

Assignment 9

Due: 24/11/2020

From the data set `Assignment 9.dta`:

Requirements:

1. Perform unit root test of series y and x .
2. Perform cointegration test of series y and x using set up of (i) linear trend; (ii) restricted trend; (iii) unrestricted constant; (iv) restricted constant; and (v) no trend, with one lag term.
3. Perform cointegration test of series y and x using set up of linear trend with (i) one lag term; (ii) two lag terms; and (iii) three lag terms.
4. From (2) & (3), determine the most appropriated set up and make the conclusion of the test whether y and x are cointegrated series? If yes, how many cointegrating equations.
5. Estimated VECM models of y and x using (i) one lag term; (ii) two lag terms; and (iii) three lag terms. Determine the optimal lags. Specify cointegrating equation and speed of adjustment parameters.