ AMER ■ APAC ■ EMEA ■ Advanced ■ Developing



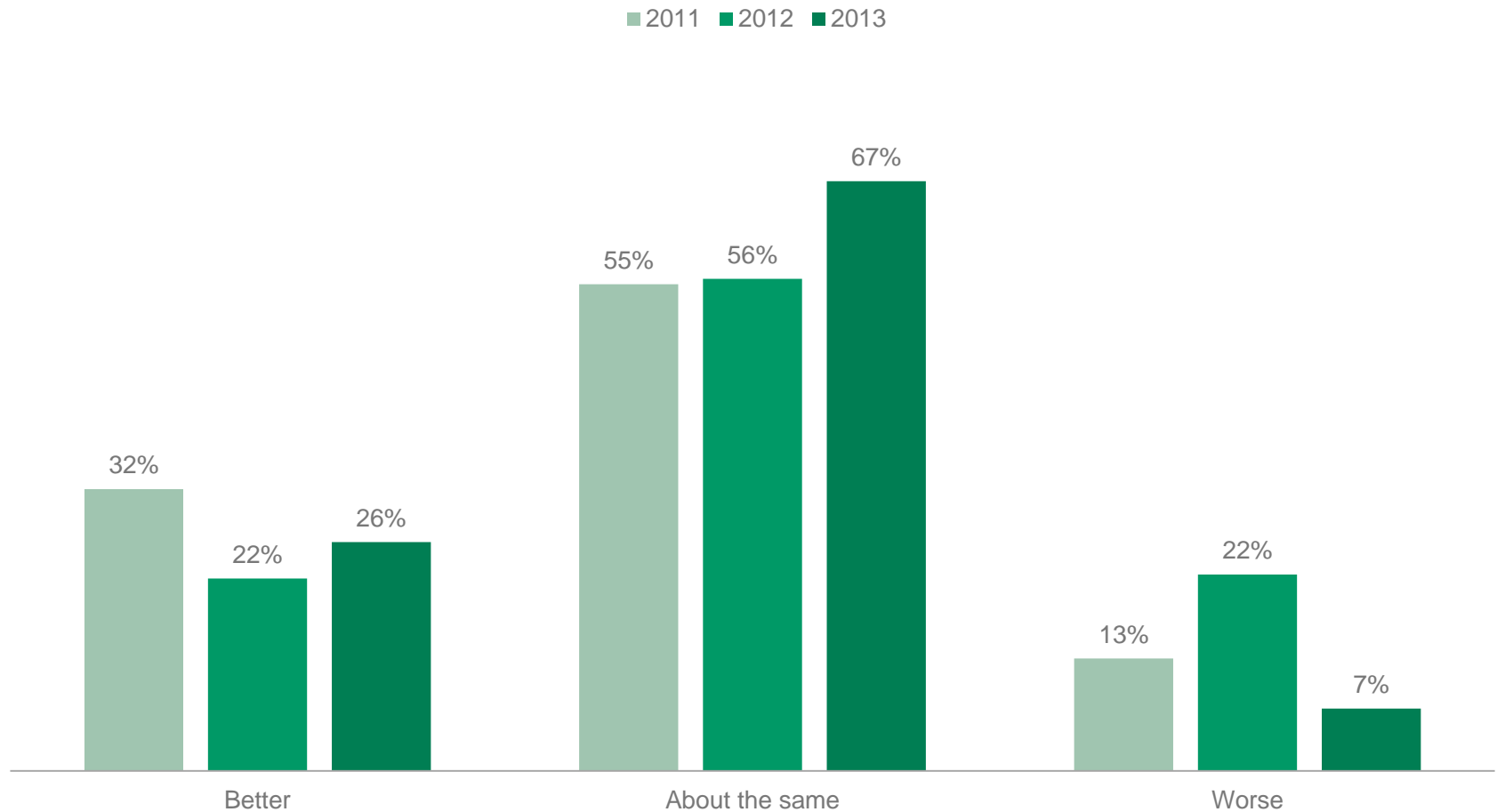
# DO YOU THINK THE INTEGRITY OF GLOBAL CAPITAL MARKETS IN 2013 WILL BE BETTER OR WORSE THAN IN 2012?

■ Better ■ About the same ■ Worse





# DO YOU THINK THE INTEGRITY OF GLOBAL CAPITAL MARKETS IN (UPCOMING YEAR\*) WILL BE BETTER OR WORSE THAN IN (CURRENT YEAR\*\*)?

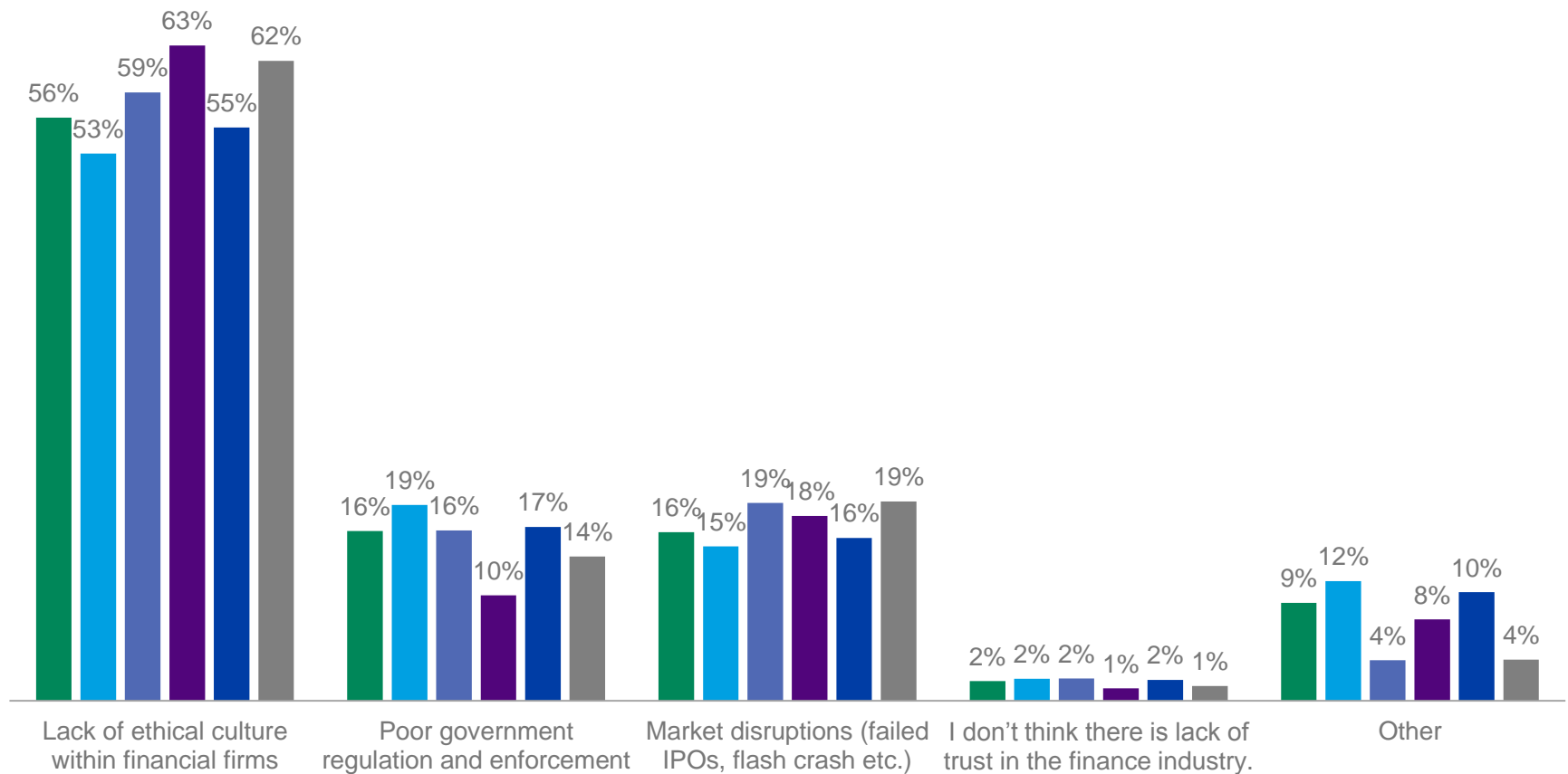


\*Upcoming year displayed the future year (e.g. 2013)

