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Time Series Analysis

With Applications in R

Second Edition
To our families
The theory and practice of time series analysis have developed rapidly since the appearance in 1970 of the seminal work of George E. P. Box and Gwilym M. Jenkins, *Time Series Analysis: Forecasting and Control*, now available in its third edition (1994) with co-author Gregory C. Reinsel. Many books on time series have appeared since then, but some of them give too little practical application, while others give too little theoretical background. This book attempts to present both application and theory at a level accessible to a wide variety of students and practitioners. Our approach is to mix application and theory throughout the book as they are naturally needed.

The book was developed for a one-semester course usually attended by students in statistics, economics, business, engineering, and quantitative social sciences. Basic applied statistics through multiple linear regression is assumed. Calculus is assumed only to the extent of minimizing sums of squares, but a calculus-based introduction to statistics is necessary for a thorough understanding of some of the theory. However, required facts concerning expectation, variance, covariance, and correlation are reviewed in appendices. Also, conditional expectation properties and minimum mean square error prediction are developed in appendices. Actual time series data drawn from various disciplines are used throughout the book to illustrate the methodology. The book contains additional topics of a more advanced nature that can be selected for inclusion in a course if the instructor so chooses.

All of the plots and numerical output displayed in the book have been produced with the R software, which is available from the R Project for Statistical Computing at www.r-project.org. Some of the numerical output has been edited for additional clarity or for simplicity. R is available as free software under the terms of the Free Software Foundation’s GNU General Public License in source code form. It runs on a wide variety of UNIX platforms and similar systems, Windows, and MacOS.

R is a language and environment for statistical computing and graphics, provides a wide variety of statistical (e.g., time-series analysis, linear and nonlinear modeling, classical statistical tests) and graphical techniques, and is highly extensible. The extensive appendix An Introduction to R, provides an introduction to the R software specially designed to go with this book. One of the authors (KSC) has produced a large number of new or enhanced R functions specifically tailored to the methods described in this book. They are listed on page 468 and are available in the package named TSA on the R Project’s Website at www.r-project.org. We have also constructed R command script files for each chapter. These are available for download at www.stat.uiowa.edu/~kchan/TSA.htm. We also show the required R code beneath nearly every table and graphical display in the book. The datasets required for the exercises are named in each exercise by an appropriate filename; for example, larain for the Los Angeles rainfall data. However, if you are using the TSA package, the datasets are part of the package and may be accessed through the R command data(larain), for example.

All of the datasets are also available at the textbook website as ASCII files with variable names in the first row. We believe that many of the plots and calculations...
described in the book could also be obtained with other software, such as SAS®, Splus®, Statgraphics®, SCA®, EViews®, RATS®, Ox®, and others.

This book is a second edition of the book Time Series Analysis by Jonathan Cryer, published in 1986 by PWS-Kent Publishing (Duxbury Press). This new edition contains nearly all of the well-received original in addition to considerable new material, numerous new datasets, and new exercises. Some of the new topics that are integrated with the original include unit root tests, extended autocorrelation functions, subset ARIMA models, and bootstrapping. Completely new chapters cover the topics of time series regression models, time series models of heteroscedasticity, spectral analysis, and threshold models. Although the level of difficulty in these new chapters is somewhat higher than in the more basic material, we believe that the discussion is presented in a way that will make the material accessible and quite useful to a broad audience of users. Chapter 15, Threshold Models, is placed last since it is the only chapter that deals with nonlinear time series models. It could be covered earlier, say after Chapter 12. Also, Chapters 13 and 14 on spectral analysis could be covered after Chapter 10.

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# Table of Contents

## Chapter 1 Introduction

1.1 Examples of Time Series ........................................ 1  
1.2 A Model-Building Strategy ....................................... 8  
1.3 Time Series Plots in History .................................... 8  
1.4 An Overview of the Book ........................................ 9  
Exercises .................................................................. 10

## Chapter 2 Fundamental Concepts

2.1 Time Series and Stochastic Processes .......................... 11  
2.2 Means, Variances, and Covariances ............................. 11  
2.3 Stationarity .......................................................... 16  
2.4 Summary ............................................................. 19  
Exercises .................................................................. 19  
Appendix A: Expectation, Variance, Covariance, and Correlation. 24

## Chapter 3 Trends

3.1 Deterministic Versus Stochastic Trends ....................... 27  
3.2 Estimation of a Constant Mean ................................... 28  
3.3 Regression Methods ................................................ 30  
3.4 Reliability and Efficiency of Regression Estimates .......... 36  
3.5 Interpreting Regression Output ................................... 40  
3.6 Residual Analysis .................................................... 42  
3.7 Summary ............................................................. 50  
Exercises .................................................................. 50

