Statistical and RBF NN models: Providing forecasts and risk assessment

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Abstract
Forecast accuracy of economic and financial processes is a popular measure for quantifying the risk in decision making. In this paper, we develop forecasting models based on statistical (stochastic) methods, sometimes called hard computing, and on a soft method using granular computing. We consider the accuracy of forecasting models as a measure for risk evaluation. It is found that the risk estimation process based on soft methods is simplified and less critical to the question whether the data is true crisp or white noise.

Keywords
ARCH-GARCH models, forecasting accuracy, granular computing, soft neural networks, time series.

JEL Classification: C10, C53, D81

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