MARKET MOVING INDICATORS

Beige Book

Definition
This book is produced roughly two weeks before the monetary policy meetings of the Federal Open Market Committee. On each occasion, a different Fed district bank compiles anecdotal evidence on economic conditions from each of the 12 Federal Reserve districts.

Why Investors Care
This report on economic conditions is used at FOMC meetings, where the Fed sets interest rate policy. These meetings occur roughly every six weeks and are the single most influential event for the markets. Market participants speculate for weeks in advance about the possibility of an interest rate change that could be announced upon the end of these meetings. If the outcome is different from expectations, the impact on the markets can be dramatic and far-reaching.

If the Beige Book portrays an overheating economy or inflationary pressures, the Fed may be more inclined to raise interest rates in order to moderate the economic pace. Conversely, if the Beige Book portrays economic difficulties or recessionary conditions, the Fed may see the need to lower interest rates in order to stimulate activity.

Since the Beige Book is released two weeks before each FOMC meeting, investors can see for themselves at least one of the many indicators which Fed officials will use to determine interest rate policy, and can position their portfolios accordingly.

Frequency
Eight times year

Source
Federal Reserve Board of Governors

Availability
Two weeks before each FOMC meeting

Coverage
Anecdotal information covers since the prior FOMC meeting until about a week before publication.

Revisions
No

Business Inventories

Definition
Business inventories are the dollar amount of inventories held by manufacturers, wholesalers, and retailers. The level of inventories in relation to sales is an important indicator of the near-term direction of production activity. (Bureau of the Census)

Why Investors Care
Investors need to monitor the economy closely because it usually dictates how various types of investments will perform. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market prefers more moderate growth that won't generate inflationary pressures.

Rising inventories can be an indication of business optimism that sales will be growing in the coming months. By looking at the ratio of inventories to sales, investors can see whether production demands will expand or contract in the near future. For example, if inventory growth lags sales growth, then manufacturers will have to boost production lest commodity shortages occur. On the other hand, if unintended inventory accumulation occurs (that is, sales do not meet expectations), then production will probably have to slow while those inventories are worked down. In this manner, the business inventory data provide a valuable forward-looking tool for tracking the economy.

Frequency
Monthly

Source
Census Bureau, U.S. Department of Commerce

Availability
Mid-month

Coverage
Data are for two months prior to release month. Data for June are released in August.

Revisions
Yes

Chicago PMI

Definition
The Institute of Supply Management - Chicago compiles a survey and a composite diffusion index of business conditions in the Chicago area. The survey is conducted by Kingsbury International, LTD. Manufacturing and non-manufacturing firms are both surveyed. Hence, it is not directly comparable to pure manufacturing surveys. Readings above 50 percent indicate an expanding business sector.

Why Investors Care
The official name of this report is ISM - Chicago although it is commonly referred to as the Chicago PMI. ISM stands for Institute for Supply Management while PMI is shorthand for purchasing managers' index. The traditional name goes back to the years when the ISM was called the National Association of Purchasing Management. Investors should track economic data like the Chicago PMI to understand the economic backdrop for the various markets. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market prefers a moderate growth environment that won't generate inflationary pressures. The Chicago PMI gives a detailed look at the Chicago region's manufacturing and non-manufacturing sectors. Many market players don't realize that non-manufacturing activity is covered in this index and tend to focus on the manufacturing side only. On its own, it can be viewed as a regional indicator of general business activity. Some of the Chicago PMI's sub-indexes also provide insight on commodity prices and other clues on inflation. One should be aware that Kingsbury International, LTD releases the monthly report to those with private subscriptions three minutes prior to release to the media. This may account for occasional market activity just prior to public release.

This survey is somewhat local in nature - reflecting overall economic activity in the Chicago area. But many see the Chicago PMI as being representative of the overall economy.

Markets focus on the overall index - the Business Barometer which many refer to as the Chicago PMI. The breakeven point for the index is 50. Readings above 50 indicate positive growth while numbers below 50 indicate contraction. The farther the reading is from 50, the more rapid the pace of growth or decline.

Frequency
Monthly

Source
Kingsbury International, LTD and Institute for Supply Management - Chicago

Availability
Last business day of the month

Coverage
Data are for the current month. Data for June are released in June.

Revisions
No.

Construction Spending

Definition
The dollar value of new construction activity on residential, non-residential, and public projects. Data are available in nominal and real (inflation-adjusted) dollars.

Why Investors Care
Construction spending has a direct bearing on stocks, bonds and commodities because it is a part of the economy that is affected by interest rates, business cash flow and even federal fiscal policy. In a more specific sense, trends in the construction data carry valuable clues for the stocks of home builders and large-scale construction contractors. Commodity prices such as lumber are also very sensitive to housing industry trends.

Businesses only put money into the construction of new factories or offices when they are confident that demand is strong enough to justify the expansion. The same goes for individuals making the investment in a home.

A portion of construction spending is related to government projects such as education buildings as well a highways and streets. While investors are more concerned with private construction spending, the government projects put money in the hands of laborers who then have more money to spend on goods and services.

On a technical note, construction outlays for private residential, private nonresidential, and government are key inputs into three components of GDP--residential investment, nonresidential structures investment, and the structures portion of government expenditures.

That is why construction spending is a good indicator of the economy's momentum.

Frequency
Monthly

Source
Census Bureau, U.S. Department of Commerce

Availability
First week of the month

Coverage
Data are for two months prior to release month. Data for June are released in August.

Revisions
Yes

Consumer Confidence

Definition
The Conference Board compiles a survey of consumer attitudes on present economic conditions and expectations of future conditions. Five thousand consumers across the country are surveyed each month. While the level of consumer confidence is associated with consumer spending, the two do not move in tandem each and every month.

Why Investors Care
The pattern in consumer attitudes can be a key influence on stock and bond markets. Consumer spending drives two-thirds of the economy and if the consumer is not confident, the consumer will not be willing to pull out the big bucks. Confidence impacts consumer spending which affects economic growth. For stocks, strong economic growth translates to healthy corporate profits and higher stock prices. For bonds, the focus is whether economic growth goes overboard and leads to inflation. Ideally, the economy walks that fine line between strong growth and excessive (inflationary) growth. This balance was achieved through much of the nineties. For this reason alone, investors in the stock and bond markets enjoyed huge gains during the bull market of the 1990s. Consumer confidence did shift down in tandem with the equity market between 2000 and 2002 and then recovered in 2003 and 2004. More recently, the credit crunch and recession led confidence downward and consumer spending has been contracting in tandem.

Since consumer spending accounts for such a large portion of the economy, the markets are always eager to know what consumers are up to and how they might behave in the near future. The more confident consumers are about the economy and their own personal finances, the more likely they are to spend. It's easy to see how this index of consumer attitudes gives insight to the direction of the economy. Just note that changes in consumer confidence and retail sales don't move in tandem month by month.

Frequency
Monthly

Source
The Conference Board

Availability
Last week of the month

Coverage
Data are for same month as tje release month. Data for June are released in June.

Revisions
Yes

Consumer Price Index

Definition
The consumer price index is available nationally by expenditure category and by commodity and service group for all urban consumers (CPI-U) and wage earners (CPI-W). All urban consumers are a more inclusive group, representing about 87 percent of the population. The CPI-U is the more widely quoted of the two, although cost-of-living contracts for unions and Social Security benefits are usually tied to the CPI-W, because it has a longer history. Monthly variations between the two are slight.

The CPI is also available by size of city, by region of the country, for cross-classifications of regions and population-size classes, and for many metropolitan areas. The regional and city CPIs are often used in local contracts.

The Bureau of Labor Statistics also produces a chain-weighted index called the Chained CPI. This measures a variable basket of goods and services whereas the regular CPI-U and CPI-W measure a fixed basket of goods and services. The Chained CPI is similar to the personal consumption expenditure deflator that is closely monitored by the Federal Reserve Board.

Why Investors Care
The consumer price index is the most widely followed monthly indicator of inflation. An investor who understands how inflation influences the markets will benefit over those investors that do not understand the impact.

Inflation is an increase in the overall prices of goods and services. The relationship between inflation and interest rates is the key to understanding how indicators such as the CPI influence the markets-and your investments.

If someone borrows $100 dollars from you today and promises to repay it in one year with interest, how much interest should you charge? The answer depends largely on inflation as you know the $100 will not be able to buy the same amount of goods and services a year from now. The CPI tells us that prices rose 4.2 percent in the U.S. over 2007. To recoup your purchasing power, you would have to charge 4.2 percent interest. You might want to add one or two percentage points to cover default and other risks, but inflation remains the key factor behind the interest rate you charge.

