The Financial Bubble Experiment:
Advanced Diagnostics and Forecasts of Bubble Terminations
Volume III–Assets Document

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This is the third installment of the Financial Bubble Experiment. We identify 27 bubbles in 27
different global assets; for 25 of these assets, we present windows of dates of the most likely ending
time of each bubble. This current document, which will be made public on 2 May 2011 is the one
whose digital fingerprint is provided in the accompanying master document [1], made public on 11
November 2010.

I. INTRODUCTION

The Financial Bubble Experiment (FBE) aims at testing the following two hypotheses:

• **Hypothesis H1:** Financial (and other) bubbles can be diagnosed in real-time before they end.

• **Hypothesis H2:** The termination of financial (and other) bubbles can be bracketed using probabilistic forecasts,
  with a reliability better than chance.

In a medical context, H1 corresponds to the diagnostic of cancer and H2 to the forecast of remaining life expectancy.
These are embedded hypotheses, in that H1 includes H2 and we test them here separately. The “end of a bubble” is
interpreted in terms of dynamical systems as a “change of regime” or “turning point”. This qualitative terminology
is supported by quantitative measures [3].

We began this experiment in November 2009 with the publication of diagnoses of three distinct bubbles in three
distinct assets, followed in December 2009 with a fourth. We only published the digital fingerprints of electronic
documents containing our forecasts in November and December 2009. On 3 May 2010 we revealed the four assets
and published the original documents. In each of the four original documents, we presented a range of dates of the
most likely end of the bubbles. In the follow-up report in May 2010, we presented quantitative analysis measuring
the quality of our forecasts. The background theory and methodology, as well as these previous results—the original
documents, the digital fingerprints and the follow-up analysis—are publicly available online at the URL given in [3].

We continued the FBE with 7 more assets, whose key was published in May 2010 and revealed in November 2010 [2].

This report is a continuation of the FBE in that we offer the digital fingerprint of an electronic document containing
27 assets that we find to be in bubbles at the time of writing. We published the original document itself on 11 November
2010. As in the second installment, we create only a single document containing the information on the 27 assets.
We continue with testing separately H1 by itself and H1 in combination with H2.

We present a collection of 27 assets that our methods indicate support H1 (Sections II-III, Tables I-II). For 25
of these assets, we also provide forecast windows of the most likely ending of the bubbles, which would support H2
(Section III, Table II). Further, we categorize the assets by type: Index, Equity, Commodity and Foreign Exchange.
Note that in our Equity category, we mean products that can be traded on an exchange. This is why, for instance,
Ishares Singapore Index, with ticker symbol EWS appears under our Equity category and not under the Index category.

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### 2 H1 Assets (identified bubble)

<table>
<thead>
<tr>
<th>Category</th>
<th>Asset</th>
<th>Ticker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index</td>
<td>MERVAL Buenos Aires</td>
<td>^MERV (Y)</td>
</tr>
<tr>
<td>Equity</td>
<td>AUTOZONE</td>
<td>AZO (Y)</td>
</tr>
</tbody>
</table>

**TABLE I.** 2 H1 assets of the Financial Bubble Experiment as of 11 November 2010. All listed assets are candidates for H1 (identified bubble phase). In the Ticker column, (B) stands for Bloomberg and (Y) for Yahoo Finance.

