

Stock Market and Economic Indicators

Predicting Stock Market Performance using Economic Indicators

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Nearly 70% of Investors Lost Money in 2015

That 70 percent includes many experienced investors, the stock market has been very unpredictable, particularly in the recent past. Taking a look at economic indicators may have helped some of these people avoid the losses they experienced.



30%

Investors who made money

70%

Investors who lost money

About Half of Americans Have Money Invested

Stock owning American's include those with money invested in Pension Funds, 401(k) Retirement Plans, Mutual Funds, IRA's, and Individual Stocks. People could make money from the stock market but most feel either they don't have the money or the knowledge to do so.

Adults Invested in Stocks



48%

Invested

52%

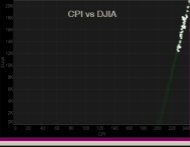
Not Invested

Certain Economic indicators are known to be good predictors of the stock market



Indicators Used:
Unemployment Rate
Wholesale Sales
GDP (Real)
CPI
Housing
PPI
Consumer Spending
Retail Sales

Using Economic Indicators



The relationships between certain Economic Indicators and the Market can help us predict future performance of the Market

#Relationship Goals

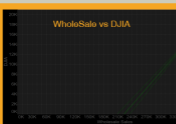
Finding Useful Indicators

To find the relationship between an economic indicator and the market, we look at how closely the two values are related to each other over time. The quality of the relationship determines the indicator's ability to predict future performance accurately.

#relatable

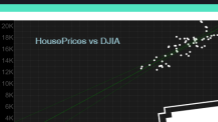


Example of a Good Indicator



In this case, we look at the performance of Wholesale sales and the Dow Jones Index. The fact that all the points are generally close to the trend line tells this is a good indicator of market performance.

Example of a Bad Indicator



This scatter plot shows the relationship between House Prices and compares it to the Dow Jones Index Average. Notice how sparsely distributed the individual data points are. Although there is a correlation between housing prices and the market, it isn't a very reliable.

RESULTS



CPI is 90% ACCURATE

SOURCE

Bloomberg. (2017) Bloomberg Professional. [Online]. Available at: Subscription Service (Accessed: 4 April 2017)
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