Inflation (along with various risks) basically explains how interest rates are set on everything from your mortgage and auto loans to Treasury bills, notes and bonds. As the rate of inflation changes and as expectations on inflation change, the markets adjust interest rates. The effect ripples across stocks, bonds, commodities, and your portfolio, often in a dramatic fashion.

Importance
The consumer price index is the most widely followed monthly indicator of inflation. The CPI is considered a cost-of-living measure since it is used to adjust contracts of all types that are tied to inflation. Labor contracts are tied to changes in the CPI; Social Security payments are tied to the CPI; and even tax brackets are tied to the consumer price index.

For monetary policy, the Federal Reserve generally follows "headline" and "core" inflation. This latter measure excludes the volatile food and energy components. The Fed's preferred inflation measure is not the CPI but the personal consumption price index because it reflects what consumers are actually buying during any given period-the component weights are updated annually while those for the CPI are updated infrequently. However, the subcomponent price data of the CPI are used to compile the PCE price index (PCE prices are released almost two weeks after the CPI). Thus, the CPI and the PCE price index are inextricably linked. In the long run, the overall CPI and core CPI track each other.

Interpretation
The bond market will rally (fall) when increases in the CPI are small (large). The equity market rallies with the bond market because low inflation promises low interest rates and is good for profits.

Economic data tends to be volatile from month to month; the CPI is no exception. Large fluctuations in the consumer price index are often due to the food and energy components. Weather conditions affect both to a large extent. OPEC, the oil cartel, also affects energy prices. As a result, economists and financial market participants prefer to monitor the CPI excluding food and energy prices for its greater monthly stability. This is also referred to as the "core" CPI. Oddly enough, items that make part of the "core" also include discretionary goods and services. And while food and energy prices are excluded because of their monthly volatility, what can be more "core" than food and energy? Food and energy prices account for a little more than one-fifth of the CPI.

The consumer price index has evolved over time as consumer expenditures changed. Commodities now make up only 40 percent of the index and the remaining 60 percent are services. It is useful to monitor goods and services separately since prices of goods are more volatile than prices of services.

Usually, when investors refer to the real rate of interest, they use the year-over-year rise in the CPI to subtract from an interest rate, such as the 10-year Treasury note. Consumer prices rose 2.5 percent from June 2004 to June 2005; the 10-year Treasury note averaged 4.0 percent in June 2005. The Treasury yield less the inflation rate put the real interest rate at 1.5 percent for the month.

Frequency
Monthly

Source
Bureau of Labor Statistics (BLS), U.S. Department of Labor

Availability
Around mid-month.

Coverage
Data are for one month prior to release month. Data for June are released in July.

Revisions
No

Consumer Credit

Definition
The dollar value of consumer installment credit outstanding. Changes in consumer credit indicate the state of consumer finances and portend future spending patterns.

Why Investors Care
Growth in consumer credit can hold positive or negative implications for the economy and markets. Economic activity is stimulated when consumers borrow within their means to buy cars and other major purchases. On the other hand, if consumers pile up too much debt relative to their income levels, they may have to stop spending on new goods and services just to pay off old debts. That could put a big dent in economic growth.

The demand for credit also has a direct bearing on interest rates. If the demand to borrow money exceeds the supply of willing lenders, interest rates rise. If credit demand falls and many willing lenders are fighting for customers, they may offer lower interest rates to attract business.

Financial market players focus less attention on this indicator because it is reported with a long lag relative to other consumer information. Long term investors who do pay attention to this report will have a greater understanding of consumer spending ability. This will give them a lead on investment alternatives. Also, during times of distress in credit markets, consumer credit can give an idea about how willing banks are willing to lend.

Frequency
Monthly

Source
Federal Reserve Board of Governors

Availability
Around the fifth business day of each month.

Coverage
Data are for two months prior to release month. Data for June are released in August.

Revisions
Yes

Consumer Sentiment

Definition
The University of Michigan's Consumer Survey Center questions 500 households each month on their financial conditions and attitudes about the economy. Consumer sentiment is directly related to the strength of consumer spending. Consumer confidence and consumer sentiment are two ways of talking about consumer attitudes. Among economic reports, consumer sentiment refers to the Michigan survey while consumer confidence refers to The Conference Board's survey.

Why Investors Care
The pattern in consumer attitudes and spending is often the foremost influence on stock and bond markets. For stocks, strong economic growth translates to healthy corporate profits and higher stock prices. For bonds, the focus is whether economic growth goes overboard and leads to inflation. Ideally, the economy walks that fine line between strong growth and excessive (inflationary) growth. This balance was achieved through much of the nineties. For this reason alone, investors in the stock and bond markets enjoyed huge gains during the bull market of the 1990s. Consumer confidence did shift down in tandem with the equity market between 2000 and 2002 and then recovered in 2003 and 2004. More recently, the credit crunch and surge in gasoline prices led confidence downward in 2007. Despite a drop in gasoline prices, 2008 saw sentiment near record lows due to recession, a precipitous fall in stock prices, and fragile credit markets. However, consumer sentiment helped to confirm the easing of recession during 2009 as this index slowly rose from earlier lows.

Consumer spending accounts for more than two-thirds of the economy, so the markets are always dying to know what consumers are up to and how they might behave in the near future. The more confident consumers are about the economy and their own personal finances, the more likely they are to spend. With this in mind, it's easy to see how this index of consumer attitudes gives insight to the direction of the economy. Just note that changes in consumer confidence and retail sales don't move in tandem month by month.

Frequency
Monthly

Source
The Institute for Social Research (ISR) of the University of Michigan and jointly distributed with Thomson Reuters.

Availability
Twice monthly. Preliminary estimates for a month are released at mid-month. Final estimates for a month are released near the end of the month.

Coverage
Data are for the same month as the release month. Data for June are released in June.

Revisions
Yes

Durable Goods Orders

Definition
Durable goods orders reflect the new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods. The first release, the advance, provides an early estimate of durable goods orders. About two weeks later, more complete and revised data are available in the factory orders report. The data for the previous month are usually revised a second time upon the release of the new month's data.

Durable goods orders are available nationally by both industry and market categories. A new order is accompanied by a legally binding agreement to purchase for immediate or future delivery. Advance durable goods orders no longer include data on semiconductors since semiconductor manufacturers stopped releasing this information to the Census Bureau.

The advance durable goods report also contains information on shipments, unfilled orders and inventories. Shipments represent deliveries made, valued at net selling price after discounts and allowances, excluding freight charges and excise taxes. Semiconductor data are available for shipments and inventories. Unfilled orders are those received but not yet delivered.

In 2001, the Census Bureau shifted from the standard industrial classification (SIC) system to the North American Industrial Classification System (NAICS). This caused some realignment of major industry classifications. Given the significant revisions incurred, the historical data now begin in 1992.

Why Investors Care

Investors want to keep their finger on the pulse of the economy because it usually dictates how various types of investments will perform. Rising equity prices thrive on growing corporate profits - which in turn stem from healthy economic growth. Healthy economic growth is not necessarily a negative for the bond market, but bond investors are highly sensitive to inflationary pressures. When the economy is growing too quickly and can't meet demand, it can pave the road for inflation. By tracking economic data such durable goods orders, investors will know what the economic backdrop is for these markets and their portfolios.

Orders for durable goods show how busy factories will be in the months to come, as manufacturers work to fill those orders. The data not only provide insight to demand for items such as refrigerators and cars, but also business investment such as industrial machinery, electrical machinery and computers. If companies commit to spending more on equipment and other capital, they are obviously experiencing sustainable growth in their business. Increased expenditures on investment goods set the stage for greater productive capacity in the country and reduce the prospects for inflation.

Durable goods orders tell investors what to expect from the manufacturing sector, a major component of the economy, and therefore a major influence on their investments.

Importance

Durable goods orders are a leading indicator of industrial production and capital spending.

Interpretation

The bond market will rally (fall) when durable goods orders are weak (strong). A moderately healthy report for new orders bodes well for corporate profits and the stock market, however. Durable goods orders are one of the most volatile economic indicators reported in the month and this series can be revised by significant amounts from one month to the next. More than any other indicator, it is imperative to follow either three-month moving averages of the monthly levels or year-over-year percent changes. These adjustments smooth out the monthly variability and provide a clearer picture of the trend in the manufacturing sector.

Whenever economic indicators are particularly volatile, it becomes customary to exclude the more variable components from the total. For instance, market players exclude defense orders and transportation orders from durable goods because these fluctuate more than the overall total. Incidentally, aircraft orders are the guilty culprit, which are included in both of these categories. Airplanes are ordered in quantity, not one at a time. Analysts exclude the categories containing aircraft orders because they obscure the underlying trend, not because the aircraft industry is unimportant.

Economists closely watch nondefense capital goods orders as a leading indicator of capital spending. Aircraft can be excluded to increase the stability of the series.

Durable goods orders are measured in nominal dollars. Economic performance depends on real, rather than nominal growth rates. One can compare the trend growth rate in durable goods orders with that of the PPI for finished goods to assess the growth rate in real orders.

Frequency

Monthly.

Source
Bureau of the Census, U.S. Department of Commerce.

Availability
Usually during the fourth week of the month.

Coverage
Data are for the previous month. Data for June are released in July.

Revisions
Yes.

EIA Petroleum Status Report

Definition
The Energy Information Administration (EIA) provides weekly information on petroleum inventories in the U.S., whether produced here or abroad. The level of inventories helps determine prices for petroleum products.

Why Investors Care
Petroleum product prices are determined by supply and demand - just like any other good and service. During periods of strong economic growth, one would expect demand to be robust. If inventories are low, this will lead to increases in crude oil prices - or price increases for a wide variety of petroleum products such as gasoline or heating oil. If inventories are high and rising in a period of strong demand, prices may not need to increase at all, or as much. During a period of sluggish economic activity, demand for crude oil may not be as strong. If inventories are rising, this may push down oil prices.

Crude oil is an important commodity in the global market. Prices fluctuate depending on supply and demand conditions in the world. Since oil is such an important part of the economy, it can also help determine the direction of inflation. In the U.S. consumer prices have moderated whenever oil prices have fallen, but have accelerated when oil prices have risen.

Source
Energy Information Administration (EIA), U.S. Department of Energy.

Availability
Wednesdays, except on federal holidays.

Coverage
Each weekly report has data for the week ending the previous Friday.

Revisions
No.

Frequency
Weekly

Empire State Mfg Survey

Definition
The New York Fed conducts this monthly survey of manufacturers in New York State. Participants from across the state represent a variety of industries. On the first of each month, the same pool of roughly 175 manufacturing executives (usually the CEO or the president) is sent a questionnaire to

report the change in an assortment of indicators from the previous month. Respondents also give their views about the likely direction of these same indicators six months ahead.

Why Investors Care
Investors track economic data like the Empire State Manufacturing Survey to understand the economic backdrop for the various markets. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market prefers a moderate growth environment that won't generate inflationary pressures. The Empire Manufacturing Survey gives a detailed look at New York state's manufacturing sector, how busy it is and where things are headed. Since manufacturing is a major sector of the economy, this report has a big influence on the markets. Some of the Empire State Survey sub-indexes also provide insight on commodity prices and other clues on inflation. The Federal Reserve closely watches this report because when inflation signals are flashing, policymakers can reset the direction of interest rates. As a consequence, the bond market can be highly sensitive to this report. The equity market is also sensitive to this report because it is the first clue on the nation's manufacturing sector, reported in advance of the Philadelphia Fed's business outlooks survey, the NAPM-Chicago index and the ISM manufacturing index.

Frequency
Monthly.

Source
Federal Reserve Bank of New York.

Availability
The 15th of the month or next business day if the 15th is on a weekend or holiday.

Coverage
Data are for the same month as the release month. Data for June are released in June.

Revisions
No.

Employment Cost Index

Definition
A measure of total employee compensation costs, including wages and salaries as well as benefits. The employment cost index (ECI) is the broadest measure of labor costs.

Why Investors Care
The employment cost index is an easy way to evaluate wage trends and the risk of wage inflation. Wage inflation is high on the Federal Reserve's enemy list. Fed officials are always on the lookout for the prospects of inflationary pressures. Wage pressures tend to percolate when economic activity is booming and the demand for labor is rising rapidly. During economic downturns, wage pressures tend to be subdued because labor demand is down.

By tracking labor costs, investors can gain a sense of whether businesses will feel the need to raise prices. If wage inflation threatens, it's a good bet that interest rates will rise, bond and stock prices will fall, and the only investors in a good mood will be the ones who tracked the employment cost index and adjusted their portfolios to anticipate these events.

Frequency
Quarterly

Source
Bureau of Labor Statistics (BLS), U.S. Department of Labor.

Availability
Last week of the month

Coverage
Data are released the first month of the following quarter of the reference quarter. First quarter data are released in April.

Revisions
No.

Existing Home Sales

Definition
Existing home sales tally the number of previously constructed homes, condominium and co-ops in which a sale closed during the month. Existing homes (also known as home resales) account for a larger share of the market than new homes and indicate housing market trends. (National Association of Realtors)

Why Investors Care
This provides a gauge of not only the demand for housing, but the economic momentum. People have to be feeling pretty comfortable and confident in their own financial position to buy a house. Furthermore, this narrow piece of data has a powerful multiplier effect through the economy, and therefore across the markets and your investments. By tracking economic data such as home resales, investors can gain specific investment ideas as well as broad guidance for managing a portfolio.

Even though home resales don't always create new output, once the home is sold, it generates revenues for the realtor. It brings a myriad of consumption opportunities for the buyer.

Refrigerators, washers, dryers and furniture are just a few items home buyers might purchase. The economic "ripple effect" can be substantial especially when you think a hundred thousand new households around the country are doing this every month.

Since the economic backdrop is the most pervasive influence on financial markets, home resales have a direct bearing on stocks, bonds and commodities. In a more specific sense, trends in the existing home sales data carry valuable clues for the stocks of home builders, mortgage lenders and home furnishings companies.

Frequency
Monthly.

Source
National Association of Realtors.

Availability
On or about the 25th of the month.

Coverage
Data are for the previous month. Data for June are released in July.

Revisions
Yes.

Factory Orders

Definition
Factory orders represent the dollar level of new orders for both durable and nondurable goods. This report gives more complete information than the advance durable goods report which is released one

or two weeks earlier in the month.

Why Investors Care
Investors want to keep their fingers on the pulse of the economy because it usually dictates how various types of investments will perform. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market prefers more moderate growth which is less likely to cause inflationary pressures. By tracking economic data like factory orders, investors will know what the economic backdrop is for these markets and their portfolios. The orders data show how busy factories will be in coming months as manufacturers work to fill those orders. This report provides insight to the demand for not only hard goods such as refrigerators and cars, but nondurables such as cigarettes and apparel. In addition to new orders, analysts monitor unfilled orders, an indicator of the backlog in production. Shipments reveal current sales. Inventories give a handle on the strength of current and future production. All in all, this report tells investors what to expect from the manufacturing sector, a major component of the economy and therefore a major influence on their investments.

Frequency
Monthly.

Source
Bureau of the Census, U.S. Department of Commerce.

Availability
First week of the month.

Coverage
Data are for two months prior to release month. Data for June are released in August.

Revisions
Yes.

FOMC Meeting Announcement

Definition
The Federal Open Market Committee (FOMC) is the policy-making arm of the Federal Reserve. It determines short-term interest rates in the U.S. when it decides the overnight rate that banks pay each other for borrowing reserves when a bank has a shortfall in required reserves. This rate is the fed funds rate. The FOMC also determines whether the Fed should add or subtract liquidity in credit markets separately from that related to changes in the fed funds rate. The Fed announces its policy decision (typically whether to change the fed funds target rate) at the end of each FOMC meeting. This is the FOMC announcement. The announcement also includes brief comments on the FOMC's views on the economy and how many FOMC members voted for and how many voted against the policy decision.

Why Investors Care
The Fed determines interest rate policy at FOMC meetings. These occur roughly every six weeks and are the single most influential event for the markets. For weeks in advance, market participants speculate about the possibility of an interest rate change at these meetings. If the outcome is different from expectations, the impact on the markets can be dramatic and far-reaching.

The interest rate set by the Fed, the federal funds rate, serves as a benchmark for all other rates. A change in the fed funds rate, the lending rate banks charge each other for the use of overnight funds, translates directly through to all other interest rates from Treasury bonds to mortgage loans. It also changes the dynamics of competition for investor dollars. When bonds yield 5 percent, they will attract more money away from stocks then when they only yield 3 percent.

The level of interest rates affects the economy. Higher interest rates tend to slow economic activity; lower interest rates stimulate economic activity. Either way, interest rates influence the sales environment. In the consumer sector, few homes or cars will be purchased when interest rates rise. Furthermore, interest rate costs are a significant factor for many businesses, particularly for companies with high debt loads or who have to finance high inventory levels. This interest cost has a direct impact on corporate profits. The bottom line is that higher interest rates are bearish for the stock market, while lower interest rates are bullish.

Econoday lists a separate "FOMC Meeting Begins" only for the first day of two-day policy meetings. Otherwise, "FOMC Meeting Announcement" serves the same purpose for one-day FOMC meetings since the announcement takes place just after the meeting concludes.

Frequency
Eight times a year

Source
Federal Reserve Board of Governors

Availability
FOMC meetings are scheduled for eight times a year, typically for late January, mid-March, late April, late June, mid-August, late September, early November, and mid-December

Coverage
Not applicable.

Revisions
Not applicable.

