



>: Chris Rowe's Market Wrap Up June 23, 2008

Monday, June 23, 2008 / Chris Rowe

Did you see Chris Rowe's most recent market wrap up?

Every Monday afternoon at 6:30pm EST. he's posting a SUPER FAST market wrap-up for those of you who want to take a quick peek at the market, and go back to enjoying your life!

Check out what moved the market, one topic or event affecting the value of your portfolio, and find out where the current bull market can be found - Because "there's always a bull market somewhere" [CLICK HERE TO SEE THE VIDEO!](#)

Let's grow our wealth together folks - Intelligently!!

?Profit from the Trend?

A handwritten signature in black ink that reads 'Chris Rowe'.

Chris Rowe

Chief Investment Officer

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Economic Calendar for the week of June 23 - June 27

Tuesday, June 24

10:00AM - Consumer Confidence

- * Importance (A-F): This release merits a B-.
- * Source: The Conference Board.
- * Release Time: 10:00 ET on the last Tuesday of the month (data for current month).
- * Raw Data Available At <http://www.tcb-indicators.org/>.

The Conference Board conducts a monthly survey of 5000 households to ascertain the level of consumer confidence. The report can occasionally be helpful in predicting sudden shifts in consumption patterns, though most small changes in the index are just noise. Only index changes of at least five points should be considered significant. The index consists of two subindexes - consumers' appraisal of current conditions and their expectations for the future. Expectations make up 60% of the total index, with current conditions accounting for the other 40%. The expectations index is typically seen as having better leading indicator qualities than the

current conditions index.

Wednesday, June 25

8:30AM - Durable Orders

- * Importance (A-F): This release merits a B.
- * Source: The Census Bureau of the Department of Commerce.
- * Release Time: 8:30 ET around the 26th of the month (data for month prior).
- * Raw Data Available At <http://www.census.gov/ftp/pub/indicator/www/m3/index.htm>.

The durable orders release measures the dollar volume of orders, shipments, and unfilled orders of durable goods (defined as goods whose intended lifespan is three years or more). Orders are considered a leading indicator of manufacturing activity, and the market often moves on this report despite the volatility and large revisions that make it a less than perfect indicator. These problems can be minimized by looking at the breakdown of orders. The total number is often skewed by huge increases in aircraft and defense orders. An increase based solely on strength in one sector tends to be discounted, while the market is more impressed with broadbased increases in orders.

Also notable in this report is the narrow category of nondefense capital goods. These goods mirror the GDP category producers' durable equipment (PDE) -- the largest component of business investment. Shipments of nondefense capital goods are a good proxy for PDE in the current quarter, while nondefense capital goods orders provide an indication of PDE growth in the quarters ahead.

10:00AM - New Home Sales

- * Importance (A-F): This release merits a C .
- * Source: The Census Bureau of the Department of Commerce.
- * Release Time: 10:00 ET around the last business day of the month (data for month prior).
- * Raw Data Available At <http://www.census.gov/const/newressales.pdf>.

The report indicates the level of new privately owned one-family houses sold and for sale. New home sales usually have a lagged reaction to changing mortgage rates. They also tend to be stronger early in the business cycle when pent-up demand is strong, and they fade later in the cycle as the demand for housing is sated. In addition to home sales, the market monitors the number of homes for sale relative to the current sales pace. As this inventory measure falls (rises), housing starts tend to rise (fall). Finally, the median home price provides an indication of inflation in the housing sector, though only year/year changes provide any meaningful information.

The home sales report is quite volatile and subject to huge revisions, making any one month's reading very unreliable. The report rarely prompts a market reaction. The market prefers the existing home sales report, which has a sample data pool four times as large and is released earlier in the month.

Thursday, June 26

8:30AM - GDP and Chain Deflator - Final

- * Importance (A-F): This release merits a B.
- * Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- * Release Time: Third or fourth week of the month at 8:30 ET for the prior quarter, with subsequent revisions released in the second and third months of the quarter.
- * Raw Data Available At <http://www.bea.doc.gov/bea/dn1.htm>.

Gross Domestic Product (GDP) is the the broadest measure of economic activity. Annualized quarterly percent changes in GDP reflect the growth rate of total economic output. The figures can be quite volatile from quarter to quarter. Inventory and net export swings in particular can produce significant volatility in GDP. The final sales figure, which excludes inventories, can sometimes be helpful in identifying underlying growth trends as inventories represent unsold goods, and a large inventory increase will boost GDP but might be indicative of weakness rather than strength. The broad components of GDP are: consumption, investment, net exports, government purchases, and inventories. Consumption is by far the largest component, totaling roughly 2/3rds of GDP.

