Problem 1:

a)

Mean: 1.0489703904839585
Variance: 5.4217934611998455
Skewness: 0.8806086425277359
Kurtosis: 26.12220078998972

b)

Mean: 1.0489703904839585
Variance: 5.4217934611998455
Skewness: 0.8806086425277364
Kurtosis: 26.122200789989723

c)

The p-values of four moments are:
Mean (np.mean): 0.17656961322179487
Variance (np.var): 0.007547098583956968
Skewness (scipy.stats.skewness): 0.7366114817578768
Excess Kurtosis (scipy.stats.kurtosis): 7.388381453532489e-06

Therefore, we can find that np.variance and scipy.stats.kurtosis is biased

Problem 2

a)

OLS: [-0.08738446, 0.7752741], Standard deviation of Error = 1.003756319417732
MLE: [-0.08738446, 0.7752741], Standard deviation of Error = 1.003756319417732

By comparing the result of OLS and MLE methods, we can find that their beta and the standard deviation of error (close to 1) is the same.

b)

MLE_N: [-0.08738446, 0.7752741], Standard deviation of Error = 1.003756319417732
MLE_T: [-0.08884091, 0.76947098], Standard deviation of Error = 1.0037711702546934

By comparing these two results, we can find that the result is almost the same, so we can not say which model is better.

c)

Conditional Expectation and 95% Confidence Interval of X_2 given X_1
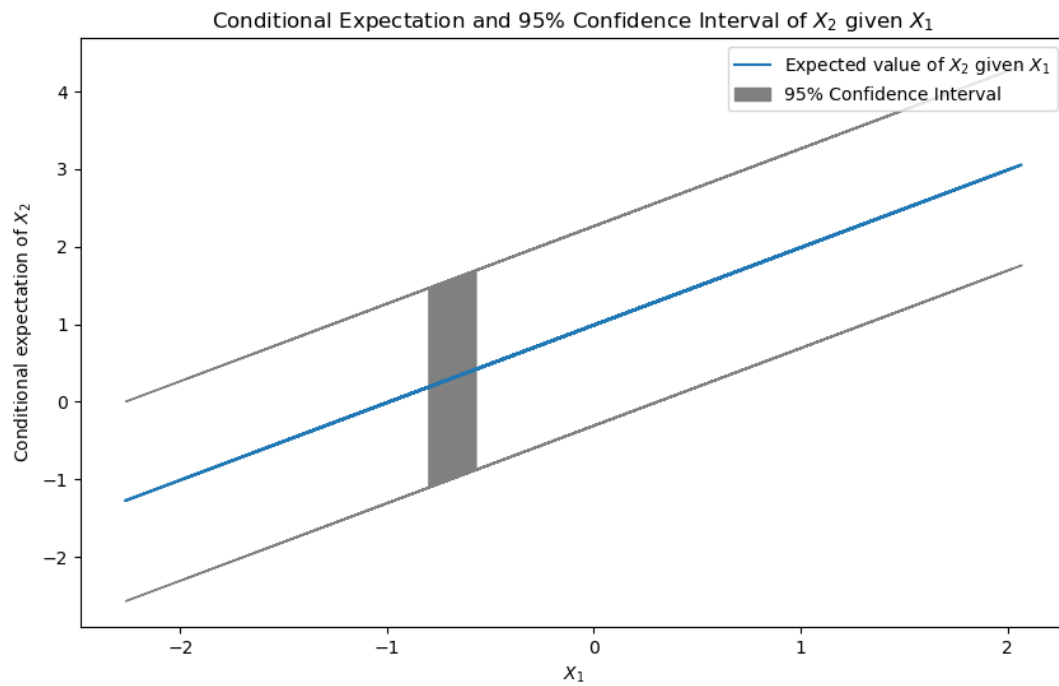
d)

The log likelihood function of β, σ^2:

$$LL(\beta, \sigma^2) = -\frac{n}{2}\ln(2\pi\sigma^2) - \sum_{i=1}^{n}\frac{(Y_i - X_i\beta)^2}{2\sigma^2}$$

$$\hat{\beta} = \arg\max(LL(\beta, \sigma^2))$$

Set $\frac{\partial LL(\beta, \sigma^2)}{\partial \beta} = \frac{1}{\sigma^2}\sum_{i=1}^{n}X_i(Y_i - X_i\beta) = \frac{1}{\sigma^2}X^T(Y - X\beta) = 0$