FOMC Minutes

Definition
The Federal Open Market Committee issues minutes of its meetings with a lag. The minutes of the previous meeting are reported three weeks after the meeting.

Why Investors Care
The FOMC has changed dramatically in the transparency of its operations. It now discloses policy changes at the end of each meeting. Historically, the Fed used to keep investors guessing about policy changes and Fed officials did not appear on the speaking circuit as frequently as they do now.

Since the Fed moved up the release of the minutes to three weeks after a meeting from six in January 2005, the minutes have become a market mover as analysts parse each word looking for clues to policy. However, the minutes do include the complete economic analysis compiled by Fed officials and whether or not any FOMC members have voiced opinions at odds with the rest of the group.

Also, the FOMC minutes now include quarterly economic forecasts by the Fed. On November 20, 2007, the Federal Reserve changed its policy of how frequently and when it would release its forecasts. The Fed will now releases economic projections four times a year (every other FOMC meeting). Projections made by members of the Board of Governors and Federal Reserve Bank presidents will be published with the minutes of the FOMC meetings scheduled for January, April, June, and October. The forecasts released at the end of January and at the end of June become part of the Fed's semi-annual monetary policy report to Congress. The quarterly forecasts can be market movers.

Investors who want a more detailed description of Fed opinions will generally read the minutes closely. However, the Fed discloses its official view at the end of each FOMC meeting with a public statement. Fed officials make numerous speeches, which freely give their views to the public at large.

Frequency
Eight times year

Source
Federal Reserve Board of Governors

Availability
The FOMC minutes are released three weeks to the day after the conclusion of each FOMC meeting. FOMC meetings are scheduled for eight times a year, typically for late January, mid-March, late April, late June, mid-August, late September, early November, and mid-December

Coverage
Not applicable.

Revisions
Not applicable.

GDP

Definition
GDP represents the total value of the country's production during the period and consists of the purchases of domestically-produced goods and services by individuals, businesses, foreigners and government entities. Data are available in nominal and real (inflation-adjusted) dollars, as well as in index form. Economists and market players always monitor the real growth rates generated by the GDP quantity index or the real dollar value. The quantity index measures inflation-adjusted activity, but we are more accustomed to looking at dollar values.

Individuals purchase personal consumption expenditures -- durable goods (such as furniture and cars), nondurable goods (such as clothing and food) and services (such as banking, education and transportation).

Private housing purchases are classified as residential investment. Businesses invest in nonresidential structures, durable equipment and computer software. Inventories at all stages of production are counted as investment. Only inventory changes, not levels, are added to GDP.

Net exports equal the sum of exports less imports. Exports are the purchases by foreigners of goods and services produced in the United States. Imports represent domestic purchases of foreign-produced goods and services and must be deducted from the calculation of GDP.

Government purchases of goods and services are the compensation of government employees and purchases from businesses and abroad. Data show the portion attributed to consumption and investment. Government outlays for transfer payments or interest payments are not included in GDP.

The GDP price index is a comprehensive indicator of inflation. It is typically lower than the consumer price index because investment goods (which are in the GDP price index but not the CPI) tend have lower rates of inflation than consumer goods and services.

Why Investors Care
GDP is the all-inclusive measure of economic activity. Investors need to closely track the economy because it usually dictates how investments will perform. Investors in the stock market like to see healthy economic growth because robust business activity translates to higher corporate profits. Bond investors are more highly sensitive to inflation and robust economic activity could potentially pave the road to inflation. By tracking economic data such as GDP, investors will know what the economic backdrop is for these markets and their portfolios.

The GDP report contains a treasure-trove of information which not only paints an image of the overall economy, but tells investors about important trends within the big picture. GDP components such as consumer spending, business and residential investment, and price (inflation) indexes illuminate the economy's undercurrents, which can translate to investment opportunities and guidance in managing a portfolio.

Importance
Gross domestic product is the country's most comprehensive economic scorecard.

Interpretation
When gross domestic product expands more (less) rapidly that its potential, bond prices fall (rise). Healthy GDP growth usually translates into strong corporate earnings, which bode well for the stock market.

The four major categories of GDP -- personal consumption expenditures, investment, net exports and government -- all reveal important information about the economy and should be monitored separately. One can thus determine the strengths and weaknesses of the economy in order to assess alternatives and make appropriate financial investment decisions.

Economists and financial market participants monitor final sales -- GDP less the change in business inventories. When final sales are growing faster than inventories, this points to increases in production in months ahead. Conversely, when final sales are growing more slowly than inventories, they signal a slowdown in production.

It is useful to distinguish between private demand versus growth in government expenditures. Market players discount growth in the government sector because it depends on fiscal policy rather than economic conditions.

Market participants view increased expenditures on investment favorably because they expand the productive capacity of the country. This means that we can produce more without inciting inflationary pressures.

Net exports are a drag on total GDP because the United States regularly imports more than it exports, that is, net exports are in deficit. When the net export deficit becomes less negative, it adds to growth because a smaller amount is subtracted from GDP. When the deficit widens, it subtracts even more from GDP.

Gross domestic product is subject to some quarterly volatility, so it is appropriate to follow year-over-year percent changes, to smooth out this variation.

Frequency
Quarterly.

Source
Bureau of Economic Analysis (BEA), U.S. Department of Commerce.

Availability
Usually during the fourth week of the month.

Coverage
Data are for the prior quarter. Data released in April are for the first quarter. Each quarter's data are revised in each of the following two months after the initial release.

Revisions
Yes.

Housing Market Index

Definition
The National Association of Home Builders produces a housing market index based on a survey in which respondents from this organization are asked to rate the general economy and housing market

conditions. The housing market index is a weighted average of separate diffusion indexes: present sales of new homes, sale of new homes expected in the next six months, and traffic of prospective buyers in new homes.

Why Investors Care
This report provides a gauge of not only the demand for housing, but the economic momentum. People have to be feeling pretty comfortable and confident in their own financial position to buy a house. Furthermore, this narrow piece of data has a powerful multiplier effect through the economy, and therefore across the markets and your investments. By tracking economic data such as the housing market index, investors can gain specific investment ideas as well as broad guidance for managing a portfolio. Whether the housing market index reflects new home sales or home resales, once a home is sold, it generates revenues for the realtor and the builder. It brings a myriad of consumption opportunities for the buyer. Refrigerators, washers, dryers and furniture are just a few items home buyers might purchase. The economic "ripple effect" can be substantial especially when you think a hundred thousand new households around the country are doing this every month. Since the economic backdrop is the most pervasive influence on financial markets, home sales have a direct bearing on stocks, bonds and commodities. In a more specific sense, trends in the existing home sales data carry valuable clues for the stocks of home builders, mortgage lenders and home furnishings companies.

Frequency
Monthly.

Source
National Association of Home Builders/Wells Fargo.

Availability
Mid-month, one day prior to the housing starts report.

Coverage
Data are for the same month as the release. June data are released in mid-June.

Revisions
No.

Housing Starts

Definition
A housing start is registered at the start of construction of a new building intended primarily as a residential building. The start of construction is defined as the beginning of excavation of the foundation for the building.

Why Investors Care
Two words...Ripple Effect. This narrow piece of data has a powerful multiplier effect through the economy, and therefore across the markets and your investments. By tracking economic data such as housing starts, investors can gain specific investment ideas as well as broad guidance for managing a portfolio.

Home builders usually don't start a house unless they are fairly confident it will sell upon or before its completion. Changes in the rate of housing starts tell us a lot about demand for homes and the outlook for the construction industry. Furthermore, each time a new home is started, construction employment rises, and income will be pumped back into the economy. Once the home is sold, it generates revenues for the home builder and a myriad of consumption opportunities for the buyer. Refrigerators, washers and dryers, furniture, and landscaping are just a few things new home buyers might spend money on, so the economic "ripple effect" can be substantial especially when you think of it in terms of more than a hundred thousand new households around the country doing this every month.

Since the economic backdrop is the most pervasive influence on financial markets, housing starts have a direct bearing on stocks, bonds and commodities. In a more specific sense, trends in the housing starts data carry valuable clues for the stocks of home builders, mortgage lenders, and home furnishings companies. Commodity prices such as lumber are also very sensitive to housing industry trends.

Importance
The housing starts report is the most closely followed report on the housing sector. Housing starts reflect the commitment of builders to new construction activity. Purchases of household furnishings and appliances quickly follow.

Interpretation
The bond market will rally when housing starts decrease, but bond prices will fall when housing starts post healthy gains. A strong housing market is bullish for the stock market because the ripple effect of housing to consumer durable purchases spurs corporate profits. In turn, low interest rates encourage housing construction.

The level as well as changes in housing starts reveals residential construction trends. Housing starts are subject to substantial monthly volatility, especially during winter months. It takes several months to establish a trend. Thus, it is useful to look at a 5-month moving average (centered) of housing starts.

