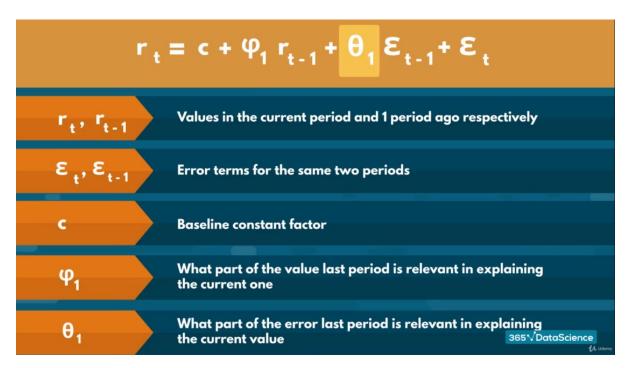
The ARMA Model

Full Name:

The Autoregressive Moving Average Model

Mathematical Notation:



Description:

The name comes from combining the names of the two simpler models it incorporates – the AR and the MA.

The ARMA incorporates both past values (like the AR) and past errors (like the MA). By including both, we should improve our estimates. This is because we are enabling our AR model to calibrate (by including how far off our predictions were) and also giving a benchmark (different from the constant) to the MA model, which should severely decrease the variation in the residuals.

Picking the correct order for such a model could be tricky, since including or removing AR and MA orders can have wildly different effects on the accuracy.



The ARMA Model

Implementation of the Simple Model in Python:

