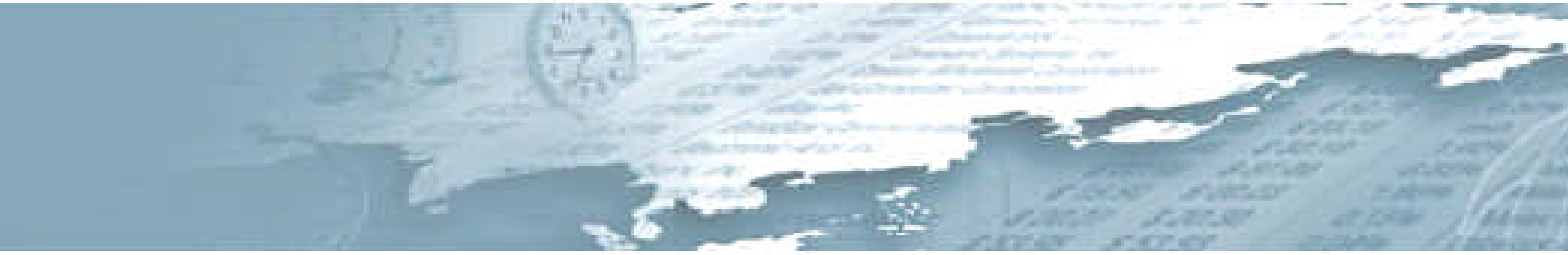


MARKET MOVING INDICATORS AND ITS DEFINITIONS

- CONSUMER PRICE INDEX
- DURABLE GOODS ORDERS
- EMPLOYMENT SITUATION
- GROSS DOMESTIC PRODUCT
- HOUSING STARTS
- INDUSTRIAL PRODUCTION AND CAPACITY UTILIZATION
- INTERNATIONAL TRADE
- ISM MANUFACTURING INDEX
- PERSONAL INCOME & OUTLAYS
- PRODUCER PRICE INDEX
- RETAIL SALES

The above market moving indicators helps investors to make informed and strategic investment decisions. Market moving indicators allow investors a quick look at the economy.

Presented by Century Financial Brokers, Dubai

CONSUMER PRICE INDEX

The **Consumer Price Index** is a measure of the average price level of a fixed basket of goods and services purchased by consumers. Monthly changes in the CPI represent the rate of inflation.

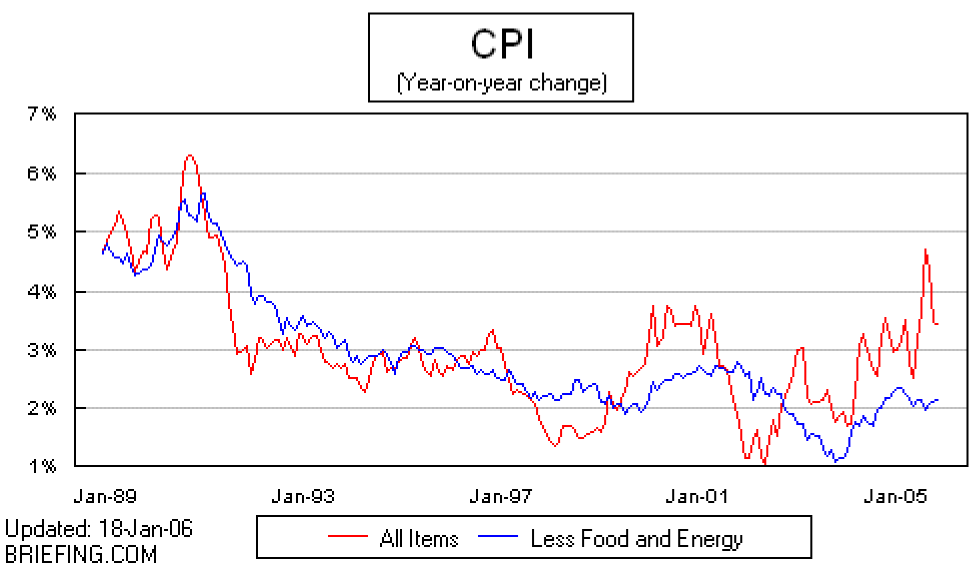
Why do investors care?

The consumer price index is the most widely followed indicator of inflation in the United States. Just knowing what inflation is and how it influences the markets can put an individual investor head and shoulders above the crowd. Inflation is a general increase in the price of goods and services. The relationship between INFLATION and INTEREST RATES is the key to understanding how data like the CPI influence the markets (and your investments.)

If someone borrows $100 dollars from you today and promises to repay it in one year with interest, how much interest should you charge? The answer depends largely on inflation, because you know that the $100 won't be able to buy the same amount of goods and services a year from now, as it does today. If you were in Brazil where prices can double every couple of months, you might want to charge 400% interest for a total payoff of $500 at the end of the year. In the United States, the CPI tells us that prices are rising about 2% a year, so you only have to charge 2% interest to recoup your purchasing power at the end of the year. You might want to add in a few more percentage points for default risk and the opportunity cost, but the key variable in what interest rate you charge is the rate of inflation. That basically explains how interest rates are set on everything from your mortgage and auto loans to Treasury bonds and T-bills. As the rate of inflation changes and as expectations on inflation change, the markets adjust interest rates accordingly. The effect ripples across stocks, bonds, commodities, and your portfolio, often in a dramatic fashion. By tracking the trends in inflation, whether high or low, rising or falling, investors can anticipate how different types of investments will perform.

