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Word Order and Focus Projection

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Kurzfassung

We propose an econometric model that captures the effects of market microstructure on a latent price process. In particular, we allow for correlation between the measurement error and the return process and we allow the measurement error process to have a diurnal heteroskedasticity. We propose a modification of the TSRV estimator of quadratic variation. We show that this estimator is consistent, with a rate of convergence that depends on the size of the measurement error, but is no worse than $n^{-1/6}$. We investigate in simulation experiments the finite sample performance of various proposed implementations.