Time-varying Granger causality tests in the energy markets: A study on the DCC-MGARCH Hong test

Original Citation:

Availability:
This version is available at: 11577/3452465 since: 2022-07-15T09:42:46Z

Publisher:
Elsevier B.V.

Published version:
DOI: 10.1016/j.eneco.2022.106088

Terms of use:
This article is made available under terms and conditions applicable to Open Access Guidelines, as described at http://www.unipd.it/download/file/fid/55401 (Italian only)
Time-varying Granger causality tests for applications in global crude oil markets: A study on the DCC-MGARCH Hong test

Massimiliano Caporin\textsuperscript{a}, Michele Costola\textsuperscript{b}

\textsuperscript{a}Department of Statistical Sciences, University of Padova, Padova, Italy
\textsuperscript{b}Department of Economics, University Ca’ Foscari Venezia, Venezia, Italy

Abstract

Analysing causality among oil prices and, in general, among financial and economic variables is of central relevance in applied economic studies. The recent contribution of Lu et al. (2014) proposes a novel test for causality, the DCC-MGARCH Hong test. We show that the critical values of the test statistic must be evaluated through simulations, challenging the evidence in papers adopting the DCC-MGARCH Hong test. We also note that rolling Hong tests represent a more viable solution in the presence of short-lived causality periods.

Keywords: Granger Causality, Hong test, DCC, Oil market, COVID-19

JEL: C10, C13, C32, C58, Q43, Q47

1. Introduction

In a globalized economy, the study of spillovers among prices of reference goods, drivers of possible shocks to both the real economy and the financial markets, is of central relevance. Oil prices represent one of these fundamental drivers, given their relevance from both the real and the financial cycles. However, oil is traded in several mercantile exchanges and with prices reflecting the different types of oil that can be extracted; classical examples are the Brent and the West Texas Intermediate (WTI). In this setting, despite Brent and WTI are perceived as reference prices for the market, the study of information transmission among oil prices is relevant from an economic point of view, in order to determine which price is mostly impacted by shocks, for instance associated with the disruption or reduction of the oil production or oil delivery, and how shocks are transmitted to other oil prices and later to oil-derived productions; examples, in this respect, are given by Lu et al. (2014) and Caporin et al. (2019). Several studies have already addressed the issue of spillover or causality among oil prices. Among many others, we cite Lin and Tamvakis (2001, 2004), Hammoudeh and Li (2004), Bekiros and Diks (2008), Geng et al. (2017). Different approaches have been considered to analyse the causality or spillovers, from the standard causality testing put forward by Granger (1969) to a variety of generalizations including non-linear methods, quantile regression-based approaches, and wavelet transforms.

Email addresses: massimiliano.caporin@unipd.it (Massimiliano Caporin), michele.costola@unive.it (Michele Costola)
One of the approaches that has recently received attention is included in Lu et al. (2014), where a novel testing procedure has been put forward in order to test for dynamic causality among variables. The authors introduce a test combining the Hong (2001); Hong et al. (2009) approach for spillover testing with the Dynamic Conditional Correlation (DCC) modeling strategy of Engle and Sheppard (2001) and Engle (2002). In Lu et al. (2014) the proposed test, named DCC-Hong, is used to assess the dynamic and contemporaneous spillover among different oil prices, the futures prices of Brent and WTI, and the Dubai and Tapis spot prices, showing the occurrence of relevant spillovers, both unidirectional and bidirectional. The same testing procedure has also been used in different settings. Jammazi et al. (2017b) adopt the DCC-Hong test to study the causality between oil prices and stock markets at different time scales, while Jammazi et al. (2017a) focus on the relation between the stock markets and interest rates. Kanda et al. (2018) analyze causality between equity returns and currency returns, and Sibande et al. (2019) consider the relation between stock market and unemployment; both studies focus on the UK and make use of a very long time span. Gupta et al. (2019) study causality between oil prices and the US financial stress, and Coronado et al. (2020) correlate the US stock market and currency. Bathia et al. (2021) focus on unemployment and currency returns in the UK, while Gupta et al. (2021a) analyze the relation between the US stock market movements and the presidential approval ratings. Further, Gupta et al. (2021b) monitor the impact of a news-based indicator of infectious diseases on the United States treasury securities, while Zhang et al. (2021) evaluate the spillover between Bitcoin prices and internet attention.

While the DCC-Hong test is appealing from the empirical viewpoint, the statistical properties of the test are not known. In fact, even the authors acknowledge that, to evaluate the null of absence of causality by means of the DCC-Hong test statistic, the use of critical values based on the Normal distribution represents a rough approximation to the reality. By starting from this observation, we provide a first contribution and recover by simulation the critical values of the DCC-Hong test statistic. Our analyses point out that the distribution of the test statistic (under the null hypothesis) is far from being Normal, is characterized by a large right tail, and depends on both the unconditional correlation between the analyzed series and the sample size. Overall, we note that the use of Gaussian critical values lead to an over-rejection of the null hypothesis. When moving to the power of the test, the simulations we run compare the DCC-Hong to the rolling Hong test Hong (2001) highlighting that when the sample size is relatively small, the DCC-Hong might be used, but when the sample becomes larger, from 200 observations, the rolling Hong test has better power in identifying the presence of causality. Further, while both tests do have good power in the presence of a strong causality between variables, the DCC-Hong have superior performances in cases where the causality link has a reduced intensity.

The simulation evidence thus challenges the validity of the empirical analyses based on the evaluation of the DCC-Hong test statistic and its comparison with Normal critical values, starting from those in the paper by Lu et al. (2014). Therefore, we proceed to a replication of the evidence in Lu et al. (2014) limiting our analyses to the causality between the Brent and WTI futures prices. We show that by using the simulated critical values the evidence of causality dramatically reduces, and is focused on specific periods: the Iraq invasion in 2003, in 2006 at the peak of oil prices, in 2010 following the European sovereign crisis, and in 2011 after the production cuts during the Arab spring. On the contrary, the use of the
DCC-Hong with Normal critical values would identify a much striking presence of causality which, unfortunately, is only apparent, due to the inappropriateness of the approximation of the test statistic with the Normal distribution. We also complement the replication with an analysis focused on a longer time sample, covering also the COVID-19 pandemic. Both the rolling Hong and the DCC-Hong test identify occurrences of causality in the first part of 2020. In addition, the evaluation of the DCC-Hong test statistic over the full sample lead us to identify a further weakness of this approach: as the DCC-Hong test is built on an set of estimated models, if the causality exists in limited periods of time, the estimated models would not identify its presence as they will be driven by the more relevant periods of non-causality. This calls for a rolling evaluation of the DCC-Hong test which, however, would limit its relevance as its the construction of the DCC-Hong test would become more computationally intensive than the simplest rolling Hong test. The only case in which the DCC-Hong test would provide a valuable information is for time series of reduced length.

