

# **Release Notes for Econometrics Toolbox™**

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*Release Notes for Econometrics Toolbox™*

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## **R2013a**

Heteroscedasticity and autocorrelation consistent (HAC) covariance estimators .....	2
Regression component added to ARIMA models .....	3
Changes to <code>lmctest</code> .....	4
Functionality being moved .....	5

## **R2012b**

Impulse response (dynamic multipliers) for ARIMA models .....	8
Filter user-specified disturbances through ARIMA and conditional variance models .....	9
A series of new examples on time-series regression techniques .....	10

## **R2012a**

New Model Objects and Their Functions .....	12
New Utility Functions .....	13
Demo for Static Time Series Model Specification .....	14
New Data Sets .....	15

## **R2011b**

Warning and Error ID Changes .....	18
------------------------------------	----

## **R2011a**

New Cointegration Functionality .....	20
Convert Vector Autoregressive Models to and from Vector Error-Correction Models .....	21
Data Sets for Calibrating Economic Models .....	22

## **R2010b**

Functions Being Removed .....	24
Additional Syntax Options for archtest and lbqtest .....	26
New Data Set for Calibrating Economic Models .....	27

## **R2010a**

Functions Being Removed .....	30
Demo Showing Multivariate Modeling of the U.S. Economy .....	32
Lag Operator Polynomial Objects .....	33
Leybourne-McCabe Test for Stationarity .....	34
Historical Data Sets for Calibrating Economic Models ...	35
New Organization and Naming Standard for Data Sets ..	36
New Naming Convention for Demos and Example Functions .....	37

## **R2009b**

Unit Root Tests .....	40
Financial Toolbox Required .....	41
Nelson-Plosser Data .....	42

## **R2009a**

Hypothesis Tests .....	44
Structural VAR, VARX, and VARMAX models .....	45
New Demo .....	46

## **R2008b**

Multivariate VAR, VARX, and VARMA Models .....	48
Heston Stochastic Volatility Models .....	49

## **R2008a**

Monte Carlo Simulation of Stochastic Differential Equations .....	52
--	----

## **R2007b**

Changes to garchsim .....	54
---------------------------	----

## **R2007a**

No New Features or Changes

## **R2006b**

Data Preprocessing .....	58
Demos .....	59

**R2006a**

User's Guide .....	62
Statistical Functions .....	63

**R14SP3**

Changes to garchsim .....	66
---------------------------	----

# R2013a

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Version: 2.3  
New Features: Yes  
Bug Fixes: No

## **Heteroscedasticity and autocorrelation consistent (HAC) covariance estimators**

The new `hac` function estimates robust covariances for ordinary least squares coefficients of multiple linear regression models under general forms of heteroscedasticity and autocorrelation.



## **Regression component added to ARIMA models**

### **Compatibility Considerations: Yes**

You can include a regression component to an arima model to measure the linear effects that exogenous covariate series have on a response series. This new functionality also enhances `estimate`, `filter`, `forecast`, `infer`, and `simulate`.

### **Compatibility Considerations**

This new arima functionality replaces `garchfit`, `garchdisp`, `garchinfer`, `garchget`, `garchset`, `garchpred`, and `garchsim`. Change all instances of those functions using the new arima syntax.

## **Changes to `lmctest`**

### **Compatibility Considerations: Yes**

`lmctest` uses `estimate` rather than `garchfit` to calculate the MLEs under the alternative hypothesis.

### **Compatibility Considerations**

You might receive slightly different estimates and, in some cases, p-values for the same data under the previous functionality of `lmctest`.

## Functionality being moved

Compatibility Considerations: Yes

Function Name	What Happens When You Use This Function?	Use This Function Instead	Compatibility Considerations
garchcount	Warns	N/A	N/A
garchdisp	Warns	print method of the classes arima, garch, egarch, and gjr	Replace all existing instances of garchdisp with the correct print syntax.
garchfit	Warns	estimate method of the classes arima, garch, egarch, and gjr	Replace all existing instances of garchfit with the correct estimate syntax.
garchget	Warns	arima, garch, egarch, and gjr	Specify GARCH model using the appropriate model creator arima, garch, egarch, or gjr. Use Dot Notation to retrieve parameter values from the model.
garchinfer	Warns	infer method of the classes arima, garch, egarch, and gjr	Replace all existing instances of garchinfer with the correct infer syntax.
garchplot	Warns	N/A	N/A
garchpred	Warns	forecast method of the classes arima, garch, egarch, and gjr	Replace all existing instances of garchpred with the correct forecast syntax.