It is useful to examine the trends in construction activity for single homes and multi-family units separately because they can deviate significantly. Single-family home-building is larger and less volatile than multi-family construction. It is more sensitive to interest rate changes and less speculative in nature. The construction of multi-family units can be substantially influenced by changes in the tax code and speculative real estate investors.

Housing construction varies by region as well. The regions of the United States don't all follow exactly the same economic patterns because industry concentration varies in the four major regions of the country. The regional dispersion can mask underlying trends. The total level of housing construction as well as the regional distribution of housing construction is important.

Housing permits are released together with housing starts every month and are considered a leading indicator of starts. In reality, housing permits and starts typically move in tandem each month. However, there are some exceptions. For instance, if permits are issued late in the month, and weather does not permit immediate excavation, then permits might lead starts. For the most part, though, permits are not a good predictor of future housing starts. Incidentally, housing permits (but not starts) are one of the ten components of the index of leading indicators compiled by The Conference Board.

Frequency
Monthly.

Source
U.S. Census Bureau, U.S. Department of Commerce and U.S. Department of Housing & Urban Development.

Availability
Usually during the third week of the month.

Coverage
Data are for the previous month. Data for June are released in July.

Revisions
Yes.

ICSC-Goldman Store Sales

Definition
This weekly measure of comparable store sales at major retail chains, published by the International Council of Shopping Centers, is related to the general merchandise portion of retail sales. It accounts for roughly 10 percent of total retail sales.

Why Investors Care
Consumer spending accounts for more than two-thirds of the economy, so if you know what consumers are up to, you'll have a pretty good handle on where the economy is headed. Needless to say, that's a big advantage for investors.

The pattern in consumer spending is often the foremost influence on stock and bond markets. For stocks, strong economic growth translates to healthy corporate profits and higher stock prices. For bonds, the focus is whether economic growth goes overboard and leads to inflation. Ideally, the economy walks that fine line between strong growth and excessive (inflationary) growth. This balance was achieved through much of the nineties. For this reason alone, investors in the stock and bond markets enjoyed huge gains during the bull market of the 1990s. Spending at major retail chains did slow down in tandem with the equity market in 2000 and during the 2001 recession. Sales weakened again in 2008 and 2009 due to the credit crunch and recession.

The ICSC-Goldman index is one of the more timely indicators of consumer spending, since it is reported every week. It gets extra attention around the holiday season when retailers make most of their profits. It is also a useful indicator when special factors can cause economic activity to momentarily slide. For instance, it was widely watched in the aftermath of Hurricanes Katrina and Rita which hit New Orleans and the Gulf Coast in 2005. The ICSC-Goldman Sachs store sales series previously was known as ICSC-UBS before Goldman Sach's involvement with ICSC. The name change took place with the September 30, 2008 release.

Frequency
Weekly

Source
International Council of Shopping Centers (ICSC) and Goldman Sachs

Availability
Tuesdays

Coverage
Week-ending Saturday before the release.

Revisions
No

Frequency
Weekly

Industrial Production

Definition
The index of industrial production is available nationally by market and industry groupings. The major groupings are comprised of final products (such as consumer goods, business equipment and construction supplies), intermediate products and materials. The industry groupings are manufacturing (further subdivided into durable and nondurable goods), mining and utilities. The capacity utilization rate -- reflecting the resource utilization of the nation's output facilities -- is available for the same market and industry groupings.

Industrial production was also revised to NAICS (North American Industry Classification System) in the early 2000s. Unlike other economic series that lost much historical data prior to 1992, the Federal Reserve Board was able to reconstruction historical data that go back more than 30 years.

Why Investors Care
Investors want to keep their finger on the pulse of the economy because it usually dictates how various types of investments will perform. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market prefers more subdued growth that won't lead to inflationary pressures. By tracking economic data such as industrial production, investors will know what the economic backdrop is for these markets and their portfolios.

The index of industrial production shows how much factories, mines and utilities are producing. The manufacturing sector accounts for less than 20 percent of the economy, but most of its cyclical variation. Consequently, this report has a big influence on market behavior. In any given month, one can see whether capital goods or consumer goods are growing more rapidly. Are manufacturers still producing construction supplies and other materials? This detailed report shows which sectors of the economy are growing and which are not.

The capacity utilization rate provides an estimate of how much factory capacity is in use. If the utilization rate gets too high (above 85 percent), it can lead to inflationary bottlenecks in production. The Federal Reserve watches this report closely and sets interest rate policy on the basis of whether production constraints are threatening to cause inflationary pressures. As such, the bond market can be highly sensitive to changes in the capacity utilization rate. In this global environment, though, global capacity constraints may matter as much as domestic capacity constraints.

Importance
Industrial production and capacity utilization indicate not only trends in the manufacturing sector, but also whether resource utilization is strained enough to forebode inflation. Also, industrial production is an important measure of current output for the economy and helps to define turning points in the business cycle (start of recession and start of recovery).

Interpretation
The bond market will rally with slower production and a lower utilization rate. Bond prices will fall when production is robust and the capacity utilization rate suggests supply bottlenecks. Healthy production growth is bullish for the stock market only if it isn't accompanied by indications of inflationary pressures.

The production of services may have gained prominence in the United States, but the production of manufactured goods remains a key to the economic business cycle. A nation's strength is judged by its ability to produce domestically those goods demanded by its residents as well as by importers. Many services are necessities of daily life and would be purchased whether economic conditions were weak or strong. Consumer durable goods and capital equipment are more likely purchased when the economy is robust. Production of manufactured goods causes volatility in the economy. When demand for manufactured goods decreases, it leads to less production with corresponding declines in employment and income.

The three most significant sectors include motor vehicles and parts, aircraft and information technology. Volatility in any these single sectors could affect the total. In the 1990s, high tech production regularly posted year-over-year gains of 40 to 60 percent. After the 2001 recession, year-over-year gains moderated to 20 percent. Motor vehicle and aircraft production growth didn't match this high pace even in the best of times.

Industrial production is subject to some monthly variation. As with all economic statistics, the three-month moving average of the monthly changes or year over year percent changes provide a clearer picture of the trend in this series.

Frequency
Monthly.

Source
Federal Reserve Board of Governors.

Availability
Usually mid- month.

Coverage
Data are for the previous month. Data for June are released in July.

Revisions
Yes.

International Trade

Definition
International trade is composed of merchandise (tangible goods) and services. It is available nationally by export, import and trade balance. Merchandise trade is available by export, import and trade balance for six principal end-use commodity categories and for more than one hundred principal Standard International Trade Classification (SITC) system commodity groupings. Data are also available for 36 countries and geographic regions. Detailed information is reported on oil and motor vehicle imports. Services trade is available by export, import and trade balance for seven principal end-use categories.

Why Investors Care
Changes in the level of imports and exports, along with the difference between the two (the trade balance) are a valuable gauge of economic trends here and abroad. While these trade figures can directly impact all financial markets, they primarily affect the value of the dollar in the foreign exchange market.

Imports indicate demand for foreign goods and services here in the U.S. Exports show the demand for U.S. goods in countries overseas. The dollar can be particularly sensitive to changes in the chronic trade deficit run by the United States, since this trade imbalance creates greater demand for foreign currencies. The bond market is also sensitive to the risk of importing inflation. This report gives a breakdown of U.S. trade with major countries as well, so it can be instructive for investors who are interested in diversifying globally. For example, a trend of accelerating exports to a particular country might signal economic strength and investment opportunities in that country.

Importance
The international trade balance on goods and services is the major indicator for foreign trade. While the trade balance (deficit) is small relative to the size of the economy (although it has increased over the years), changes in the trade balance can be quite substantial relative to changes in economic output from one quarter to the next. Measured separately, inflation-adjusted imports and exports are important components of aggregate economic activity, representing approximately 17 and 12 percent of real GDP, respectively.

Interpretation
Market reaction to this report is complex. Typically, the smaller the trade deficit, the more bullish for the dollar. Also, stronger exports are bullish for corporate earnings and the stock market.

Both the level and changes in the level of international trade indicate relevant information about the trends in foreign trade. Like most economic indicators, the trade balance is subject to substantial monthly variability, especially when oil prices change. It is more appropriate to follow either three-month or 12-month moving averages of the monthly levels.

It is also useful to examine the trend growth rates for exports and imports separately because they can deviate significantly. Trends in export activity reflect both the competitive position of American industry and the strength of domestic and foreign economic activity. U.S. exports will grow when: 1) U.S. product prices are lower than foreign product prices; 2) the value of the dollar is relatively weaker than that of foreign currencies; 3) foreign economies are growing rapidly.

