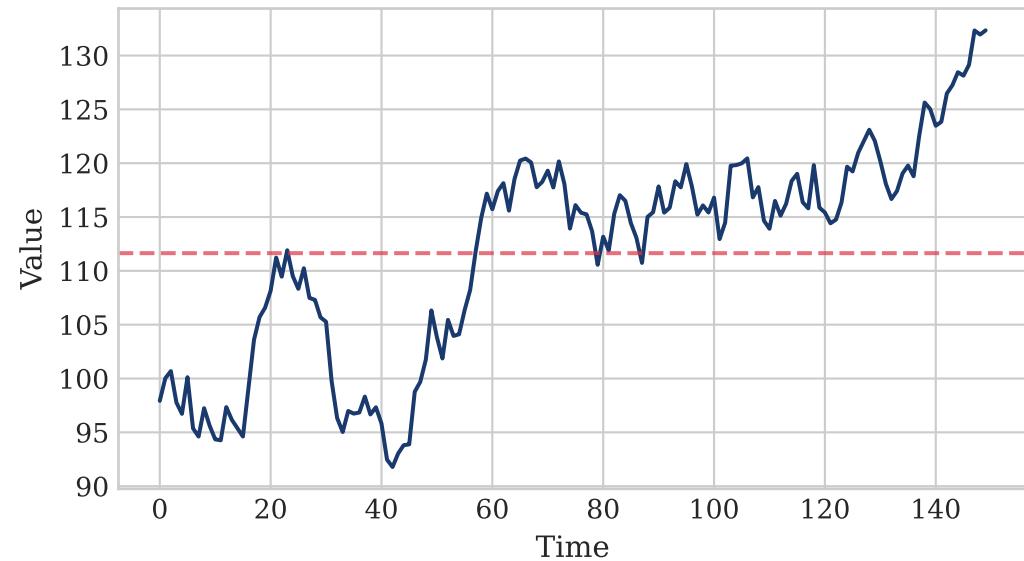
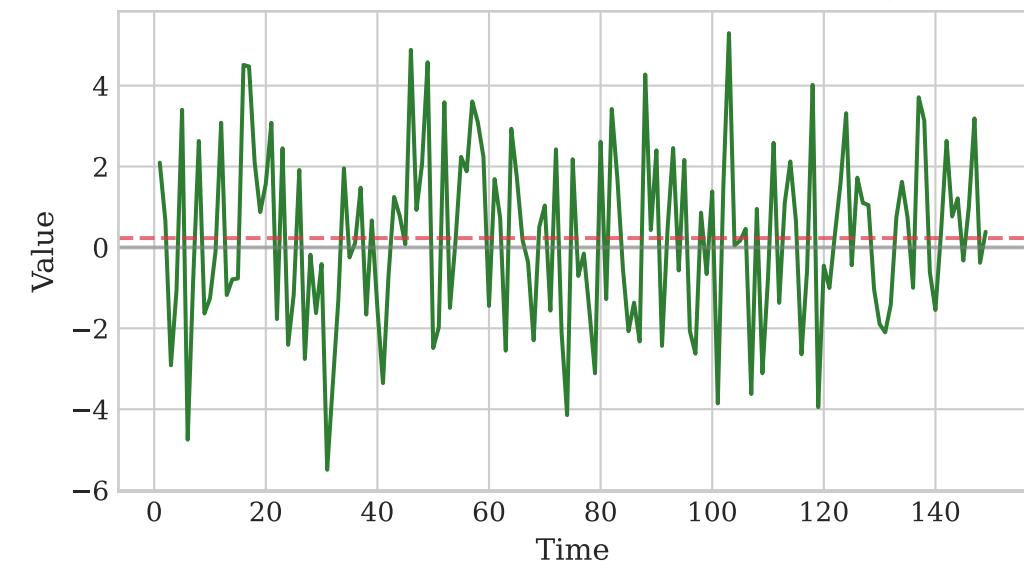


# The Magic of Differencing: Converting Non-Stationary to Stationary

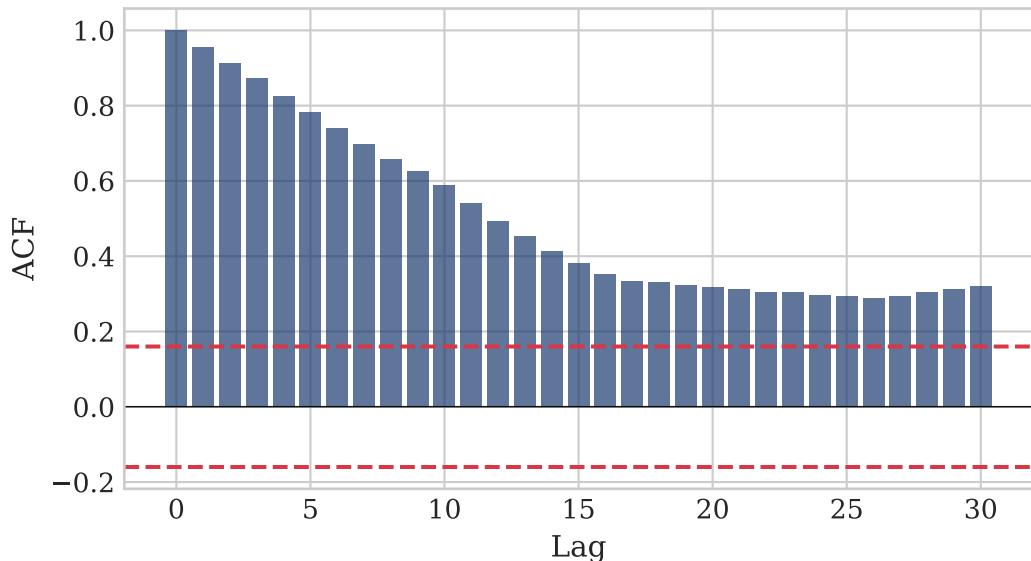
Original Series:  $Y_t$  (Non-Stationary)



Differenced:  $\Delta Y_t = Y_t - Y_{t-1}$  (Stationary)



ACF of  $Y_t$ : Slow Decay (Unit Root)



ACF of  $\Delta Y_t$ : Quick Decay (Stationary)

