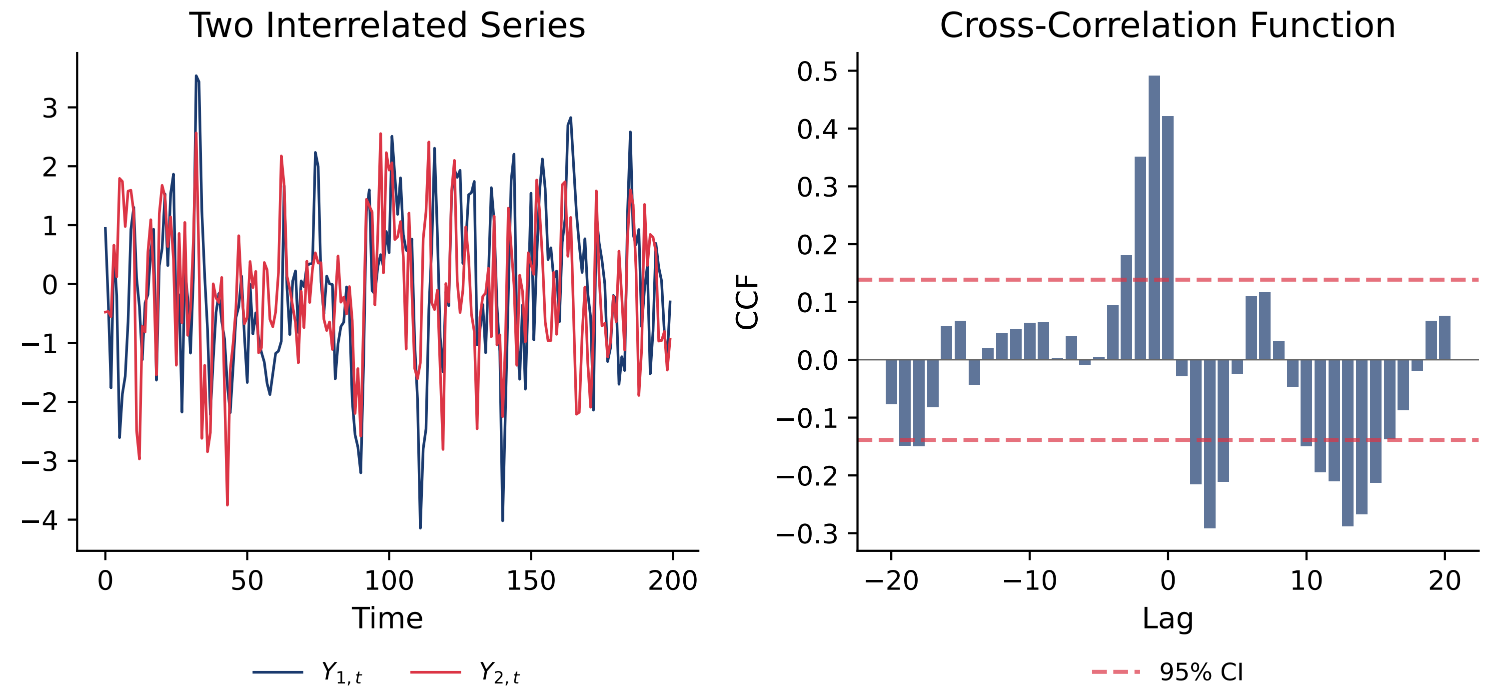

Univariate AR(1)

$$Y_{1,t} = \phi_1 Y_{1,t-1} + \varepsilon_t$$

→ Ignores Y_2

VAR(1)

$$\mathbf{Y}_t = \mathbf{A}\mathbf{Y}_{t-1} + \boldsymbol{\varepsilon}_t$$

→ Captures all cross-dynamics