



Economics for **Capital Markets**

Course Objectives



Know how economics impacts financial markets



Understand Central Banks and their role in the economy



Classify and interpret economic releases



Understand how specific economic news impacts specific markets



Know how market practitioners use this information to trade or invest



Economic Events

Economics for the Real World – Economic Indicators Vs. Economic Releases

Assume: perfect information



Economic Indicators

- Some sort of numerical representation and objective

Example: GDP, inflation, policy rate decision

VS



Economic Releases

- Tend to be news-based and more subjective

Example: Chair of the Fed or President of the ECB speaking

Economic Events

Traders, investors, speculators need "real-time" information to quickly:



**Formulate
investment strategy**

Time trades

**Use market volatility
(or lack thereof)**

"In the long run, we're all dead" John Maynard Keynes

Economic Events

They aren't always accurate, but in a perfect world with:



The Foreign Exchange (FX) and Fixed Income markets tend to react more directly to economic news than the Equity and Commodity markets.

Types of Economic Events



Things to Consider When Looking at Figures

Indicators measure one of three things:



Volume

Quantity

Example: Barrels of oil



Price

Market price of the object

Example: Price of a barrel of oil



Value

Market value of object

Example: Production of oil over a year

$$\text{Volume} \times \text{Price} = \text{Value}$$

Some Other Things to Keep in Mind

Indicators can be:



Absolute



Index



**Time Series / Change Over
Time (YoY)**

To smooth out the data, many figures use:



Moving Averages



Seasonal Adjustments

Three Broad Classes of Economic Indicators



Leading Indicators

Expectations of what's to come

Any economic factor that changes **before** the rest of the economic begins to go in a particular direction.

Examples: Confidence surveys, housing starts, durable good orders



Coincident Indicators

Indications of what's happening now

An indicator that measures the **current** state of the economy.

Examples: Unemployment figures, earnings, auto sales



Lagging Indicators

Confirmation of what's already happened

Any indicator that only moves **after** some large change in economic policy.

Examples: Gross Domestic Product, Consumer Price Index

Get to Know Your Market Animals



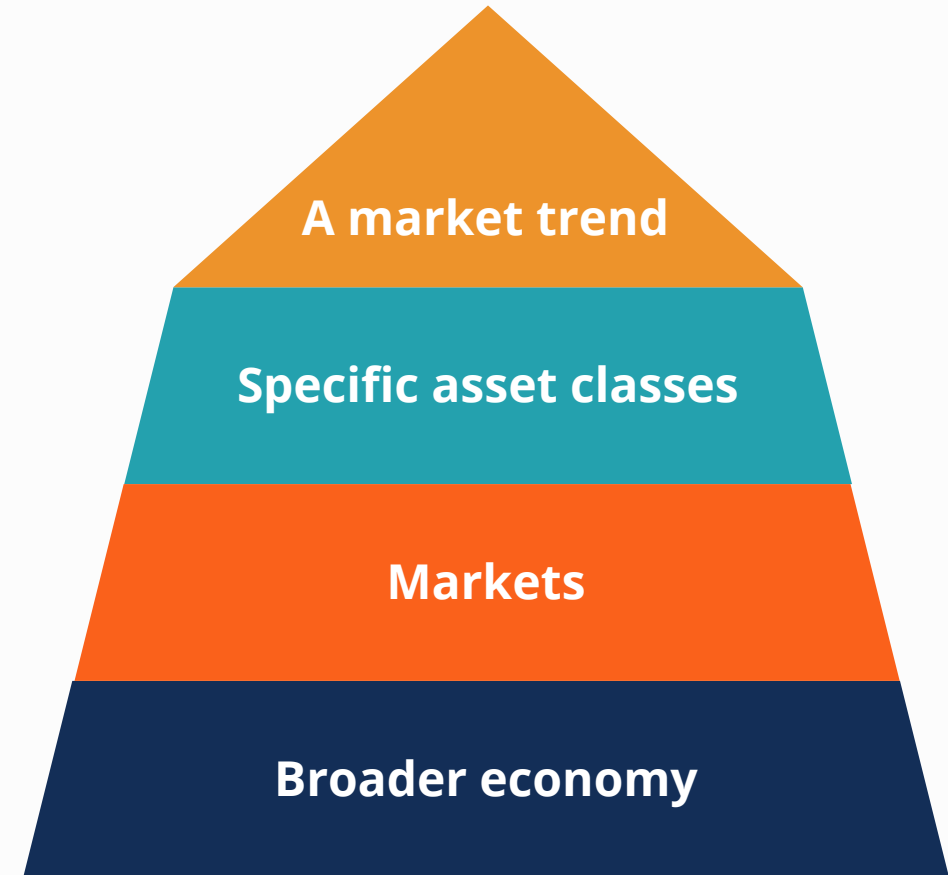
Bull

Appreciating
Optimistic



Bear

Depreciating
Pessimistic

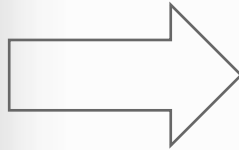


Get to Know Your Market Animals

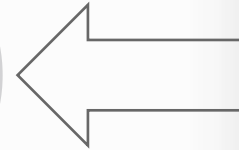


Hawk

Less stimulus
Higher policy rates



Centrists



Dove

Higher stimulus
Lower policy rates

Removing the Wheat from the Chuff

Top-tier News

Niche News

Some examples of important economic events, not just noise:



**Central Bank
announcements**



**Payroll/unemployment
reports**



GDP releases



Inflation



Retail & wholesale sales



Industrial sector



**Consumer/business
confidence**



Housing



Central Banks

Central Banks – A Quick Refresher

Independent government authority that manages the macroeconomic objectives (growth, employment, inflation, consumption) of a country or group of countries by:



Conducting monetary policy



Regulating the bank sector



Acting as “lender of last resort” to the banks



Coordinating and cooperating with other Central Banks



Providing research and economic indicators



Managing the country's reserves

Some Examples of Central Banks

Abbreviation	Name
FED	The Federal Reserve (US)
ECB	European Central Bank
BoE	The Bank of England
BoJ	The Bank of Japan
PBOC	The People's Bank of China
RBI	Reserve Bank of India
SNB	Swiss National Bank
BoC	Bank of Canada
RBA	Reserve Bank of Australia
IMF	International Monetary Fund

Foreign Currency Reserves

With countries that have a fixed exchange rate, large natural reserves, and/or large surplus capital accounts, they may accumulate large amounts of foreign currency reserves. They're used for:



Foreign Exchange (FX) Intervention

Help maintain a stable foreign exchange rate in to and out of the domestic currency.



Maintain Liquidity & Confidence

Provide the citizens with confidence in local financial markets and banks.



Fund External Obligations and Domestic Infrastructure

Used as an investment vehicle to bolster local economies.

Foreign Currency Reserves

Amongst the most important client groups for global financial institutions to service in fixed income, equities, FX, commodities and alternative investments, like hedge funds. When investing, they look for:



Liquidity

Investing/divesting reserves can lead to markets distortions, so managers look for investment products that have ample liquidity.



Capital Preservation

Since they are public funds, managers look to take very little unnecessary risk.



Capital Gain

Managers have pressure to produce gains that beat their benchmarks, due to award mandates.

Central Banks Vs. Sovereign Wealth Funds

A Sovereign Wealth Fund (SWF) is a state-owned investment fund or entity that is commonly established from foreign currency reserves. SWFs were created to diversify investments in non-traditional assets:



Hedge Funds



Private Equities



Infrastructure



Direct Investments



Central Banks

100% government owned.

Have regulatory & monetary policy responsibilities.



SWFs

100% government owned.

Do not have regulatory & monetary policy responsibilities.

