



# GLOBAL MARKET SENTIMENT SURVEY 2012

MARKET INTELLIGENCE

**CFA**  
INSTITUTE

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# ABOUT THE SURVEY

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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 2012. The results will be used to offer regulators and the financial media commentary on how our members view the prospects for ethical practice and markets in 2012. The Global Market Sentiment Survey 2012 is an extension of the CFA Institute Financial Market Integrity Outlook Survey which has been conducted since 2007.

## METHODOLOGY

An online survey was conducted from 2-11 November 2011. 58,385 members globally were invited to participate in the survey; 2,726 responded, for an overall response rate of 4.67% and a margin of error of  $\pm 1.85\%$ . Aggregate results were re-weighted to reflect the actual geographic distribution of CFA Institute members.

*Note: Graphs and charts may not add to 100% due to rounding.*

# Executive Summary

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## **Pessimism mounts over the prospects for improved integrity of capital markets.**

Over three-quarters of survey respondents see no prospect of improved integrity in the markets in 2012, despite significant regulatory reform efforts globally. It is difficult to imagine strong market performance unless faith can be restored in the fairness of markets for all participants. 22% of those surveyed think the integrity of global capital markets will be worse in the coming year (13% felt this way the previous year), while 22% feel it will be better (32% felt it would be better in previous survey). *Pg.21*

## **The lack of visible progress in improving global capability to detect and mitigate systemic risks is weighing heavily on members.**

38% of members globally see “improved regulation and oversight of global systemic risk” as being the most needed regulatory/industry action in 2012, as compared to only 23% in 2011. Slow starts at the national policy level and lack of progress in global coordination of systemic risk oversight are being outpaced by investor concerns about the potential for future systemic disruption. *Pg.28*

## **Equities are expected to underperform other asset classes.**

59% of respondents globally predict that asset classes other than equities will be top performers in 2012. U.S. respondents are outliers, with a majority predicting global equity markets to be top performers. Weak economic conditions and the overhang of perceived systemic risks may contribute to poor expected returns for risk assets like equities. *Pg.11*

# Executive Summary

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## **A Glimmer? - There are hints of improved market confidence and trust.**

Most respondents feel that the impact of the global financial crisis on market trust and confidence will persist for another 3-5 years, similar to the sentiment expressed last year. But only 25% predict continued fallout beyond 5 years, down modestly from 32% who expressed that view last year. *Pg.18*

## **The BRICs are an island of optimism over local economic prospects, while Europe is largely negative on economic prospects in 2012.**

Local respondents in BRIC countries (especially in Brazil, India, and also in Australia – whose economy is largely tied to the BRICs through commodities) overwhelmingly predict economic expansion in their home markets in 2012. The outlook is much different in Europe, where 85% or more of local respondents in key countries (France, UK, Switzerland) see no prospect of economic growth in the coming year. *Pg.9*

## **The Sovereign Debt Crisis is likely to continue.**

Three-quarters of respondents see no improvement in the current sovereign crisis in 2012. Sentiment is fairly uniform across the globe in this respect. *Pg.16*

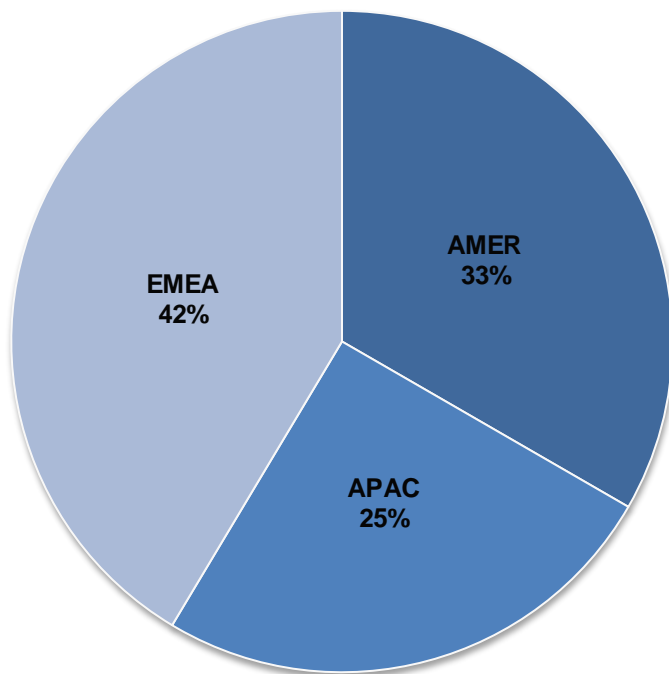
# RESPONDENT PROFILE

EMEA – Europe, Middle-East and Africa

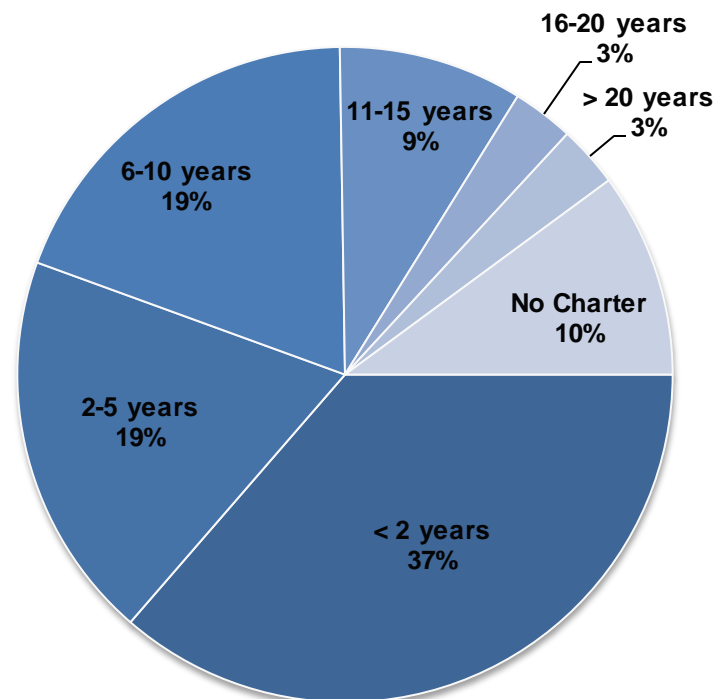
AMER – North and South America

APAC – Asia Pacific

Region\*



Years with CFA charter



\*Distribution of actual respondents. Aggregate results were reweighted to reflect the actual geographic distribution of CFA Institute members.

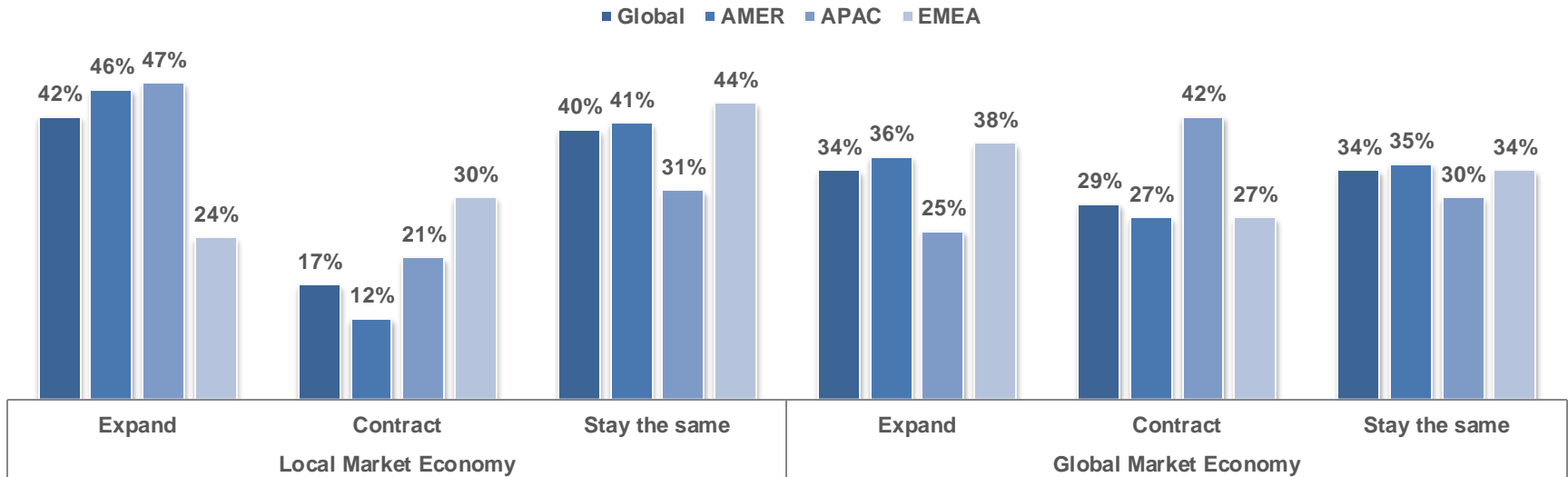
A sunset scene over a city skyline. The sun is low on the horizon, casting a golden glow across the sky and reflecting on the water. The city skyline is silhouetted against the bright sky. The water in the foreground is dark with some rocks visible.

# **ECONOMIC OUTLOOK FOR 2012**

# LOCAL AND GLOBAL MARKET OUTLOOK FOR 2012

Q. In 2012, do you expect your local market's economy/the global market economy to expand, contract, or stay roughly the same?\*

- Members tend to be more optimistic about the health of the local market economy than that of the global market economy.
- A significantly higher proportion of members in APAC than in AMER and EMEA feel the **global** market economy will contract in 2012.
- Members in AMER and APAC are more optimistic than members in EMEA that their **local** market's economy will expand in 2012.

