Accepted Manuscript

Estimation of time-dependent Hurst exponents with variational smoothing and application to forecasting foreign exchange rates

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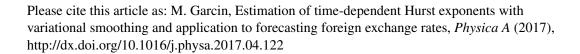
PII: S0378-4371(17)30434-X

DOI: http://dx.doi.org/10.1016/j.physa.2017.04.122

Reference: PHYSA 18224

To appear in: Physica A

Received date: 14 December 2016 Revised date: 15 March 2017



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Highlights:

- New method to smooth any raw time series of statistics
- Smoothing method based on variational calculus provides closed-form expressions
- Application to the estimation of time-varying Hurst exponents
- \bullet $\,\,$ Forecasting algorithm using the estimated multifractional Brownian motion
- \bullet Application to FX market with good forecasts when H>0.5 and non-significant results when H<0.5

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