



Finance and Economics Discussion Series: Averaging Forecasts from VARs with Uncertain Instabilities

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Finance and Economics Discussion Series: Averaging Forecasts from Vars with Uncertain Instabilities (Paperback)

By Todd E Clark, Michael W McCracken

Bibliogov, United States, 2013. Paperback. Book Condition: New. 246 x 189 mm. Language: English . Brand New Book ***** Print on Demand *****. A body of recent work suggests commonly-used VAR models of output, inflation, and interest rates may be prone to instabilities. In the face of such instabilities, a variety of estimation or forecasting methods might be used to improve the accuracy of forecasts from a VAR. These methods include using different approaches to lag selection, different observation windows for estimation, (over-)differencing, intercept correction, stochastically time-varying parameters, break dating, discounted least squares, Bayesian shrinkage, and detrending of inflation and interest rates. Although each individual method could be useful, the uncertainty inherent in any single representation of instability could mean that combining forecasts from the entire range of VAR estimates will further improve forecast accuracy. Focusing on models of U.S. output, prices, and interest rates, this paper examines the effectiveness of combination in improving VAR forecasts made with real-time data. The combinations include simple averages, medians, trimmed means, and a number of weighted combinations, based on: Bates-Granger regressions, factor model estimates, regressions involving forecast quartiles, Bayesian model averaging, and predictive least squares-based weighting. Our goal is to identify those approaches...

Reviews

Complete guideline! Its this kind of good read. It can be written in easy terms rather than difficult to understand. I am delighted to tell you that here is the very best book i have got go through during my very own lifestyle and might be the greatest ebook for at any time.

-- Bill Klein

The very best publication i possibly read. it was written very perfectly and useful. Once you begin to read the book, it is extremely difficult to leave it before concluding.

-- Wilhelm Predovic