

ALL I KNOW I GET FROM READING NEWSPAPERS

Don Gimpel, July 23, 2011

TABLE: LOCATION OF ANSWERS TO ECONOMIC AND MARKET QUESTIONS

Notes: If connected to the Internet, left click on address to access site for older versions of Windows. Press <Ctrl> and then left click for Windows 2007. Non-internet locations refer to Barron's Market Week

QUESTION	LOCATION	COMMENTS
Advice, investing, what works	http://www.cxoadvisory.com/what-investing-approach-works-best/	CXO Advisory Group provides advice on which investment strategies work best..
Advice, must read	http://www.cxoadvisory.com/investing-demons/	Valuable results of investing research. A must read for any investor.
Asset Allocation, calculator	http://www.wolframalpha.com Enter market codes for up to 4 assets then page down to box labeled Mean-variance optimal portfolio. Review Return vs. Risk chart and the portfolio weighting just above.	For an example, try GLD FNMIX VGSIX NTHEX The procedure will calculate the portfolio's asset allocation for The Efficient Portfolio which is also known as the Corner Portfolio, the highest return that can be achieved..
Bonds, when to buy	Market Laboratory/Indicators/Money Rates/Fed Funds Rate	The second rise in the FFR after a bottom in the rate is considered a positive sign for Bonds.
Bonds, High-Yield, signals	Saturday's Los Angeles Times/Financial Section/Daily Market Roundup/ Interest Rates/Junk Bonds	If the spread between the High Yield Bonds yield and 10-Year treasury is >5, invest in High Yields. If the spread falls below 3.0, sell. Buy when the spread rises above 5.0 .
Business Optimism Index	Market Laboratory/Indicators/Employment/Small Business Optimism Index	
Confidence Index	Market Laboratory/Bonds/Weekly Bond Statistics/Confidence Index	The higher the ratio, the greater confidence in the stock market. Compare the current value with the value 1-week and 1-year ago for trends.
Consumer Price Index	Market Laboratory/Indicators/Inflation/Consumer Price Index	A very important indicator. The market reacts negatively to strong increases in this index.
Dollar, value of, leading indicator	http://www.bls.gov/news.release/prod2.htm Look for Table 1 and Output per hour of all persons column	The value of the dollar is driven by labor productivity. Increases in labor productivity causes an increase in the value of the dollar.

Economy, activity, CFNAI-MA3	http://www.chicagofed.org/webpages/research/data/cfnai/current_data.cfm Look for the latest data in the CFNAI-MA3 column	The Chicago Fed's National Activity Index measures activity in the Chicago area. It is interpreted as follows. <-1.5 the economy is likely in a recession < -0.7 there is a good chance of recession < 0 the economy is below potential and there might be increasing unemployment = 0 the economy is growing at full potential > 0 the economy is expanding above its safe limit and this might lead to inflation > 0.7 and 2-years into expansion, inflation may accelerate > 1.0 business may be overheating and inflation is likely.
Economy, Fed Beige Book	http://www.FederalReserve.gov/FOMC/BeigeBook/2010/	What does the Fed think about the economy. Here is the important Beige Book.
Economy, health indicator	Market Laboratory/Indicators/Adjustable Mortgage Base Rates Market Laboratory/Indicators/Money Rates/T-Bill rates	The shape of the yield curve is an important indicator of economic and market health. Analysts measure the steepness of the curve by computing the difference between a long-term and short-term rate. . Look for a yield curve inversion as a sign of an approaching recession. For interpretations see Ref. 2 pgs 43-58
Economy, status	http://www.ChicagoFed.org/digital-assets/publications/cfnai/2011/cfnai_may/2011.pdf	Provides a summary of the state of the economy.
Forecasts, Earnings, operating	Market Laboratory/Stocks/Consensus Operating Earnings Estimates for Dow Industrials Look at bottom of table in DJ Industrials	This table provides earnings estimates from 4-weeks ago and currently for 2011 and separately 2012. Compare the estimates for 2012 to 2011 to compute earnings trends. The P/E estimates are also provided.
Fixed Income	www.ism.ws/ismreport/mfgrob.cfm?nov/itemnumber=12942	This is reported to be the most reliable bond indicator and it is the first to come out after the end of each month. A reading greater than 50 is bearish for fixed incomes. A reading below 45 is positive for the Bond Market since it signals manufacturing weakness.
Forecasts, GDP & Unemployment	http://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/2011/survq211.cfm	Provides 1-year forecasts for Real GDP, Unemployment Rate and Payrolls.
Forecasts, Inflation	http://www.cxoadvisor.com//inflatob-rate-forecast	See "Forecast" rate forecast.

