Test of Unit Root for Bounded AR (2) Model

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Authors’ contributions

This work was carried out in collaboration among all authors. Author MAFA designed the study, performed the statistical analysis, wrote the protocol, and wrote the first draft of the manuscript. Authors SMES and AAES managed the analyses of the study. Author AAES managed the literature searches. All authors read and approved the final manuscript.

Article Information

DOI: 10.9734/JAMCS/2020/v35i930320

Editor(s):
(1) Raducanu Razvan, Al. I. Cuza University, Romania.
(2) S. Yahya Mohamed, Bharathidasan University, India.
(2) A Prasanna, Jamal Mohamed College, India.

Reviewers:
(1) S. Yahya Mohamed, Bharathidasan University, India.
(2) A Prasanna, Jamal Mohamed College, India.

Complete Peer review History: http://www.sdiarticle4.com/review-history/64076

Received: 15 October 2020
Accepted: 21 December 2020
Published: 30 December 2020

Abstract

In this paper, the test of unit root for bounded AR (2) model with constant term and dependent errors has been derived. Asymptotic distributions of OLS estimators and $t$ – type statistics under different tests of hypotheses have been derived. A simulation study has been established to compare between different tests of the unit root. Mean squared error (MSE) and Thiel’s inequality coefficient (Thiel’s U) have been considered as criteria of comparison.

Keywords: Bounded AR (2) model; asymptotic distributions; OLS estimators; $t$ – type statistics; mean squared error; Thiel’s inequality coefficient.

1 Introduction

Many unit root tests have been developed for testing the null hypothesis of a unit root against the alternative of stationarity, the tests for unit roots in AR (1) processes were first proposed and investigated by Dickey
and Fuller [1,2] but these unit root tests are proposed to unbounded time series in case of independent error terms.

Cavaliere [3] tested the presence of unknown boundaries which constrain the sample path to lie within a closed interval that is in the framework of integrated processes of AR (1) model with a unit root or random walk model (with and without linear trend) and in (2002) he introduced the logged nominal exchange rates \( \{y_t\} \) that change in time accordingly to a first-order integrated process, \( I(1) \) within the framework of non-managed flexible exchange rates. In (2005), Cavaliere [4] developed an asymptotic theory for integrated and near-integrated time series whose range is constrained in some ways. Such a framework arises when integration and cointegration analysis are applied to persistent series which are bounded either by construction or because they are subject to control.

Cavaliere and Xu [5] defined bounded process as time series \( t \) with (fixed) bounds at \( b \) and upper bound at \( \bar{b} \), is a stochastic process satisfying \( x_t \in [b, \bar{b}] \) for all \( t \).

Carrion and Gadea (2013) showed that the use of generalized least squares (GLS) detrending procedures leads to important empirical power gains compared to ordinary least squares (OLS) detrending method when testing the null hypothesis of unit root for bounded processes. In (2015), they discussed the unit root testing when the range of the time series is bounded considering the presence of multiple structural breaks. But they all concentrated on the model of bounded AR (1) with constant or without constant under various assumptions for the error terms, and in this paper the concentration will be on the bounded AR (2) with constant model in case of dependent errors.

### 2 Test of Unit Root for Bounded AR (2) Model with constant Term in Case of Dependent Errors

The bounded second order autoregressive AR (2) model takes the form:

\[
y_t = \alpha + \rho_1 y_{t-1} + \rho_2 y_{t-2} + u_t, \quad t = 1, \ldots, T, \tag{1}
\]

where \( y_t \) is bounded time series with fixed bounds with lower bound at \( b \) and upper bound at \( \bar{b} \), \( y_t \in [b, \bar{b}] \), and \( b = \xi T^{1/2}[1-\phi_1]^{-1} \), \( \bar{b} = \zeta T^{1/2}[1-\phi_1]^{-1} \) and \( T \) is the sample size, \( \xi, \zeta \in \mathbb{R} \setminus \{0\} \) and \( \xi < \zeta \), \( \phi_1 = \{\pm 0.1, \pm 0.2, \ldots, \pm 0.9\} \), \( y_0 = y_{-1} = 0 \), \( u_t \) are dependent error terms which achieved Beveridge-Nelson Decomposition, \( \rho_1 \) and \( \rho_2 \) are the autoregressive coefficients and \( \alpha \) is the constant term.

### 2.1 Asymptotic distributions of OLS estimators under different tests of hypothesis

Concepts of relative magnitude or order of magnitude are useful in investigating limiting behavior of random variables, where if \( h(x) \) and \( g(x) \) are two real functions that have a common domain \( D \subset \mathbb{R} \), and if the following relationship is exists for any positive constant \( k (k > 0) \)
\[ \lim_{x \to x_0} \left| \frac{h(x)}{g(x)} \right| \leq k \quad , \quad x \in (D - x_0) \]

Where, \( h(x) = O \left( g(x) \right) \). (2)

Schatzman [6]

If \( A = \begin{bmatrix} B & C \\ D & E \end{bmatrix} \) an \( m \times n \) matrix with \( r^* = \text{rank}(A) \) where \( B \) is \( r^* \times r^* \) and invertible

then the generalized inverse \( G \) for a given singular matrix \( A \) can be obtained as follows:

\[
G = \begin{bmatrix} B^{-1} & 0 \\ 0 & 0 \end{bmatrix}
\]

And if an equation represented as:

\[ A \mathbf{x} = \mathbf{h} \ , \ \mathbf{x} \in R \]

Where, \( \mathbf{x} \) is a vector or a matrix of unknown elements, \( \mathbf{h} \) is vector or a matrix that has the same order as the product of \( A \mathbf{x} \). So, to obtain the forms of unknown elements of \( \mathbf{x} \) the following equation is need to be used:

\[
\mathbf{x} = GH + \left( I - GA \right) \mathbf{z} \ , \ \mathbf{z} \in R \quad \text{(4)}
\]

Where \( I \) is an identity matrix, \( \mathbf{z} \) is a vector or a matrix of real numbers and \( G \) is the generalized inverse of the matrix \( A \) that satisfied \( AGA = A \). Sawyer [7]

If \( \mathbf{y}_t \) is a pure random walk without drift as \( \mathbf{y}_t = \mathbf{y}_{t-1} + \mathbf{u}_t \), where \( \mathbf{y}_0 = \mathbf{y}_{-1} = 0 \), \( \mathbf{u}_t \) are dependent error terms, and assume that \( \mathbf{u}_t \) is defined as follows:

\[
\mathbf{u}_t = \phi_1 \mathbf{u}_{t-1} + \epsilon_t = \psi (L) e_t = \sum_{j=0}^{\infty} \psi_j \epsilon_{t-j} \ , \quad \left| \phi_1 \right| < 1 \ , \ t = 1 , 2 , \ldots , T
\]

Where:

\[
E (\epsilon_t) = 0 \quad \text{for all } t
\]

\[
E (\epsilon_t \epsilon_s) = \begin{cases} 
\sigma^2 & \text{if } t = s \\
0 & \text{if } t \neq s
\end{cases}
\]

\[
\sum_{j=0}^{\infty} \left| \psi_j \right| < \infty
\]

Then the following relationship exists:
\[ \sum_{s=1}^{t} u_s = \psi(1) \sum_{s=1}^{t} e_s + \eta_t - \eta_0, t=1,2,\ldots, T \]  