Central Bank Actions

Central Bank decisions determine the economic path of the country, or group of countries, by:



Rate Changes



**Currency
Devaluation/Depegging**



Policy Changes

Central Banks provide additional information to the market via:

Testimonies, press
conferences, speeches,
meeting minutes

Sentiment surveys

Economic research papers

What is Monetary Policy

It is one of the three levers that the government can use to control the macroeconomy, the other two being:



Fiscal Policy

Spending and taxes



Foreign Exchange Policy

Fixed exchange rate regimes

Monetary Policy: The action a Central Bank takes to influence the amount of money in the economy, and how much it costs to borrow.

What is Monetary Policy

Monetary policy generally is administered via three mechanisms:



Policy/Lending Rates

Overnight borrowing rate for financial institutions from the Central Bank.



Open Market Operations (OMO)

Governments buying/selling securities in the markets.



Reserve Requirements

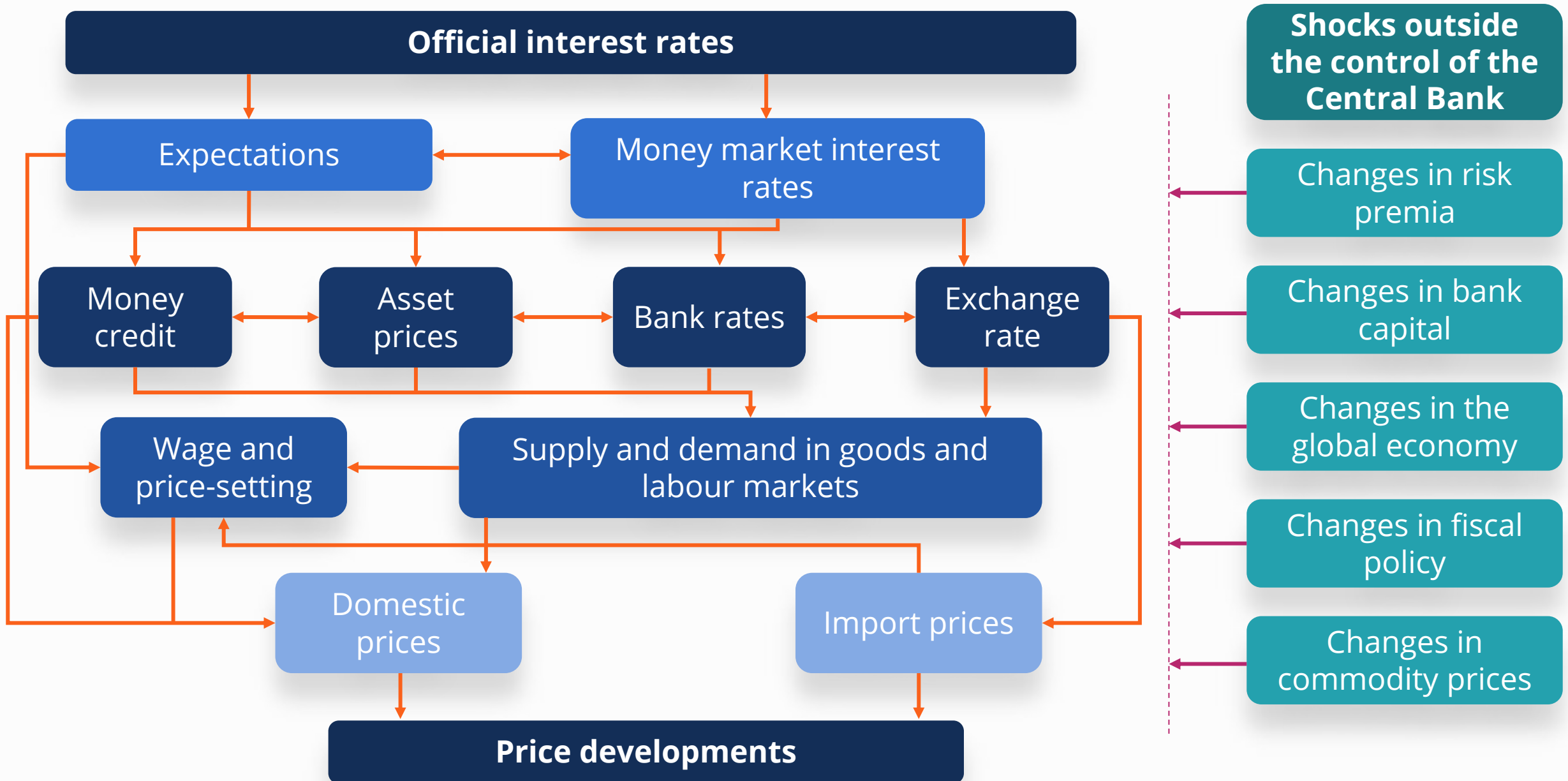
Funds that financial institutions are required to hold at the Central Bank as a percentage of their total deposit liabilities.

How Policy Rates Affect the Real World

Changes in the federal funds rate trigger a chain of events that affect other short-term interest rates, foreign exchange rates, long-term interest rates, the amount of money and credit, and, ultimately, a range of economic variables, including employment, output, and prices of goods and services. *Source: Federal Reserve*



How Policy Rates Affect the Real World



How Policy Rates Affect the Real World



Tight Monetary Policy

Slows down growth and inflation.

Higher policy rates.

VS



Loose Monetary Policy

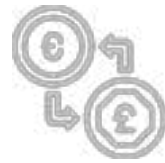
Promotes employment and growth.

Lower policy rates.

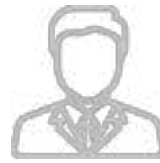
Case Study – Black Wednesday, 16 September 1992



Background



Britain and the ERM



Enter George Soros



“Breaking” the Bank of England



Aftermath of Black Wednesday

- ERM precursor to the EMU and eventually, the Euro.
- It set an upper and lower boundary in which exchange rates could vary for member countries.

Case Study – Black Wednesday, 16 September 1992



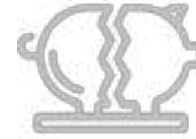
Background



Britain and the
ERM



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“Breaking” the
Bank of England



Aftermath of Black
Wednesday

- The UK originally declined to join the ERM when it was first established in 1979.
- Under John Major and Margaret Thatcher, the UK joined the ERM in October 1990 where the GBP was “semi-pegged” to the DM within a range.
- Many viewed the joining as politically motivated.
- **Problem:** underlying economics of Germany and the UK were very different.

Britain and the ERM



Case Study – Black Wednesday, 16 September 1992



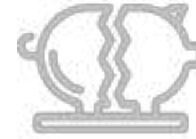
Background



Britain and the
ERM



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“Breaking” the
Bank of England



Aftermath of Black
Wednesday

- Currency traders actively shorted the GBP.
- George Soros, a hedge fund manager, had accumulated \$10BN worth of shorts against the GBP for months under his flagship Quantum Fund by September 1992.

Case Study – Black Wednesday, 16 September 1992



Background



Britain and the
ERM



Enter George Soros



**“Breaking” the
Bank of England**



Aftermath of Black
Wednesday

- Even as more speculators piled into the trade, the UK refused to raise interest rates or “depeg”.
- Bank of England continued using its foreign currency reserves to defend the GBP.
- By 10:30am on September 16, 1992, the Bank of England announced increases in the base rate from 10% to 15% to try and entice investors to buy GBP.
- By 7pm, the UK had given up and pulled out of the ERM.

Case Study – Black Wednesday, 16 September 1992



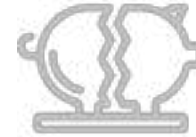
Background



Britain and the
ERM



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“Breaking” the
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**Aftermath of Black
Wednesday**

- The UK lost £3.3bn - Soros made a profit of over £1bn on his shorts.
- UK was thrown into a recession.
- The Conservative Party would go on to lose three consecutive elections.
- Bank of England moved to inflation targeting as its main mandate.
- Marked the beginnings of Euroscepticism in the UK.

