

VGK ARMA-X Analysis

Contents

Stationarity	2
FTSE Developed Europe All Cap Index Univariate ARMA-X Models	2
Tweet Dummy as Exogenous	2
Tweet Count as Exogenous	7
Tariff as Exogenous	12
Trade Mention as Exogenous	17
China Mention as Exogenous	21
Positive Vibe as Exogenous	26
Negative Vibe as Exogenous	31

	Model 1
ar1	0.9844*** (0.0025)
ma1	-0.7428*** (0.0075)
ma2	-0.1699*** (0.0087)
ma3	-0.0270*** (0.0072)
intercept	0.0003*** (0.0001)
dummy_lag_0	0.0000* (0.0000)
dummy_lag_1	0.0000 (0.0000)
dummy_lag_2	0.0000 (0.0000)
AIC	-200264.8032
AICc	-200264.7942
BIC	-200193.6858
Log Likelihood	100141.4016
Num. obs.	19969

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Table 1: ARMAX Model Results

Stationarity

```
adf.test(data$VGK_vol)

adf.test(data$N)
adf.test(data$tariff)
adf.test(data$china)
```

FTSE Developed Europe All Cap Index Univariate ARMA-X Models

Tweet Dummy as Exogenous

```
#auto.arma selects the lowest AIC value given r (exogenous variable lags)
res1 = auto.arma(data$VGK_vol, xreg=data$dummy, nb.lags=2,
                 latex=T, max.p = 6, max.q = 6, max.d=0)
```

```
#arma enables a custom arma specification with p,q,r
res2 = arma(data$VGK_vol, xreg=data$dummy, nb.lags=2,
            p=5, q=0, d=0, latex=T)
```

	Model 1
ar1	0.2612*** (0.0071)
ar2	0.0243*** (0.0073)
ar3	0.0306*** (0.0073)
ar4	0.0391*** (0.0073)
ar5	0.0471*** (0.0071)
intercept	0.0003*** (0.0000)
dummy_lag_0	0.0000** (0.0000)
dummy_lag_1	0.0000 (0.0000)
dummy_lag_2	0.0000 (0.0000)
AIC	−199889.4166
AICc	−199889.4056
BIC	−199810.3972
Log Likelihood	99954.7083
Num. obs.	19969

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Table 2: ARMAX Model Results

	Model 1
ar1	0.9843*** (0.0025)
ma1	-0.7428*** (0.0075)
ma2	-0.1703*** (0.0087)
ma3	-0.0265*** (0.0072)
intercept	0.0004
dummy__lag__0	0.0000
AIC	-200279.9599
AICc	-200279.9543
BIC	-200224.6457
Log Likelihood	100146.9800
Num. obs.	19971

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

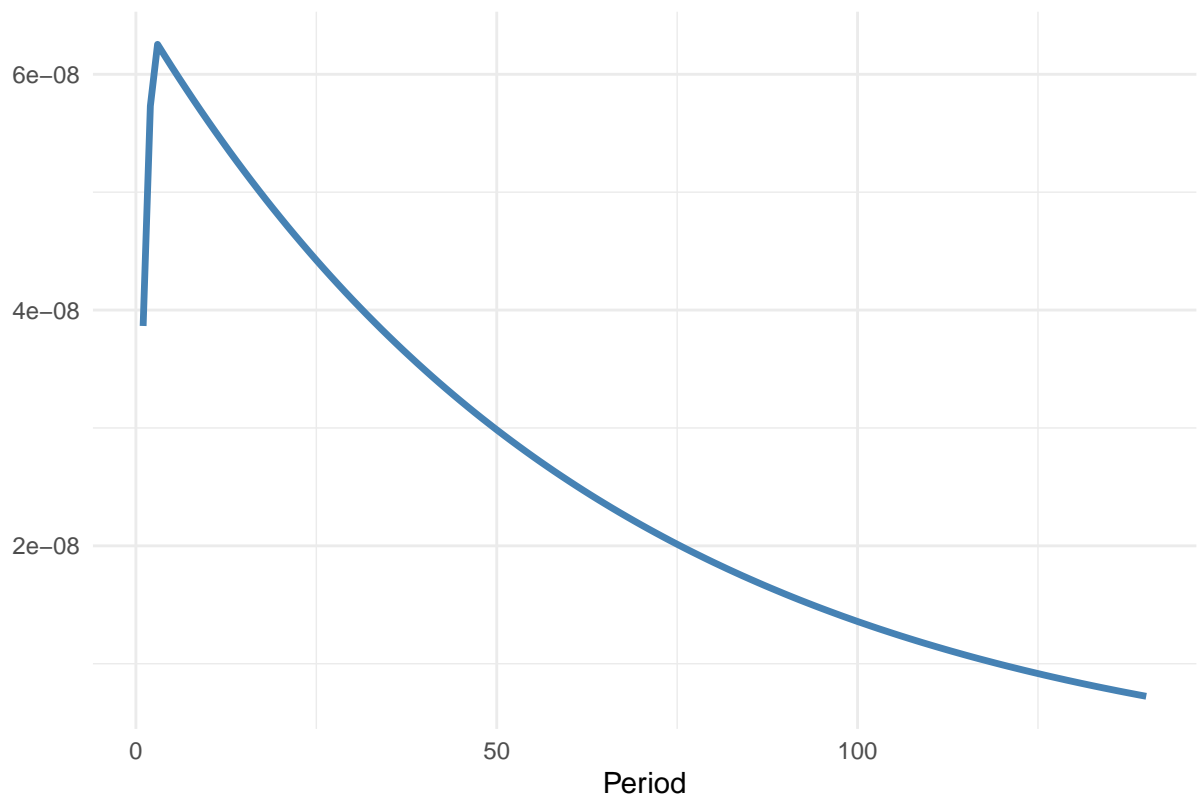
Table 3: ARMAX selected by AIC

```
#auto.armax.r selects the lowest AIC checking all 3 p,q,r values
res3 = auto.armax.r(data$VGK_vol, x=data$dummy,
                    max_p = 3, max_q = 3, max_r = 3, criterion = "AIC", latex=T)
```

```
#we want to plot the IRFs of these models
nb.periods = 7 * 20

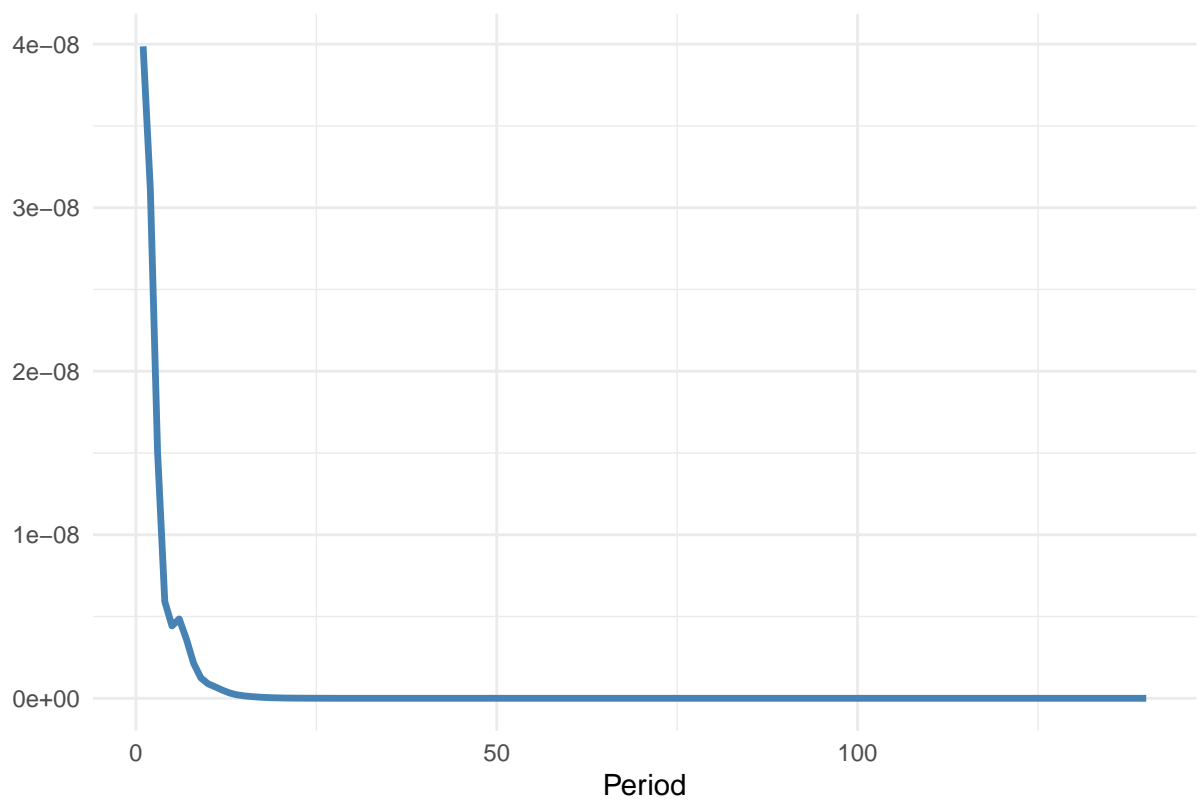
irf.plot(res1,nb.periods)
```