The paper proceeds as follows. Section 2 reviews the Granger’s causality test of Hong (2001) and Lu et al. (2014) and presents simulation evidences. Section 3 replicates some of the evidence in Lu et al. (2014) and includes insights on the causality on the period characterized by the diffusion of the COVID-19 pandemic. Section 4 concludes.

2. Time varying causality testing approaches

Similarly to Lu et al. (2014), we first introduce the Hong (2001) causality test. Let us denote by $x_{1,t}$ and $x_{2,t}$ the two series of interest and assume we are willing to evaluate if $x_{1,t}$ causes $x_{2,t}$ using a sample of $T$ observations. Hong (2001) proposes a test for causality generalizing the contribution of Cheung and Ng (1996). Hong (2001) points at introducing a test for variance causality, building on the cross-correlation between two series of centred squared standardized innovations obtained by fitting ARMA-GARCH models on two time series. In our case, the interest is on mean causality, so we assume that the $x_{1,t}$ and $x_{2,t}$ series have been pre-filtered by appropriate ARMA-GARCH models and we focus thus on their mean cross-correlation, i.e., we do not square them.\footnote{We filter out the conditional variance dynamic in order to be coherent with the approach put forward by Lu et al. (2014) that removes the conditional variance dynamic before testing the null of zero cross-correlation.} The Hong (2001) test (in short Hong test) builds on the following statistic

$$Q_H = \frac{T \sum_{j=1}^{T-1} k^2 \left( \frac{j}{M} \right) \hat{\rho}_{2,1}^2 (j) - C_{1T} (k)}{\sqrt{2 D_{1T} (k)}},$$

where

$$C_{1T} (k) = \sum_{j=1}^{T-1} \left( 1 - \frac{j}{T} \right) k^2 \left( \frac{1}{M} \right), \quad D_{1T} (k) = \sum_{j=1}^{T-1} \left( 1 - \frac{j}{T} \right) \left( 1 - \frac{j + 1}{T} \right) k^4 \left( \frac{1}{M} \right),$$

$$\hat{\rho}_{2,1}^2 (j) = \frac{\sum_{t=j+1}^{T} x_{2,t} x_{1,t-j}}{\sqrt{\sum_{t=j+1}^{T} x_{1,t}^2} \sqrt{\sum_{t=j+1}^{T} x_{2,t}^2}}, \quad k (z) = (1 - |z|) I (|z| < 1).$$
and \( j, M > 0 \). Note that \( \hat{\rho}_{2,1}^2 (j) \) is the cross-correlation between \( x_{1,t-j} \) and \( x_{2,t} \), where the first is lagged, and we adopt the Bartlett Kernel function \( k(z) \); we note that other kernel functions can be used, see, Hong (2001). Finally, \( M \) is a lag truncation value inducing zero contribution for cross-correlations having a lag \( j > M \), i.e., only the cross-correlations up to lag \( M \) contribute to the causality evaluation.

The Hong test statistic in (1) can be used to detect causality from \( x_{2,t} \) to \( x_{1,t} \). A statistic for detecting bidirectional causality is also available

\[
Q_{BH} = \frac{T \sum_{|j|=1}^{T-1} k^2 \left( \frac{j}{M} \right) \hat{\rho}_{2,1}^2 (j) - C_{2T} (k)}{\sqrt{2D_{2T} (k)}},
\tag{2}
\]

where

\[
C_{2T} (k) = \sum_{|j|=1}^{T-1} \left( 1 - \frac{|j|}{T} \right) k^2 \left( \frac{1}{M} \right), \quad D_{1T} (k) = \sum_{|j|=1}^{T-1} \left( 1 - \frac{|j|}{T} \right) \left( 1 - \frac{|j| + 1}{T} \right) k^4 \left( \frac{1}{M} \right).
\]

The two test statistics have known asymptotic distributions, as derived by Hong (2001):

\[
Q_H \overset{\text{d}}{\rightarrow} \mathcal{N} (0, 1), \quad Q_{BH} \overset{\text{d}}{\rightarrow} \mathcal{N} (0, 1).
\tag{3}
\]

For both test statistics, upper tail critical values should be used, as the rejection of the null is associated with large positive values of the test statistic: when we observe non-null and relevant cross-correlations, they enter, squared, in the test statistic.

We note that, differently from Lu et al. (2014), but coherently with Hong et al. (2009), we exclude the contemporaneous cross-correlation from the evaluation of causality. This is a clear difference between our approach and that of Lu et al. (2014) that might lead to some differences in the real data analyses; further details on this aspect are provided in the following section. The choice of excluding the contemporaneous correlation allows detecting dynamic causality links among variables which are simultaneously traded. In [Lu et al.] (2014) the reader can find a discussion supporting the introduction of a variation of the Hong test to account for instantaneous correlation when markets are characterized by asynchronous trading; here, we do not consider such a possibility.\(^2\)

Furthermore, similarly to [Lu et al.] (2014), we apply the Hong test both at the full sample level as well as by resorting to a rolling procedure. In that case, the Hong test statistic is evaluated on samples of size \( S < T \), rolled forward by one observation at a time, leading to a total number of \( S - T \) test statistics (from sample \([1, S]\) to sample \([T - S + 1, T]\)).