The Federal Reserve (the Fed) System

U.S. Central
Bank



The Federal
Reserve System

Key Entities



Federal Reserve
Board of
Governors



12 Federal
Reserve Banks



Federal Open
Market
Committee

Source: The Federal Reserve

Key Functions

Conducting
the nation's
monetary
policy

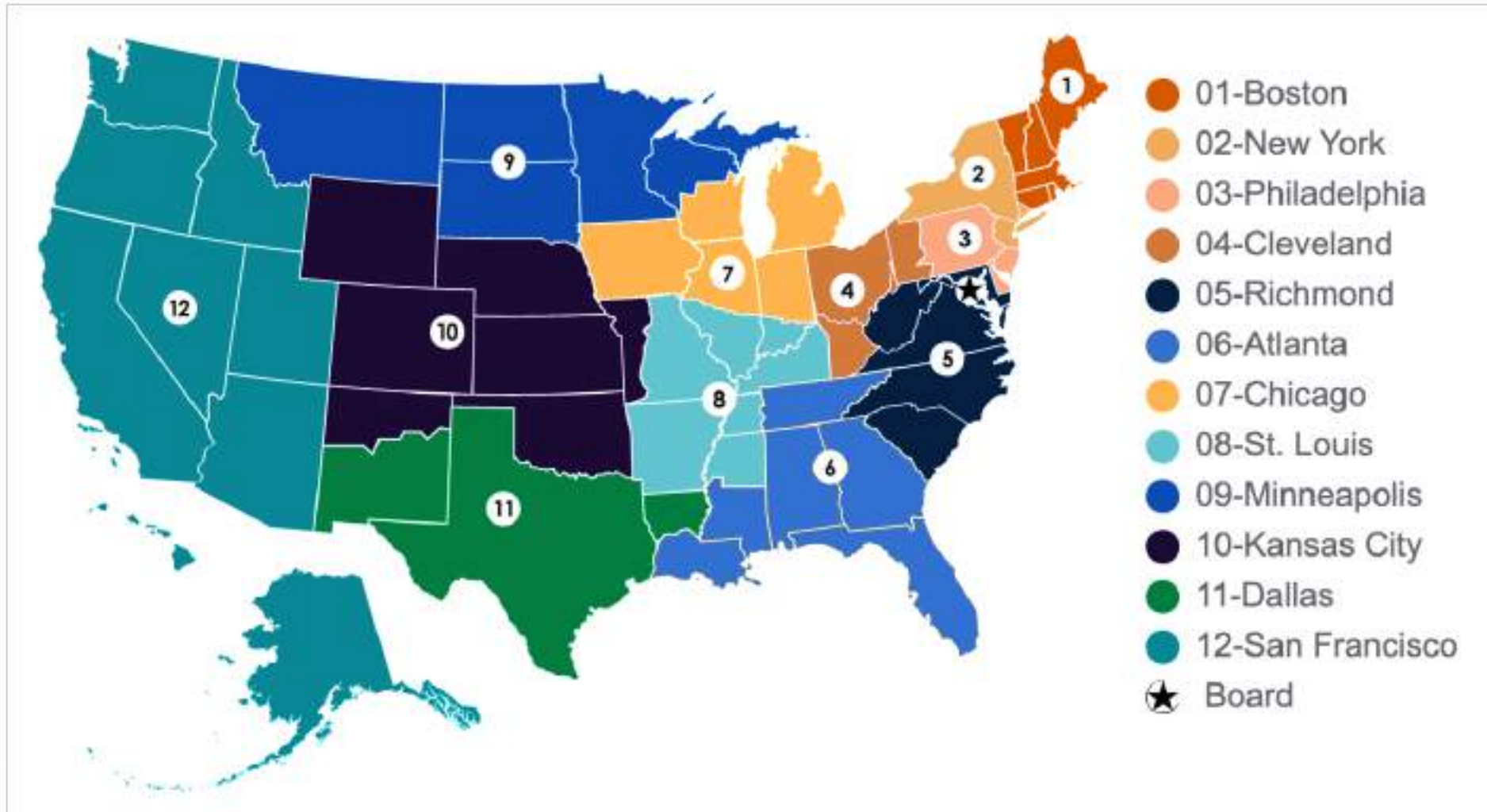
Helping
maintain the
stability of
the financial
system

Supervising
and
regulating
financial
institutions

Fostering
payment and
settlement
system
safety and
efficiency

Promoting
consumer
protection
and
community
development

The Federal Reserve (the Fed) System



Key Fund

Source: The Federal Reserve

The Federal Reserve (the Fed) System



**All national banks
must subscribe 3% of
their own capital as
stock in their
respective Federal
Reserve Bank.**



**Regardless of
membership, all
depository
institutions in the US
are subject to the
Fed's regulations.**

Key Functions

The Federal Reserve (the Fed) System



The “stock ownership” requirement remains today.



These stocks pay a small dividend out the Reserve Bank’s earnings but are very different from normal common stock.



- No voting rights.
- Can’t be bought/sold.
- Member banks don’t decide on the Directors of the Reserve Banks.
- Members don’t have ownership on surpluses.

The Federal Reserve (the Fed) System

U.S. Central
Bank



The Federal
Reserve System

Key Entities



Federal
Reserve Board
of Governors



12 Federal
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Federal Open
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Key Functions

Conducting
the nation's
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Fostering
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Promoting
consumer
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development

Federal Reserve Board of Governors

The Board is comprised of seven "governors," who are nominated by the President of the United States and confirmed in their positions by the U.S. Senate.



Pay attention to speeches by:

- **Governors**
- **Voting members of the FOMC**
- **Non-voting Federal Reserve Bank Presidents**



Pay extra attention:

- **Humphrey-Hawkins report**
- **Jackson Hole speech**

Federal Open Market Committee (FOMC)



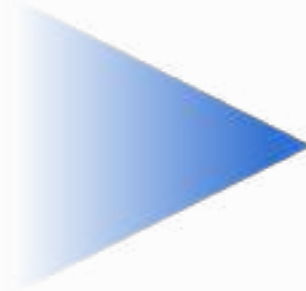
FOMC

12 voting members:

7 members of the Board of Governors of the Federal Reserve System

The President of the Federal Reserve Board of New York

4 of the remaining 11 Reserve Bank presidents

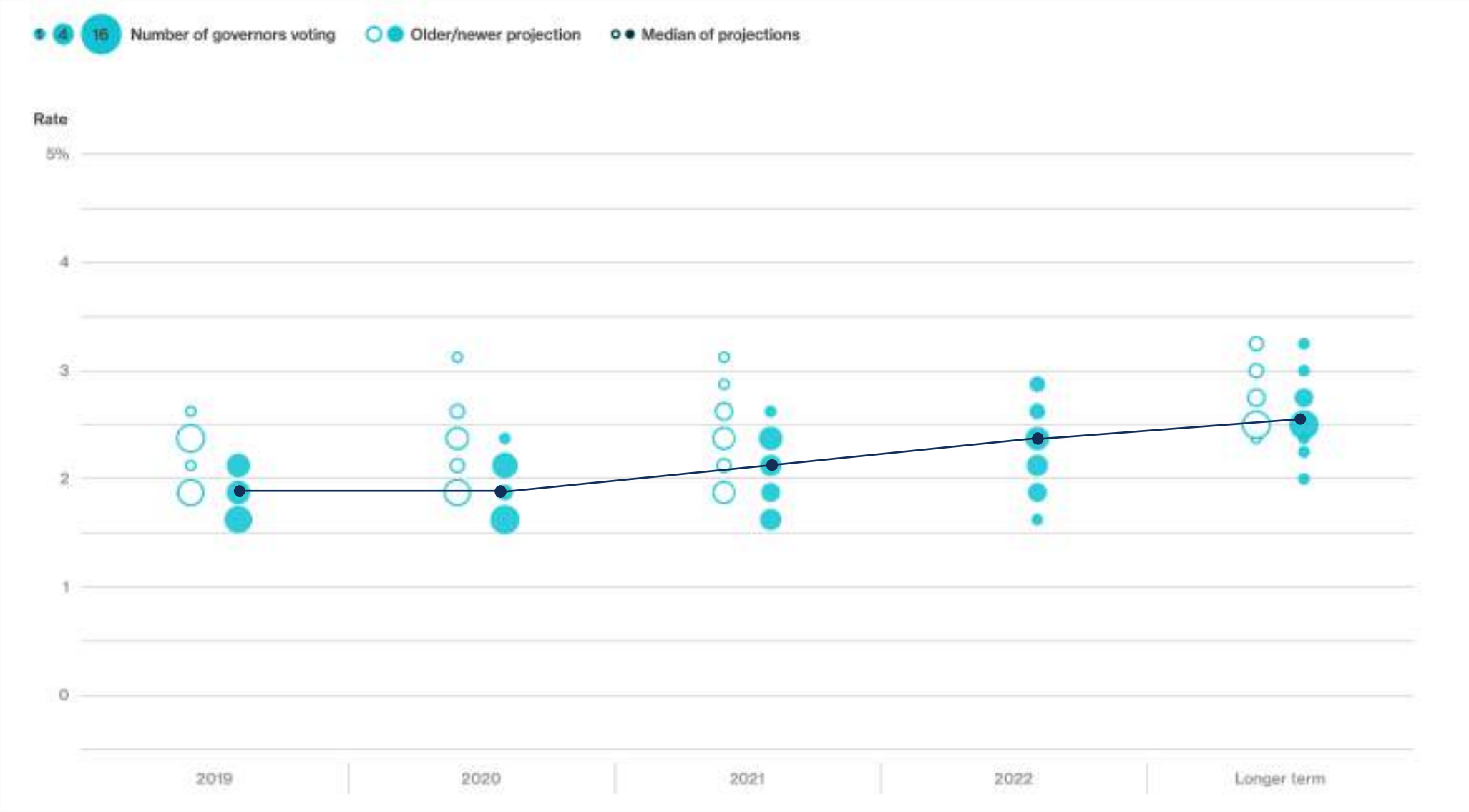


Meets 8 times in a year

Decides the Committee's target for the Fed Funds rate

Voting method: majority rules

Federal Open Market Committee (FOMC)



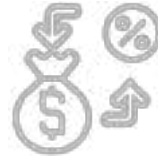
Source: Bloomberg/The Federal Reserve

Key Policy Rates



Target Federal Funds Rate “Fed Funds”

Rate at which banks lend/borrow amongst themselves on an unsecured basis.



Discount Rate

Rate charged by the Fed when lending funds to members to deal with short-term shortages of liquidity on a collateralized basis.



Interest on Required Reserve Balances and Excess Balances (IORR and IOER)

Rate the Fed pays to member institutions for their reserve deposits.

Key Policy Rates



Target Federal Funds Rate "Fed Funds"

Rate at which banks lend/borrow amongst themselves on an unsecured basis.

Money still held at the Fed to maintain reserve requirements.

FOMC sets a range for this rate but the actual rate is calculated from data.



Discount Rate

Rate charged by the Fed when lending funds to members to deal with short-term shortages of liquidity on a collateralized basis.



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Discount Rate

Rate charged by the Fed when lending funds to members to deal with short-term shortages of liquidity on a collateralized basis.

Discount rate is **higher** than the Fed Funds target rate.

Both primary and secondary credit are for very short terms.



Interest on Required Reserve Balances and Excess Balances (IORR and IOER)

Rate the Fed pays to member institutions for their reserve deposits.

Key Policy Rates



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Interest on Required Reserve Balances and Excess Balances (IORR and IOER)

Rate the Fed pays to member institutions for their reserve deposits.

Introduced after the GFC, help stabilize other monetary instruments.

The rates have different functions but are equal.

Key Policy Rates



Discount rate

Fed funds

IOER/IOER

FOMC Statement Tone by the Experts

<Back> to Return

66 Send 98 Actions ▾ 99 Translate ▾ News: News Story

101 Federal Reserve Monetary Policy Implementation Note: Attached BN 03/03

102 U.S. Federal Open Market Committee March 3 Statement: Attached BN 03/03

103 ✓ U.S. Federal Funds Target Interest Rate History (Table) BN 03/03

03/03/2020 10:07:47 [BN]

• For Federal Reserve action history see:

- St. Louis Fed
- Lauder Institute, University of Pennsylvania

Date	Target	BN Survey	Survey vs Actual	Direction	Change	Discount	Vote
03/03/20	1.00%-1.25%	n/a	Unscheduled	Easing	-0.50%	1.75%	10-0
03/03/20 G7 call to discuss coronavirus and its impact on markets & economic conditions							
01/29/20	1.50-1.75%	1.50-1.75%	Expected	None	None	2.25%	10-0
12/11/19 *	1.50-1.75%	1.50-1.75%	Expected	None	None	2.25%	10-0
10/30/19	1.50-1.75%	1.50-1.75%	Expected	Easing	-0.25%	2.25%	8-2
09/18/19 *	1.75-2.00%	1.75-2.00%	Expected	Easing	-0.25%	2.50%	7-3
07/31/19	2.00-2.25%	2.00-2.25%	Expected	Easing	-0.25%	2.75%	8-2
06/19/19 *	2.25-2.50%	2.25-2.50%	Expected	None	None	3.00%	9-1
05/01/19	2.25-2.50%	2.25-2.50%	Expected	None	None	3.00%	10-0
03/19/19 *	2.25-2.50%	2.25-2.50%	Expected	None	None	3.00%	10-0

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2020 Bloomberg Finance L.P.
SM 129457 EST GMT-5:00 04-Mar-2020 12:25:16

FOMC Minutes

FOMC minutes come out 3 weeks after the meeting. The minutes are laid out as follows:

1

Section One

List of attendees

2

Section Two

Overview of economic and financial conditions

3

Section Three

The perspectives of meeting participants

4

Section Four

The policy decision

European Central Bank (ECB)



Eurozone

Austria	Latvia
Belgium	Lithuania
Cyprus	Luxembourg
Estonia	Malta
Finland	Netherlands
France	Portugal
Germany	Slovakia
Greece	Slovenia
Ireland	Spain
Italy	



Governing Council

12 voting members:

6 members of the Executive Board

Governors of the Central Banks of the 19 Euro area countries

Key Policy Rates

The Governing Council of the ECB sets three key interest rates:



Rate on the Main Refinancing Operations

Banks can borrow liquidity from the Eurosystem against collateral on a weekly basis, at a pre-determined interest rate.



Rate on the Deposit Facility

Banks make overnight deposits with the Eurosystem at a (pre-set) rate **lower than the main refinancing operations rate**.



Rate on the Marginal Lending Facility

Overnight credit to banks from the Eurosystem at an interest rate (also pre-set) **above the main refinancing operations rate**.

Source: ECB

Key Policy Rates



Bank of England (BoE)

The Central Bank for the UK with an explicit inflation ceiling of 2%.



Monetary Policy Committee (MPC)

9 members:

The Governor

3 Deputy Governors

Chief Economist

4 External Members

**Meets 8 times in
a year**

**Voting method:
majority rules,
Governor breaks
tie when
necessary**



Bank Rate

Interest rate charged
by the BoE for
institutions to borrow
money.

Rate charged by the
bank to clients to
borrow money/pay
on their savings.

BoE Bank Rate



Bank of Japan (BoJ)

The Bank of Japan, as the Central Bank of Japan, decides and implements monetary policy with the aim of maintaining price stability (to achieve inflation of 2%). They have been battling with:



Low growth



Low inflation



Bad bank debt

BoJ has tried many different measures:

2001

Quantitative Easing (QE)

2013

Quantitative and Qualitative Monetary Easing (QQE)

2014

QQE2

2018

Yield Curve Control

2016

Negative interest rates

Quantitative Easing (QE)



Bank of Japan



2008 Financial Crisis



Quantitative Easing

Central banks also can “create money digitally to buy corporate and government bonds – this is known as asset purchase or quantitative easing (QE)”.

