

# Cycles

March 2009

## Questions for STA students

These questions do not necessarily have – or need to have – a precise answer. Their purpose is to direct your attention to some of the different phenomena that occur within financial markets, and to help you establish, for yourself, whether you can trust the idea of cycles sufficiently to be able to work with them.

1. How would you define a cycle?
2. What is the general purpose of biological cycles?
3. Does this give you any insights into the phenomena of bear markets and recessions?
4. What is the difference between a trend and a cycle?
5. If there are cycles in economic and financial market activity, what simple tools could you use to find them?
6. What would you actually be looking for?
7. If cycles exist, can financial market price behaviour be random?
8. What is meant by “left and right translation” in cycle analysis?
9. Under what circumstances might left translation occur? And right translation?
10. Does this make any difference to the way that you might search for cycles?
11. What is the relationship between a cycle in momentum and the level of the corresponding index?
12. Can you use this knowledge to tell you anything about turning points in the level of the index/price that you are tracking?
13. Where would you expect momentum non-confirmations to occur?
14. Where would you expect momentum to accelerate sharply? And decelerate sharply?
15. What might such accelerations and decelerations tell you about the state of underlying conditions?
16. If you thought that you had found an important cycle, how would you track it in real time?
17. If actual behaviour deviated from what you expected on the basis of your research, what would that tell you?