18 Book Notes

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Advanced Time Series Topics

18.3 Spurious regression

There's an extraneous reason for correlation

18.2 Testing for Unit roots

Unit root process w/ drift very different from one without

Unit root hypothesis

$H_0: \rho = 1$

$H_a: \rho < 1$

$\theta = \rho - 1$

$\Delta y_t = \alpha + \theta y_{t-1} + e_t$

asymptotic distribution of t statistic under Ho is
Dickey-Fuller Distribution