# Financial Crisis Observatory
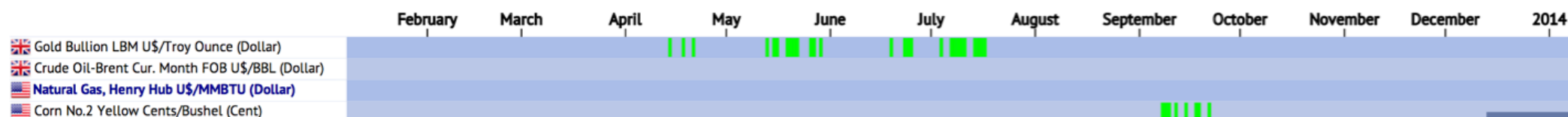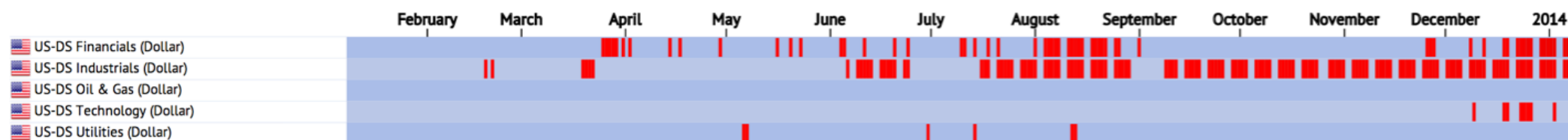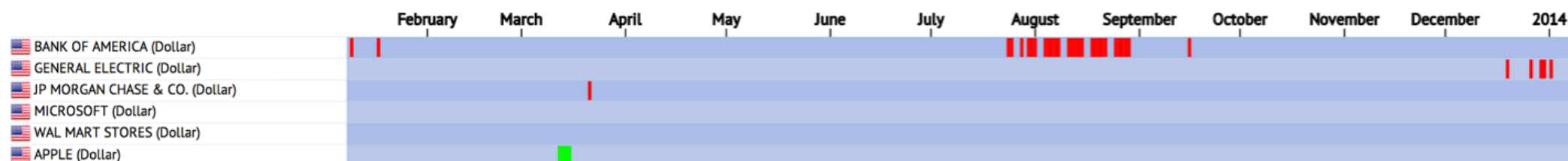
Overview of the different asset classes and indices FCO Cockpit
(end of January 2014 calculations, ETHZ FCO)

- The **DS LPPL Confidence™** indicator measures the sensitivity of the observed bubble pattern to the chosen starting time. If the value is close to zero, it means that the pattern was found only in a few of the data windows that were analyzed; if the value is close to one, it means that the pattern is practically insensitive to the choice of the data window. A very low value of this indicator means that the signal is not robust and only pops up in one or two specific data windows, in that case, there is a risk of over-fitting or data snooping and the result should be interpreted with care;

- The **DS LPPL Trust™** indicator measures how closely the pattern matches the theoretical LPPL model, zero being a bad and one being a perfect match.

Overview of the different asset classes and indices that are monitored in the FCO Cockpit (end of January 2014 calculations, ETHZ FCO)

404 systemic financial assets or indices in fixed income, equities, commodities and currencies

	# Assets	# Bubbles	% Bubbles
Fixed Income Indices	116	7	6%
Government	34	4	12%
Corporate	82	3	4%
Equities Indices	154	47	31%
Country	78	15	19%
Sector	64	32	50%
Special	12	5	42%
Commodities	38	0	0%
Currencies	96	24	25%
Total	404	78	19%

Clear bubble signals in Spanish, Irish and Italian government bonds and in European financial subordinated bonds

recovery in the form of bubble exuberance

Fixed Income Country Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
iBoxx EUR Spain Index	12.5%	12.4%	18.3%
iBoxx EUR Ireland Index	12.4%	7.8%	11.1%
iBoxx EUR Italy Index	7.1%	5.2%	12.6%

Fixed Income Sector Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
iBoxx EUR Insurance Subordinated Index	10.8%	8.0%	13.6%
iBoxx EUR Insurance Index	7.3%	6.7%	8.7%
iBoxx EUR Financial Services Subordinated Index	10.2%	5.1%	9.5%

Energy products down -2%, agricultural products -12%, industrial metals -14% and precious metals down a whopping -29%.

Weak negative signal bubbles

This is in great dissonance with the equities bull market that we are riding now.

