IACPM

Quarterly Member Survey on Credit Outlook
Index Definition

The IACPM indices are calculated like a diffusion index and measure the proportion of the components that contribute positively to the index.

In our calculation the index ranges from positive 100 (all answers are positive) to negative 100 (all answers are negative). An index of 0 is the theoretical breakeven mark - with readings above indicating strength and below indicating weakness. *A positive index indicates credit improvement*.

In the IACPM Quarterly Member Survey on Credit Outlook we asked in our first two questions your opinion about the credit spreads for 10 different indices. The third question asked about defaults.

Possible answers were:

- Up (widen)
- Unchanged
- Down (narrow)
- Don't know/ Don't follow

We created the following mapping table – using the instructions above:

Value logic	
current quarter	**VALUE**
Up – a negative implication	-1
Unchanged	0
Down – a positive implication	1
Don't know/ Don't follow	excluded

Computing the index:

1. The first step is to calculate if a component increased, decreased, or had no change. Components that contribute positively are given a value of 1, components that are unchanged are given a value of 0, and components that contribute negatively are given a value of negative 1.
2. The second step is to sum the values of the components.
3. Third divide the sum by the number of components.
4. Finally, multiply by 100.

Sources:
http://www.conference-board.org/data/bci/index.cfm?id=2180
http://www.investopedia.com/terms/d/diffusionindex.asp
http://www.forex-brokerage-firms.com/economicindicators/napm.htm