ECA 5315 Financial Econometrics

Research Proposal Guidelines

Deadline: 5th May 2020 (9am)

Please upload your report to LumiNUS.

In the second half of this module, we learn about Vector Autoregressions Models (VAR) and Vector Error Correction Models (VECM). This allows us to systematically capture rich dynamics in multiple time series.

The objective of this research proposal is to analyze relationships of real data that you may encounter in real life using the above techniques. You are free to choose your own data set.

I suggest that you work on 2 or 3 time series (not more than that). This can include exchange rate and inflation, stock prices and interest rates etc.

You are encouraged to be as creative as possible. But your report must include the following:

Requirements:

1. Literature Review
   - Why is your research question interesting?
   - What is your contribution to the literature?

2. Description of the data
   - Is it stationary?
   - What are the properties/summary statistics?

3. Model Specification
   - Why did you choose VAR or VECM?
   - What is the identification strategy?

4. Analysis
   - What is the Impulse Response and Variance Decomposition?
   - How do you interpret the results?

5. Evaluation
   - What are the limitations?
   - How do you further improve it?

You are also expected to have a reference list and cite the relevant papers appropriately.

Note that this research proposal makes up to 50% of your entire marks.