Imports will increase when: 1) foreign product prices are lower than prices of domestically-produced goods; 2) the value of the dollar is stronger than that of other currencies; 3) domestic demand for goods and services is robust.

The international trade report does show bilateral trade balances with our major trading partners. Since the value of the dollar versus various foreign currencies does not always move in tandem, we can see a narrower or wider trade deficit with different countries. In the 1980s and 1990s, the U.S. trade deficit with Japan often caused political problems. In the 2000s, the trade deficit with Japan is now smaller, but the U.S. trade deficit with China is growing rapidly. While American consumers benefit from weak imports, American workers often lose their jobs as these goods are no longer produced in the United States. Ideally, the United States would be exporting (high end) goods that other countries don't produce.

Frequency
Monthly.

Source
Bureau of Economic Analysis (BEA) and Bureau of the Census; U.S. Department of Commerce.

Availability
Usually mid-month.

Coverage
Coverage Data are for two months back. Data for June are released in August.

Revisions
Yes.

ISM Mfg Index

Definition
The ISM manufacturing composite index is a diffusion index calculated from five of the eleven sub-components of a monthly survey of purchasing managers at roughly 300 manufacturing firms from 21 industries in all 50 states. The survey queries purchasing managers about the general direction of production, new orders, order backlogs, their own inventories, customer inventories, employment, supplier deliveries, exports, imports, and prices. The five components of the composite index are new orders, production, employment, supplier deliveries, and inventories (their own, not customer inventories). The five components are equally weighted. The questions are qualitative rather than quantitative; that is, they ask about the general direction, rather than the specific level, of business. Each question is transformed into a diffusion index which is calculated by adding the percentage of positive responses to one-half of the unchanged responses. Five components are weighted to form the composite.

Why Investors Care
Investors need to keep their fingers on the pulse of the economy because it dictates how various types of investments will perform. By tracking economic data such as the ISM manufacturing index, investors will know what the economic backdrop is for the various markets. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market prefers less rapid growth and is extremely sensitive to whether the economy is growing too quickly and causing potential inflationary pressures.

The ISM manufacturing data give a detailed look at the manufacturing sector, how busy it is and where things are headed. Since the manufacturing sector is a major source of cyclical variability in the economy, this report has a big influence on the markets. More than one of the ISM sub-indexes provides insight on commodity prices and clues regarding the potential for developing inflation. The Federal Reserve keeps a close watch on this report that helps it to determine the direction of interest rates when inflation signals are flashing in these data. As a result, the bond market is highly sensitive to this report.

Importance
The ISM manufacturing composite index indicates overall factory sector trends. The relevance of this indicator is enhanced by the fact that it is available very early in the month and not subject to revision.

Interpretation
The bond market will rally (fall) when the ISM manufacturing index is weaker (stronger) than expected. Equity markets prefer lower interest rates and could rally with the bond market. However, a healthy manufacturing sector, indicated by rising ISM index levels, bodes well for corporate earnings and is bullish for the stock market.

The level of the ISM manufacturing index indicates whether manufacturing and the overall economy are growing or declining. Historically, readings of 50 percent or above are associated with an expanding manufacturing sector and healthy GDP growth overall. Readings below 50 indicate a contracting manufacturing sector but overall GDP growth is still positive until the ISM index falls below 42.7. Readings in between these two levels suggest that manufacturing is declining while GDP is still growing but only very slowly.

In addition to the ISM manufacturing composite index, the various sub-components contain useful information about manufacturing activity. The production component is related to industrial production, new orders to durable goods orders, employment to factory payrolls, prices to producer prices, export orders to merchandise trade exports and import orders to merchandise imports.

Vendor (supplier) deliveries are a component of The Conference Board's index of leading indicators. The more slowly orders are filled and delivered, the stronger the economic growth and the greater the potential for inflation. When orders are filled quickly, it means that producers don't have as many to fill.

The ISM manufacturing composite index and its sub-components can be subject to some monthly volatility, making the three-month average of the monthly levels more indicative of the trend.

Frequency
Monthly.

Source
Institute for Supply Management.

Availability
The first business day of the month.

Coverage
Data are for the previous month. Data for June are released in July.

Revisions
No.

ISM Non-Mfg Index

Definition
The non-manufacturing ISM surveys nearly 400 firms from 60 sectors across the United States, including agriculture, mining, construction, transportation, communications, wholesale trade and retail trade.

Why Investors Care
Investors need to keep their fingers on the pulse of the economy because it dictates how various

types of investments will perform. By tracking economic data like the ISM non-manufacturing survey's composite index, investors will know what the economic backdrop is for the various markets. The non-manufacturing composite index has four equally weighted components: business activity, new orders, employment, and supplier deliveries. The ISM did not begin publishing the composite index until the release for January 2008. Prior to 2008, markets focused on the business activity index. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market prefers less rapid growth and is extremely sensitive to whether the economy is growing too quickly-and causing potential inflationary pressures. While the ISM manufacturing index has a long history that dates to the 1940s, this relatively new report goes back to 1998.

Frequency
Monthly.

Source
Institute for Supply Management.

Availability
The third business day of the month.

Coverage
Data are for the previous month. Data for June are released in July.

Revisions
No.

Jobless Claims

Definition
New unemployment claims are compiled weekly to show the number of individuals who filed for unemployment insurance for the first time. An increasing (decreasing) trend suggests a deteriorating (improving) labor market. The four-week moving average of new claims smoothes out weekly volatility.

Why Investors Care
Jobless claims are an easy way to gauge the strength of the job market. The fewer people filing for unemployment benefits, the more have jobs, and that tells investors a great deal about the economy. Nearly every job comes with an income that gives a household spending power. Spending greases the wheels of the economy and keeps it growing, so a stronger job market generates a healthier economy.

There's a downside to it, though. Unemployment claims, and therefore the number of job seekers, can fall to such a low level that businesses have a tough time finding new workers. They might have to pay overtime wages to current staff, use higher wages to lure people from other jobs, and in general spend more on labor costs because of a shortage of workers. This leads to wage inflation, which is bad news for the stock and bond markets. Federal Reserve officials are always on the look out for inflationary pressures.

By tracking the number of jobless claims, investors can gain a sense of how tight, or how loose, the job market is. If wage inflation threatens, it's a good bet that interest rates will rise, bond and stock prices will fall, and the only investors in a good mood will be the ones who tracked jobless claims and adjusted their portfolios to anticipate these events.

Just remember, the lower the number of unemployment claims, the stronger the job market, and vice versa.

Source
Employment and Training Administration, U.S. Department of Labor.

Availability
Thursdays.

Coverage
Week-ending Saturday before the release.

Revisions
Yes.

Frequency
Weekly

Leading Indicators

Definition
A composite index of ten economic indicators that should lead overall economic activity. This indicator was initially compiled by the Commerce Department but is now compiled and produced by The Conference Board. It has been revised many times in the past 30 years - particularly when it has not done a good job of predicting turning points.

Why Investors Care
Investors need to keep their fingers on the pulse of the economy because it dictates how various types of investments will perform. By tracking economic data such as the index of leading indicators, investors will know what the economic backdrop is for the various markets. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market prefers less rapid growth and is extremely sensitive to whether the economy is growing too quickly- and causing potential inflationary pressures. The index of leading indicators is designed to predict turning points in the economy -- such as recessions and recoveries. More specifically, it was designed to lead the index of coincident indicators, also now published by The Conference Board. Investors like to see composite indexes because they tell an easy story, although they are not always as useful as they promise. The majority of the components of the leading indicators have been reported earlier in the month so that the composite index doesn't necessarily reveal new information about the economy. Bond investors tend to be less interested in this index than equity investors. Also, the non-financial media tends to give this index more press than it deserves.

Frequency
Monthly

Source
The Conference Board.

Availability
Third week of the month.

Coverage
Data are for the previous month. Data for June are released in July.

Revisions
Yes.

New Home Sales

Definition
New home sales measure the number of newly constructed homes with a committed sale during the month. The level of new home sales indicates housing market trends and, in turn, economic momentum and consumer purchases of furniture and appliances.

Why Investors Care

This provides a gauge of not only the demand for housing, but the economic momentum. People have to be feeling pretty comfortable and confident in their own financial position to buy a house. Furthermore, this narrow piece of data has a powerful multiplier effect through the economy, and therefore across the markets and your investments. By tracking economic data such as new home sales, investors can gain specific investment ideas as well as broad guidance for managing a portfolio. Each time the construction of a new home begins, it translates to more construction jobs, and income which will be pumped back into the economy. Once the home is sold, it generates revenues for the home builder and the realtor. It brings a myriad of consumption opportunities for the buyer. Refrigerators, washers, dryers and furniture are just a few items new home buyers might purchase. The economic "ripple effect" can be substantial especially when you think a hundred thousand new households around the country are doing this every month. Since the economic backdrop is the most pervasive influence on financial markets, new home sales have a direct bearing on stocks, bonds and commodities. In a more specific sense, trends in the new home sales data carry valuable clues for the stocks of home builders, mortgage lenders and home furnishings companies.