CPI: Consumer Price Index

- **Importance (A-F):** This release merits a **B+**.
- **Source:** Bureau of Labor statistics, U.S. Department of Labor.
- **Release Time:** 8:30 ET, about the 13th of each month for the prior month.



DURABLE GOODS

Durable goods orders reflect the new orders placed with domestic manufacturers for immediate and future delivery of factory hardgoods.

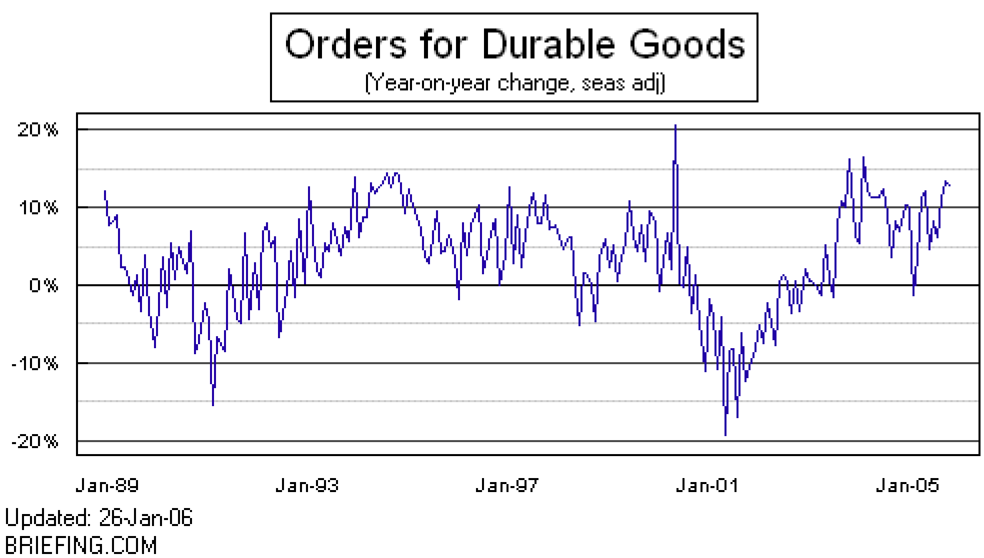
Why do investors care?

Investors want to keep their finger on the pulse of the economy because it usually dictates how various types of investments will perform. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market doesn't mind growth but is extremely sensitive to whether the economy is growing too quickly and paving the road for inflation. By tracking economic data like durable goods orders, investors will know what the economic backdrop is for these markets and their portfolios.

Orders for durable goods show how busy factories will be in the months to come, as manufacturers work to fill those orders. The data not only provide insight to demand for things like refrigerators and cars, but also business investment going forward. If companies commit to spending more on equipment and other capital, they are obviously experiencing sustainable growth in their business. Increased expenditures on investment goods sets the stage for greater productive capacity in the country and reduces the prospects for inflation. That tells investors what to expect from the manufacturing sector, a major component of the economy and therefore a major influence on their investments.

Durable Goods Orders

- **Importance (A-F):** This release merits a **B**.
- **Source:** The Census Bureau of the Department of Commerce.
- **Release Time:** 8:30 ET around the 26th of the month (data for month prior).



EMPLOYMENT SITUATION

The **employment situation** is a set of labor market indicators. The unemployment rate measures the number of unemployed as a percentage of the labor force. Nonfarm payroll employment counts the number of paid employees working part-time or full-time in the nation's business and government establishments. The average workweek reflects the number of hours worked in the nonfarm sector. Average hourly earnings reveal the basic hourly rate for major industries as indicated in nonfarm payrolls.

Why do investors care?

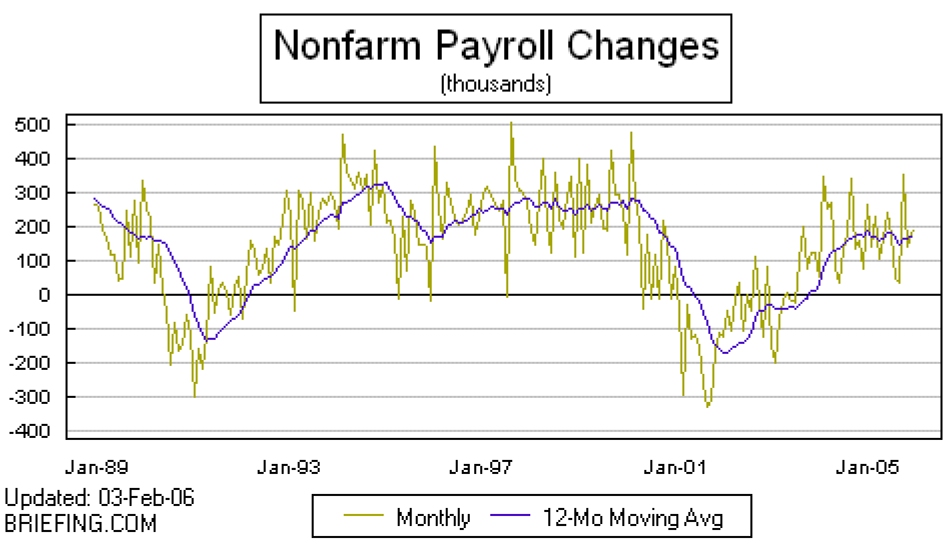
If ever there was an economic report that can move the markets, this is it! The anticipation on Wall Street each month is palpable, the reactions are dramatic, and the information for investors is invaluable. By digging just a little deeper than the headline unemployment rate, investors can take more strategic control of their portfolio and even take advantage of unique investment opportunities that often arise in the days surrounding this report.