<b>Function Name</b>	<b>What Happens When You Use This Function?</b>	<b>Use This Function Instead</b>	<b>Compatibility Considerations</b>
<code>garchset</code>	Warns	<code>arima</code> , <code>garch</code> , <code>egarch</code> , and <code>gjr</code>	Specify GARCH model using the appropriate model creator <code>arima</code> , <code>garch</code> , <code>egarch</code> , or <code>gjr</code> . Use Dot Notation to retrieve parameter values from the model.
<code>garchsim</code>	Warns	<code>simulate</code> method of the classes <code>arima</code> , <code>garch</code> , <code>egarch</code> , and <code>gjr</code>	Replace all existing instances of <code>garchsim</code> with the correct <code>simulate</code> syntax.

# R2012b

---

Version: 2.2  
New Features: Yes  
Bug Fixes: No

## **Impulse response (dynamic multipliers) for ARIMA models**

The `arma` model object has a new `impulse` method for generating and plotting impulse response functions for ARIMA models.

## **Filter user-specified disturbances through ARIMA and conditional variance models**

There are new methods to filter user-specified disturbances through ARIMA and conditional variance models:

- `filter` for `arma` model objects to filter disturbances through an ARIMA process.
- `filter` for `garch` model objects to filter disturbances through a GARCH process.
- `filter` for `egarch` model objects to filter disturbances through an EGARCH process.
- `filter` for `gjr` model objects to filter disturbances through a GJR process.

## **A series of new examples on time-series regression techniques**

Eight new examples that illustrate common principles and tasks in time-series regression modeling:

- Time Series Regression I: Linear Models
- Time Series Regression II: Collinearity and Estimator Variance
- Time Series Regression III: Influential Observations
- Time Series Regression IV: Spurious Regression
- Time Series Regression V: Predictor Selection
- Time Series Regression VI: Residual Diagnostics
- Time Series Regression VII: Forecasting
- Time Series Regression VIII: Lagged Variables and OLS Estimator Bias



# R2012a

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Version: 2.1  
New Features: Yes  
Bug Fixes: No

## **New Model Objects and Their Functions**

Econometrics Toolbox™ has four new model objects for modeling univariate time series data.

- The `arma` model object supports ARIMA processes, including AR, MA, ARMA, and seasonal models.
- For modeling conditionally heteroscedastic series, there are new `garch`, `egarch`, and `gjr` model objects, supporting GARCH models and the EGARCH and GJR variants.

Five new functions for each model object simplify the modeling workflow: `estimate`, `infer`, `forecast`, `print`, and `simulate`.

## **New Utility Functions**

Four new utility functions assist in time series analysis:

- `corrplot` plots predictor correlations.
- `collintest` performs Belsley collinearity diagnostics.
- `i10test` conducts paired integration and stationarity tests.
- `recessionplot` adds recession bands to time series plots.

## **Demo for Static Time Series Model Specification**

A new demo, “Specifying Static Time Series Models,” steps through the model specification workflow for static multiple linear regression models.

Steps include:

- Detecting multicollinearity
- Identifying influential observations
- Testing for spurious regression due to integrated data
- Selecting predictor subsets using stepwise regression and lasso
- Conducting residual diagnostics
- Forecasting

The demo uses many tools from Econometrics Toolbox, and introduces new utility functions useful for model specification.

To run the demo in the Command Window, use the command `showdemo Demo_StaticModels`.

