Exercise 3: IRFs (VAR(4), N=500, T=500), Cholesky x_t to $\varepsilon/\sqrt{0.8}$ (unit var) x_t to η (unit var) 1.4 95% band (MC) MC mean 1.2 - True 0.8 1 0.8 0.6 Response Response 0.6 0.4 0.2 0.2 0 0 -0.2 -0.2 -0.4 2 10 12 14 16 18 20 0 2 8 10 12 14 16 18 20 0 6 8 6 Horizon hHorizon h y_t to $\varepsilon/\sqrt{0.8}$ (unit var) y_t to η (unit var) 1.6 1.4 1.4 1.2 1.2 1 1 0.8 Response Response 0.8 0.6 0.6 0.40.40.2 0.2 0 0 -0.2 -0.2 2 8 10 12 14 20 10 12 14 16 16 18 2 8 20 0 6 0 6 18 Horizon hHorizon h