Financial Markets: Problems

1. Are most stock prices pro-cyclical or counter-cyclical?
2. Why are lower interest rates good for stock prices?

3. How do lower stock prices impact the aggregate demand curve?

4. Why does a reduced appetite for risk often lead to worse macroeconomic outcomes in the short-run?

5. How can a high P/E ratio return to its historical average?

6. True or False. An asset price bubble refers to a rapid rise in that asset's price.

7. Why might inverted yield curves signal an upcoming recession?

8. Why do some countries bonds offer higher yields than others? Provide two reasons.