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ECO 442

Group Assignment 1: Statistical Analysis of a Currency

In this project your group will analyze the historical movement of an assigned currency.

Step 1:

Download a graph from FRED (<https://fred.stlouisfed.org/>) of the (daily) nominal exchange rate (Category: Money, Banking & Finance > Exchange Rates > By Country > [Select one]) for your assigned currency for the past 10 years (against the U.S. dollar).

Step 2:

Go to booking.com(<https://www.booking.com/>) or hotels.com (<https://www.hotels.com/>) and find a hotel room in the capital city of your home country. You are not actually purchasing the room in this assignment so feel free to splurge. Record the cost of the hotel room (for one night) **in the local currency**.

Step 3:

Choose (any) two days from your 10 year graph (note: if you hover your cursor over the FRED graph the daily rates will appear) and convert the price of the hotel room into U.S. dollars for each of those days (using the respective exchange rate on those days and assuming that the price of the hotel room in the local currency is not changing). It will obviously be much more interesting if the exchange rate has changed considerably between the two days you choose.

Step 4:

Discuss whether your assigned currency appreciated or depreciated (versus the U.S. dollar) on the two days you chose. Discuss how that appreciation or depreciation affected the U.S. dollar price of the hotel room for a U.S. tourist.