

Accepted Manuscript

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PII: S0304-4076(15)00143-8

DOI: <http://dx.doi.org/10.1016/j.jeconom.2015.04.002>

Reference: ECONOM 4121

To appear in: *Journal of Econometrics*

Received date: 5 November 2013

Revised date: 17 April 2015

Accepted date: 19 April 2015



Please cite this article as: Fengler, M.R., Mammen, E., Vogt, M., Specification and structural break tests for additive models with applications to realized variance data. *Journal of Econometrics* (2015), <http://dx.doi.org/10.1016/j.jeconom.2015.04.002>

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Specification and structural break tests for additive models with applications to realized variance data

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May 4, 2015

Abstract

We study two types of testing problems in a nonparametric additive model setting: We develop methods to test (i) whether an additive component function has a given parametric form and (ii) whether an additive component has a structural break. We apply the theory to a nonparametric extension of the linear heterogeneous autoregressive model which is widely employed to describe realized variance data. We find that the linearity assumption is often rejected, but actual deviations from linearity are mild.

AMS 1991 subject classifications. 62G08, 62G10

Journal of economic literature classification. C14, C58

Keywords and phrases. Additive models; Backfitting; Nonparametric time series analysis; Specification tests; Structural break tests; Realized variance; Heterogeneous autoregressive model

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