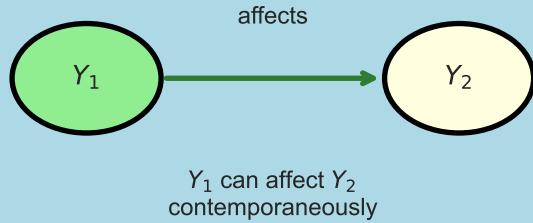
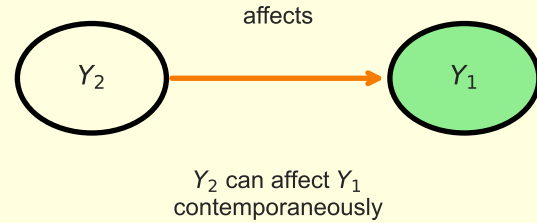


## Cholesky Ordering: Order Matters!

### Ordering 1: $Y_1$ first



### Ordering 2: $Y_2$ first



### Key Points:

- Different orderings give DIFFERENT IRFs!
- Ordering should be based on economic theory
- "Fast-moving" variables should come first