

## Exam Tips

### SS4 Capital Market Expectation #6

#### R10 – 3.4 Business Cycle Analysis

Inflation expectation could be procyclical or countercyclical depends on timeframe

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