Lu et al. (2014) propose a novel approach to causality detection, the Dynamic Conditional Correlation Hong test (or DCC-Hong). They motivate this addition to the literature by the possible shortcoming of using cross-correlations evaluated on a rolling window: the lack of a proper dynamic modeling of cross-correlations which makes them less reactive to the most recent information coming from the market. Inspired by the work of Engle (2002), where

\(^2\)In the following section we also motivate our choice from an empirical perspective, when replicating the [Lu et al.] (2014) study.
the author introduces the Dynamic Conditional Correlation (DCC) as a more appropriate tool for correlation modeling. Lu et al. (2014) propose to evaluate in a dynamic fashion the cross-correlations evolution. Mimicking the DCC model of Engle (2002), they suggest to first model the covariance matrix of $y_{t,j} = [x_{2,t}, x_{1,t-j}]'$, call it $Q_t(j)$, as follows:

$$Q_t = (1 - \alpha_j - \beta_j) \bar{\mathbf{R}} + \alpha_j y_{t,j} y_{t-1,j} + \beta_j Q_{t-1},$$

$$r_{i,t,l}(j) = (1 - \alpha_j - \beta_j) \tau_{2,1} + \alpha_j x_{i,t-1} x_{l,t-j-1} + \beta r_{i,t,l-1}(j), \quad i, l = 1, 2$$

where $\bar{\mathbf{R}}$ is the full sample unconditional cross-correlation matrix (i.e. ones over the main diagonal and the cross-correlations off-diagonal). Building on the model estimates, they recover the cross-correlation by standardization

$$\rho_{2,1,t}(j) = \frac{r_{2,1,t}(j)}{\sqrt{r_{1,1,t}(j) r_{2,2,t}(j)}}.$$

The test statistics suggested by Lu et al. (2014) are then set equivalent to $Q_H$ and $Q_{BH}$, namely

$$Q_{DH,t} = T \sum_{j=1}^{T-1} k^2 \left( \frac{j}{M} \right) \hat{\rho}_{2,1,t}^2(j) - C_{1T}(k),$$

$$Q_{BDH,t} = T \sum_{|j|=1}^{T-1} k^2 \left( \frac{2j}{M} \right) \hat{\rho}_{2,1,t}^2(j) - C_{2T}(k).$$

The use of the Bartlett Kernel in (7) and (8) allows evaluating only a small number of DCC-like models (i.e. only $M$) making the entire procedure computationally feasible, even if more demanding than the rolling Hong ones. Given a sample of size $T$, the DCC filter is applied $2M$ times, with $2M$ different lead/lag values for $j$ ($M$ varies from $-M$ to $M$, excluding the zero value). Then, the DCC filter gives $2M$ estimated paths for the cross-correlations, allowing to recover the test statistic for each point in time from $t = M + 1$ to $t = T - M$. Such a feature of the DCC-Hong test makes it a proper alternative to the use of the rolling Hong procedure.

The introduction of the DCC-like dynamic in the cross-correlations properly allows capturing the dynamic evolution in the interdependence between two series. In this setting, the DCC model might be seen as a filter, allowing to detect if a quantity of interest has a dynamic behaviour, even without properly specifying a complete model. We note that this is in line with the arguments of Caporin and McAleer (2012) for interpreting the DCC of Engle (2002) as a filter. Nevertheless, we point out that a proper model leading to dynamic in the cross-correlations is a VAR model with time-varying parameters (TVP-VAR). In fact, as the cross-correlation is a function of the model parameters, if the latter are dynamic also the former is dynamic. We will use this intuition in the following section when designing data generating processes for our simulation study.

Building on heuristic arguments Lu et al. (2014) suggest that the DCC-Hong tests (uni-
directional and bidirectional) might be roughly approximated by a standardized Normal distribution under the null of absence of causality. Lu et al. (2014) acknowledge that deriving the asymptotic distribution of the DCC-Hong test is particularly complex. In fact, under the null hypothesis, the $\beta_j$ are nuisance parameters. Within the DCC model, such a situation requires specific procedures to test the null hypothesis of constant correlations, as pointed out by Engle and Sheppard (2001). The impact of the nuisance parameters under the null of constant correlation is relevant also in our case, as it corresponds to the presence of nuisance parameters in the evaluation of dynamic cross-correlations. Moreover, the influence of those nuisance parameters transmits to the dynamic cross-correlations and, subsequently, to the DCC-Hong test statistic. Therefore, the use of a Normal distribution, quoting Lu et al. (2014), allows to make only a rough judgment. We are aware that the derivation of the asymptotic distribution of the test statistic is complex, but a proper knowledge of its behavior is crucial for a proper use of the test. Therefore, in the following sub-section, we shed light on the distribution of the test statistic proposed by Lu et al. (2014) by resorting to a simulation study. This will allow us to recover simulated critical values under the null hypothesis, and to contrast the critical values under the assumption of Normality.

2.1. A simulation study

The first objective of our Monte Carlo study, is the evaluation of the size and power of the DCC-Hong test, and to contrast them with those of the (rolling) Hong test; for the latter, both a full-sample estimation of the test statistic and a rolling evaluation scheme must be taken into account. We consider different cases associated with alternative designs of the data generating process. In all cases, we do not include conditional variance dynamic as our purpose is to test for causality in the mean of variables that have been pre-filtered with an ARMA-GARCH process.

**Case 1.** The first simulation set focuses on the size and power of the Hong and DCC-Hong tests when the Data Generating Process (GDP) is a VAR(1) model, namely

$$
\begin{bmatrix}
  x_{1,t} \\
  x_{2,t}
\end{bmatrix} =
\begin{bmatrix}
  \mu_1 \\
  \mu_2
\end{bmatrix} +
\begin{bmatrix}
  \phi_{1,1} & \phi_{1,2} \\
  \phi_{2,1} & \phi_{2,2}
\end{bmatrix}
\begin{bmatrix}
  x_{1,t-1} \\
  x_{2,t-1}
\end{bmatrix} +
\begin{bmatrix}
  \varepsilon_{1,t} \\
  \varepsilon_{2,t}
\end{bmatrix}
$$

(9)

We simulate the innovation term $\varepsilon_t$ from a Gaussian density with unit variances and correlation set to 0.5. In addition, for simplicity, we set the mean to be zero. For the parameters driving the dynamic, we set the diagonal coefficients $\phi_{1,1}$ and $\phi_{2,2}$ to be both equal to 0.5 while we always set $\phi_{2,1} = 0$. The coefficient $\phi_{1,2}$ is used to introduce Granger-type causality in the relation between the two variables of the model: a non-null value implies causality from variable 2 to variable 1. The sample size of the simulated series takes a value equal to 500, 1000 or 2000, while in all experiments we run 1000 replications. A pre-sample of 1000 observations is introduced to avoid any dependence from starting values. We test for causality using the Hong test with the Bartlett kernel and a value of $M$ equal to either 10 or 20. We report both the unidirectional tests as well as the bidirectional test. In order to filter out the serial dependence from each simulated series, we fit a simple AR(1) process and

---

3Unreported results for data generating processes with innovations including a GARCH term in the conditional variances provide results coherent with those included in the present section.
apply the Hong test on the innovations. For the Hong test we evaluate the cross-correlations using the entire innovations' time series. For the DCC-Hong test we use the same $M$ as for the Hong test and evaluate the test at the end of the sample. We use for both tests critical values associated with a standardized Normal.

