

CFA® Exam Tips – LEVEL III

Study Tips

Capital Market Expectation #6

Business Cycle Analysis

Inflation expectation could be procyclical or countercyclical depends on timeframe

Short-term	Intermediate-term	Very long-term
<p>Inflation Expectation soon turn up with actual inflation</p>	<p>Inflation expectation interweaves with different phases of cycles</p> <p>Horizon structure of inflation expectation is countercyclical i.e.</p> <ul style="list-style-type: none"> - Upward sloping at the trough of the business cycle - Inverted at the peak - An important component of bond yields, one of the reason yield curve’s slope is countercyclical 	<p>Inflation expectation unaffected by periodic fluctuations, i.e. business cycles</p>



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