\*\*Current year displayed the present year (e.g. 2012)

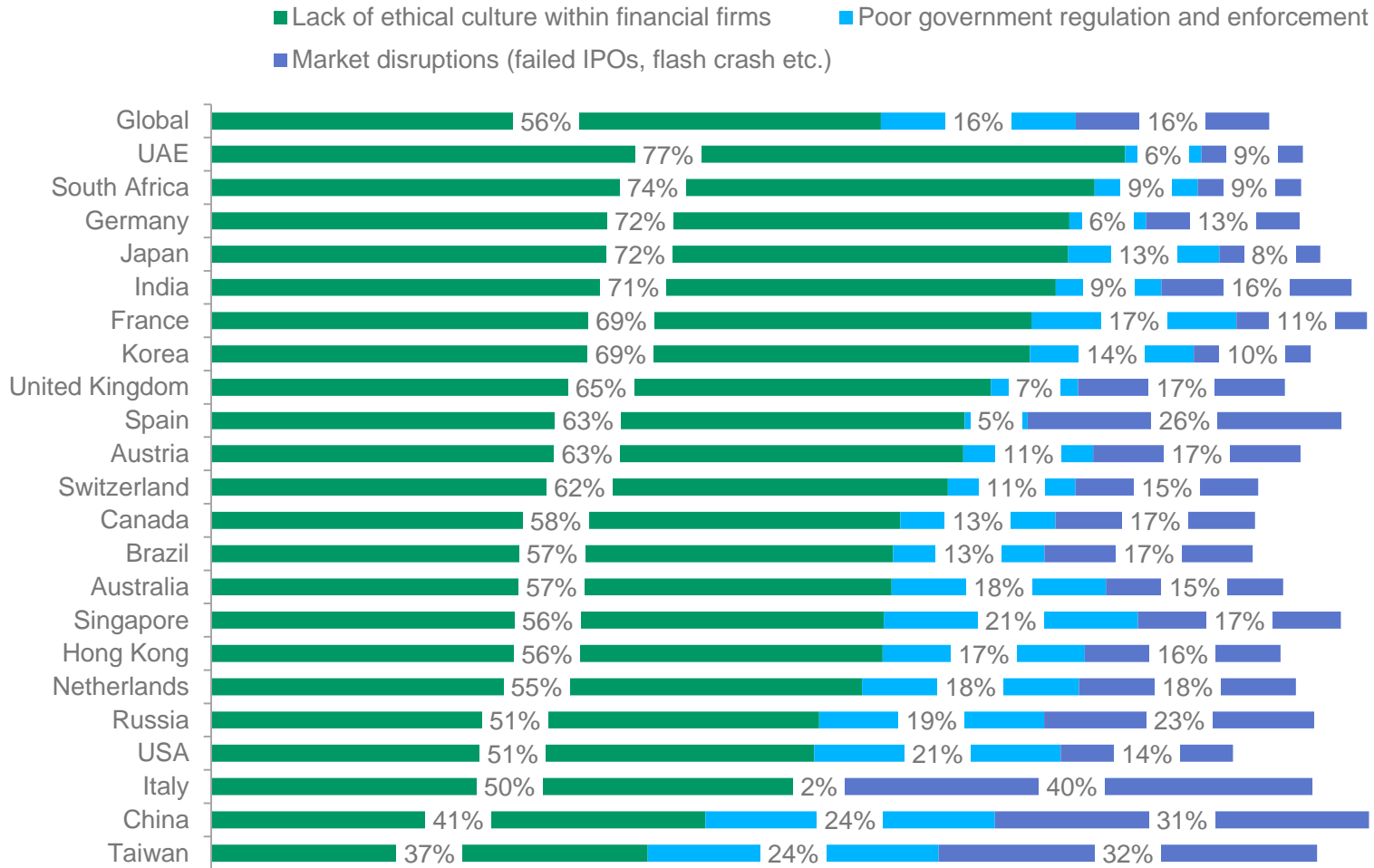
# WHICH FACTOR DO YOU THINK HAS CONTRIBUTED THE MOST TO THE CURRENT LACK OF TRUST IN THE FINANCE INDUSTRY?

■ Global ■ AMER ■ APAC ■ EMEA ■ Advanced ■ Developing



"No opinion" option excluded from results.