Table 1: Size and power of Hong and DCC-Hong test under the DGP of Case 1 at the 5% confidence level. For the DCC-Hong test we report the size and power obtained from Normal critical values as well as for critical values recovered by simulations (with innovations’ correlation set to 0.5).

<table>
<thead>
<tr>
<th>$T$</th>
<th>$M$</th>
<th>$\phi_{1,2}$</th>
<th>Hong</th>
<th>Norm. DCC-Hong</th>
<th>Sim. DCC-Hong</th>
</tr>
</thead>
<tbody>
<tr>
<td>500</td>
<td>10</td>
<td>0</td>
<td>0.065</td>
<td>0.053</td>
<td>0.065</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.287</td>
<td>0.276</td>
<td>0.377</td>
</tr>
<tr>
<td>1000</td>
<td>10</td>
<td>0</td>
<td>0.053</td>
<td>0.055</td>
<td>0.060</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.281</td>
<td>0.293</td>
<td>0.383</td>
</tr>
<tr>
<td>2000</td>
<td>10</td>
<td>0</td>
<td>0.046</td>
<td>0.058</td>
<td>0.036</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.230</td>
<td>0.276</td>
<td>0.342</td>
</tr>
<tr>
<td>500</td>
<td>20</td>
<td>0</td>
<td>0.068</td>
<td>0.059</td>
<td>0.061</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.404</td>
<td>0.401</td>
<td>0.543</td>
</tr>
<tr>
<td>1000</td>
<td>20</td>
<td>0</td>
<td>0.044</td>
<td>0.052</td>
<td>0.040</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.399</td>
<td>0.399</td>
<td>0.548</td>
</tr>
<tr>
<td>2000</td>
<td>20</td>
<td>0</td>
<td>0.048</td>
<td>0.056</td>
<td>0.055</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.347</td>
<td>0.390</td>
<td>0.502</td>
</tr>
</tbody>
</table>

Table 1 confirms the good size and power of the Hong test, coherently with the evidences in [Hong (2001)]. The size and power are not affected by the sample size and only slightly impacted by the choice of $M$. On the contrary, when using the standardized normal quantiles as in [Lu et al. (2014)] the DCC-Hong test is characterized by a clear oversize, which only marginally decreases with an increase in the sample size. Moreover, the size evidently worsen when $M$ increases.

However, for the Hong test the asymptotic distribution has been derived in [Hong (2001)], for the DCC-Hong only heuristic arguments have been used to support the use of a standardized Normal as an approximation. In Figures (1) and (2) we report the Kernel density estimates of the DCC-Hong test statistics (for two unidirectional tests and for the bidirectional test) corresponding to the simulations under the null hypotheses used in Table 1. It clearly emerges from the plot that the test statistic does not possess a standard Normal density. We note a clear asymmetry and a very thick right tail. Moreover, by increasing the value of $M$ the deviation from the Gaussian increases. Such evidence give rise to the oversize noted in Table 1. Therefore, our simulations suggest that the derivation of the proper asymptotic distribution of the test statistic might represent a challenging topic for research. In fact, asymptotic results are not yet available for the DCC model of [Engle (2002)], an aspect that makes the asymptotic analysis on the DCC-Hong test quite complex. Furthermore, following from our discussion in the previous section, the non-standard form of
the test statistic distribution might be a by-product of the presence of nuisance parameters in the DCC filter.

Coherently with the literature of testing in the presence of nuisance parameters, we recover critical values for the test by running simulations under the DGP of this first case. Given the presence of a large right tails in the kernel densities of Figures 1 and 2, to recover critical values we run 10,000 replications. Table 2 reports the simulated critical values for selected values of $M$, of the sample size $T$, of the correlation between the innovations, $\rho$, and for different confidence levels.

The differences between the critical values reported in table and the quantiles of the Normal is striking. In addition, the distribution of the test statistics depends on the level of unconditional correlation between the series. Moreover, it appears that the test statistic distribution is impacted by the sample size. Our hypothesis is that this depends on relevance of the upper tail of the test statistic, requiring longer samples and a large number of simulations (larger than the one we adopt) to properly measure the critical values. A further possibility is that by adopting longer time series, the estimation of the filter (i.e. of its parameter) behind the DCC-Hong test is more precise with a longer sample.

The difference of the test statistic distribution from the Normal hypothesized by Lu et al. (2014) challenges their findings and shed additional light on the performances of the DCC-Hong test. In fact, by re-evaluating the DCC-Hong test size and power under Case 1 and using the simulated critical values, we do note that the test has now appropriate size (obviously), and its power properties are reasonable, even though the power of the Hong test is higher. The over-rejection that characterized the DCC-Hong test when using Gaussian quantiles has an impact not only on the evidence in Lu et al. (2014), but an all the papers, cited in the introduction, that adopt it.

Beside the need of using simulated critical values, the simulation above already show evidence that suggests caution in the use of the DCC-Hong testing approach, as the critical values depend on a number of elements. In the settings considered above, the DCC-Hong test power is in line with that of the Hong test. The performances of the Hong test when the underlying cross-correlation functions are evaluated on a shorter window are discussed under the following case.

**Case 2.** In this second simulation set, we assess the appropriateness of the Hong and DCC-Hong test when the causality changes over time in a simple way, i.e. with a structural break in the parameters. In details, the DGP is equivalent to that of Case 1 but for the parameter $\phi_{1,2}$ which is taking a value of 0 up to the middle of the sample and a value of 0.2 or 0.7 afterwards. We maintain all the other settings as in Case 1 with the addition of a second implementation for the Hong test. In fact, beside evaluating the test on the full residuals sample, we also evaluate the test by focusing on the last 100 observations. This is in line with the specification adopted by Lu et al. (2014) and will allow us to validate the use of a rolling approach for the Hong test when the causality relation modifies after an external event (which causes a break in the relation between the two series). Moreover, this second specification for the Hong test will allow us to contrast its performances to the DCC-Hong which, by construction, dynamically adapts to the series evolution: by using a shorter window for the Hong test evaluation, we induce the test statistic to be more reactive to possible changes in the time series.

