

## >: Market Wrap Up August 18th, 2008

Monday, August 18, 2008 / Chris Rowe

Hey guys, Chris Rowe here. I'm feeling a bit under the weather and have a sore throat, so there will be no Market Wrap-Up video today. However, check out my article tomorrow to see what I think about what's going on!

?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 August 18 - August 22

### Tuesday, August 19

#### 8:30 - Building Permits and Housing Starts

- \* Importance (A-F): This release merits a B-.
- \* Source: The Census Bureau of the Department of Commerce
- \* Release Time: 8:30 ET around the 16th of the month (data for one month prior).
- \* Raw Data Available At <http://www.census.gov/const/www/newresconstindex.html>.

Housing Starts are a measure of the number of residential units on which construction is begun each month. A start in construction is defined as the beginning of excavation of the foundation for the building and is comprised primarily of residential housing. Building permits are permits taken out in order to allow excavation. An increase in building permits and starts usually occurs a few months after a reduction in mortgage rates. Permits lead starts, but permits are not required in all regions of the country, and the level of permits therefore tends to be less than the level of starts over time.

The monthly national report is broken down by region: Northeast, Midwest, South, and West. Briefing recommends analyzing the regional data because they are subject to a high degree of volatility. The high volatility can be attributed to weather changes and/or natural disasters. For example, an unexpectedly high level of rain in South could delay housing starts for the region.

#### 8:30 - PPI, Core PPI

- \* Importance (A-F): This release merits a B-.

- \* Source: Bureau of Labor statistics, U.S. Department of Labor.
- \* Release Time: Around the 11th of each month at 8:30 ET for the prior month.
- \* Raw Data Available At <http://stats.bls.gov/news.release/ppi.toc.htm>.

The Producer Price Index measures prices of goods at the wholesale level. There are three broad subcategories within PPI: crude, intermediate, and finished. The market tracks the finished goods index most closely, as it represents prices for goods that are ready for sale to the end user. Goods prices at the crude and intermediate stages of production often provide an indication of coming (dis)inflationary pressures, but the closer you get to crude goods, the more that these prices track commodity prices which are already available in traded indexes such as the CRB (Commodity Research Bureau).

At all stages of production, the market places more emphasis on the index excluding food and energy, referred to as the core rate. Food and energy prices tend to be quite volatile and obscure trends in the underlying inflation rate. Though the market reaction is determined by the month/month changes, year/year changes are also noted by analysts. The index is not revised on a monthly basis, but annual revisions to seasonal adjustment factors can produce small adjustments to past releases.

## **Thursday, August 21**

### 8:30 - 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.

### 10:00 - Leading Indicators

- \* Importance (A-F): This release merits a C-.
- \* Source: The Conference Board.
- \* Release Time: 10:00 ET around the third week of the month for the month prior.

\* Raw Data Available At <http://www.tcb-indicators.org/>.

The Leading Indicators report is, for the most part, a compendium of previously announced economic indicators: new orders, jobless claims, money supply, average workweek, building permits, and stock prices. Therefore, the report is extremely predictable and of very little interest to the market. Though this series does have some predictive qualities, it is a common criticism that it has predicted "nine of the last six" recessions.

The Commerce Department previously published the leading indicators series. The collection and publishing of these data is now done by the non-profit Conference Board, which also produces the Consumer Confidence index.

### 10:00 - Philadelphia Fed

- \* Importance (A-F): The Philadelphia Fed Index merits a B.
- \* Source: The Philadelphia Federal Reserve bank.
- \* Release Time: Third Thursday of the month at 12 ET for the current month.
- \* Raw Data Available At <http://www.phil.frb.org/>

There are many regional manufacturing surveys, and they tend to be ranked in order of timeliness and the importance of the region. The Philadelphia Fed's survey is first each month, actually coming out during the third week of the month for which it is reporting. Several smaller surveys are then released before the Chicago purchasing managers' report on the last day of each month. A few, such as the Atlanta and Richmond Fed surveys, are released after the NAPM and are of little value. The purchasing managers' reports are measured like the national NAPM - 50% marks the breakeven line between an expanding and contracting manufacturing sector. For the Philadelphia and Atlanta Fed indexes, 0 is the breakeven mark.

These surveys can be of some help in forecasting the national NAPM - particularly the Philadelphia and Chicago surveys which are more closely watched due to their timeliness and the fact that these regions represent a reasonable cross section of national manufacturing activities.