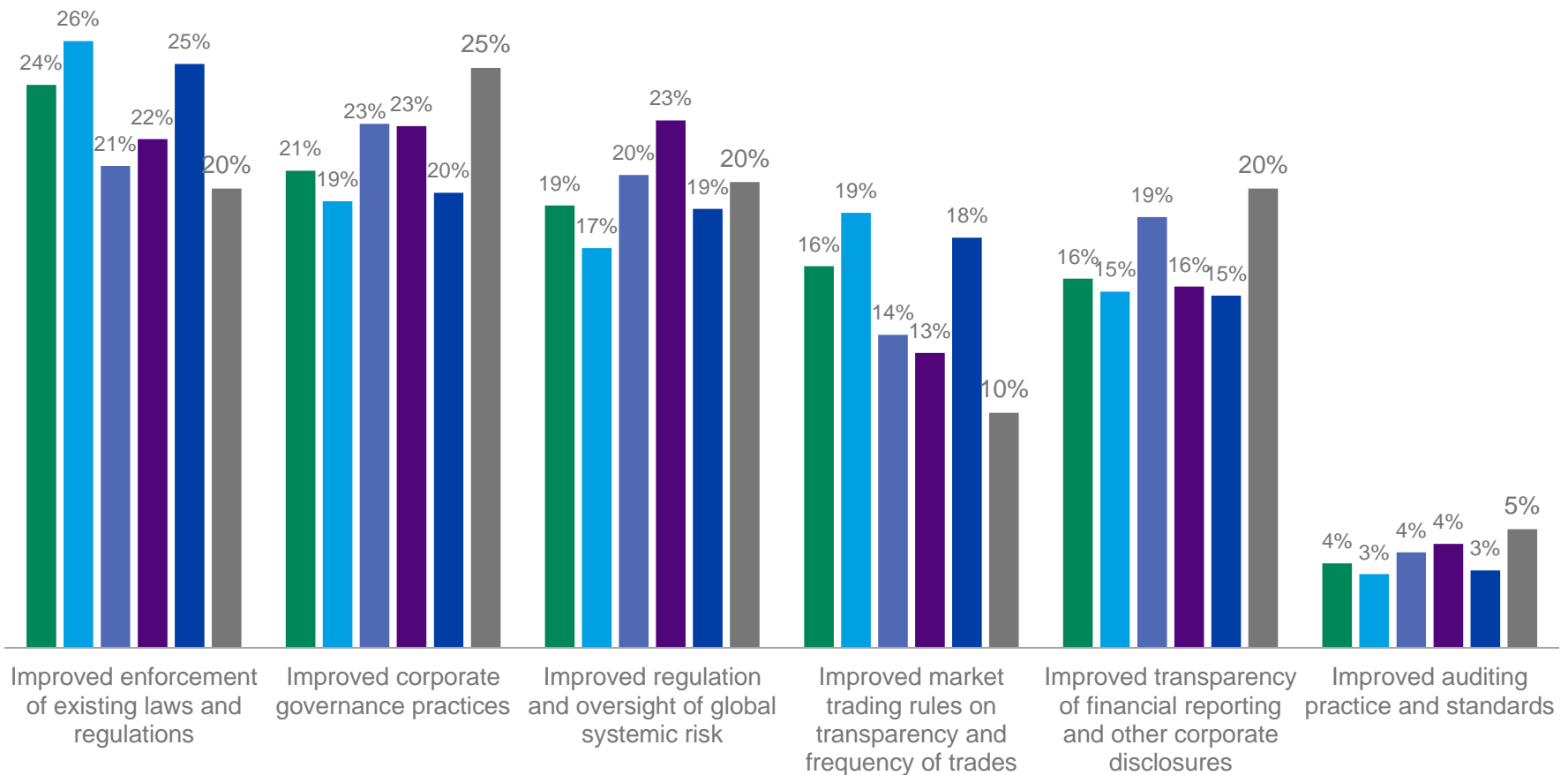
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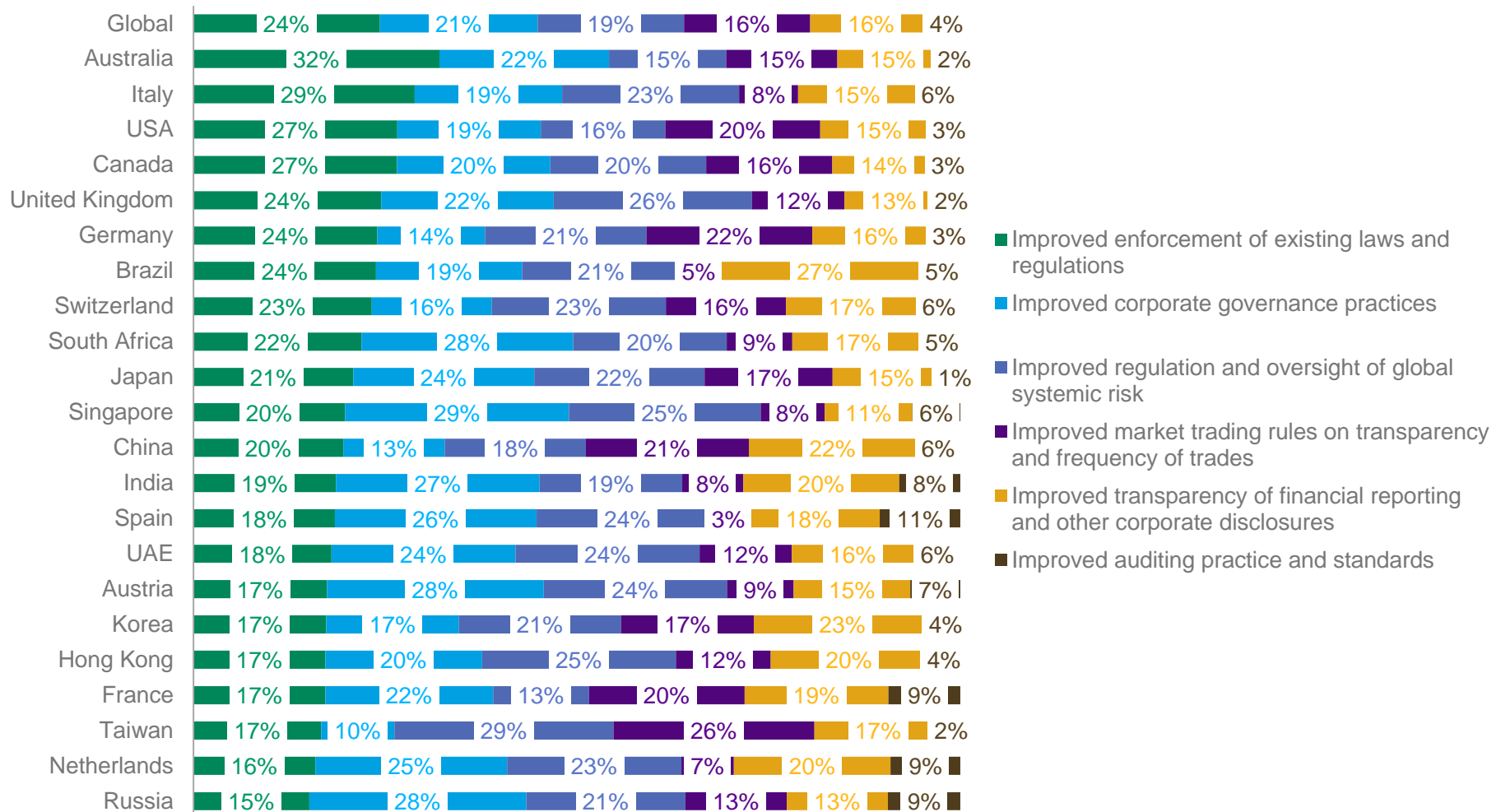
\*Displaying top three factors contributing to the current lack of trust in the finance industry.

# WHICH ONE OF THE FOLLOWING REGULATORY OR INDUSTRY ACTIONS IS MOST NEEDED IN THE COMING YEAR (2013) TO HELP IMPROVE INVESTOR TRUST AND MARKET INTEGRITY?