We start by focusing on the size of the tests, i.e. we consider the causality from variable
Table 2: Simulated critical values for the DCC-Hong test under the null hypothesis and data generating process of Case 1. Values based on 10,000 simulations for different levels of unconditional correlation, $M$, and confidence levels.
Figure 1: Kernel density estimate of the DCC-Hong test statistics (in blue) for different sample sizes under the data generating process of Case 1 with $M = 10$; results based on 1000 experiments. Dashed black is used for the standardized Normal density.
Figure 2: Kernel density estimate of the DCC-Hong test statistics (in blue) for different sample sizes under the data generating process of Case 1 with $M = 20$; results based on 1000 experiments. Dashed black is used for the standardized Normal density.
Table 3: Size and power of Hong and DCC-Hong test under the DGP of Case 2. For DCC-Hong we adopt simulated critical values with innovation correlation set to 0.5.

1 to variable 2, which is absent in all simulations, irrespective of the break. Results are in line with those of Case 1, both for the Hong and DCC-Hong tests. Results on the power are interesting. In fact, when the causality is stronger ($\phi_{1,2} = 0.7$) both specifications of the Hong test as well as the DCC-Hong test have very good power. Differently, for mild causality ($\phi_{1,2} = 0.2$), both tests suffer for a decrease in power. Moreover, the power varies both with the sample length and the value of $M$. For the Hong test, when the sample size is relatively small, i.e. 100 observations, the power is limited, around 30% for the case when $M = 20$ and somewhat larger power for $M = 10$, this evidence challenges the use of the Hong test within a rolling scheme. Differently, when focusing on the full sample results for the Hong test and the DCC-Hong, we observe a larger power for the former, for all sample sizes and values of $M$. This evidence suggests that the Hong test performances are better when longer time series are available, while the DCC-Hong could be adopted with shorter time series to confirm the evidence of the Hong test.

**Case 3.** This last DGP is coherent with a smoother but continuous variation in the parameters driving the causality. We simulate time series from a Time-Varying Parameters VAR (TVP-VAR) model defined as follows

$$
\begin{bmatrix}
  x_{1,t} \\
  x_{2,t}
\end{bmatrix} =
\begin{bmatrix}
  \mu_1 \\
  \mu_2
\end{bmatrix} +
\begin{bmatrix}
  \phi_{1,1,t} \\
  \phi_{2,1,t}
\end{bmatrix}
\begin{bmatrix}
  x_{1,t-1} \\
  x_{2,t-1}
\end{bmatrix} +
\begin{bmatrix}
  \varepsilon_{1,t} \\
  \varepsilon_{2,t}
\end{bmatrix}
\begin{bmatrix}
  \phi_{1,1} \\
  \phi_{2,1}
\end{bmatrix}
\left[
\begin{bmatrix}
  \phi_{1,1,t-1} \\
  \phi_{2,1,t-1}
\end{bmatrix}
- 
\begin{bmatrix}
  \phi_{1,1} \\
  \phi_{2,1}
\end{bmatrix}
\right] +
\begin{bmatrix}
  \eta_{1,1,t} \\
  \eta_{2,1,t}
\end{bmatrix}
\right),
$$

where the time-varying autoregressive parameters follow independent AR(1) processes
with the same variance level, \( \sigma \), for the AR parameters evolution \( \eta_{k,i,t} \) is zero mean and unit variance i.i.d. noise. The parameter vector \( \Phi \) contains the time-varying parameters unconditional level. We consider several cases for the model parameters combining different levels of time-varying AR parameters persistence (the value of \( \rho \)) getting close to a random walk dynamic which is often used in empirical applications, different levels for the parameters’ innovation variance, and different unconditional levels for the time-varying parameter \( \phi_{1,2} \) to induce causality; the value of \( \hat{\phi}_{2,1} \) is always set to 0 while \( \hat{\phi}_{1,1} = \hat{\phi}_{2,2} = 0.5 \). We note that these settings induce causality at the unconditional level (on the parameters) but the existence of causality might become less evident (or stronger) due to the time-varying evolution of the model parameters. The time-varying nature of the parameters also make the GDP coherent with the intuition leading to the DCC-Hong test: it induces time-varying Cross Correlation functions. Similarly to the previous cases, we consider three different sample sizes, with \( T = \{500, 1000, 2000\} \), two different levels for \( M \), either 10 or 20, and the three tests for causality (two unidirectional and one bidirectional). Finally, for the Hong test, we run it by considering the full sample size but also the last 100 or 200 observations only.

When the data do not show, unconditionally, the existence of causality, both the Hong and DCC-Hong test exhibits good size properties which are not affected by different parameter settings nor by varying the size of the sample adopted for the evaluation of the test statistics.

Moving to the simulations assessing the power, we note again that both tests have appropriate power when the causality is stronger \( (\phi_{1,2} = 0.7) \); this result is confirmed for different sample sizes, different values of \( M \) and different parameters settings. On the contrary, when the causality is mild \( (\phi_{1,2} = 0.2) \) we have results similar to those of Case 2. In fact, when focusing on the full sample, the Hong test has better power than the DCC-Hong test, improving with the sample size and not much affected by the parameters settings. On the contrary, for small sample sizes, the power is relatively low, and worse than that of the DCC-Hong test. For the latter, the power increases with the sample size and is only marginally affected by the simulation settings, apart a decrease with increasing \( M \). We note that the simulations we provide also give some guidelines on the sample size at which the Hong test starts to have better power than the DCC-Hong test. In fact, when focusing on the results based on 200 observations and we contrast them to the power of the DCC-Hong based on 500 observations, we note that the former has better power. We thus believe that from 200 observations above the Hong test power is higher than the power of the DCC-Hong test.