(7)

\[ \psi(1) = \sum_{j=0}^{\infty} \psi_j \]

\[ \eta_t = \sum_{j=0}^{\infty} a_j e_{t-j} \]

\[ a_j = -(\psi_{j+1} + \psi_{j+2} + \psi_{j+3} + \ldots) = -\sum_{i=1}^{\infty} \psi_{j+i}, \quad \sum_{j=0}^{\infty} |a_j| < \infty \]

\[ \eta_0 = -(\psi_1 + \psi_2 + \psi_3 + \ldots) e_0 - (\psi_2 + \psi_3 + \psi_4 + \ldots) e_{-1} - (\psi_3 + \psi_4 + \psi_5 + \ldots) e_{-2} + \ldots. \]

By defining the following quantities:

\[ \gamma_j = E(u_t u_{t-j}) = \sigma^2 \sum_{s=0}^{\infty} \psi_s \psi_{s+j}, \quad j = 0, 1, 2, \ldots \]

\[ \lambda = \sigma \sum_{j=0}^{\infty} \psi_j = \sigma \psi(1) \]

\[ y_t = u_1 + u_2 + \ldots + u_t, \quad t = 1, 2, \ldots, T \]

(8)

Then the following results are obtained:

1) \( T^{-1} \sum_{t=1}^{T} u_t u_{t-j} \xrightarrow{p} \gamma_j, \quad j = 0, 1, 2, \ldots \)

2) \( T^{-1} \sum_{t=1}^{T} y_{t-1} u_t \xrightarrow{d} \frac{1}{2} (\lambda^2 [W(1)]^2 - \gamma_0) \)

3) \( T^{-3/2} \sum_{t=1}^{T} y_{t-1} \xrightarrow{d} \lambda \int_0^1 W(r) \sigma^2 \, dr \)

4) \( T^{-2} \sum_{t=1}^{T} y_{t-1}^2 \xrightarrow{d} \lambda^2 \int_0^1 [W(r)]^2 \, dr \)

(9)

Where, \( W_\sigma^r(\cdot) \) is a Regulated Brownian Motion, when \( r = 1 \), then:

\[ \frac{1}{\sqrt{T}} \sum_{t=1}^{T} u_t \xrightarrow{d} \sigma \psi(1) W_\sigma^r(1) = \lambda W_\sigma^r(1) \]

(10)

By using equation (2) the results for orders of convergence of estimators in these equations will be as follows:

1) \( T^{-1/2} \sum_{t=1}^{T} u_t = O_p(T) \)

2) \( T^{1/2} \sum_{t=1}^{T} u_t = O_p(T^{1/2}) \)

3) \( T^{3/2} \sum_{t=1}^{T} u_t = O_p(T) \)

4) \( T^{1/2} \sum_{t=1}^{T} u_t = O_p(T^{1/2}) \)

5) \( T^{3/2} \sum_{t=1}^{T} u_t = O_p(T^{3/2}) \)

6) \( T^{3/2} \sum_{t=1}^{T} u_t = O_p(T^{3/2}) \)

Amer [8]
The asymptotic distributions of OLS estimators $\hat{\alpha}$, $\hat{\rho}_1$ and $\hat{\rho}_2$ for bounded AR (2) model that represented by equation (1) for testing the null hypothesis $H_0: \alpha=0$, $\rho_1=1$, $\rho_2=0$, (i.e. $y_t = y_{t-1} + u_t$) against the alternative hypothesis $H_a: \alpha \neq 0$, $|\rho_1|<1$, $|\rho_2|<1$, (i.e. $y_t = \alpha + \rho_1 y_{t-1} + \rho_2 y_{t-2} + u_t$) will be derived as follows:

**Lemma (1):** If $y_t$ is a pure random walk without drift as $y_t = y_{t-1} + u_t$, where $y_0 = y_{-1} = 0$, $u_t$ are dependent error terms that achieved the Beveridge-Nelson Decomposition as in equation (7) then as $T \to \infty$ the following results are obtained:

\begin{align}
1) & T^{-1} \sum_{t=1}^{T} y_{t-2} u_t \xrightarrow{d} \frac{1}{2} \left\{ \lambda^2 \left[ W^c (1) \right]^2 - \gamma_0 \right\} - \gamma_1 \\
2) & T^{-3/2} \sum_{t=1}^{T} y_{t-2} \xrightarrow{d} \lambda \int_0^T W^c (r) dr \\
3) & T^{-2} \sum_{t=1}^{T} y_{t-2}^2 \xrightarrow{d} \lambda^2 \int_0^T [W^c (r)]^2 dr \\
4) & T^{-2} \sum_{t=1}^{T} y_{t-1} y_{t-2} \xrightarrow{d} \lambda^2 \int_0^T [W^c (r)]^2 dr
\end{align}

(12)

Where, $\gamma_0 = \sigma^2 \sum_{s=0}^{\infty} \psi^2_s$, $\gamma_1 = \sigma^2 \sum_{s=0}^{\infty} \psi_s \psi_{s+1}$ and $\lambda = \sigma \sum_{j=0}^{\infty} \psi_j = \sigma \psi (1)$.

**Proof:**

**Part (1)**

From the successive substituting of $y_t$ then:

\begin{equation}
y_{t-2} = y_{t-1} - u_{t-1}
\end{equation}

(13)

So,

\begin{equation}
T^{-1} \sum_{t=1}^{T} y_{t-2} u_t = T^{-1} \sum_{t=1}^{T} y_{t-1} u_t - T^{-1} \sum_{t=1}^{T} u_{t-1} u_t
\end{equation}

(14)

By using equation (9) then:

\begin{align}
1) & T^{-1} \sum_{t=1}^{T} y_{t-1} u_t \xrightarrow{d} \frac{1}{2} \left\{ \lambda^2 \left[ W^c (1) \right]^2 - \gamma_0 \right\} \\
2) & T^{-1} \sum_{t=1}^{T} u_{t-1} u_t \xrightarrow{d} \gamma_1
\end{align}

(15)

Then, by substituting from equations (15) in (14) it can be concluded that:

\begin{equation}
T^{-1} \sum_{t=1}^{T} y_{t-2} u_t \xrightarrow{d} \frac{1}{2} \left\{ \lambda^2 \left[ W^c (1) \right]^2 - \gamma_0 \right\} - \gamma_1
\end{equation}
Part (2)

From equation (13);

\[
T^{-3/2} \sum_{t=1}^{T} y_{t-2} = T^{-3/2} \sum_{t=1}^{T} y_{t-1} - T^{-3/2} \sum_{t=1}^{T} u_{t-1}
\]

(16)

From equation (11) the order of convergence of \( \sum_{t=1}^{T} u_{t-1} = O_p(T^{1/2}) \) then:

\[
T^{-3/2} \sum_{t=1}^{T} u_{t-1} \xrightarrow{d} 0
\]

(17)

By using equation (9) it can be concluded that:

\[
T^{-3/2} \sum_{t=1}^{T} y_{t-1} \xrightarrow{d} \lambda \int_{0}^{1} W_{\xi} (r) dr
\]

(18)

Then, by substituting from equations (17 & 18) in (16) it can be concluded that:

\[
T^{-3/2} \sum_{t=1}^{T} y_{t-2} \xrightarrow{d} \lambda \int_{0}^{1} W_{\xi} (r) dr , \ (y_{-1} = 0)
\]

Part (3)

From equation (13);

\[
T^{-2} \sum_{t=1}^{T} y_{t-2} = T^{-2} \sum_{t=1}^{T} y_{t-1} - 2T^{-2} \sum_{t=1}^{T} y_{t-1} u_{t-1} + T^{-2} \sum_{t=1}^{T} u_{t-1}^2
\]

(19)

From equation (11) the order of convergence of \( \sum_{t=1}^{T} y_{t-1}^2 = O_p(T^2) \) and the order of convergence of \( \sum_{t=1}^{T} u_{t-1}^2 = O_p(T) \) then:

1) \( T^{-2} \sum_{t=1}^{T} y_{t-1} u_{t-1} \xrightarrow{d} 0 \)

2) \( T^{-2} \sum_{t=1}^{T} u_{t-1}^2 \xrightarrow{d} 0 \)

(20)

By using equation (9) then:

\[
T^{-2} \sum_{t=1}^{T} y_{t-1}^2 \xrightarrow{d} \lambda^2 \int_{0}^{1} [W_{\xi} (r)]^2 dr
\]

(21)

Then, by substituting from equations (20 & 21) in (19), it can be concluded that:

\[
T^{-2} \sum_{t=1}^{T} y_{t-2} \xrightarrow{d} \lambda^2 \int_{0}^{1} [W_{\xi} (r)]^2 dr , \ (y_{-1} = 0)
\]

Part (4)

From equation (13);

\[
T^{-2} \sum_{t=1}^{T} y_{t-1} y_{t-2} = T^{-2} \sum_{t=1}^{T} y_{t-1}^2 - T^{-2} \sum_{t=1}^{T} y_{t-1} u_{t-1}
\]

(22)
Then, by substituting from equations (20 (1) & 21) in (22) it can be concluded that:

\[
T^{-2} \sum_{t=1}^{T} y_{t-1} y_{t-2} \xrightarrow{d} \lambda^2 \int_{0}^{1} \left[ W_{\xi}(r) \right]^2 dr
\]

Lemma (2): For model (1) and under the test \(H_0: \alpha = 0, \rho_1 = 1, \rho_2 = 0\), then the asymptotic distributions of \(T^{1/2} \hat{\alpha}, T(\hat{\rho}_1 - 1)\) and \(T \hat{\rho}_2\) will be as follows:

1) \(T^{1/2} \hat{\alpha} \xrightarrow{d} \frac{[\lambda^2 \int_{0}^{1} [W_{\xi}(r)]^2 dr][\lambda W_{\xi}(1)] - [\lambda^2 \int_{0}^{1} [W_{\xi}(r)] dr][\frac{1}{2} \{ \lambda^2 [W_{\xi}(1)]^2 - \gamma_0 \}]}{\lambda^2 \int_{0}^{1} [W_{\xi}(r)]^2 dr - \left[ \lambda^2 \int_{0}^{1} [W_{\xi}(r)] dr \right]^2}
\)

2) \(T(\hat{\rho}_1 - 1) \xrightarrow{d} \frac{-\lambda^2 \int_{0}^{1} [W_{\xi}(r)] dr[\lambda W_{\xi}(1)] + \frac{1}{2} \{ \lambda^2 [W_{\xi}(1)]^2 - \gamma_0 \}}{\lambda^2 \int_{0}^{1} [W_{\xi}(r)]^2 dr - \left[ \lambda^2 \int_{0}^{1} [W_{\xi}(r)] dr \right]^2}
\)

3) \(T \hat{\rho}_2 \xrightarrow{d} z_3, \ z_3 \in \mathbb{C} \sqrt{T} \) or \(-c\sqrt{T}
\)

**Proof:**

Model (1) can be rewritten in matrix form as follows:

\[
Y = X \beta + u \tag{23}
\]

Where:

\[
\beta = \begin{bmatrix} \alpha \\ \rho_1 \\ \rho_2 \end{bmatrix}, \ X = \begin{bmatrix} 1 & y_0 & y_{-1} \\ 1 & y_1 & \vdots \\ 1 & \vdots & \vdots \\ 1 & y_{T-1} & y_{T-2} \end{bmatrix}, \ Y = \begin{bmatrix} y_1 \\ y_2 \\ \vdots \\ y_T \end{bmatrix}, \ u = \begin{bmatrix} u_1 \\ u_2 \\ \vdots \\ u_T \end{bmatrix}
\]

The OLS Estimators of \(\hat{\alpha}, \hat{\rho}_1, \hat{\rho}_2\) are:

\[
\hat{\beta} = (X'X)^{-1} X'Y
\]

By using equation (23):

\[
\hat{\beta} - \beta = (X'X)^{-1} X'u
\]

Under the null hypothesis that \(H_0: \alpha = 0, \rho_1 = 1, \rho_2 = 0\) or \(\beta' = (0 \quad 1 \quad 0)\) then:
From equation (11) the order of convergence of $T$, $\sum_{t=1}^T u_t$, $\sum_{t=1}^T y_{t-1} u_t$, $\sum_{t=1}^T y_{t-1}$

$(\sum_{t=2}^T y_{t-2})$ and $\sum_{t=1}^T y_{t-1}^2 (\sum_{t=2}^T y_{t-2}^2)$ will be $O_p(T)$, $O_p(T^{1/2})$, $O_p(T)$, $O_p(T^{3/2})$ and $O_p(T^2)$ respectively. Also, from equation (12 (1&4)) and by using equation (2) then the order of convergence of $\sum_{t=1}^T y_{t-2} u_t$, and $\sum_{t=1}^T y_{t-1} y_{t-2}$ will be $O_p(T)$ and $O_p(T^2)$ respectively.

Then, the order of convergence of the elements in equation (24) will be as follows:

$$\left( \frac{\hat{\alpha}}{\hat{\beta}_1 - 1} \right) = \begin{pmatrix} T \sum_{t=1}^T y_{t-1} & \sum_{t=1}^T y_{t-1}^2 \sum_{t=1}^T y_{t-2} \sum_{t=1}^T y_{t-2}^2 \end{pmatrix}^{-1} \begin{pmatrix} \sum_{t=1}^T u_t \\ \sum_{t=1}^T y_{t-1} u_t \\ \sum_{t=1}^T y_{t-2} u_t \end{pmatrix}$$

(24)

To obtain the asymptotic distributions of the estimators equation (24) will be multiplied by the following scaling matrix:

$$\psi_T = \begin{pmatrix} T^{1/2} & 0 & 0 \\ 0 & T & 0 \\ 0 & 0 & T \end{pmatrix}$$

Then equation (24) will be:

$$\psi_T (\hat{\beta} - \beta) = \left\{ \psi_T^{-1} (X'X) \psi_T^{-1} \right\}^{-1} \psi_T^{-1} X' u$$

(25)

Form equation (10), $\frac{1}{\sqrt{T}} \sum_{t=1}^T u_t \xrightarrow{d} \lambda W_{\xi}^{-1}$, from equation (9), $T^{-1} \sum_{t=1}^T y_{t-1} u_t$, $T^{-3/2} \sum_{t=1}^T y_{t-1}^2$, and $T^{-2} \sum_{t=1}^T y_{t-1} y_{t-2}$ convergence in distribution to

$$\frac{1}{\sqrt{2}} \left\{ \lambda^2 [W(1)]^2 - \gamma_0 \right\},$$

$$\lambda \int_0^1 W(\cdot) \beta_{1,\xi}^2 d\beta$$

and

$$\lambda^2 \int_0^1 [W(\cdot)]^2 d\beta$$

respectively. Also, from equation (12),

$$T^{-1} \sum_{t=1}^T y_{t-2} u_t, T^{-3/2} \sum_{t=1}^T y_{t-1}^2$$

and

$$T^{-2} \sum_{t=1}^T y_{t-1} y_{t-2}$$

convergence in distribution to

$$\frac{1}{\sqrt{2}} \left\{ \lambda^2 [W(1)]^2 - \gamma_0 \right\} - \gamma_1,$$

$$\lambda \int_0^1 W(\cdot) \beta_{1,\xi}^2$$

and

$$\lambda^2 \int_0^1 [W(\cdot)]^2 d\beta$$

respectively.

