DAR model notes – 2.0

**The DAR(1)-MA(1) model**

**QMLE:**

**General form DAR(1)-MA(1)-X,**

Can be rewritten as:

First we need conditional mean and variance:

**Conditional Mean:**

**Conditional Variance:**

The conditional variance can be decomposed as,

**Distribution**

We have derived that is conditionally distributed as,

Assuming that , the conditional distribution of is then,

With and

**Likelihood function:**

Ignoring constants:

**Drift Criterion, 3.0:**

**General form DAR(1)-MA(1)-X,**

We consider the drift function

Where

We start with finding

Can be rewritten as:

**QMLE:**

Et billede, der indeholder tekst, Font/skrifttype, håndskrift, skærmbillede

Automatisk genereret beskrivelse

Finding the Score:

Et billede, der indeholder tekst, Font/skrifttype, håndskrift, dokument

Automatisk genereret beskrivelse