A NEW CLASS OF DISTRIBUTION-FREE TESTS FOR TIME SERIES MODELS SPECIFICATION*

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Abstract

The construction of asymptotically distribution free time series models specification tests based on estimated residual autocorrelations is considered from a general view point. Test statistics are weighted sums of the estimated residual autocorrelations, and have an asymptotic standard normal distribution when the specification is correct, despite of the estimated parameters effect. The weights can be optimally chosen to maximize the power function when testing in the direction of local alternatives, and the resulting efficient tests in this class are asymptotically equivalent to the Lagrange Multiplier tests in parametric testing. In particular, when testing that the innovations

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are uncorrelated in the direction of MA, AR or *Bloomfield* alternatives, the locally efficient test statistic is a Portmanteau test based on a few linearly transformed residual autocorrelations. Such transformations are, in fact, the recursive residuals in the projection of the estimated residual autocorrelations on certain score function. The testing procedures are easy to implement, and applicable under fairly general time series model specifications, including those exhibiting long-memory. We also discuss their application to testing the white noise hypothesis of the innovations in general regression models. A Monte-Carlo experiment and real data analysis illustrate the practical implementation of the new tests.

Short Title: Specification Tests for Time Series.

1. INTRODUCTION

Let $\{X_t\}_{t=-\infty}^{\infty}$ be a covariance stationary time series with zero mean such that the filtered series

$$\varepsilon_t = \varphi(B) X_t, \ t = 0, \pm 1, \pm 2, \ldots,$$

is a White Noise process, i.e. an uncorrelated process with zero mean and variance σ^2, where φ is a prescribed function of the backshift operator B. We adopt the normalization $\varphi(0) = 1$. The series $\{X_t\}_{t=1}^{n}$ might not be observable, as it happens when X_t are errors of a general regression model. This case will be discussed in Section 4.

Given a data set $\{X_t\}_{t=1}^{n}$, statistical inferences usually rely on a parametric specification of φ, which is described by means of a class of functions indexed by parameters taking values in a suitable parameter space $\Theta \subset \mathbb{R}^q$, say $\mathcal{J} = \{\varphi_\theta : \theta \in \Theta\}$, so that $\varphi_\theta(0) = 1$ for all θ. The resulting statistical inferences are invalid when the putative specification is incorrect. This is why testing the null hypothesis

$$H_0 : \varphi \in \mathcal{J}$$

is sorely needed before performing any statistical inference.

The null hypothesis of correct specification can be written as

$$H_0 : \rho_{\theta_0}(j) = 0 \text{ for all } j \geq 1 \text{ and some } \theta_0 \in \Theta,$$

where $\rho_\theta(j) = \int_{-\pi}^{\pi} f(\lambda) f_\theta^{-1}(\lambda) \cos(\lambda j) \, d\lambda$ is the autocorrelation function of the residuals $\varepsilon_{\theta t} = \varphi_\theta(B) X_t, t = 0, \pm 1, \ldots, f(\lambda) = \left|\varphi\left(e^{i\lambda}\right)\right|^{-2}$ and $f_\theta(\lambda) = \left|\varphi_\theta\left(e^{i\lambda}\right)\right|^{-2}$ are the underlying normalized spectral density of $\{X_t\}_{t=-\infty}^{\infty}$ and its parametric specification counterpart, respectively, with $\int_{-\pi}^{\pi} \log f_\theta(\lambda) d\lambda = \int_{\pi}^{\pi} \log f(\lambda) d\lambda = 0$ for all $f_\theta \in \mathcal{J}$.

A vast majority of test statistics for time series model specification are functions of some estimated residual autocorrelation (ERA) function, i.e. suitable estimates of ρ_{θ_0}. Portmanteau test statistics are quadratic forms of an ERA vector, e.g. Quenoville (1947), Box and Pierce (1970), Ljung and Box (1978) or Hosking (1978). Lagrange Multiplier (LM) test statistics, obtained after imposing parametric restrictions to a time series model, are quadratic forms of weighted sums of ERA vectors, e.g. Durbin (1970), Hosking (1978, 1980), or Robinson (1994) more recently. The tests statistics considered in this article are based on weighted sums of ERA's.