Source: Bank of England

Yield Curve Control (YCC)

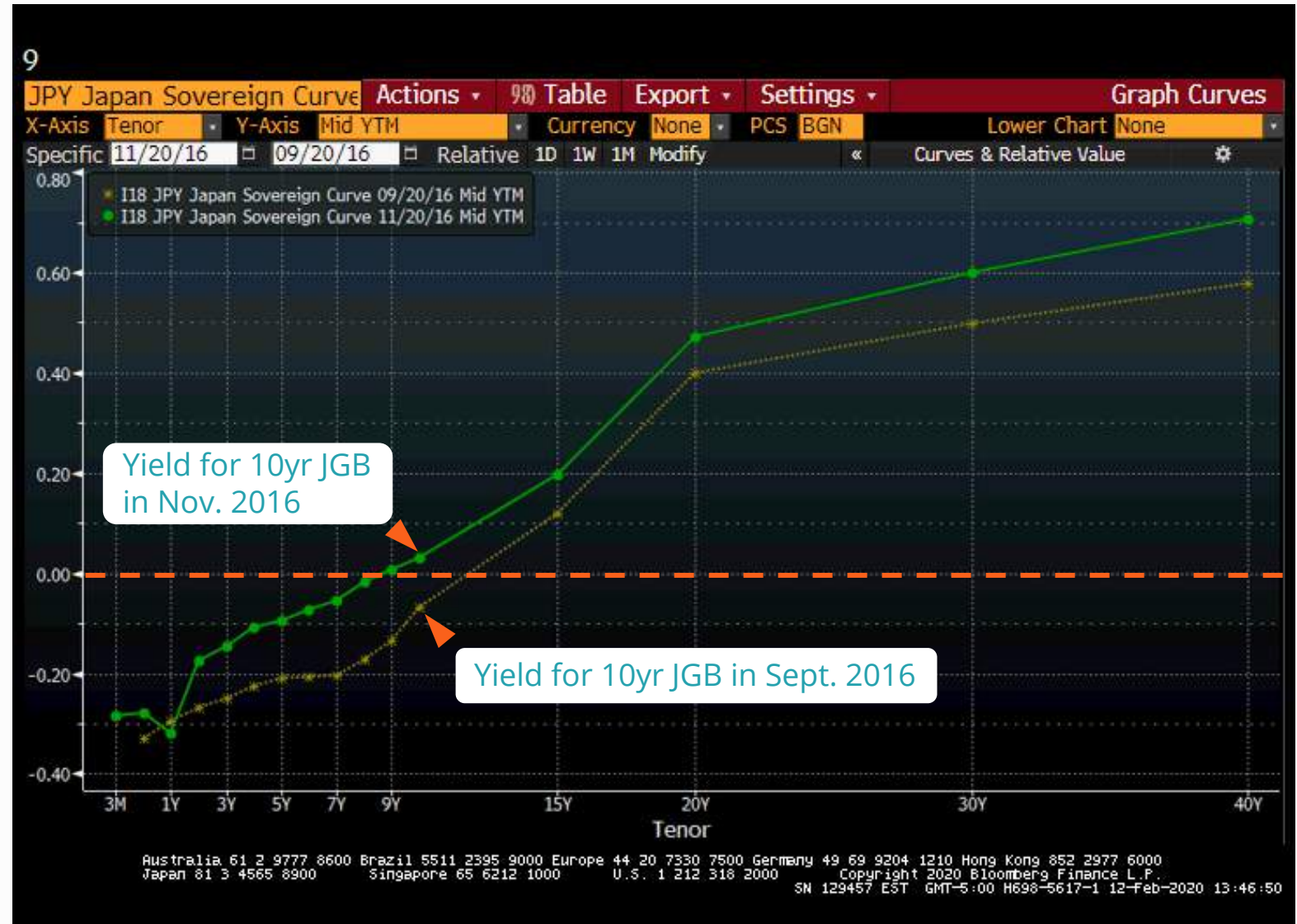


Bank of Japan

QE

QQE

Negative Interest Rates



Bank of Japan Monetary Policy Meetings (MPMs)



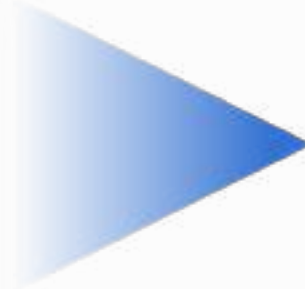
Policy Board

9 voting members:

The Governor

2 Deputy Governors

6 other members



Meets 8 times in a year

Voting method: majority rules

Key Policy Rates



Short-term Policy Interest Rate

Rate applied to Policy-Rate Balances in current accounts held by financial institutions at the Bank.



Long-term Interest Rate

The Bank purchases Japanese Government Bonds (JGBs) so that 10-year JGB yields remain at the targeted level.

BoJ is still conducting **Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control (YCC)** to achieve the policy goal of 2% inflation.



Economic Indicators

Labor Market (Employment, Unemployment, Productivity)



Labor Market

Leading & Coincident

Job growth (and loss) contributes directly to output, consumption and investment.

Central Banks watch this closely as full employment is one of their mandates.

9 <G0> to Save as Default												
1) Calendars - 2) Alerts - 3) Export - 4) Settings - Economic Calendars												
G8		Browse		11:30:53		11/19/19 - 12/07/19						
Economic Releases		Labor Market		View Agenda Weekly								
	Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
33)	12/04	08:15	US	-	-	-	ADP Employment Change	Nov	--	--	125k	--
34)	12/04	08:30	CA	-	-	-	Labor Productivity QoQ	3Q	--	--	0.2%	--
35)	12/05	05:00	EC	-	-	-	Employment QoQ	3Q F	--	--	0.1%	--
36)	12/05	05:00	EC	-	-	-	Employment YoY	3Q F	--	--	1.0%	--
37)	12/05	08:30	US	-	-	-	Initial Jobless Claims	Nov 30	--	--	--	--
38)	12/05	08:30	US	-	-	-	Continuing Claims	Nov 23	--	--	--	--
39)	12/05	18:30	JN	-	-	-	Labor Cash Earnings YoY	Oct	--	--	0.8%	--
40)	12/05	18:30	JN	-	-	-	Real Cash Earnings YoY	Oct	--	--	0.6%	--
41)	12/06	08:30	CA	-	-	-	Part Time Employment C...	Nov	--	--	14.3	--
42)	12/06	08:30	CA	-	-	-	Full Time Employment Ch...	Nov	--	--	-16.1	--
43)	12/06	08:30	CA	-	-	-	Net Change in Employment	Nov	--	--	-1.8k	--
44)	12/06	08:30	US	-	-	-	Change in Nonfarm Payr...	Nov	188k	--	128k	--
45)	12/06	08:30	US	-	-	-	Two-Month Payroll Net R...	Nov	--	--	95k	--
46)	12/06	08:30	US	-	-	-	Change in Private Payrolls	Nov	--	--	131k	--
47)	12/06	08:30	CA	-	-	-	Unemployment Rate	Nov	--	--	5.5%	--
48)	12/06	08:30	US	-	-	-	Change in Manufact. Pay...	Nov	--	--	-36k	--
49)	12/06	08:30	CA	-	-	-	Hourly Wage Rate Perma...	Nov	--	--	4.4%	--
50)	12/06	08:30	US	-	-	-	Unemployment Rate	Nov	3.6%	--	3.6%	--

Output (GDP, GNP, Balance of Payments)



Output

Coincident & Lagging

Measures economic activity of a region or nation – used as yardstick to measure **economic achievement**.