ARMA-X IRF

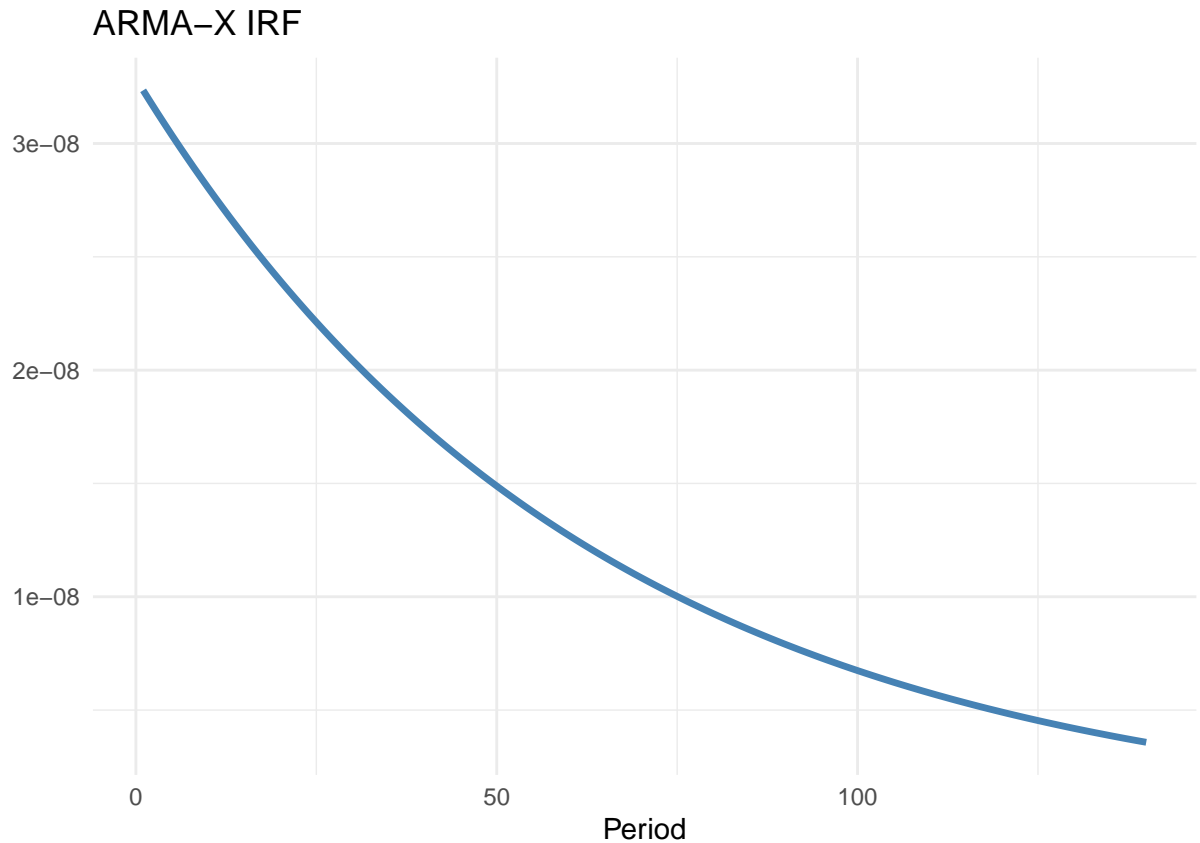


```
irf.plot(res2,nb.periods)
```

ARMA-X IRF



```
irf.plot(res3$model,nb.periods)
```



Tweet Count as Exogenous

```
#auto.armax selects the lowest AIC value given r (exogenous variable lags)
res1 = auto.armax(data$VGK_vol, xreg=data$N, nb.lags=2,
                  latex=T, max.p = 6, max.q = 6, max.d=0)
```

```
#armax enables a custom armax specification with p,q,r
res2 = armax(data$VGK_vol, xreg=data$N, nb.lags=2,
             p=5, q=0, d=0, latex=T)
```

```
#auto.armax.r selects the lowest AIC checking all 3 p,q,r values
res3 = auto.armax.r(data$VGK_vol, x=data$N,
                   max_p = 3, max_q = 3, max_r = 3, criterion = "AIC", latex=T)
```

```
#we want to plot the IRFs of these models
nb.periods = 7 * 20

irf.plot(res1, nb.periods)
```

	Model 1
ar1	0.2611*** (0.0071)
ar2	0.0237** (0.0073)
ar3	0.0309*** (0.0074)
ar4	0.0395*** (0.0073)
ar5	0.0466*** (0.0071)
intercept	0.0004*** (0.0000)
N_lag_0	0.0000 (0.0000)
N_lag_1	0.0000 (0.0000)
N_lag_2	0.0000 (0.0000)
AIC	−199875.0009
AICc	−199874.9899
BIC	−199795.9815
Log Likelihood	99947.5004
Num. obs.	19969

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Table 4: ARMAX Model Results

	Model 1
ar1	0.2611*** (0.0071)
ar2	0.0237** (0.0073)
ar3	0.0309*** (0.0074)
ar4	0.0395*** (0.0073)
ar5	0.0466*** (0.0071)
intercept	0.0004*** (0.0000)
N_lag_0	0.0000 (0.0000)
N_lag_1	0.0000 (0.0000)
N_lag_2	0.0000 (0.0000)
AIC	−199875.0009
AICc	−199874.9899
BIC	−199795.9815
Log Likelihood	99947.5004
Num. obs.	19969

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

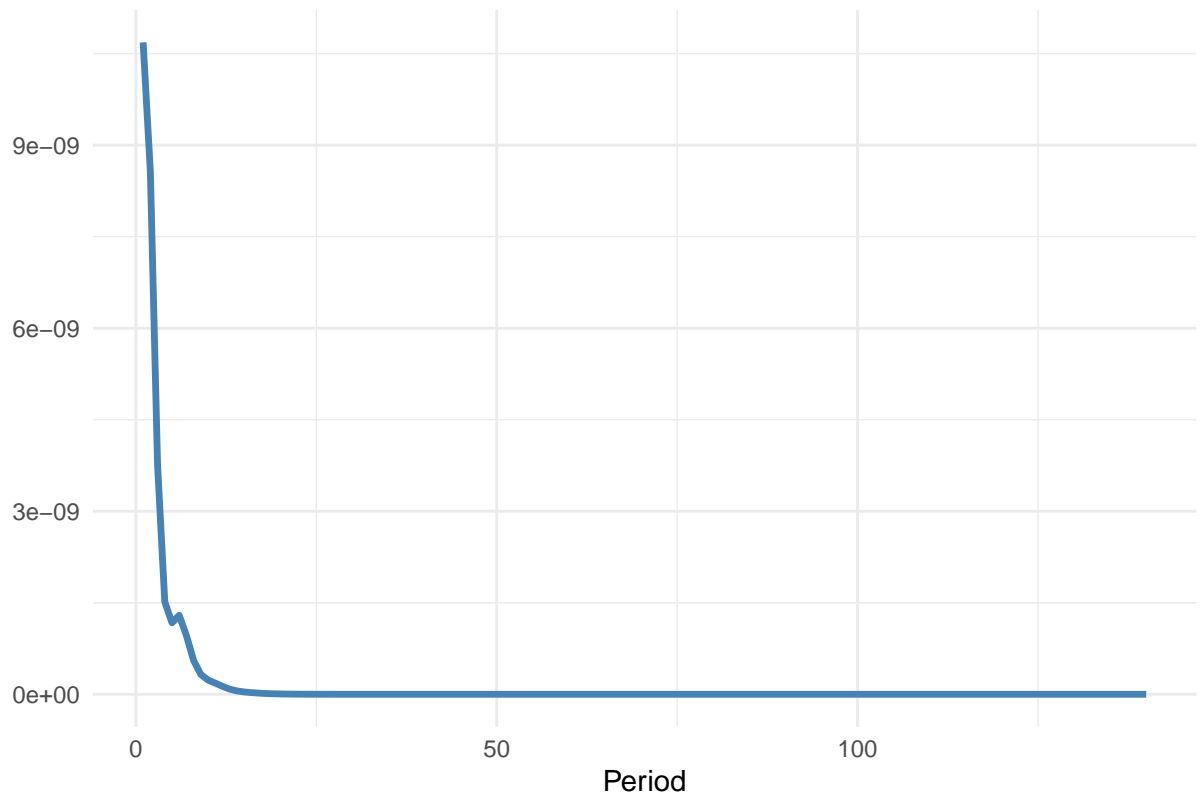
Table 5: ARMAX Model Results

	Model 1
ar1	0.9843*** (0.0025)
ma1	−0.7427*** (0.0075)
ma2	−0.1708*** (0.0087)
ma3	−0.0260*** (0.0072)
intercept	0.0004
N_lag_0	0.0000
AIC	−200269.0091
AICc	−200269.0035
BIC	−200213.6949
Log Likelihood	100141.5046
Num. obs.	19971