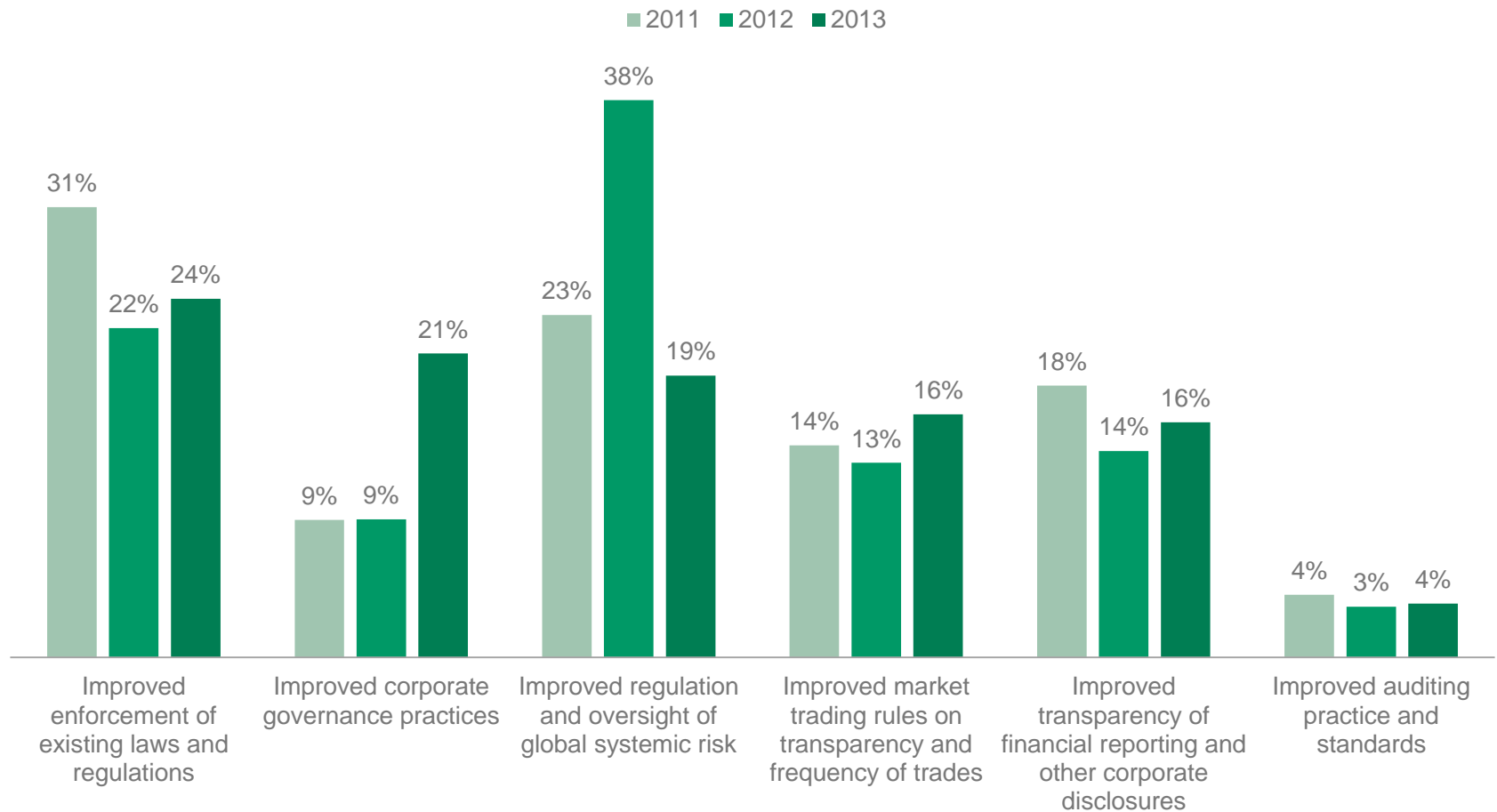
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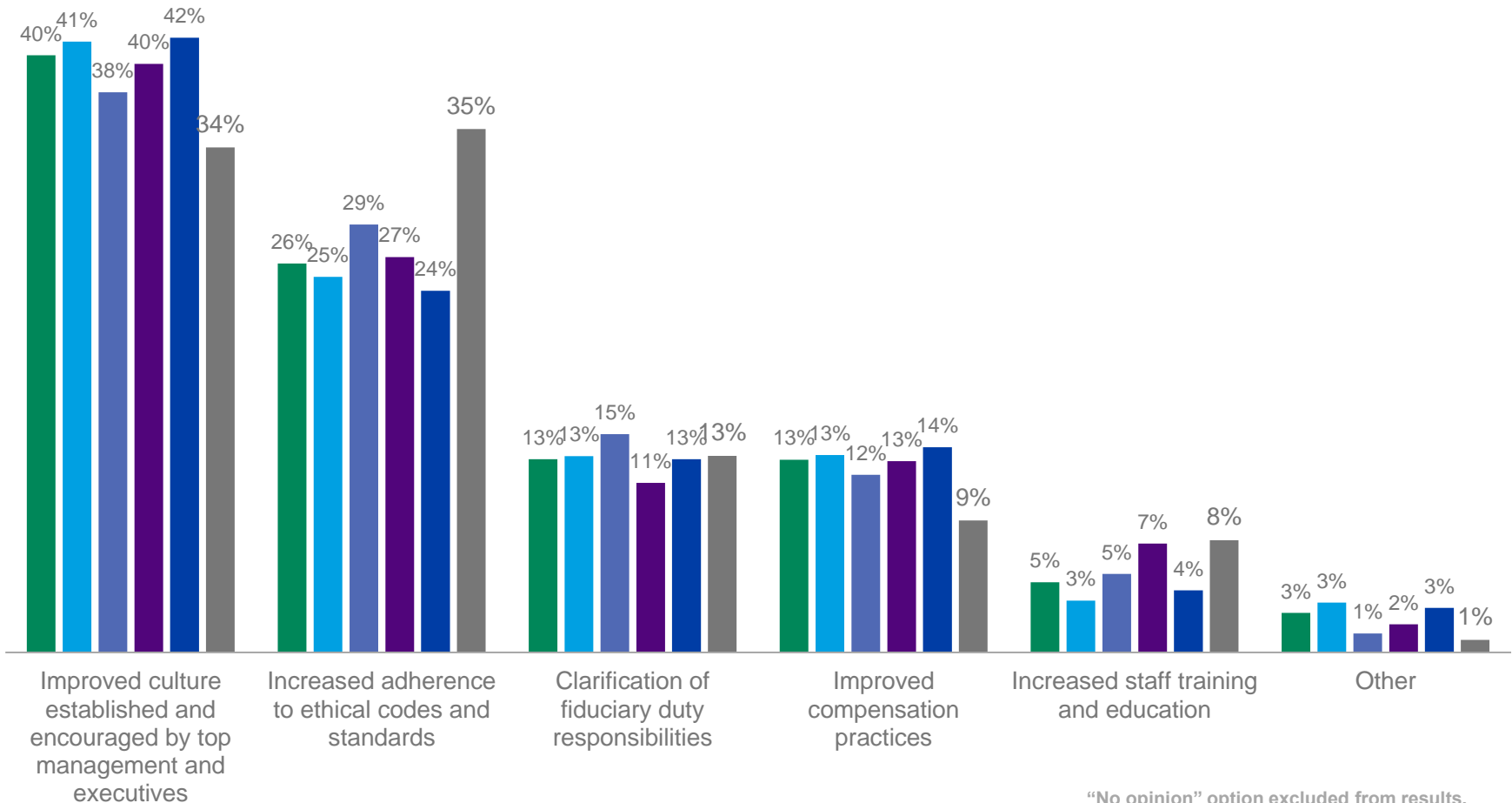


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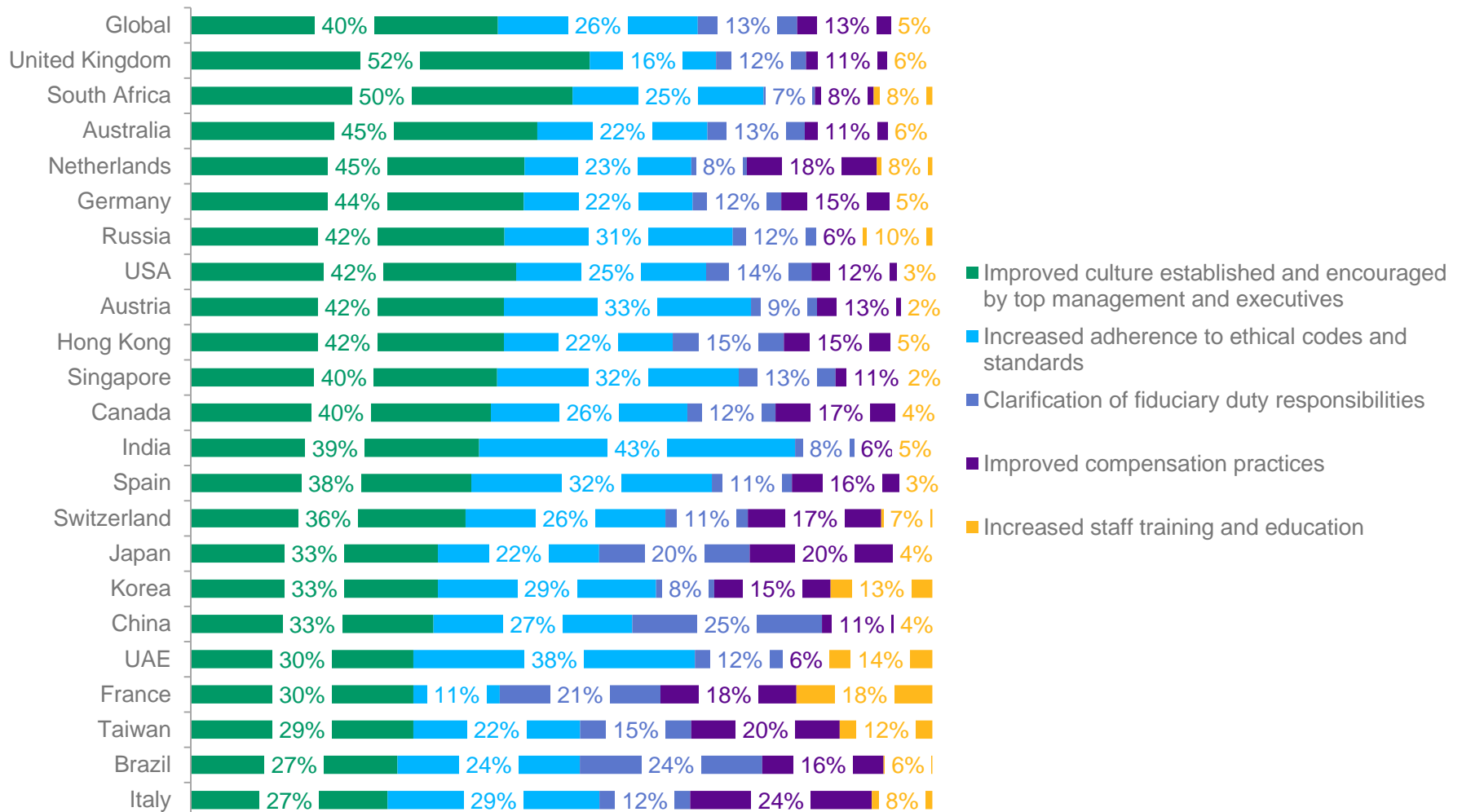
# WHICH ONE OF THE FOLLOWING FIRM LEVEL ACTIONS IS MOST NEEDED IN THE COMING YEAR TO HELP IMPROVE INVESTOR TRUST AND CONFIDENCE?

