



FIN 366: INVESTMENTS BRIEFING

Chapters 12: Macroeconomic and Industry Analysis

The health of our macroeconomy may be summarized by our **GDP** (market value of goods and services produced in the United States), **employment**, **inflation** (price change of goods and services), **interest rates**, and **sentiment** (opinions about the future state of the economy). **Economic indicators** give us an idea of the current, future, and past health of our economy. **Leading indicators** tend to rise and fall in before the economy. **Coincident indicators** reflect the current state of the economy, and **lagging indicators** provide detail on the recent past economic conditions. **Sector rotation** is a form of market timing whereby the investor shifts their portfolio to **defensive** sectors when indicators suggest an economic contraction and to **cyclical** sectors when indicators suggest an expansion. **NAICS codes**, **SIC codes**, and **S&P 500 sectors** help to place stocks into these different “defensive” or “cyclical” categories, though it is often a challenge to determine exactly where a firm best fits. Further, when analyzing firms, it should be done relative to its competitors or others within its industry.