

Computer Tutorial 5: The TVP-FAVAR

Run the code in the file “TVP_FAVAR.m” which estimates a Financial Conditions Index as in Koop and Korobilis (2014). A New Index of Financial Conditions, European Economic Review. Note that this code estimates a single TVP-FAVAR model. Examine its features such as evolution of the factor loadings and volatilities.

The package of code provided contains various other programs. These for the estimation of various versions of this model including the DMA approach used in Koop and Korobilis (2014). This averages over many different TVP-FAVARs in a dynamic fashion. It is unlikely that you will have time to use these codes since I did not discuss DMA in the lectures. But I provide the code just in case you are interested in using these methods in the future.