### 25 H1 and H2 Assets (identified bubble)

<table>
<thead>
<tr>
<th>Category</th>
<th>Asset</th>
<th>Ticker</th>
<th>( t_e ): 20% - 80%</th>
<th>( t_e ): 5% - 95%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index</td>
<td>BSE SENSEX, Bombay</td>
<td>^BSESN (Y)</td>
<td>2010-11-03 - 2010-12-01</td>
<td>2010-10-27 - 2010-12-10</td>
</tr>
<tr>
<td></td>
<td>Dow Jones-AIG Commodity Index</td>
<td>^DJC (Y)</td>
<td>2010-11-16 - 2010-12-04</td>
<td>2010-11-09 - 2010-12-10</td>
</tr>
<tr>
<td></td>
<td>FTSE 100</td>
<td>^FTSE (Y)</td>
<td>2010-11-27 - 2010-12-26</td>
<td>2010-11-07 - 2011-01-03</td>
</tr>
<tr>
<td></td>
<td>Hang Seng Index Hong Kong</td>
<td>^HSI (Y)</td>
<td>2010-11-09 - 2010-12-09</td>
<td>2010-11-07 - 2010-12-16</td>
</tr>
<tr>
<td></td>
<td>Interactive Week Internet Index</td>
<td>^IIX (Y)</td>
<td>2010-11-12 - 2010-12-10</td>
<td>2010-11-04 - 2010-12-23</td>
</tr>
<tr>
<td></td>
<td>NASDAQ Computer</td>
<td>^IXK (Y)</td>
<td>2010-11-13 - 2010-12-06</td>
<td>2010-11-07 - 2010-12-09</td>
</tr>
<tr>
<td></td>
<td>Jakarta Composite</td>
<td>^JKSE (Y)</td>
<td>2010-11-06 - 2010-12-09</td>
<td>2010-10-23 - 2010-12-25</td>
</tr>
<tr>
<td></td>
<td>KOSPI Composite Index, Seoul</td>
<td>^KS11 (Y)</td>
<td>2010-11-15 - 2010-12-26</td>
<td>2010-10-30 - 2011-01-07</td>
</tr>
<tr>
<td></td>
<td>NASDAQ-100 (DRM)</td>
<td>^NDX (Y)</td>
<td>2010-11-05 - 2011-01-29</td>
<td>2010-11-03 - 2010-12-22</td>
</tr>
<tr>
<td></td>
<td>Reuters/Jefferies CRB index</td>
<td>^CRY INDEX (B)</td>
<td>2010-11-11 - 2010-12-22</td>
<td>2010-11-07 - 2010-11-26</td>
</tr>
<tr>
<td></td>
<td>TSEC weighted index</td>
<td>^TWII (Y)</td>
<td>2010-12-01 - 2011-01-03</td>
<td>2010-11-13 - 2011-01-08</td>
</tr>
<tr>
<td></td>
<td>Major Market Index</td>
<td>^XMI (Y)</td>
<td>2010-11-10 - 2011-10-25</td>
<td>2010-10-30 - 2010-12-04</td>
</tr>
<tr>
<td>Equity</td>
<td>Ishares Singapore Index</td>
<td>EWS (Y)</td>
<td>2010-11-14 - 2010-12-12</td>
<td>2010-11-06 - 2010-12-25</td>
</tr>
<tr>
<td></td>
<td>Freeport McMoRan Copper &amp; Gold</td>
<td>FCX (Y)</td>
<td>2010-11-15 - 2010-12-17</td>
<td>2010-11-09 - 2010-12-27</td>
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<tr>
<td></td>
<td>F5 NETWORKS</td>
<td>FFIV (Y)</td>
<td>2010-12-27 - 2011-03-09</td>
<td>2010-12-02 - 2011-04-08</td>
</tr>
<tr>
<td></td>
<td>STARBUCKS</td>
<td>SBUX (Y)</td>
<td>2010-11-08 - 2010-11-18</td>
<td>2010-11-06 - 2010-11-25</td>
</tr>
<tr>
<td></td>
<td>UNITED RENTALS INC</td>
<td>URI (Y)</td>
<td>2010-11-09 - 2010-12-13</td>
<td>2010-11-02 - 2011-01-08</td>
</tr>
<tr>
<td></td>
<td>Copper future (USD)</td>
<td>HG1 COMB Comdty (B)</td>
<td>2010-11-09 - 2011-01-07</td>
<td>2010-10-31 - 2011-01-15</td>
</tr>
<tr>
<td></td>
<td>Corn future (CHF)</td>
<td>C 1 COMB Comdty (B)</td>
<td>2010-11-18 - 2010-12-19</td>
<td>2010-11-08 - 2010-12-28</td>
</tr>
<tr>
<td></td>
<td>Cotton future (USD)</td>
<td>CT1 COMB Comdty (B)</td>
<td>2010-11-12 - 2010-11-13</td>
<td>2010-11-08 - 2010-11-15</td>
</tr>
<tr>
<td></td>
<td>Palladium future (USD)</td>
<td>PA1 COMB Comdty (B)</td>
<td>2010-11-12 - 2010-11-19</td>
<td>2010-11-10 - 2010-11-27</td>
</tr>
<tr>
<td></td>
<td>Silver future (CHF)</td>
<td>SH1 COMB Comdty (B)</td>
<td>2010-11-13 - 2010-11-18</td>
<td>2010-11-08 - 2010-11-29</td>
</tr>
<tr>
<td></td>
<td>Sugar future (CHF)</td>
<td>SB1 COMB Comdty (B)</td>
<td>2010-11-20 - 2010-12-09</td>
<td>2010-11-10 - 2010-12-17</td>
</tr>
<tr>
<td></td>
<td>Forex</td>
<td>AUDUSD (B)</td>
<td>2010-11-12 - 2010-12-25</td>
<td>2010-10-30 - 2011-01-12</td>
</tr>
</tbody>
</table>