Sometimes it is possible to compute the residuals $\{\varepsilon_{\theta t}\}_{t=1}^{n}$, and $\rho_\theta(j)$ can be estimated by the ERA, $\hat{\rho}_{n\theta}(j) = \hat{\gamma}_{n\theta}(j) / \hat{\gamma}_{n\theta}(0)$, where $\hat{\gamma}_{n\theta}(j) = n^{-1} \sum_{t=j+1}^{n} \varepsilon_{\theta t} \varepsilon_{\theta t-j}$, $j = 0, 1, \ldots,$ is the sample autocovariance function of $\{\varepsilon_{\theta t}\}_{t=1}^{n}$. The residuals are often hard to compute, if not impossible, and it may be advisable to apply the computationally much friendly autocorrelation estimates $\tilde{\rho}_{n\theta}(j) = \tilde{\gamma}_{n\theta}(j) / \tilde{\gamma}_{n\theta}(0)$, where

$$\tilde{\gamma}_{n\theta}(j) = \frac{2\pi}{\tilde{n}} \sum_{k=1}^{\tilde{n}} \frac{I_X(\lambda_k)}{f_\theta(\lambda_k)} \cos(j\lambda_k), \quad j = 0, 1, \ldots, \tag{1}$$

$\tilde{n} = [n/2]$, $[a]$ being the integer part of a, and for generic sequences $\{V_t\}_{t=1}^n$ and $\{U_t\}_{t=1}^n$, $I_{V,U}(\lambda_j) = (2\pi n)^{-1} \sum_{t=1}^n \sum_{\ell=1}^n V_t U_\ell' \exp\{i\lambda_j (t-\ell)\}$, $j = 1, \ldots, \tilde{n}$, so $I_X(\lambda_j) = I_{X,X}(\lambda_j)$ denotes the periodogram of $\{X_t\}_{t=1}^n$ evaluated at the Fourier frequency $\lambda_j = 2\pi j/n$ for positive integers j.

Henceforth, for the sake of motivation and notational economy, we shall not distinguish between the alternative autocorrelation estimates, and we shall denote by $\rho_{n\theta}$ either $\hat{\rho}_{n\theta}$ or $\tilde{\rho}_{n\theta}$. However, the different results presented in the paper will be formally justified in the Appendix for both estimators.

Let us assume first, for the sake of motivation, that the hypothesis to be tested is simple, i.e. the value of θ_0 is known under H_0. We shall focus our attention to test statistics of the form

$$\psi_n(\omega) = n^{1/2} \frac{\sum_{j=1}^{n-1} \rho_{n\theta_0}(j)\,\omega(j)}{\left(\sum_{j=1}^{n-1} \omega(j)^2\right)^{1/2}},$$

where ω is a weight function such that $\sum_{j=1}^{\infty} \omega(j)^2 > 0$ and for some generic $K > 0$

$$|\omega(j)| \leq K j^{-1}, \; j = 1, 2, \ldots. \tag{2}$$

Theorem 1 below provides a large sample justification for the class of tests described by means of the Bernoulli random variable $\phi_{n,\alpha}(\omega) = 1_{\{\psi_n(\omega) > z_\alpha\}}$, where $1_{\{\cdot\}}$ is the indicator function and z_α the $(1-\alpha)$-th quantile of the standard normal distribution. This variable summarizes the testing decision rule at the α significance level, by rejecting H_0 when $\phi_{n,\alpha}(\omega) = 1$. The theorem refers to Class A of processes, defined in the Appendix. Class A allows for a wide range of autocorrelation patterns in $\{X_t\}_{t=-\infty}^{\infty}$, including long memory, and imposes a martingale difference assumption on the white noise process $\{\varepsilon_t\}_{t=-\infty}^{\infty}$. This assumption is weaker than Gaussianity, or independence, which are usually assumed in the time series goodness-of-fit testing literature. See Robinson (1994) and Delgado, Hidalgo and Velasco (2005) for discussion. Theorem 1 also allows to compute the efficiency of the tests in this class under the sequence of local alternatives of the form

$$H_{1n} : \rho_{\theta_0}(j) = \frac{r(j)}{\sqrt{n}} + \frac{a_n(j)}{n} \text{ for some } \theta_0 \in \Theta, \tag{3}$$

where r and a_n can be non-parametric and depend on θ_0, and are subject to conditions specified in Class L defined in the Appendix.

