

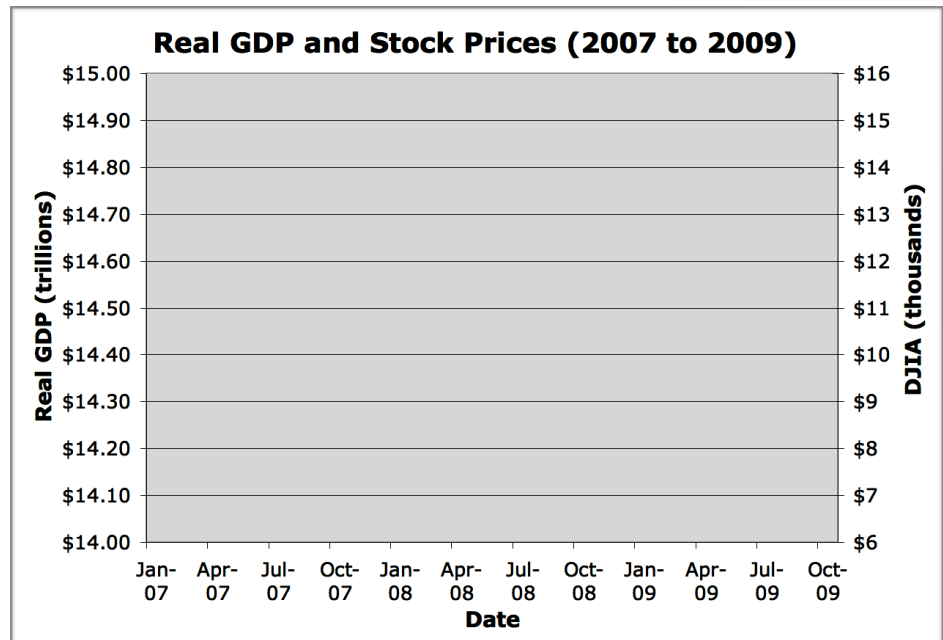
Financial Fluctuations

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
Apr. 2007	\$14.84	\$12,355
July 2007	\$14.94	\$13,410
Oct. 2007	\$14.99	\$13,896
Jan. 2008	\$14.90	\$13,262
Apr. 2008	\$14.97	\$12,267
July 2008	\$14.90	\$11,345
Oct. 2008	\$14.58	\$10,847
Jan. 2009	\$14.37	\$8,772
Apr. 2009	\$14.36	\$7,606
July 2009	\$14.40	\$8,448
Oct. 2009	\$14.54	\$9,712



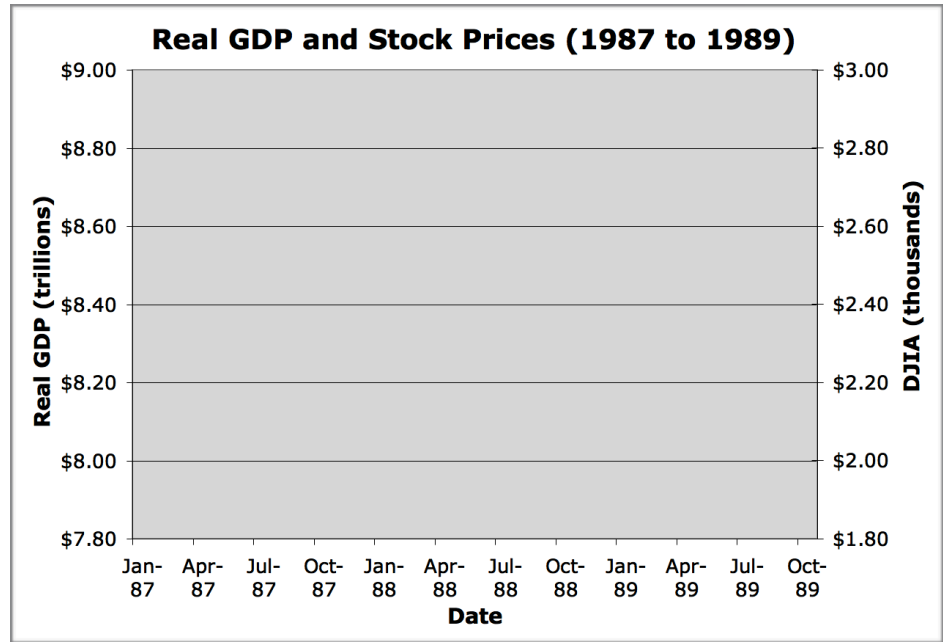
QUESTIONS

- 1) 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
Apr. 1987	\$8.08	\$2,277
July 1987	\$8.15	\$2,410
Oct. 1987	\$8.28	\$2,602
Jan. 1988	\$8.33	\$1,953
Apr. 1988	\$8.44	\$1,990
July 1988	\$8.49	\$2,145
Oct. 1988	\$8.60	\$2,111
Jan. 1989	\$8.69	\$2,163
Apr. 1989	\$8.76	\$2,296
July 1989	\$8.82	\$2,449
Oct. 1989	\$8.84	\$2,693



QUESTIONS

- 7) Provide a brief description of what occurred to stock prices during this three year period.
- 8) 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.