For predicting price on March 2014

1. a_t in Jan 2014 = (α = 0.4)(223.69/1.0242) + (1 – 0.4)(198.63 – 0.04) = 206.51
2. b_t in Jan 2014 = (β = 0.3)(206.51 – 198.63) + (1 – 0.3)(–0.04) = 4.96
3. $\hat{P}_{t+\tau,t}$ in Jan 2014 where τ = 1 (prediction of Feb 2014 prices made in Jan 2014) = (206.51 + 2.34)(0.98132) = 204.95

Year	Month	Choice 120 1 Brisket, deckle-off, bnls	a_t	b_t	S_{t-N}	$\hat{P}_{t+1,t}$ Predicted Price next period	S_t	Adjusted S_t
2013	7	204.39	199.70	-0.46	1.01470	201.34	1.01470	1.01296
2013	8	203.91	200.26	-0.16	1.01051	202.41	1.01051	1.00878
2013	9	198.82	198.69	-0.58	1.01150	201.11	1.01150	1.00976
2013	10	199.07	197.30	-0.82	1.01516	196.53	1.01516	1.01341
2013	11	199.53	197.68	-0.46	1.00025	198.16	1.00025	0.99853
2013	12	201.70	198.63	-0.04	1.00477	203.40	1.00477	1.00304
2014	1	223.69	206.51	2.34	1.02422	204.95	1.04485	1.04306
2014	2	226.75			0.98132			

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Figure 10.10

30p0 wide X 28p6 High