BUS 735: Business Decision Making and Research
Instructor: Dr. James Murray
Homework: Forecasting
Fall 2013

The following questions use the dataset `bondstock.xlsx` on the class website. This is monthly data on the Dow Jones Industrial Index and a AAA corporate bond index.

1. For each index, compute a 3 month moving average forecast.
   (a) Compute the forecast accuracy using MAD, MAPD, and MSE.
   (b) Use this forecasting method to forecast the next month.
2. For each index, compute an exponential smoothing forecast using $\alpha = 0.85$.
   (a) Compute the forecast accuracy using MAD, MAPD, and MSE.
   (b) Use this forecasting method to forecast the next month.
3. For each index, compute an adjusted exponential smoothing forecast using a smoothing parameter, $\alpha = 0.75$, and a trend parameter, $\beta = 0.6$.
   (a) Compute the forecast accuracy using MAD, MAPD, and MSE.
   (b) Use this forecasting method to forecast the next month.
4. Which forecasting method is best for each index? Which fund would you recommend buying?