Consumption

Investment

Gov.
Spending

Net Exports

+

Net Property Income from
Abroad

Balance of
Payments

GNP

9 <G0> to Save as Default												
1) Calendars • 2) Alerts • 3) Export • 4) Settings •										Economic Calendars		
5) Browse 11:44:29										11/19/19 - 12/07/19		
Economic Releases • National Accounts (GDP) •										View • Agenda • Weekly •		
	Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/22	02:00	GE	*		▲	GDP SA QoQ	3Q F	0.1%	--	0.1%	--
22)	11/22	02:00	GE	*		▲	GDP NSA YoY	3Q F	1.0%	--	1.0%	--
23)	11/22	02:00	GE	*		▲	GDP WDA YoY	3Q F	0.5%	--	0.5%	--
24)	11/22	02:00	GE	*		...	Private Consumption QoQ	3Q	0.4%	--	0.1%	--
25)	11/22	02:00	GE	*		...	Government Spending QoQ	3Q	0.3%	--	0.5%	--
26)	11/22	02:00	GE	*		...	Capital Investment QoQ	3Q	-0.4%	--	-0.1%	--
27)	11/27	08:30	US	+		▲	GDP Annualized QoQ	3Q S	1.9%	--	1.9%	--
28)	11/27	08:30	US	+		▲	Personal Consumption	3Q S	--	--	2.9%	--
29)	11/29	02:45	FR	*		▲	GDP QoQ	3Q F	--	--	0.3%	--
30)	11/29	02:45	FR	*		▲	GDP YoY	3Q F	--	--	1.3%	--
31)	11/29	06:00	IT	*		▲	GDP WDA YoY	3Q F	--	--	0.3%	--
32)	11/29	06:00	IT	*		▲	GDP WDA QoQ	3Q F	--	--	0.1%	--
33)	11/29	08:30	CA	+		▲	Quarterly GDP Annualized	3Q	--	--	3.7%	--
34)	11/29	08:30	CA	*		▲	GDP MoM	Sep	--	--	0.1%	--
35)	11/29	08:30	CA	*		▲	GDP YoY	Sep	--	--	1.3%	--
36)	12/05	05:00	EC	*		...	Gross Fix Cap QoQ	3Q	--	--	0.5%	0.6%
37)	12/05	05:00	EC	*		...	Govt Expend QoQ	3Q	--	--	0.3%	0.4%
38)	12/05	05:00	EC	*		...	Household Cons QoQ	3Q	--	--	0.2%	--

Prices and Wages (Inflation, CPI, PPI)



Prices and Wages

Lagging

Inflation measures the change in prices for goods or services and is one of most closely-watched figures by Central Banks to determine when to tighten/loosen monetary policy.

9 <G0> to Save as Default												
1) Calendars • 2) Alerts • 3) Export • 4) Settings • Economic Calendars												
G8 @ Browse 11:49:29 11/19/19 - 12/07/19												
Economic Releases • Prices • View • Agenda • Weekly •												
	Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/19	08:00	RU	*			PPI YoY	Oct	-3.9%	-4.9%	-1.2%	--
22)	11/19	08:00	RU	*			PPI MoM	Oct	0.3%	-0.2%	-0.3%	--
23)	11/20	02:00	GE	*			PPI MoM	Oct	0.0%	--	0.1%	--
24)	11/20	02:00	GE	*			PPI YoY	Oct	-0.4%	--	-0.1%	--
25)	11/20	08:30	CA	*			CPI NSA MoM	Oct	0.3%	--	-0.4%	--
26)	11/20	08:30	CA	*			CPI YoY	Oct	1.9%	--	1.9%	--
27)	11/20	08:30	CA	*			CPI Core- Median YoY%	Oct	2.2%	--	2.2%	--
28)	11/20	08:30	CA	*			CPI Core- Common YoY%	Oct	1.9%	--	1.9%	--
29)	11/20	08:30	CA	*			CPI Core- Trim YoY%	Oct	2.1%	--	2.1%	--
30)	11/21	18:30	JN	*			Natl CPI YoY	Oct	0.3%	--	0.2%	--
31)	11/21	18:30	JN	*			Natl CPI Ex Fresh Food YoY	Oct	0.4%	--	0.3%	--
32)	11/21	18:30	JN	*			Natl CPI Ex Fresh Food, E...	Oct	0.6%	--	0.5%	--
33)	11/25	18:50	JN	*			PPI Services YoY	Oct	--	--	0.5%	--
34)	11/27	08:30	US	*			GDP Price Index	3Q S	1.7%	--	1.7%	--
35)	11/27	10:00	US	*			PCE Deflator MoM	Oct	0.3%	--	0.0%	--
36)	11/27	10:00	US	*			PCE Deflator YoY	Oct	--	--	1.3%	--
37)	11/27	10:00	US	*			PCE Core Deflator MoM	Oct	0.1%	--	0.0%	--
38)	11/27	10:00	US	*			PCE Core Deflator YoY	Oct	1.7%	--	1.7%	--

Consumption (Retail and Wholesale Sales, Consumer Spending)



Retail and Wholesale Sales

Leading & Coincident

Consumption accounts for most economic activity.

9 <G0> to Save as Default												
1) Calendars • 2) Alerts • 3) Export • 4) Settings • Economic Calendars												
G8 • 6) Browse 12:06:04 11/19/19 - 12/07/19												
Economic Releases • Retail & Wholesale Sector View • Agenda • Weekly												
	Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/19	02:00	EC	*	*	*	EU27 New Car Registrati...	Oct	--	8.7%	14.5%	--
22)	11/22	08:30	CA	*	*	*	Retail Sales MoM	Sep	-0.3%	--	-0.1%	--
23)	11/22	08:30	CA	*	*	*	Retail Sales Ex Auto MoM	Sep	-0.1%	--	-0.2%	--
24)	11/25	08:30	CA	*	*	*	Wholesale Trade Sales MoM	Sep	--	--	-1.2%	--
25)	11/26	08:30	US	*	*	*	Retail Inventories MoM	Oct	--	--	0.3%	0.2%
26)	11/26	08:30	US	*	*	*	Wholesale Inventories MoM	Oct P	--	--	-0.4%	--
27)	11/27	18:50	JN	*	*	*	Retail Sales MoM	Oct	--	--	7.1%	7.2%
28)	11/27	18:50	JN	*	*	*	Retail Sales YoY	Oct	--	--	9.1%	9.2%
29)	11/27-12/03	GE	*	*	*	*	Retail Sales MoM	Oct	--	--	0.1%	0.0%
30)	11/27-12/03	GE	*	*	*	*	Retail Sales NSA YoY	Oct	--	--	3.4%	--
31)	12/02	00:00	JN	*	*	*	Vehicle Sales YoY	Nov	--	--	-26.4%	--
32)	12/02	12:00	IT	*	*	*	New Car Registrations YoY	Nov	--	--	6.67%	--
33)	12/03		US	*	*	*	Wards Total Vehicle Sales	Nov	16.80m	--	16.55m	--
34)	12/05	04:00	UK	*	*	*	New Car Registrations YoY	Nov	--	--	-6.7%	--
35)	12/05	05:00	EC	*	*	*	Retail Sales MoM	Oct	--	--	0.1%	--
36)	12/05	05:00	EC	*	*	*	Retail Sales YoY	Oct	--	--	3.1%	--
37)	12/05		RU	*	*	*	Light Vehicle Car Sales YoY	Nov	--	--	-5.2%	--
38)	12/06	04:00	IT	*	*	*	Retail Sales MoM	Oct	--	--	0.7%	--

Industrial Sector (Industrial Production, Capacity Utilization, Manufacturing Orders)



Industrial Sector

Leading & Coincident

As industrial orders have a longer lead time, they are a good forecaster of future output.

