
Non Stationary Time Series Application 6.0

unit root & augmented dickey-fuller (adf) test - non-stationary series • an alternative that describes well some economic, financial and business data is to allow a random (stochastic) trend. **time series - princeton university** - date variable (example) time series data is data collected over time for a single or a group of variables. for this kind of data the first thing **1 cointegration. - university of houston** - the differenced regression is always consistent and one could argue that it would be "safe" to always estimate this relation. the loss of efficiency is, however, very big and most macro time **augmented dickey-fuller unit root tests** - the null hypothesis of the augmented dickey-fuller t-test is $H_0: \theta = 0$ (i.e. the data needs to be differenced to make it stationary) versus the alternative hypothesis of $H_1: \theta \neq 0$