New Eurocoin: A "User's" Perspective

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From chaos to clarity

- Combining the information from a variety of indicators into a single variable produces a series that is:

  - Comprehensive and non-subjective
  - Timely
  - Free from short-run fluctuations.

  ... and risks putting many of us out of work ☺

More robust than alternatives

- The advantages over other techniques are significant:

  o More accurate calls on "turning points"

  o Better forecasts of year-on-year GDP growth 1,2 quarters ahead.

Some thoughts and suggestions

- Bones to pick and questions to pursue:

  - End-of-sample unbalance: alternatives ?

  - Theoretical probabilities of false positives and missed calls ?

  - Scope for parsimony ?

Ghosts of past, present and future

- Availability of data with different lags and frequencies require a method to align and/or fill gaps.

- Authors have chosen to align data most-recently released together.

- Something intuitively unsatisfying about putting into the same vintage forward-looking indicators such as business confidence indices and current or even quite outdated snapshots of income and expenditure.

Are there alternative ways of tackling the end-of-sample imbalance while still using the most recent information ?

Works great in practice but what about theory ?

- Calling turning points:

  - Compared to alternatives, Euro-coin had a higher rate of correct calls and no missed calls during sample period.

  - Could it be because of sample ?

  - It should be possible to compute theoretical probabilities of false positives and missed calls.

How cheap can we get ?

- Towards constructing something like the Eurocoin for India:

  - The Eurocoin dataset includes 145 series.

  - Which series have the highest marginal benefits in terms of improving the accuracy of the final indicator ? I.e. what indicators should we focus on developing in India ?

Thank you