Forecasting exchange rate volatility: GARCH models versus implied volatility forecasts

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Notes

1. A symmetric model means that when a shock occurs, we will have a symmetric response of volatility to both positive and negative shocks. Asymmetric models

6. If the restriction does not hold we will have non-stationarity in the variance, if $\alpha_1 + \beta = 1$, we have a unit root in the variance.

7. If $\gamma = 0$, the model is symmetric. There is no need to be concerned about the conditional variance being negative since $ln(\sigma_t^2)$ is modelled.

8. Bollerslev et al. (2001) argue that this type of volatility is an unbiased and very efficient estimator of return volatility.

9. It should be noted that the parameters $(\alpha + \beta)$ were less but close to unity, suggesting that the shocks are highly persistent and die out only gradually.

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