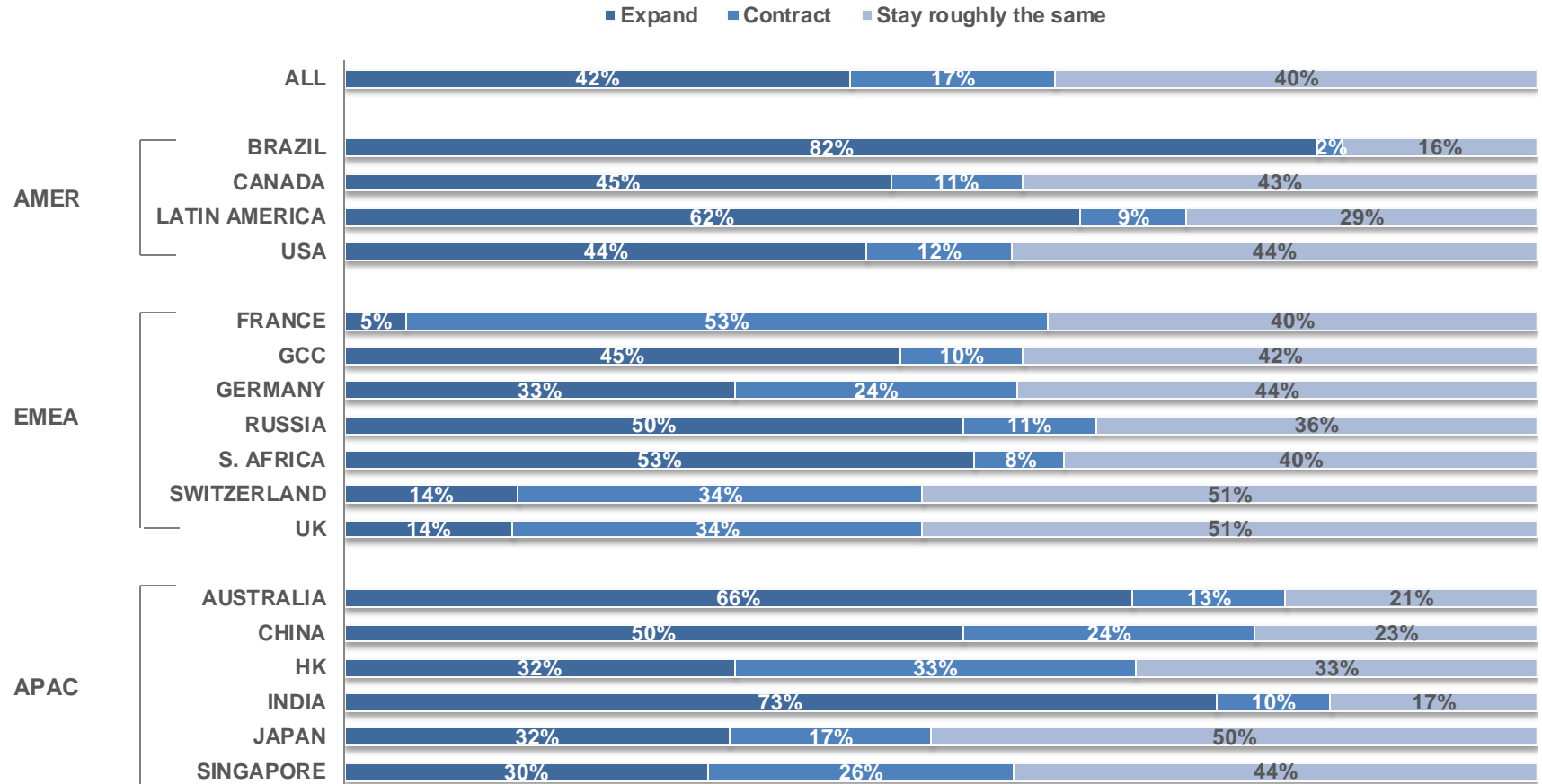


\*"Not Sure" option not displayed



# LOCAL MARKET ECONOMY - By Country

Q. In 2012, do you expect your local market's economy to expand, contract, or stay roughly the same?\*



\*"Not Sure" option not displayed

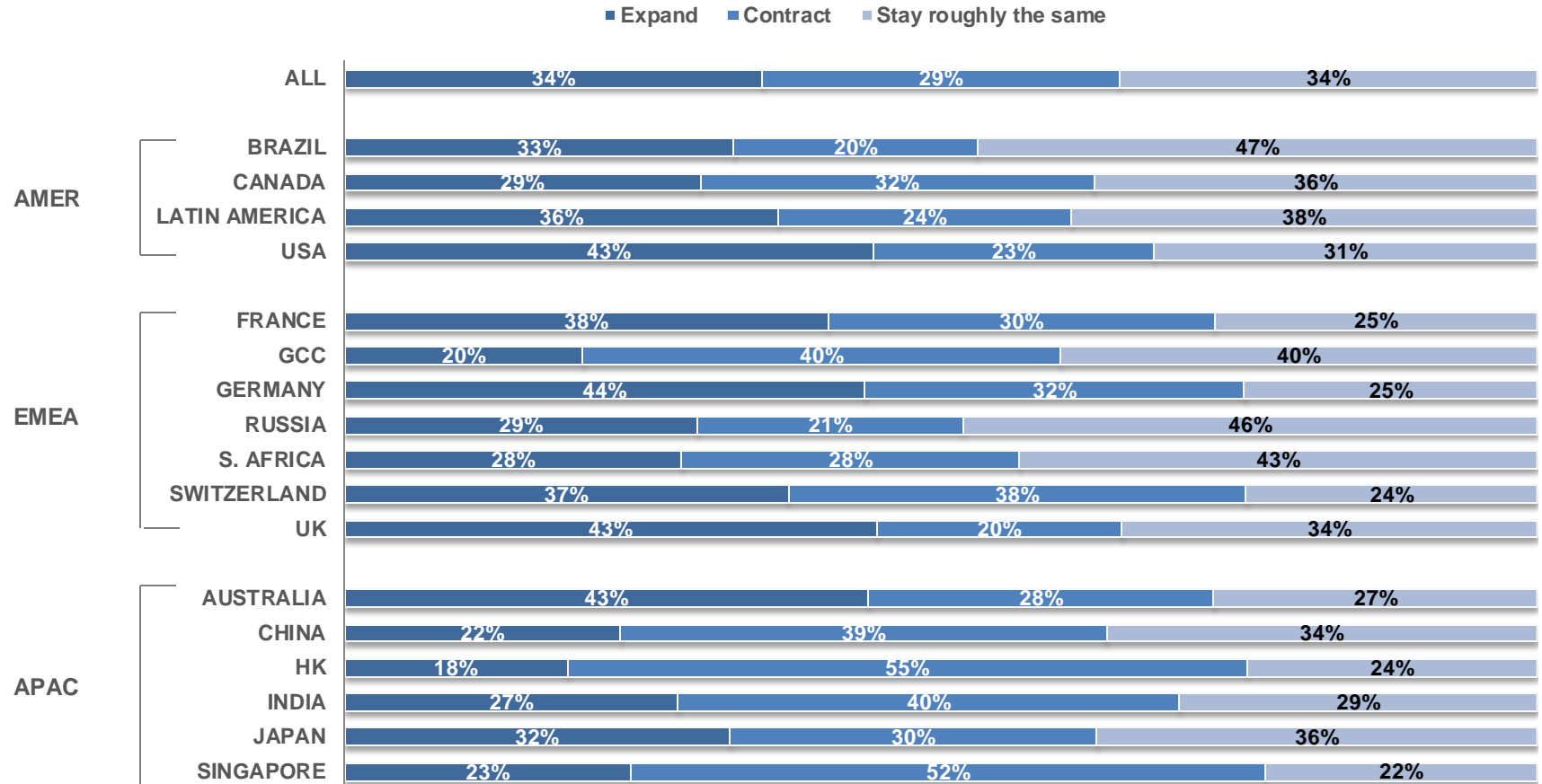


Note: GCC includes aggregate of countries in the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates)

Note: Latin America includes aggregate of countries in Latin America and the Caribbean.

# GLOBAL MARKET ECONOMY - By Country

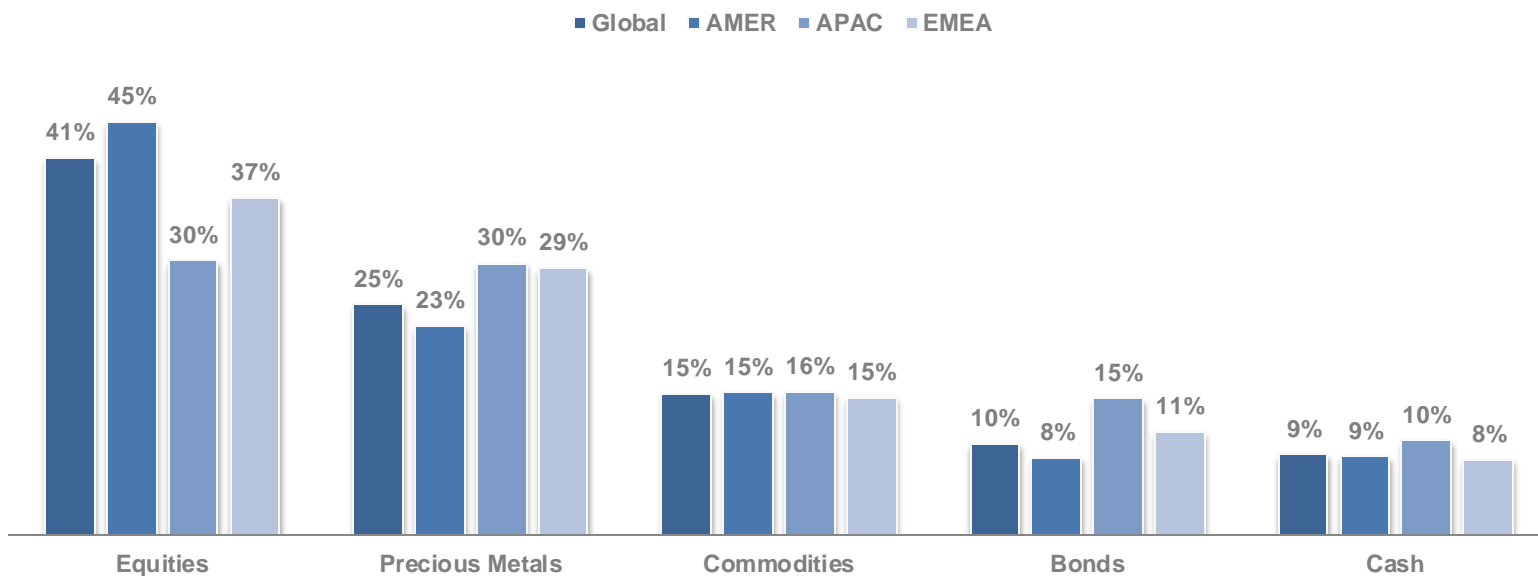
Q. In 2012, do you expect the global market economy to expand, contract, or stay roughly the same?\*



