

DAILY GLOBAL COMMENTARY

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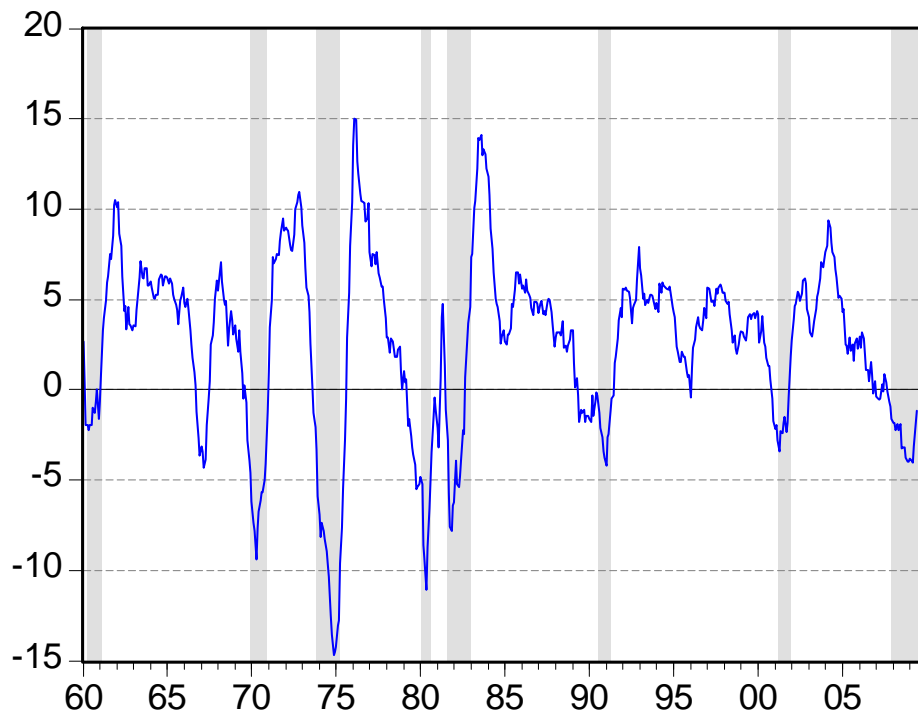
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Leading Index – History Suggests Economic Recovery is around the Corner July 20, 2009

The Index of Leading Economic Indicators (LEI) increased 0.7% in June vs. a revised 1.3% gain in May and a 1.2% jump in April. The June increase puts the year-to-year decline at 1.18%. The trough for the year-to-year change appears to have occurred in December 2008 (-3.98%). The year-to-year change of the LEI tracks the trough of the business cycle with a small lead (see chart 1). The mean and median leads of the year-to-year change in the LEI with reference to the troughs of the business cycle are 6.1 months and 7.0 months, respectively. Based on history, it appears that a recovery in the latter half of 2009 is gaining support. The longest lead was in the 1981-82 recession and the smallest was during the mini-1980 recession.

Chart 1

Index of Leading Indicators year-to-year percent change



Troughs of Business Cycles and LEI

Trough of Business Cycle	Trough of LEI yoy change	Lead in months
Feb-61	May-60	-9
Nov-70	Apr-70	-7
Mar-75	Nov-74	-4
Jul-80	May-80	-2
Nov-82	Nov-81	-12
Mar-91	Jan-91	-2
Nov-01	Apr-01	-7
	Dec-08	

In June, the 0.7% increase in the LEI reflects improvements in seven out of ten components – factory workweek, initial jobless claims, housing permits, stock prices, interest rate spread, orders of non-defense capital goods, and supplier deliveries.

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