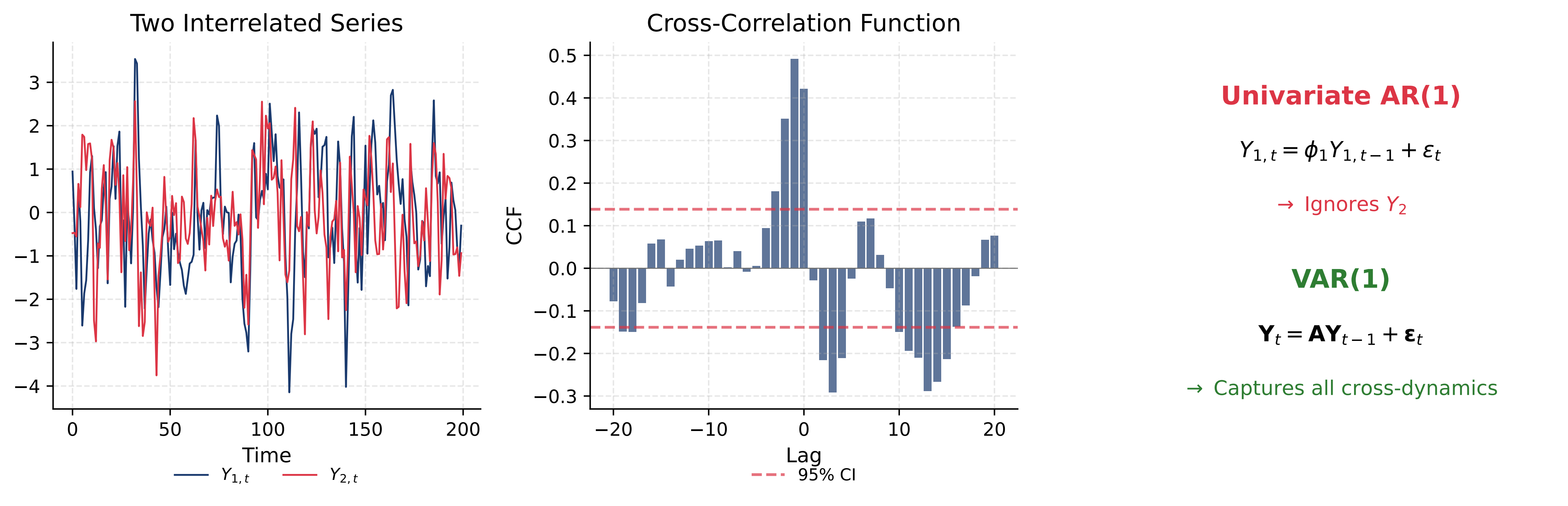

Two Interrelated Series
Time
$Y_{1,t}$
$Y_{2,t}$
Cross-Correlation Function
CCF
Lag
95% CI
Univariate AR(1)
$Y_{1,t} = \phi_1 Y_{1,t-1} + \varepsilon_t$
→ Ignores Y_2
VAR(1)
$\mathbf{Y}_t = \mathbf{A}\mathbf{Y}_{t-1} + \boldsymbol{\varepsilon}_t$
→ Captures all cross-dynamics