

Financial Econometrics I

Problem Set 5: ARCH and GARCH Models (1)

December 22, 2018

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

- (a) Understand the necessity of introducing heteroskedastic volatility to time series models.
- (b) Know the specification and main properties of ARCH/GARCH models.
- (c) Know how to fit GARCH models, interpret estimation results, conduct basic model diagnostics and hypothesis tests, and forecast conditional volatility.

1. **FY Exercise 3.1**
2. **FY Exercise 3.2**
3. **FY Exercise 3.4**
4. **FY Exercise 3.5**
5. **FY Exercise 3.8**