WHAT ARE MACROECONOMIC INDICATORS?

Macroeconomic indicators are statistics or data readings that reflect the economic circumstances of a particular country, region or sector. They are used by analysts and governments to assess the current and future health of the economy and financial markets. Macroeconomic indicators will vary in their meaning and the impact that they have on the economy, but broadly speaking there are two main types of indicator.

Leading indicators

Leading indicators, which forecast where an economy might be heading. They are often used by governments to implement policies because they represent the first phase of a new economic cycle. These include the yield curve, interest rates and share prices.

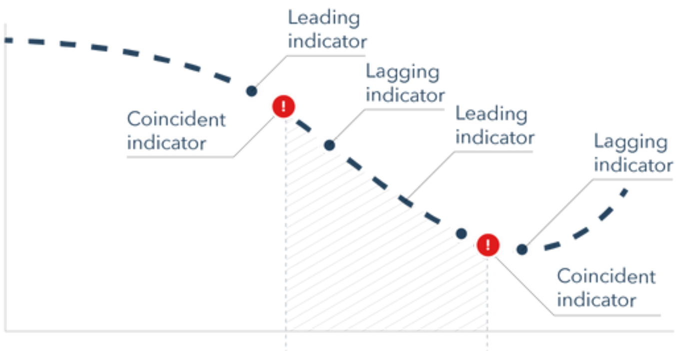
Lagging indicators

Lagging indicators, which reflect an economy's historical performance and only change after a trend has been established. They are used to confirm a trend is underway. These include gross domestic product (GDP), inflation and employment figures.

WHY ARE MACRO INDICATORS IMPORTANT FOR TRADERS?

Macroeconomic indicators are important to any trader because they can have a significant influence on market movements. This is why most fundamental analysis will incorporate macroeconomic indicators. There is no way to be certain that these indicators are reliable on their own, but they do have a role in shaping the economy. Even if these indicators just influence other traders to open and close positions, this can be enough to create volatility in the market. Market participants will be keeping an eye on analysts' predictions of the data ahead of their release.

The bigger the difference between the analysts' predictions and the actual figure, the more volatility can be expected in financial markets – as positions are adjusted to reflect the actual figure.



TOP 11 MACROECONOMIC INDICATORS TO WATCH

Leading indicators

- The stock market
- House prices
- Bond yields
- Production and manufacturing statistics
- Retail sales
- Interest rates

Lagging indicators

- GDP growth rates
- The Consumer Price Index (CPI)
- Currency strength and stability
- Labour market statistics
- Commodity prices