'/// Eviews program written by Carlos Goes and Rania Papageorgiou

'/// for use at Dr Prakash Loungani's Macroeconometrics course

'/// at Johns Hopkins SAIS

'\*\*\* This do file aims at

'\*\*\*\* (a) practicing time-series commands in Eviews

'\*\*\*\* (b) creating 15 random walk series

'\*\*\*\* (c) provide examples of spurious regressions

'' 1. Create your workfile

close randomwalk.wf1

wfcreate(wf=randomwalk,page=quaterly) Q 1930Q1 2013Q4 '' creates a quarterly workfile ranging from 1930Q1 to 2013Q4

'' 2. Generate 15 random walk series

for !a = 1 to 15 '' sets up the loop

smpl @first @first '' restricts the sample to the first period

series r\_!a = rnd '' generates a random number

smpl @first+1 @last ''' sets the sample to t+1 to the last period

series r\_!a = r\_!a(-1) + 1+(-2)\*rnd '' sets r\_it = r\_it-1 + [random value between -1 and +1]

next

'' 3. Plot the series

group group1 r\_1 r\_2 r\_3 r\_4 r\_5 r\_6 r\_7 r\_8 r\_9 \_

r\_10 r\_11 r\_12 r\_13 r\_14 r\_15 '' creates a group (the '\_' allows you to continue on the next line)

graph graph1.line(o=midnight) group1 '' creates a new graph called 'graph1'

graph1.legend -display '' sets the legend off

graph1.addtext(t, font(18pt,+b)) "15 Random Walk Series" '' adds the title

show graph1 '' plots the graph

'' 4. Run regressions with the random series

equation eq1.ls r\_1 c r\_8

show eq1

equation eq2.ls r\_9 c r\_14

show eq2

equation eq3.ls r\_4 c r\_11

show eq3

equation eq4.ls r\_3 c r\_6

show eq4

'\*\*\* Note that the coefficients will be statistically significant

' even though the series are random

'\*\*\* That's called a spurious regression