The employment data give the most comprehensive report on how many people are looking for jobs, how many have them, what they're getting paid and how many hours they are working. These numbers are the best way to gauge the current state as well as the future direction of the economy. The employment statistics also provide insight on wage trends, and wage inflation is high on the list of enemies for the Federal Reserve. Fed chairman Alan Greenspan talks about this data frequently and watches for inflation constantly, even when economic conditions are soggy. If inflation is under control, it is easier for the Fed to maintain a more accommodative monetary policy. If inflation is a problem, the Fed is limited in providing economic stimulus.

By tracking the jobs data, investors can sense the degree of tightness in the job market. If wage inflation threatens, it's a good bet that interest rates will rise; bond and stock prices will fall. No doubt that the only investors in a good mood will be the ones who watched the employment report and adjusted their portfolios to anticipate these events. In contrast, when job growth is slow or negative, then interest rates are likely to decline - boosting up bond and stock prices in the process.

The Employment Report

- **Importance (A-F):** This release merits an **A**.
- **Source:** Bureau of Labor Statistics, U.S. Department of Labor.
- **Release Time:** First Friday of the month at 8:30 ET for the prior month



GROSS DOMESTIC PRODUCT (GDP)

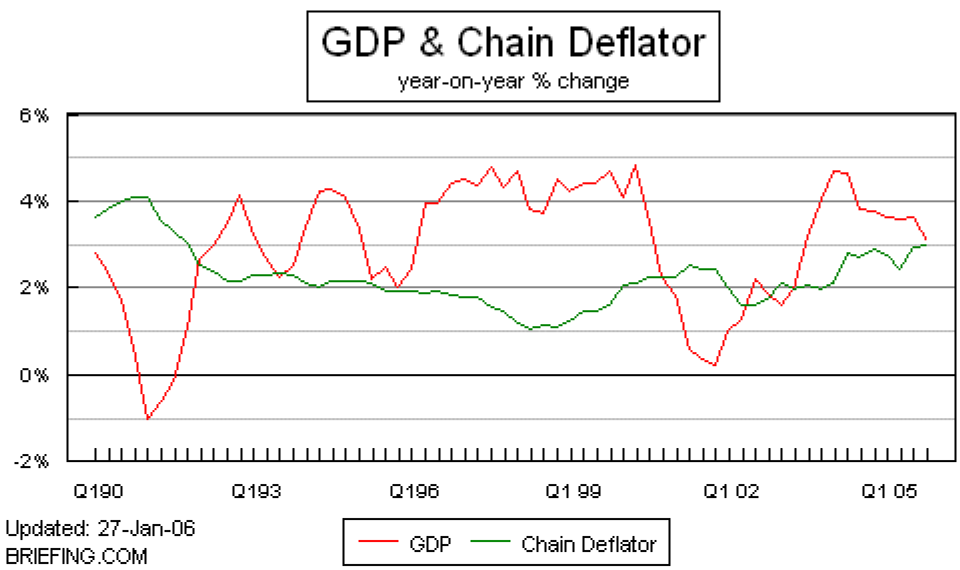
Gross Domestic Product (GDP) is the broadest measure of aggregate economic activity and encompasses every sector of the economy.

Why do investors care?

GDP is the consummate measure of economic activity. Investors need to closely track the economy because it usually dictates how investments will perform. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market doesn't mind growth but is extremely sensitive to whether the economy is growing too quickly and paving the road to inflation. By tracking economic data like GDP, investors will know what the economic backdrop is for these markets and their portfolios. The GDP report contains a treasure-trove of information which not only paints an image of the overall economy, but tells investors about important trends within the big picture. GDP components like consumer spending, business and residential investment, and price (inflation) indexes illuminate the economy's undercurrents, which can translate to investment opportunities and guidance in managing a portfolio.

GDP: Gross Domestic Product

- **Importance (A-F):** This release merits a **B**.
- **Source:** Bureau of Economic Analysis, U.S. Department of Commerce.
- **Release Time:** Third or fourth week of the month at 8:30 ET for the prior quarter, with subsequent revisions released in the second and third months of the quarter.