Theorem 1 *Assume that* $\{X_t\}_{t=-\infty}^{\infty} \in A$. *Under* $H_{1n} \in L$,

$$\psi_n(\omega) \to_d N\left(\frac{\sum_{j=1}^{\infty} r(j)\,\omega(j)}{\left(\sum_{j=1}^{\infty}\omega(j)^2\right)^{1/2}}, 1\right).$$

The Pitman-Noether asymptotic relative efficiency of $\phi_{n,\alpha}(\omega)$ is given by

$$\frac{\left(\sum_{j=1}^{\infty}\omega(j)\,r(j)\right)^2}{\sum_{j=1}^{\infty}\omega(j)^2\sum_{j=1}^{\infty}r(j)^2}$$

when $\sum_{j=1}^{\infty}\omega(j)\,r(j) > 0$. When $\sum_{j=1}^{\infty}\omega(j)\,r(j) < 0$, $\lim_{n\to\infty}\Pr\left(\phi_{n,\alpha}(\omega) = 1\right) < \alpha$. Thus, $\phi_{n,\alpha}(r)$ is the most efficient test in its class. However, it is also the asymptotically locally most efficient test when the innovations are Gaussian and we have a parametric local alternative in mind, as we shall discuss below.

A parametric test, or a specification test in the direction of a nested alternative, consists of assuming that $\varphi = \varphi_{\theta_0}$ and testing the hypothesis, $\dot{H}_0 : \theta_{10} = 0$, where θ_{10} is a q_1-valued subvector of θ_0, $q_1 \leq q$, in the direction of the parametric local alternative, $\dot{H}_{1n} : \theta_{10} = \gamma/\sqrt{n}$. Such a test is equivalent to test H_0 versus H_{1n} with $r(j) = \gamma' d_{1\theta_0}(j)$, where

$$d_{1\theta}(j) = \frac{1}{2\pi}\int_{-\pi}^{\pi}\cos(\lambda j)\,\frac{\partial}{\partial\theta_1}\log f_\theta(\lambda)\,d\lambda,$$

assuming suitable smoothness restrictions on f_θ to be specified later. Henceforth, we always assume that it is possible to interchange the integration and differentiation operators. Then, if θ_{10} and γ are scalars, $\phi_{n,\alpha}(r) = 1_{\left\{\psi_n\left(sign(\gamma)\cdot d_{\theta_0}\right) > z_\alpha\right\}}$.

Consider the $ARFIMA\,(p,d,q)$ specification,

$$\varphi_\theta\,(z) = (1-z)^d\,\frac{\Phi_\delta\,(z)}{\Xi_\eta\,(z)},\ \text{with}\ \theta = (\delta', d, \eta')', \tag{4}$$

such that $\Phi_\delta\,(z) = 1 - \delta_1 z \cdots - \delta_p z^p$ and $\Xi_\eta\,(z) = 1 - \eta_1 z \cdots - \eta_q z^q$ are the autoregressive and moving average polynomials, respectively. It can be easily checked that $\phi_{n,\alpha}\,(r)$ is the Gaussian LM statistic when testing parametric hypothesis. For instance, the test $\phi_{n,\alpha}\,(r) = 1_{\left\{sign(\gamma)\cdot\sqrt{n}\rho_{n\theta_0}(1)>z_a\right\}}$ results when testing $\dot{H}_0 : \delta_{10} = 0$, $\phi_{n,\alpha}\,(r) = 1_{\left\{-sign(\gamma)\cdot\sqrt{n}\rho_{n\theta_0}(1)>z_a\right\}}$ when testing $\dot{H}_0 : \eta_{10} = 0$, and $\phi_{n,\alpha}\,(r) = 1_{\left\{sign(\gamma)\cdot\sqrt{n}\sum_{j=1}^{n-1}\rho_{n\theta_0}(j)\big/j>z_\alpha\cdot\pi/\sqrt{6}\right\}}$ when testing $\dot{H}_0 : d_0 = 0$. All of them are in fact the corresponding LM statistics under Gaussian innovations. See Hosking (1978, 1980) and Robinson (1994). A reparameterization of the ARFIMA model allows to consider non-stationary hypotheses, as in Robinson (1994).

