Lab 6 Assignment

Pstat 174/274

1. (a) Summarize how you would carry out the following steps in time series analysis. You can describe briefly by words, or write down `R` commands you would use to implement these steps.

- **Step 1** Data processing (make the data stationary)
- **Step 2** Model identification
- **Step 3** Model estimation
- **Step 4** Model selection
- **Step 5** Model diagnostics
- **Step 6** Data forecast

(b) Review this week's lab material, Dow Jones Index question part 3) ('Make the data stationary'). Is differencing once at lag 1 sufficient to make the data stationary? If yes, justify it. If no, try to make it stationary. Please write related `R` Codes.