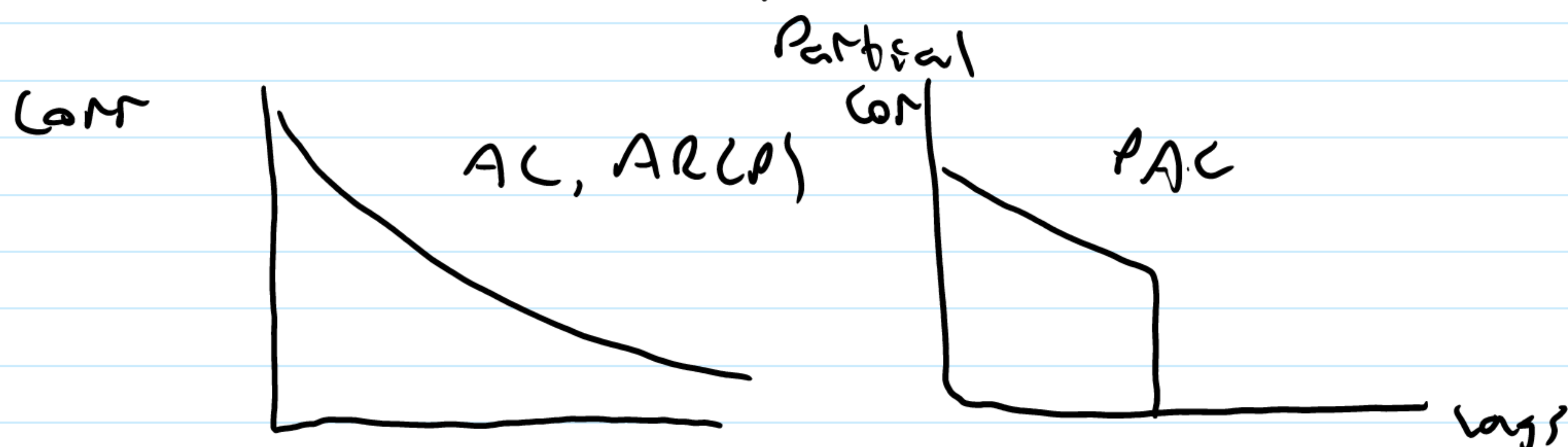
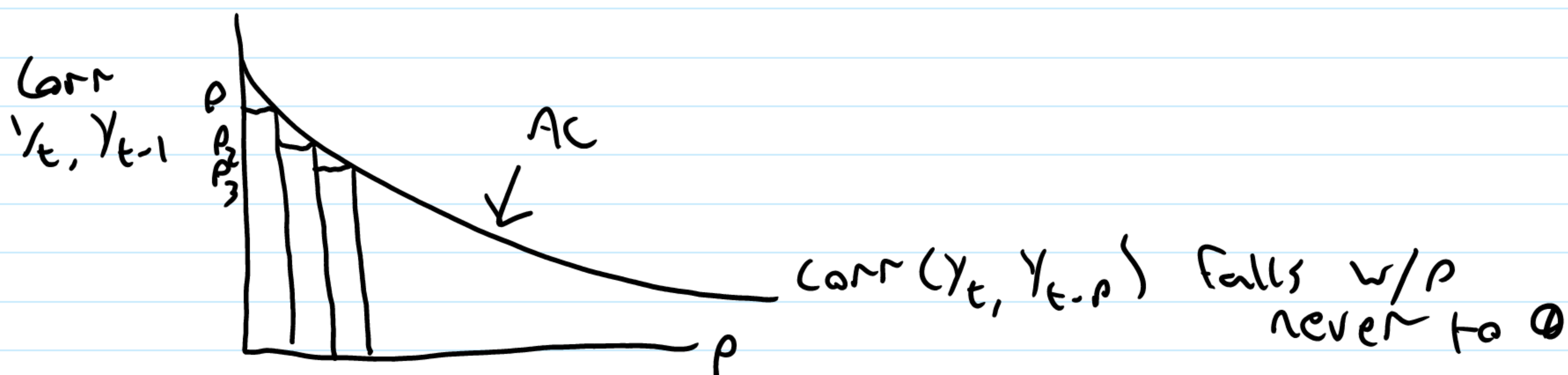


$$y_t = \rho y_{t-1} + \epsilon_t \quad \text{AC(1)}$$

$$y_t = \rho(\rho y_{t-2}) + \epsilon_t + \epsilon_{t-1}$$



Autocorrelation is correlation between now and any given lag in the past

Partial autocorrelation is the same but controlling for all other lags