

Profit from the Evening News: Using Economic Indicators to Make Smart Money Decisions

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Confronted by a virtual avalanche of business information from the daily newspaper and the nightly news, it is easy to just let some information flow right on by. It is even easier to fall into the trap of thinking that one possesses a thorough understanding of a particular subject, when in fact one may only have a marginal grasp of the basic concept.

Do most news-watchers really understand the complexities of the Gross Domestic Product? How about the Federal Funds Rate, or the M2 Money Supply? Certainly the terms are familiar, but could the average consumer define them on an essay test? And more importantly, does the average consumer truly understand how these indicators can help when making the most crucial of daily decisions, such as whether to buy or sell a home, ask for a raise, change jobs, invest money, or take out a loan?

The author seeks to put leading economic indicators into perspective for the average person. Though an authority on economics, with a Ph.D. and numerous publications and papers to her credit, Bussing-Burks breaks down these concepts simply and concisely, using examples from daily life to illustrate the importance of thoroughly understanding this data. For example, for a couple thinking of renovating their home, a look at the monthly building permits data could swing the deal. Says the author, "If it is a downtime for permits, construction workers and carpenters really feel the pain because they are probably not working. New homes are a big part of their business. So you can likely contract a terrific deal for that addition."

Eight other leading indicators-Unemployment Insurance Claims, Durable Goods Orders, S&P 500, M2 Money Supply, Corporate Profits After Tax, Federal Funds Rate, Yield Curve, and Leading Economic Indicator-along with the Gross Domestic Product, are discussed in individual chapters in the book. Charts and graphs illustrate the concepts, and the author cites several sources, like the evening news or financial journals, for finding the actual numbers for each indicator.

With economic news dominating the media today, and with questions on the state of the economy at the forefront of many minds, reading up on how the economy works and how it is documented just may give consumers the ability to do a little pre-planning, which is certainly helpful whichever way the economic winds blow.

VICKI GERVICKAS (September / October 2001)

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