HOUSING STARTS

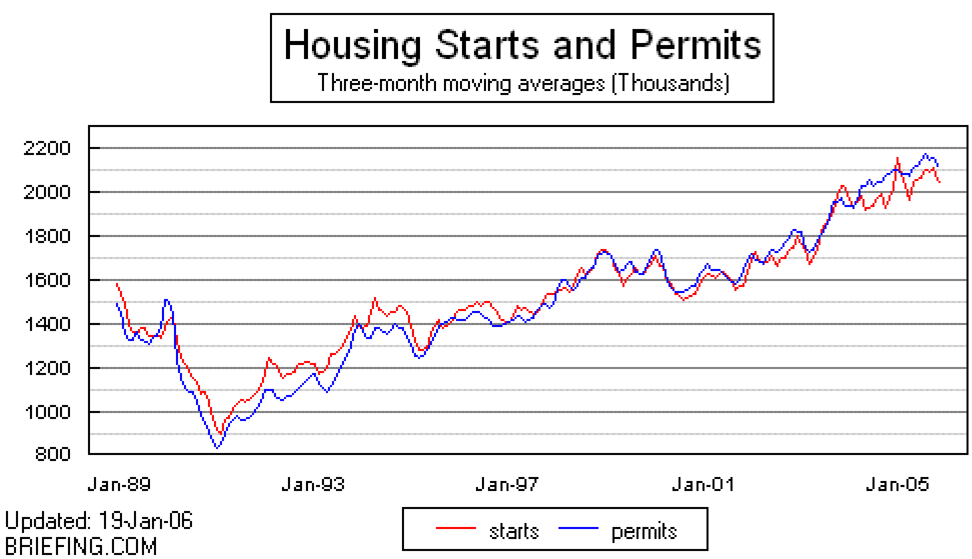
Housing starts measure the number of residential units on which construction is begun each month. Two words...Ripple Effect. This narrow piece of data has a powerful multiplier effect through the economy, and therefore across the markets and your investments. By tracking economic data such as housing starts, investors can gain specific investment ideas as well as broad guidance for managing a portfolio.

Why do investors care?

Home builders don't start a house unless they are fairly confident it will sell upon or before its completion. Changes in the rate of housing starts tell us a lot about demand for homes and the outlook for the construction industry. Furthermore, each time a new home is started, construction employment rises, and income will be pumped back into the economy. Once the home is sold, it generates revenues for the home builder and a myriad of consumption opportunities for the buyer. Refrigerators, washers and dryers, furniture, and landscaping are just a few things new home buyers might spend money on, so the economic "ripple effect" can be substantial especially when you think of it in terms of a hundred thousand new households around the country doing this every month. Since the economic backdrop is the most pervasive influence on financial markets, housing starts have a direct bearing on stocks, bonds and commodities. In a more specific sense, trends in the housing starts data carry valuable clues for the stocks of home builders, mortgage lenders, and home furnishings companies. Commodity prices such as lumber are also very sensitive to housing industry trends.

Housing Starts and Building Permits

- **Importance (A-F):** This release merits a **B-**.
- **Source:** The Census Bureau of the Department of Commerce
- **Release Time:** 8:30 ET around the 16th of the month (data for one month prior).



Industrial Production & Capacity Utilization

The **Index of Industrial Production** is a chain-weight measure of the physical output of the nation's factories, mines and utilities. The **capacity utilization** rate reflects the usage of available resources.

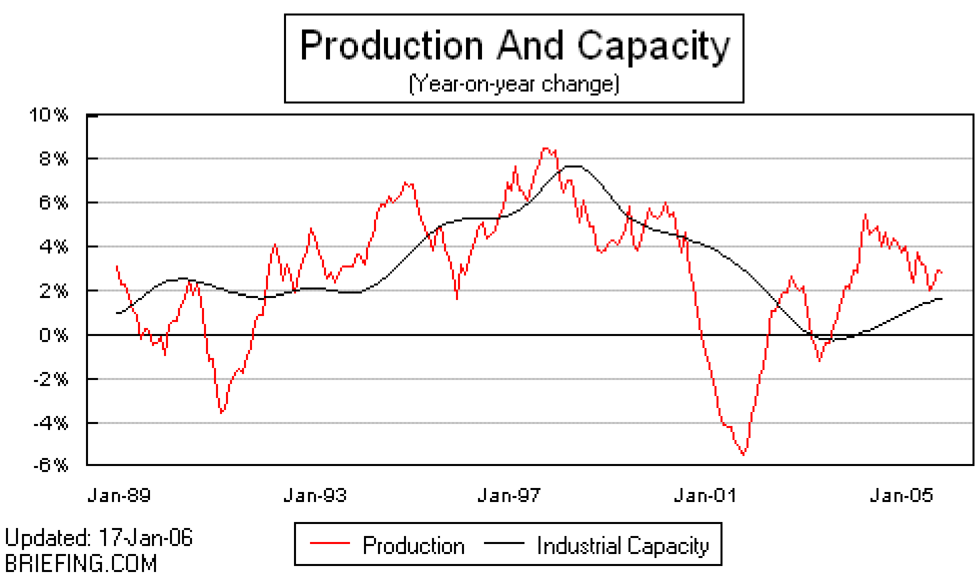
Why do investors care?

Investors want to keep their finger on the pulse of the economy because it usually dictates how various types of investments will perform. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market prefers more subdued growth that won't lead to inflationary pressures. By tracking economic data like industrial production, investors will know what the economic backdrop is for these markets and their portfolios.

Industrial production shows how much factories, mines and utilities are producing. Since the manufacturing sector accounts for roughly 20 percent of the economy, this report has a big influence on market behavior. The capacity utilization rate provides an estimate of how much factory capacity is in use. If the utilization rate gets too high (above 85 percent) it can lead to inflationary bottlenecks in production. The Federal Reserve watches this report closely and sets interest rate policy on the basis of whether production constraints are threatening to cause inflationary pressures. As such, the bond market can be highly sensitive to this report.

