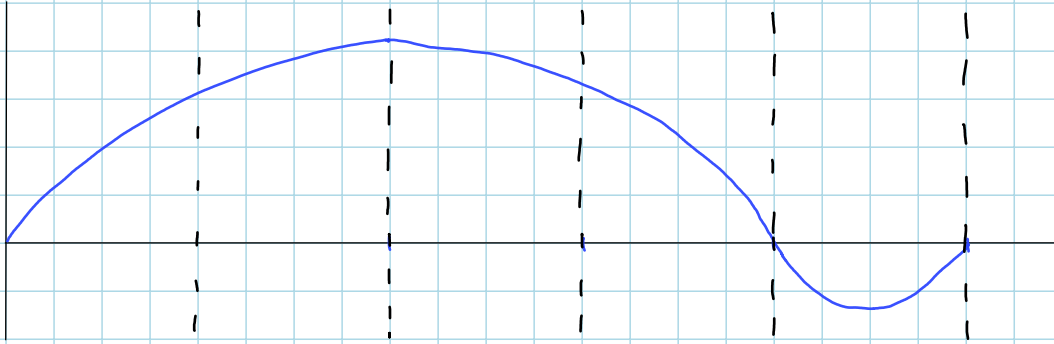


Business cycle analysis

Phases of the business cycle



Initial recovery

capital market effects:

Early expansion

capital market effects:

Late expansion

capital market effects:

Slowdown

capital market effects:

Contraction

capital market effects:

Forming capital market expectations based on phases of the business cycle

- phases differ in length and amplitude
- difficulty in distinguishing between cyclical and secular forces
- link between capital markets and real economy not always strong

Business cycle information likely to be most reliable in setting CMEs