## Chapter 4 Models for Stationary Time Series

4.1 General Linear Processes ........................................... 55  
4.2 Moving Average Processes ........................................ 57  
4.3 Autoregressive Processes .......................................... 66  
4.4 The Mixed Autoregressive Moving Average Model ........ 77  
4.5 Invertibility .......................................................... 79  
4.6 Summary ............................................................. 80  
Exercises .................................................................. 81  
Appendix B: The Stationarity Region for an AR(2) Process .... 84  
Appendix C: The Autocorrelation Function for ARMA(p,q) ...... 85
CHAPTER 9 FORECASTING. ........................................... 191
  9.1 Minimum Mean Square Error Forecasting ............... 191
  9.2 Deterministic Trends. .................................... 191
  9.3 ARIMA Forecasting ....................................... 193
  9.4 Prediction Limits ........................................ 203
  9.5 Forecasting Illustrations ................................ 204
  9.6 Updating ARIMA Forecasts ............................... 207
  9.7 Forecast Weights and Exponentially Weighted 
      Moving Averages ........................................ 207
  9.8 Forecasting Transformed Series ......................... 209
  9.9 Summary of Forecasting with Certain ARIMA Models .... 211
  9.10 Summary .................................................. 213
Exercises  .................................................................. 213
Appendix E: Conditional Expectation ......................... 218
Appendix F: Minimum Mean Square Error Prediction ...... 218
Appendix G: The Truncated Linear Process ................. 221
Appendix H: State Space Models ............................... 222

CHAPTER 10 SEASONAL MODELS ................................. 227
  10.1 Seasonal ARIMA Models ................................. 228
  10.2 Multiplicative Seasonal ARMA Models ................. 230
  10.3 Nonstationary Seasonal ARIMA Models ............... 233
  10.4 Model Specification, Fitting, and Checking .......... 234
  10.5 Forecasting Seasonal Models ........................... 241
  10.6 Summary .................................................... 246
Exercises .................................................................. 246

CHAPTER 11 TIME SERIES REGRESSION MODELS ........ 249
  11.1 Intervention Analysis ..................................... 249
  11.2 Outliers ..................................................... 257
  11.3 Spurious Correlation ...................................... 260
  11.4 Prewhitening and Stochastic Regression ............... 265
  11.5 Summary .................................................... 273
Exercises .................................................................. 274
CHAPTER 12 TIME SERIES MODELS OF HETEROSCEDASTICITY ........................................... 277
12.1 Some Common Features of Financial Time Series ............................................. 278
12.2 The ARCH(1) Model .......................................................................................... 285
12.3 GARCH Models ............................................................................................... 289
12.4 Maximum Likelihood Estimation ....................................................................... 298
12.5 Model Diagnostics ............................................................................................ 301
12.6 Conditions for the Nonnegativity of the Conditional Variances ......................... 307
12.7 Some Extensions of the GARCH Model .............................................................. 310
12.8 Another Example: The Daily USD/HKD Exchange Rates .................................. 311
12.9 Summary ........................................................................................................... 315
Exercises .................................................................................................................. 316
Appendix I: Formulas for the Generalized Portmanteau Tests ................................. 318

CHAPTER 13 INTRODUCTION TO SPECTRAL ANALYSIS ........................................... 319
13.1 Introduction ........................................................................................................ 319
13.2 The Periodogram .............................................................................................. 322
13.3 The Spectral Representation and Spectral Distribution ....................................... 327
13.4 The Spectral Density ......................................................................................... 330
13.5 Spectral Densities for ARMA Processes .......................................................... 332
13.6 Sampling Properties of the Sample Spectral Density ....................................... 340
13.7 Summary ........................................................................................................... 346
Exercises .................................................................................................................. 346
Appendix J: Orthogonality of Cosine and Sine Sequences ......................................... 349

CHAPTER 14 ESTIMATING THE SPECTRUM ............................................................ 351
14.1 Smoothing the Spectral Density ......................................................................... 351
14.2 Bias and Variance ............................................................................................ 354
14.3 Bandwidth ........................................................................................................ 355
14.4 Confidence Intervals for the Spectrum ............................................................ 356
14.5 Leakage and Tapering ....................................................................................... 358
14.6 Autoregressive Spectrum Estimation .................................................................. 363
14.7 Examples with Simulated Data ......................................................................... 364
14.8 Examples with Actual Data ............................................................................... 370
14.9 Other Methods of Spectral Estimation ............................................................. 376
14.10 Summary ......................................................................................................... 378
Exercises .................................................................................................................. 378
Appendix K: Tapering and the Dirichlet Kernel ......................................................... 381