Wilf Csaplar Jr. Economics 350 Homework #9 **Due Friday 4/10**

The Last One!

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 J-Curve and explain why it takes that shape.

3) (20 points) Draw the S/D for the US$ with the euro (€) as the other currency. Illustrate the effects of the changes in the past year for the interest rates shown at the link below. Explain why the curve(s) moved as drawn. Which currency appreciated? Explain your logic.
https://tradingeconomics.com/united-states/interest-rate

4) (20 points) Draw the graph of the fundamental exchange rate and pegged exchange rate. Suppose the money supply is to the right of where the lines cross. What will happen to the graph? Explain why that occurs.

5) (10 points) Currency is found on a different side of the Fed's balance sheet and the banks' balance sheets. Explain why that is the case.