

THE BEST BUSINESS INDICATOR

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Much has been made of the three straight months of positive results for the National Bureau of Economic Research's Leading Economic Indicators (NBER LEI). This has been one of the "green shoots" that have emerged over the last quarter or so. The major problem with the LEI is its heavy reliance on monetary indicators. Over the years these indicators have changed as conditions have changed and that is good, however, our research over the years has concluded that monetary indicators are by far the least reliable. These indicators seem to be the result of highly emotional markets that are very volatile. With that said, however, there is no question that the free fall of the fourth quarter of 2008 and first quarter of 2009 has been halted, at least for now.

A much better indicator of future business is the Chicago Fed National Activity Index. As seen [here](#) it is improving, but not nearly to the extent of the LEI. Other charts indicate that inflation is nowhere in sight and are a long way from confirming a recovery is underway. You might want to follow this indicator by subscribing at the Chicago Fed's website, which can be seen [here](#). They will alert you each month with updated data. Follow this and turn off the business news reported each day. Your mind and pocketbook will be much the better for it.

Chicago Fed National Activity Index:

http://www.chicagofed.org/economic_research_and_data/files/cfnai_july2009.pdf

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