Introduction to econometrics

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Introduction

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Chapter 2

Sample covariance and sample correlation

2.1 Time series analysis class 2

Let us denote the realisations of a time series process with

$$y : y_1, y_2, \dots, y_T$$

where y_1 is the first value of the series and y_T is the last value of the series.

The first lag of the series is defined as

$$y_{t-1} : \text{ first lag}$$

2.2 Purely random process (white noise)

Let u_t be an uncorrelated, normally distributed zero mean process with constant variance σ^2.

$$u_t \sim N(0, \sigma^2), \quad t = 1, \dots, T$$