■ Global ■ AMER ■ APAC ■ EMEA ■ Advanced ■ Developing



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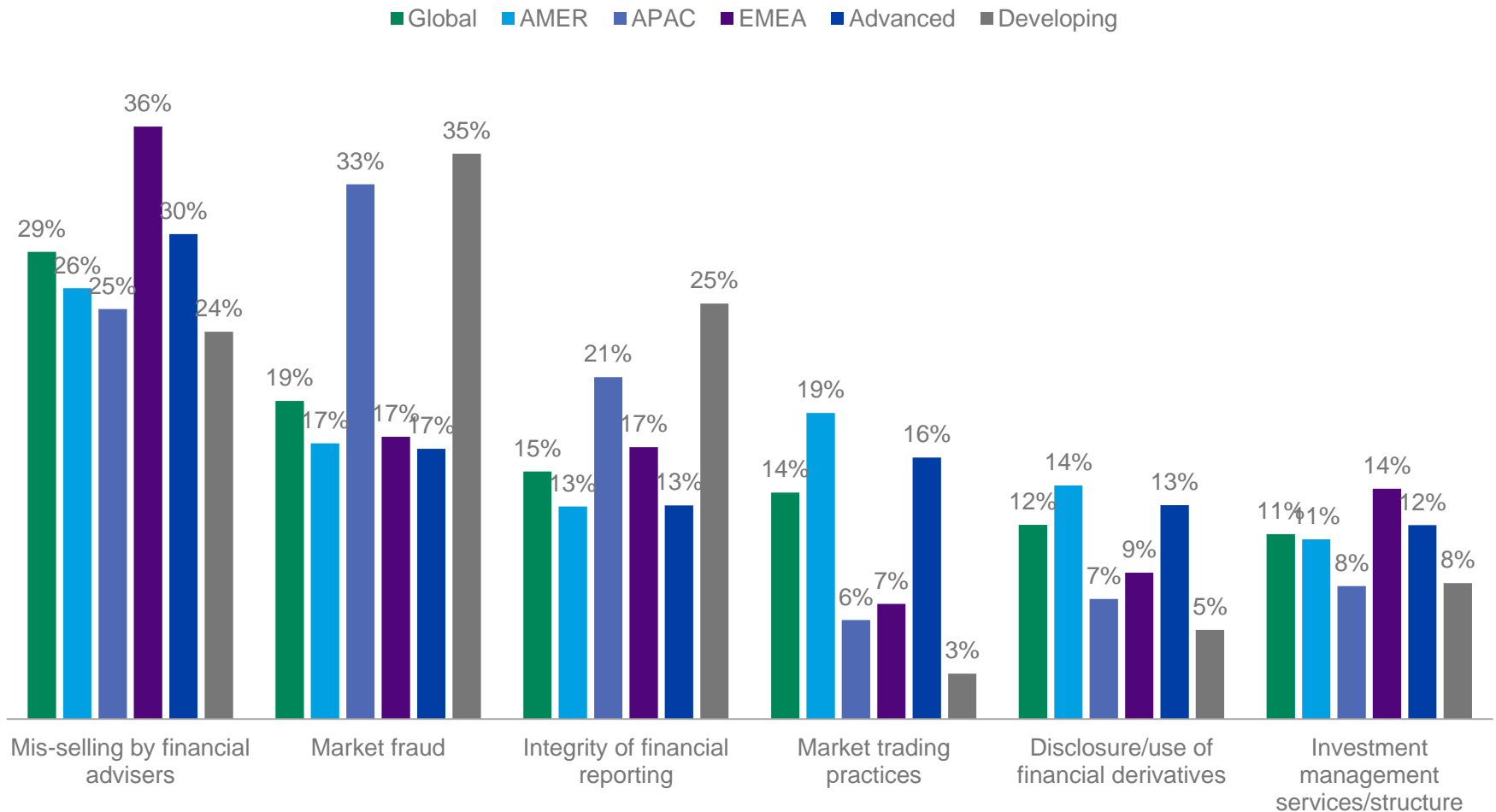
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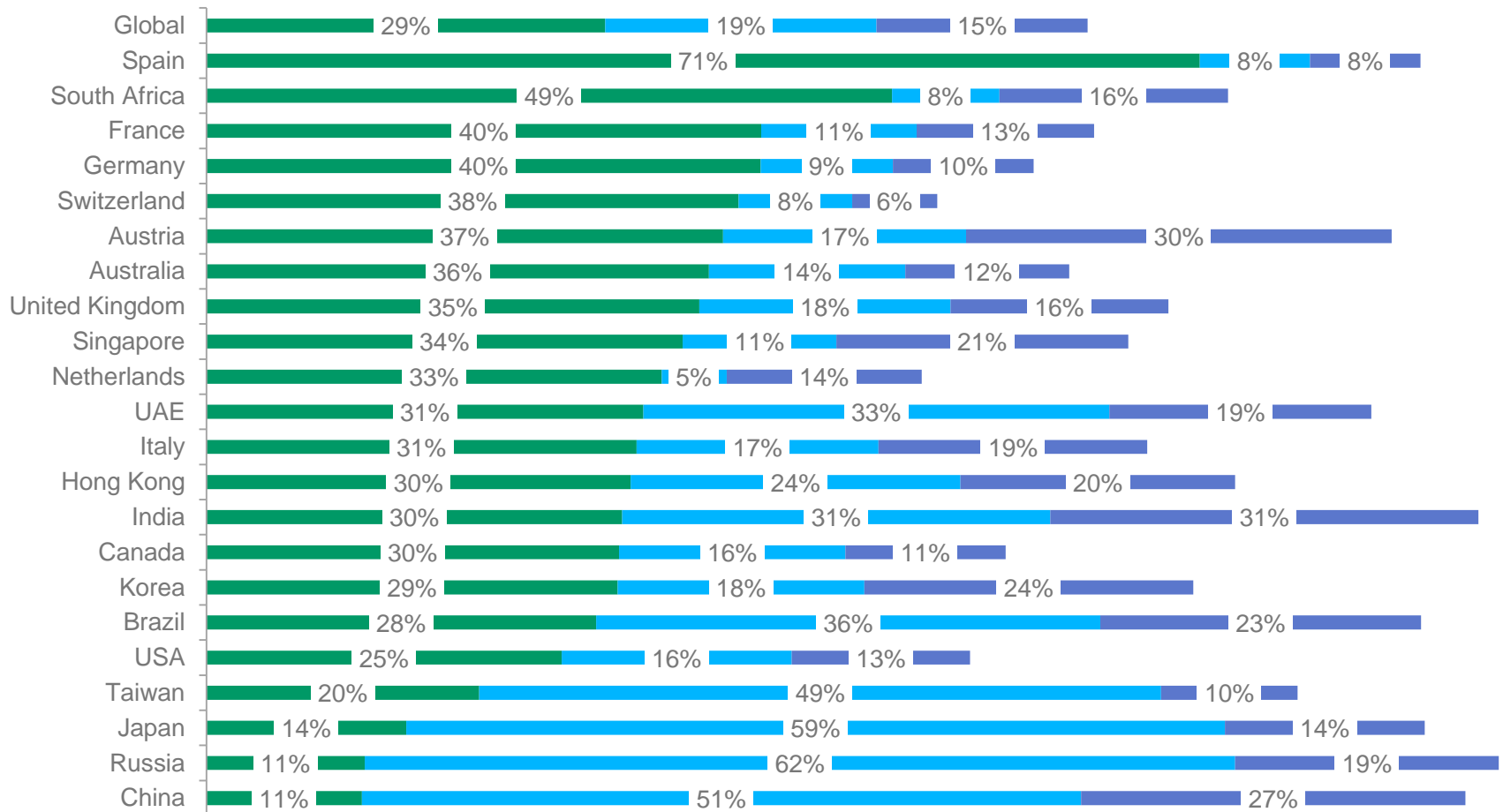
# PLEASE RANK THE FOLLOWING ETHICAL ISSUES FACING YOUR LOCAL MARKET IN THE COMING YEAR (2013) IN ORDER OF THE MOST SERIOUS TO THE LEAST SERIOUS\*



\*Chart displaying proportion of members ranking the ethical issue as the most serious facing their local market.

