Wilf Csaplar Jr. Economics 350 Homework #9 **Due Friday 11/15**

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Turn in the Excel file via Canvas. Place your name on an otherwise blank page of the Excel file. Failure to type this assignment will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

All questions except for Question #1 should be done before class.

The first question refers to the spreadsheet "Lab" on the Excel file "lab8.xlsx" from last week's lab. Each date is for the two-month period which starts then. So, "Jan. 2002" is for January and February of 2002.

1) (35 points) Run a regression to estimate the Sales as a function of Time. Use the results to create a column which is called trend. Use that column and the columns created in Lab #8, to create the column "normal." Now use this information to predict Sales up through the end of 2020.

2) (15 points) Draw the S/D for British pound, £, with the Japanese yen, ¥, as the other currency. Illustrate the effects of interest rates in Japan increasing. Explain why the curve(s) moved as drawn. Which currency is appreciating? Explain your logic.

3) (15 points) Draw the S/D for British pound, £, with the Japanese yen, ¥, as the other currency. Illustrate the effects of GDP in Japan increasing. Explain why the curve(s) moved as drawn. Which currency is appreciating? Explain your logic.

4) (20 points) Draw the S/D diagram for the Mongolian tögrög, which is written as either MNT or as a capital T crossed out with an upward sloping equal sign. Have the other currency be your home country's currency. (I realize that means I will get four different graphs.) Suppose the MNT is pegged to your currency at an overvalued price. Draw that. What will the Mongolian central bank have to do to keep the currency at that level? Why would they have to do that? Can they do that forever? Explain your logic.

5) (15 points) Draw the graph of the fundamental exchange rate and the official pegged exchange rate. Suppose the money supply is left of the equilibrium. What will cause the money supply to change? Explain your logic.