Industrial Production

- **Importance (A-F):** This release merits a **B-**.
- **Source:** Federal Reserve.
- **Release Time:** 9:15 ET around the 15th of the month (data for month prior).



International Trade

International Trade measures the difference between imports and exports of both tangible goods and services. The level of the international trade balance, as well as changes in exports and imports, indicate trends in foreign trade.

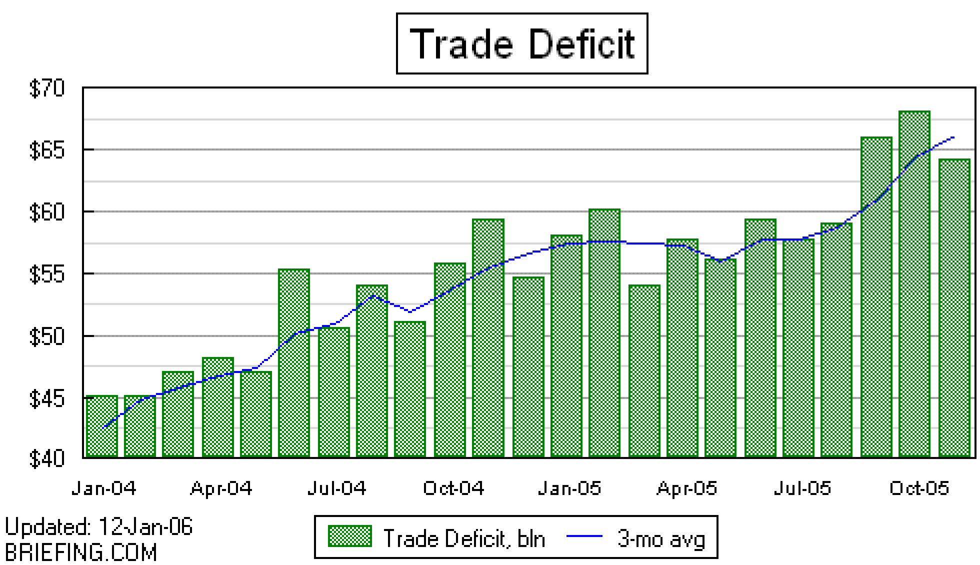
Why do investors care?

Changes in the level of imports and exports, along with the difference between the two (the trade balance) are a valuable gauge of economic trends here and abroad. Furthermore, the data can directly impact all the financial markets, but especially the foreign exchange value of the dollar.

Imports indicate demand for foreign goods and services here in the U.S. Exports show the demand for U.S. goods in overseas countries. The dollar can be particularly sensitive to changes in the chronic trade deficit run by the United States, since this trade imbalance creates greater demand for foreign currencies. The bond market is also sensitive to the risk of importing inflation. This report gives a breakdown of U.S. trade with major countries as well, so it can be instructive for investors who are interested in diversifying globally. For example, a trend of accelerating exports to a particular country might signal economic strength and investment opportunities in that country.

International Trade

- **Importance (A-F):** This release merits a **C+**.
- **Source:** The Census Bureau and the Bureau of Economic Analysis of the Department of Commerce.
- **Release Time:** 8:30 ET around the 20th of the month (data for two months prior).



ISM MANUFACTURING INDEX

The **Institute for Supply Management**, formerly known as the National Association of Purchasing Management, compiles a composite diffusion index of national manufacturing conditions. Readings above 50% for the ISM manufacturing index indicate an expanding factory sector.

Why do investors care?

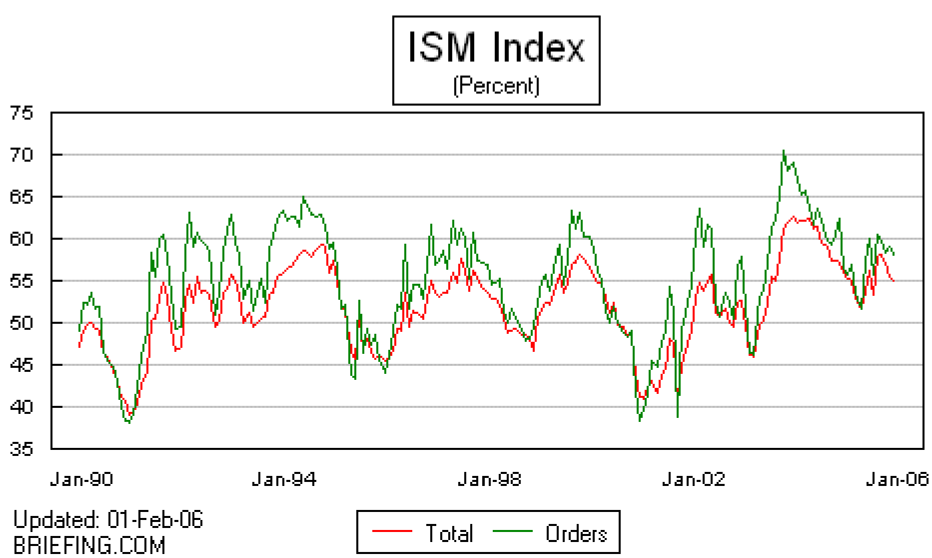
Investors need to keep their fingers on the pulse of the economy because it dictates how various types of investments will perform. By tracking economic data like the ISM manufacturing index, investors will know what the economic backdrop is for the various markets. The stock market likes to see healthy economic growth because that translates to higher corporate profits. The bond market prefers less rapid growth and is extremely sensitive to whether the economy is growing too quickly and causing potential inflationary pressures.