We link this evidence both to the test performances but also to the DGP we consider, where causality is present at an unconditional level on the parameters: this might be better captured with longer samples. On the contrary, when samples are shorter, the parameters’ dynamic impacts the test performances. This is coherent with the fact the power drops when the causality is not strong \( (\hat{\phi}_{1,2} = 0.2) \), while for \( \hat{\phi}_{1,2} = 0.7 \) both tests has very good power levels.

The simulation result highlight the difficulties associated with the use of the Hong test within a rolling exercise, due to its low power when the causality is not strong and the rolling sample has a limited length. In this case, the DCC-Hong might be used as it has appropriate size and better power, when correct critical values are adopted. Differently, when the sample size is larger than 200 observations, the Hong test has better power and should be preferred.
Table 4: Size and power of Hong and DCC-Hong test under the DGP of Case 3 - first part. For DCC-Hong we adopt simulated critical values with innovation correlation set to 0.5.
Table 5: Size and power of Hong and DCC-Hong test under the DGP of Case 3 - second part. For DCC-Hong we adopt simulated critical values with innovation correlation set to 0.5.
3. Causality between oil prices: the case of Brent and WTI

In this section, we replicate some of the empirical evidence included in Lu et al. (2014). Specifically, we focus on the use of the rolling and DCC Hong tests and consider the two references indexes for the global crude oil markets: the West Texas Intermediate (WTI) crude oil and the Brent crude oil. Differently from Lu et al. (2014), we do not jointly evaluate the causality between future prices, the WTI and Brent prices we mentioned, and spot prices, Dubai and Tapis spot prices, adopted in Lu et al. (2014). In fact, we prefer to avoid combining in the analyses prices of different nature, i.e. on the one side we do have a financial contract, while on the other side a price derived from the exchange of large physical amounts of oil.

We downloaded the daily closing WTI and Brent futures prices from Bloomberg (CL1 Comdty and CO1 Comdty, respectively) from the 3rd of January 2002 to the 2nd of September 2021. Then we have computed the returns as $x_{i,t} = \log(P_{i,t}) - \log(P_{i,t-1})$ where $i = \{\text{WTI, BRENT}\}$. The analysis involves two periods: i) The period from the 3rd of January 2002 to the 19th of March 2012 as considered in Lu et al. (2014); and ii) The full period from the 3rd of January 2002 to the 2nd of September 2021 which encompasses also the outbreak of COVID-19 disease. The former is included to highlight the differences in the test outcomes due to the introduction of contemporaneous term in the equations of the Rolling and DCC-Hong tests performed in Lu et al. (2014).

4 Descriptive statistics of returns of WTI and Brent are included in Table 6. Regarding the first period, the returns show some discrepancies with respect to Lu et al. (2014). This could be attributed to the use of different data providers. In both samples, the mean of returns is small, the standard deviation is high, and the returns are not normally distributed as shown by the Jarque-Bera test. This is also highlighted by the negative skewness and the large kurtosis. The augmented Dickey-Fuller (ADF) test shows that the returns are stationary and the Box-Pierce statistics on the lag 5 and 10 confirms the presence of serial correlations. Data confirms once again that the ARMA-GARCH model represents a proper choice to account for the presence of heteroscedasticity and autocorrelations in the oil returns.

For the evaluation of causality, we follow Lu et al. (2014) in setting the lag truncation value, $M = 10$, in the use of the Bartlett kernel and in fixing the rolling subsample size for the rolling Hong tests, set to $S = 100$. Differently from Lu et al. (2014), we do not include the contemporaneous causality. Lu et al. (2014) support such a choice as a consequence of the asynchronicity in the trading; we believe such a choice is inappropriate given that the two future prices are recovered from exchanges based in the United States and, therefore, can be safely treated as synchronous.

Concerning the period considered in Lu et al. (2014), Figure 3 shows the unidirectional rolling Hong test from WTI to Brent (Brent ← WTI, first panel), the unidirectional rolling Hong test from Brent to WTI (Brent → WTI, second panel), and the bidirectional rolling

---

4 In their work, the authors include the case $j = 0$ which corresponds to contemporaneous correlations.
5 We have also performed the ADF test on the log prices. The test does not reject the null hypothesis of a unit root in both WTI and Brent for both periods.
6 There is only one hour delay between the Chicago and New York time.
<table>
<thead>
<tr>
<th>Returns</th>
<th>WTI (I)</th>
<th>Brent (II)</th>
<th>WTI (III)</th>
<th>Brent (IV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.063</td>
<td>0.068</td>
<td>0.024</td>
<td>0.024</td>
</tr>
<tr>
<td>Minimum</td>
<td>-13.065</td>
<td>-10.946</td>
<td>-34.542</td>
<td>-27.976</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>2.427</td>
<td>2.196</td>
<td>2.637</td>
<td>2.262</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.022</td>
<td>-0.118</td>
<td>-0.478</td>
<td>-0.579</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>7.171</td>
<td>5.754</td>
<td>28.054</td>
<td>16.026</td>
</tr>
<tr>
<td>JB</td>
<td>1929.676</td>
<td>847.656</td>
<td>134367.663</td>
<td>36554.987</td>
</tr>
<tr>
<td></td>
<td>[0.0010]</td>
<td>[0.0010]</td>
<td>[0.0010]</td>
<td>[0.0010]</td>
</tr>
<tr>
<td>ADF</td>
<td>-53.254</td>
<td>-55.110</td>
<td>-72.636</td>
<td>-73.606</td>
</tr>
<tr>
<td></td>
<td>[0.0010]</td>
<td>[0.0010]</td>
<td>[0.0010]</td>
<td>[0.0010]</td>
</tr>
<tr>
<td>Q(5)</td>
<td>21.571</td>
<td>24.511</td>
<td>45.805</td>
<td>12.122</td>
</tr>
<tr>
<td></td>
<td>[0.0006]</td>
<td>[0.0002]</td>
<td>[0.0000]</td>
<td>[0.0332]</td>
</tr>
<tr>
<td>Q(10)</td>
<td>27.741</td>
<td>35.086</td>
<td>48.889</td>
<td>18.985</td>
</tr>
<tr>
<td></td>
<td>[0.0020]</td>
<td>[0.0001]</td>
<td>[0.0000]</td>
<td>[0.0405]</td>
</tr>
<tr>
<td>Observations</td>
<td>2662</td>
<td>2662</td>
<td>5130</td>
<td>5130</td>
</tr>
<tr>
<td>Start</td>
<td>03-Jan-02</td>
<td>03-Jan-02</td>
<td>03-Jan-02</td>
<td>03-Jan-02</td>
</tr>
<tr>
<td>End</td>
<td>19-Mar-12</td>
<td>19-Mar-12</td>
<td>03-Sep-21</td>
<td>03-Sep-21</td>
</tr>
</tbody>
</table>

Table 6: Descriptive statistics for returns of WTI and Brent.

