

Contents

1	Time Series Concepts and Python	1
1.1	The Concept of Time Series	1
1.1.1	What Is Time Series	1
1.1.2	Brief History of Time Series Analysis	4
1.1.3	Objectives of Time Series Analysis	6
1.2	The Programming Language Python	6
1.2.1	Introduction and Installing	7
1.2.2	Demonstrations	7
1.2.3	Python Extension Packages and Some Usages	11
1.3	Time Series Moment Functions and Stationarity	15
1.3.1	Moment Functions	15
1.3.2	Stationarity and Ergodicity	16
1.3.3	Sample Autocorrelation Function	18
1.3.4	White Noise and Random Walk	21
1.4	Time Series Data Visualization	29
	Problems	34
2	Exploratory Time Series Data Analysis	37
2.1	Partial Autocorrelation Functions	37
2.1.1	Definition of PACF	37
2.1.2	Sample PACF and PACF Plot	39
2.2	White Noise Test	42
2.3	Simple Time Series Compositions	47
2.4	Time Series Decomposition and Smoothing	53
2.4.1	Deterministic Components and Decomposition Models	53
2.4.2	Decomposition and Smoothing Methods	58
2.4.3	Example	61
	Problems	68

3	Stationary Time Series Models	71
3.1	Backshift Operator, Differencing, and Stationarity Test	71
3.1.1	Backshift Operator	71
3.1.2	Differencing and Stationarity	72
3.1.3	KPSS Stationarity Test	73
3.2	Moving Average Models	80
3.2.1	Definition of Moving Average Models	80
3.2.2	Properties of MA Models	84
3.2.3	Invertibility	85
3.3	Autoregressive Models	88
3.3.1	Definition of Autoregressive Models	88
3.3.2	Durbin-Levinson Recursion Algorithm	90
3.3.3	Properties of Autoregressive Models	92
3.3.4	Stationarity and Causality of AR Models	94
3.4	Autoregressive Moving Average Models	98
3.4.1	Definitions	98
3.4.2	Properties of ARMA Models	100
	Problems	105
4	ARMA and ARIMA Modeling and Forecasting	107
4.1	Model Building Problems	107
4.2	Estimation Methods	108
4.2.1	The Innovations Algorithm	109
4.2.2	Method of Moments	110
4.2.3	Method of Conditional Least Squares	111
4.2.4	Method of Maximum Likelihood	113
4.3	Order Determination	115
4.4	Diagnosis of Models	116
4.5	Forecasting	118
4.6	Examples	119
	Problems	142
5	Nonstationary Time Series Models	143
5.1	The Box-Jenkins Method	143
5.1.1	Seasonal Differencing	143
5.1.2	SARIMA Models	147
5.2	SARIMA Model Building	155
5.2.1	General Idea	155
5.2.2	Case Studies	156
5.3	REGARMA Models	165
	Problems	174
6	Financial Time Series and Related Models	177
6.1	Stylized Facts of Financial Time Series	177
6.1.1	Examples of Return Series	177
6.1.2	Stylized Facts of Financial Time Series	182

6.2	GARCH Models	183
6.2.1	ARCH Models	183
6.2.2	GARCH Models	185
6.2.3	Estimation and Testing	188
6.2.4	Examples	190
6.3	Other Extensions	204
6.3.1	EGARCH Models	204
6.3.2	TGARCH Models	205
6.3.3	An Example	205
	Problems	212
7	Multivariate Time Series Analysis	215
7.1	Basic Concepts	215
7.1.1	Covariance and Correlation Matrix Functions	215
7.1.2	Stationarity and Vector White Noise	217
7.1.3	Sample Covariance and Correlation Matrices	219
7.1.4	Multivariate Portmanteau Test	220
7.2	VARMA Models	226
7.2.1	Definitions	227
7.2.2	Properties	229
7.3	VAR Model Building and Analysis	233
7.3.1	VAR(1) Representation of VARMA Processes	233
7.3.2	VAR Model Building Steps	233
7.3.3	Granger Causality	235
7.3.4	Impulse Response Analysis	236
7.4	Examples	237
	Problems	255
8	State Space Models and Markov Switching Models	257
8.1	State Space Models and Representations	257
8.1.1	State Space Models	258
8.1.2	State Space Representations of Time Series	259
8.2	Kalman Recursions	261
8.3	Local-Level Model and SARIMAX Models	263
8.3.1	Local-Level Model	263
8.3.2	SARIMAX Models	265
8.4	Markov Switching Models	271
8.4.1	Definitions	271
8.4.2	Examples	273
	Problems	285
9	Nonstationarity and Cointegrations	287
9.1	Stochastic Trend and Stochastic Seasonality	287
9.1.1	Deterministic Trend and Stochastic Trend	287
9.1.2	Deterministic Seasonality and Stochastic Seasonality	293

9.2	Brownian Motions and Simulation	302
9.2.1	Probability Space	302
9.2.2	Brownian Motions	304
9.3	Stationarity, Nonstationarity, and Unit Root Tests	306
9.3.1	Trend Stationarity and Difference Stationarity	306
9.3.2	Unit Root Tests	308
9.3.3	Stationarity Tests	316
9.4	Cointegrations and Granger's Representation Theorem	318
9.4.1	Spurious Regressions and $I(d)$ Processes	318
9.4.2	Cointegrations	322
9.4.3	Granger's Representation Theorem	324
9.4.4	Estimation of Vector Error Correction Models	328
9.4.5	Real Case of Spurious Regression and Noncointegration	334
	Problems	339
10	Modern Machine Learning Methods for Time Series Analysis	341
10.1	Introduction	341
10.1.1	Brief History of Artificial Intelligence	341
10.1.2	AI in Time Series Analysis	343
10.2	Artificial Neural Networks	344
10.2.1	Artificial Neural Network Developments	344
10.2.2	Neural Network Models	347
10.3	Deep Learning and Backpropagation Algorithms	350
10.3.1	What Is Deep Learning?	350
10.3.2	Gradient Descent and Backpropagation Algorithms	350
10.4	Time Series Forecasting and TensorFlow	351
10.4.1	Time Series Forecasting	351
10.4.2	TensorFlow and Keras	351
10.5	Implementation and Example	352
10.5.1	Implementation Steps	352
10.5.2	An Example	353
10.6	Concluding Remarks	360
	Problems	360
	References.....	363
	Index.....	369