

GSEE 2020

Assignment 2: Break-even inflation and Inflation risk premium

1. Given the data available in the file GSEE.XLS **modify** the EVIEWS programme PV.prg to replicate tables 1-4 and Figures 1-2 (Figure 2 is constructed running figure_rp.prg after having run PV.prg) in the paper by Pflueger and Viceira "Inflation Indexed Bonds and the Expectations Hypothesis"
2. Extend the results to the full available sample and assess their robustness
3. Does the Cochrane-Piazzesi tent shape factor predict excess returns on inflation indexed bonds ?
4. In the light of the results you have obtained above can you say something on the difference between breakeven inflation rates and expected inflation ?