

Assignment 5

Applied Financial Econometrics
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1. Download the daily historical price for the last 5-10 years for a stock of your interest plus S&P-500.
2. Fit the best ARIMA for the two assets.
3. Evaluate the presence of heteroskedasticity by the Engle LM-test on the residuals.
4. Fit a GARCH(1,1) and E-GARCH(1,1) model for the time-series.
5. In the case of S&P-500 compare your conditional volatility estimation with the VIX index (just a simple comment).

**You should deliver R code + Answers (for example Power Point)
via IS by the end of the seminar**