Then, as $T \to \infty$ and by using the above results equation (25) will be as follows:
Then, by using equation (4) it can be concluded that:

\[ x_5 = A_5^{-1} h_5 , \; x_5 \in R_{(3 \times 1)} \] (i.e. vector of order (3 \times 1) of real numbers) \tag{26}

Where:

\[
x_5 = \lim_{\tau \to \infty} \left( T^{1/2} \hat{A} \right) \quad A_5 = \begin{pmatrix}
1 & \lambda \int_0^1 \bar{W}_z^2 (r) \, dr & \lambda \int_0^1 \bar{W}_z^2 (r) \, dr \\
\lambda \int_0^1 \bar{W}_z^2 (r) \, dr & \lambda^2 \int_0^1 \bar{W}_z^2 (r) \, dr & \lambda^2 \int_0^1 \bar{W}_z^2 (r) \, dr \\
\lambda \int_0^1 \bar{W}_z^2 (r) \, dr & \lambda^2 \int_0^1 \bar{W}_z^2 (r) \, dr & \lambda^2 \int_0^1 \bar{W}_z^2 (r) \, dr
\end{pmatrix}
\]

\[
\text{and } h_5 = \begin{pmatrix}
\lambda W_z^2 (1) \\
\frac{1}{2} \{ \lambda^2 [ W_z^2 (1) ]^2 - \gamma_0 \} \\
\frac{1}{2} \{ \lambda^2 [ W_z^2 (1) ]^2 - \gamma_0 \}
\end{pmatrix}.
\]

Since the value of the determinant of \( A_5 \) is equal to zero, a generalized inverse for \( A_5 \) is need to be used. There is a generalized inverse \( G_{s_1} \) of \( A_5 \) will obtained by using equation (3) as follows:

\[
G_{s_1} = \frac{1}{\lambda^2 \int_0^1 [ W_z^2 (r) ]^2 \, dr - \left\{ \lambda \int_0^1 [ W_z^2 (r) ] \, dr \right\}^2} \begin{pmatrix}
\lambda^2 \int_0^1 [ W_z^2 (r) ]^2 \, dr & -\lambda \int_0^1 [ W_z^2 (r) ] \, dr & 0 \\
-\lambda \int_0^1 [ W_z^2 (r) ] \, dr & 1 & 0 \\
0 & 0 & 0
\end{pmatrix}
\]

\( G_{s_1} A_5 = \begin{pmatrix} 1 & 0 & 0 \\ 0 & 1 & 1 \\ 0 & 0 & 0 \end{pmatrix} \) and \( G_{s_1} h_5 = \begin{pmatrix} \delta_1 \\ \delta_2 \\ \delta_3 \end{pmatrix} \)

Where:

\[
\delta_1 = \frac{[ \lambda^2 \int_0^1 [ W_z^2 (r) ]^2 \, dr ] \{ \lambda W_z^2 (1) \} - [ \lambda \int_0^1 [ W_z^2 (r) ] \, dr ] \left\{ \frac{1}{2} \{ \lambda^2 [ W_z^2 (1) ]^2 - \gamma_0 \} \right\}}{\lambda^2 \int_0^1 [ W_z^2 (r) ]^2 \, dr - \left\{ \lambda \int_0^1 [ W_z^2 (r) ] \, dr \right\}^2}
\]

\[
\delta_2 = \frac{[ -\lambda \int_0^1 [ W_z^2 (r) ] \, dr ] \{ \lambda W_z^2 (1) \} + \left\{ \frac{1}{2} \{ \lambda^2 [ W_z^2 (1) ]^2 - \gamma_0 \} \right\}}{\lambda^2 \int_0^1 [ W_z^2 (r) ]^2 \, dr - \left\{ \lambda \int_0^1 [ W_z^2 (r) ] \, dr \right\}^2}
\]

\[
\delta_3 = 0
\]

Then, by using equation (4) it can be concluded that:
\[ x_5 = \begin{pmatrix} \delta_1 \\ \delta_2 \\ \delta_3 \end{pmatrix} + \begin{pmatrix} 1 & 0 & 0 \\ 0 & 1 & 1 \\ 0 & 0 & 0 \end{pmatrix} \begin{pmatrix} z_1 \\ z_2 \\ z_3 \end{pmatrix} \]

Where \( z^I S \) are real numbers, then the asymptotic distributions of

\[ T^{1/2} \hat{\alpha}, \ T(\hat{\rho}_1 - 1) \text{ and } T \hat{\rho}_2 \] will be as follows:

1) \[ T^{1/2} \hat{\alpha} \xrightarrow{d} \frac{[\lambda^2 \int_0^1 (W_{\xi}^r(r))^2 dr] [\lambda W_{\xi}^r(1)] - [\lambda \int_0^1 (W_{\xi}^r(r)) dr] [\lambda^2 \{ W_{\xi}^r(1) \}^2 - \gamma_0 \}]}{\lambda^2 \int_0^1 (W_{\xi}^r(r))^2 dr - \{ \lambda \int_0^1 (W_{\xi}^r(r)) dr \}^2} - z_3 \] (27)

2) \[ T(\hat{\rho}_1 - 1) \xrightarrow{d} \frac{-[\lambda \int_0^1 (W_{\xi}^r(r)) dr][\lambda W_{\xi}^r(1)] + \lambda^2 \{ W_{\xi}^r(1) \}^2 - \gamma_0 \}]}{\lambda^2 \int_0^1 (W_{\xi}^r(r))^2 dr - \{ \lambda \int_0^1 (W_{\xi}^r(r)) dr \}^2} - z_3 \]

3) \[ T \hat{\rho}_2 \xrightarrow{d} z_3 , \ z_3 \in \mathbb{C} \sqrt{T} \text{ or } \overline{c} \sqrt{T} \]

**Corollary (1):** If there is another generalized inverse \( G_{S2} \) of \( A_5 \) that can be obtained by using equation (3), it will be as follows:

\[ G_{S2} = \begin{pmatrix} 1 \\ \int_0^1 (W_{\xi}^r(r))^2 dr - \{ \lambda \int_0^1 (W_{\xi}^r(r)) dr \}^2 \end{pmatrix} \begin{pmatrix} \lambda^2 \int_0^1 (W_{\xi}^r(r))^2 dr \\ 0 \\ 0 \end{pmatrix} \begin{pmatrix} 0 \\ 0 \\ 1 \end{pmatrix} \] (3x3)

Then, the asymptotic distributions of \( T^{1/2} \hat{\alpha}, \ T(\hat{\rho}_1 - 1) \text{ and } T \hat{\rho}_2 \) will be as follows:

1) \[ T^{1/2} \hat{\alpha} \xrightarrow{d} \frac{[\lambda^2 \int_0^1 (W_{\xi}^r(r))^2 dr] [\lambda W_{\xi}^r(1)] - [\lambda \int_0^1 (W_{\xi}^r(r)) dr] [\lambda^2 \{ W_{\xi}^r(1) \}^2 - \gamma_0 \}]}{\lambda^2 \int_0^1 (W_{\xi}^r(r))^2 dr - \{ \lambda \int_0^1 (W_{\xi}^r(r)) dr \}^2} - z_3 \] (28)

2) \[ T(\hat{\rho}_1 - 1) \xrightarrow{d} z_2 \]

