

Quasi-Cyclic Risks

The Characteristics of Boom and Bust Processes

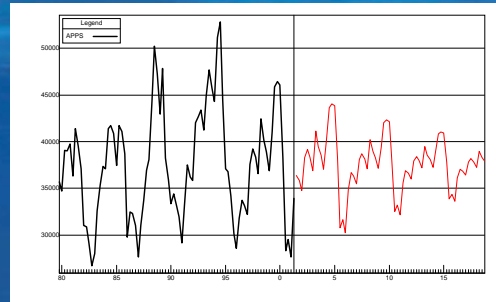


by Colin Priest, Sigma Plus Consulting



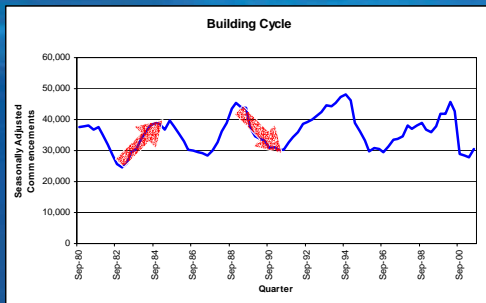
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Background: The Failure of Traditional Models



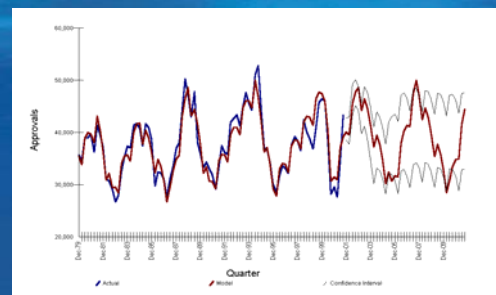
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Background: Regime Changes



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Background: A Regime Switching Model



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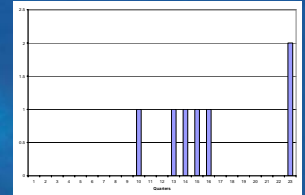
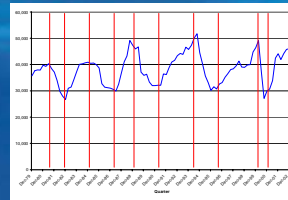
How Do I Know When Risks Are Quasi-Cyclic?

- Clustering of cycle wavelengths
- A possible unit root
- Consistent floor and / or ceiling values
- Long runs in which values move in the same direction
- Attractor points and / or periods of stagnancy



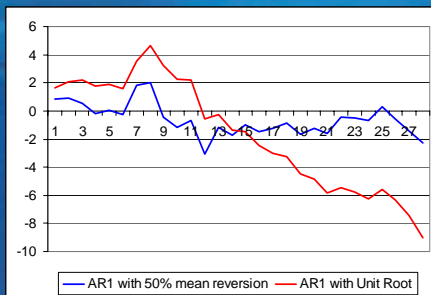
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Clustering of Wavelengths



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Unit Roots



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Upper / Lower Heights



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Long Runs - Autocorrelation of Deltas



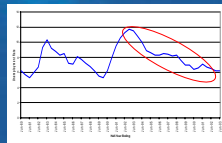
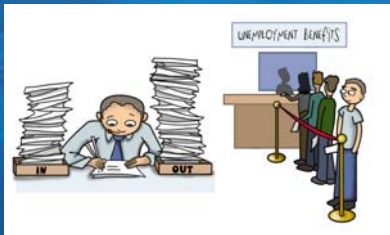
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Attractor Points / Stagnancy



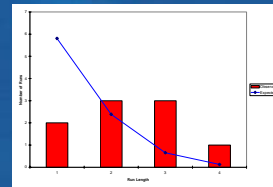
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Unemployment



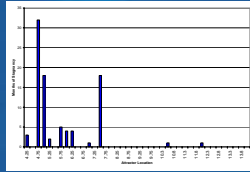
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House Prices



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Interest Rates



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Summary

	Unemployment	House Prices	Interest Rates
Clustered Wavelengths	✓	✓	
Possible Unit Root	✓	✓	✓
Floor / Ceiling Values	✓		
Long Runs	✓	✓	✓
Attractor Points	✓		✓



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