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

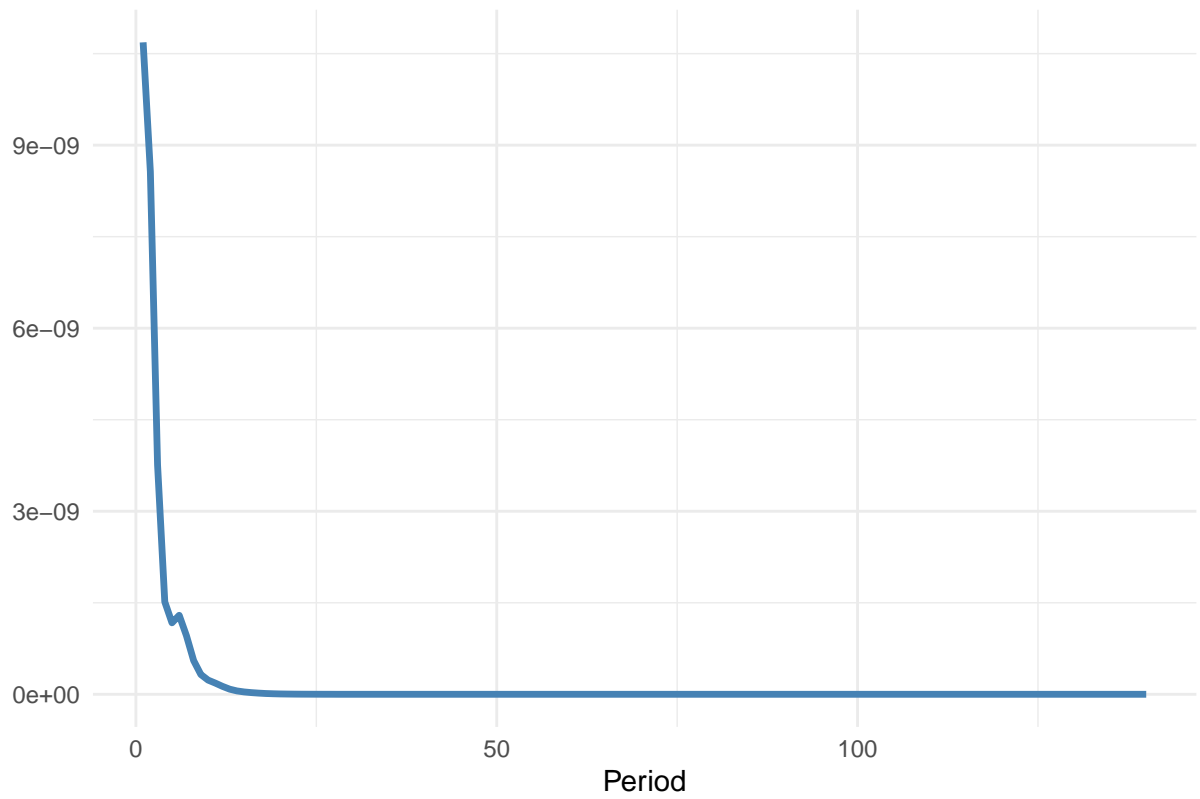
Table 6: ARMAX selected by AIC

ARMA-X IRF

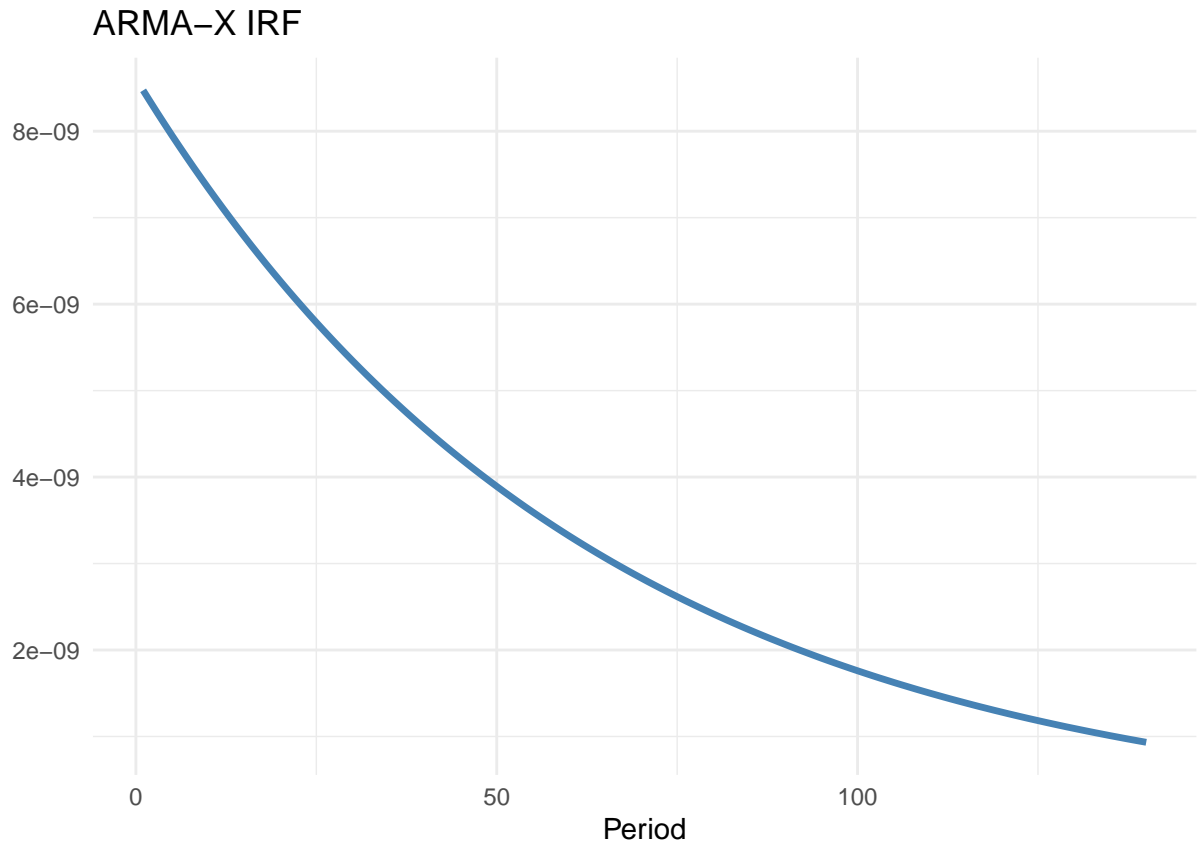


```
irf.plot(res2,nb.periods)
```

ARMA-X IRF



```
irf.plot(res3$model,nb.periods)
```



Tariff as Exogenous

```
#auto.armax selects the lowest AIC value given r (exogenous variable lags)
res1 = auto.armax(data$VGK_vol, xreg=data$tariff, nb.lags=2,
                  latex=T, max.p = 6, max.q = 6, max.d=0)
```

```
#armax enables a custom armax specification with p,q,r
res2 = armax(data$VGK_vol, xreg=data$tariff, nb.lags=2,
             p=5, q=0, d=0, latex=T)
```

```
#auto.armax.r selects the lowest AIC checking all 3 p,q,r values
res3 = auto.armax.r(data$VGK_vol, x=data$tariff,
                   max_p = 3, max_q = 3, max_r = 3, criterion = "AIC", latex=T)
```

```
#we want to plot the IRFs of these models
nb.periods = 7 * 20

irf.plot(res1, nb.periods)
```

	Model 1
ar1	1.1886*** (0.0089)
ar2	−0.2208*** (0.0111)
ar3	0.0049 (0.0110)
ar4	0.0131 (0.0075)
ma1	−0.9477*** (0.0054)
intercept	0.0004*** (0.0000)
tariff_lag_0	0.0000 (0.0000)
tariff_lag_1	0.0002*** (0.0000)
tariff_lag_2	0.0001* (0.0000)
AIC	−200247.2535
AICc	−200247.2424
BIC	−200168.2341
Log Likelihood	100133.6267
Num. obs.	19969

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Table 7: ARMAX Model Results

	Model 1
ar1	0.2606*** (0.0071)
ar2	0.0232** (0.0073)
ar3	0.0284*** (0.0073)
ar4	0.0376*** (0.0073)
ar5	0.0461*** (0.0071)
intercept	0.0004*** (0.0000)
tariff_lag_0	0.0001 (0.0000)
tariff_lag_1	0.0002*** (0.0000)
tariff_lag_2	0.0001** (0.0000)
AIC	−199877.9797
AICc	−199877.9687
BIC	−199798.9603
Log Likelihood	99948.9898
Num. obs.	19969

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

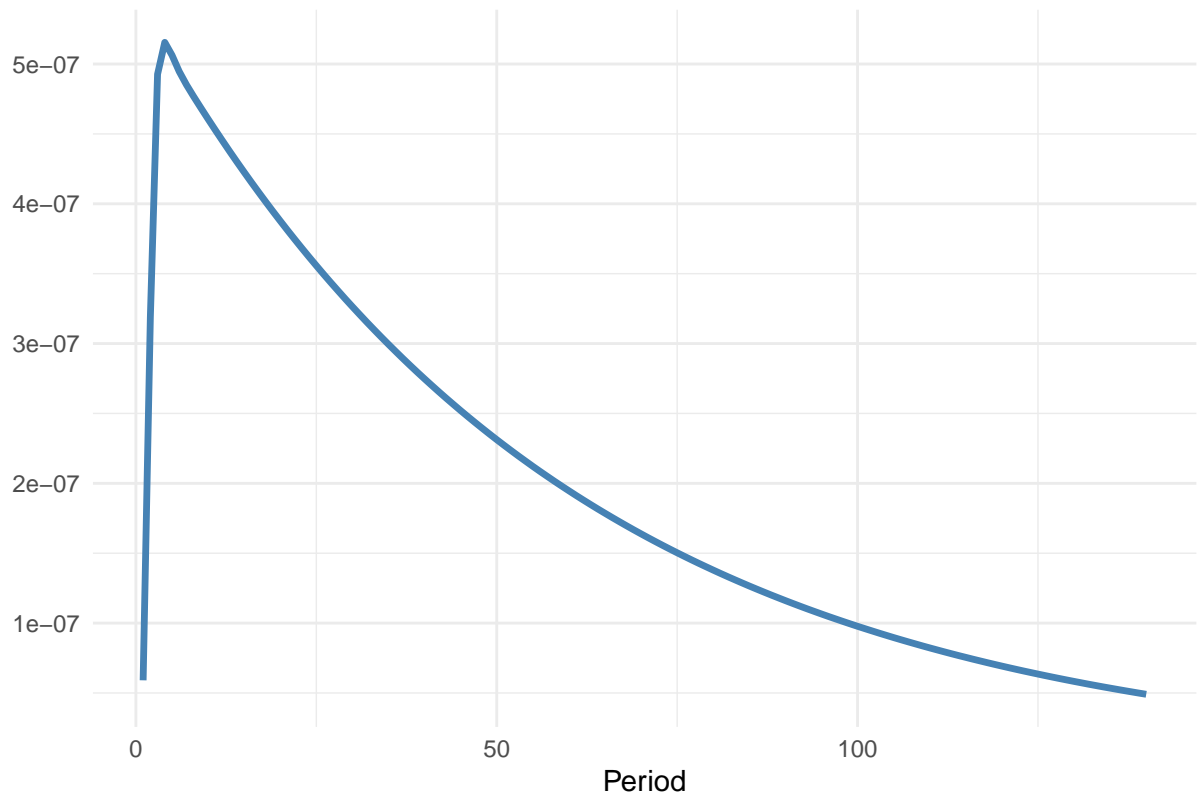
Table 8: ARMAX Model Results

	Model 1
ar1	0.9844*** (0.0025)
ma1	−0.7432*** (0.0075)
ma2	−0.1701*** (0.0087)
ma3	−0.0270*** (0.0073)
intercept	0.0004*** (0.0000)
tariff_lag_0	0.0000 (0.0000)
tariff_lag_1	0.0001*** (0.0000)
AIC	−200253.6847
AICc	−200253.6775
BIC	−200190.4688
Log Likelihood	100134.8424
Num. obs.	19970

