

The RecessionALERT U.S Monthly Leading Index (USMLI) is an index that attempts to capture future (6-9 months) U.S economic growth. The index has been constructed since 1960, but this report only displays data from 2000 onwards to capture the last two recessions. The USMLI consist of 10 sub-components that are in turn constructed from over 100 discrete monthly and weekly leading time-series data that capture the essence of U.S future economic growth from varying aspects, namely Manufacturing , Inventories & Sales , the Housing, Lumber & Construction markets , Freight shipments & revenues , broad Employment, the Stock market & associated margin debt, the Treasury & Corporate Bond markets, the broad Credit Markets, various Sentiment Surveys and percentage of 50 individual State Leading indexes showing growth. All data-series are standardized (mean zero, variance 1) and then constructed to display from -100 to +100.

Each chart below represents *growth* and thus when the data drops below zero the implication is that the data in question is flagging recession ahead. To track the number of individual indicators of the USMLI that are flagging recession, we also construct a Diffusion Index which rises every time a component drops below zero. The Diffusion Index represents, from 0 to 1, the percentage of components flagging recession . When the Diffusion equals or exceeds 0.6 (more than 60% of the components are in recession) then you have a very high degree of certainty that economic recession is 6-9 months away. The report is published within the last week of the current month and always represents the economy as at the prior month. All time series data is smoothed to eliminate large one-month spurious movements, and to eliminate false positives (false recession calls). NOTE : The USMLI is in live testing phase and may be tweaked and improved with additional data components until March 2014 when it will be locked down for production.