In addition to the GDP figures, there are GDP deflators, which measure the change in prices in total GDP and for each component. Though the consumer price index is a more closely watched inflation indicator, the GDP deflator is another key inflation measure. Unlike CPI, it has the advantage of not being a fixed basket of goods and services, so that changes in consumption patterns or the introduction of new goods and services will be reflected in the deflator.

With both GDP and the deflator, the market tends to focus on the quarter/quarter change. Year/year changes are also cited frequently, though they do not provide the most timely indications of economic activity or inflation. The bond market often reacts to GDP, though the price moves are typically small, as much of the GDP data is easily predicted using monthly economic releases such as personal consumption, durable goods shipments, construction spending, international trade, and inventories.

Quarterly GDP reports are broken down into three announcements: advance, preliminary, and final. After the final revision, GDP is not revised again until the annual benchmark revisions each July. These revisions can be quite large and usually affect the past five years of data.

8:30AM - Initial Claims

- * Importance (A-F): This release merits a C .
- * Source: The Employment and Training Administration of the Department of Labor.
- * Release Time: 8:30 ET each Thursday (data for week ended prior Saturday).
- * Raw Data Available At <http://www.dol.gov/opa/media/press/eta/main.htm>.

Initial jobless claims measure the number of filings for state jobless benefits. This report provides a timely, but often misleading, indicator of the direction of the economy, with increases (decreases) in claims potential

signaling slowing (accelerating) job growth. On a week-to-week basis, claims are quite volatile, and many analysts therefore track a four week moving average to get a better sense of the underlying trend. It typically takes a sustained move of at least 30K in claims to signal a meaningful change in job growth.

There are two other statistics in this report -- the number of people receiving state benefits and the insured unemployment rate; neither is watched closely by the market. Some analysts track the number of people receiving state benefits from month to month as a guide for job growth, though this series has a poor track record in predicting the monthly employment report. The insured unemployment rate changes little on a weekly basis and is never a factor for the market.

10:00AM - Existing Home Sales

- * Importance (A-F): This release merits a C.
- * Source: The National Association of Realtors.
- * Release Time: 10:00 ET around the 25th of the month (data for month prior).
- * Raw Data Available At <http://www.realtor.org/research.nsf/pages/EHSdata>.

The name speaks for itself - this report provides a measure of the level of sales of existing home sales. The report is considered a decent indicator of activity in the housing sector. Housing starts precede this report each month, but starts are a supply rather than demand-side indicator. Existing home sales precede the other key demand-side indicator of housing - new home sales - thus boosting the visibility of this report. Sales are highly dependent on mortgage rates, and will tend to react with a few months lag to changes in rates. Sales are also determined by the level of pent-up demand for housing - immediately after a recession, sales are typically quite strong due to the demand which accumulated through the recession.

The survey sample for existing home sales is larger than that of new home sales, making it somewhat less susceptible to large revisions. Both reports can see huge month-to-month swings in winter, when bad weather can significantly affect sales.

Aside from total sales, two other indicators are worth watching in this report -- the inventory of homes for sale and the median price. The inventory of homes for sale at the current sales pace is the inventory/sales ratio of the housing sector. For example, a 5.0 figure for inventory/sales indicates that the supply of homes for sale would be depleted within five months at the current sales pace. The lower this figure goes, the greater the need for new housing starts. The year/year change in the median price provides a good indication of inflation in home prices.

Friday, June 27

8:30AM - Personal Income, Personal Spending, PCE Core Inflation

- * Importance (A-F): This release merits a C .
- * Source: The Bureau of Economic Analysis of the Department of Commerce.
- * Release Time: 8:30 ET around the first business day of the month (data for two months prior).

* Raw Data Available At <http://www.bea.doc.gov/bea/rels.htm> -- see personal income release.

Personal income measures income from all sources. The largest component of total income is wages and salaries, a figure which can be estimated using payrolls and earnings data from the employment report. Beyond that, there are many other categories of income, including rental income, government subsidy payments, interest income, and dividend income. Personal income is a decent indicator of future consumer demand, but it is not perfect. Recessions usually occur when consumers stop spending, which then drives down income growth. Looking solely at income growth, one may therefore miss the turning point when consumers stop spending.

The income report also includes a section covering personal consumption expenditures, also known as PCE. PCE is comprised of three categories: durables, nondurables, and services. The retail sales report will provide a good read on durable and nondurable consumption, while service purchases tend to grow at a fairly steady pace, making this a relatively predictable report, and ranking it well below retail sales in terms of market importance.