Tests of the type $\phi_{n,\alpha}$ are one sided. However, in parametric testing, two sided tests are required when testing that a vector of parameters is equal to zero.

Parameters are unknown in practical situations and they must be estimated. The corresponding ERA's with estimated parameters are neither independent or distribution-free. This is why the asymptotic distribution of classical Portmanteau test statistics is not well approximated by the distribution of a chi-squared random variable, except when a large, though not too much, number of sample autocorrelations is considered. In next sections we develop asymptotically pivotal tests under these circumstances.

In Section 2 we propose a transformation of the weights resulting in test statistics converging to a standard normal under the null. We also propose a version of these tests for testing in the direction of parametric alternatives. In Section 3 we show that, when testing lack of autocorrelation of the innovations in the direction of MA, AR or Bloomfield (1973) alternatives, the optimal test in this class is a Box-Pierce-type test using a linear transformation of the ERA's, which are asymptotically distributed as independent standard normals under the null hypothesis of correct specification. These transformed ERA's are, in fact, the recursive least squares residuals of the projection of the original ERA's on certain "score" functions. In Section 5, we illustrate the finite sample properties of our test by means of a Monte Carlo experiment. Section 6 reports an application to the analysis of real data concerning tree-ring widths measures and chemical process temperature readings.

2. ASYMPTOTICALLY DISTRIBUTION FREE TESTS WITH ESTIMATED PARAMETERS

In order to implement the test when θ_0 is unknown under the null, we need a $\sqrt{n}$-consistent estimator, θ_n say. Theorem 2 provides an asymptotic expansion of the test statistics, which depends on the "score" function

$$d_\theta(j) = \frac{1}{2\pi}\int_{-\pi}^{\pi} \cos(\lambda j) \frac{\partial}{\partial\theta} \log f_\theta(\lambda)\, d\lambda.$$

Notice that $d_{\theta_0}(\cdot) = -\partial\rho_\theta(\cdot)/\partial\theta\rfloor_{\theta=\theta_0}$ under H_0. The statement of Theorem 2 refers to Class B, which imposes some further mild restrictions on $\mathcal{J}$ to avoid some pathological behaviour of d_θ, but allowing fairly flexible specifications, including those exhibiting long-memory. Similar assumptions were also used by Delgado, Hidalgo and Velasco (2005). Henceforth, it is assumed that the parameter estimator θ_n is $\sqrt{n}$-consistent under the sequence of local alternatives H_{1n}.

Theorem 2 *Assume that* $\{X_t\}_{t=-\infty}^{\infty} \in A$ *and* $\mathcal{J} \in B$. *Under* $H_{1n} \in L$,

$$\sum_{j=1}^{n-1} \omega(j)\, \rho_{n\theta_n}(j) = \sum_{j=1}^{n-1} \omega(j)\, \rho_{n\theta_0}(j) - (\theta_n - \theta_0)' \sum_{j=1}^{n-1} \omega(j)\, d_{\theta_n}(j) + o_p\left(n^{-1/2}\right).$$

Thus, asymptotically distribution-free tests can be obtained for any weight function ω using a sample dependent transformation $\hat{\omega}_{n,\theta_n}$ such that

$$\sum_{j=1}^{n-1} \hat{\omega}_{n,\theta_n}(j)\, d_{\theta_n}(j) = 0. \tag{5}$$

Assuming that ω and d_{θ_n} are not perfectly collinear, the least squares residuals $\hat{\omega}_{n,\theta_n}$ satisfy (5) non trivially. Henceforth, for any generic function $g : \mathbb{Z} \to \mathbb{R}$,

$$\hat{g}_{n,\theta}(j) = g(j) - d_\theta(j)' \left[\sum_{k=1}^{n-1} d_\theta(k) d_\theta(k)' \right]^{-1} \sum_{k=1}^{n-1} d_\theta(k) g(k), \quad j \geq 1. \qquad (6)$$

A class of asymptotically pivotal tests uses

$$\psi_n(\hat{\omega}_{n,\theta_n}) = n^{1/2} \frac{\sum_{j=1}^{n-1} \rho_{n\theta_n}(j) \hat{\omega}_{n,\theta_n}(j)}{\left(\sum_{j=1}^{n-1} \hat{\omega}_{n,\theta_n}(j)^2 \right)^{1/2}}$$

as test statistic. Define $\bar{\omega}(j) = \hat{\omega}_{\infty,\theta_0}(j), \quad j = 1, 2 \ldots.$