# ASSET CLASS RETURNS IN 2012

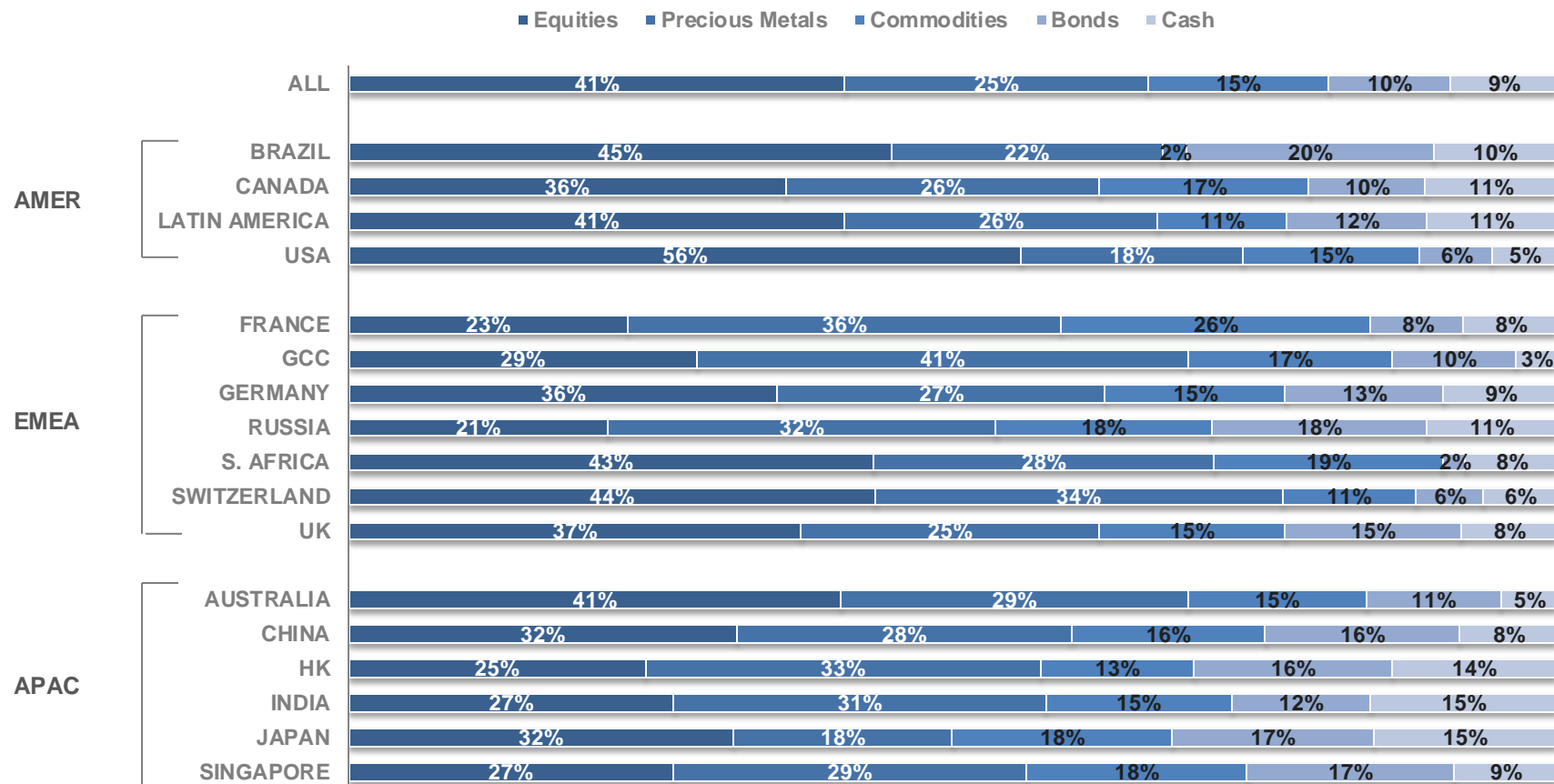
Q. Rank the following asset classes in order of expected total return in the global markets in 2012, where 1 is the highest expected return and 5 is the asset class with the lowest expected return. \*

- Globally, more members feel that equities are likely to have the highest expected return of all asset classes in 2012, but a majority of respondents predict asset classes other than equities will have higher returns
- In APAC, however, an equal proportion of members believe precious metals will have the highest return.



# ASSET CLASS RETURNS IN 2012 – By Country

Q. Rank the following asset classes in order of expected total return in the global markets in 2012, where 1 is the highest expected return and 5 is the asset class with the lowest expected return.

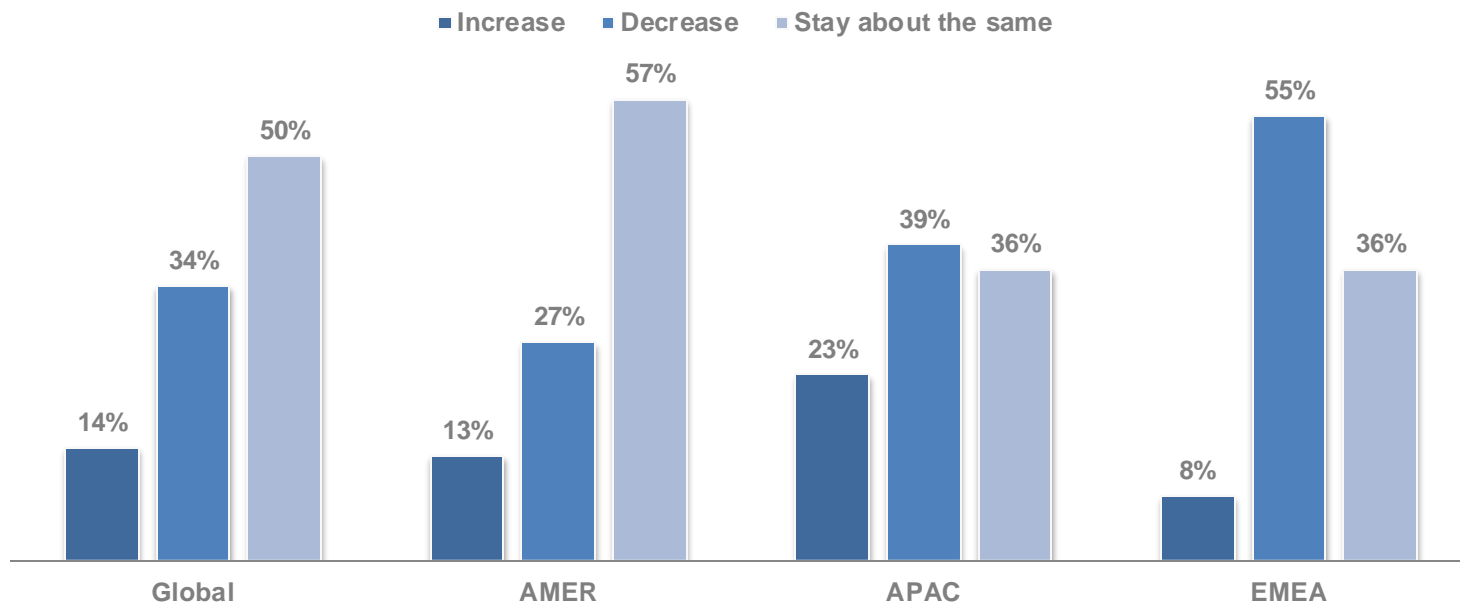


*\*Data represents proportion of members ranking the asset class as likely to have the highest expected return in 2012.*

# LOCAL EMPLOYMENT OPPORTUNITIES FOR INVESTMENT PROFESSIONALS IN 2012

Q. In 2012, do you expect employment opportunities for investment professionals in your local market to increase, decrease, or stay about the same?

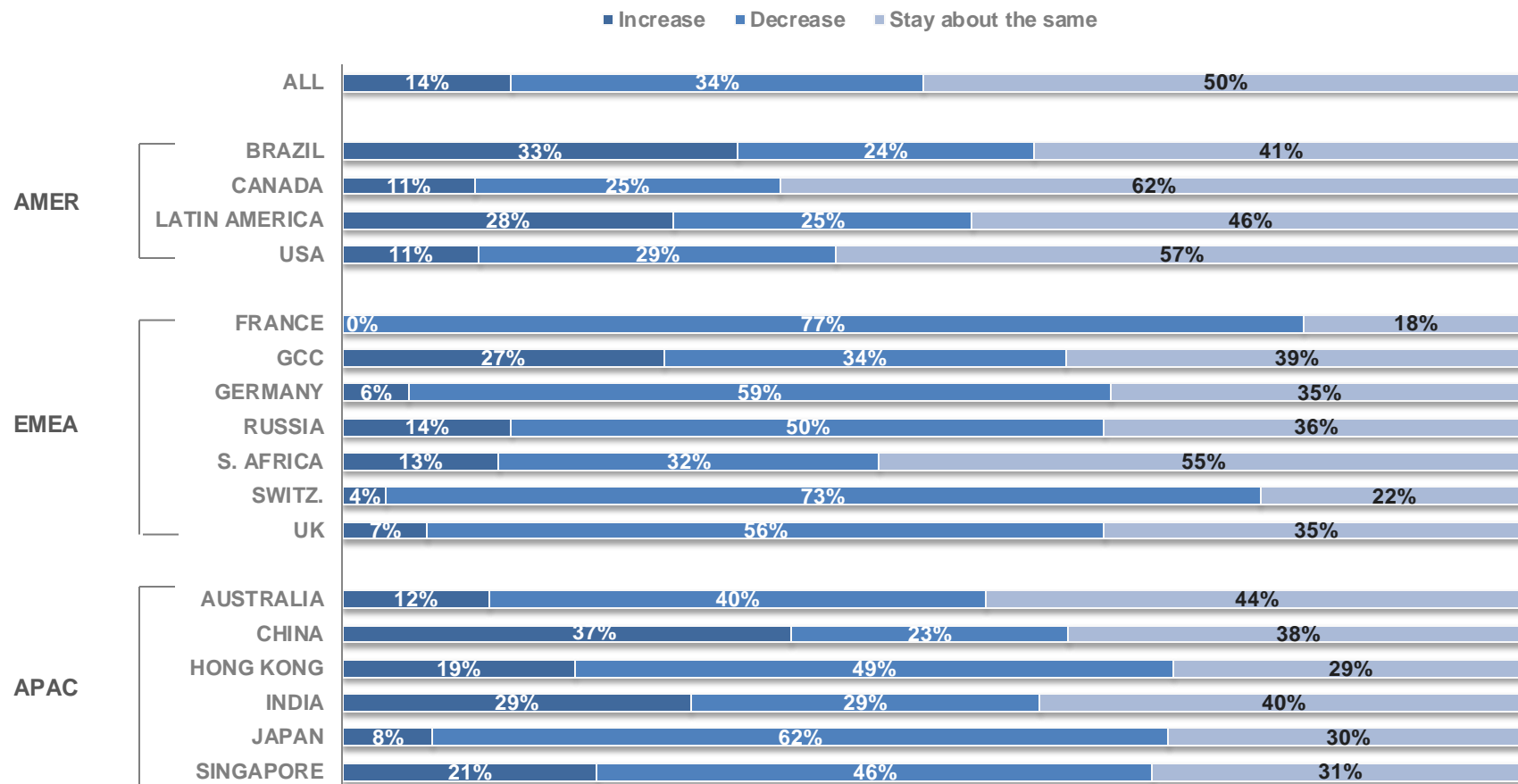
- A larger proportion of members in APAC (23%) expect employment opportunities to increase than those in AMER (13%) and EMEA (8%).
- Majority of members in EMEA (55%) expect employment opportunities to decrease.
- Globally, half of members expect employment opportunities to stay about the same.