The ISM manufacturing data gives a detailed look at the manufacturing sector, how busy it is and where things are headed. Since the manufacturing sector is a major source of cyclical variability in the economy, this report has a big influence on the markets. More than one of the ISM sub-indexes provides insight on commodity prices and clues regarding the potential for developing inflation. The Federal Reserve keeps a close watch on this report that helps it to determine the direction of interest rates when inflation signals are flashing in these data. As a result, the bond market is highly sensitive to this report.

ISM: Institute for Supply Management

Formerly NAPM: National Association of Purchasing Managers

- **Importance (A-F):** This release merits an **A-**.
- **Source:** Institute for Supply Management
- **Release Time:** 10:00 ET on the first business day of the month for the prior month.



Personal Income & Personal Outlays

Personal income is the dollar value of income received from all sources by individuals. Personal outlays include consumer purchases of durable and nondurable goods, and services.

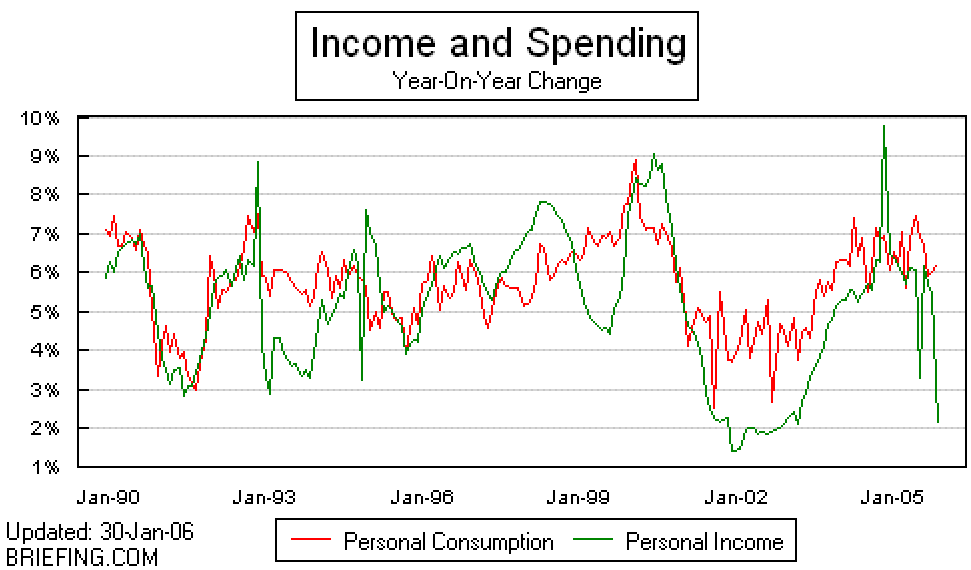
Why do investors care?

The income and outlays data are another handy way to gauge the strength of the economy and where it is headed. Income gives households the power to spend and/or save. Spending greases the wheels of the economy and keeps it growing. Savings are often invested in the financial markets and can drive up the prices of stocks and bonds. Even if savings simply go into a bank account, part of those funds are typically used by the bank for lending and therefore contribute to economic activity. The only way savings fail to contribute is if they are deposited in the First National Bank of Serta (under the mattress), and not too many people do that anymore.

The consumption (outlays) part of this report is even more directly tied to the economy, which we know usually dictates how the markets perform. Consumer spending accounts for two-thirds of the economy, so if you know what consumers are up to, you'll have a pretty good handle on where the economy is headed. Needless to say, that's a big advantage for investors.

Personal Income and Consumption

- **Importance (A-F):** This release merits a **C+**.
- **Source:** The Bureau of Economic Analysis of the Department of Commerce.
- **Release Time:** 8:30 ET around the first business day of the month (data for two months prior).



PRODUCER PRICE INDEX (PPI)

The **Producer Price Index (PPI)** is a measure of the average price level for a fixed basket of capital and consumer goods paid by producers.

Why do investors care?

