Robust Estimation of CCC and DCC GARCH models

Abstract:
The use of CCC and DCC models has now become standard in the financial econometrics literatures. Their estimation is usually done in two or three steps by Gaussian quasi-maximum likelihood. We show that this method is very sensitive to outliers in the data. We propose to use robust estimators for both models. The Monte Carlo study and empirical application document the good robustness properties of this estimation method.