

ASIAN FINANCE  
ASSOCIATION 2023

Annual meeting

June 26<sup>th</sup> - 27<sup>th</sup>, 2023

University of Economics Ho Chi Minh city

Fei Gao ▾

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## HELP

[@ Contact](#)[sciencesconf.org/asianfa2023/471188](https://sciencesconf.org/asianfa2023/471188)Term Structure Learning and Inflation  
Predictability: A Dynamic ApproachFei Gao <sup>1,\*,@</sup>, Desi Arisandi <sup>2,@</sup>, Tze-Houng Lee <sup>3,@</sup><sup>1</sup> : Singapore Institute of Technology<sup>2</sup> : Singapore Institute of Technology<sup>3</sup> : Singapore University of Social Sciences

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This paper examines the efficacy of nominal yield curve term structure on inflation predictability incorporating economic variables expressed in the form of the Quantity Theory of Money. We documented a positive predictability of the term structure in predicting the one month ahead reported inflation rate and two-month ahead reported inflation rate in the US from 2018 to 2022. However, this level of predictability is not constant across different inflation regimes. The significant predictors in the low inflation regimes deviate to those in the high inflation regimes, suggesting that economic indicators should be considered dynamically. Lastly, we made use of nonparametric method (K-nearest neighbour) for predicting extreme inflation regimes in consideration of their pattern recognition ability at higher dimensions, as well as ability to handle nonlinearity.



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|-----------|------------------------------------|
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