

Financial Econometrics I

Problem Set 2: ARMA Models

December 3, 2018

Learning objectives: After solving the following questions you should be able to

- (a) Understand key concepts such as stationarity and causality.
- (b) Know how to calculate and interpret ACF and PACF.
- (c) Know how to estimate ARMA models, interpret estimation results, and conduct basic hypothesis tests.

1. **FY Exercise 2.1 (Variance-Covariance Matrix)**
2. **FY Exercise 2.3 (Stationarity and Causality)**
3. **FY Exercise 2.4 (ACF and PACF)**
4. **FY Exercise 2.5 (Yule-Walker Equation)**
5. **FY Exercise 2.6 (AR(p) Process)**
6. **FY Exercise 2.7 (Fitting ARMA Model)**