Commodities	Yearly Return	DS LPPL Trust	DS LPPL Confidence
Wheat ER Index	-32%	4%	24%
Aluminum ER Index	-22%	4%	10%
Softs ER Index	-14%	2%	3%
Gold ER Index	-27%	2%	5%

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GOLD

Gold Bullion(Zurich) kg(995) CHF
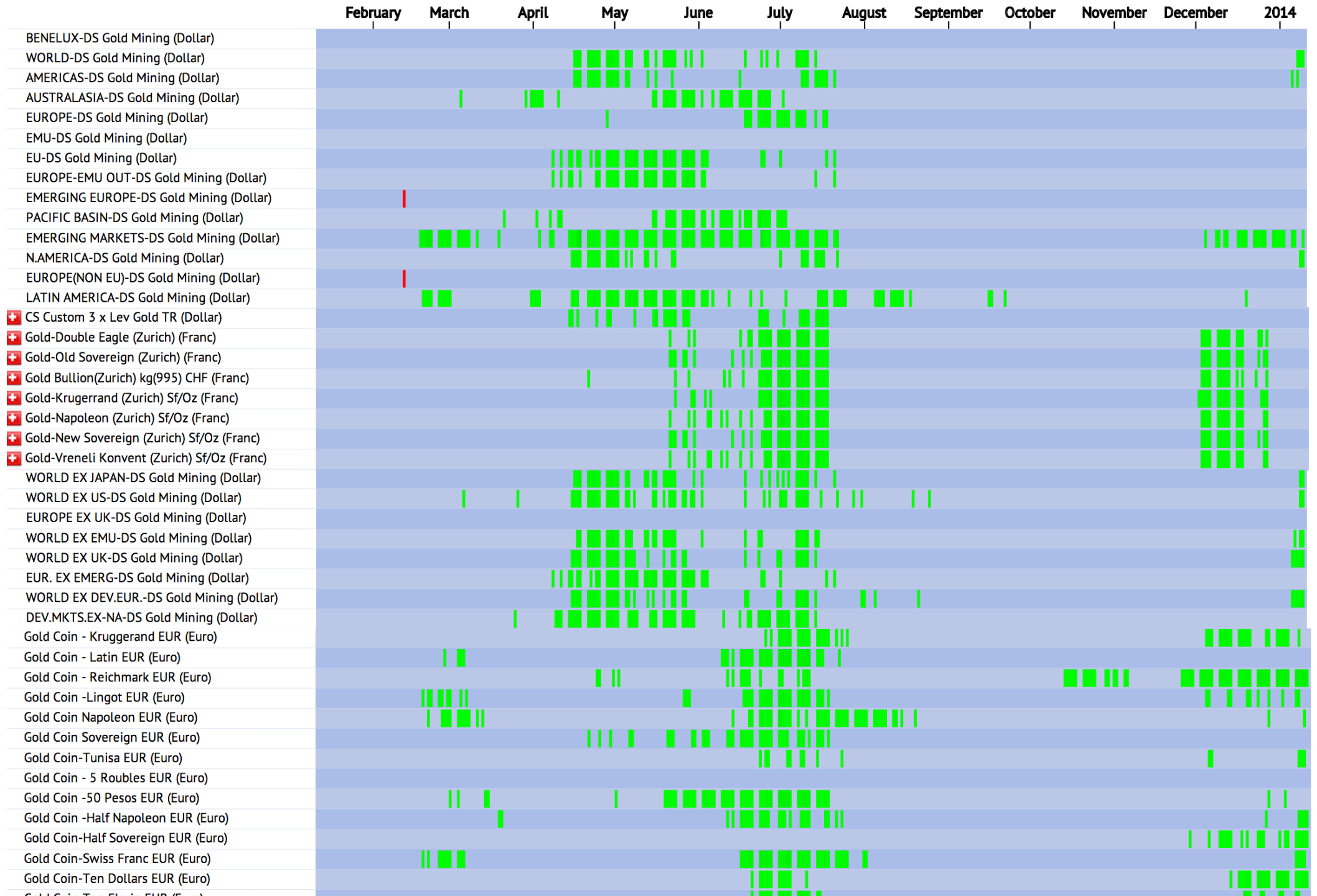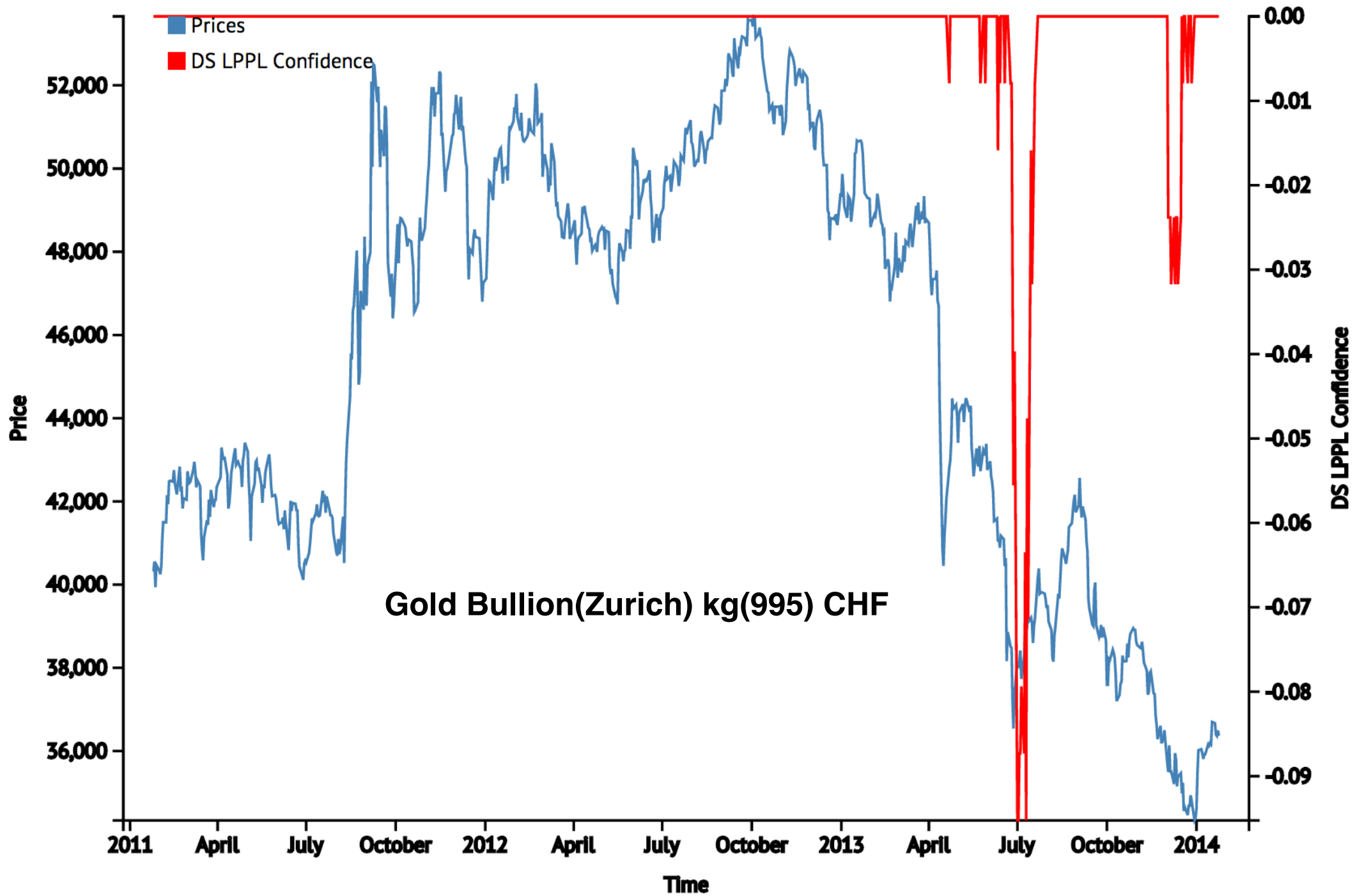
Significant weakening of some emerging markets currencies