Frequency
Monthly.

Source
U.S. Bureau of the Census, U.S. Commerce Department and the U.S. Department of Housing and Urban Development.

Availability
Near the end of the month.

Coverage
Data are for the previous month. Data for June are released in July.

Revisions
Yes.

Philadelphia Fed Survey

Definition
The general conditions index from this business outlook survey is a diffusion index of manufacturing conditions within the Philadelphia Federal Reserve district. This survey, widely followed as an indicator of manufacturing sector trends, is correlated with the ISM manufacturing index and the index of industrial production.

Why Investors Care
Investors need to monitor the economy closely because it usually dictates how various types of investments will perform. By tracking economic data such as the Philly Fed survey, investors will know what the economic backdrop is for the various markets. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market prefers more moderate growth so that it won't lead to inflation. The Philly Fed survey gives a detailed look at the manufacturing sector, how busy it is and where things are headed. Since manufacturing is a major sector of the economy, this report has a big influence on market behavior. Some of the Philly Fed sub-indexes also provide insight on commodity prices and other clues on inflation. The bond market is highly sensitive to this report because it is released early in the month and is available before other important indicators.

Frequency
Monthly.

Source
Federal Reserve Bank of Philadelphia.

Availability
Third Thursday of each month.

Coverage
Data are for the same month as the release month. Data for June are released in June.

Revisions
No.

Producer Price Index

Definition
The Producer Price Index (PPI) is a measure of the average price level for a fixed basket of capital and consumer goods received by producers.

Why Investors Care
The PPI measures prices at the producer level before they are passed along to consumers. Since the producer price index measures prices of consumer goods and capital equipment, a portion of the inflation at the producer level gets passed through to the consumer price index (CPI). By tracking price pressures in the pipeline, investors can anticipate inflationary consequences in coming months.

While the CPI is the price index with the most impact in setting interest rates, the PPI provides significant information earlier in the production process. As a starting point, interest rates have an "inflation premium" and components for risk factors. A lender will want the money paid back from a loan to at least have the same purchasing power as when loaned. The interest rate at a minimum equals the inflation rate to maintain purchasing power and this generally is based on the CPI. Changes in inflation lead to changes in interest rates and, in turn, in equity prices.

The PPI comes in three versions: finished goods; intermediate supplies, materials & components; and crude materials that need further processing. The finished goods PPI is most often cited in the media. This index covers final products bought from producers by businesses to sell to consumers or to use for capital equipment.

The PPI is considered a precursor of both consumer price inflation and profits. If the prices paid to manufacturers increase, businesses are faced with either charging higher prices or they taking a cut in profits. The ability to pass along price increases depends on the strength and competitiveness of the marketplace.

Producer prices are more volatile than consumer prices. The CPI includes services components - which are more stable than goods - and the PPI does not. Wages are a bigger share of the costs at the retail level than at the producer level. Commodity prices react more quickly to supply and demand. Volatility is higher earlier in the production chain. Food and energy prices are major sources of volatility, hence, the greater focus on the "core PPI" which excludes these two components.

The bond market rallies when the PPI decreases or posts only small increases, but bond prices fall when the PPI posts larger-than-expected gains. The equity market rallies with the bond market because low inflation promises low interest rates and is good for profits.

Importance
The producer price index for finished goods is a major indicator of commodity prices in the manufacturing sector. These prices are more sensitive to supply and demand pressures than the more comprehensive consumer price index. Changes in the producer price index are considered a leading indicator for consumer price changes, although only a small portion of the PPI is directly connected to less than half of the CPI.

Interpretation
The bond market will rally when the PPI decreases or posts only small increases, but bond prices will

fall when the PPI post larger-than-expected gains. The equity market rallies with the bond market because low inflation promises low interest rates and is good for profits.

Changes in the producer price index for finished goods are considered a precursor of consumer price inflation. If the prices that manufacturers pay for their raw materials rise, they would have to raise the prices that consumers pay for their finished goods in order to not decrease profit margins. Changes in the supply and demand for labor will affect wage changes with a delay because wages are institutionalized and contractual. However, commodity prices react more quickly to changes in supply and demand.

Commodity prices vary from month to month, but food and energy prices, which make up nearly one-quarter of the PPI, are the major source of the volatility. Due to sharp movements in these two components, market players and economists have become accustomed to monitoring the PPI excluding food and energy. In shorthand, this is also referred to as the "core" PPI. (In reality, what can be more "core" than food and gasoline to consumers?)

The PPI for finished goods gets the most attention, but market players have turned to the PPI for intermediate materials and crude materials for early indications of inflation. The earlier the stage of processing, the more volatile the index.

Frequency
Monthly.

Source
Bureau of Labor Statistics (BLS), U.S. Department of Labor.

Availability
Around mid-month.

Coverage
Data are for one month prior to release month. Data for June are released in July.

Revisions
Yes.

Retail Sales

Definition
Retail sales measure the total receipts at stores that sell durable and nondurable goods. Consumer spending accounts for two-thirds of GDP and is therefore a key element in economic growth.

Why Investors Care
Consumer spending accounts for more than two-thirds of the economy, so if you know what consumers are up to, you'll have a pretty good handle on where the economy is headed. Needless to say, that's a big advantage for investors.

The pattern in consumer spending is often the foremost influence on stock and bond markets. For stocks, strong economic growth translates to healthy corporate profits and higher stock prices. For bonds, the focus is whether economic growth goes overboard and leads to inflation. Ideally, the economy walks that fine line between strong growth and excessive (inflationary) growth. Retail sales not only give you a sense of the big picture, but also the trends among different types of retailers. Perhaps auto sales are especially strong or apparel sales are showing exceptional weakness. These trends from the retail sales data can help you spot specific investment opportunities, without having to wait for a company's quarterly or annual report.

Balance was achieved through much of the nineties. For this reason alone, investors in the stock and bond markets enjoyed huge gains during the bull market of the 1990s. Retail sales growth did slow down in tandem with the equity market in 2000 and 2001, but then rebounded at a healthy pace between 2003 and 2005. By 2007, the credit crunch was well underway and starting to undermine growth in consumer spending. Later in 2008 and 2009, the rise in unemployment and loss of income during the recession also cut into retail sales.

Importance
Retail sales are a major indicator of consumer spending trends because they account for nearly one-half of total consumer spending and approximately one-third of aggregate economic activity.

Interpretation
Strong retail sales are bearish for the bond market, but favorable for the stock market, particularly retail stocks. Sluggish retail sales could lead to a bond market rally, but will probably be bearish for the stock market.

Retail sales are subject to substantial month-to-month variability. In order to provide a more accurate picture of the consumer spending trend, follow the three-month moving average of the monthly percent changes or the year-over-year percent change. Retail sales are also subject to substantial monthly revisions, which makes it more difficult to discern the underlying trend. This problem underscores the need to monitor the moving average rather than just the latest one month of data.

In an attempt to avoid the more extreme volatility, economists and financial market participants monitor retail sales less autos (actually less auto dealers which include trucks, too.) Motor vehicle sales are excluded not because they are irrelevant, but because they fluctuate more than overall retail sales.

Watch for changes in food and energy prices which could affect two large components among nondurable goods stores: food stores and gasoline service stations. Large declines in food or energy prices could lead to declines in store sales which are due to price, not volume. This would mean that real sales were stronger than nominal dollar sales.

Since economic performance depend on real, rather than nominal growth rates, compare the trend growth rate in retail sales to that in the CPI for commodities.

Frequency
Monthly.

Source
Bureau of the Census, U.S. Department of Commerce.

Availability
Mid-month.

Coverage
Data are for the previous month. Data for June are released in July.

Revisions
Yes.

10-Yr TIPS Auction

Definition
The Treasury sells inflation-indexed securities, also known as TIPS, at regularly scheduled auctions. Competitive bids at these single-price auctions determine the interest rate paid on each issue, which remains fixed. A group of 17 securities dealers (as of June 18, 2009), known as primary dealers, are authorized and obligated to submit competitive tenders at Treasury auctions. Dealers can hold, resell, or trade the securities with other firms. The Treasury announces the amount, date and time of the 10-year TIPS auction four times a year: January, April, July and October. The 10-year TIPS are usually

announced at the beginning of January and July. The April and October announcement calls for a reopening of the previously issued security. In each of the aforementioned months, 10-year TIPS are auctioned in the second week of the month. These TIPS are issued on the 15th of the month; if it falls on a weekend or holiday, then they are issued (settled) on the next business day.

