

Module: English for Economic Purposes (English 1)

Level: 1st year Master students/EMF

Department: Economic Dep.

University: Tlemcen University

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Lecture Five: Financial econometrics

Financial econometrics is a great success story in economics. Econometrics uses data and statistical inference methods, together with structural and descriptive modeling, to address rigorous economic problems. Its development within the world of finance is quite recent and has been paralleled by a fast expansion of financial markets and an increasing variety and complexity of financial products. This has fueled the demand for people with advanced econometrics skills.

The Basics of Financial Econometrics covers the commonly used techniques in the field without using unnecessary mathematical/statistical analysis. It focuses on foundational ideas and how they are applied. Topics covered include: regression models, factor analysis, volatility estimations, and time series techniques.

- Covers the basics of financial econometrics—an important topic in quantitative finance
- Contains several chapters on topics typically not covered even in basic books on econometrics such as model selection, model risk, and mitigating model risk

The main aim is to get familiar with thinking about stochastic processes. Further topics include: Hypothesis testing, asymptotic theory of correlation based predictability tests and how assumptions about the properties of the under-lying process can make things easy or difficult. A lot of this is review and practice of basic techniques will be seen in the module of econometrics.

Examples : The use of the following models in different financial/economical investigation : Garch , ARDL, CAMP,MEDAF Model