

ABSTRACT

Modelling volatility plays an important role in the financial sector. Return is one measure used to determine the return on investment, and investors prefer to see the value of an asset of the level of return. Volatility is a model that values tend to change with time. There are several models that are often used to model the volatility of a financial data. Among them are models Generalized Conditional Aoutoregressive Heteroskidastity (GARCH) which is a time series model that assumes volatility is not constant. In this final project is discussed about the comparison predictions volatility of GARCH (0,1) and GARCH (0,2). In addition, weak kestasioneran performed simulations of both models. The performance of both models is measured using Root Mean Square Error (RMSE) and Mean Absolute Error (MEA). Based on these tests, obtained RMSE for GARCH (0,1) of 0.00257 and the GARCH (0,2) of 0.00354. Results MEA GARCH (0,1) of 0.00014 and the GARCH (0,2) of 0.00024.

Keywords: GARCH, time series, return, kestasioneran, volatility.