**TABLE II.** 25 H2 assets of the Financial Bubble Experiment as of 11 November 2010. All listed assets are candidates for H1 (identified bubble phase) and H2 (identification of end of bubble phase). Quantile windows of most likely dates of the end of the bubble phases are shown. In the Ticker column, (B) stands for Bloomberg and (Y) for Yahoo Finance.


II. H1 ASSETS

We diagnose that the 2 assets in this Section (see Table I) are in a bubble phase (H1) but we do not make forecasts of likely dates of change of regime (H2). For each asset, we present a figure showing the time series of the observations and indicate the range over which our analysis was performed (the shaded area in each figure).

A. H1 Indexes

1. MERVAL Buenos Aires

![Graph showing MERVAL Buenos Aires: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).](image)

FIG. 1. MERVAL Buenos Aires: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
B. H1 Equities

1. AUTOZONE

FIG. 2. AUTOZONE: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
III. H1 & H2 ASSETS

We hypothesize that the 25 assets in this Section (see Table II) are all in a bubble phase (H1) and are likely to end within the quantile ranges indicated in Table II (H2).

A. H1 & H2 Indexes

1. BSE SENSEX, Bombay

FIG. 3. BSE SENSEX, Bombay: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 4. Dow Jones-AIG Commodity Index: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 5. FTSE 100: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 6. Hang Seng Index Hong Kong: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 7. Interactive Week Internet Index: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 8. NASDAQ Computer: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 9. Jakarta Composite: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 10. KOSPI Composite Index, Seoul: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 11. NASDAQ-100 (DRM): Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 12. Reuters/Jefferies CRB index: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 13. TSEC weighted index: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 14. Major Market Index: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
B. H1 & H2 Equities

1. Ishares Singapore Index

![Graph showing observed prices for Ishares Singapore Index, with shaded regions indicating the range over which analysis was performed.]

FIG. 15. Ishares Singapore Index: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 16. Freeport McMoRan Copper & Gold: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 17. F5 NETWORKS: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
4. INTUIT

![Graph of INTUIT]

**FIG. 18.** INTUIT: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
5. STARBUCKS

FIG. 19. STARBUCKS: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 20. UNITED RENTALS INC: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
C. H1 & H2 Commodities

1. Copper future (USD)

FIG. 21. Copper future (USD): Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 22. Corn future (CHF): Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
3. Cotton future (USD)

FIG. 23. Cotton future (USD): Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
4. Palladium future (USD)

FIG. 24. Palladium future (USD): Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
FIG. 25. Silver future (CHF): Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
6. Sugar future (CHF)

![Sugar future - CHF](image)

**FIG. 26.** Sugar future (CHF): Time series of observations (filled circles) and range over which our analysis was performed (shaded region).
D. H1 & H2 Foreign Exchange

1. AUDUSD

<table>
<thead>
<tr>
<th>Date</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/01</td>
<td>0.6</td>
</tr>
<tr>
<td>2009/01</td>
<td>0.8</td>
</tr>
<tr>
<td>2010/01</td>
<td>1.0</td>
</tr>
</tbody>
</table>

last obs. price: 1.00

20/80: 2010-11-12 - 2010-12-25
5/95: 2010-10-30 - 2011-01-12

FIG. 27. AUDUSD: Time series of observations (filled circles) and range over which our analysis was performed (shaded region).