9 <G0> to Save as Default

1) Calendars • 2) Alerts • 3) Export • 4) Settings •

Economic Calendar

11/19/19 - 12/07/19

View • Agenda • Weekly

G8

Browse

12:14:10

Economic Releases • Industrial Sector

View • Agenda • Weekly

	Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/19	04:00	IT	*	-	-	Industrial Sales WDA YoY	Sep	--	-1.6%	-2.2%	--
22)	11/19	04:00	IT	*	-	-	Industrial Sales MoM	Sep	--	0.2%	-0.3%	--
23)	11/19	04:00	IT	*	+	-	Industrial Orders NSA YoY	Sep	--	0.3%	-10.0%	-10.4%
24)	11/19	04:00	IT	*	+	+	Industrial Orders MoM	Sep	--	1.0%	1.1%	0.8%
25)	11/19	08:30	CA	*	+	+	Manufacturing Sales MoM	Sep	-0.5%	-0.2%	0.8%	--
26)	11/20	08:00	RU	*	-	-	Cargo Shipments YoY	Oct	0.1%	--	-0.2%	--
27)	11/20	08:00	RU	*	-	-	Construction YoY	Oct	0.5%	--	0.8%	--
28)	11/22	09:45	US	*	+	+	Markit US Manufacturing ...	Nov P	51.4	--	51.3	--
29)	11/27	08:30	US	*	+	+	Durable Goods Orders	Oct P	-0.7%	--	-1.2%	--
30)	11/28	18:50	JN	*	+	+	Industrial Production MoM	Oct P	--	--	1.7%	--
31)	11/28	18:50	JN	*	+	+	Industrial Production YoY	Oct P	--	--	1.3%	--
32)	11/29	00:00	JN	*	+	+	Construction Orders YoY	Oct	--	--	-6.8%	--
33)	12/02	09:30	CA	*	+	+	Markit Canada Manufactu...	Nov	--	--	51.2	--
34)	12/02	09:45	US	*	+	+	Markit US Manufacturing	Nov E	--	--	--	--
35)	12/05	02:00	GE	*	+	+	Factory Orders MoM	Oct	--	--	1.3%	--
36)	12/05	02:00	GE	*	+	+	Factory Orders WDA YoY	Oct	--	--	-5.4%	--
37)	12/05	10:00	US	*	+	+	Factory Orders	Oct	--	--	-0.6%	--
38)	12/05	10:00	US	*	-	-	Factory Orders Ex Trans	Oct	--	--	-0.1%	--

Purchasing Managers' Index (PMI, ISM)



Purchasing Managers' Index

Leading & Coincident

The PMI is a survey of purchasing managers in service and manufacturing companies about their views on prevailing economic conditions.

9 <G0> to Save as Default

1) Calendars • 2) Alerts • 3) Export • 4) Settings • Economic Calendars

G8 6) Browse 12:17:07 11/19/19 - 12/07/19

Economic Releases • Purchasing Managers' Index • View • Agenda • Weekly

	Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
45)	12/02	04:00	EC	<	*	▲	Markit Eurozone Manufac...	Nov F	--	--	--	--
46)	12/02	04:30	UK	<	*	▲	Markit UK PMI Manufactu...	Nov F	--	--	--	--
47)	12/02	09:30	CA		*	▲	Markit Canada Manufactu...	Nov	--	--	51.2	--
48)	12/02	09:45	US	<	*	▲	Markit US Manufacturing ...	Nov F	--	--	--	--
49)	12/02	10:00	US	<	*	▲	ISM Manufacturing	Nov	50.1	--	48.3	--
50)	12/02	10:00	US	<	*	▲	ISM Prices Paid	Nov	--	--	45.5	--
51)	12/02	10:00	US		*	—	ISM New Orders	Nov	--	--	49.1	--
52)	12/03	04:30	UK	<	*	▲	Markit/CIPS UK Construc...	Nov	--	--	44.2	--
53)	12/03	19:30	JN		*	▲	Jibun Bank Japan PMI Se...	Nov F	--	--	--	--
54)	12/03	19:30	JN		*	▲	Jibun Bank Japan PMI Co...	Nov F	--	--	--	--
55)	12/04	01:00	RU		*	▲	Markit Russia PMI Services	Nov	--	--	55.8	--
56)	12/04	01:00	RU		*	▲	Markit Russia PMI Comp...	Nov	--	--	53.3	--
57)	12/04	03:45	IT		*	▲	Markit Italy Services PMI	Nov	--	--	52.2	--
58)	12/04	03:45	IT		*	▲	Markit Italy Composite PMI	Nov	--	--	50.8	--
59)	12/04	03:50	FR	<	*	▲	Markit France Services PMI	Nov F	--	--	--	--
60)	12/04	03:50	FR	<	*	▲	Markit France Composite	Nov F	--	--	--	--
61)	12/04	03:55	GE	<	*	▲	Markit Germany Services...	Nov F	--	--	--	--
62)	12/04	03:55	GE	<	*	▲	Markit/BME Germany Co...	Nov F	--	--	--	--

Surveys (Consumer/Business Confidence/Sentiment)



Consumer/Business Confidence/Sentiment Surveys

Leading

Consumer and company attitude surveys about the degree of optimism (or pessimism) that reflect into factors such as individual savings or company expenditures.

9 <G0> to Save as Default

1) Calendars • 2) Alerts • 3) Export • 4) Settings • Economic Calendars

G8 6) Browse 12:18:22 11/19/19 - 12/07/19

Economic Releases • Surveys/Cyclical Indicators • View • Agenda • Weekly

	Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/21	02:45	FR	*			Business Confidence	Nov	105	--	105	--
22)	11/21	02:45	FR	*			Manufacturing Confidence	Nov	100	--	99	--
23)	11/21	02:45	FR	*			Production Outlook Indic...	Nov	0	--	-1	--
24)	11/21	02:45	FR	*			Own-Company Productio...	Nov	4	--	4	--
25)	11/21	08:30	US	*			Philadelphia Fed Busines...	Nov	6.0	--	5.6	--
26)	11/21	10:00	US	*			Leading Index	Oct	-0.2%	--	-0.1%	--
27)	11/21	10:00	EC	*			Consumer Confidence	Nov A	-7.3	--	-7.6	--
28)	11/22	09:45	US	*			Markit US Manufacturing ...	Nov P	51.4	--	51.3	--
29)	11/22	09:45	US	*			Markit US Composite PMI	Nov P	--	--	50.9	--
30)	11/22	10:00	US	*			U. of Mich. Sentiment	Nov F	95.7	--	95.7	--
31)	11/22	10:00	US	*			U. of Mich. Current Condi...	Nov F	111.2	--	110.9	--
32)	11/22	10:00	US	*			U. of Mich. Expectations	Nov F	--	--	85.9	--
33)	11/22	10:00	US	*			U. of Mich. 1 Yr Inflation	Nov F	--	--	2.5%	--
34)	11/22	10:00	US	*			U. of Mich. 5-10 Yr Inflat...	Nov F	--	--	2.4%	--
35)	11/22	11:00	US	*			Kansas City Fed Manf. Ac...	Nov	-2	--	-3	--
36)	11/25	04:00	GE	*			IFO Business Climate	Nov	--	--	94.6	--
37)	11/25	04:00	GE	*			IFO Expectations	Nov	--	--	91.5	--
38)	11/25	04:00	GE	*			IFO Current Assessment	Nov	--	--	97.8	--

Housing Sector (Permits/Housing Starts/Prices)



Housing Sector

Leading & Coincident

Measures both new housing starts, existing home sales, and median prices. As housing forms one of the largest portions of an individual's assets, the outlook for this sector is important.