# PLEASE RANK THE FOLLOWING ETHICAL ISSUES FACING YOUR LOCAL MARKET IN THE COMING YEAR (2013) IN ORDER OF THE MOST SERIOUS TO THE LEAST SERIOUS\*

■ Mis-selling by financial advisers ■ Market fraud ■ Integrity of financial reporting



\*Chart displaying the top three ethical issues facing local market (based on global rankings)

# PLEASE RANK THE FOLLOWING ETHICAL ISSUES FACING YOUR LOCAL MARKET IN THE COMING YEAR IN ORDER OF THE MOST SERIOUS TO THE LEAST SERIOUS\*

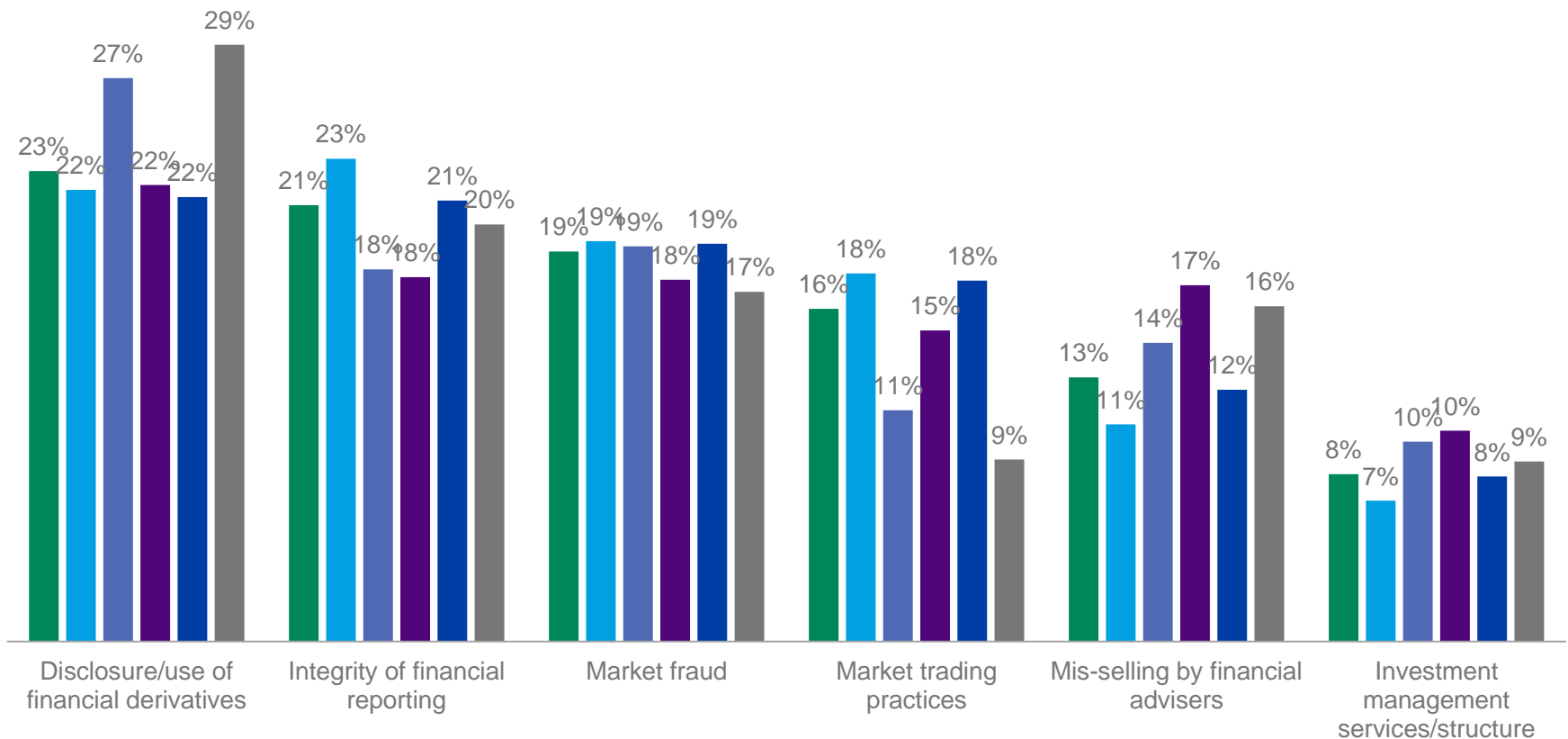
■ 2011 ■ 2012 ■ 2013



\*Chart displaying proportion of members ranking the ethical issue as the most serious facing their local market.