## New Data Sets

Econometrics Toolbox includes two new data sets:

- **Data\_CreditDefaults.** Historical data on investment-grade corporate bond defaults and four predictors, 1984–2004. Data are those used in: Loeffler, G., and P. N. Posch. *Credit Risk Modeling Using Excel and VBA*. West Sussex, England: Wiley Finance, 2007.
- **Data\_Recessions.** U.S. recession start and end dates from 1857 to 2011. Source: National Bureau of Economic Research. “U.S. Business Cycle Expansions and Contractions.” <http://www.nber.org/cycles.html>.



# R2011b

---

Version: 2.0.1  
New Features: Yes  
Bug Fixes: No

## **Warning and Error ID Changes**

### **Compatibility Considerations: Yes**

Many warning and error IDs have changed from their previous versions. These warnings or errors typically appear during a function call.

### **Compatibility Considerations**

If you use warning or error IDs, you might need to change the strings you use. For example, if you turned off a warning for a certain ID, the warning might now appear under a different ID. If you use a `try/catch` statement in your code, replace the old identifier with the new identifier. There is no definitive list of the differences, or of the IDs that changed.



# R2011a

---

Version: 2.0  
New Features: Yes  
Bug Fixes: No

## **New Cointegration Functionality**

Econometrics Toolbox now offers functions for cointegration testing and modeling. The `egcitest` function uses Engle-Granger methods to test for individual cointegrating relationships, and estimates their parameters. The `jcitest` function uses Johansen methods to test for multiple cointegrating relationships, and estimates parameters in corresponding vector error-correction models. The `jctest` function tests linear restrictions on both error-correction speeds and the space of cointegrating vectors, and estimates restricted model parameters.

## **Convert Vector Autoregressive Models to and from Vector Error-Correction Models**

The functions `vectovar` and `vartovec` allow you to convert between vector autoregressive (VAR) models and vector error-correction (VEC) models.

## Data Sets for Calibrating Economic Models

Econometrics Toolbox includes three new data sets:

- **Data\_Canada.** Mackinnon's data on inflation and interest rates in Canada, 1954–1994. Data are those used in: MacKinnon, J. G. "Numerical Distribution Functions for Unit Root and Cointegration Tests." *Journal of Applied Econometrics*. v. 11, 1996, pp. 601–618.
- **Data\_JDanish, Data\_JAustralian.** Johansen's data on money and income in Denmark, 1974–1987, and Australia/U.S. purchasing power and interest parity, 1972–1991. Data are those used in: Johansen, *Likelihood-Based Inference in Cointegrated Vector Autoregressive Models*. Oxford: Oxford University Press, 1995.

# R2010b

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Version: 1.4  
New Features: Yes  
Bug Fixes: No

## Functions Being Removed

Compatibility Considerations: Yes

Function Name	What Happens When You Use This Function?	Use This Function Instead	Compatibility Considerations
dfARDTest	Error	adftest	The new function syntax differs. Replace all existing instances of dfARDTest with the correct adftest syntax.
dfARTest	Error	adftest	The new function syntax differs. Replace all existing instances of dfARTest with the correct adftest syntax.
dfTSTest	Error	adftest	The new function syntax differs. Replace all existing instances of dfTSTest with the correct adftest syntax.
ppARDTest	Error	pptest	The new function syntax differs. Replace all existing instances of ppARDTest with the correct pptest syntax.

<b>Function Name</b>	<b>What Happens When You Use This Function?</b>	<b>Use This Function Instead</b>	<b>Compatibility Considerations</b>
ppARTest	Error	pptest	The new function syntax differs. Replace all existing instances of ppARTest with the correct pptest syntax.
ppTSTest	Error	pptest	The new function syntax differs. Replace all existing instances of ppTSTest with the correct pptest syntax.

## **Additional Syntax Options for `archtest` and `lbqtest`**

The functions `archtest` and `lbqtest` now take name-value pair arguments as inputs. The old syntax of individual arguments will continue to work but will not be documented.



## **New Data Set for Calibrating Economic Models**

The economic data from the paper by Nielsen and Risager, “Stock Returns and Bond Yields in Denmark, 1922–99,” (Department of Economics, Copenhagen Business School; Working paper 3-2001, 2001) is now included with Econometrics Toolbox in the file `Data_Danish`.



# R2010a

---

Version: 1.3  
New Features: Yes  
Bug Fixes: No

## Functions Being Removed

Compatibility Considerations: Yes

Function Name	What Happens When You Use This Function?	Use This Function Instead	Compatibility Considerations
dfARDTest	Error	adftest	The new function syntax differs. Replace all existing instances of dfARDTest with the correct adftest syntax.
dfARTest	Error	adftest	The new function syntax differs. Replace all existing instances of dfARTest with the correct adftest syntax.
dfTSTest	Error	adftest	The new function syntax differs. Replace all existing instances of dfTSTest with the correct adftest syntax.
ppARDTest	Error	pptest	The new function syntax differs. Replace all existing instances of ppARDTest with the correct pptest syntax.

<b>Function Name</b>	<b>What Happens When You Use This Function?</b>	<b>Use This Function Instead</b>	<b>Compatibility Considerations</b>
ppARTest	Error	pptest	The new function syntax differs. Replace all existing instances of ppARTest with the correct pptest syntax.
ppTSTest	Error	pptest	The new function syntax differs. Replace all existing instances of ppTSTest with the correct pptest syntax.

## **Demo Showing Multivariate Modeling of the U.S. Economy**

A new demo, “Modeling the United States Economy,” develops a small macroeconomic model. This model is used to examine the impact of various shocks on the United States economy, particularly around the period of the 2008 fiscal crisis. It uses the multiple time series tools from the Econometrics Toolbox.

To run the demo in the command window, use the command `echodemo Demo_USEconModel`.

## **Lag Operator Polynomial Objects**

The new `LagOp` polynomial class provides methods to create and manipulate lag operator polynomials and filter time series data, as well as methods to perform polynomial algebra including addition, subtraction, multiplication, and division.

## **Leybourne-McCabe Test for Stationarity**

The new Leybourne-McCabe test function `lmctest` assesses the null hypothesis that a univariate time series  $y$  is a trend-stationary  $AR(p)$  process against the alternative that  $y$  is a nonstationary  $ARIMA(p,1,1)$  process.



## Historical Data Sets for Calibrating Economic Models

The new data set `Data_SchwertMacro` contains original data from G. William Schwert's article "Effects of Model Specification on Tests for Unit Roots in Macroeconomic Data," (*Journal of Monetary Economics*, Vol. 20, 1987, pp. 73–103.). These data are a benchmark for unit root tests. The new data set `Data_SchwertStock` contains indices of U.S. stock prices as published in G. William Schwert's article "Indexes of U.S. Stock Prices from 1802 to 1987," (*The Journal of Business*, Vol. 63, 1990, pp. 399–42.). The new data set `Data_USEconModel` contains the macroeconomic series for the new demo `Demo_USEconModel`.

## **New Organization and Naming Standard for Data Sets**

### **Compatibility Considerations: Yes**

Econometrics Toolbox has a new set of naming conventions for data sets. Data set names are prefixed by `Data_`.

For full information on the available data sets, demos, and examples, see `Data Sets, Demos, and Example Functions` or type `help econ/econdemos` at the command line. For more information on Dataset Array objects, see `dataset` in the Statistics Toolbox™ documentation.

### **Compatibility Considerations**

Replace any instances of `load Old_Data` with `load` and the new file name.

## **New Naming Convention for Demos and Example Functions**

### **Compatibility Considerations: Yes**

All demos and examples in the Econometrics Toolbox have been moved to the folder `econ/econdemos` and renamed according to the following convention:

- Demos are named `Demo_DemoName`
- Examples are named `Example_ExampleName`

### **Compatibility Considerations**

Replace any instances of example functions with their new names. For full information on the available, demos, and examples, see `Data Sets`, `Demos`, and `Example Functions` or type `help econ/econdemos` at the command line.



# R2009b

---

Version: 1.2  
New Features: Yes  
Bug Fixes: No

## **Unit Root Tests**

**Compatibility Considerations: Yes**

There are now four classes of unit root tests. More information on the tests is available in the Unit Root Nonstationarity section of the User's Guide.

