Report on: The Role of Economic Policy Uncertainty in Predicting U.S. Recessions: A Mixed-frequency Markov-switching Vector Autoregressive Approach

May 25, 2016

1. The authors should provide a more thorough motivation of using a MSVAR model. Why is Markov switching model used for forecasting? Why is this preferred to another non-linear or time-varying parameter model?

2. Do the results change if further variables (Inflation and the short-term rate are added to the model)

3. How does a rolling window and fixed coefficient version of the MF-VAR perform relative to the MS models in the out of sample forecasting exercise?

4. How are the number of regimes determined in the MS models? Does allowing for more than two regimes affect forecasting performance? Does allowing for switching VAR covariances affect forecasting performance?