This a 2 part assignment first answer the questions below with 300 words min and APA style citation. Then the second part is to write 2 student responses to the below discussion discussions posted by fellow students with 100 words min.

**Part 1**

This week in the discussion room you will discuss the following questions

1. What does a steepening yield curve suggest about the economy? What does an inverted yield curve tell you?
2. Is sector/industry analysis valuable? Why?

Part 2

**Student #1 Nadine**

1. What does a steepening yield curve suggest about the economy? What does an inverted yield curve tell you?

Steepening yield curve: A steepening yield curve suggests that the economy is accelerating in terms of activity as monetary policy stimulates the economy (Jones, 2013, P, 353). A change in the yield curve where the spread between the yields on short-term bonds and long-term bonds has widened. A steepening yield curve implies that investors are confident about the strength of the economy, and the economic recovery is more certain. Investors are claiming higher yields in longer-dated bonds than in shorter-dated ones to compensate for the risk of inflation. When the yield curve becomes more flat, it suggests that economic activity is slowing down (Jones, 2013, p. 354).

Inverted yield curve: An inverted yield curve carries an ominous message, however—expectations of an economic slowdown (Jones, 2013, p. 354). A yield curve in which yields on long-term bonds are lower than the yields on short term bonds. Traditionally, an inverted yield curve has viewed as an indicator or a coming recession. When long-term interest rates go below the short-term interest rates, the market response recommends that the yield offered by the long-term fixed income will continue to decline.

2.Is sector/industry analysis valuable? Why?

Sector and industry analysis is important to investor success because, over the long run, very significant differences occur in the performance of industries and major economic sectors of the economy (Jones, 2013, p. 375). Some of the reasons are as follows:

•Industry analysis is important to investor success because in the long run, industry performances change significantly.

•An industry performs very differently over a long period of time, and portfolio performance will be significantly changed by the particular industry that investors hold in their portfolios.

•Industry analysis helps investors to judge the industry’s performance in a future period.

•By doing an industry analysis, the investor is able to determine the firm’s performance within an industry that is consistent over a time period.

References:

Jones, C. P. (2013). Investments analysis and management (12th ed.). Hoboken, NJ: Wiley

McGahan, A. M. (2004, October). How Industries Change. Harvard Business Review. Retrieved from <https://hbr.org/2004/10/how-industries-change>

**Student #2 Manuel**

What does a steepening yield curve suggest about the economy?

The yield curve is simply the yield of each bond along the maturity range plotted on a graph. The yield curve typically slopes upward, since investors need to be compensated with higher yields for assuming the added risk of investing in longer-term bonds. The yield curve risk is the risk of experiencing an adverse shift in market interest rates associated with investing in a fixed income instrument. The risk is associated with either a flattening or steepening of the yield curve, which is a result of changing yields among comparable bonds with different maturities.

When the yield curve steepens, the gap between the yields on short-term bonds and long-term bonds increases, making the curve appear "steeper." The increase in this gap indicates that yields on long-term bonds are rising faster than yields on short-term bonds or, occasionally, that short-term bond yields are falling even as longer-term yields are rising.

What does an inverted yield curve tell you?

In the occasions when a yield curve flattens to the point that the short-term rates are higher than the long-term rates, the curve is said to be “inverted.” Factually, an inverted curve has often preceded a period of recession; it states that the economy is slowing down. Investors endure low rates now if they believe rates are going to fall even lower later on.

Is sector/industry analysis valuable? Why?

“Sector/industry analysis is central because industries have diverse basis for high and low standards, such as the P/E ratios.” Industry analysis is a tool that facilitates a company's understanding of its position relative to other companies that produce similar products or services. Understanding the forces at work in the overall industry is an important component of effective strategic planning. Industry analysis enables small business owners to identify the threats and opportunities facing their businesses, and to focus their resources on developing unique capabilities that could lead to a competitive advantage

References:

Jones, C. P. (2013). Investments analysis and management (12th Ed.). Hoboken, NJ:Wiley.

Kenny, T. (n.d.). The Yield Curve. Retrieved November 07, 2017, from https://www.thebalance.com/steepening-and-flattening-yield-curve-416920

Staff, I. (2007, May 02). Yield Curve Risk. Retrieved November 07, 2017, from http://www.investopedia.com/terms/y/yieldcurverisk.asp