3) \[ T \hat{\rho}_2 \xrightarrow{d} \frac{-[\lambda \int_0^1 (W_{\xi}^r(r)) dr][\lambda W_{\xi}^r(1)] + \lambda^2 \{ W_{\xi}^r(1) \}^2 - \gamma_0 \}]}{\lambda^2 \int_0^1 (W_{\xi}^r(r))^2 dr - \{ \lambda \int_0^1 (W_{\xi}^r(r)) dr \}^2} - z_2 \]

, \( z_2 \in \mathbb{C} \sqrt{T} \text{ or } \overline{c} \sqrt{T} \)

2.2 Asymptotic distributions of the \( t - type \) statistics under different tests of hypothesis
In addition to the previous tests in (2.1), the tests that based on \( t \)-type statistics for the estimators \( \hat{\alpha}, \hat{\rho}_1 \) and \( \hat{\rho}_2 \) under the test \( H_0: \alpha=0, \rho_1=1, \rho_2=0 \), (i.e. \( y_i=y_{i-1}+u_i \)) against \( H_a: \alpha\neq0, |\rho_1|<1, |\rho_2|<1 \), (i.e. \( y_i=\alpha+\rho_1 y_{i-1}+\rho_2 y_{i-2}+u_i \)) will be derived as follows:

**Lemma (3):** If the variance-covariance matrix of the estimators of model (1) under the null hypothesis \( H_0: \alpha=0, \rho_1=1, \rho_2=0 \) that can be written in matrix form as follows:

\[
V ar(\hat{\beta}) = S_{X^2}^{-1}
\]

(29)

Such that,

\[
1) V ar(\hat{\beta}) = \begin{bmatrix}
V ar(\hat{\alpha}) & Cov(\hat{\rho}_1, \hat{\alpha}) & Cov(\hat{\rho}_2, \hat{\alpha}) \\
Cov(\hat{\rho}_1, \hat{\alpha}) & V ar(\hat{\rho}_1) & Cov(\hat{\rho}_1, \hat{\rho}_2) \\
Cov(\hat{\rho}_2, \hat{\alpha}) & Cov(\hat{\rho}_1, \hat{\rho}_2) & V ar(\hat{\rho}_2)
\end{bmatrix}
\]

(30)

\[
2) (X^X)^{-1} = \begin{bmatrix}
T & \sum_{t=1}^{T} y_{t-1} & \sum_{t=1}^{T} y_{t-2} \\
\sum_{t=1}^{T} y_{t-1} & \sum_{t=1}^{T} y_{t-1}^2 & \sum_{t=1}^{T} y_{t-1} y_{t-2} \\
\sum_{t=1}^{T} y_{t-2} & \sum_{t=1}^{T} y_{t-1} y_{t-2} & \sum_{t=1}^{T} y_{t-2}^2
\end{bmatrix}^{-1}
\]

3) \( S_{X^2} = \sum_{t=1}^{T} \tilde{u}_t^2 / (T-3) \)

Then, the asymptotic distributions for \( t_{\hat{\alpha}}, t_{\hat{\rho}_1}, \) and \( t_{\hat{\rho}_2} \) will be as follows:

1) \( t_{\hat{\alpha}} = \left[ T^{1/2}(\hat{\alpha}) \right][TV ar(\hat{\alpha})]^{-1/2} \xrightarrow{d} \delta_1 d_1^{-1/2} \)

2) \( t_{\hat{\rho}_1} = \left[ T(\hat{\rho}_1 - 1) \right][T^2 Var(\hat{\rho}_1)]^{-1/2} \xrightarrow{d} (\delta_2 - z_3) d_2^{-1/2} \)

3) \( t_{\hat{\rho}_2} = \left[ T\hat{\rho}_2 \right][T^2 Var(\hat{\rho}_2)]^{-1/2} \xrightarrow{d} z_3 d_3^{-1/2}, z_3 \in \mathbb{C} \sqrt{T} \) or \( \overline{c} \sqrt{T}, z_{32} \in \mathbb{C} \sqrt{T}, z_{33} \in \overline{c} \sqrt{T} \)

Where \( \delta_1, \delta_2 \) are defined as in lemma (2), \( d_1 = \frac{\gamma_0 \int_0^1 [W^r_\lambda(r)]^2 dr}{\int_0^1 [W^r_\lambda(r)]^2 dr - \left[ \int_0^1 [W^r_\lambda(r)]^2 dr \right]^2} \)

\( d_2 = \frac{\gamma_0 - \gamma^2_0}{\lambda^{2/3} \left( \int_0^1 [W^r_\lambda(r)]^2 dr - \left[ \int_0^1 [W^r_\lambda(r)]^2 dr \right]^2 \right)}, \quad d_3 = \frac{\gamma^2_0 z_{32}}{\lambda^{2/3} \left( \int_0^1 [W^r_\lambda(r)]^2 dr - \left[ \int_0^1 [W^r_\lambda(r)]^2 dr \right]^2 \right)} \)

**Proof:**

By multiplying equation (29) by \( \Psi_T \) that defined as in lemma (2), then;
\[
\psi_r \text{Var}(\hat{\beta}) = S_{r}^{T} \rho (\psi_r^{-1} X X \psi_r^{-1})^{-1} \tag{31}
\]

So, by substituting from equation (30(1,2)) in (31) then the variance-covariance matrix will be:

\[
\begin{pmatrix}
T \text{Var}(\hat{\alpha}) & T^{3/2} \text{Cov}(\hat{\rho}_1, \hat{\alpha}) & T^{3/2} \text{Cov}(\hat{\rho}_2, \hat{\alpha}) \\
T^{3/2} \text{Cov}(\hat{\rho}_1, \hat{\alpha}) & T^2 \text{Var}(\hat{\rho}_1) & T^2 \text{Cov}(\hat{\rho}_1, \hat{\rho}_2) \\
T^{3/2} \text{Cov}(\hat{\rho}_2, \hat{\alpha}) & T^2 \text{Cov}(\hat{\rho}_1, \hat{\rho}_2) & T^2 \text{Var}(\hat{\rho}_2)
\end{pmatrix} = S_{r}^{T} B_3 \tag{32}
\]

Where:

\[
B_3 = \begin{pmatrix}
1 & T^{-3/2} \sum_{t=1}^{T} y_{t-1} & T^{-3/2} \sum_{t=1}^{T} y_{t-2} \\
T^{-3/2} \sum_{t=1}^{T} y_{t-1} & T^{-2} \sum_{t=1}^{T} y_{t-2} & T^{-2} \sum_{t=1}^{T} y_{t-1, y_{t-2}} \\
T^{-3/2} \sum_{t=1}^{T} y_{t-2} & T^{-2} \sum_{t=1}^{T} y_{t-1, y_{t-2}} & T^{-2} \sum_{t=1}^{T} y_{t-2}
\end{pmatrix}^{-1}
\]

As \(T \to \infty\) and from the weak law of large number, Bell [9], and from equation (13(1)) then the convergence in probability of \(S_{r}^{T}\) will be as follows:

\[
S_{r}^{T} = \sum_{t=1}^{T} u_t^2 / (T - 3) \longrightarrow \gamma_0 \tag{33}
\]

From equations (9(3,4)), \(T^{-3/2} \sum_{t=1}^{T} y_{t-1}\) and \(T^{-2} \sum_{t=1}^{T} y_{t-2}^2\) convergence in distribution to \(\lambda \int_{0}^{1} W(r) \, \bar{Z}(r) \, dr\) and \(\lambda ^2 \int_{0}^{1} [W(r) \, \bar{Z}(r)]^2 \, dr\) respectively. Also, from equations (12(2,3,4)), \(T^{-3/2} \sum_{t=1}^{T} y_{t-2}\) and \(T^{-2} \sum_{t=1}^{T} y_{t-1, y_{t-2}}^2 \) convergence in distribution to \(\lambda \int_{0}^{1} W(r) \, \bar{Z}(r) \, dr\) and \(\lambda ^2 \int_{0}^{1} [W(r) \, \bar{Z}(r)]^2 \, dr\) respectively.

