Stock market prices and real gdp.

Paul Samuelson

Stock market: Leading, procyclical variable for real GDP

Changes in prices can be used to predict future movements in real GDP

But volatile – big movements in single days, based on speculation

Measure of volatility - variance from trend, or standard deviation.

Risk = variability.

**The theory of investment value**

Application of free market economics to finance

<https://www.forbes.com/sites/jerrybowyer/2013/04/28/the-economy-has-nothing-to-do-with-the-stock-markets-right>