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

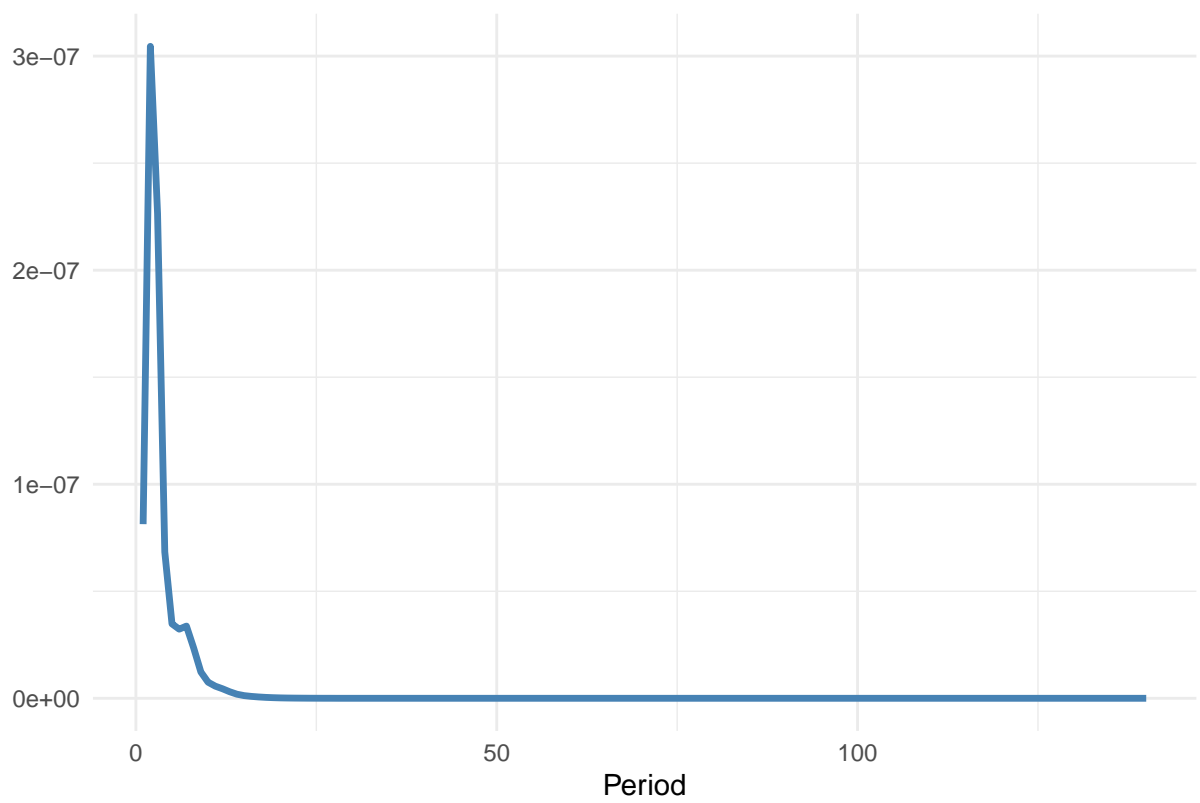
Table 9: ARMAX selected by AIC

ARMA-X IRF

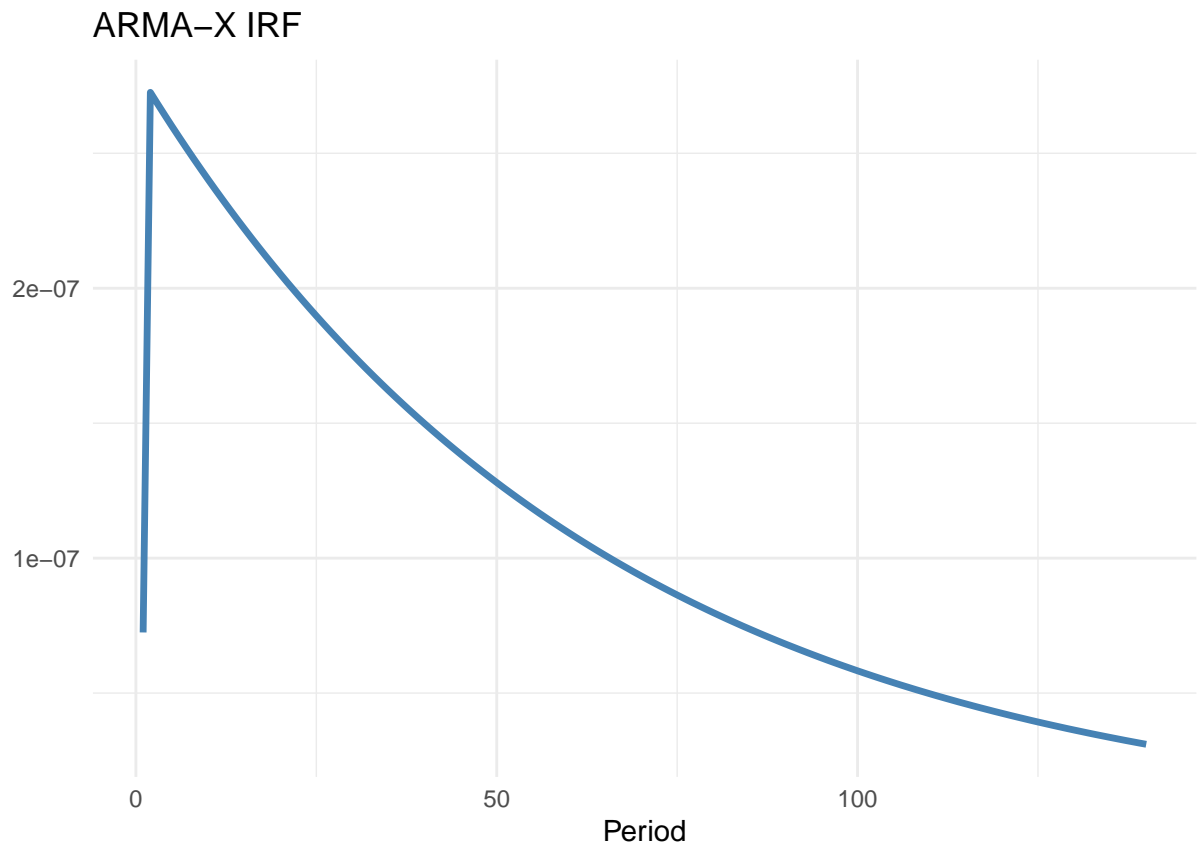


```
irf.plot(res2,nb.periods)
```

ARMA-X IRF



```
irf.plot(res3$model,nb.periods)
```

Trade Mention as Exogenous

```
#auto.armax selects the lowest AIC value given r (exogenous variable lags)
res1 = auto.armax(data$VGK_vol, xreg=data$trade, nb.lags=2,
                  latex=T, max.p = 6, max.q = 6, max.d=0)
```

```
#armax enables a custom armax specification with p,q,r
res2 = armax(data$VGK_vol, xreg=data$trade, nb.lags=2,
             p=5, q=0, d=0, latex=T)
```

```
#auto.armax.r selects the lowest AIC checking all 3 p,q,r values
res3 = auto.armax.r(data$VGK_vol, x=data$trade,
                   max_p = 3, max_q = 3, max_r = 3, criterion = "AIC", latex=T)
```

```
#we want to plot the IRFs of these models
nb.periods = 7 * 20

irf.plot(res1, nb.periods)
```

	Model 1
ar1	0.9844*** (0.0025)
ma1	-0.7425*** (0.0075)
ma2	-0.1709*** (0.0087)
ma3	-0.0266*** (0.0072)
intercept	0.0004*** (0.0000)
trade_lag_0	-0.0000 (0.0000)
trade_lag_1	0.0000 (0.0000)
trade_lag_2	0.0001 (0.0000)
AIC	-200224.4642
AICc	-200224.4552
BIC	-200153.3468
Log Likelihood	100121.2321
Num. obs.	19969

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Table 10: ARMAX Model Results

	Model 1
ar1	0.2615*** (0.0071)
ar2	0.0232** (0.0073)
ar3	0.0298*** (0.0073)
ar4	0.0386*** (0.0073)
ar5	0.0458*** (0.0071)
intercept	0.0004*** (0.0000)
trade_lag_0	-0.0000 (0.0000)
trade_lag_1	0.0000 (0.0000)
trade_lag_2	0.0001 (0.0000)
AIC	-199846.8393
AICc	-199846.8283
BIC	-199767.8200
Log Likelihood	99933.4197
Num. obs.	19969

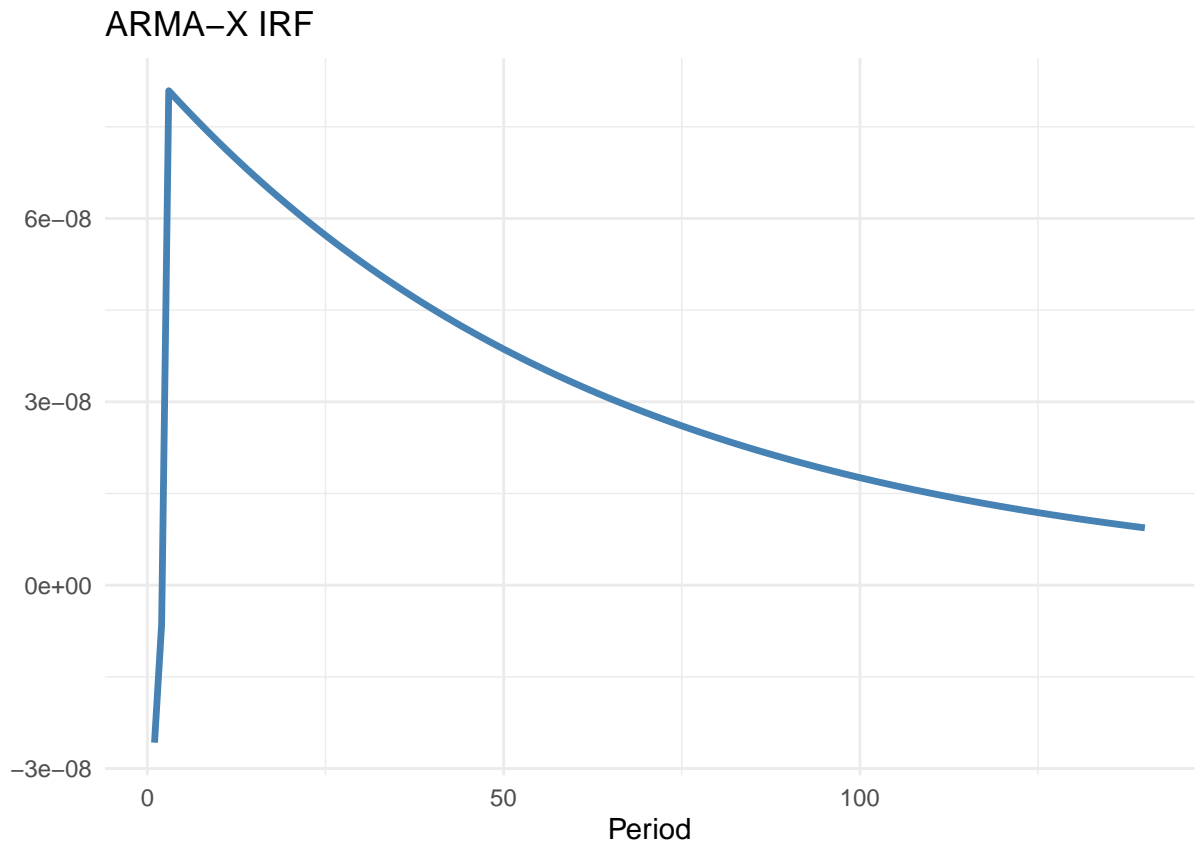
*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Table 11: ARMAX Model Results

