

Realized Copulae

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Abstract. This paper considers realized copulae as the possible way of modelling time varying dependency using copulae. We estimate integrated volatility together with the daily correlation by well-known methods of realized, by averaging and kernel volatility and covariances. Using Hoeffding-Lemma we propose several methods of estimation realized copulae. This novating method goes beyond the classical Gaussian approach and allows high-frequency data to be dependent through a pre-selected copula function. The efficiency has been compared with the time varying copulae based on daily data estimated through rolling window and local change point detection procedure. Further all methods are compared via the VaR procedure.

Keywords: Copulae, high-frequency econometrics.