*\*\*Not Sure" option not displayed*

# LOCAL EMPLOYMENT OPPORTUNITIES FOR INVESTMENT PROFESSIONALS IN 2012 – By Country

Q. In 2012, do you expect employment opportunities for investment professionals in your local market to increase, decrease, or stay about the same?

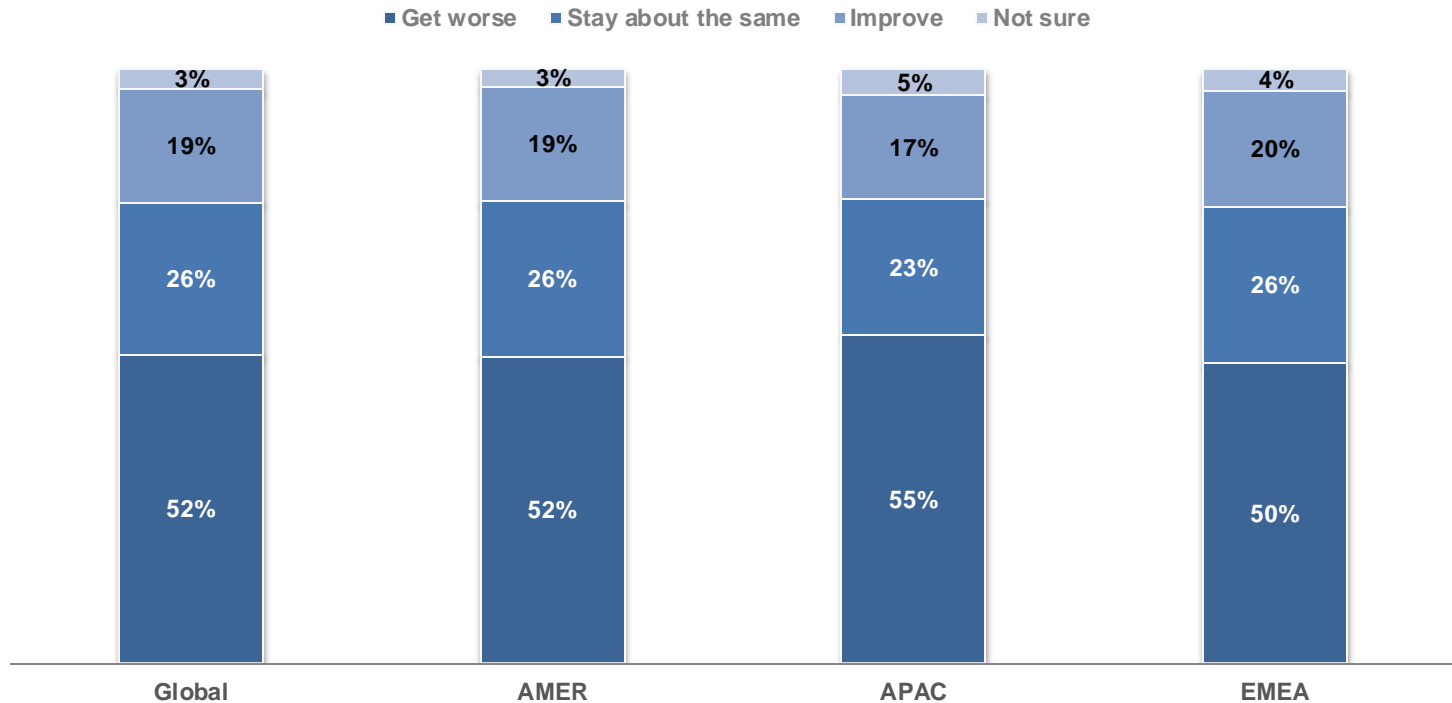


A sunset scene with a city skyline in the background and two people sitting on a ledge in the foreground. The sky is a gradient of orange and yellow, transitioning to a dark blue at the top. The city skyline is silhouetted against the horizon, with some lights visible. The water in the foreground is dark, and the two people are sitting on a concrete ledge, their backs to the camera.

# GLOBAL DEBT AND CREDIT CRISIS OUTLOOK

# SENTIMENTS ON SOVEREIGN DEBT CRISIS

Q. In 2012, do you expect the global sovereign debt crisis to:

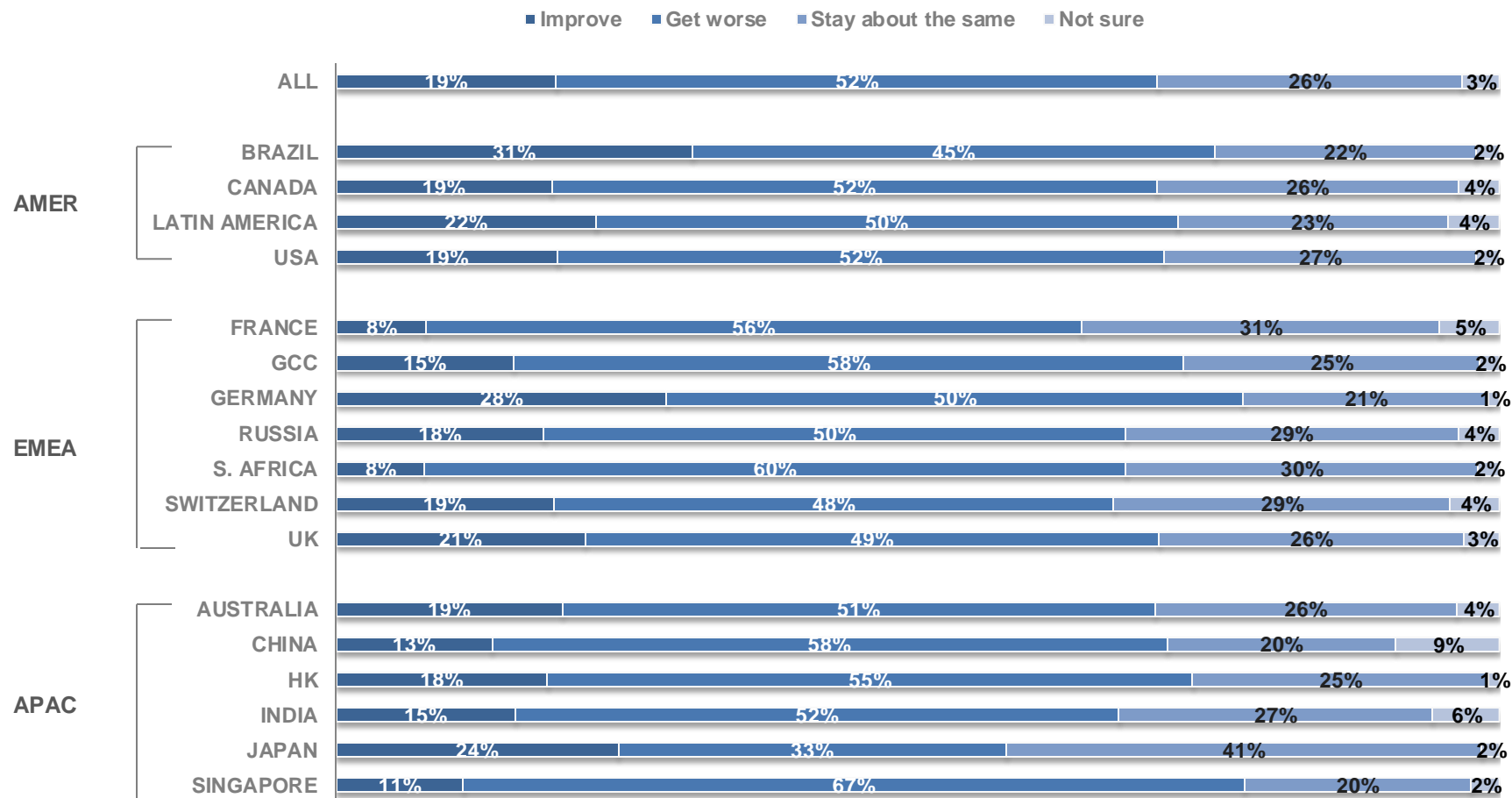


- Member sentiments on the sovereign debt crisis are similar across regions.
- 52% of members expect the global debt crisis to get worse in 2012.



# SENTIMENTS ON SOVEREIGN DEBT CRISIS – By Country

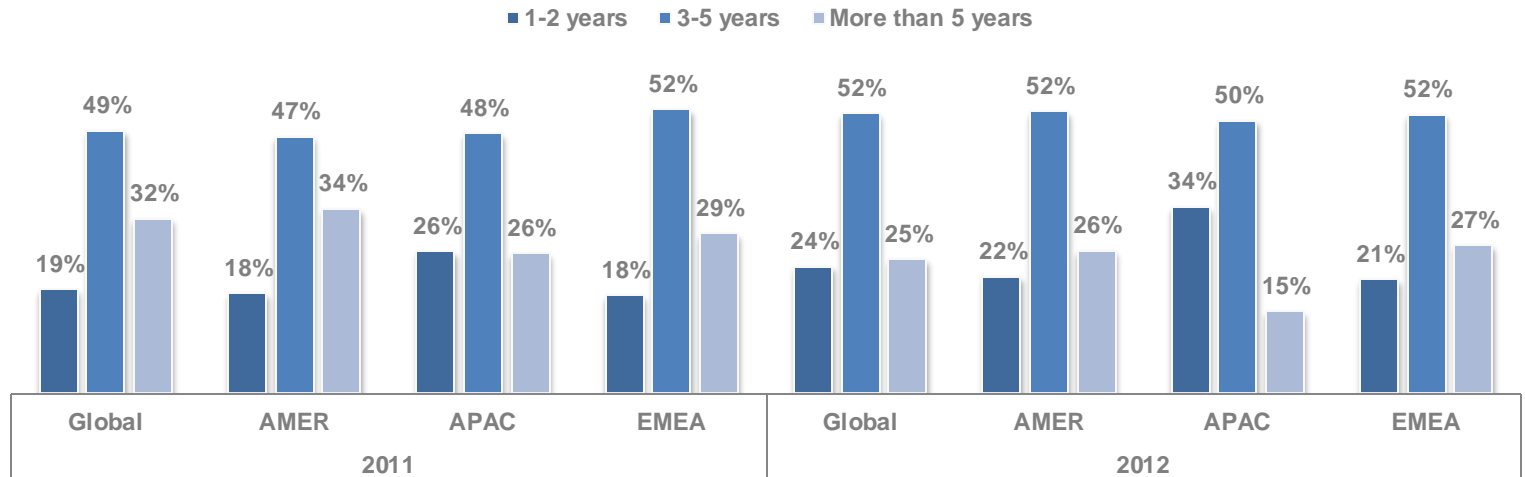
Q. In 2012, do you expect the global sovereign debt crisis to:



# LASTING IMPACT OF THE CREDIT CRISIS

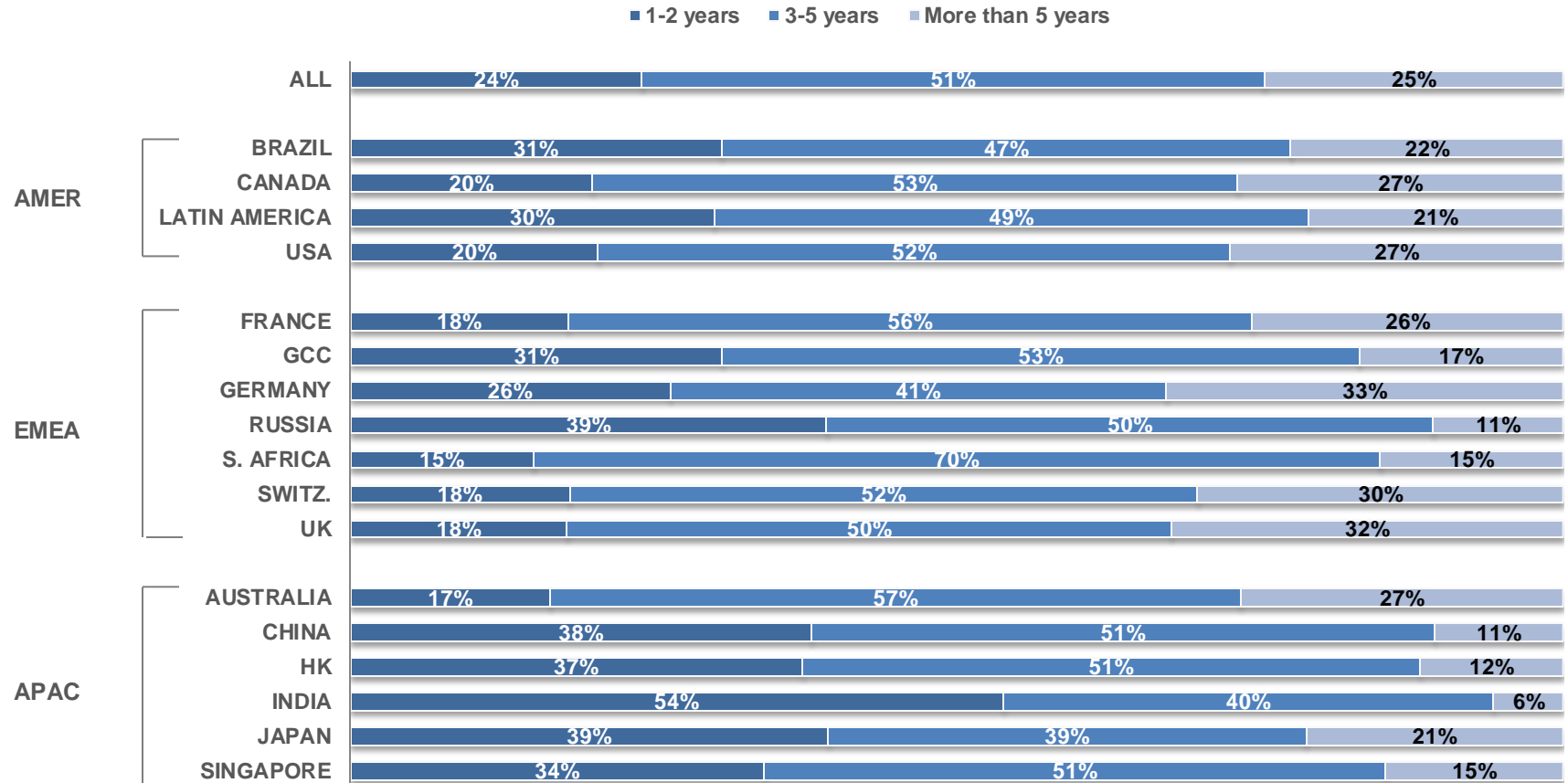
**Q. The current global financial crisis has severely impacted market trust and confidence. Approximately how long do you believe that impact of the current crisis will last?**

- Majority of members feel that the impact of the global credit crisis will last 3-5 years, which is consistent with 2011. The proportion who feel it will last more than 5 years has decreased from 32% in 2011 to 25% in 2012.
- 34% members in APAC region believe that the impact of the credit crisis will last between 1-2 years, as opposed to AMER (22%) and EMEA (21%).
- APAC members seem to be more optimistic for 2012 with only 15% indicating the impact will last beyond 5 years which is a change from 2011 when 26% indicated that it would last more than 5 years.



# LASTING IMPACT OF THE CREDIT CRISIS – By Country

Q. The current global financial crisis has severely impacted market trust and confidence. Approximately how long do you believe that impact of the current crisis will last?



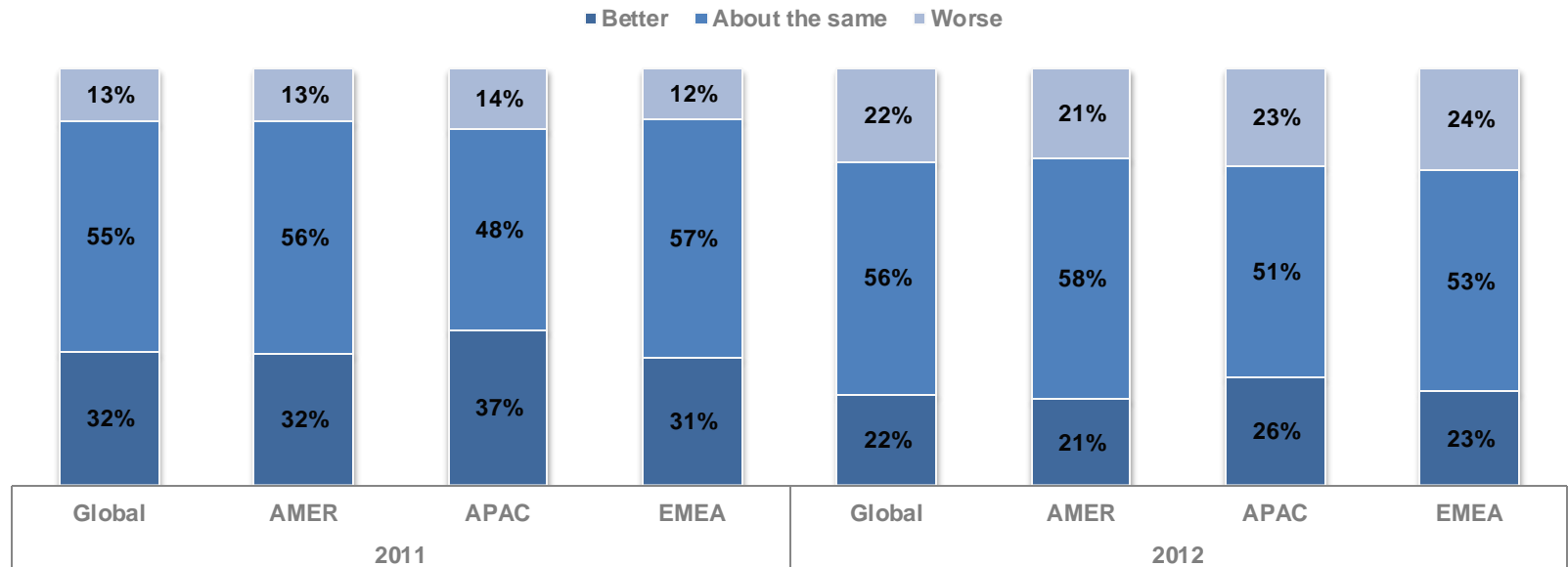
A photograph of the Eiffel Tower in Paris, France, set against a clear blue sky. The tower is the central focus, with its intricate lattice structure clearly visible. In the foreground, there are green trees and a river. In the background, the Paris skyline is visible, including several modern high-rise buildings and a bridge over the river. A dark horizontal band is overlaid across the middle of the image, containing the text.

# MARKET INTEGRITY OUTLOOK

# OUTLOOK ON INTEGRITY OF GLOBAL CAPITAL MARKETS

Q. Do you think the integrity of global capital markets in 2012 will be better or worse than 2011?

- Over half (56%) of members feel that the integrity of global capital markets will stay about the same in 2012.
- The proportion of members who think the integrity of global markets will be better has fallen from 32% in 2011 to 22% in 2012.
- 22% of members feel that the global capital markets will be worse in 2012, up from 13% in 2011, indicating members are less optimistic that integrity of global markets is improving.



# ETHICAL ISSUES FACING LOCAL AND GLOBAL MARKETS

Q. Please rank the following ethical issues facing your local market in the coming year from the most serious (1) to the least serious (6). Each number (1-6) can be used only once:

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

## Global Market\*

- The most serious issue facing global markets for 2012 is “mis-selling of products by financial advisers” followed closely by derivatives.
- “mis-selling of products by financial advisers” and “Investment management” have increased in importance the most since 2011.

