

Global Market Sentiment Survey

CFA Institute

2015

OBJECTIVE:

The research was conducted in order to seek input from CFA Institute members and to gather feedback on market sentiment, performance, and market integrity issues.

METHODS USED:

All 119,817 of CFA Institute's global members were invited to participate in the survey. 5,259 responded for an overall response rate of 4%. The survey was conducted from October 14th to the 28th of 2014.

KEY FINDINGS:

- Respondents continue to consider the U.S. (33.5%) and China (9.3%) to be the best investment opportunities, followed by India (8.9%) and Russia (6.2%). The U.S. was chosen more than three times more often than any other market.
- On average, respondents expect the global economy to grow 2.0% in 2015. Members in Europe are more optimistic about global economic growth while those in Americas and Asia Pacific are pessimistic.
- Members believe that continued accommodative central bank policies and increased focus on job creation and consumer consumption will have the greatest potential positive impact on global capital markets.
- Globally, respondents see weak developed market economies as the biggest risk to global markets, followed by political instability.
- 35% of members believe that political risks such as secessionist and nationalistic movements are the most underestimated risk that could have a negative impact on global capital markets over the next five years, followed by aging populations (20%).
- 30% of members surveyed expect employment opportunities to increase in their local markets, up from 14% in 2012. 20% believe employment opportunities in their markets will decrease, versus the 35% in 2012.
- Members in China and India are considerably more optimistic about employment prospects in their markets. In China, 60% see improving employment prospects and in India, 77% believe opportunities will increase in 2015.
- Lack of ethical culture within financial firms is seen as the number one factor contributing to the lack of trust in the financial industry.
- Better alignment of compensation with investor objectives is seen as the most needed firm level action in 2015 to improve investor trust and confidence.
- 28% of members have a positive outlook on market integrity, up from 2014's 21%.

- Members see market fraud such as insider trading and the integrity of financial reporting as the most serious issues facing global markets.
- Mis-selling by financial advisers is expected to remain an important ethical issue in 2015.
- 28% of members indicated that improved regulation and oversight of global systemic risk is the regularity or industry action most needed to help improve investor trust and market integrity.
- 68% indicated a need for better bank board risk management in order to prevent future financial crises.

CONCLUSION:

- The most important areas for firms to focus on are; bettering alignment of compensation with investor objectives, zero tolerance policy by top management for ethical breaches, and increased adherence to ethical codes and standards.
- The most important areas for regulators to address are making improvements in: regulation and oversight of global systemic risk; transparency of financial reporting; enforcement of existing laws and regulations at the local level; and corporate governance practices locally.

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