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Structural changes and out-of-sample prediction of realized range-based variance in the stock market

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Highlights

- We develop the HAR-RRV-SC, HAR-RRV-ONI-SC and LHAR-RRV-SC models.
- There are many structural changes in variance of S&P 500 Index.
- The variance after the financial crisis contains more structural change points.
- The HAR-RRV-SC model significantly outperforms the HAR-BV model.
- Structural changes can improve out-of-sample prediction of realized range-based variance.

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