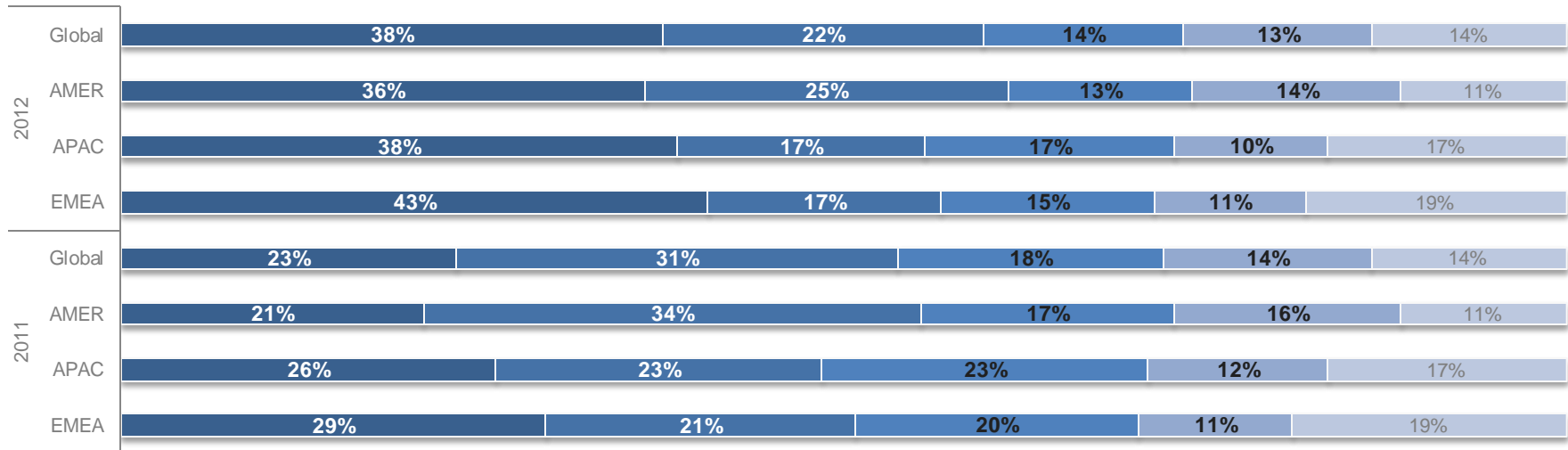


# MOST NEEDED REGULATORY OR INDUSTRY ACTION

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

- Globally, “Improved regulation and oversight of global systemic risk” is the regulatory action members feel is most needed in 2012.
- In 2011 “Improved enforcement of existing laws and regulation” was the most needed (31% vs. 22% in 2012) industry action.

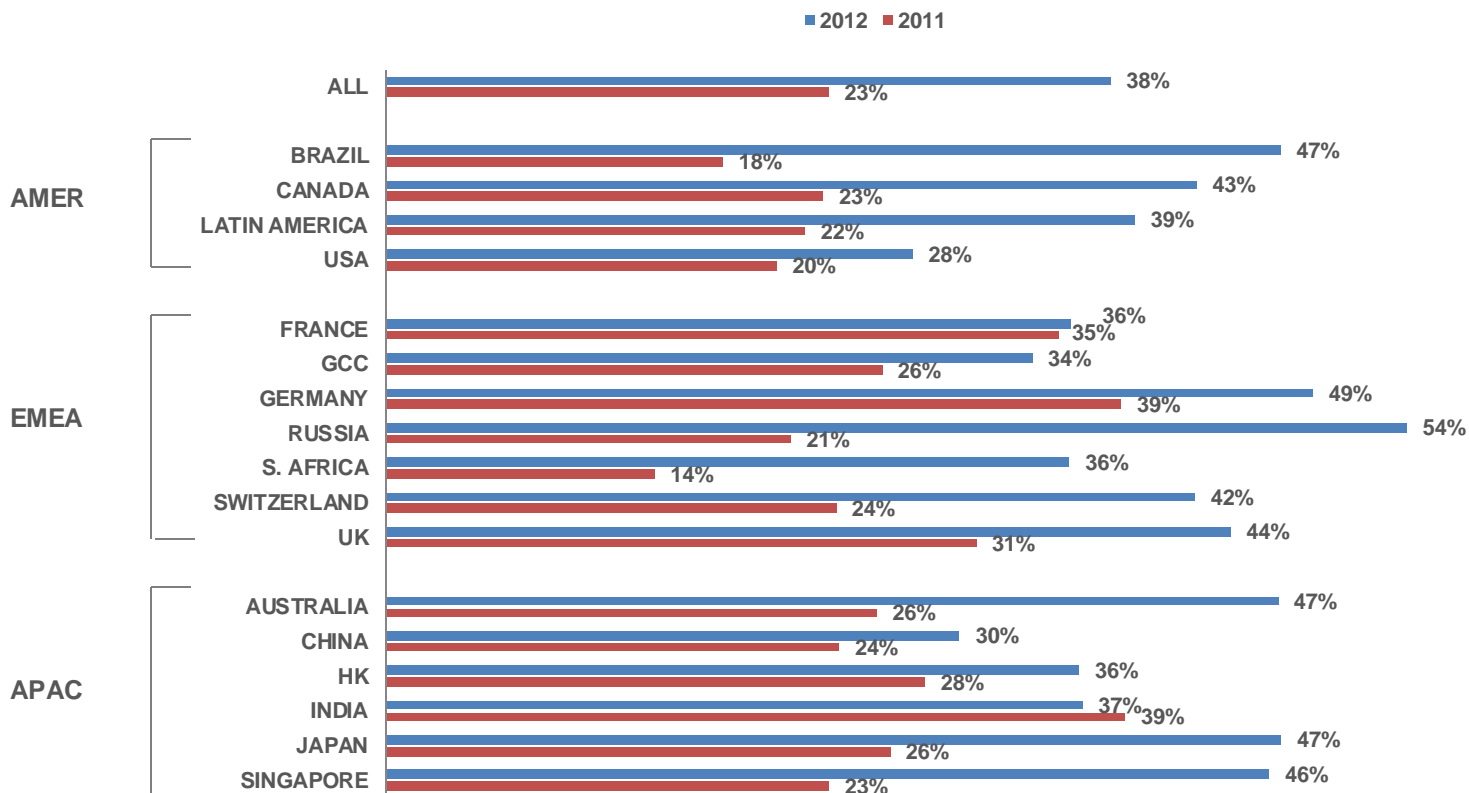
- Improved regulation and oversight of global systemic risk
- Improved enforcement of existing laws and regulations
- Improved transparency of financial reporting and other corporate disclosures
- Improved market trading rules on transparency and frequency of trades
- Other\*