Then, as \(T \to \infty\), by using the above results equation (32) will be:

\[
x_6 = A_6^{-1} h_6 , \quad x_6 \in R_{(3 \times 3)} \tag{34}
\]

Where:

\[
x_6 = \lim_{T \to \infty} \begin{pmatrix}
T \text{Var}(\hat{\alpha}) & T^{3/2} \text{Cov}(\hat{\rho}_1, \hat{\alpha}) & T^{3/2} \text{Cov}(\hat{\rho}_2, \hat{\alpha}) \\
T^{3/2} \text{Cov}(\hat{\rho}_1, \hat{\alpha}) & T^2 \text{Var}(\hat{\rho}_1) & T^2 \text{Cov}(\hat{\rho}_1, \hat{\rho}_2) \\
T^{3/2} \text{Cov}(\hat{\rho}_2, \hat{\alpha}) & T^2 \text{Cov}(\hat{\rho}_1, \hat{\rho}_2) & T^2 \text{Var}(\hat{\rho}_2)
\end{pmatrix}, \quad h_6 = I_3
\]
\[ A_6 = \begin{pmatrix}
\frac{1}{\gamma_0} & \frac{\lambda}{\gamma_0} \int_0^1 [W_z^r(r)] \, dr & \frac{\lambda^2}{\gamma_0} \int_0^1 [W_z^r(r)]^2 \, dr \\
\frac{\lambda}{\gamma_0} \int_0^1 [W_z^r(r)] \, dr & \frac{1}{\gamma_0} & \frac{\lambda}{\gamma_0} \int_0^1 [W_z^r(r)] \, dr \\
\frac{\lambda^2}{\gamma_0} \int_0^1 [W_z^r(r)]^2 \, dr & \frac{\lambda}{\gamma_0} \int_0^1 [W_z^r(r)] \, dr & \frac{1}{\gamma_0} \\
\lambda^2 \int_0^1 [W_z^r(r)]^2 \, dr & \frac{\lambda^2}{\gamma_0} \int_0^1 [W_z^r(r)]^2 \, dr & \frac{1}{\gamma_0} \\
\end{pmatrix}
\]

and \( A_6 \) is the asymptotic distribution of the matrix \( S_T^2 B_3 \).

Since, \( |A_6| = 0 \) a generalized inverse \( G_{61} \) of \( A_6 \) will obtained by using equation (3) and it will be as:

\[
G_{61} = \frac{1}{\frac{\lambda^2}{\gamma_0} \int_0^1 [W_z^r(r)]^2 \, dr - \frac{\lambda}{\gamma_0} \int_0^1 [W_z^r(r)] \, dr} \begin{pmatrix}
\frac{\lambda^2}{\gamma_0} \int_0^1 [W_z^r(r)]^2 \, dr & -\frac{\lambda}{\gamma_0} \int_0^1 [W_z^r(r)] \, dr & 0 \\
-\frac{\lambda}{\gamma_0} \int_0^1 [W_z^r(r)] \, dr & \frac{1}{\gamma_0} & 0 \\
0 & 0 & 0
\end{pmatrix}
\]

Now to obtain the forms of elements of \( X_6 \) in equation (37), equation (4) will be used, the forms of the asymptotic distributions of \( TVar(\hat{\alpha}) \), \( T^2 Var(\hat{\beta}_1) \) and \( T^2 Var(\hat{\beta}_2) \), and the asymptotic distributions for \( t_\alpha \), \( t_{\hat{\beta}_1} \) and \( t_{\hat{\beta}_2} \) will be derived as follows:

Since:

\[
G_{61} A_6 = \begin{pmatrix} 1 & 0 & 0 \\ 0 & 1 & 1 \\ 0 & 0 & 0 \end{pmatrix}
\]

\[
G_{61} h_6 = \frac{1}{\frac{\lambda^2}{\gamma_0} \int_0^1 [W_z^r(r)]^2 \, dr - \frac{\lambda}{\gamma_0} \int_0^1 [W_z^r(r)] \, dr} \begin{pmatrix}
\frac{\lambda^2}{\gamma_0} \int_0^1 [W_z^r(r)]^2 \, dr & -\frac{\lambda}{\gamma_0} \int_0^1 [W_z^r(r)] \, dr & 0 \\
-\frac{\lambda}{\gamma_0} \int_0^1 [W_z^r(r)] \, dr & \frac{1}{\gamma_0} & 0 \\
0 & 0 & 0
\end{pmatrix}
\]

Then, by using equation (4) it can be concluded that:
Where $z$'s are real numbers, then the asymptotic distributions of $\hat{\alpha}$, $T_{\text{Var}}(\hat{\alpha})$, $T^{2}\text{Var}(\hat{\rho}_1)$ and $T^{2}\text{Var}(\hat{\rho}_2)$ will be as follows:

\begin{align*}
1) T_{\text{Var}}(\hat{\alpha}) & \xrightarrow{d} \frac{\gamma_0}{\gamma_0'} \left( \frac{\lambda^2}{\gamma_0} \left( \int_0^1 [W^r_\xi(r)]^2 dr - \left\{ \int_0^1 [W^r_\xi(r)] dr \right\}^2 \right) > 0 \right) \\
2) T^{2}\text{Var}(\hat{\rho}_1) & \xrightarrow{d} \frac{\gamma_0 - \gamma_0'}{\lambda^2} \left( z_{32} \right) > 0 \\
3) T^{2}\text{Var}(\hat{\rho}_2) & \xrightarrow{d} \frac{\gamma_0^2}{\lambda^2} \left( z_{33} \right) > 0
\end{align*}

To achieve the variances in equation (35) to be positive, $z_{32} \leq 0$ and it is assumed to be $z_{32} \in \mathbb{C}\sqrt{T}$ and $z_{33} > 0$ and it is assumed to be $z_{33} \in \mathbb{C}\sqrt{T}$.

The $t$-type statistics for the estimators $\hat{\alpha}$, $\hat{\rho}_1$ and $\hat{\rho}_2$ will be obtained as:

\begin{align*}
1) t_{\hat{\alpha}} & = [T^{1/2}(\hat{\alpha})] [T_{\text{Var}}(\hat{\alpha})]^{-1/2} \\
2) t_{\hat{\rho}_1} & = [T(\hat{\rho}_1 - 1)] [T^{2}\text{Var}(\hat{\rho}_1)]^{-1/2} \\
3) t_{\hat{\rho}_2} & = [T(\hat{\rho}_2)] [T^{2}\text{Var}(\hat{\rho}_2)]^{-1/2}
\end{align*}

Then, by substituting from equation (27) that contains the asymptotic distributions of OLS estimators $T^{1/2}\hat{\alpha}, T(\hat{\rho}_1 - 1)$ and $T\hat{\rho}_2$, and (35) in (36) then the asymptotic distributions for $t_{\hat{\alpha}}$, $t_{\hat{\rho}_1}$ and $t_{\hat{\rho}_2}$ respectively will be:
1) \( t_{\hat{\alpha}} = \left[ T^{1/2} (\hat{\alpha}) \right] [T V a r (\hat{\alpha})]^{-1/2} \xrightarrow{d} \delta_1 d_1^{-1/2} \)