9 <G0> to Save as Default

1) Calendars • 2) Alerts • 3) Export • 4) Settings • Economic Calendars

G8 Browse 12:17:34 11/19/19 - 12/07/19

Economic Releases • Housing and Real Estate • View • Agenda • Weekly

	Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/19	08:30	CA	*			Teranet/National Bank H...	Oct	--	-0.1%	0.1%	--
22)	11/19	08:30	CA	*			Teranet/National Bank H...	Oct	--	1.0%	0.7%	--
23)	11/19	08:30	US	*			Housing Starts	Oct	1320k	1314k	1256k	1266k
24)	11/19	08:30	US	*			Building Permits	Oct	1385k	1461k	1387k	1391k
25)	11/19	08:30	US	*			Housing Starts MoM	Oct	5.1%	3.8%	-9.4%	-7.9%
26)	11/19	08:30	US	*			Building Permits MoM	Oct	-0.4%	5.0%	-2.7%	-2.4%
27)	11/20	07:00	US	*			MBA Mortgage Applications	Nov 15	--	--	9.6%	--
28)	11/21	10:00	US	*			Existing Home Sales	Oct	5.49m	--	5.38m	--
29)	11/21	10:00	US	*			Existing Home Sales MoM	Oct	2.0%	--	-2.2%	--
30)	11/26	04:30	UK	*			UK Finance Loans for Ho...	Oct	--	--	42310	--
31)	11/26	09:00	US	*			House Price Purchase In...	3Q	--	--	1.0%	--
32)	11/26	09:00	US	*			FHFA House Price Index ...	Sep	--	--	0.2%	--
33)	11/26	09:00	US	*			S&P CoreLogic CS 20-Cit...	Sep	--	--	-0.16%	--
34)	11/26	09:00	US	*			S&P CoreLogic CS 20-Cit...	Sep	--	--	2.03%	--
35)	11/26	09:00	US	*			S&P CoreLogic CS 20-Cit...	Sep	--	--	218.14	--
36)	11/26	09:00	US	*			S&P CoreLogic CS US HPI...	Sep	--	--	3.17%	--
37)	11/26	09:00	US	*			S&P CoreLogic CS US HPI...	Sep	--	--	212.06	--
38)	11/26	10:00	US	*			New Home Sales	Oct	705k	--	701k	--



Trading Around Economic Releases

How Economic Releases Move Markets

Different Economic Releases impact different markets and in different ways.

Some examples:



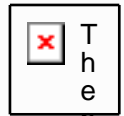
Affect markets generally



Affect specific asset classes more than others



Affect different duration products



Are currency or country specific



Affect specific companies more than broader markets

How Do We Get These Forecasts

"An Economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today"
Laurence J. Peter



Economists

Banks hire teams of economists to build models to come up with their predictions (forecasts).



Research Firms

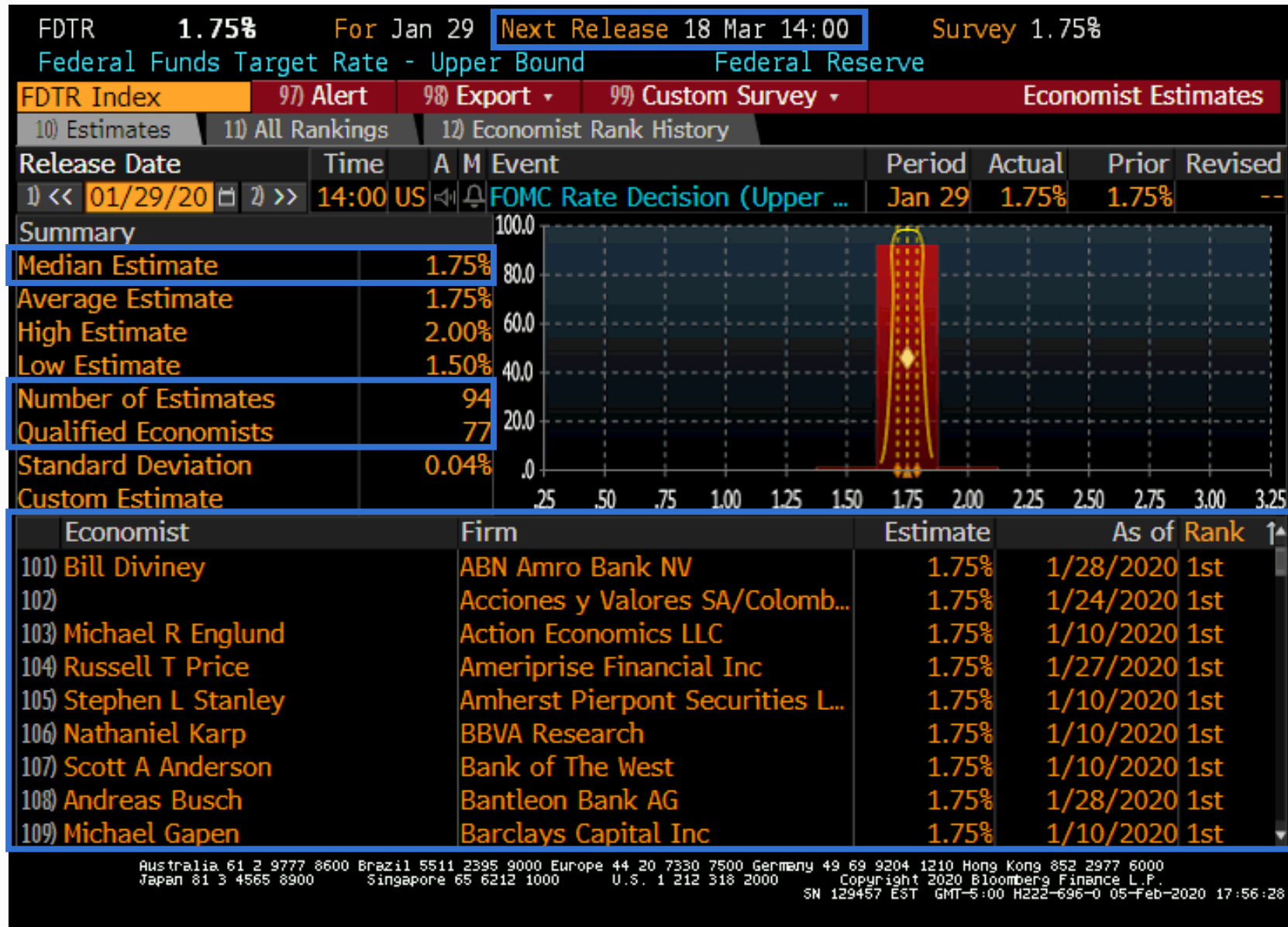
Research firms provide figures to their paid subscribers.



Clients/Market-makers

Clients/market-makers have their own models and sources for information.

How Do We Get These Forecasts



Rough Guide to How Markets Should React

		Stronger/Larger than Expected		Weaker/Lower than Expected	
		Business Conditions	Inflation	Business Conditions	Inflation
Fixed Income (Prices)	Rates	Down	Down	Up	Up
	Credit	Up	Down	Down	Up
Equity (Prices)		Up	Down	Down	Up
Foreign Exchange		Up	Up	Down	Down
Commodities		Up	Up	Down	Down

How the Market Reacts (in the Real World)



Releases may be overshadowed by other more important information or micro data.



Market may have already priced in the data based on estimates, 'leaks', or related data.



Can also be less impactful due to market conditions.

How Market Practitioners Trade Releases



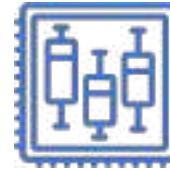
Sell-Side

Companies that sell financial instruments to the “buy-side”.



Buy-Side

Institutions that directly invests in the financial instruments offered by the “sell-side”.



Market-makers

Entities that provide bids and offers to the market and look to profit from that spread.



Prop Desks

Individuals that trade financial instruments with company funds (not depositor funds) whose main goal is to generate profit for the firm.

How Market Practitioners Trade Releases



Cash

Buy/sell physical assets using cash.



Futures

Allow for counterparties to offload risks via a central exchange.



Forwards

Market participants do have to take on counterparty risk for the duration of the contract since forwards don't trade on exchanges.



Other Derivatives

More counterparty risk to be taken on by market participants as the counterparty to the option must still be around to collect profits.

Direction Outright

Hedged (Cap/Floor)

Volatility



Conclusion