# MOST NEEDED REGULATORY OR INDUSTRY ACTION\* – By Country

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

1. Improved regulation and oversight of global systemic risk

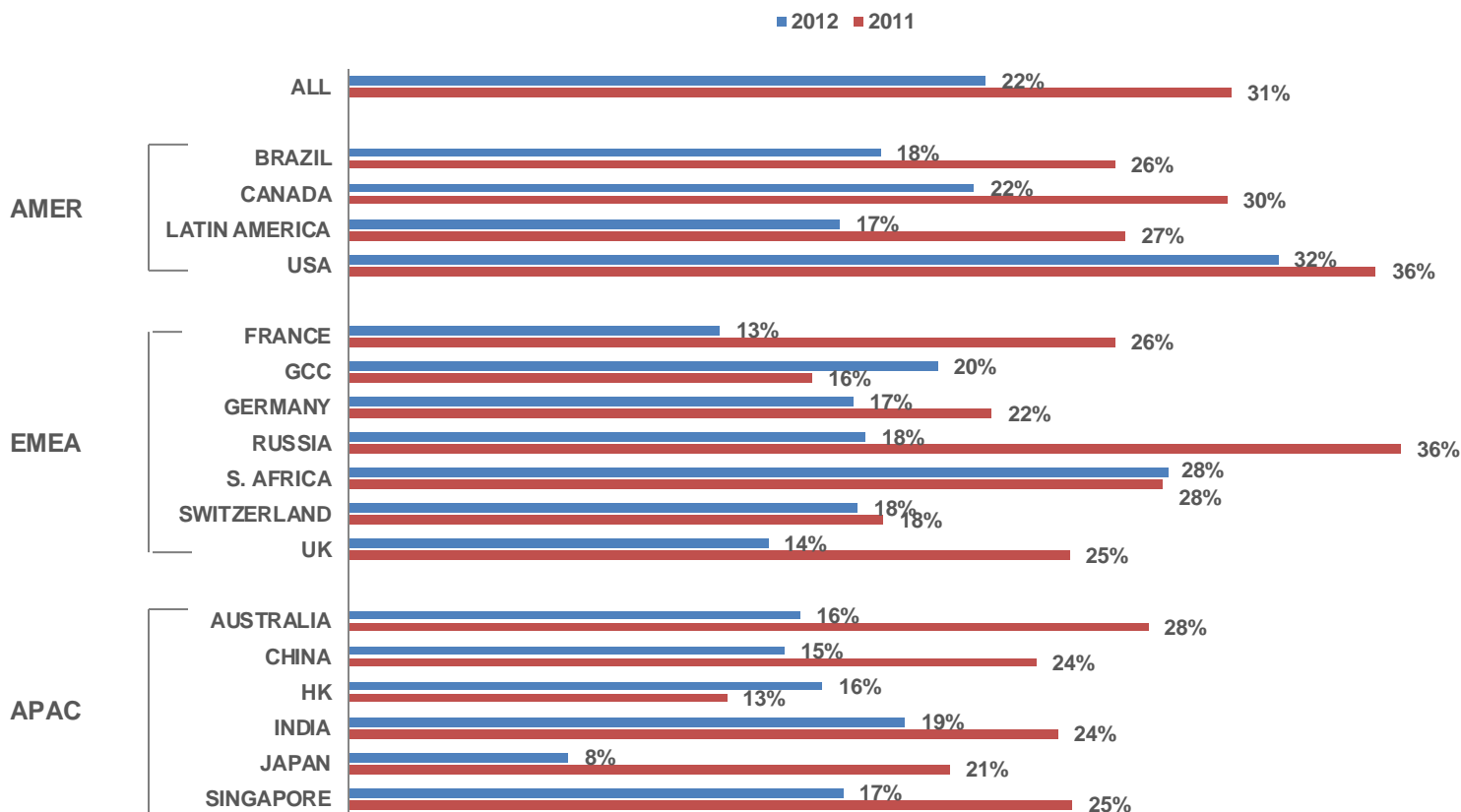




# MOST NEEDED REGULATORY OR INDUSTRY ACTION\* – By Country

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

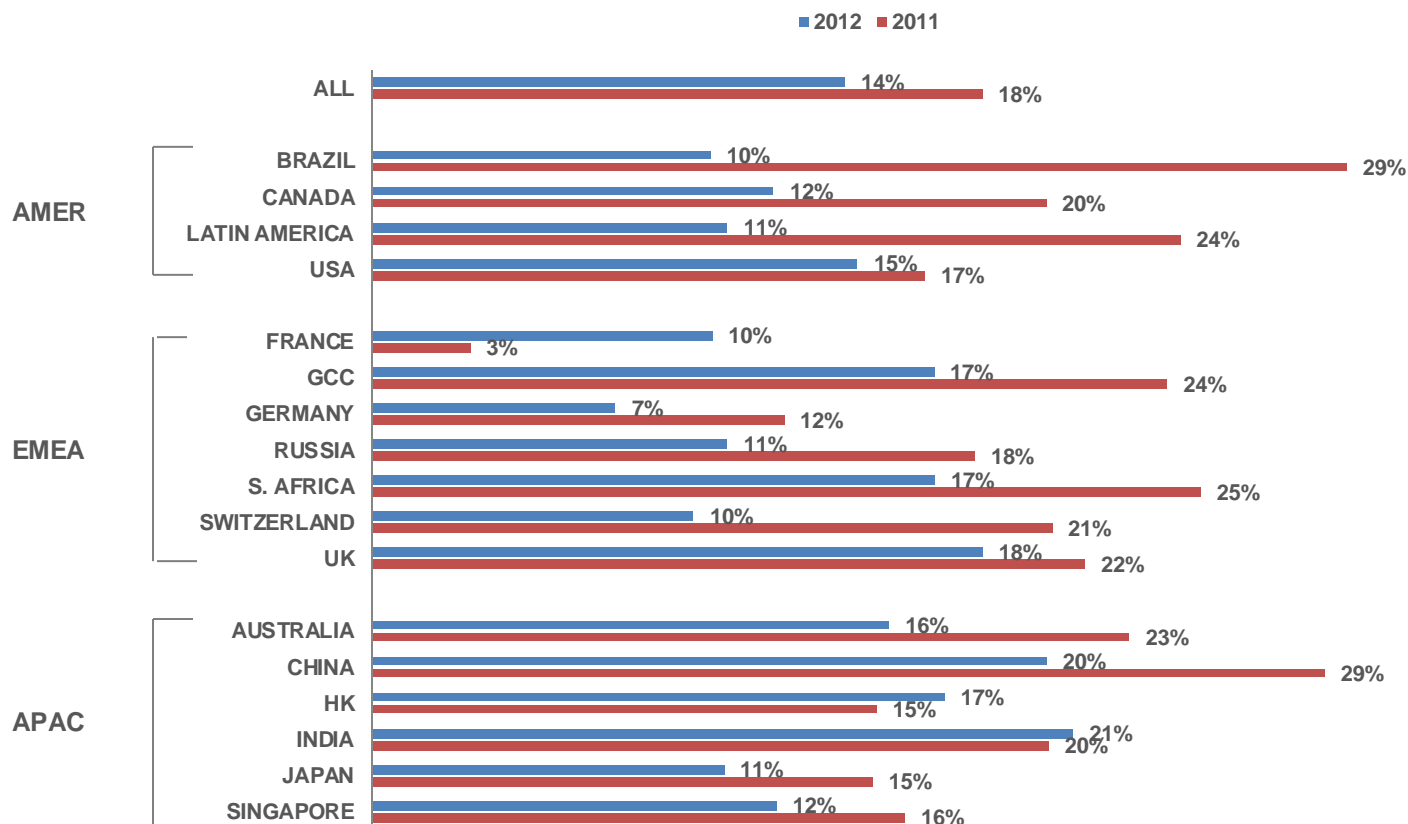
## 2. Improved enforcement of existing laws and regulations



# MOST NEEDED REGULATORY OR INDUSTRY ACTION\* – By Country

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

## 3. Improved transparency of financial reporting and other corporate disclosures.



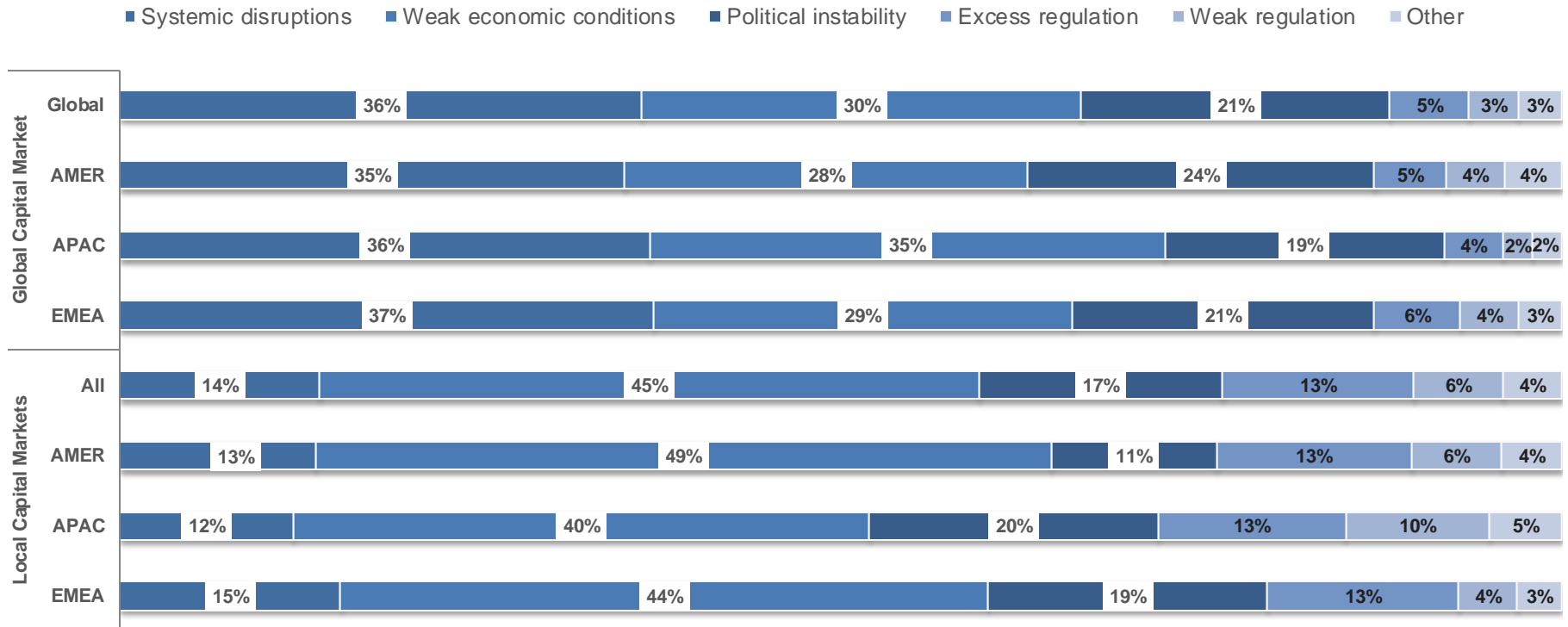


# CAPITAL MARKET RISKS

# RISKS TO GLOBAL AND LOCAL CAPITAL MARKETS IN 2012

## Q. What do you see as the biggest risk to global and local capital markets in 2012?

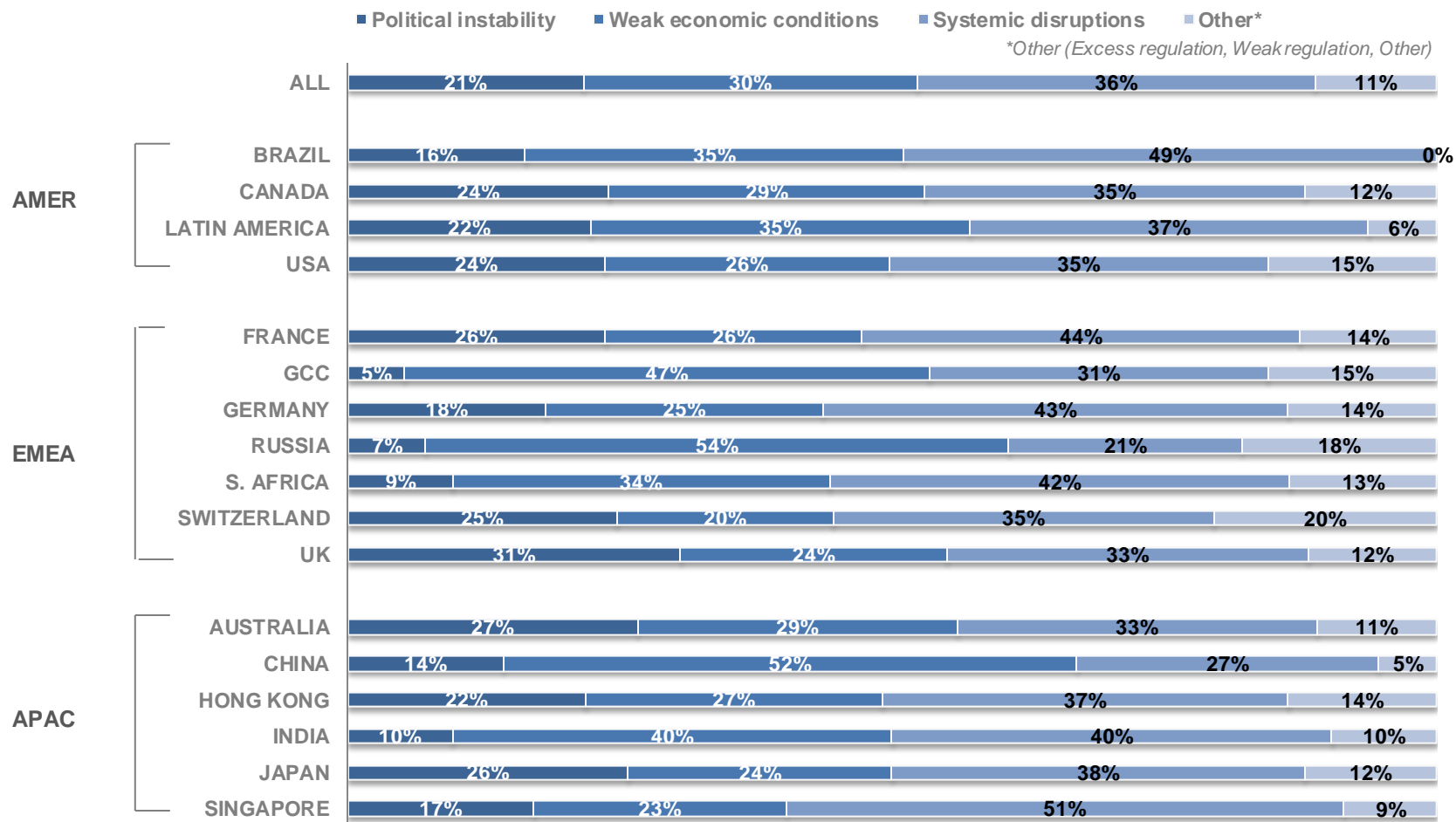
- The biggest perceived risk to **global** capital markets in 2012 according to members is “Systemic Disruptions” followed by “Weak economic conditions” and “Political Instability”.
- The biggest perceived risk to **local** capital markets according to members is “Weak economic conditions”.