### **Dickey-Fuller and Phillips-Perron Tests**

Dickey-Fuller and Phillips-Perron tests now have single interfaces, with new capabilities for multiple testing. Both `adftest` and `pptest` test a unit root null hypothesis against autoregressive, autoregressive with drift, or trend-stationary alternatives.

### **KPSS Test**

The new `kpsstest` function tests a null hypothesis of (trend) stationarity against nonstationary unit root alternatives.

### **Variance Ratio Test**

The new `vratiotest` function tests a null hypothesis of a random walk against alternatives with innovations that are not independent and identically distributed.

### **Compatibility Considerations**

The `ardtest` function replaces the `dfARDTest`, `dfARTest`, and `dfTSTest` functions. The `pptest` function replaces the `ppARDTest`, `ppARTest`, and `ppTSTest` functions. The new function syntax differs from the functions they replace.

## **Financial Toolbox Required**

Econometrics Toolbox requires Financial Toolbox™ as of this version.

## **Nelson-Plosser Data**

The Nelson and Plosser [50] data set is now available. To access the data, enter `load Data_NelsonPlosser` at the MATLAB® command line.



# R2009a

---

Version: 1.1  
New Features: Yes  
Bug Fixes: No

## **Hypothesis Tests**

### **Compatibility Considerations: Yes**

There are two new hypothesis tests for model misspecification:

- Lagrange Multiplier tests, `lmtest`
- Wald tests, `waldtest`

Furthermore, the likelihood ratio test, `lratiotest`, has been enhanced to be able to “test up” as well as “test down” when performing multiple model comparisons. It now accepts vectors of model parameters for restricted log likelihoods, for unrestricted log likelihoods, or for both.

There is a new demo about these tests; see “New Demo” on page 46.

### **Compatibility Considerations**

`lratiotest` error messages and message IDs differ from previous versions.

## Structural VAR, VARX, and VARMAX models

**Compatibility Considerations: Yes**

Econometrics Toolbox multiple time series functions now include structural multiple time series. Structural models have the general form

$$A_0 Y_t = a + X_t b + \sum_{i=1}^p A_i Y_{t-i} + \sum_{j=1}^q B_j W_{t-j} + B_0 W_t.$$

Previously, Econometrics Toolbox multiple time series functions addressed models of the form

$$Y_t = a + X_t b + \sum_{i=1}^p A_i Y_{t-i} + \sum_{j=1}^q B_j W_{t-j} + W_t.$$

The mathematical difference is the inclusion of  $A_0$  and  $B_0$  matrices. These matrices allow practitioners to specify structural dependencies between variables. For more information, see the Multivariate Time Series Models chapter of the Econometrics Toolbox User's Guide.

### Compatibility Considerations

Objects created with the Econometrics Toolbox V1.0 `vgxset` function, and saved in MAT files, do not work with Econometrics Toolbox V1.1 functions. Recreate the objects with the Econometrics Toolbox V1.1 `vgxset` function.

## **New Demo**

There is a new demo on hypothesis tests. Run the demo at the MATLAB command line by entering `showdemo classicalTestsDemo`.

# R2008b

---

Version: 1.0  
New Features: Yes  
Bug Fixes: No

## Multivariate VAR, VARX, and VARMA Models

A new suite of functions, listed in the following table, adds support for multivariate VAR, VARX, and VARMA models.

Function	Description
vgxar	Convert VARMA specification into a pure vector autoregressive (VAR) model
vgxcount	Count restricted and unrestricted parameters in VAR or VARX models
vgxdisp	Display VGX model parameters and standard errors in different formats
vgxget	Get multivariate time-series specification parameters
vgxinfer	Infer innovations of a VGX process
vgxloglik	Compute conditional log-likelihoods of VGX process
vgxma	Convert VARMA specification into a pure vector moving average (VMA) model
vgxplot	Plot multivariate time series process
vgxpred	Generate transient response of VGX process during a specified forecast period
vgxproc	Generate a VGX process from an innovations process
vgxqual	Determine if a VGX process is stable and invertible
vgxset	Set or modify multivariate time-series specification parameters
vgxsim	Simulate VGX processes
vgxvarx	Solve VAR or VARX model using maximum likelihood estimation

## **Heston Stochastic Volatility Models**

The new `heston` function adds support for Heston stochastic volatility models to the SDE engine.





