# Financial Fluctuations Homework

## DIRECTIONS

This table lists data for U.S. real GDP and the Dow Jones for 2007 to 2009. Graph both sets of data on the same graph. The dates are on the horizontal axis, real GDP is on the left vertical axis, and the stock values are on the right vertical axis. If possible, use a different color pen or pencil for each set of data.

Date	Real GDP (trillions)	DJIA		
Jan. 2007	\$14.73	\$12,460	Real GDP and Stock Prices (2007 to 2009)	
Apr. 2007	\$14.84	\$12,355	\$15.00	\$16
July 2007	\$14.94	\$13,410	\$14.90	- \$15
Oct. 2007	\$14.99	\$13,896	\$14.80 \$2\$\$14.70	+ \$14 + \$13 <b>Sp</b>
Jan. 2008	\$14.90	\$13,262	<b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solution</b> <b>Solut</b>	+12 \$12 \$11 \$11
Apr. 2008	\$14.97	\$12,267	<b>1 1 1 1 1 1 1 1 1 1</b>	- \$11 <b>ਪੁੱ</b>
July 2008	\$14.90	\$11,345		+ \$10 <b>YIC</b>
Oct. 2008	\$14.58	\$10,847	\$14.30 \$14.20	- \$9 <b>-</b> - \$8
Jan. 2009	\$14.37	\$8,772	\$14.10	- \$7
Apr. 2009	\$14.36	\$7,606	\$14.00	\$6
July 2009	\$14.40	\$8,448	Jan- Apr- Jul- Oct- Jan- Apr- Jul- Oct- Jan- Apr- Jul- Oc 07 07 07 07 08 08 08 08 09 09 09 0 Date	
Oct. 2009	\$14.54	\$9,712		

### QUESTIONS

- I) When did real GDP peak during this period?
- 2) When did the DJIA peak during this period?
- 3) When did real GDP reach its bottom point?
- 4) When did the DJIA reach its bottom point?

- 5) What relationship existed between real GDP and the value of stock during this period?
- 6) Why do you think this relationship existed between these two variables during this period?

# DIRECTIONS

This table lists data for U.S. real GDP and the Dow Jones for 1987 to 1989. Graph both sets of data on the same graph. The dates are on the horizontal axis, real GDP is on the left vertical axis, and the stock values are on the right vertical axis. If possible, use a different color pen or pencil for each set of data.

Date	Real GDP (trillions)	DJIA																
Jan. 1987	\$7.99	\$1,901			R	eal	GDP	and	d Sto	ock F	Price	es (1	L <b>987</b>	' to 1	1989	<b>J</b> )		
Apr. 1987	\$8.08	\$2,277		\$9.00													\$3.00	
July 1987	\$8.15	\$2,410		\$8.80													\$2.80	
Oct. 1987	\$8.28	\$2,602		(st ** <0													\$2.60	(spu
Jan. <b>1988</b>	\$8.33	\$1,953		(trillious) \$8.60 \$8.40													\$2.00	(thousands)
Apr. 1988	\$8.44	\$1,990		<b>5</b> \$8.40														-
July 1988	\$8.49	\$2,145		<b>49 1 1 1 1 1 1 1 1 1 1</b>													\$2.20	AICO
Oct. 1988	\$8.60	\$2,111		\$8.20 8														
Jan. 1989	\$8.69	\$2,163		\$8.00													\$2.00	
Apr. 1989	\$8.76	\$2,296		\$7.80		-				-			-	-			\$1.80	
July 1989	\$8.82	\$2,449	1		Jan- 87	Apr- 87	Jul- 87	Oct- 87	Jan- 88	Apr- 88	Jul- 88 <b>ate</b>	Oct- 88	Jan- 89	Apr- 89	Jul- 89	Oct 89		
Oct. 1989	\$8.84	\$2,693								De	116							

### QUESTIONS

- 7) Provide a brief description of what occurred to stock prices during this three year period.
- Provide a brief description of what occurred to real GDP during this three year period.
- 9) The drop in stock prices in late 1987 indicated that investor expectations about the future had changed. How had expectations changed?
- 10) Did these expectations about the future of the economy come true? How do you know?

#### CONCLUSION

11) The United States officially suffered a recession from 2007 - 2009. During the 1980s, however, no recession occurred during 1987, 1988, or 1989. Why do you think a recession coincided with the stock market crash of 2007 - 2009 but not with the stock market crash of 1987? Explain your reasoning.