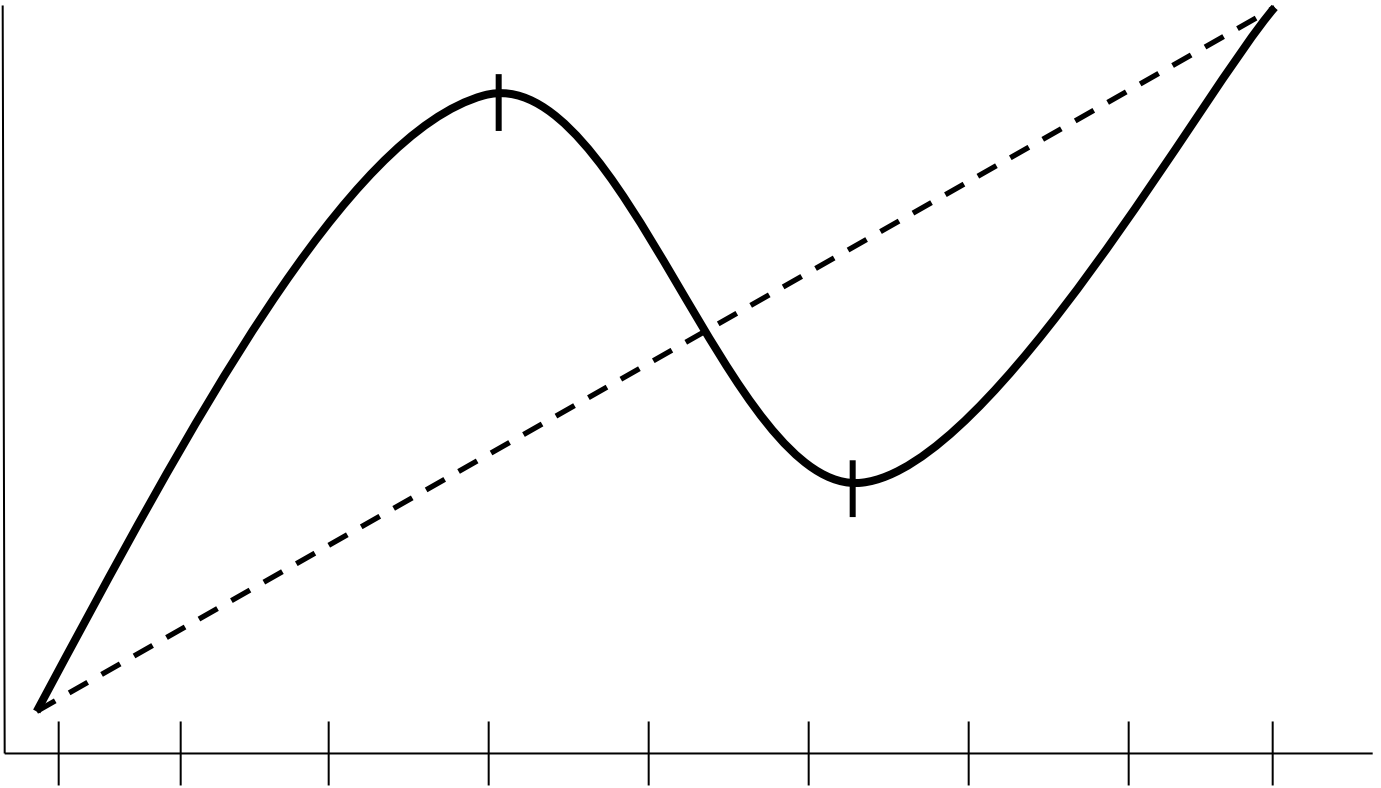


Reading the Business Cycle



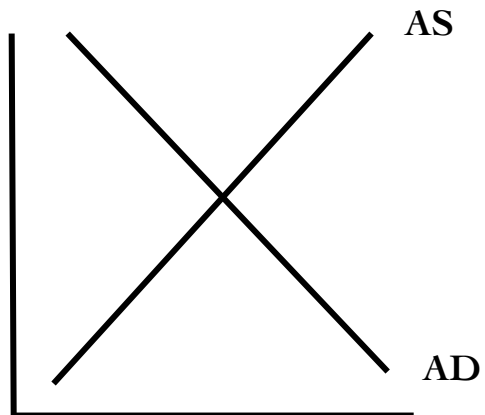
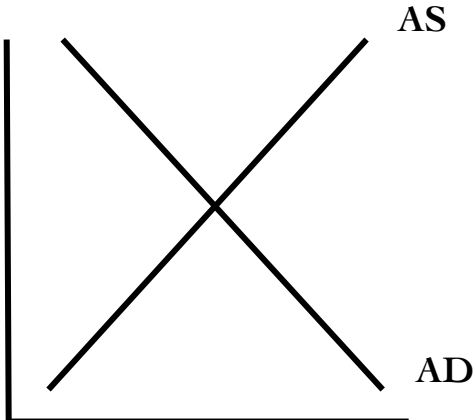
Expansion

-
-
-
-
-

Contraction

-
-
-
-
-

AD = Aggregate Demand
AS = Aggregate Supply



Read each of the following headlines and place the proper letter next them that correspond with the business cycle.

E = Expansionary

P = Peak

C = Contractionary

T = Trough

1. _____ The price of bread has increased 5% over the past three months.
2. _____ Interest rates at a low of 2% cause consumers to take out loans and buy homes.
3. _____ The sale of durable goods is down for the 5th consecutive month.
4. _____ Due to factory closures unemployment has risen to a five year high of 10%
5. _____ Due to increased consumer spending, the Federal Reserve raises interest rates to slow the economy down.
6. _____ The DOW Jones industrial average reaches an all-time high.
7. _____ GDP declines for four consecutive months, causing the Federal Reserve to lower interest rates.
8. _____ The unemployment rate is at 3.4%, a new 15 year low.

How can predicting/understanding the business cycle influence your future financial decision?