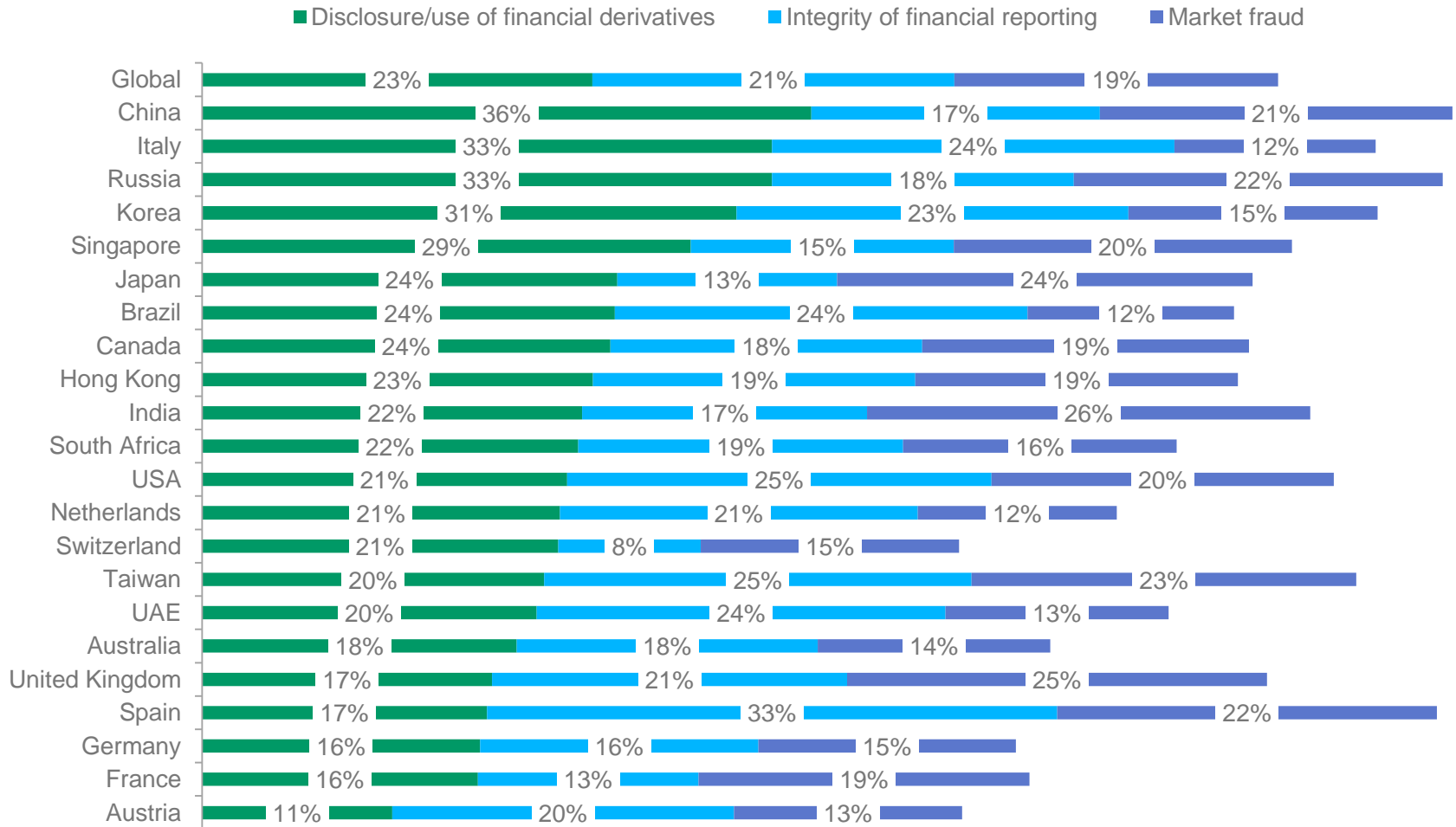
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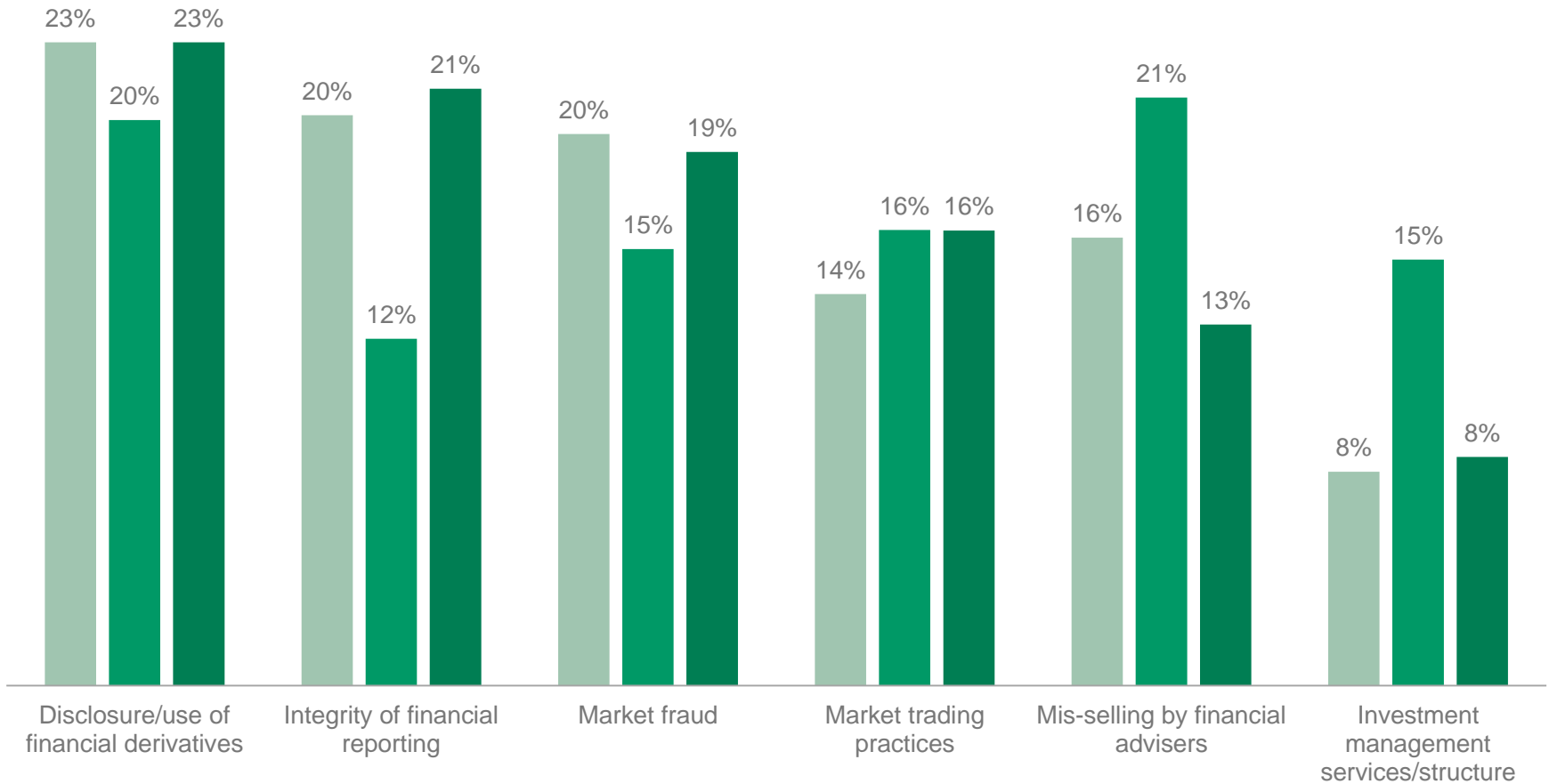
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\*Chart displaying the top three ethical issues facing global markets (based on global rankings)

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■ 2011 ■ 2012 ■ 2013



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# ABOUT THE STUDY

## ABOUT THIS SURVEY

The CFA Institute Global Market Sentiment Survey was created to seek input from CFA Institute members and gather feedback on market sentiment, performance, and market integrity issues in 2013, and to further our mission of promoting ethical and trustworthy investment markets.

## METHODOLOGY

An online survey was conducted from 30 October to 13 November 2012. All CFA Institute members globally (over 115,000) were invited to participate in the survey; 6,783 responded, for an overall response rate of 6% and a margin of error of  $\pm 1.2\%$ . In addition to analysis and reporting at the global, regional, and advanced vs. developing economies level, 22 countries are also included in this report.



## DEFINITIONS

### ADVANCED ECONOMIES:

Countries classified as “advanced” in this report are based on the Human Development Index (HDI), a tool developed by the United Nations to measure and rank countries’ levels of social and economic development.

### DEVELOPING ECONOMIES:

Countries classified as “developing” in this report are based on a classification system that considers per capita income level, export diversification and degree of integration into the global financial system.

# RESPONDENT PROFILE



60%  
AMER

24%  
EMEA

16%  
APAC

83% ADVANCED ECONOMIES

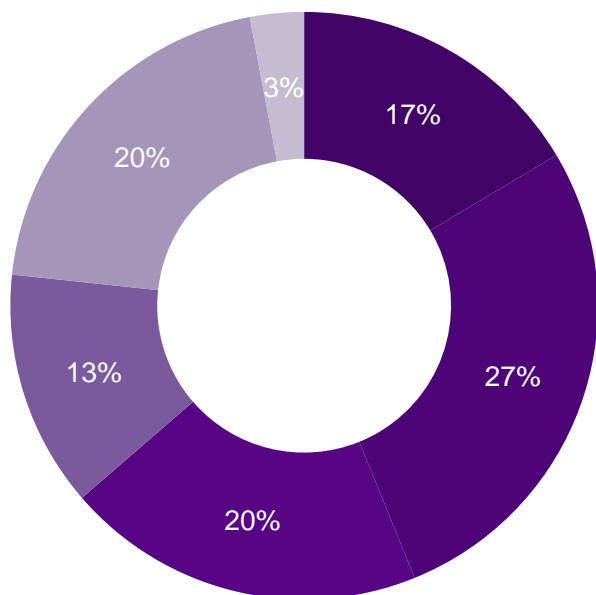
16% DEVELOPING ECONOMIES

TOP COUNTRIES	# OF RESPONDENTS
USA	3042
CANADA	839
UK	309
SWITZERLAND	205
HONG KONG	192
CHINA	175
GERMANY	174
AUSTRALIA	135
INDIA	115
SOUTH AFRICA	107
SINGAPORE	98
JAPAN	72
BRAZIL	64
FRANCE	64
KOREA	55
ITALY	53
RUSSIA	53
UAE	50
AUSTRIA	46
NETHERLANDS	45
TAIWAN	42
SPAIN	38

