Barreto

Delete this before using. S&P taken out of FRED in spring 2014. Must confirm there is stock data before using this handout.

Macro Topics

Computing a Real Price via a Price Index

Open Inflation.xls. Insert a blank sheet in this workbook and name it RealSP.

Go to <http://www.measuringworth.com/datasets/sap/>

Read the description of the data carefully and make sure you understand that the S&P index has dividends reinvested. You will work with the first series, Average S&P Index for January.

[Btw, the S&P Index is in FRED. If you get the data, you will see that the numbers match the measuringworth.com data, but it doesn’t go back nearly as far. The measuringworth.com data includes reconstructed data to take the series all the way back to 1871—very cool!]

Figure out how to download the data for all years available and then use the CPI to create real values of the S&P index with a 2014 base year. You’ll have to copy and paste the CPI series into the *RealSP* sheet and make sure the years are aligned before do the computations needed. Make the base year of the real series the latest CPI value available.

Do some analysis after you get the real S&P index. Create charts, with and without log scales, of nominal and real values. Compute the CAGR on nominal and real values. Compute the SD of nominal and real values.

Write a paragraph (in a text box on the *RealSP* sheet) on the impact of using real versus nominal values of the S&P index. How does the real differ from the nominal data?

Download the Excel file on stock market data from Shiller’s *Irrational Exuberance* (you should read this book someday because it is very good) page:

<http://www.econ.yale.edu/~shiller/data.htm>

Does your nominal and real data from measuringworth.com match Shiller’s data? Put your answer in a text box in the *RealSP* sheet.

HW: Watch the fourth screencast in Inflation.xls and complete task 4 by noon Friday.

Create a 1-2 minute presentation on inflation measured via CPI versus the GDP Implicit Price Deflator for the United States and the two countries assigned to you in the table on the next page. You should briefly highlight the differences between the CPI and the GDP Deflator (this will require a bit of research or looking in your macro book). In particular, we’re looking to see if one measure of inflation is consistently higher or lower than the other. Put your presentation in a Word doc and save it to the folder workshop/Day24CPIvGDPDef.

Not used. Maybe for test.

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Macro Topics

Inflation Real Price

Open Inflation.xls. Insert a blank sheet in this workbook and name it RealPrice.

Go to <http://www.eia.gov/electricity/data/browser> (this is the authoritative source for energy data)

Change the data set to the Average Retail Price of Electricity.

Figure out how to download the data and then get corresponding CPI values so that you can compare the nominal and real average retail price of electricity for residential users.

What do you conclude about the behavior of prices for residential customers in the US? Answer this question in a text box, pointing to specific numbers or charts.