<u>Readme for Application section</u>

This file provides instructions to replicate the results within the application section of the paper Calculating Effective Degrees of Freedom for Forecast Combinations and Ensemble Models by James Younker.

Step 1

The calculations done in this section are based on the data and replication files from: Stock, J. and M. Watson. 2004. "Combination Forecasts of Output Growth in a Seven-Country Data Set. Journal of Forecasting 23 (6): 405–430.

The first step is to download and run the replication files for Stock & Watson 2004.

To run the Stock and Watson program one needs the file Fcst.prc from an earlier Stock and Watson paper. In has been attached for convince, however for dissemination purposes it has been converted to a PDF and needs to be converted back to a prc before being used.

Step 2

A modified version of two Stock and Watson files are attached: FCST1.gss and comb.gss. The modifications indicated in the file with comments print/save additional output but don't otherwise modify the programs. For dissemination purposes they have been converted to PDFs and need to be converted back to gss before being used.

Step 3

The modifications to FCST1.gss and comb.gss produce values for auxiliary model parameter counts and OLS forecast combination weights. When these values are entered into the blue cells in the excel file 'EDF_Calc_Nov11_2024' it produces the values in the green cells which are used in the application section of the paper. Moving the program output values to the blue cells is done manually.