

H Chow test

We used the following formula:

$$\frac{(RSS_1 - RSS_2)/r}{RSS_1/(n - k)} \sim_{n-k}^r F$$

Here are our two models:

With SPSS, we obtained¹ $RSS_{PTF1} = 6029$, $RSS_{PTF2} = 4637$, $RSS_{PTF3} = 4970$, $RSS_{PTF4} = 3588$.

n is the number of observations (25), r is the number of constraints/hypothesis (3) and k is the number of parameters (4).

In the Fisher table, we found that the Fisher threshold for accepting or rejecting the null hypothesis is 3,21.

When comparing PTF1 and PTF3, we obtained 2,10 and when comparing PTF4 and PTF6 we obtained 2,69. Both figures are lower than 3,21 which means that we accept the null hypothesis and that there are no structural changes among parameters.

¹Please refer to Chapter 6.3 for RSS of Portfolio 1 and Appendix G for RSS of Portfolios 3, 4 and 6.