

REVIEW OF GARCH MODEL APPLICABILITY IN VIEW OF SOME RECENT RESEARCH

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Abstract

The aim of this paper is to present a concise review of selected theoretical aspects of GARCH family of models. The article contains a literature review from last few years, in which various arguments are presented. Both advocating the usability of GARCH models and also arguments against this model. The review contains both references to some theoretical considerations and also to practical researches. In particular, we focused on applicability of GARCH model to describe the volatility of risk premium and stock returns.

Keywords: GARCH, risk premium, volatility

JEL classification codes: C22, G17