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Modelling Macroeconomic Time Series via Heavy Tailed Distributions

Abstract: It has been shown that some macroeconomic time series, especially those where outliers could be present, can be well modelled using heavy tailed distributions for the noise components. In this talk, methods for deciding when and where heavy-tailed models should be preferred will be investigated. These investigations will primarily focus on automatic methods for model identification and selection. The most commonly used model identification routine for Gaussian macroeconomic time series models is the methodology incorporated into the software TRAMO. This will be extended to incorporate a non-Gaussian selection element, and various different criteria for deciding on which overall model should be used will be examined.