Notes: Columns I and II includes the descriptive statistics from January 3, 2002 to March 19, 2012, the same period considered in [Lu et al., 2014]. Columns III and IV includes the full-sample from January 3, 2002 to September 2, 2021. JB refers to the Jarque-Bera normality test, ADF to the Dickey-Fuller unit root test, while Q(5) and Q(10) are the Box–Pierce statistics for 5th and 10th order serial correlations; values in [] are t-values. For the ADF test we use the standard specification without drift and trend components.
Hong test (Brent ↔ WTI, third panel). The 1% normal quantile critical value for the rejection of the null hypothesis (no tail causality) is indicated in the dashed red line. The Brent-WTI spread is reported at the bottom of the figure.

The unidirectional Brent ← WTI shows that there are three statistically significant causality episodes from WTI to Brent. The first is a short-lived episode in the mid-2006 when crude oil has experienced an all-time record. The second episode is after May 2010 with the drop of crude oil prices due to concerns about the economic growth in the European Union given the sovereign debt crisis in the peripheral countries. The last episode involves oil production cuts in February 2011 during the Arab spring in Libya, Egypt, Yemen, Syria, and Bahrain.

The unidirectional Brent → WTI exhibits two statistically significant causality episodes from Brent to WTI. The first episode occurs during the invasion of Iraq in 2003. At that time, the country owned one of the largest oil reserves. The second episode refers to the oil production cuts during the Arab spring as previously discussed.

The bidirectional Brent ↔ WTI shows the three statistically significant causality episodes discussed for the unidirectional cases. The first represents the invasion of Iraq in 2003. The second episode concerns the European sovereign debt crisis in May 2010. The third episode refers to the Arab spring in February 2011. As shown in Figure 1 of Lu et al. (2014), their values for the test statistic are considerably higher due to the contemporaneous correlation included in the Rolling Hong tests. In this case, the role played by comovements is predominantly and is further clarified below for the case of the DCC-MGARCH.

Figure 4 includes the results for the DCC-MGARCH Hong tests. Additionally, the dashed black line indicates the 1% simulated critical values according to the study performed in Section 2.1. It is worth noting that the simulated critical value is considerably higher than the one expressed by the normal quantile. That is, the black dashed line is well above the red dashed line.

Table 7 shows the rejection rate of the null hypothesis of no tail causality for the DCC-MGARCH Hong test according to the Normal critical value (first column) and the simulated critical value (second column). As it can be viewed, the rejection rate of the null hypothesis with the 1% normal quantile critical value is considerably higher than the one of the simulated critical values.

<table>
<thead>
<tr>
<th>α = 1%</th>
<th>Normal</th>
<th>Simulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brent ← WTI</td>
<td>100.00%</td>
<td>0.11%</td>
</tr>
<tr>
<td>Brent → WTI</td>
<td>6.09%</td>
<td>0.57%</td>
</tr>
<tr>
<td>Brent ↔ WTI</td>
<td>33.72%</td>
<td>0.30%</td>
</tr>
</tbody>
</table>

Table 7: The rejection rate of the null hypothesis of no tail causality for the DCC-MGARCH Hong tests according to the 1% Normal critical value (first column) and the 1% simulated critical value (second column).

Notes: The unidirectional DCC-MGARCH Hong test from WTI to Brent (first row), the unidirectional DCC-MGARCH Hong test from Brent to WTI (second row), and the bidirectional DCC-MGARCH Hong test (third row). The considered period is from January 3, 2002 to March 19, 2012 as in Lu et al. (2014).

For the case of Brent ← WTI, the rejection rate is 100% for the normal quantile critical
Figure 3: Rolling Hong tests with between Brent and WTI as in Lu et al. (2014).

Notes: The unidirectional rolling Hong test from WTI to Brent (first), the unidirectional rolling Hong test from Brent to WTI (second), and the bidirectional rolling Hong test. The dashed red line indicates the 1% normal quantile critical value. The fourth panel includes the Brent-WTI spread. The considered period is from January 3, 2002 to March 19, 2012 as in Lu et al. (2014). The rolling sample size is equal to 100.
Figure 4: DCC-MGARCH Hong tests between Brent and WTI as in Lu et al. (2014).

Notes: The unidirectional DCC-MGARCH Hong test from WTI to Brent (first), the unidirectional DCC-MGARCH Hong test from Brent to WTI (second), and the bidirectional DCC-MGARCH Hong test. The dashed black (red) line indicates the 1% simulated (normal quantile) critical value. The forth panel includes the Brent-WTI spread. The considered period is from January 3, 2002 to March 19, 2012 as in Lu et al. (2014).
value while is 0.11% for the simulated quantile. This clearly leads to opposite conclusions on the rejection of the null hypothesis and represents the key point of our exercise. The difference between the rejection rates of the two critical values is also visible for Brent → WTI and Brent ↔ WTI. The two cases show a rejection rate of 6.09% (0.57%) and 33.72% (0.30%) using the normal (simulated) quantile critical value, respectively. The simulated quantile critical value provides a number of statistically significant causality episodes in line with the one for the rolling Hong test even if the timing is not fully aligned. Clearly, the different timing also depends on the selected rolling subsample size. For instance, there are two further significant causality episodes for Brent → WTI and Brent ↔ WTI not detected in the rolling Hong test. The first concerns the oil embargo issued by Iraq in April 2002 and involved the exports of about 1.5 million barrels of oil a day (1 million only to the US). The second involves a dispute between OPEC and the George W. Bush administration in March 2008 regarding the causes of the increase in oil prices.

Even in this case, the values for the test are considerably lower than the ones reported in [Lu et al., 2014]. Figure 5 shows the estimated dynamic conditional correlations which range from -M to M with M = 10. The dashed red line indicates the contemporaneous correlation, the j = 0 case, included in the Hong test by [Lu et al., 2014].

