(iii) The Kuipers Score statistic given by $H - F$, where $H = UU/(UU + UD)$ is the proportion of ups that were correctly predicted to occur, and $F = DU/(DU + DD)$ is the proportion of downs that were incorrectly predicted.

(iv) The Pesaran–Timmerman, test statistic.

(v) The Kolmogorov–Smirnov test statistic.

D.4 Program for computing the decomposition of trends in cointegrating VARs

GLPS-DEC.g
This program provides the decomposition of the underlying $I(1)$ variables into permanent and transitory components as described in Section 10.3. This decomposition can be viewed as a (generalised) multivariate BN decomposition but has an advantage that it is characterised fully in terms of observables and estimated parameters. See also Garratt, Robertson and Wright (2005). The program also computes the more conventional multivariate Beveridge–Nelson trends of the system.

As in the case of the programs for GIRs and PPs, we use the data file, *ukmod99.dat* and the ML estimates of the cointegrating VAR(2) model over 1965q1–1999q4 (140 observations) using the Cointegrating VAR Option 4 with unrestricted intercepts and restricted trends. The program requires as an input estimates of the vector **g**, the trend growth rates (these are computed using a restricted SURE procedure in Chapter 10; see Section 10.3). After running the program, you will obtain nine ASCII files with txt extensions: *po.txt, ex.txt, rs.txt, r.txt, dp.txt, y.txt, pps.txt, hy.txt* and *ys.txt*. They contain summary results for each of the variables (in the order of $p^o, e, r^*, r, \Delta p, y, p - p^*, h - y, y^*$). These files can be easily be read into the *Excel* program for constructing tables and figures. The dimensions of the result files are 140 (the sample size) by 6. In each case, the first column contains the actual data, the second column the permanent component, the third column the transitory component, the fourth column the de-trended data, the fifth column the deterministic (permanent) trend and the sixth column the stochastic (permanent) trends.

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