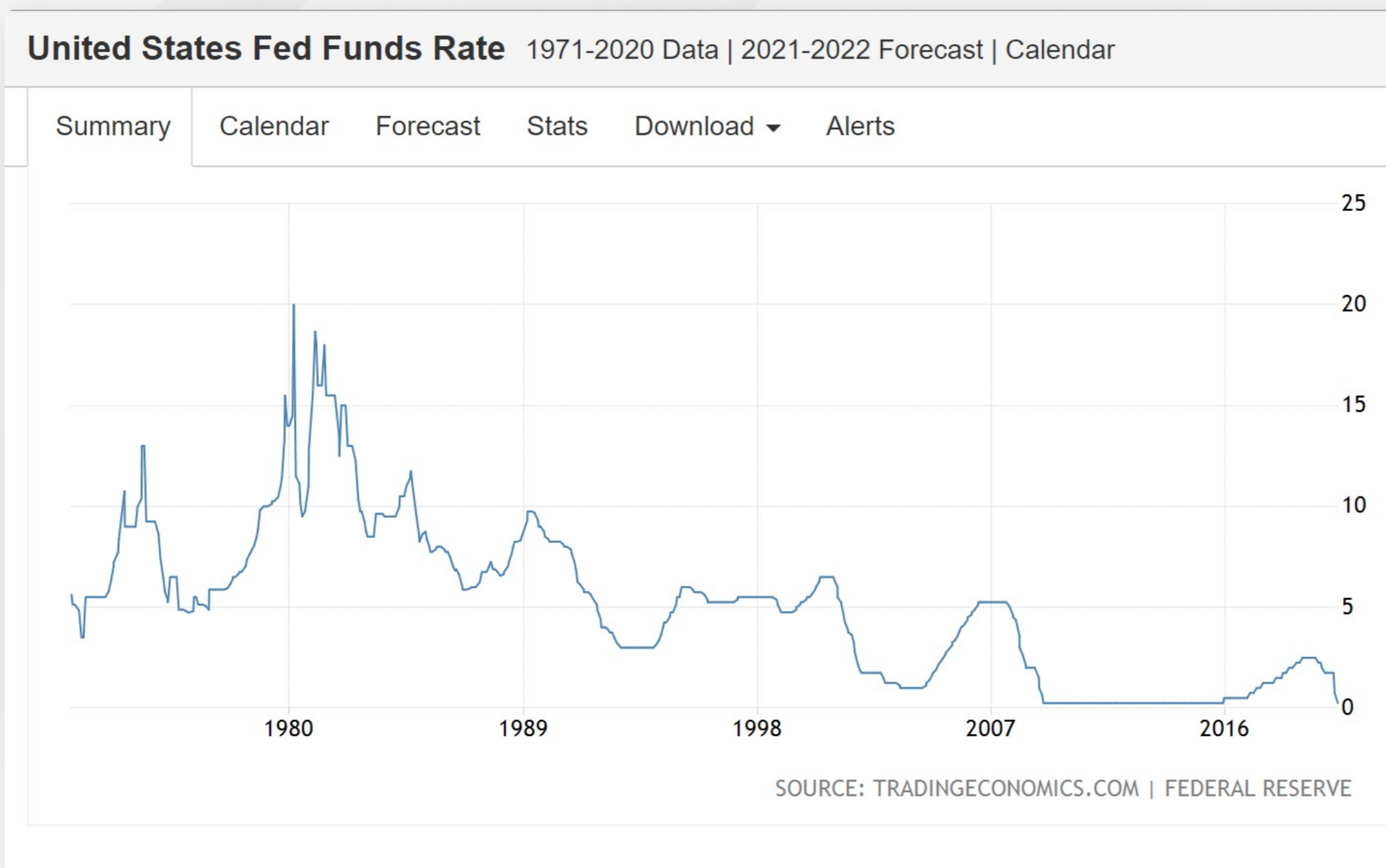


Study Tips

SS4 Capital Market Expectation #1



R10 - 2.2 Challenges in Forecasting

- 1 **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 ?!



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