

Are stock market indices' reasonable indicators of the real economy?



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the sharemarket is generally regarded as a leading indicator of the economic direction. It usually is 9 - 12 months ahead of the economy, and indicates future economic swings quite reliably.

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No. Ask most stock brokers what it means when the market goes up or down and they may not have a clue. NZ used to have Telecom as it's largest company by market capital and if it moved up 10 points then the "market" moved in a similar way even though 50 smaller stocks could have gone the other way.

By [Bill Hopgood](#)



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