2) \( t_{\hat{\rho}_1} = \left[ T (\hat{\rho}_1 - 1) \right] [T^2 V a r (\hat{\rho}_1)]^{-1/2} \xrightarrow{d} (\delta_2 - z_2) d_2^{-1/2} \)

3) \( t_{\hat{\rho}_2} = \left[ T \hat{\rho}_2 \right] [T^2 V a r (\hat{\rho}_2)]^{-1/2} \xrightarrow{d} z_3 d_3^{-1/2} \),

\[ z_3 \in \mathbb{C}\sqrt{T} \text{ or } \bar{c}\sqrt{T}, \quad z_{32} \in \mathbb{C}\sqrt{T}, \quad z_{33} \in \bar{c}\sqrt{T} \]

\( (37) \)

Corollary (2): If there is another generalized inverse \( G_{62} \) of \( A_6 \) that can be obtained by using equation (3), it will be as follows:

\[ G_{62} = \frac{1}{\bar{\lambda}_2} \left[ \frac{\lambda^2}{\gamma_0} \int_0^1 [W^\varepsilon (r)]^2 dr \right] - \left\{ \frac{\lambda}{\gamma_0} \int_0^1 [W^\varepsilon (r)] dr \right\}^2 \]

\[ \begin{pmatrix} \lambda \int_0^1 [W^\varepsilon (r)]^2 dr & 0 & -\frac{\lambda}{\gamma_0} \int_0^1 [W^\varepsilon (r)] dr \\ 0 & 0 & 0 \\ -\frac{\lambda}{\gamma_0} \int_0^1 [W^\varepsilon (r)] dr & 0 & \frac{1}{\gamma_0} \end{pmatrix} \]

\[ (3\times3) \]

Then, the asymptotic distributions for \( t_{\hat{\alpha}} \), \( t_{\hat{\rho}_1} \) and \( t_{\hat{\rho}_2} \) will be:

1) \( t_{\hat{\alpha}} = \left[ T^{1/2} (\hat{\alpha}) \right] [T V a r (\hat{\alpha})]^{-1/2} \xrightarrow{d} \delta_4 d_4^{-1/2} \)

2) \( t_{\hat{\rho}_1} = \left[ T (\hat{\rho}_1 - 1) \right] [T^2 V a r (\hat{\rho}_1)]^{-1/2} \xrightarrow{d} z_2 d_2^{-1/2} \)

3) \( t_{\hat{\rho}_2} = \left[ T \hat{\rho}_2 \right] [T^2 V a r (\hat{\rho}_2)]^{-1/2} \xrightarrow{d} (\delta_5 - z_2) d_5^{-1/2} \),

\[ z_2 \in \mathbb{C}\sqrt{T} \text{ or } \bar{c}\sqrt{T}, \quad z_{23} \in \mathbb{C}\sqrt{T}, \quad z_{22} \in \bar{c}\sqrt{T} \]

\( (38) \)

Where:

\[ \delta_4 = \frac{[\lambda^2 \int_0^1 [W^\varepsilon (r)]^2 dr] \left\{ \frac{\lambda}{\gamma_0} \int_0^1 [W^\varepsilon (r)] dr \right\}^2 - \left\{ \frac{\lambda}{\gamma_0} \int_0^1 [W^\varepsilon (r)] dr \right\}^2 - \left\{ \frac{\lambda}{\gamma_0} \int_0^1 [W^\varepsilon (r)] dr \right\}^2}{\lambda^2 \int_0^1 [W^\varepsilon (r)]^2 dr} \]

\[ \delta_5 = \frac{[\lambda^2 \int_0^1 [W^\varepsilon (r)]^2 dr] \left\{ \lambda W^\varepsilon (1) \right\} + \left\{ \lambda^2 \int_0^1 [W^\varepsilon (r)]^2 dr \right\}^2 - \left\{ \lambda \int_0^1 [W^\varepsilon (r)] dr \right\}^2}{\lambda^2 \int_0^1 [W^\varepsilon (r)]^2 dr} \]

\[ d_4 = \frac{\gamma_0 \int_0^1 [W^\varepsilon (r)]^2 dr}{\int_0^1 [W^\varepsilon (r)]^2 dr} \]

\[ d_5 = \frac{\gamma_0 \int_0^1 [W^\varepsilon (r)]^2 dr}{\lambda^2 \left( \int_0^1 [W^\varepsilon (r)]^2 dr \right)^2 - \left\{ \int_0^1 [W^\varepsilon (r)] dr \right\}^2} \]

\[ d_5 = \frac{\gamma_0 \int_0^1 [W^\varepsilon (r)]^2 dr}{\lambda^2 \left( \int_0^1 [W^\varepsilon (r)]^2 dr \right)^2 - \left\{ \int_0^1 [W^\varepsilon (r)] dr \right\}^2} \]
3 Simulation Study

A simulation study is used to obtain MSE and Thiel’s U under the null hypothesis $H_0: y_t = y_{t-1} + u_t$ and under the alternative hypothesis $H_a$ with constant term will be obtained in case of five samples size $T = 30, 50, 100, 200$ and $500$ for five boundaries value $\bar{c} = -c_{=0.3, 0.5, 0.7, 0.9}$ and $1.1$ in case of ten values for the coefficient of dependent errors $\phi_1 = \pm 0.5, \pm 0.4, \pm 0.3, \pm 0.2$ and $\pm 0.1$ by $5000$ replications as follows:

OLS estimators of bounded AR (2) with constant model in case of dependent errors which obtained in lemma (2) that used the generalized inverse $G_{51}$ and in corollary (1) that used the generalized inverse $G_{52}$ are used to obtain MSE and Thiel’s U and the results can be summarized and discussed for the next five cases:

**Case (1): $T = 30$**

| $\bar{c} = -c$ | $\phi_1$ | 0.5 | 0.4 | 0.3 | 0.2 | 0.1 | -0.1 | -0.2 | -0.3 | -0.4 | -0.5 |
|---------------|----------|-----|-----|-----|-----|-----|------|------|------|------|------|
| $G_{51}$ 0.3  | MSE      | $H_0$ | $H_a$ |     |     |     |      |      |      |      |      |
|              | Thiel's U| $H_a$ | $H_a$ |     |     |     |      |      |      |      |      |
| 0.5          | MSE      | $H_0$ | $H_a$ |     |     |     |      |      |      |      |      |
|              | Thiel's U| $H_a$ | $H_a$ |     |     |     |      |      |      |      |      |
| 0.7          | MSE      | $H_a$ | $H_a$ |     |     |     |      |      |      |      |      |
|              | Thiel's U| $H_a$ | $H_a$ |     |     |     |      |      |      |      |      |
| 0.9          | MSE      | $H_a$ | $H_a$ |     |     |     |      |      |      |      |      |
|              | Thiel's U| $H_a$ | $H_a$ |     |     |     |      |      |      |      |      |
| 1.1          | MSE      | $H_a$ | $H_a$ |     |     |     |      |      |      |      |      |
|              | Thiel's U| $H_a$ | $H_a$ |     |     |     |      |      |      |      |      |

It can be notice from Table (1) that $G_{51}$ approve the alternative hypothesis $H_a$ for all values of $\bar{c} = -c$ except for values of MSE, $\bar{c} = -c = 0.3$ and $0.5$ in case of positive values of $\phi_1$ and $G_{52}$ approve the alternative hypothesis $H_a$ for most values of $\bar{c} = -c$ except for the values of MSE, Thiel’s U and $\bar{c} = -c = 0.3$ for all values of $\phi_1$ and for the values of MSE, Thiel’s U and $\bar{c} = -c = 0.5$ in case of negative values of $\phi_1$.

