StarMine SmartEconomics® model

Create forecasts that are significantly more accurate than simple consensus ones, covering economics data, foreign exchange rates, bond yields, money market rates, commodities and global stock indices.

Assess the historical accuracy of each contributor on asset classes by comparing the forecasts in Reuters polls with the actual released or realised values.

What is the StarMine SmartEconomics model?

StarMine SmartEconomics takes StarMine's proprietary SmartEstimates® methodology and applies it to forecasts of macroeconomics data, foreign exchange (FX) rates, bond yields (BY), money market (MM) rates, commodities and global stock indices to create a SmartEconomics forecast that is more accurate than the simple consensus forecast. StarMine assesses the historical accuracy of each contributor at every point in time on every poll in which the contributor had a forecast. The indicator-specific StarMine historical accuracy score for each forecaster then determines the weight that each forecast receives in the SmartEstimates. Backtests show that the SmartEconomics forecast for economics, FX, bond yields and money market rates correctly predicts the direction of macro surprises relative to the consensus forecast about 58% of the time, when the SmartEconomics forecast is significantly different from the consensus.

SmartEconomics forecast accuracy

We measure forecast accuracy in two ways:

– By assessing the 'directional correctness' of the Predicted Surprise, also called 'hit rate', that measures what fraction of time the Predicted Surprise's sign matches that of the actual surprise.
– By the median of the absolute error

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The tables below show the SmartEconomics forecast accuracy as measured by the directionally correct hit rate (top) and the median error for the consensus and SmartEstimate (bottom). We restrict to the last poll before the first release and require a history of at least eight prior releases of a given economic, FX, BY, or MM poll. Sample period is from 2009 to 2022 for economics and FX and from 2016 to 2022 for BY and MM, given their limited history. Historical accuracy for commodities and global stock indices will be provided in the future when more history becomes available.

Year	Economics	FX	Bond yield	Money markets	All asset classes
2009	61.9%	47.7%			57.7%
2010	61.2%	69.5%			62.5%
2011	61.7%	69.2%			62.8%
2012	59.8%	57.3%			59.4%
2013	61.4%	57.3%			62.2%
2014	59.7%	57.5%			59.3%
2015	56.7%	58.7%			57.0%
2016	56.7%	50.6%	64.7%	63.2%	55.2%
2017	58.1%	65.7%	71.4%	50.0%	58.5%
2018	55.0%	54.6%	60.0%	50.0%	53.5%
2019	54.3%	66.4%	53.2%	54.8%	56.3%
2020	58.6%	46.6%	38.7%	34.2%	52.4%
2021	59.4%	59.1%	58.1%	70.2%	60.6%
2022	55.7%	63.1%	51.5%	58.8%	56.4%
Average	**58.6%**	**59.4%**	**56.8%**	**54.5%**	**58.1%**

Year	Median error consensus	Median error SmartEstimate	SmartEstimate improvement
2009	25.0%	24.8	0.8
2010	27.9%	28.3	-1.3
2011	42.4%	39.9	5.8
2012	41.8%	42.1	0.7
2013	40.0%	37.6	6.0
2014	36.3%	34.4	5.1
2015	34.4%	34.5	-0.3
2016	30.0%	31.5	-4.9
2017	29.6%	26.6	10.3
2018	30.0%	30.4	-1.4
2019	35.0%	35.7	-2.0
2020	26.8%	27.6	-2.9
2021	34.1%	33.4	2.3
2022	40.0%	39.0	2.5
Average	**33.8%**	**33.3%**	**1.4%**

On 2 September 2021, the day prior to the release, the Reuters Poll consensus was for 750,000 jobs created during August 2021.

The SmartEstlmate was below consensus, at **721,400.**

The difference resulted in a negative predicted surprise.

The Predicted Surprise was directionally correct — job growth came up far short of consensus expectations. Equity markets fell in response.

September 3, 2021
11:06 AM PDT
Last Updated 10 minutes ago

Business

S&P 500, Dow slip as monthly jobs growth slows; tech stocks lift Nasdaq

On Friday, the Labor Department's closely watched report showed nonfarm payrolls increased by 235,000 jobs in August, widely missing economists' estimate of 750,000. Payrolls had surged 1.05 million in July. read more

By 12:02 p.m. ET, the Dow Jones Industrial Average (.DJI) and the S&P 500 (.SPX) were down 0.3% and 0.1%, respectively, with economy-linked industrial stocks including General Electric (GE.N), 3M (MMM.N) and Boeing (BA.N) falling between 0.2% and 1.7%.

Delivery

The StarMine SmartEconomics model is delivered via Datastream and the our delivery platform, which is accessible via modern, robust APIs. Hourly and daily updates are provided for the aforementioned 6 asset classes, consisting of more than 1,000 indicators for over 60 countries.

About StarMine

StarMine is dedicated to making investment research smarter. Analytics and equity research tools like our suite of quantitative models help investment professionals around the globe generate alpha, manage risk and process equity information more efficiently, so they can get ideas to market faster.

To find out more about StarMine, please contact us.

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