Forecasts, market	Market Laboratory/Indicators/Money Rates/Fed Fund Rate/ Weekly Auction	FFR easing is usually followed by a one month advance of large (2.2%), small (4.9) and microcap (6.1) stocks. Tightening (rising) is often followed by 1.9, 2.5 and 2.6% respectively.
Forecasts, professional forecasters predictions	http://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters	Click on “Recent Releases” and then 2 nd Quarter 2011 for a summary of what professional forecasters predict for GDP and Unemployment Rate.
Forecasts, S&P 500 Earnings	http://www.cxoadvisory.com/aggregate-operating-earnings-frecast/	See “Forecast” for 12-month S&P 500 aggregate operating earnings forecast for the next 12-months.
Gold, price driver	http://www.bls.gov/news.release/prod2.t02.htm http://www.bls.gov/lpc/#tables http://www.bls.gov/news.release/prod2.nr0.htm	Look in tables for Productivity per labor hour. This series leads the price of gold. As productivity increases, a country’s currency goes up in value allowing the price of gold to fall inversely.
Gold, forecast	http://www.forecasts.org/gold.htm	Provides gold market forecast.
Gross Domestic Product	Market Laboratory/Indicators/Economic Growth and Investment/Gross Domestic Product	Recession is defined as two successive quarters of negative growth.
Guru, rankings	http://www.cxoadvisory.com/gurus	Provides rankings for 67 publicly available newsletters. Shows that on the whole you would be better off flipping a coin.
Housing series, status	http://www.nahb.org/reference.list.aspx?sectionID=134 http://www.realtor.org/research/research/chsdata http://www.nahb.org/generic.aspx?GenericContent=45409 Market Laboratory/Indicators/Construction/New Housing Permits Market Laboratory/Indicators/Construction/New Housing Starts Market Laboratory/Indicators/Construction/Case-Schiller Index	Provides data on a stage of the housing sequence. Provides data on another stage of the housing sequence. The key housing indicator.
Income, disposable	http://www.bea.gov/	Sales do not increase unless people have disposable income. Look for an uptrend in sales following an uptrend in disposable income.
Index, best	Market Laboratory/Stocks/The Week in Stocks for the Major Indexes/Others/Value Line Geometric Index	The VL Geometric Index provides the best representation of the way that people actually invest.
Index, links	http://www.cxoadvisory.com/economic-sentiment-indicators	
Inflation, Capacity Utilization	Market Laboratory/Indicators/Economic Growth and Investment/Capacity utilization http://cxoadvisory.com/inflation	Look for inflation when Capacity Utilization (CU) rises above 84% Click on “Forecast” to open chart.
Inflation, forecast	http://www.cxoadvisory.com/inflation-rate-forecast/	Provides 1-year forecast of core and total inflation.
Inflation, rate	Market Laboratory/Indicators/Inflation/Rate of Inflation	Look for changes in inflation rates.

Interest rate, forecasts, Fed Funds	Commodities/Financial & Money/30 Day Federal Funds	The 30-Day Fed Funds forecast is computed by subtracting the number in the Settlement. Column (on the right) from 100. See Ref. 2 pgs 30-31. This is an important indicator. Falling rates are positive for the market. The second drop from the interest rate top is viewed as a signal to signals to buy the market. It is also a signal to rotate into cyclical sectors.
Interest rate, LIBOR	Commodities/Financial & Money/ LIBOR-1-month Market Laboratory/Indicators/Money Rates/LIBOR Interbank Rate/6-months	The “London Interbank Offered Rate” is often used is a benchmark interest rate used to reset adjustable mortgages. An increase in this rate will cause many mortgage payments to go up increasing expenses. This is a negative sin for the market.
Liquidity, market (TED Spread)	Market Laboratory/Indicators/Money Rates/T-Bill Rates Market Laboratory/Indicators/Libor-Interbank/3-month rate Compute the difference between the 3-mont Treasury and LIBOR rates.	The TED Spread measures “Flight to Quality” and is usually between 10 and 50 Basis Points. A rising TED Spread indicates a downturn in the US market i.e., liquidity is being withdrawn and a possible credit crisis. See Wikipedia or Investopedia explanations.
Manufacturing series, status	http://www.ism.ws/ISMReport/MfgROB.cfm?NavItemNumber=12942	This site provides normalized data for many components of the manufacturing series. This permits a deep understanding of how manufacturing changes over time.
Market Health, PMI	Market Laboratory/Indicators/Orders/Purchasing Managers Index (PMI)	A PMI > 50 is considered favorable for the market and < 50 unfavorable.
Markets, Consumer Spending	http://www.conference-board.org/data/consumerconfidence.cfm	This is an early indicator of how consumers feel about spending and a strong report can move the market. Look for index trends. This indicator tends to lead consumer spending and changes in the GDP.
Markets, Consensus Index	Market Laboratory/(Indicators/Investor Sentiment Readings/Consensus Bullish Sentiment	High readings are signs of market tops; low readings, market bottoms.
Markets, direction	Market Laboratory/Indicators/CBOE Put/Call Ratio vs. S&P 500	The Equity Put/Call Ratio is considered bullish around 0.6 and bearish near 0.3. The S&P 100 is considered bullish at 1.2 and bearish at 0.75 .
Markets, earnings as indicator of company health	Market Laboratory/Stocks/Indexes Price and Yields/S&P 500 Index/Earnings Yield %	A healthy economy will have rising S&P 500 earnings. This is not necessarily the same for dividends which tend to cycle between 30 to 60% of earnings.

