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Applied Economics > Volume 48, 2016 - Issue 13

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## Does VIX or volume improve GARCH volatility forecasts?

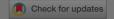
Dimos S. Kambouroudis 

& David G. McMillan

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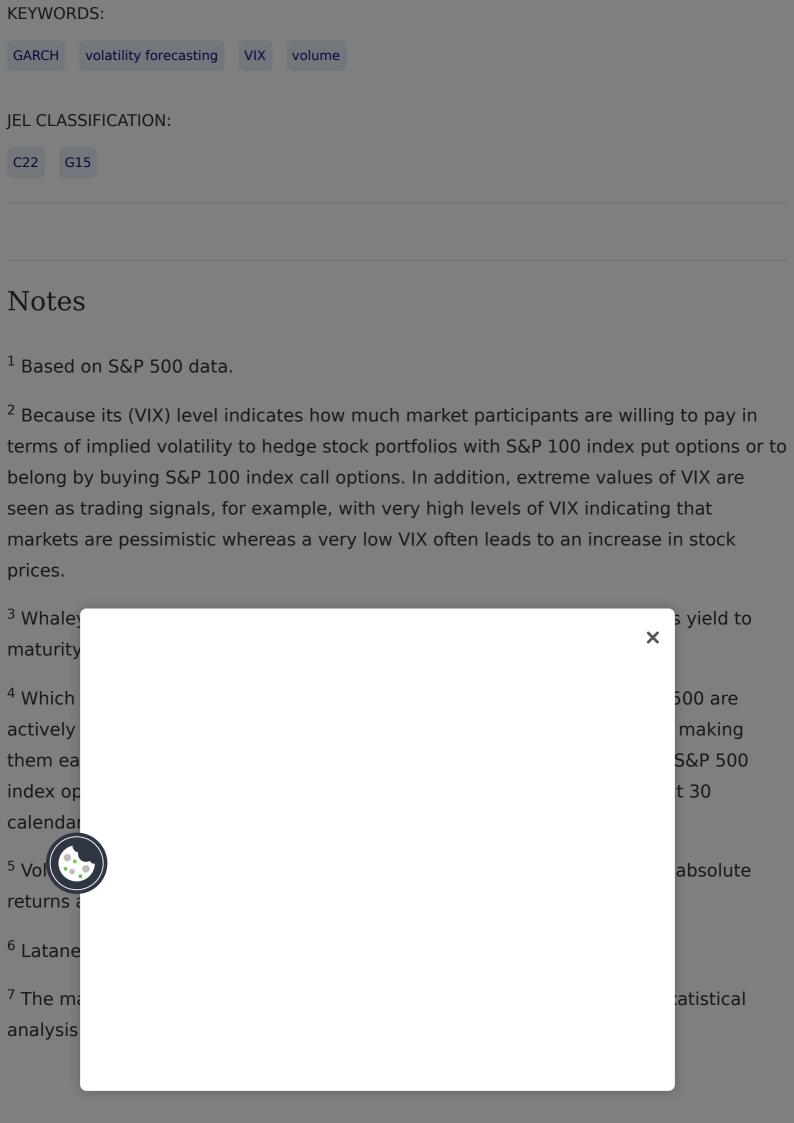
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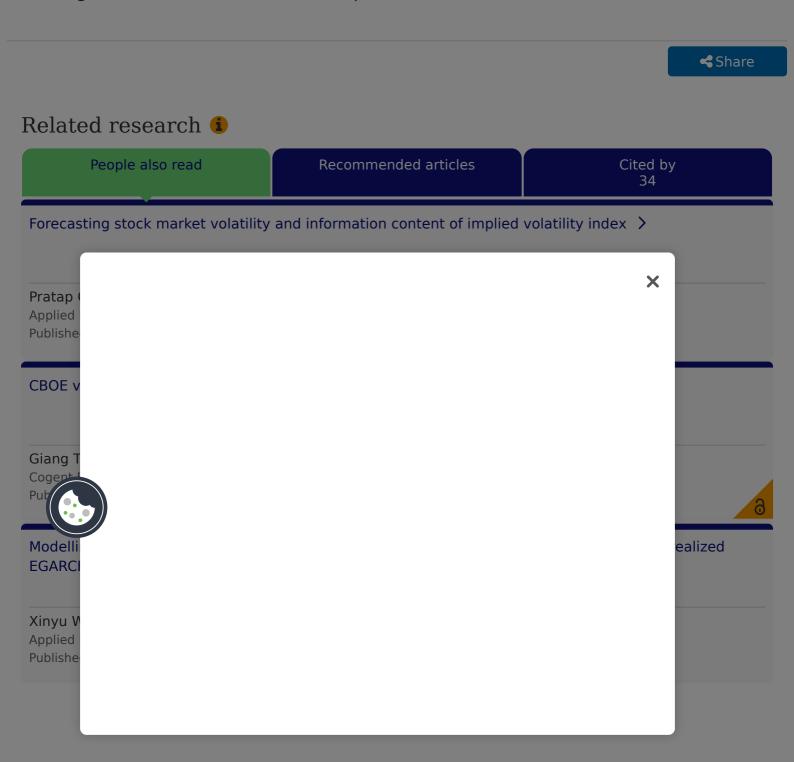
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- <sup>8</sup> The correlation coefficient matrices are also produced as part of the initial analysis. It was found that the coefficients are small, suggesting no correlation and hence multicollinearity will not be present.
- <sup>9</sup> This is done for VIX series only.
- <sup>10</sup> There is one exception for the UK.
- <sup>11</sup> We choose to use a simple AR(1) model in order to keep the model parsimonious. However, several authors have considered including asymmetric terms (Giot, <u>2005</u>) or allowing for long memory effects (Konstantinidi, Skiadopoulos, and Tzagkaraki <u>2008</u>; Dunis, Kellard, and Snaith <u>2013</u>). While in the context of option pricing, Kanniainen, Lin, and Yang (<u>2014</u>) advocate the use of squared VIX.



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