$$\Rightarrow \hat{\beta} = (X^TX)^{-1}X^TY$$

Similarly, set $\frac{\partial LL(\beta, \sigma^2)}{\partial \sigma^2} = -\frac{n}{2\sigma^2} + \frac{1}{2\sigma^4}\sum_{i=1}^{n}(Y_i - X_i\beta)^2 = 0$

$$\Rightarrow \hat{\sigma}^2 = \frac{1}{n}\sum_{i=1}^{n}(Y_i - X_i\beta)^2$$

Problem 3

Firstly, we can judge the appropriate order by observing the image. By observing this graph, we can find that for ACF graph, the value of Autocorrelation gradually decreases to 0, and for PACF graph, the value of Partial Autocorrelation suddenly drops to 0, so we can infer that AR (3) model may be our good choice,
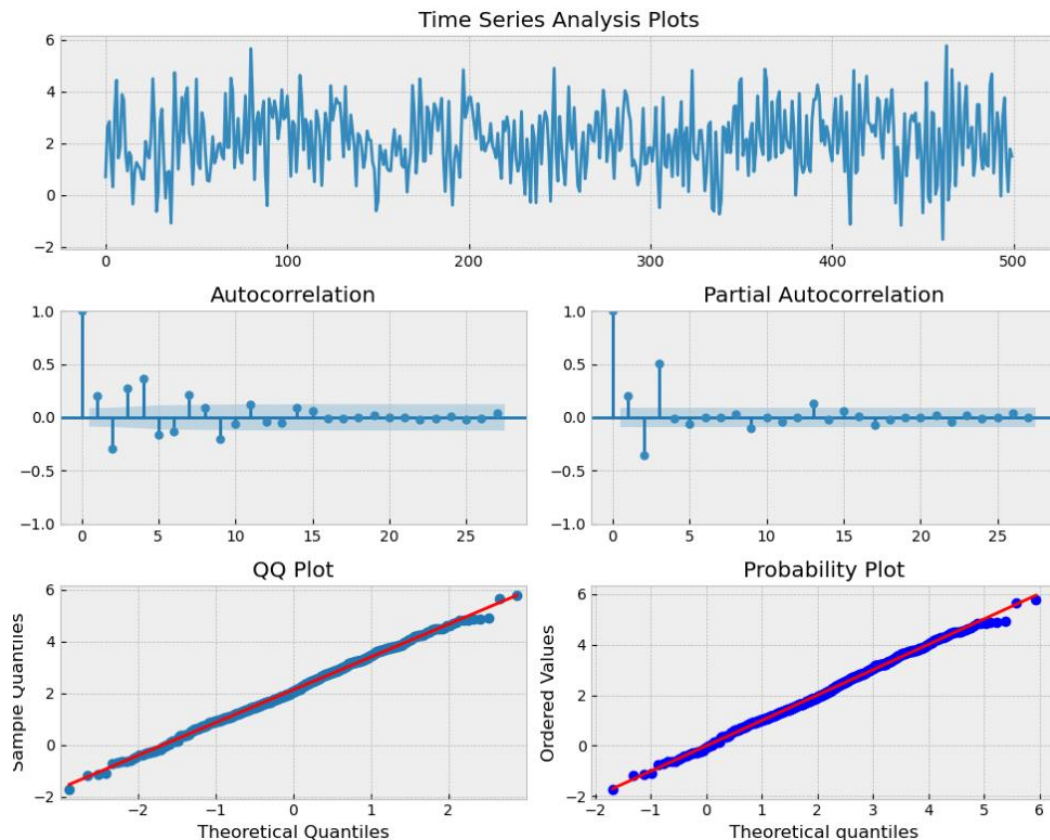
Besides, we can compare each model's AIC value to see which model is batter. By observing the following table, we can easily find that AR (3) has the lowest AIC value, which proves that AR (3) is the best model.

ARIMA (1, 0, 0)	1644.6555047688475
ARIMA (2, 0, 0)	1581.079265904977
ARIMA (3, 0, 0)	1436.6598066945883
ARIMA (0, 0, 1)	1567.4036263707874
ARIMA (0, 0, 2)	1537.941206380739
ARIMA (0, 0, 3)	1536.8677087350302

Finally, we can draw the graph of the residuals of AR (3) model to see if the residuals look like the white noise, and from the following graph, it can be easily find that the residuals is white noise because QQ plot and Probability plot shows it is normally distributed and ACF and PACF plot shows that residuals don't have any Autocorrelation with past values.

Time Series Analysis Plots