

Comments to Script 10034, FIN 3006 Fall 2018

This is a good exam script. For the most part, answers are correct, precise and, equally important, to the point. The student shows good understanding of key concepts in applied time series econometrics, as well as ability to choose and critically evaluate different models.

Question 1 is very competently executed. It would have improved by specifying the value of the Q-statistic in 1b, but, more importantly, by discussing also evidence from the Q-statistic in 1d. In Question 2, the null hypothesis of the Dickey-Fuller test misses testing on the coefficient for the trend variable (part a), and the student could have discussed more clearly short-run vs long-run responses of defense spending (part d).

Notably, the student was able to correctly identify and explain critical issues such as structural breaks that might invalidate the cointegration analysis (Q2f), and correctly selecting an appropriate model in 1f.

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