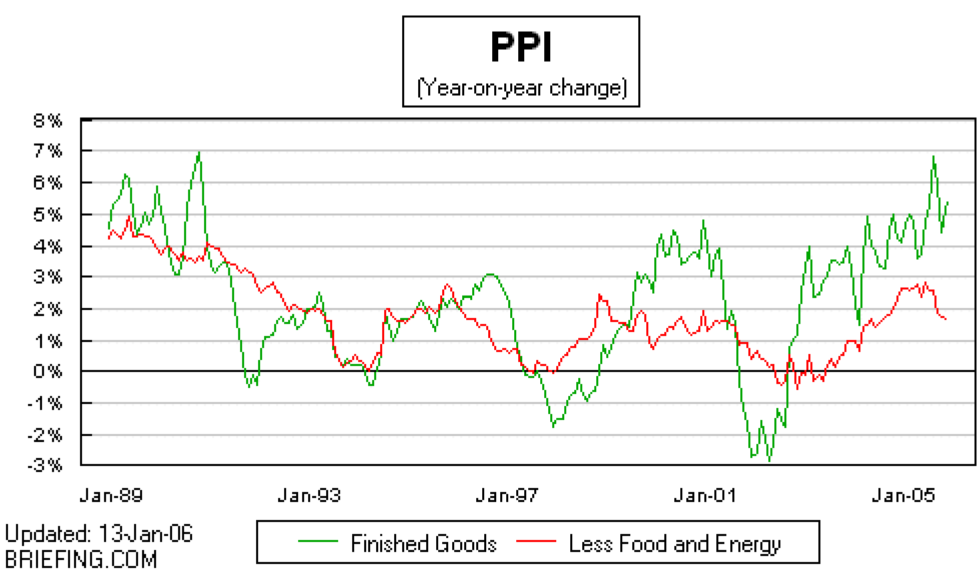
The PPI measures price changes in the manufacturing sector. Inflation at this producer level often gets passed through to the consumer price index (CPI). By tracking price pressures in the pipeline, investors can anticipate inflationary consequences in coming months. Investors need to monitor inflation closely. Just knowing what inflation is and how it influences the markets can put an individual investor head and shoulders above the crowd. Inflation is a general increase in the prices of goods and services. The relationship between INFLATION and INTEREST RATES is the key to understanding how data like the PPI influence the markets (and your investments.)

If someone borrows $100 dollars from you today and promises to repay it in one year with interest, how much interest should you charge? The answer depends largely on inflation, because you know that the $100 won't be able to buy the same amount of goods and services a year from now, as it does today. If you were in Brazil where prices can double every couple of months, you might want to charge 400% interest for a total payoff of $500 at the end of the year. In the United States, the CPI tells us that prices are rising about 2% a year, so you only have to charge 2% interest to recoup your purchasing power at the end of the year. You might want to add in a few more percentage points for default risk and the opportunity cost, but the key variable in what interest rate you charge is the rate of inflation.

That basically explains how interest rates are set on everything from your mortgage and auto loans to Treasury bonds and T-bills. As the rate of inflation changes and as expectations on inflation change, the markets adjust interest rates accordingly. The effect ripples across stocks, bonds, commodities, and your portfolio, often in a dramatic fashion.

PPI: Producer Price Index

- **Importance (A-F):** This release merits a **B-**.
- **Source:** Bureau of Labor statistics, U.S. Department of Labor.
- **Release Time:** Around the 11th of each month at 8:30 ET for the prior month.



RETAIL SALES

Retail sales measure the total receipts at stores that sell durable and nondurable goods

Why do investors care?

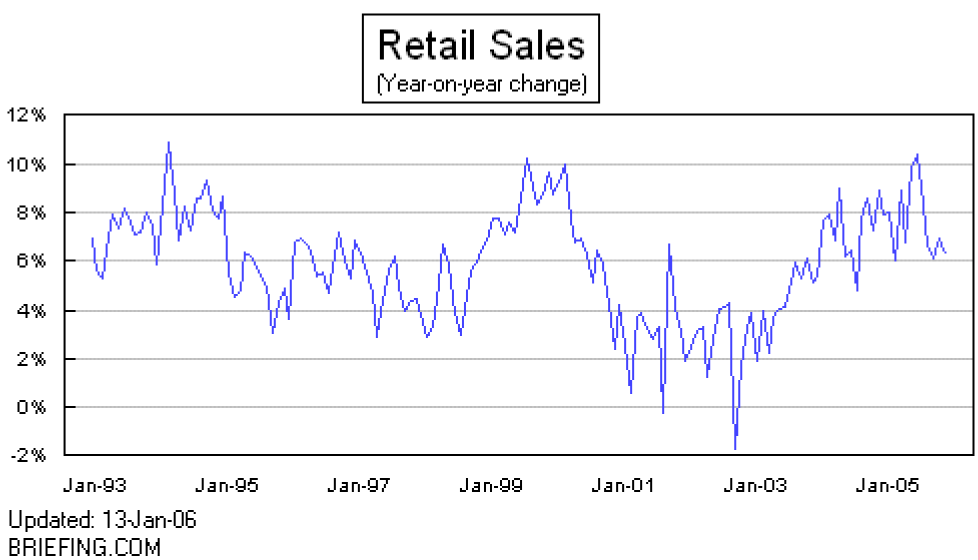
Consumer spending accounts for two-thirds of the economy, so if you know what consumers are up to, you'll have a pretty good handle on where the economy is headed. Needless to say, that's a big advantage for investors.

The pattern in consumer spending is often the foremost influence on stock and bond markets. For stocks, strong economic growth translates to healthy corporate profits and higher stock prices. For bonds, the focus is whether economic growth goes overboard and leads to inflation. Ideally, the economy walks that fine line between strong growth and excessive (inflationary) growth. This balance was achieved through much of the nineties. For this reason alone, investors in the stock and bond markets enjoyed huge gains during the bull market of the 1990s. Retail sales growth did slow down in tandem with the equity market in 2000 and 2001.

Retail sales not only give you a sense of the big picture, but also the trends among different types of retailers. Perhaps auto sales are especially strong or apparel sales are showing exceptional weakness. These trends from the retail sales data can help you spot specific investment opportunities, without having to wait for a company's quarterly or annual report.

Retail Sales

- **Importance (A-F):** This release merits an **A-**.
- **Source:** The Census Bureau of the Department of Commerce.
- **Release Time:** 8:30 ET around the 13th of the month (data for one month prior).



