Preface

CHAPTER ONE

#### xi

# INTRODUCTION TO THE THEORY OF TIME SERIES

1.1	Introducing Time Series	1
1.2	Covariances and Stationarity	3
1.3	Some Mathematical Tools	. 5
1.4	The Linear Cyclic Model	9
1.5	The Autoregressive Model	13
1.6	The Moving Average Model	20
1.7	The Mixed Autoregressive-Moving Average Model	24
1.8	Interpreting the Mixed Model	28
1.9	Filters	31
1.10	Deterministic Components	32
1.11	Wold's Decomposition	36
1.12	Nonstationary Processes	36
1.13	Integrated Processes	40
1.14	Models for Seasonal Time Series	41

### CHAPTER TWO

# SPECTRAL ANALYSIS

2.1	Introduction	43
2.2	Filters	51
2.3	The Spectrum of Some Common Models	53
2.4	Aliasing	55
2.5	The Cross Spectrum	56
2.6	Estimation of Spectral Functions	60
2.7	The Typical Spectral Shape and Its Interpretation	63
2.8	Seasonal Adjustment: An Application of the Cross	
	Spectrum	65
2.9	Books on Time Series Analysis and Forecasting	70

# CHAPTER THREE BUILDING LINEAR TIME SERIES MODELS

3.1	Model Building Philosophy	71
3.2	Identification	72
3.3	Initial Estimates for Coefficients	79
3.4	The Autocorrelation Function as a Characteristic of Process Behavior	80
3.5	Estimation	83
3.6	Diagnostic Checking	89
3.7	Model Building for Seasonal Time Series	94
3.8	Time Series Model Building—An Overview	106

#### CHAPTER FOUR

#### THE THEORY OF FORECASTING

4.1	Some Basic Concepts	111
4.2	Generalized Cost Functions	115
4.3	Properties of Optimal, Single-Series Forecasts	119
4.4	Optimal Forecasts for Particular Models	123
4.5	A Frequency-Domain Approach	126
4.6	Expectations and Forecasts	131
4.7	Forecasting with Misspecified Models	134
4.8	Unbiased Forecasts	140
4.9	Invertibility	142
4.10	Types of Forecasts	146

### **CHAPTER FIVE**

#### PRACTICAL METHODS FOR UNIVARIATE TIME SERIES FORECASTING

5.1	Introduction	148
5.2	Box-Jenkins Forecasting Methods	149
5.3	Exponential Smoothing Methods	163
5.4	Stepwise Autoregression	176
5.5	A Fully Automatic Forecasting Procedure Based on the Combination of	
	Forecasts	179
5.6	Comparison of Univariate Forecasting Procedures	179

#### CHAPTER SIX

FORECASTING FROM REGRESSION MODELS

6.1	Introduction	185
6.2	Single Equation Models	186
6.3	Simultaneous Equation Models	192
6.4	Danger of Spurious Regressions in Econometric Models	202

### CHAPTER SEVEN

#### MULTIPLE SERIES MODELING AND FORECASTING

7.1	Introduction	215
7.2	Theoretical Models for Multiple Time Series	215

7.3	Identification	219
7.4	Causality and Feedback	224
7.5	Properties of Optimal Multiseries Forecasts	227
7.6	Relating Bivariate Series: The Cross Correlogram	230
7.7	Building Bivariate Models: Unidirectional Causality	237
7.8	Alternative Identification Procedure for Unidirectional Causality Models	243
7.9	Outline of Bivariate Model Building Strategy: Feedback	244
7.10	Fitting Bivariate Models to Innovation Series: Feedback	246
7.11	Fitting Bivariate Models to Observed Series: Feedback	252
7.12	A Further Illustration of Bivariate Model Building	255
7.13	Forecasting from Bivariate Time Series Models	262
7.14	Multivariate Time Series Model Building	266

### CHAPTER EIGHT

### THE COMBINATION AND EVALUATION OF FORECASTS

8.1	Typical Suboptimality of Economic Forecasts	268
8.2	The Combination of Forecasts	269
8.3	The Evaluation of Forecasts	278
8.4	A Survey of the Performance of Macroeconomic Forecasts	289
8.5	Econometric Forecasting and Time Series Analysis	300

### CHAPTER NINE

### NONLINEARITY, NONSTATIONARITY, AND OTHER TOPICS

9.1	Instantaneous Data Transformations	303
9.2	Forming Nonlinear Forecasts	308
9.3	General Nonlinear Models	309
9.4	Forecasting Nonstationary Processes	311
9.5	Testing for Normality	314
9.6	Forecasting Several Steps Ahead from an Estimated Model	315
9.7	Other Forecasting Problems and Techniques	316
REF	FERENCES	318

Author Index	327
Author Index	527
Subject Index	330