

4 Common Phases of the Economic Cycle

EXPANSION

Economic growth expectations rise

SECTORS TO WATCH:

- Consumer Discretionary
- Technology

PEAK

Economy generates growth

SECTORS TO WATCH:

- Financial -
- Energy -
- Materials -

RECOVERY

Stocks gain momentum

SECTORS TO WATCH:

- Industrials
- Materials
- Real Estate

RECESSION

Stock prices are likely to fall

SECTORS TO WATCH:

- Utilities -
- Consumer Staples -
- Healthcare -



What is the Economic Cycle?

The economic cycle is the natural rise and fall of the economy over time. It's like a rollercoaster with ups and downs — sometimes the economy is growing fast, and other times it's slowing down or shrinking.

1. Expansion (Good times!)

- *People have jobs, businesses make money, and the economy is growing.*
- *Spending increases, companies invest, and overall confidence is high.*
- *Think of this as the "boom" period.*

● 2. Peak (The top)

- *Growth hits its highest point.*
- *The economy is doing really well, but prices might start rising (inflation).*
- *It's like the top of the rollercoaster — things can't go up forever.*

● 3. Contraction or Recession (Slowdown)

- *People start spending less, companies earn less, and some people lose jobs.*
- *The economy shrinks.*
- *This is the downhill part — a recession if it lasts a while.*

● 4. Trough (The bottom)

- *The worst part of the downturn — but it's also the turning point.*
- *After this, the economy starts to recover and grow again.*

 **And then it starts all over again..**

The cycle repeats over and over, usually lasting several years.

