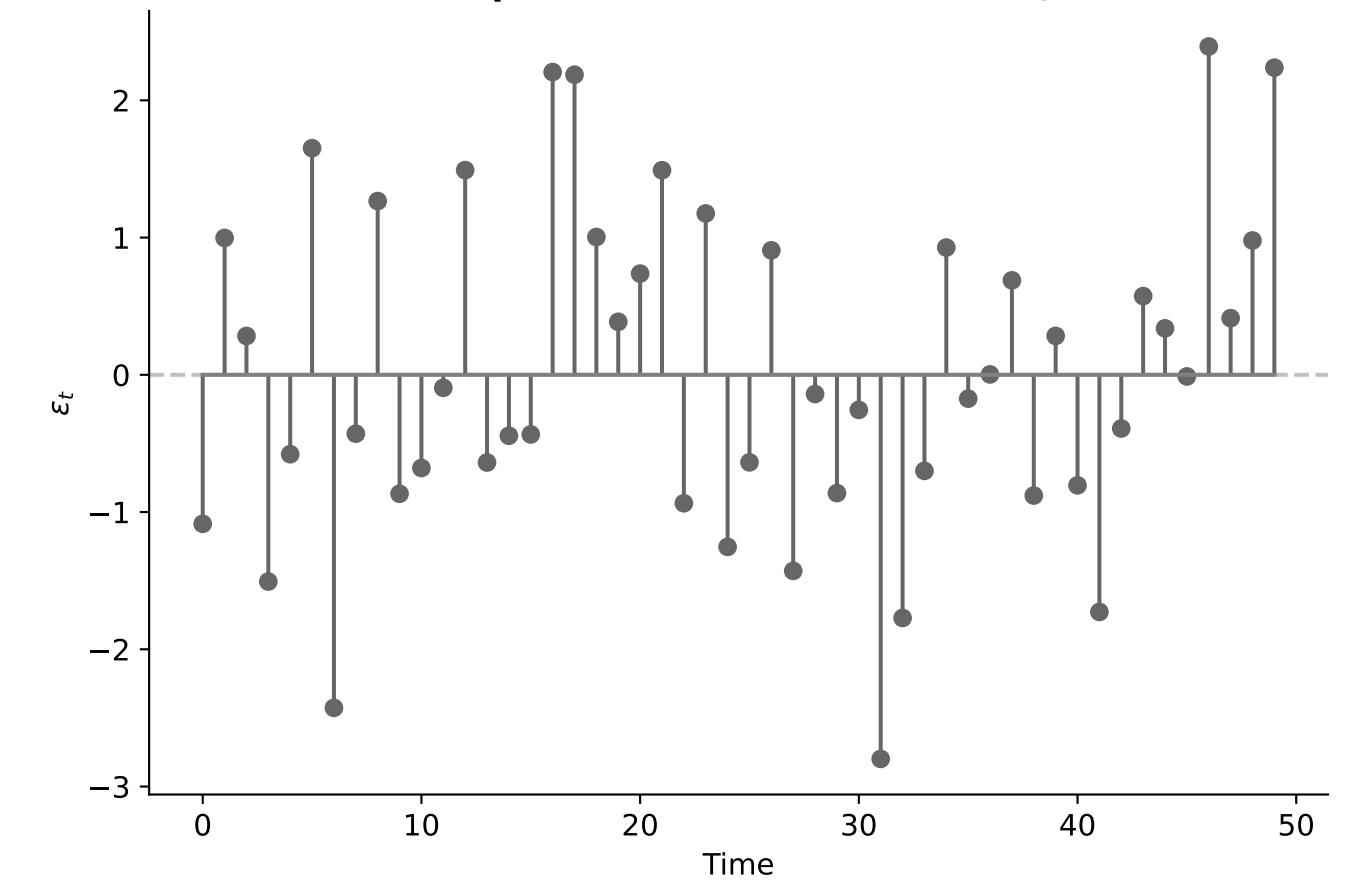
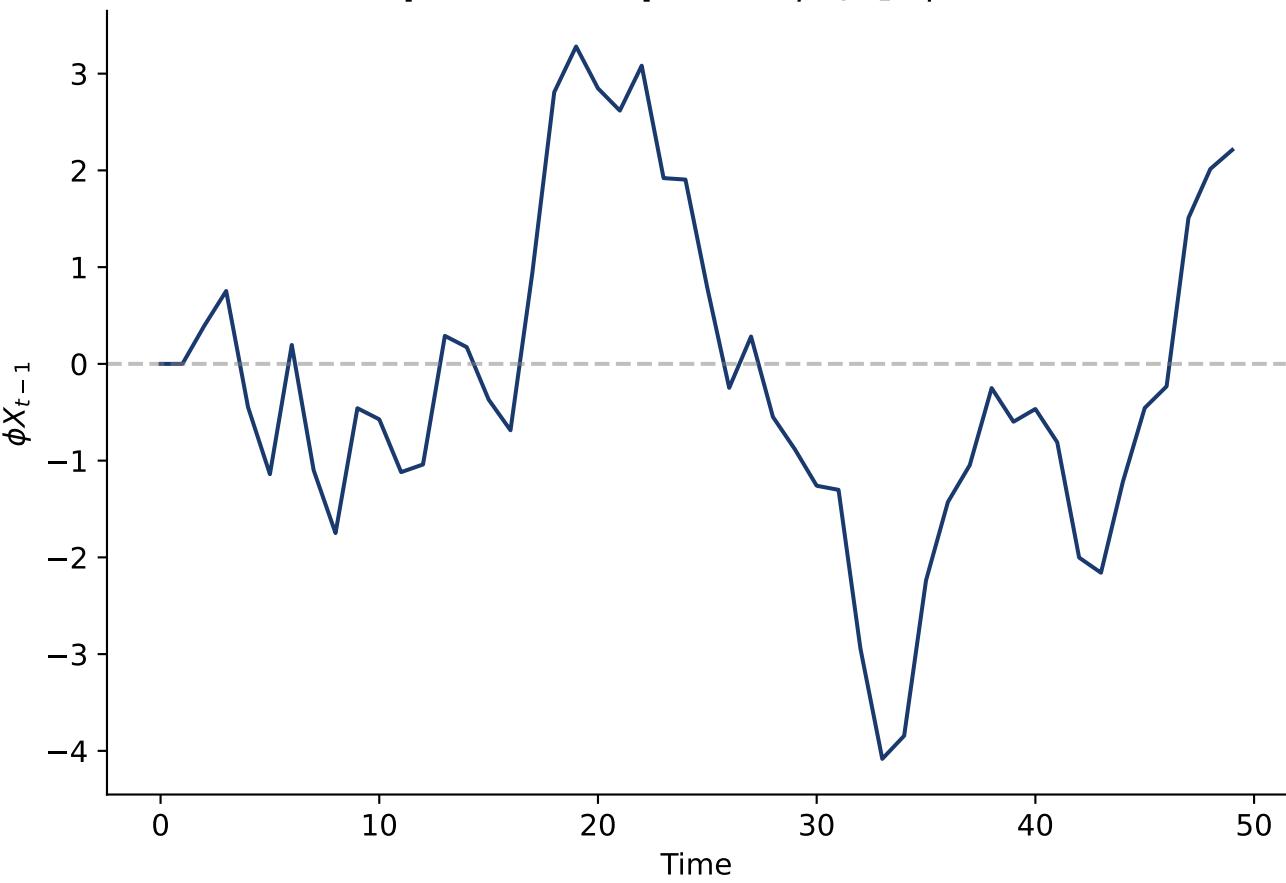
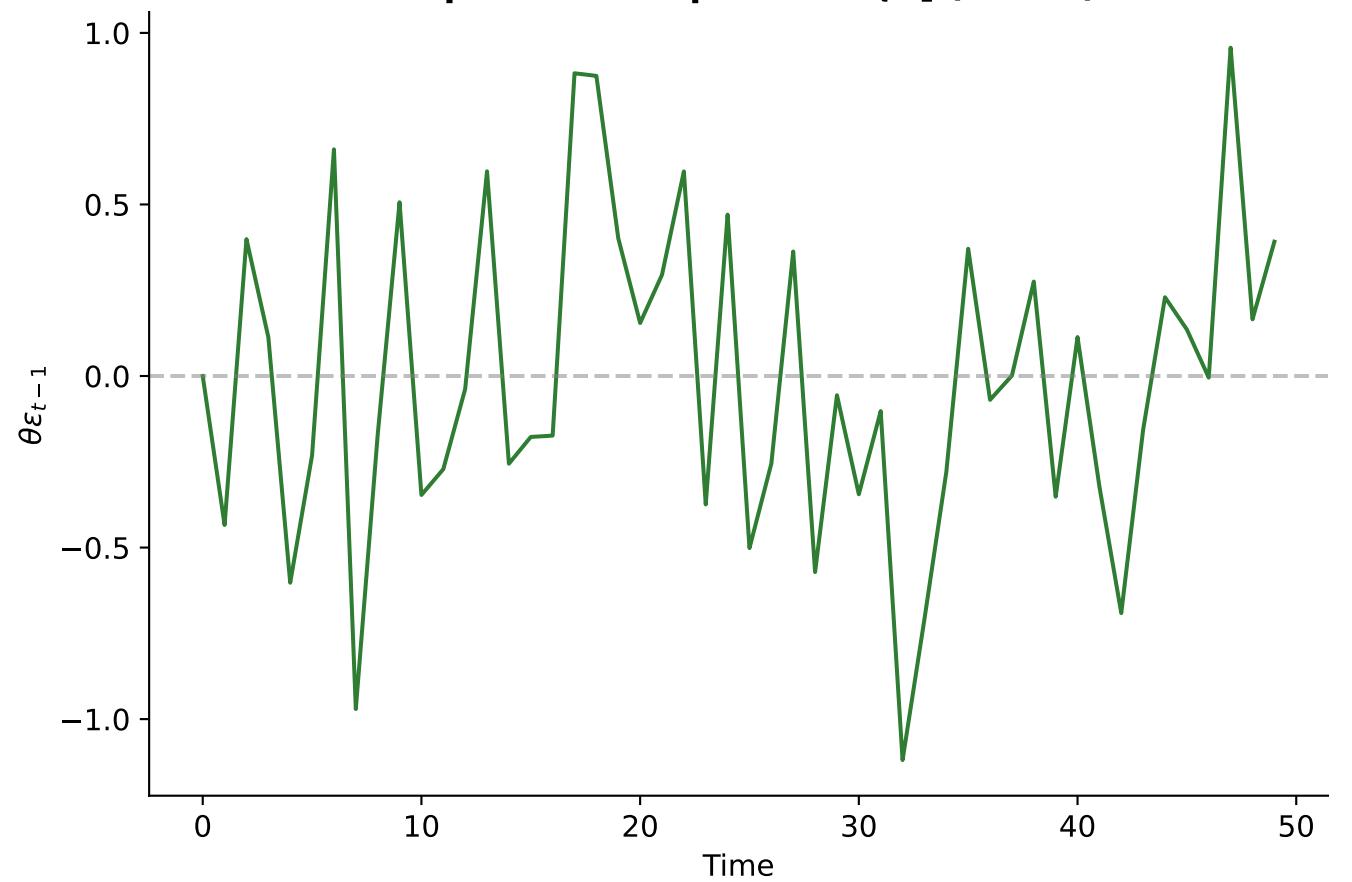


**Step 1: Generate White Noise  $\varepsilon_t$** **Step 2: AR Component  $\phi X_{t-1}$  ( $\phi = 0.7$ )****Step 3: MA Component  $\theta \varepsilon_{t-1}$  ( $\theta = 0.4$ )****Step 4: ARMA(1,1) = AR + MA +  $\varepsilon_t$** 