It is clear that the discrepancy in the results is due to the contemporaneous correlation included in the Hong test by [Lu et al., 2014]. The dynamic of the bidirectional test of [Lu et al., 2014] (solid green line in Fig. 5 of the paper) is almost identical to the contemporaneous correlation shown in our figure. As discussed above, we do believe that it does not represent an appropriate choice since contemporaneous correlations measure comovements of two crude oil commodities that are synchronously traded in the US market. This is also confirmed by the difference in magnitude of the correlations. The dynamic contemporaneous correlation is on average 0.86 while the lead/lag correlations are on average close to zero.

![Figure 5: Estimated dynamic conditional correlations using the DCC model of Engle (2002).](image)

**Notes:** The DCC model provides 2M + 1 estimated paths for the cross-correlation which range from -M to M with M = 10. The dashed red line indicates the contemporaneous correlation which represents the j = 0 case included in the Hong test by [Lu et al., 2014]. The considered period is from January 3, 2002 to March 19, 2012.

Finally, Figures 6 and 7 include the results for the full sample according to the rolling

---

7In Appendix A we show that by selecting S = 200 the dynamic of the test changes.
Hong and the DCC-MGARCH Hong tests, respectively. The dynamic of both Hong tests show a further statistically significant causal episode in June 2020 after the outbreak of COVID-19. Notably, the WTI experienced a negative price for the first time in history.

Table 8 shows the rejection rate of the null hypothesis of no tail causality for the DCC-MGARCH Hong test according to the Normal critical value (first column) and the simulated critical value (second column). Also for the full sample, the rejection rate of the null hypothesis is considerably lower for the simulated critical values.

<table>
<thead>
<tr>
<th></th>
<th>α = 1% Normal</th>
<th>Simulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brent ← WTI</td>
<td>4.32%</td>
<td>0.04%</td>
</tr>
<tr>
<td>Brent → WTI</td>
<td>1.53%</td>
<td>0.06%</td>
</tr>
<tr>
<td>Brent ↔ WTI</td>
<td>2.99%</td>
<td>0.06%</td>
</tr>
</tbody>
</table>

Table 8: The rejection rate of the null hypothesis of no tail causality for the DCC-MGARCH Hong tests according to the 1% Normal critical value (first column) and the 1% simulated critical value (second column).

Notes: The unidirectional DCC-MGARCH Hong test from WTI to Brent (first row), the unidirectional DCC-MGARCH Hong test from Brent to WTI (second row), and the bidirectional DCC-MGARCH Hong test (third row). The considered period is from January 3, 2002 to September 2, 2021.

It is worth noting that the DCC-MGARCH Hong tests provide different results for the subsample period from January 3, 2002, to March 19, 2012. As shown in Figures 4 and 7, the value of the test is on average lower in the full sample estimates with respect to the value obtained in the subsample estimates. In the former, the only significant causality episode is detected during the outbreak of COVID-19.

Smaller values of the statistic are originated by lower dynamic conditional correlations obtained in the full sample. If the causality represents short-lived periods, the identification of the significant episodes based on cross-correlations will fade away with the increase of $T$ since the estimated parameters of the DCC-GARCH model will be driven by periods of weak dependence.

To preserve the identification of those transitory episodes, a rolling evaluation scheme of the DCC-Hong test should be adopted. However, a rolling DCC-Hong test would be more computationally intensive and a simple rolling Hong test would represent a more viable solution.

4. Conclusion

We show that the test statistic suggested by Lu et al. (2014) to detect causality has a non-standard distribution whose critical values must be recovered by simulations. Moreover, resorting to a Monte Carlo study we show that a rolling application of the test proposed by Hong (2001) seems to be more appropriate with longer time series. Using simulated critical values we replicate some of the evidence in Lu et al. (2014) showing striking differences in the detection of causality. Our results challenge the evidence reported in other studies that adopted the approach put forward by Lu et al. (2014).
Figure 6: Rolling Hong tests between Brent and WTI for the full sample.

Notes: The unidirectional rolling Hong test from WTI to Brent (first), the unidirectional rolling Hong test from Brent to WTI (second), and the bidirectional rolling Hong test. The dashed red line indicates the 1% normal quantile critical value. The forth panel includes the Brent-WTI spread. The considered period is from January 3, 2002 to September 2, 2021. The rolling sample size is equal to 100.
Figure 7: DCC-MGARCH Hong tests between Brent and WTI for the full sample.

Notes: The unidirectional DCC-MGARCH Hong test from WTI to Brent (first), the unidirectional DCC-MGARCH Hong test from Brent to WTI (second), and the bidirectional DCC-MGARCH Hong test. The dashed black (red) line indicates the 1% simulated (normal quantile) critical value. The forth panel includes the Brent-WTI spread. The considered period is from January 3, 2002 to September 2, 2021.
Acknowledgments: the first author acknowledges financial support from Italian Ministry of University and Research project PRIN2017 HiDEA: Advanced Econometrics for High Frequency Data, 2017RSMPZZ.

References


Appendix A. Rolling Hong test with a subsample size equal to 200.

In this section, we perform the rolling Hong tests with the subsample size $S = 200$. Figures A.8 and A.9 show the unidirectional rolling Hong tests and the bidirectional rolling Hong test for the period considered in [Lu et al. (2014)] and the full sample from January 3, 2002 to September 2, 2021.

Figure A.8: Rolling Hong tests with between Brent and WTI as in [Lu et al. (2014)].

Notes: The unidirectional rolling Hong test from WTI to Brent (first), the unidirectional rolling Hong test from Brent to WTI (second), and the bidirectional rolling Hong test. The dashed red line indicates the 1\% normal quantile critical value. The forth panel includes the Brent-WTI spread. The considered period is from January 3, 2002 to March 19, 2012 as in [Lu et al. (2014)]. The rolling sample size is equal to 200.
Figure A.9: Rolling Hong tests between Brent and WTI for the full sample.

Notes: The unidirectional rolling Hong test from WTI to Brent (first), the unidirectional rolling Hong test from Brent to WTI (second), and the bidirectional rolling Hong test. The dashed red line indicates the 1% normal quantile critical value. The forth panel includes the Brent-WTI spread. The considered period is from January 3, 2002 to September 2, 2021. The rolling sample size is equal to 200.