

Assignment 14

1. Again, consider the returns in m-gmsp5008.txt.
 - (a) Build a Gaussian GARCH model for the monthly log returns of the S&P 500 index. Check the model carefully.
 - (b) Is there a summer effect on the volatility of the index return? Use the GARCH model built in part (a) to answer this question.
 - (c) Are lagged returns of GM stock useful in modeling the index volatility? Again, use the GARCH model of part (a) as a baseline model for comparison.