Market, fair price S&P 500, DED system	http://www.investorsfriend.com/S%20and%20P%20500%20index%20valuation.htm Read “What is the Earnings and P/E Ratio on ... “	The Fed Fair Market Valuation is the S&P 500 forward operating earnings divided by the S&P 500 Earnings Yield.
Markets, Fed Funds Rate	Market Laboratory/Indicators/Money Rates/Fed Funds Rate	The second drop in the FFR following a peak is considered a positive market sign.
Markets, insider transactions	Research Reports/Insiders Transactions Ratio	Insiders Buy to Sell ratio are bullish if <12 and bearish if > 20.
Markets, S&P 500, forecast	http://www.forecasts.org/stpoor.htm http://tfe-charts.w2d.com/marketquotes/ZQ.html	Provides a 6-month forecast. Provides forecasts and charts
Markets, valuation, P/E Ratio	Market Laboratory/Stocks/Indexes’ P/ES and Yields/S&P 500 Index/P/E Ratio	The market is considered “Overvalued” if the P/E Ratio > 30 and “Undervalued if < 8.
Markets, valuation, Put-Call Ratio	Options/CBOE Market Report/Put-Call Ratio/CBOE Equity	This indicator is a measure of market “Psychology” and is considered bullish if >0.6 and bearish if < 0.3
Markets, valuation, real earnings	Market Laboratory/Stocks/Indexes’ P/ES and Yields/S&P 500 Index/Real Earnings and Market Laboratory/Indicators/Inflation/Rate of Inflation	The real earnings is defined as the spread between reported earnings and the inflation rate. A spread > - 1.5 is considered healthy and favorable for the market.
Market, valuation, earnings yield	Market Laboratory/Indexes’ P/Es and Yields/S&P 500 Index/P/E Ratio	If the P/E >30, the market is considered overvalued. If P/E < 8, the market is considered undervalued
Misery Index	http://www.miseryIndex.us.com	How miserable are investors. The misery index tracks investor feelings in terms of the unemployment and Inflation rates.
Oil, price forecast	http://www.forecasts.org/oil.htm	Forecasts the price of oil. Increasing oil prices are a negative indicator.
Option trading, strategies	http://www.optiontradingpedia.com/strategy/optionstrategysselector.htm	Select an optimum strategy after asking a few questions.
Recession, likelihood	Market Laboratory Indicators/Money Rates/T-Bill Rates/13-weeks coupon yield	A recession is likely if the 5-year T-Note rate is less than or equal to the 90-day T-Bill coupon minus 0.25
Sales, retail	Market Laboratory/Indicators/Consumption and Distribution/Retail Sales	Healthy retail sales lead to increased corporate profits and this is healthy for the market
Savings, rate	Market Laboratory/Indicators/Economic Growth and Investment/ Personal Savings Rate	Savings provides the capital for investment. Look for a positive trend
Sentiment, Consumer Confidence	http://esi.dowjones.com/	The Dow Jones Consumer Confidence indicator
Stock, screening	http://research2.fidelity.com/fidelity/screeners/commonstock/index.asp?page=landing.asp requires log in	Possibly the best stock screening service around with over 40 investment style choices from Zacks, S&P, Recognia and other independent firms.

Trends, global to 2035	http://www.dni.gov/nic/PDF_2025/2025_Global_Trends_Final_Report.pdf	The National Intelligence Council forecasts to 2025
Unemployment, help wanted ads as an indicator	Market Laboratory/Indicators/Employment/Help Wanted Ads	An increase in the volume of Help Wanted Ads is an early recovery indicator.
Unemployment, initial jobless claims	Market Laboratory/Indicators/Employment/Initial Jobless Claims	Increasing claims for unemployment insurance is a favorable sign for bonds especially if there is a 30,000 or higher jump. A drop is negative.
Unemployment, rate	Market Laboratory/Indicators/Employment/Unemployment Rate	Provides the unemployment rate, possibly the single most watched indicator. Wages tend to go up when unemployment is < 4.6% driving inflation.

NOTES

1. Important indicators are shaded.
2. This WORD document permits direct access to the Internet by clicking on the address.

REFERENCES

1. Baumohl, Bernard "The Secrets of Economic Indicators," Wharton School Pub., 2005
2. Kasriel, Paul and Schap, Keith, "7 Indicators that Move Mountains," McGraw-Hill, 2001

DISCLAIMER

These notes are being distributed as educational material. The author and the AAIL are not responsible for investment losses arising from interpretations of the listed indicators.