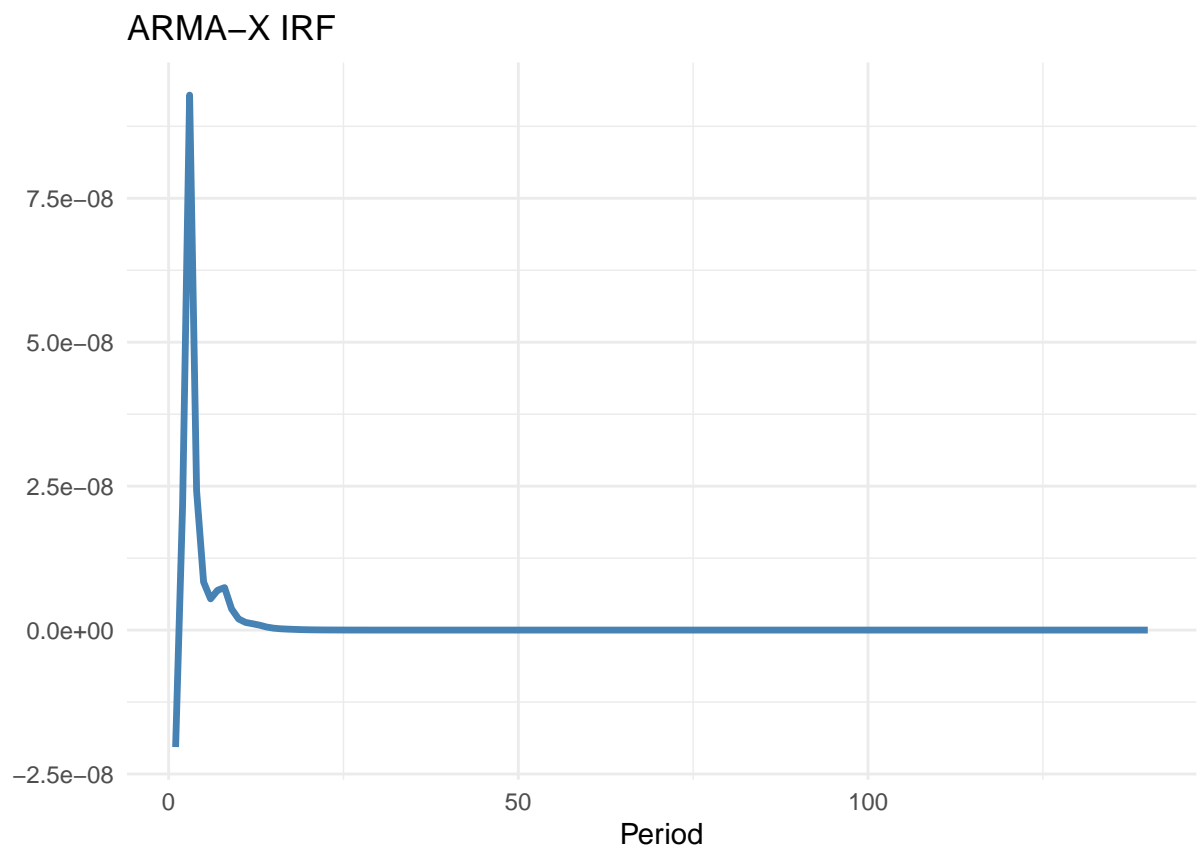
	Model 1
ar1	0.9843*** (0.0025)
ma1	-0.7424*** (0.0075)
ma2	-0.1706*** (0.0087)
ma3	-0.0267*** (0.0072)
intercept	0.0004*** (0.0000)
trade_lag_0	-0.0000 (0.0000)
AIC	-200248.5095
AICc	-200248.5039
BIC	-200193.1952
Log Likelihood	100131.2548
Num. obs.	19971

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

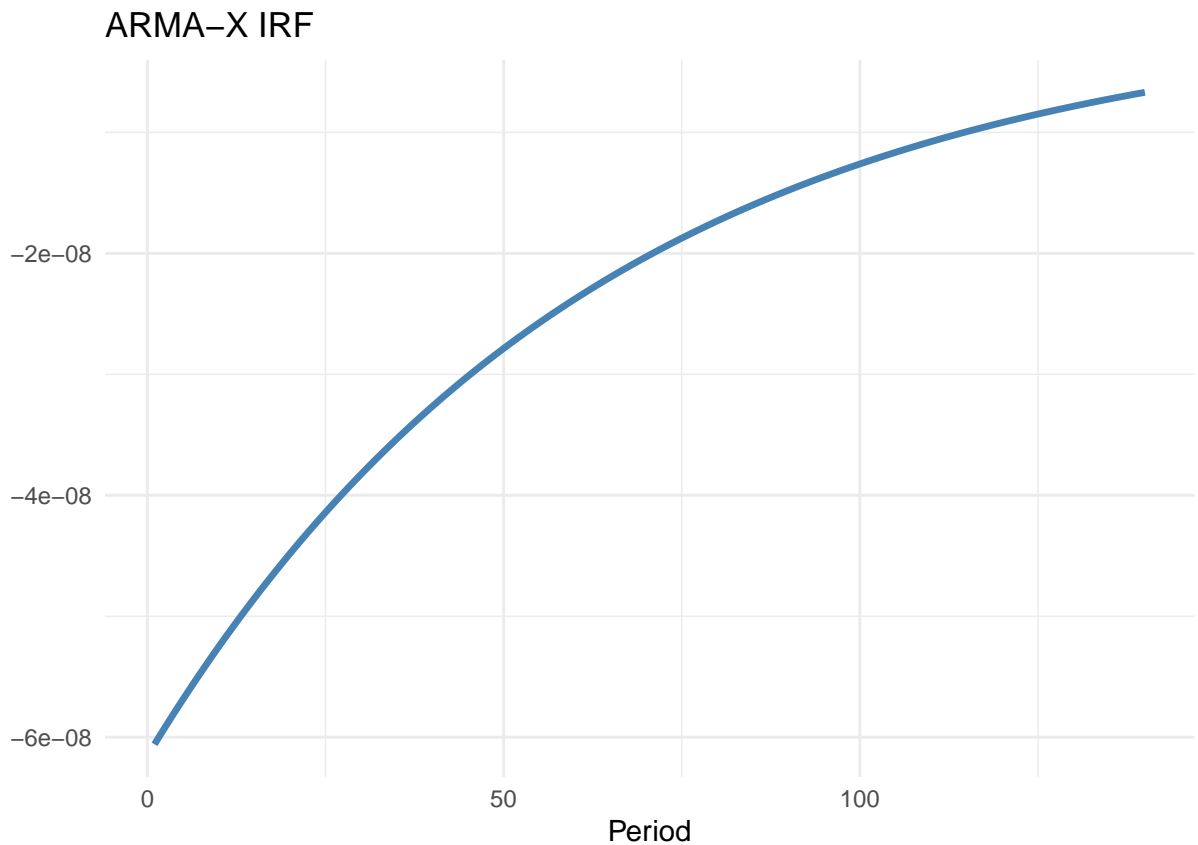
Table 12: ARMAX selected by AIC



```
irf.plot(res2,nb.periods)
```



```
irf.plot(res3$model,nb.periods)
```



China Mention as Exogenous

```
#auto.armax selects the lowest AIC value given r (exogenous variable lags)  
res1 = auto.armax(data$VGK_vol, xreg=data$china, nb.lags=2,  
                  latex=T, max.p = 6, max.q = 6, max.d=0)
```

```
#armax enables a custom armax specification with p,q,r  
res2 = armax(data$VGK_vol, xreg=data$china, nb.lags=2,  
             p=5, q=0, d=0, latex=T)
```

```
#auto.armax.r selects the lowest AIC checking all 3 p,q,r values  
res3 = auto.armax.r(data$VGK_vol, x=data$china,  
                    max_p = 3, max_q = 3, max_r = 3, criterion = "AIC", latex=T)
```

```
#we want to plot the IRFs of these models  
nb.periods = 7 * 20  
  
irf.plot(res1, nb.periods)
```

	Model 1
ar1	1.1894*** (0.0088)
ar2	−0.2214*** (0.0111)
ar3	0.0064 (0.0110)
ar4	0.0119 (0.0075)
ma1	−0.9482*** (0.0053)
intercept	0.0004*** (0.0000)
china_lag_0	0.0001* (0.0000)
china_lag_1	0.0001* (0.0000)
china_lag_2	0.0000 (0.0000)
AIC	−200232.3259
AICc	−200232.3148
BIC	−200153.3065
Log Likelihood	100126.1629
Num. obs.	19969

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Table 13: ARMAX Model Results

	Model 1
ar1	0.2610*** (0.0071)
ar2	0.0232** (0.0073)
ar3	0.0300*** (0.0073)
ar4	0.0389*** (0.0073)
ar5	0.0460*** (0.0071)
intercept	0.0004*** (0.0000)
china_lag_0	0.0001* (0.0000)
china_lag_1	0.0001** (0.0000)
china_lag_2	0.0000 (0.0000)
AIC	−199856.3346
AICc	−199856.3236
BIC	−199777.3152
Log Likelihood	99938.1673
Num. obs.	19969