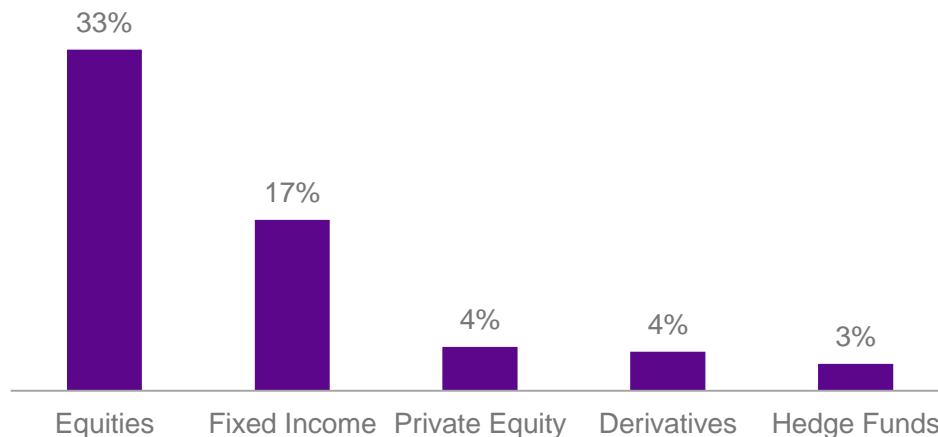
# RESPONDENT PROFILE

## Years In Industry

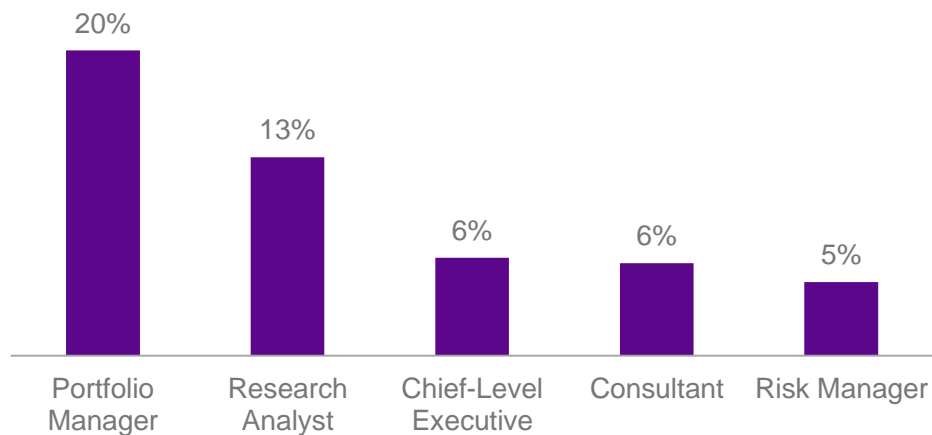
■ 5 years or less 
 ■ 6 to 10 years 
 ■ 11 to 15 years  
■ 16 to 20 years 
 ■ Over 20 years 
 ■ Not Applicable



## Primary Investment Practice



## Job Function



## ABOUT CFA INSTITUTE

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has more than 110,000 members in 138 countries and territories, including over 103,000 CFA charterholders, and 138 member societies. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org).

### QUESTIONS?

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Director, Market Intelligence

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### LEARN MORE ABOUT THIS STUDY

#### ON OUR WEBSITE AT:

[http://www.cfainstitute.org/about/research/surveys/Pages/global\\_market\\_sentiment\\_survey\\_2013.aspx](http://www.cfainstitute.org/about/research/surveys/Pages/global_market_sentiment_survey_2013.aspx)

# **SURVEY QUESTIONNAIRE**



## Global Market Sentiment Survey 2013

### Global & Local Economy and Capital Markets

**In 2013, do you expect your local economy to:**

- Expand
- Contract
- Stay roughly the same
- Not sure

**In 2013, do you expect the global economy to:**

- Expand
- Contract
- Stay roughly the same
- Not sure

**Rank the following asset classes in order of expected total return in the global markets in 2013, where 1 indicates the highest expected return and 5 indicates the lowest expected return, by clicking and dragging the asset class to your preferred rank.**

- \_\_\_\_\_ Cash
- \_\_\_\_\_ Equities
- \_\_\_\_\_ Bonds
- \_\_\_\_\_ Commodities
- \_\_\_\_\_ Precious metals

**Which of the following investment vehicles do you think you will use the most in 2013?**

- ETFs
- Index funds
- Structured products
- Hedge funds
- Private equity funds
- Individual stocks and bonds
- Mutual funds
- Other (please specify): \_\_\_\_\_
- None/not applicable

**Which three equity markets do you think will provide the best investment opportunity in 2013? Please rank your top three choices, from the best opportunity (1) to the third best opportunity (3). Note: The drop-down list displays the 30 countries in terms of global stock market capitalization. If you think a country not listed provides a better investment opportunity in the coming year, please choose 'other'.**

1 (Best opportunity)

2

3 (Third best opportunity)

Argentina  
Australia  
Brazil  
Canada  
Chile  
China  
Egypt  
France  
Germany  
Hong Kong  
India  
Israel  
Italy  
Japan  
Kuwait  
Mexico  
Netherlands  
Qatar  
Russia  
Saudi Arabia  
Singapore  
South Africa  
South Korea  
Spain

Sweden  
Switzerland  
Taiwan  
United Arab Emirates  
United States  
United Kingdom  
Other  
Don't know

**In 2013, do you think the European sovereign debt crisis will ease, worsen, or stay about the same?**

- Ease
- Stay about the same
- Worsen
- No opinion

**What do you see as the biggest risk to your local market in 2013?**

- Political instability
- Excess regulation
- Weak regulation
- Weak economic conditions
- Systemic disruptions
- European sovereign debt crisis
- Other (please specify): \_\_\_\_\_
- No opinion

**What do you see as the biggest risk to global capital markets in 2013?**

- Political instability
- Excess regulation
- Weak regulation
- Weak economic conditions
- Systemic disruptions
- European sovereign debt crisis
- Other (please specify): \_\_\_\_\_
- No opinion



**What do you see as having the biggest positive impact on global capital markets in 2013?**

- Increased focus on resolving/easing the European sovereign debt crisis
- Increased growth rates among emerging economies
- Increased market transparency
- Increased focus on solutions to create more jobs
- Decreased tax rates on income and capital gain
- Improved regulation and enforcement
- Other (please specify): \_\_\_\_\_
- No opinion

**In 2013, do you expect employment opportunities for investment professionals in your local market to increase, decrease, or stay about the same?**

- Increase
- Decrease
- Stay about the same
- Not sure

**If you have any additional comments about the economy or capital markets, either locally or globally, please share them with us below:**

Locally:

Globally:

**Financial Market Integrity and Restoring Trust**

**How would you rate the level of integrity of global capital markets in 2012?**

- Poor 1
- 2
- 3
- 4
- Excellent 5

**Do you think the integrity of global capital markets in 2013 will be better or worse than in 2012?**

- Better
- About the same
- Worse

**Which factor do you think has contributed the most to the current lack of trust in the finance industry?**

- Poor government regulation and enforcement
- Lack of ethical culture within financial firms
- Market disruptions (failed IPOs, flash crash etc.)
- Other (please specify): \_\_\_\_\_
- I don't think there is lack of trust in the finance industry.
- No opinion

**Which one of the following regulatory or industry actions is most needed in the coming year to help improve investor trust and market integrity?**

- Improved enforcement of existing laws and regulations
- Improved regulation and oversight of global systemic risk
- Improved transparency of financial reporting and other corporate disclosures
- Improved market trading rules on transparency and frequency of trades
- Improved corporate governance practices
- Improved auditing practice and standards

**Which one of the following firm-level actions is most needed in the coming year to help improve investor trust and confidence?**

- Improved compensation practices
- Increased adherence to ethical codes and standards
- Clarification of fiduciary duty responsibilities
- Increased staff training and education
- Improved culture established and encouraged by top management and executives
- Other (please specify): \_\_\_\_\_
- No opinion

**Please rank the following ethical issues facing your local market in the coming year in order of the most serious (1) to the least serious (6), by clicking and dragging the issue to your preferred rank.**

- \_\_\_\_\_ Derivatives: disclosure and use of financial derivatives by financial firms
- \_\_\_\_\_ Financial advisers: mis-selling of products
- \_\_\_\_\_ Financial reporting: honesty and integrity of financial reporting generally
- \_\_\_\_\_ Investment management: the quality of services and cost/compensation structure
- \_\_\_\_\_ Market fraud, such as insider trading
- \_\_\_\_\_ Market trading practices, such as dark pools and high-frequency trading

**Please rank the following ethical issues facing global markets in the coming year in order of the most serious (1) to the least serious (6), by clicking and dragging the issue to your preferred rank.**

- \_\_\_\_\_ Derivatives: disclosure and use of financial derivatives by financial firms
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- \_\_\_\_\_ Market fraud, such as insider trading
- \_\_\_\_\_ Market trading practices, such as dark pools and high-frequency trading

**If you have any additional comments about financial market integrity and restoring trust in the industry, please share them with us below:**