**Task**: forecast the real price of gasoline for the US.

**Dataset**: gasoline.xlsx contains two monthly time series. The nominal price of gasoline and the CPI.

1. Create the real price of gasoline
2. Plot real and nominal prices over time
3. From now on you will work with logs: yt = log (Real Pricet). Consider the sample from obs 1 to Dec 2014. Plot the sample ACF of yt and that of yt = (yt - yt-1).
4. Using the same sample above fit two AR(1) models: the first for yt and the second for yt. Report in both cases the coefficient associated with the lagged dependent variable.
5. Produce a series of 1 step-ahead forecasts for yt. Use the following models: random walk (no drift), ARIMA(1,1,0), ARIMA(0,1,1), ARIMA(1,1,1). To produce forecasts start from the sample that ends in Dec 2014 and add 1 observation at the time (i.e. expanding/recursive scheme)
6. Transform the forecasts to levels (i.e. real prices)
7. Compute the mean squared forecast error and comment.

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| GASREGW | US Regular All Formulations Gas Price, Dollars per Gallon, Monthly, Not Seasonally Adjusted |
| CPIAUCSL | Consumer Price Index for All Urban Consumers: All Items in U.S. City Average, Index 1982-1984=100, Monthly, Seasonally Adjusted |