Economic Events

Data That Moves The Market

Economic Events as Indicators

Every day economic data is released.

Some of this data is significant enough to move the market.

Our focus is to learn what these events are, how they're reported, and how they impact the market. We can then leverage this knowledge as an edge to anticipate market movement.

Broad Economic Indicators

What are they? How are they measured?

GDP (Gross Domestic Product) – Measures the total value of all goods and services produced in a country. It is the broadest indicator of economic performance and growth. GDP is reported every three months as a percentage change (annualized) compared to the prior quarter.

FOMC Decisions (Federal Open Market Committee) – Policy decisions made by the Federal Reserve on interest rates and monetary policy to achieve economic stability and control inflation.

Statements are released after scheduled meetings (8 times per year). Includes the federal funds rate (interest rate) decision and an assessment of the economic outlook. Accompanied by a press conference and, in some meetings, updated economic projections.

Broad Economic Indicators

How do they impact the market?

Strong GDP Growth
Reflects economic expansion with increased business activity and consumer spending. Indexes generally perform better in expanding environments.

FOMC - Rate Cuts / Easing Policies
Lower borrowing costs stimulate business investment and consumer spending. Indexes and growth-heavy names generally outperform the broader market.

Weak GDP Growth
Signals economic slowdown or contraction, reducing corporate earnings expectations. Indexes generally perform worse in contracting environments.

FOMC - Rate Hikes / Tightening Policies
Higher borrowing costs reduce corporate profits and pressure growth-heavy indexes like S&P and NASDAQ 100. Value/defensive indexes like the Dow Jones may perform relatively better.

Inflation Indicators

What are they? How are they measured?

Consumer Price Index (CPI) – Measures the average price change of a basket of consumer goods and services over time. CPI reflects inflation experienced by households.

Producer Price Index (PPI) – Measures the average change in selling prices received by domestic producers for their output. PPI reflects inflation on the producer.

PCE Price Index (Personal Consumption Expenditures) – Measures price changes in goods and services purchased by households, with adjustments for changes in spending patterns. This is The Federal Reserve's preferred measure of inflation due to its comprehensive scope.

The CPI, PPI, and PCE are all released monthly. They are reported as MoM (month over month) and YoY (year over year) changes. The core versions, such as Core CPI excludes food and energy prices.

Inflation Indicators

How do they impact the market?

S&P 500
High inflation often leads to higher interest rates, which increase borrowing costs for companies, reducing their profitability. As a result, the broader market can suffer due to negative sentiment and lower earnings expectations.

NASDAQ 100
The Nasdaq, which is heavily weighted toward growth stocks (like tech), is more sensitive to rising inflation. The associated rate hikes hurt tech stocks, which often rely on cheap capital for expansion. Therefore, the index could underperform in an inflationary environment.

Dow Jones
The Dow is more weighted towards value stocks (industrials, financials), which can sometimes perform better during periods of high inflation compared to the growth-heavy sectors in the NASDAQ. However, rising rates still pose a risk to broader market sentiment and could weigh on the Dow's performance.

Employment Indicators

What are they? How are they measured?

Jobless Claims – The number of new individuals filing for unemployment benefits for the first time. Released weekly by the U.S. Department of Labor, based on data from state agencies.

Unemployment Rate – The percentage of the labor force that is unemployed and actively seeking work. Calculated by the BLS based on a monthly survey of households.

Nonfarm Payrolls (NFP) – Measures the number of jobs added or lost in the economy (excluding farm workers, private household employees, and non-profits). Released monthly by the U.S. Bureau of Labor Statistics (BLS), based on a survey of businesses and government agencies.

Employment Indicators

How do they impact the market?

Strong Jobs Data
In the short-term, this is positive for the market, suggesting economic growth, and higher consumer spending. However, if the growth is too hot for too long, it could lead to increased interest rates, which can negatively impact the market in the long-term.

Weak Jobs Data
In the short-term, this is negative for the market, indicating economic slowdown, and lower consumer spending. However, if the data is too weak for too long, it could lead to rate cuts, which could be positive for the market in the long-term.

Sector Indicators (PMIs)

What are they? How are they measured?

PMI stands for Purchasing Managers' Index.

Flash PMIs - Early estimates of economic activity for both manufacturing and services sectors, they provide a quick preview of business trends. Released monthly by S&P Global as an index. Above 50 is expansion. Below 50 is contraction.

Final PMIs - The complete and finalized version of the PMI. A more comprehensive report based on all of the data surveyed. This is also reported by S&P Global as an index at the end of every month.

ISM PMIs - A broader version of the other PMIs. Released monthly by the Institute for Supply Management (ISM), with indexes for categories like new orders, production, and employment.

Sector Indicators (PMIs)

How do they impact the market?

Strong PMI Data
This is positive for the market showing economic growth, higher production, and robust demand. May lead to concerns about higher interest rates if growth is too strong.

Weak PMI Data
Negative for the market suggesting economic slowdown, reduced demand, and lower production. Hurts sentiment for growth-sensitive sectors like tech. Often triggers expectations for monetary easing or rate cuts, which can soften the decline.

Sentiment Indicators

What are they? How are they measured?

Consumer Confidence – Released monthly by the Conference Board. The index is based on a survey of 5,000 households, focusing on current conditions and future expectations of the consumer.

Consumer Sentiment – Released monthly by the University of Michigan. It's based on a survey of 500 households, measuring how consumers feel about their financial situation, current economic conditions, and expectations for the next year.

Inflation Expectations – Usually reported as part of the University of Michigan's Consumer Sentiment Index, typically quarterly. It's based on consumer expectations for inflation over the next year or five to ten years.

Sentiment Indicators

How do they impact the market?

Strong Confidence/Sentiment
Positive for the market. High consumer confidence and sentiment signal optimism about the economy, increased consumer spending, higher corporate earnings, and positive sentiment in broader market.

Weak Confidence/Sentiment
Negative for the market. Low consumer confidence and sentiment raise concerns about economic growth, leading to lower spending, potential earnings downgrades, and overall market pessimism.