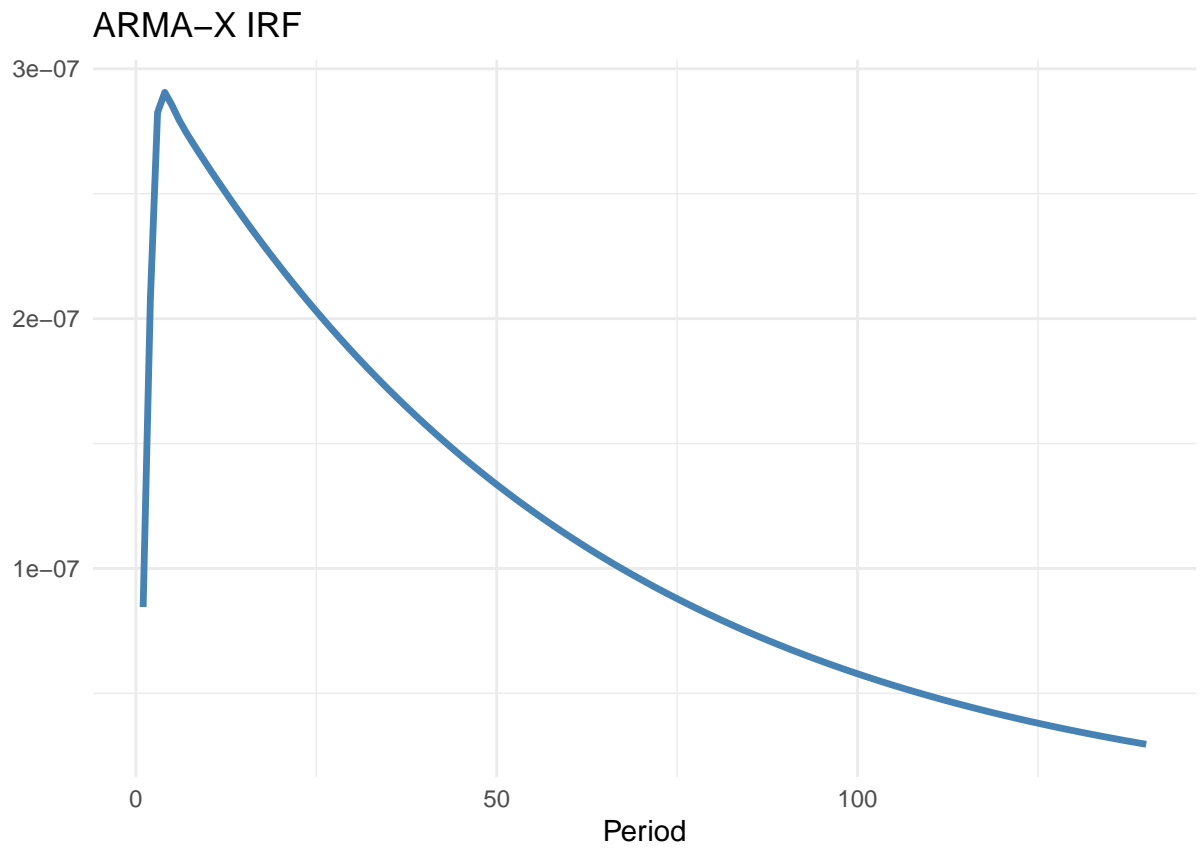
*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Table 14: ARMAX Model Results

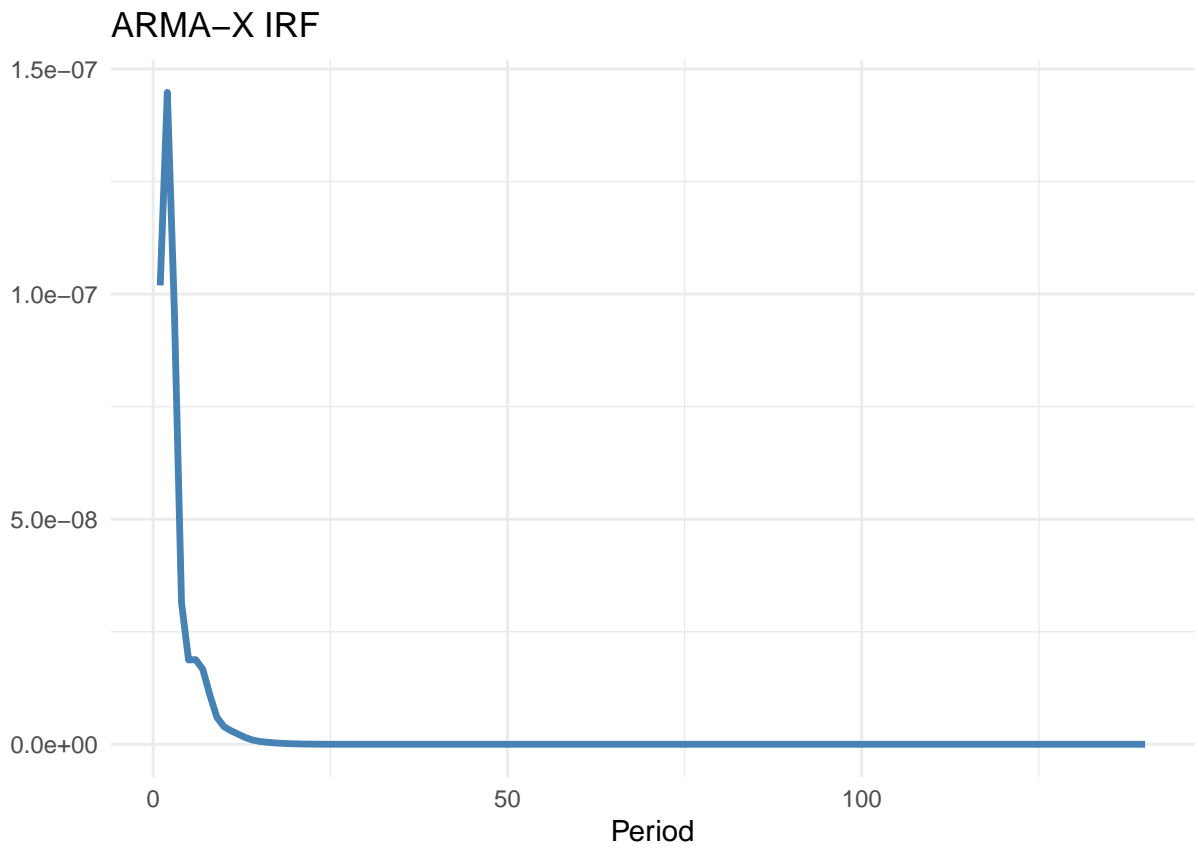
	Model 1
ar1	0.9843*** (0.0025)
ma1	−0.7427*** (0.0075)
ma2	−0.1708*** (0.0087)
ma3	−0.0261*** (0.0072)
intercept	0.0004*** (0.0000)
china_lag_0	0.0000 (0.0000)
AIC	−200251.1835
AICc	−200251.1779
BIC	−200195.8692
Log Likelihood	100132.5917
Num. obs.	19971

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

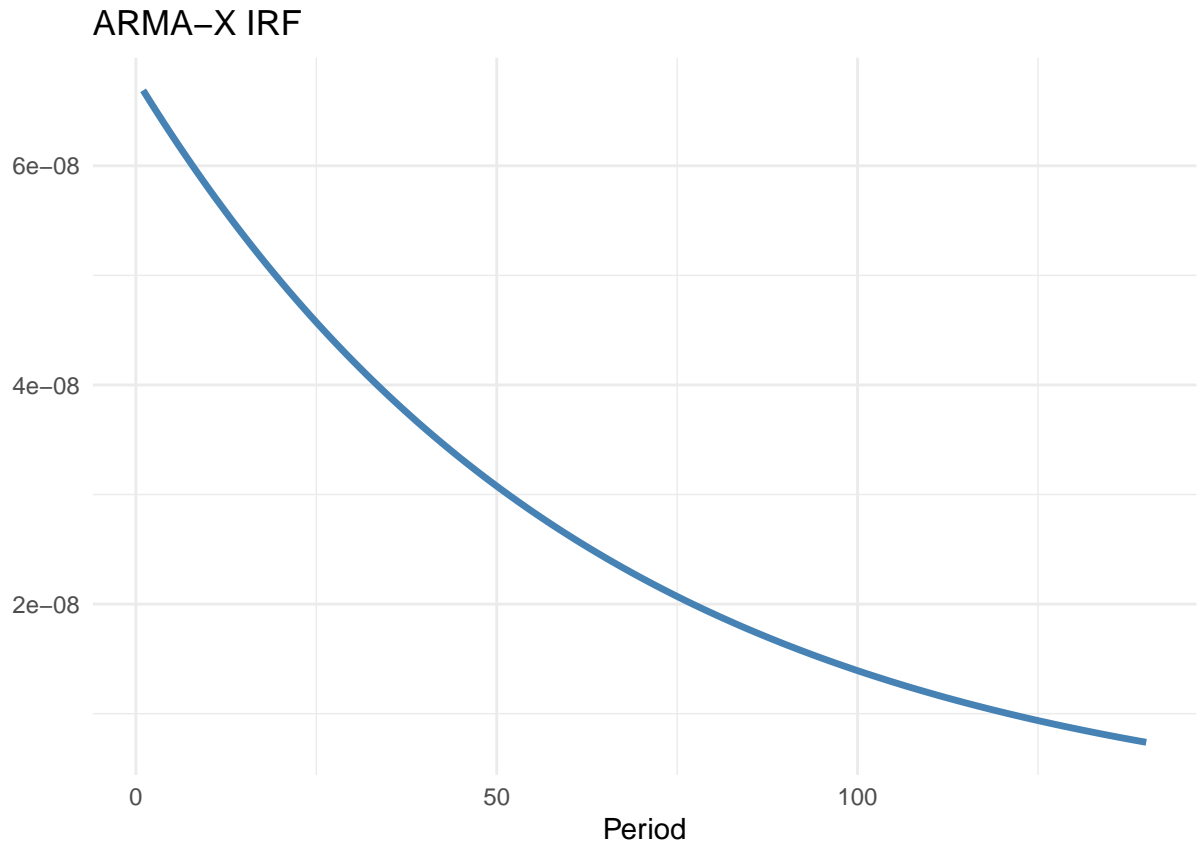
Table 15: ARMAX selected by AIC



```
irf.plot(res2,nb.periods)
```

```
irf.plot(res3$model,nb.periods)
```



Positive Vibe as Exogenous

```
#auto.armax selects the lowest AIC value given r (exogenous variable lags)
res1 = auto.armax(data$VGK_vol, xreg=data$prop_positive, nb.lags=2,
                  latex=T, max.p = 6, max.q = 6, max.d=0)
```

```
#armax enables a custom armax specification with p,q,r
res2 = armax(data$VGK_vol, xreg=data$prop_positive, nb.lags=2,
             p=5, q=0, d=0, latex=T)
```

```
#auto.armax.r selects the lowest AIC checking all 3 p,q,r values
res3 = auto.armax.r(data$VGK_vol, x=data$prop_positive,
                   max_p = 3, max_q = 3, max_r = 3, criterion = "AIC", latex=T)
```

```
#we want to plot the IRFs of these models
nb.periods = 7 * 20

irf.plot(res1, nb.periods)
```

