

Guideline to the events that affect the USD

FEDERAL OPEN MARKET COMMITTEE (FOMC)

- Includes meetings and Fed actions.
- FOMC Meetings take place 8 times a year (6 weeks apart)
- Purpose = stimulate or tighten the U.S. economy by raising or lower short-term Fed funds interest rates
- Generally high interest rates = stronger currency

BALANCE OF PAYMENTS

- (Also US Trade Balance) Released monthly a KEY day for FOREX traders!
- Strong imports = Suggest booming economy, but bad for dollar (more \$ leaving than coming in) – unless countered by comparable capital inflows (US Net Foreign Security Purchases, or TICs data reports on such)
- Capital flows
- Not particularly timely (usually discounted) but important for setting trends

CONSUMER CONFIDENCE

- Consumer spending accounts for 2/3 of US Economy
- Important for Economic Outlook
Mostly based on Consumer budgets
- Conducted by University of Michigan

RETAIL SALES

- Analysts pay particular attention to same-store sales for comparisons with previous years
- Good measuring stick of consumer sentiment (2/3 of GDP)

GROSS DOMESTIC PRODUCT (GDP)

- Primary indicator of economic health released 3 stages—preliminary, advanced, and revised
- Release, acting to confirm or upset economic expectations
- All stages can and do draw reaction from traders in financial markets

EMPLOYMENT REPORTS NON-FARM PAYROLLS

- The BIG one! Non-farm payroll is biggest single impact on financial markets
- Released on the first Friday of each month
- Important = New Jobs Created = higher growth
- A Surge in new Non-farm Payrolls suggests rising employment and potential inflation pressures, which the Fed often counters with rate increases
- A Consistent decline in Non-farm Employment suggests a slowing economy, which makes a decline in rates more likely.

CONSUMER PRICE INDEX AND PRODUCER PRICE INDEX (CPI) (PPI)

- Measuring basket of goods now, compared to benchmark
- Best gauges of inflation
- Mostly based on Consumer budgets
- Doesn't include fuel or food – which is KEY issue!

HOUSING STATS HOME SALES

- A strong gauge of peoples willingness to spend
- People have to feel financially confident to buy a home
- More housing, means more raw materials and appliances – higher GDP and higher dollar.

CONSTRUCTION SPENDING

- The Amount of building construction reflects how confident business owners are about the economy
- Report analyzes spending for office buildings, shopping malls, and other business purposes.

PERSONAL INCOME PERSONAL SPENDING

- Compare Income received versus income spent - good indicator of available consumer cash in the future.
- If spending exceeds income, expect a downturn in economy
- Important = New Jobs Created = higher growth
- If consumers have a surplus of income over spending, they will have money to buy more goods or bid up prices or put into investments such as stocks or savings accounts.
- Following the money trail is a good way to monitor a country's economic well-being

DURABLE GOODS ORDERS

- Knock on effect from new housing – appliance manufacture.
- Indicator of how busy factories are at current time
- Impact on Money fed into the economy

INSTITUTE OF SUPPLY MANAGEMENT (ISM) INDEX

- Index of national manufacturing – One of first monthly reports to hit
- Readings above 50% as an indication of an expanding factory sector
- Readings below 50% as a sign of a contracting manufacturing sector
- Chicago Purchasing Manager Index regarded as an early indicator of the national figure

AVERAGE HOURLY EARNINGS

- The Average Hourly Earnings figure provides insight into future spending and inflation.
- A High Average Hourly Earnings bodes well for future consumption, as workers have more disposable income.
- High figures may indicate inflationary pressures due to employee's additional potential to spend.
- The figure is either measured in hourly or weekly averages or as a percent change from the previous month.



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