# R2008a

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Version: 2.4  
New Features: Yes  
Bug Fixes: No

## **Monte Carlo Simulation of Stochastic Differential Equations**

The GARCH Toolbox™ software now allows you to model dependent financial and economic variables, such as interest rates and equity prices, via Monte Carlo simulation of multivariate diffusion processes. For more information, see Stochastic Differential Equations in the GARCH Toolbox documentation.

# R2007b

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Version: 2.3.2  
New Features: Yes  
Bug Fixes: No

## Changes to `garchsim`

The `garchsim` function previously allowed you to specify the `State` argument as either a scalar or a time series matrix of standardized, independent, identically distributed disturbances to drive the output `Innovations` in a time series process. The `State` argument must now be a time series matrix. See the `State` input argument on the `garchsim` reference page for more information.

# R2007a

---

Version: 2.3.1  
New Features: No  
Bug Fixes: No

No New Features or Changes



# R2006b

---

Version: 2.3  
New Features: Yes  
Bug Fixes: No

## **Data Preprocessing**

A new Hodrick-Prescott filter, `hpfiler`, separates time series into trend and cyclical components



## Demos

A new demo uses the `hpfilter` function to reproduce the results in Hodrick and Prescott's original paper on U.S. business cycles



# R2006a

---

Version: 2.2  
New Features: Yes  
Bug Fixes: No

## **User's Guide**

A new chapter in the *GARCH Toolbox User's Guide* explains how to conduct Dickey-Fuller and Phillips-Perron unit root tests with the new statistical functions in the toolbox.

## Statistical Functions

Version 2.2 of the GARCH Toolbox software has six new functions. All of them support the ability to conduct univariate unit root tests on time series data. Three functions support augmented Dickey-Fuller unit root tests. The remaining three support Phillips-Perron unit root tests.

### Dickey-Fuller Unit Root Tests

Function	Purpose
dfARDTest	Augmented Dickey-Fuller unit root test based on AR model with drift.
dfARTest	Augmented Dickey-Fuller unit root test based on zero drift AR model.
dfTSTest	Augmented Dickey-Fuller unit root test based on trend stationary AR model.

### Phillips-Perron Unit Root Tests

Function	Purpose
ppARDTest	Phillips-Perron unit root test based on AR(1) model with drift.
ppARTest	Phillips-Perron unit root test based on zero drift AR(1) model.
ppTSTest	Phillips-Perron unit root test based on trend stationary AR(1) model.



# R14SP3

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Version: 2.1  
New Features: Yes  
Bug Fixes: No

## Changes to `garchsim`

### Compatibility Considerations: Yes

A change introduced in V2.1 of the GARCH Toolbox software concerns user-specified noise processes. The `garchsim` function now allows you to provide a time series matrix of standardized, i.i.d. disturbances to drive the output Innovations in a time series process. In previous versions, you could only provide a state that was used to generate a random noise process. See the State input argument on the `garchsim` reference page for more information.

### Compatibility Considerations

**`garchsim` argument Is renamed.** In V2.1, the `garchsim` argument `Seed` is renamed to `State` for consistency with the MATLAB `rand` and `randn` functions. The name change, in itself, introduces no backward incompatibilities. The following topic explains a related change.

**`garchsim` defaults to current random number generator state.** In V2.0.1 of the GARCH Toolbox software, the `garchsim` function used the initial random number generator state, 0, if you did not specify a value for the `Seed` argument. The `Seed` argument corresponded to the `rand` and `randn` state value.

In V2.1, if you do not specify a value for the `State` (formerly `Seed`) argument, `garchsim` uses the current state of `rand` and `randn`, rather than the initial state. Use the commands `s = rand('state')` and `s = randn('state')` to determine the current state of these random number generators. For more information, see the `rand` and `randn` reference pages.