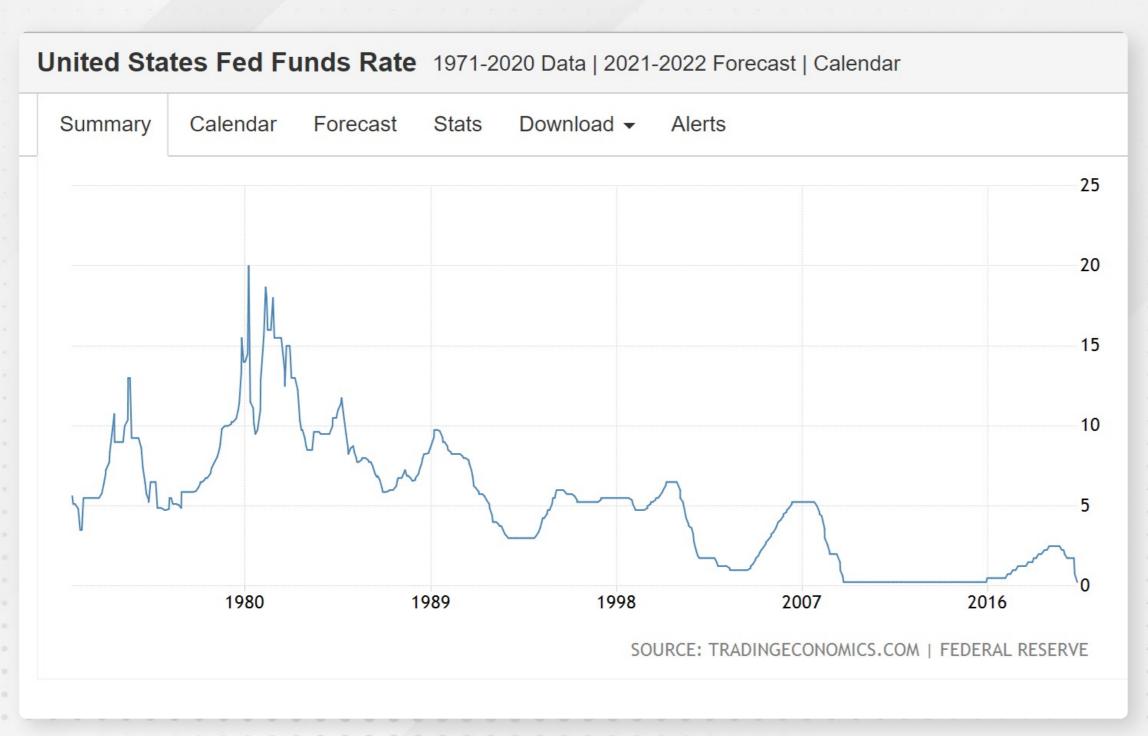
## **CFA® Exam Tips – Level III**

## **Study Tips**

## **SS4 Capital Market Expectation #1**



## R10 - 2.2 Challenges in Forecasting

- Concept Check:

  Does using a longer series of historical data in economic forecast generate a better model / result?
- 2 Consider:
  - Regime change
  - Stationarity of data series
- **3** Example of regimes change:
  - 1970s oil price shocks with accommodative Fed policy
  - 1980s and 1990s Fed tightening policy stance
  - 2008 and 2009 Fed extraordinarily expansionary policy
  - 2020 Exogenous Shock: Covid-19 ?!







Angie Chan, CFA
Candidate Services Sub-group



Date of issue: 15 Jun 2020

Disclaimer: This material is produced by a voluntary study group leader. CFA Society Hong Kong makes no representations about the accuracy, reliability, completeness, or timeliness of this material. Use this material at your own risk.