TERMINOLOGY OF FINANCIAL MARKETS

AVERAGE HOURLY EARNINGS
Average hourly earnings reveal the basic hourly rate for major industries as indicated in nonfarm payrolls.

AVERAGE WORKWEEK
The average workweek reflects the number of hours worked in the private nonfarm sector.

BEIGE BOOK
A compilation of economic conditions from each of the 12 Federal Reserve districts. Data are anecdotal and qualitative, rather than quantitative, in nature. This book is produced before the monetary policy meetings of the Federal Open Market Committee.

BUSINESS INVENTORIES
The dollar amount of inventories held by manufacturers, wholesalers, and retailers. The level of inventories in relation to sales is an important indicator of the near-term direction of production activity.

CONSTRUCTION SPENDING
The dollar value of new construction activity on residential, non-residential, and public projects. Data are available in nominal and real (inflation-adjusted) dollars.

CONSUMER CONFIDENCE
A survey of consumer attitudes concerning the present situation and expectations regarding economic conditions conducted by The Conference Board. Five thousand consumers across the country are surveyed each month. The level of consumer confidence is directly related to the strength of consumer spending.

CONSUMER CREDIT
The dollar value of consumer installment credit outstanding. Changes in consumer credit indicate the state of consumer finances and suggest future spending patterns.

CURRENT ACCOUNT
A measure of the country's international trade balance in goods, services, and unilateral transfers. The level of the current account, as well as trends in exports and imports, indicate trends in foreign trade.

CONSUMER SENTIMENT
A survey of consumer attitudes concerning the present situation and expectations regarding economic conditions conducted by the University of Michigan. Five hundred consumers are surveyed each month. The level of consumer sentiment is directly related to the strength of consumer spending.

EMPLOYMENT COST INDEX
A measure of total employee compensation costs, including wages and salaries and the costs of benefits. The employment cost index (ECI) is the broadest measure of labor costs.

Existing Home Sales
The number of previously constructed homes with a closed sale during the month. Existing homes (also known as home resales) are a larger share of the market than new homes and indicate housing market trends.

Factory Orders
The dollar level of new orders for both durable and nondurable goods. It gives more complete information than durable goods orders that are reported one or two weeks earlier in the month.

FOMC Meeting
The Federal Open Market Committee consists of the seven Governors of the Federal Reserve Board and five Federal Reserve Bank presidents. The FOMC meets eight times a year in order to determine the near-term direction of monetary policy. Changes in monetary policy are announced immediately after FOMC meetings.

Jobless Claims
A weekly compilation of the number of individuals who filed for unemployment insurance for the first time. This indicator, and more importantly, its four-week moving average, portends trends in the labor market.

LJR Redbook
A weekly measure of sales at chain stores, discounters, and department stores, published by Lynch, Jones and Ryan. It is a less consistent indicator of retail sales than the BTM/SW index. This index is correlated with the general merchandise portion of retail sales, covering only about 10 percent of total retail sales.

Leading Indicators
A composite index of ten economic indicators compiled by The Conference Board, which are designed to signal the direction of the economy in a timely and consistent manner.

NAPM - Chicago
The National Association of Purchasing Management - Chicago compiles a survey and a composite diffusion index of manufacturing conditions in the Chicago area whose distribution of manufacturing firms mirrors the national distribution. Readings above 50 percent indicate an expanding factory sector. The NAPM - Chicago is considered a leading indicator of the ISM manufacturing index.

Nonfarm Payrolls
Nonfarm payroll employment counts the number of paid employees working part-time or full-time in the nation's business and government establishments.

Philadelphia Fed Survey
A composite diffusion index of manufacturing conditions within the Philadelphia Federal Reserve district. This survey is widely followed as an indicator of manufacturing sector trends since it is correlated with the NAPM survey and the index of industrial production.

Treasury Budget
A monthly account of the surplus or deficit of the federal government. Changes in the annual fiscal year deficit are followed as an indicator of budgetary trends and the thrust of fiscal policy.

Economic Factors & Expected Effect on the Financial Markets

The chart below presents a very simplified guide as to the effects of the economic indicators on the financial markets. However, keep in mind that other factors or a break-down of the figure or revisions on previous figures could result in a reaction different to the expected one.

Economic Indicators	Result	Effect on on US $	Markets
Consumer Price Index	GOOD	STRONG	↑
Producer Price Index	GOOD	STRONG	↑
Leading Indicators	BAD	WEAK	↓
Gross National Product	BAD	WEAK	↓
Trade Deficit	BAD	WEAK	↓
Unemployment	GOOD	WEAK	↓
Personal Income	GOOD	STRONG	↑
Personal Consumption	GOOD	STRONG	↑
ISM	GOOD	STRONG	↑
Car Sales	BAD	WEAK	↓
Durable Goods	GOOD	STRONG	↑
Housing Starts	BAD	WEAK	↓
Retail Sales	GOOD	STRONG	↑
Capacity Utilization	GOOD	STRONG	↑
Industrial Production	BAD	WEAK	↓
Inventories	GOOD	WEAK	↓
FED Funds	GOOD	STRONG	↑
FED Raises Discount Rate		STRONG	↑
FED Buys Bills		WEAK	↓
FED does Reserves or Matched Sales		STRONG	↑