	Model 1
ar1	1.1896*** (0.0088)
ar2	−0.2216*** (0.0111)
ar3	0.0068 (0.0110)
ar4	0.0116 (0.0075)
ma1	−0.9483*** (0.0053)
intercept	0.0003*** (0.0000)
prop_positive_lag_0	0.0001** (0.0000)
prop_positive_lag_1	0.0001 (0.0000)
prop_positive_lag_2	0.0000 (0.0000)
AIC	−200235.6804
AICc	−200235.6694
BIC	−200156.6611
Log Likelihood	100127.8402
Num. obs.	19969

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Table 16: ARMAX Model Results

	Model 1
ar1	0.2612*** (0.0071)
ar2	0.0233** (0.0073)
ar3	0.0304*** (0.0073)
ar4	0.0392*** (0.0073)
ar5	0.0465*** (0.0071)
intercept	0.0003*** (0.0000)
prop_positive_lag_0	0.0001*** (0.0000)
prop_positive_lag_1	0.0001 (0.0000)
prop_positive_lag_2	0.0000 (0.0000)
AIC	−199857.8911
AICc	−199857.8800
BIC	−199778.8717
Log Likelihood	99938.9455
Num. obs.	19969

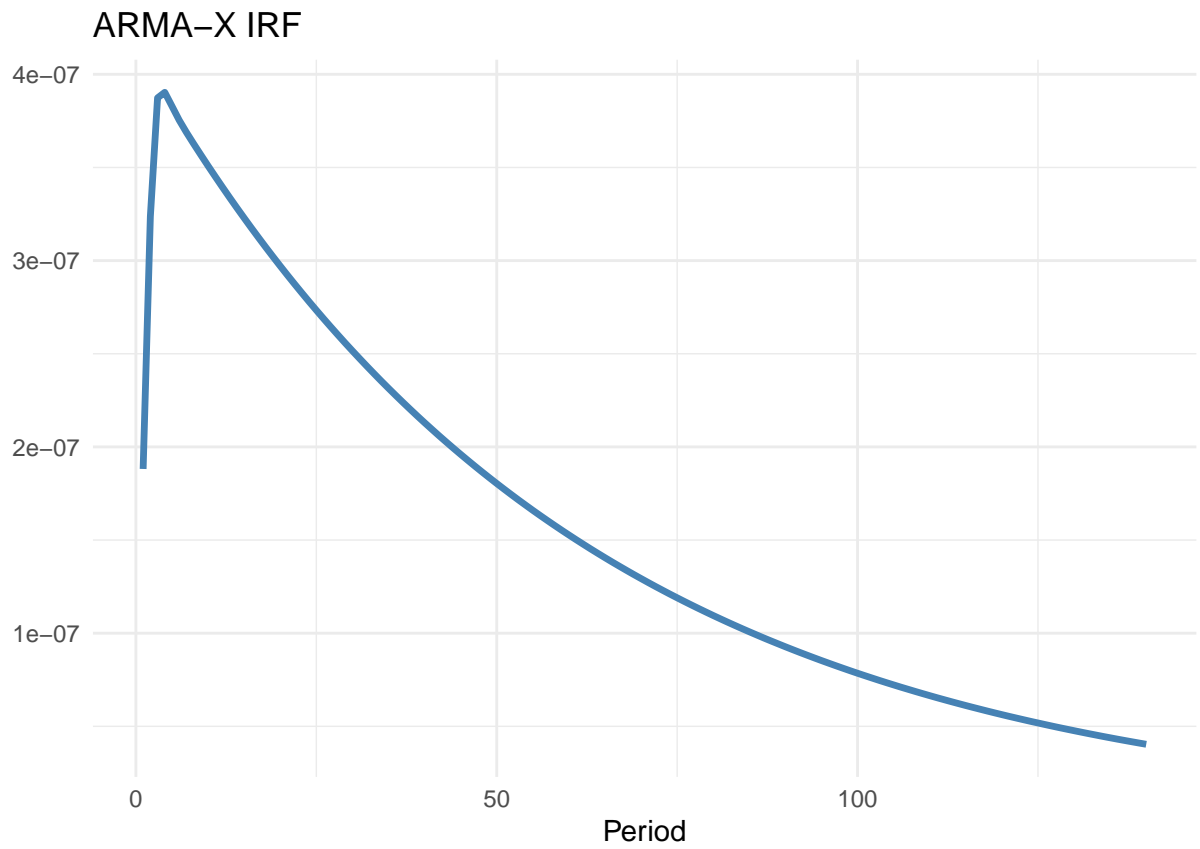
*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Table 17: ARMAX Model Results

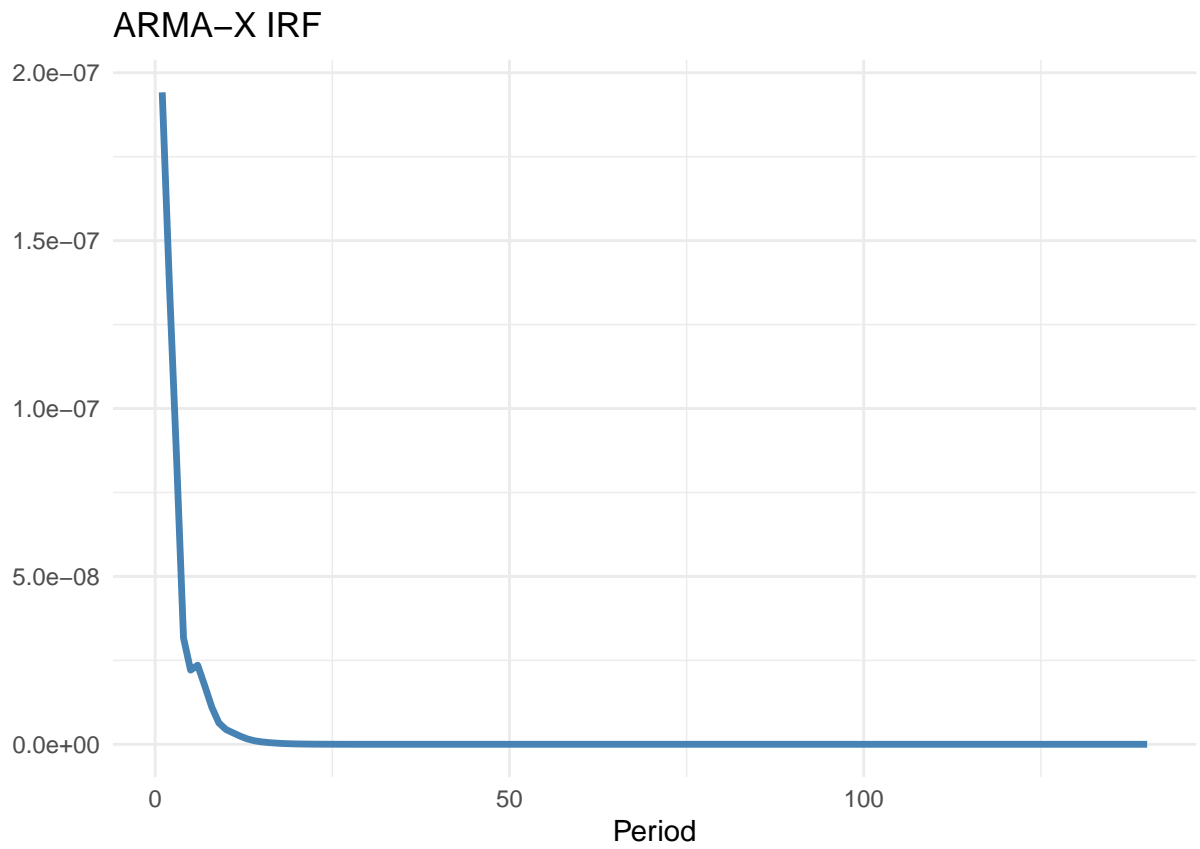
	Model 1
ar1	0.9843*** (0.0025)
ma1	−0.7426*** (0.0075)
ma2	−0.1708*** (0.0087)
ma3	−0.0262*** (0.0072)
intercept	0.0004*** (0.0000)
prop_positive_lag_0	0.0001** (0.0000)
AIC	−200258.3763
AICc	−200258.3707
BIC	−200203.0620
Log Likelihood	100136.1881
Num. obs.	19971

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

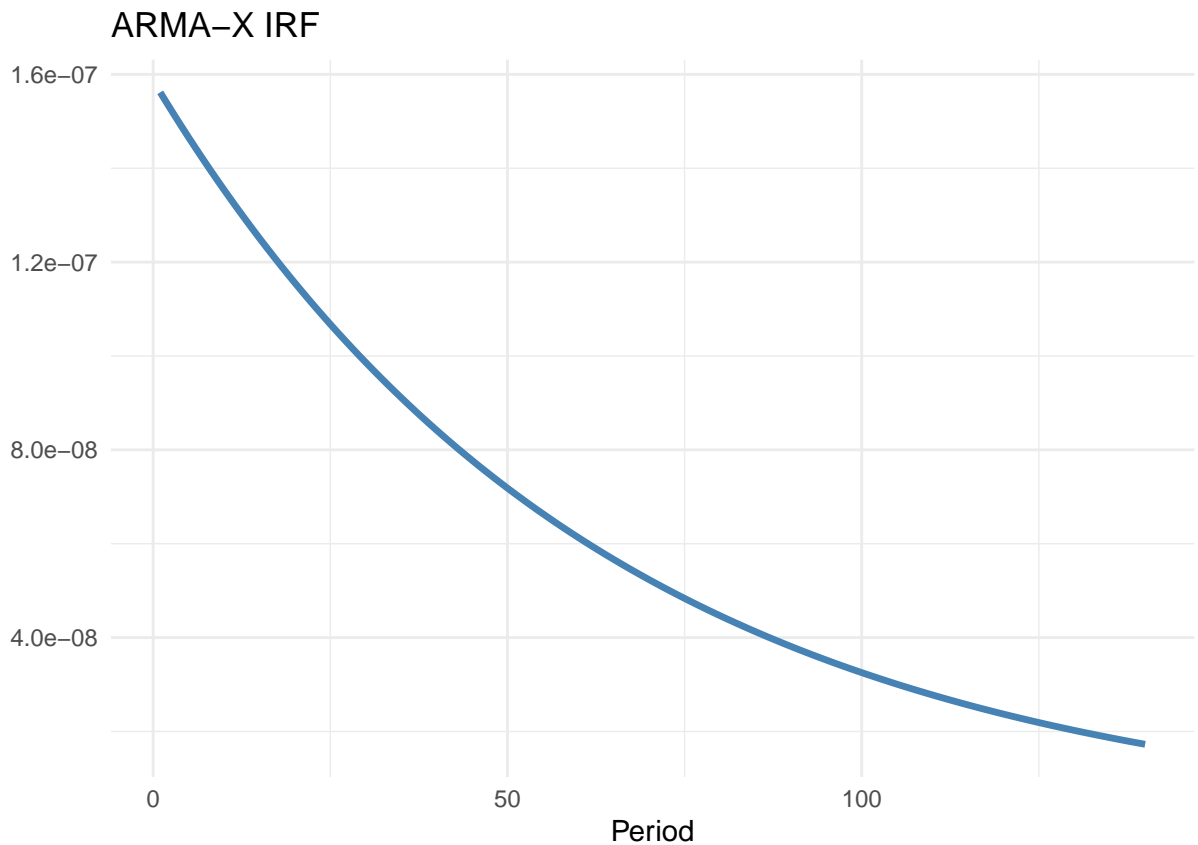
Table 18: ARMAX selected by AIC



```
irf.plot(res2,nb.periods)
```



```
irf.plot(res3$model,nb.periods)
```



