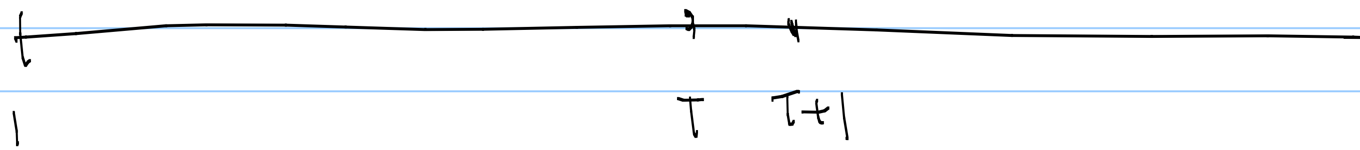
Note Title 4/15/2013

# Econ 582 Lec 5 : Forecasting

Recursive forecast — Expanding window forecast

Estimation sample $\qquad I_{T+1} \supset I_T \supset I_{T-1} \dots$




$I_T = \{y_1, \dots, y_T\}$, $I_{T+1} = \{y_1, \dots, y_{T+1}\}$

$y_{T+1|T}$ – 1 step ahead based on $I_T$

$y_{T+2|T+1}$ – 1 step ahead forecast based on $I_{T+1}$