Implementierung in EViews 7

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ARCH- and GARCH Models

Selecting **Quick/Estimate Equation** and `ARCH` in the method box opens the ARCH specification dialog.

In the mean equation box first enter the dependent variable and eventually `C` if a constant should be included. In the Variance equation the order of ARCH and GARCH terms can be specified. Note that for an ARCH model, the order of GARCH has to be set to zero.

To correct standard errors for not normally distributed residuals, click on `Options` and select `Heteroskedasticity Consistent Covariance`.

Clicking on `OK` in the Equation Specification Window starts the estimation. The estimation output is divided in two sections: the upper part reports the results for the mean equation and the lower part those for the variance equation.

`View/Garch Graph` gives a plot of the one step ahead standard error or the variance for each observation. For a comparison with models with constant variance the standard error of the process `S.D. dependent var`can be used.

Model diagnosis can be performed by selecting `View/Residual Tests`. EVIEWS uses standardized residuals for all of these tests. All options (Correlogram - Q statistics , Correlogram squared residuals, Histogram-Normality Tests, ARCH LM Test) should be used.

The residuals shown in the plot `Actual, Fitted, Residuals` are not the standardized residuals.

Select `Forecast` to compute a forecast of the mean and the conditional variance for the `Forecast sample`. If you select `do graph`, graphs of the forecast are produced.