Negative Vibe as Exogenous

```
#auto.armax selects the lowest AIC value given r (exogenous variable lags)
res1 = auto.armax(data$VGK_vol, xreg=data$prop_negative, nb.lags=2,
                  latex=T, max.p = 6, max.q = 6, max.d=0)
```

```
#armax enables a custom armax specification with p,q,r
res2 = armax(data$VGK_vol, xreg=data$prop_negative, nb.lags=2,
             p=5, q=0, d=0, latex=T)
```

```
#auto.armax.r selects the lowest AIC checking all 3 p,q,r values
res3 = auto.armax.r(data$VGK_vol, x=data$prop_negative,
                   max_p = 3, max_q = 3, max_r = 3, criterion = "AIC", latex=T)
```

```
#we want to plot the IRFs of these models
nb.periods = 7 * 20

irf.plot(res1, nb.periods)
```

	Model 1
ar1	1.1897*** (0.0088)
ar2	−0.2216*** (0.0111)
ar3	0.0063 (0.0110)
ar4	0.0119 (0.0075)
ma1	−0.9482*** (0.0053)
intercept	0.0004*** (0.0000)
prop_negative_lag_0	0.0001 (0.0000)
prop_negative_lag_1	0.0001 (0.0000)
prop_negative_lag_2	0.0000 (0.0000)
AIC	−200224.5140
AICc	−200224.5030
BIC	−200145.4947
Log Likelihood	100122.2570
Num. obs.	19969

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Table 19: ARMAX Model Results

	Model 1
ar1	0.2614*** (0.0071)
ar2	0.0233** (0.0073)
ar3	0.0301*** (0.0073)
ar4	0.0389*** (0.0073)
ar5	0.0459*** (0.0071)
intercept	0.0004*** (0.0000)
prop_negative_lag_0	0.0001 (0.0000)
prop_negative_lag_1	0.0000 (0.0000)
prop_negative_lag_2	−0.0000 (0.0000)
AIC	−199846.3333
AICc	−199846.3223
BIC	−199767.3140
Log Likelihood	99933.1667
Num. obs.	19969

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

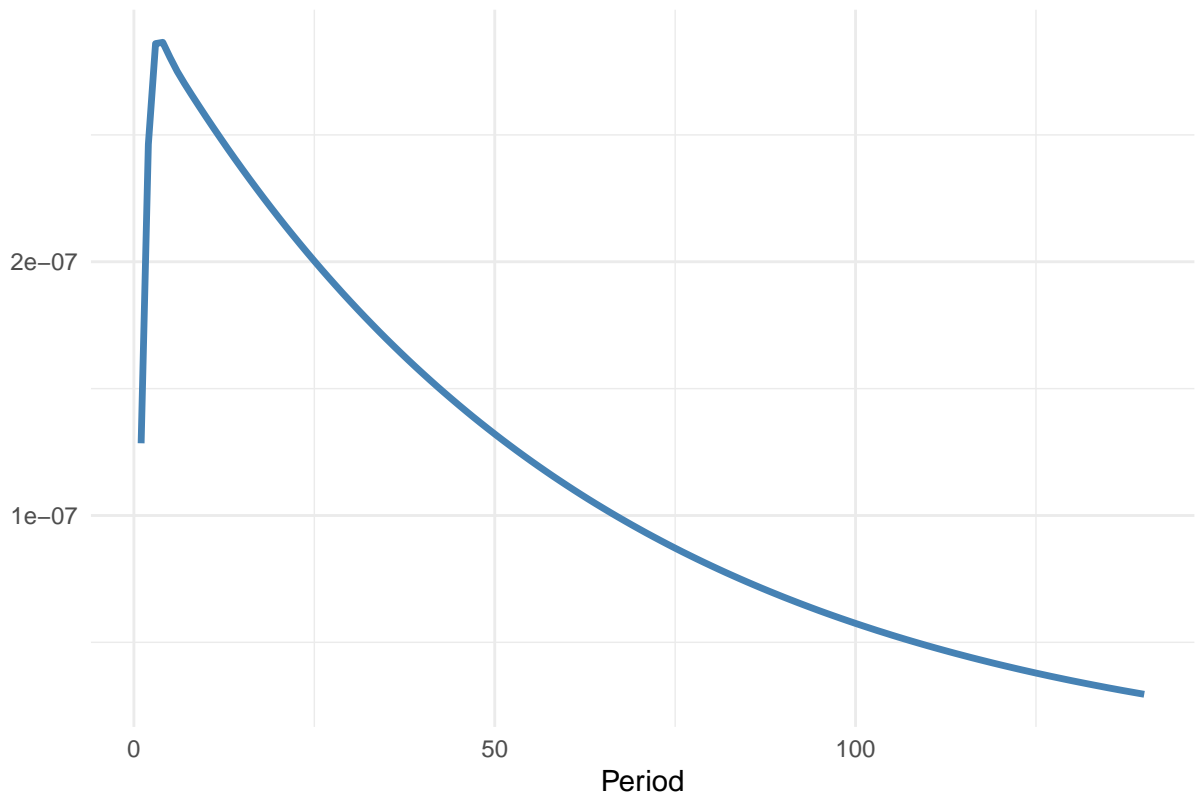
Table 20: ARMAX Model Results

	Model 1
ar1	0.9843*** (0.0025)
ma1	−0.7425*** (0.0075)
ma2	−0.1707*** (0.0087)
ma3	−0.0265*** (0.0072)
intercept	0.0004*** (0.0000)
prop_negative_lag_0	0.0001 (0.0000)
AIC	−200250.1442
AICc	−200250.1386
BIC	−200194.8300
Log Likelihood	100132.0721
Num. obs.	19971

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

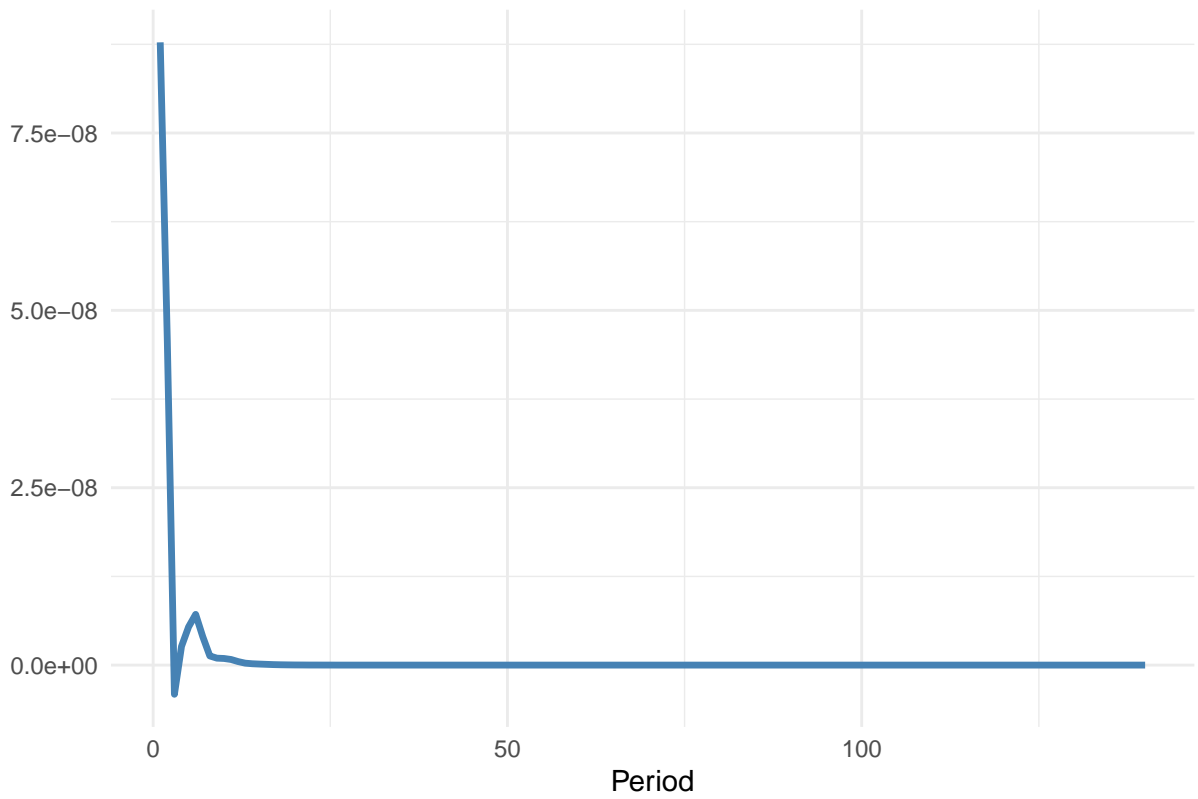
Table 21: ARMAX selected by AIC

ARMA-X IRF



```
irf.plot(res2,nb.periods)
```

ARMA-X IRF



```
irf.plot(res3$model,nb.periods)
```

