PHILOSOPHICAL TRANSACTIONS OF THE ROYAL SOCIETY A

MATHEMATICAL, PHYSICAL AND ENGINEERING SCIENCES

Article

Chaos and nonlinear forecastability in economics and finance

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Published: 15 September 1994 https://doi.org/10.1098/rsta.1994.0099

Abstract

Both academic and applied researchers studying financial markets and other economic series have become interested in the topic of chaotic dynamics. The possibility of chaos in financial markets opens important questions for both economic theorists as well as financial market participants. This paper will clarify the empirical evidence for chaos in financial markets and macroeconomic series emphasizing what exactly is known about these time series in terms of forecastability and chaos. We also compare these two concepts from a financial market perspective contrasting the objectives of the practitioner with those of the economic researchers. Finally, we will speculate on the impact of chaos and nonlinear modelling on future economic research.

Footnotes

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