Why Investors Care
Individual investors can participate in Treasury auctions either through a securities dealer (brokerage firm) or via the Treasury Direct program, which saves on brokerage commissions. But brokers commissions are often nominal (especially with discount brokers), and using a broker does eliminate a lot of paper work and other administrative hassles. Brokers facilitate the purchases and sales of Treasuries in the secondary market, which is handy for buying Treasuries at times other than scheduled auctions or for maturities other than those offered by standard new issues.

Interest rates on Treasury securities are determined in the market; the Federal Reserve does not set them. However, bond investors are sensitive to Federal Reserve policy and thus market rates will mirror policy expectations. Usually, bond market players are forward-looking and this means that interest rates on Treasury securities will move in the direction of Fed policy with a lead. As a result, one is more likely to see rising interest rates on Treasury yields during an expansion (and falling yields during economic slowdowns) in advance of policy changes by the Federal Reserve.

TIPS, inflation-indexed securities, are designed to shield investors from inflation-risk. The principal is adjusted for inflation. Instead of getting back your initial investment of $1,000, for instance, you would get $1,000 plus an additional amount tied to the inflation rate. Since there is no inflation premium on the interest rate, interest payments (and yields attached to the TIPS) are lower than for regular Treasury securities. Economists and policymakers consider the differential between yields on 10-year TIPS and regular 10-year notes to be a proxy for investors' estimate of inflation expectations.

Primer on Treasuries
Treasury securities, Treasuries, U.S. government bonds, T-bonds, T-notes, and T-bills all refer to the same type of security: debt obligations of the United States. Maturity refers to the length of the loan to the government. TIPS, which were first offered in 1998, have had maturities of 5, 10, 20 or 30 years (the last 30-year offering was in 2001). Treasury notes have maturities from 2 to 10 years (2-, 3-, 5-, 7- and 10-year notes are most common). Since 2008, the Treasury ruled that all securities it issues now have minimum denominations of $100 and must be purchased in increments of $100.

How TIPS work
The principal amount of the security is adjusted for inflation and is paid at maturity. Securities are redeemed at the greater of their inflation-adjusted principal or par amount at original issue. Interest payments, which are taxable like other Treasuries, are issued twice a year and are based on the inflation-adjusted principal at the time of payment. The index for measuring the rate of inflation is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers published each month by the Bureau of Labor Statistics. If this index is materially changed, the Treasury will substitute an alternative index.

You pay $1,000 for a TIPS note and receive interest payments every six months based on the inflation-adjusted principal at the time of payment. If the coupon is 3% and the rate of inflation, for instance, stays at 3%, you get $30 every six months for a total of $60 per year. When the note matures in 10 years, you get back the greater of the inflation-adjusted principal or the $1,000 par amount at original issue.

Investment Profile
Treasuries offer a measure of security unmatched by other investments - the U.S. government guarantees the initial investment (the principal) and the interest payments. With regular Treasury securities, inflation may erode the value of both the principal and interest payments. But TIPS offer an additional level of security, protecting the investor from an onset of inflation. When TIPS are resold in the secondary market, their price could be substantially more or less than the face value. Price fluctuations in the secondary market are based on the economic environment, inflation expectations, Federal Reserve policy, and simple forces of supply and demand. Opportunity risk refers to what could have been earned had the money been invested elsewhere.

Important note: Accrued interest relating to inflation gain, is not paid out until maturity, however, the individual is required to pay federal income taxes on this amount. That's why many financial advisors suggest that these securities be purchased for tax-deferred retirement accounts.

Frequency
Four times a year

Source
U.S. Department of the Treasury

Availability
As per Treasury schedule

10-Yr Note Announcement

Definition
Treasury notes are sold at regularly scheduled public auctions. The competitive bids at these auctions determine the interest rate paid on each Treasury note issue. A group of 17 securities dealers (as of June 18, 2009), known as primary dealers, are authorized and obligated to submit competitive tenders at Treasury auctions. Dealers can hold, resell, or trade the securities with other firms. The Treasury announces the amount, date and time of the 10-year note auction monthly. The 10-year notes are announced around the first week of the month and then auctioned the following week. Generally, the 10-year notes are issued (settled) on the 15th of the month, unless it falls on a weekend or holiday, and then they are issued on the next business day. (Department of the Treasury)

Why Investors Care
Individual investors can participate in Treasury auctions either through a securities dealer (brokerage firm) or via the Treasury Direct program, which saves on brokerage commissions. But brokers commissions are often nominal (especially with discount brokers), and using a broker does eliminate a lot of paper work and other administrative hassles. Brokers facilitate the purchases and sales of Treasuries in the secondary market, which is handy for buying Treasuries at times other than scheduled auctions or for maturities other than those offered by standard new issues.

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Primer on Treasuries
Treasury securities, Treasuries, U.S. government bonds, T-bonds, T-notes, and T-bills all refer to the same type of security: debt obligations of the United States. Maturity refers to the length of the loan to the government. Treasury notes have maturities from 2 to 10 years (2-, 3-, 5-, 7- and 10-year notes are most common). Since 2008, the Treasury ruled that all securities it issues now have minimum denominations of $100 and must be purchased in increments of $100.

How notes work
You pay $1,000 for a note. You receive interest payments every six months based on the coupon rate. If the rate is 6%, you get $30 every six months for a total of $60/year. When the note matures in ten years, you get back the original investment of $1,000, called the principal.

Investment Profile
Treasuries offer a measure of security unmatched by other investments - the U.S. government guarantees the initial investment (the principal) and interest payments. When Treasuries are resold in the secondary market, their prices are often significantly different than their face value since prices in the secondary market fluctuate based on the economic environment, inflation expectations, Federal Reserve policy, and simple forces of supply and demand. If a Treasury security is held to maturity,

inflation and opportunity risks remain. Inflation erodes the value of both the principal and interest payments. Opportunity risk refers to what could have been earned had the money been invested elsewhere.

Frequency
Monthly

Source
U.S. Department of the Treasury

Availability
Monthly as per Treasury schedule

10-Yr Note Auction

Definition
Treasury notes are sold at regularly scheduled public auctions. The competitive bids at these auctions determine the interest rate paid on each Treasury note issue. A group of 17 securities dealers (as of June 18, 2009), known as primary dealers, are authorized and obligated to submit competitive tenders at Treasury auctions. Dealers can hold, resell, or trade the securities with other firms. The Treasury announces the amount, date and time of the 10-year note auction monthly. The 10-year notes are announced around the first week of the month and then auctioned the following week. Generally, the 10-year notes are issued (settled) on the 15th of the month, unless it falls on a weekend or holiday, and then they are issued on the next business day. (Department of the Treasury)

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Investment Profile
Treasuries offer a measure of security unmatched by other investments - the U.S. government guarantees the initial investment (the principal) and interest payments. When Treasuries are resold in the secondary market, their prices are often significantly different than their face value since prices in the secondary market fluctuate based on the economic environment, inflation expectations, Federal

Reserve policy, and simple forces of supply and demand. If a Treasury security is held to maturity, inflation and opportunity risks remain. Inflation erodes the value of both the principal and interest payments. Opportunity risk refers to what could have been earned had the money been invested elsewhere.

Frequency
Monthly

Source
U.S. Department of the Treasury

Availability
Monthly as per Treasury schedule

Treasury Budget

Definition
The U.S. Treasury releases a monthly account of the surplus or deficit of the federal government. Changes in the budget balance of the annual fiscal year (which begins in October) are followed as an indicator of budgetary trends and the thrust of fiscal policy.

Why Investors Care
The budget data have several direct and indirect meanings for the financial markets. The most direct relationship lies between the size of the budget deficit and the supply of Treasury securities. The higher the deficit, the more Treasury notes and bonds the government must sell to finance its operation. From there it's simple supply and demand -- if demand is constant but the supply of bonds goes up, the price goes down. The same is true if the deficit falls or is eliminated altogether -- the government needs to sell fewer Treasury bonds, so the supply drops and the price of T-bonds rises. In the past few years, the budget deficit has increased dramatically, and this has put more Treasury securities into the market place.

The Federal government borrows money through the issuance of Treasury securities; so higher deficits mean a larger supply of securities and (again, assuming constant demand) lower prices. With notes and bonds, lower prices are equated with higher yields, so in this example, the government borrows money at higher interest rates. That impact ripples across all other interest rate-bearing securities and creates a higher interest-rate environment for stocks, which is bearish.

In addition to following the trend in the budget deficit or surplus, investors can gain valuable insight to the state of the economy by looking at the government's tax receipts. Higher tax receipts lead to an improved deficit situation when economic conditions are strong; conversely, lower tax receipts reflect a sluggish economic environment.

Frequency
Monthly.

Source
Financial Management Service, U.S. Department of the Treasury

Availability
Second week of the month.

Coverage
Data are for the previous month. Data for June are released in July.

Revisions
No.