

Trade Weighted US Dollar Index:

1. Decision environment
 - Loss function: $L(e) = e^2$
2. Forecast object:
 - How will the strength of the US dollar change over time related to other currencies
3. Forecast statement
 - Interval forecast
4. Forecast horizon
 - Information set: due to the many global factors that may affect the index, it may be valuable to use a multivariate information set with variables such as US interest rates
5. Methods & complexity
 - While the parsimony principle explains that a univariate model would be superior due to its simplicity, currencies are largely affected by other factors and the index itself is dependant on multiple currencies around the globe.

Net Exports/GDP

6. Decision environment
 - Loss function: $L(e) = e^2$
7. Forecast object:
 - How will the share of net exports in GDP change in the coming years?
8. Forecast statement
 - Interval forecast
9. Forecast horizon
 - Information set: due to the clear trend in this data, I believe a univariate information set of all historical data would be perhaps the most suitable data for this forecast
10. Methods & complexity
 - Due to the parsimony principle, a univariate set could allow for a more accurate forecast due to simplicity. By using a univariate information set, I would be following this principle.

US/Euro Exchange Rate:

11. Decision environment
 - Loss function: $L(e) = e^2$
12. Forecast object:
 - How will the exchange rate with the euro change in the next few years?
13. Forecast statement
 - Interval forecast

14. Forecast horizon

- Information set: Because this data set is correlated with the trade weighted US dollar index, they are exposed to similar external variables such as interest rates and tariffs. However, because this is a single exchange rather than an index, perhaps a univariate model using all historical data on the exchange rate would be sufficient.

15. Methods & complexity

- By using a univariate model, I would try to keep it sophisticatedly simple.

Income Receipts on US Assets Abroad

16. Decision environment

- Loss function: $L(e) = e^2$

17. Forecast object:

- How will US assets abroad change in the next few years?

18. Forecast statement

- Interval forecast

19. Forecast horizon

- Information set: This variable is a factor that has implications for many other variables relevant in this model. I believe using a univariate information set containing the historical data could be a suitable option.

20. Methods & complexity

- In order to maintain simplicity, I would follow the KISS and parsimony principle and use a univariate model.

Foreign Direct Investment:

21. Decision environment

- Loss function: $L(e) = e^2$
- If FDI is less than anticipated, this poses implications for infrastructure and employment which could add various costs to the economy. However, if FDI is more than anticipated, there appear to be much fewer costs. Therefore, I believe the loss function could potentially be higher if the forecast error is negative.

22. Forecast object:

- How will foreign direct investment change in the next few years?

23. Forecast statement

- Interval forecast

24. Forecast horizon

- Information set: while there are many factors that could affect foreign direct investment. I believe using a univariate method would allow for the most accurate forecast due to the parsimony principle.

25. Methods & complexity

- Because foreign direct investment comes from various areas in the world, I believe keeping the model as simple as possible would be beneficial to its success.