\*\*“No opinion” option not displayed

# RISKS TO GLOBAL CAPITAL MARKET IN 2012 – By Country

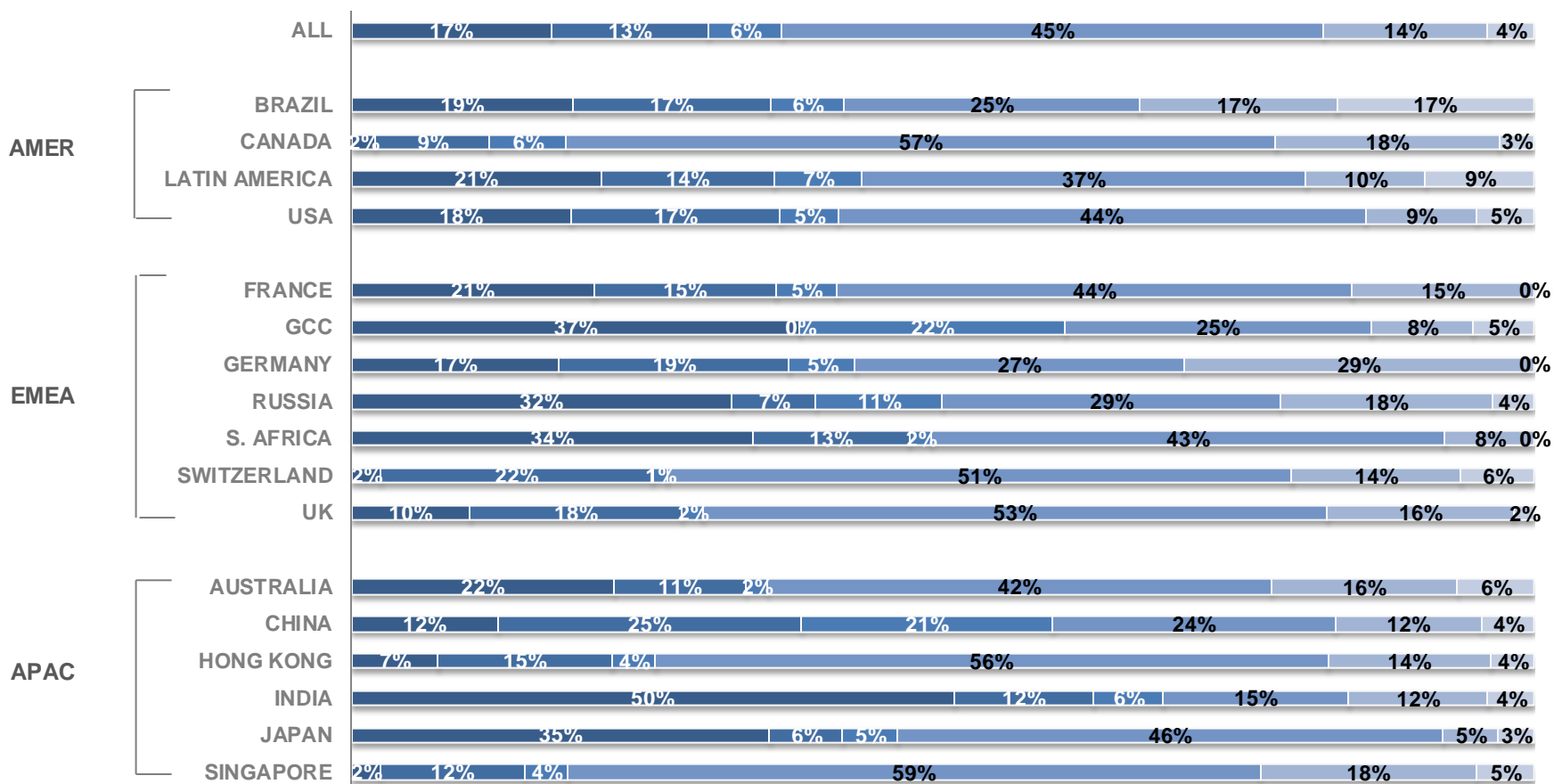
Q. What do you see as the biggest risk to global capital markets in 2012?



# RISKS TO LOCAL CAPITAL MARKETS IN 2012 - By Country

Q. What do you see as the biggest risk to local capital markets in 2012?

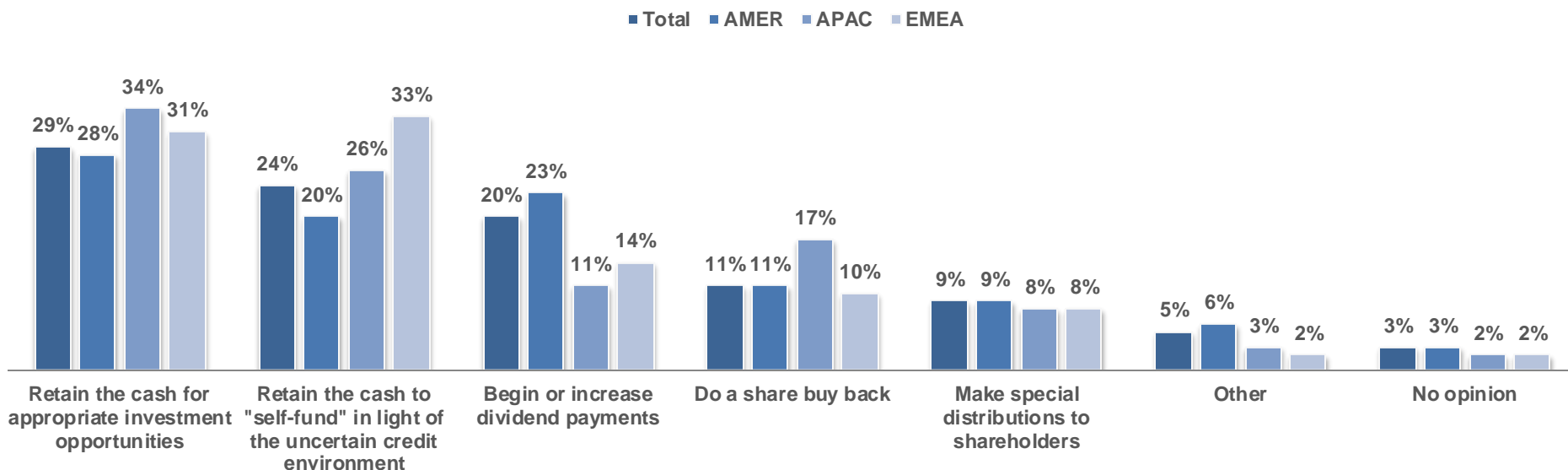
■ Political instability ■ Excess regulation ■ Weak regulation ■ Weak economic conditions ■ Systemic disruptions ■ Other



# COMPANIES WITH INCREASED CASH ON BALANCE SHEETS

**Q. Many companies are carrying increasing amounts of cash on their balance sheets. In 2012, those companies should:**

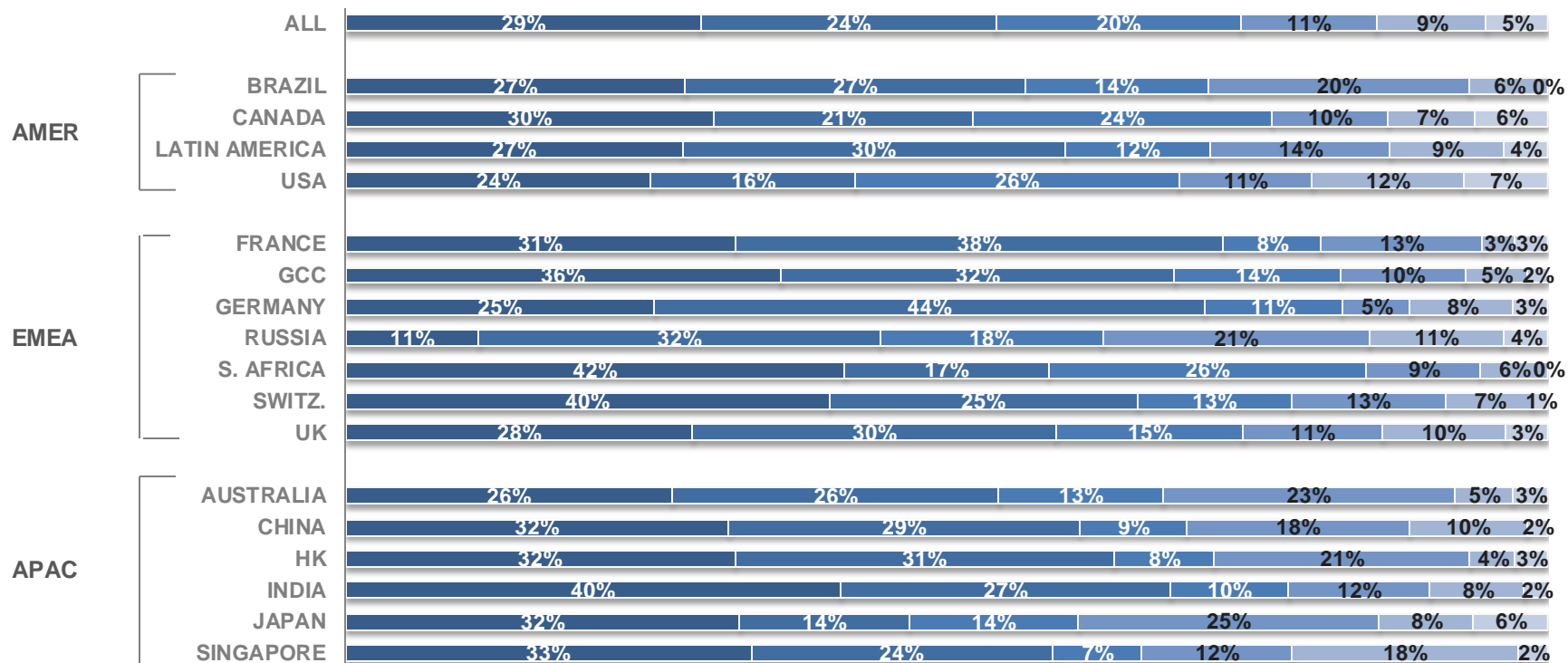
- Members feel the best option for companies to use excess cash is to retain it for appropriate investment opportunities.
- EMEA region members believe companies should retain cash to “self-fund” during uncertain credit environment.
- A higher proportion of members in AMER than in APAC and EMEA think companies should begin or increase dividend payments.
- A higher proportion in APAC than other regions think companies should buy back shares.



# COMPANIES WITH INCREASED CASH ON BALANCE SHEETS – By Country

Q. Many companies are carrying increasing amounts of cash on their balance sheets. In 2012, those companies should:

- Retain the cash for appropriate investment opportunities
- Retain the cash to "self-fund" in light of the uncertain credit environment
- Begin or increase dividend payments
- Do a share buy back
- Make special distributions to shareholders
- Other





## QUESTIONS?

### CONTACT

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