ALPEN-ADRIA UNIVERSITÄT KLAGENFURT

Invitation to the Doctoral Seminar

Gregor Kastner

WU Wien

"Sophisticated and small versus simple and sizeable: When does it pay off to introduce drifting coefficients in Bayesian VARs?"

Z.1.08 | Monday, 6 May 2019 | 10:00 a.m.

Abstract

We assess the relationship between model size and complexity in the time-varying parameter VAR framework via thorough predictive exercises for the Euro Area, the United Kingdom and the United States. It turns out that sophisticated dynamics through drifting coefficients are important in small data sets while simpler models tend to perform better in sizeable data sets. To combine best of both worlds, novel shrinkage priors help to mitigate the curse of dimensionality, resulting in competitive forecasts for all scenarios considered. Furthermore, we discuss dynamic model selection to improve upon the best performing individual model for each point in time.

Michaela Hitz and the Department of Statistics look forward to seeing you at the talk!