Negative bubble for the Argentine Peso, the Turkish Lira and the Indonesian Rupiah

Clear indication of an overreaction in this market.

FX	Yearly Return	DS LPPL Trust	DS LPPL Confidence
Argentine Peso/Euro	-29%	52%	54%
Argentine Peso/Swiss Franc	-29%	41%	45%
Argentine Peso/US Dollar	-39%	64%	76%
Indonesian Rupiah/Euro	-22%	6%	7%
Indonesian Rupiah/Swiss Franc	-22%	9%	8%
Indonesian Rupiah/US Dollar	-26%	8%	9%
Turkish Lira/Euro	-23%	18%	38%
Turkish Lira/Swiss Franc	-23%	17%	36%
Turkish Lira/US Dollar	-27%	9%	34%

ChF in Turkish lira

Worrying exuberance in equity markets

1 out 3 markets are diagnosed in bubble regime

Equities Country Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
NASDAQ Composite Index	34%	25%	34%
Dubai Financial Market General Index	107%	20%	56%
ISEQ Overall Price Index	39%	15%	30%
Deutsche Boerse DAX Index	26%	14%	24%
EGX 30 Index	27%	14%	34%
Oslo Stock Exchange Equity Index	21%	12%	20%
OMX Copenhagen 20 Index	22%	12%	34%
Qatar Exchange General Index	30%	11%	31%
Dow Jones Composite Index	20%	9%	25%
Abu Dhabi index	66%	5%	20%

BRICS disappointed in the past year with the Brazilian Bovespa down -21%, the Russian RTS Index -12%, the Indian BSE +7% and the Shanghai Composite -11%.

This is to be compared with a Dow Jones index +20% and Eurostoxx +19%.

strong bubble warnings are flashing in internet retail equities (where Amazon is part of), life sciences, consumer finance, auto components, aerospace and defense, health care…

Equities Sector Indices	Return	Trust	DS LPPL Confidence
S&P 500 Internet&Catalog Retail(Ind)	63%	40%	16%
S&P 500 - Life ScincsTools&Serv(Ind)	42%	36%	61%
S&P 500 Industrial Conglomerate(Ind)	24%	21%	18%
S&P 500 Auto Components (Industry)	63%	21%	18%
S&P 500 Aerospace&Defense(Industry)	49%	19%	18%
S&P 500 Internet Software&Serv(Ind)	53%	17%	25%
S&P 500 Consumer Finance (Industry)	43%	17%	41%
S&P 500 Health Care Prvdrs&Serv(Ind)	37%	16%	39%
S&P 500 Office Electronics(Industry)	61%	15%	37%
S&P 500 Chemicals	22%	15%	23%
S&P 500 Electrical Equip(Industry)	28%	15%	14%
S&P 500 Insurance (Industry)	32%	14%	15%
S&P 500 Media (Industry)	35%	14%	35%
S&P 500 Capital Markets (Industry)	33%	13%	41%
S&P 500 -E Equip,Instrmnt&Comp(Ind)	41%	12%	28%
S&P 500 Semicond&Semicond Equip(Ind)	27%	11%	29%
S&P 500 Containers & Packaging (Ind)	28%	11%	41%
S&P 500 Software (Industry)	26%	10%	11%
S&P 500 Road & Rail (Industry)	28%	10%	28%
S&P 500 Health Care Equip&Spls(Ind)	22%	8%	23%
S&P 500 - Pharmaceuticals (Industry)	27%	8%	13%
S&P 500 Construction& Eng(Ind)	27%	8%	10%
S&P 500 - Biotechnology (Industry)	77%	8%	7%
S&P 500 IT Services (Industry)	20%	6%	30%
S&P 500 Commercial Banks (Industry)	32%	6%	22%
S&P 500 Gas Utilities (Industry)	35%	6%	9%

Bubble warnings in social network companies, venture capital and dividend paying stock

Equities Special Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
Thomson Reuters Venture Capital Index	50%	23%	22%
Solactive Social Networks Index	93%	12%	32%
DOW JONES GERMANY SELECT DIVIDEND 20 INDEX	24%	9%	7%

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High bubble risk in equities mainly in developed markets and in the emirates.

Specific sectors at risk are internet retail and social networks, life sciences and health care, auto components, aerospace and defense and consumer finance.

Interesting signals in some emerging market currencies. This suggests that there may be overreaction in the weakening of the Argentina Peso, Turkish Lira and Indonesian Rupiah.

GIPSI bonds and European financial subordinated debt have profited nicely from the waning of the sovereign debt crisis. Now, we pick up medium bubble risk signals. In our opinion, these bonds are dear, especially taking into account the risk. When imitation or herding is high, a single spark may lead to a large correction. This is even more so because of the political sensitivity of these specific assets.

There has been a sell-off in commodities and some smaller bubble signals suggest that they may be cheap. Of course, different commodities follow their own specific fundamentals. However, this result suggests that now may be a good time to step in for commodities that have supportive fundamentals.