

## Letter from Editors

In the third issue of volume 4 alternative methods of modelling macroeconomic and financial phenomena are presented. Some of them have Bayesian origins, some are purely Bayesian, and some are based on very different foundations, rooted in wavelet analysis.

In the first paper, written by Gary Koop, different approaches are surveyed that aim to overcome the problems arising in macroeconometric models which include a large number of variables and allow for time variation in parameters, thus having a large number of quantities to estimate relative to the number of observations. The themes of prior shrinkage, model averaging and model selection are stressed. A particular modelling approach, which involves the use of dynamic model selection methods with large TVP-VARs, is presented in detail. A forecasting exercise involving a large US macroeconomic data set illustrates the practicality and empirical success of the proposed approach.

In the second paper, Krzysztof Osiewalski and Jacek Osiewalski address the question whether we should exclude from modelling the days with prices not available on all markets (thus losing some information and implicitly modifying the time axis) or somehow complete the non-existing values. The authors propose a fully Bayesian approach, which is based on the MSF-SBEKK model and amounts to obtaining the marginal posterior distribution for any day in question. This procedure can be used to check validity of informal ways of "completing" the data (e.g. linear interpolation). The approach is applied to daily prices from six different financial and commodity markets in the period 2006-2011.

The aim of the third paper, by Niyati Bhanja, Arif Billah Dar, Aviral Kumar Tiwari and Olaolu Richard Olayeni, is to examine time and frequency dependent relationships between stock prices and inflation in India. The stock price - inflation nexus is investigated using the tools of wavelet power spectrum, cross-wavelet power spectrum and cross-wavelet coherency. The results suggest that only for a frequency band between sixteen and thirty two months there is some evidence of the Fisher effect.