**Case (2): $T = 50$**
Table 2. Alternative hypothesis \( H_a \) for all values of \( \tilde{c} = -c \) \((T=50)\)

| \( c = -c \) | \( \phi_1 \) | 0.5 | 0.4 | 0.3 | 0.2 | 0.1 | -0.1 | -0.2 | -0.3 | -0.4 | -0.5 |
|--------------|-------------|-----|-----|-----|-----|-----|------|------|------|------|------|
| MSE          | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| Thiel's U    | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| 0.5 MSE      | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| Thiel's U    | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| 0.7 MSE      | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| Thiel's U    | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| 0.9 MSE      | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| Thiel's U    | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| 1.1 MSE      | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |

It can be notice from Table (2) that \( G_{51} \) approve the alternative hypothesis \( H_a \) for all values of \( \tilde{c} = -c \) except for values of MSE, \( \tilde{c} = -c = 0.3 \) in case of positive values of \( \phi_1 \) and \( G_{52} \) approve the alternative hypothesis \( H_a \) for most values of \( \tilde{c} = -c \) except for the values of MSE, Thiel’s U and \( \tilde{c} = -c = 0.3 \) in case of negative values of \( \phi_1 \) and for the values of Thiel’s U and \( \tilde{c} = -c = 0.5 \) in case of negative values of \( \phi_1 \).

Case (3): \( T = 100 \)

Table 3. Alternative hypothesis \( H_a \) for all values of \( \tilde{c} = -c \) \((T=100)\)

| \( c = -c \) | \( \phi_1 \) | 0.5 | 0.4 | 0.3 | 0.2 | 0.1 | -0.1 | -0.2 | -0.3 | -0.4 | -0.5 |
|--------------|-------------|-----|-----|-----|-----|-----|------|------|------|------|------|
| MSE          | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| Thiel's U    | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| 0.5 MSE      | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| Thiel's U    | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| 0.7 MSE      | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| Thiel's U    | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| 0.9 MSE      | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| Thiel's U    | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |
| 1.1 MSE      | \( H_0 \)   |     |     |     |     |     |      |      |      |      |      |

Thiel's U
It can be noticed from Table 3 that $G_{51}$ approve the alternative hypothesis $H_a$ for all values of $\bar{c} = -\bar{c}$ except for values of MSE, $\bar{c} = -\bar{c} = 0.3$ in case of $\phi_1 = 0.5, 0.4$ and $0.3$ and $G_{52}$ approve the alternative hypothesis $H_a$ for most values of $\bar{c} = -\bar{c}$ except for the values of MSE, Thiel’s U and $\bar{c} = -\bar{c} = 0.3$ in case of negative values of $\phi_1$ and for the values of Thiel’s U and $\bar{c} = -\bar{c} = 0.5$ in case of negative values of $\phi_1$.

**Case (4): $T = 200$**

| $\bar{c} = -\bar{c}$ | $\phi_1$ | 0.5 | 0.4 | 0.3 | 0.2 | 0.1 | -0.1 | -0.2 | -0.3 | -0.4 | -0.5 |
|-----------------------|----------|-----|-----|-----|-----|-----|------|------|------|------|------|
| $G_{51}$              | MSE      | $H_a$ | $H_a$ | $H_0$ | $H_0$ | $H_0$ | $H_0$ | $H_0$ | $H_0$ | $H_0$ | $H_0$ |
| $G_{52}$              | MSE      | $H_a$ | $H_a$ | $H_a$ | $H_0$ | $H_0$ | $H_0$ | $H_0$ | $H_0$ | $H_0$ | $H_0$ |

Table 4. Alternative hypothesis $H_a$ for all values of $\bar{c} = -\bar{c}$ ($T = 200$)
It can be notice from Table (4) that $G_{51}$ approve the alternative hypothesis $H_a$ for all values of $\bar{c} = -\bar{c}$ and $G_{52}$ approve the alternative hypothesis $H_a$ for most values of $\bar{c} = -\bar{c}$ except for the values of Thiel’s U and $\bar{c} = -\bar{c} = 0.3$ and $0.5$ in case of negative values of $\phi_1$.

**Case (5): $T = 500$**

It can be notice from Table (5) that $G_{51}$ approve the alternative hypothesis $H_a$ for all values of $\bar{c} = -\bar{c}$ and $G_{52}$ approve the alternative hypothesis $H_a$ for most values of $\bar{c} = -\bar{c}$ except for the values of Thiel’s U and $\bar{c} = -\bar{c} = 0.3$ in case of negative values of $\phi_1$.

| $\bar{c} = -\bar{c}$ | $\phi_1$ | 0.5 | 0.4 | 0.3 | 0.2 | 0.1 | -0.1 | -0.2 | -0.3 | -0.4 | -0.5 |
|----------------------|----------|-----|-----|-----|-----|-----|------|------|------|------|------|
| **G_{51}**           | MSE      | H_a |     |     |     |     |      |      |      |      |      |
|                      | Thiel's U|     |     |     |     |     |      |      |      |      |      |
| 0.3                  | MSE      |     |     |     |     |     |      |      |      |      |      |
|                      | Thiel's U|     |     |     |     |     |      |      |      |      |      |
| 0.7                  | MSE      |     |     |     |     |     |      |      |      |      |      |
|                      | Thiel's U|     |     |     |     |     |      |      |      |      |      |
| 0.9                  | MSE      |     |     |     |     |     |      |      |      |      |      |
|                      | Thiel's U|     |     |     |     |     |      |      |      |      |      |
| 1.1                  | MSE      |     |     |     |     |     |      |      |      |      |      |
|                      | Thiel's U|     |     |     |     |     |      |      |      |      |      |
| **G_{52}**           | MSE      | H_a |     |     |     |     | H_o  |     |      |      |      |
|                      | Thiel's U| H_a |     |     | H_o |     |      |     |      |      |      |
| 0.3                  | MSE      | H_a |     |     |     |     |      |     |      |      |      |
|                      | Thiel's U| H_a |     |     | H_o |     |      |     |      |      |      |
| 0.7                  | MSE      | H_a |     |     |     |     |      |     |      |      |      |
|                      | Thiel's U| H_a |     |     | H_o |     |      |     |      |      |      |
| 0.9                  | MSE      | H_a |     |     |     |     |      |     |      |      |      |
|                      | Thiel's U| H_a |     |     | H_o |     |      |     |      |      |      |
| 1.1                  | MSE      | H_a |     |     |     |     |      |     |      |      |      |
|                      | Thiel's U|     |     |     |     |      |      |      |      |      |      |

**4 Conclusion**

The asymptotic distributions of OLS estimators of bounded AR (2) model with constant term in case of dependent errors under different tests of hypothesis have been derived. Also, the asymptotic distributions of the $t$-type statistics of OLS estimators have been derived.

The measurement of MSE approve $H_a$ more than the measurement of Thiel’s U. Also, the positive values of $\phi_1$ approve $H_a$ more than the negative values of $\phi_1$.
The generalized inverse $G_{51}$ approve $H_{a}$ more than the generalized inverse $G_{52}$ in all cases of sample size $T$, $ar{C} = -\bar{C}$ and $\phi_1$. Also, for each sample size $T$, $\bar{C} = -\bar{C}$ and for generalized inverses $G_{51}$ and $G_{52}$ the values of MSE are decreasing for decreasing of positive values of $\phi_1$ and increasing for decreasing of negative values of $\phi_1$, while the values of Thiel’s U are increasing for both decreasing of positive values of $\phi_1$ and decreasing of negative values of $\phi_1$ under both the null and alternative hypotheses.

**Competing Interests**

Authors have declared that no competing interests exist.

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