Theorem 3 *Under the conditions in Theorem 2 and $H_{1n} \in L$,*

$$\psi_n(\hat{\omega}_{n,\theta_n}) \xrightarrow{d} N\left(\frac{\sum_{j=1}^{\infty} \bar{\omega}(j) r(j)}{\left(\sum_{j=1}^{\infty} \bar{\omega}(j)^2 \right)^{1/2}}, 1 \right).$$

Let $\hat{r}_{n,\theta}$ be the residual function where g in (6) is replaced by r. Taking into account that $\sum_{j=1}^{\infty} \hat{r}_{\infty,\theta_0}(j) r(j) = \sum_{j=1}^{\infty} \hat{r}_{\infty,\theta_0}(j)^2$, $\phi_{n,\alpha}(\hat{r}_{n,\theta_n})$ is locally efficient relatively to its class.

Testing the hypothesis $\dot{H}_0$ in the direction $\dot{H}_{1n}$ is equivalent to test H_0 versus H_{1n} with $r(j) = \gamma' d_{1\theta_0}(j)$, where $d_\theta(j) = \left(d_{1\theta}(j)', d_{2\theta}(j)' \right)'$ is conformable with respect to $\theta = (\theta_1', \theta_2')'$. Now, using $\sqrt{n}$-consistent estimates θ_n of θ_0 restricted under the null hypothesis, $(\theta_n - \theta_0)' d_\theta(\cdot) = (\theta_{2,n} - \theta_{2,0})' d_{2\theta}(\cdot) - n^{-1/2} \gamma' d_{1\theta}(\cdot)$ under H_{1n}, and the optimal weights are estimated by $\hat{r}_{n,\theta_n}(j) = \gamma' \hat{d}_{n,1\theta_n}(j)$ where

$$\hat{d}_{n,1\theta}(j) = d_{1\theta}(j) - \sum_{k=1}^{n-1} d_{1\theta}(k) d_{2\theta}(k)' \left[\sum_{k=1}^{n-1} d_{2\theta}(k) d_{2\theta}(k)' \right]^{-1} d_{2\theta}(j), \qquad (7)$$

i.e. $\hat{d}_{n,1\theta}$ are the least squares residuals when projecting $\{d_{1\theta}(j)\}_{j=1}^{n-1}$ on $\{d_{2\theta}(j)\}_{j=1}^{n-1}$.

Interestingly, $\phi_{n,\alpha}(\hat{r}_{n,\theta_n})$ is asymptotically equivalent to generalized score tests based on different objective functions considered in the literature, cf. Robinson (1994), such as $LM_n = n \cdot S_{1,n}\left(\tilde{\theta}_n\right)' H_n^{11}\left(\tilde{\theta}_n\right) S_{1,n}\left(\tilde{\theta}_n\right)$, where $\tilde{\theta}_n = \left(0', \tilde{\theta}_{2,n}'\right)'$ is the restricted estimate under $\dot{H}_0$, $S_{1,n}\left(\tilde{\theta}_n\right) = -\sum_{j=1}^{n-1} \rho_{n\tilde{\theta}_n}(j)\, d_{1\tilde{\theta}_n}(j)$ and $H_n^{11}(\theta)^{-1} = \sum_{j=1}^{n-1} \hat{d}_{n,1\theta}(j)\, \hat{d}_{n,1\theta}(j)'$. For example, when $\rho_{n\theta}(j) = \tilde{\rho}_{n\theta}(j)$, this test corresponds approximately to the LM test based on the Whittle's log-likelihood objective function, which is $\tilde{\gamma}_{n\theta}(0)$ in (1), whereas with $\rho_{n\theta}(j) = \hat{\rho}_{n\theta}(j)$ corresponds to its time domain Gaussian likelihood counterpart. Applying arguments in Robinson (1994), $LM_n \to_d \chi^2_{q_1}\left(\gamma' H_\infty^{11}(\theta_0)^{-1}\gamma\right)$, and the LM test at the α significance level is defined by means of $\Phi_n = 1_{\left\{LM_n > \chi^2_{q_1,\alpha}\right\}}$, where $\chi^2_{q_1,\alpha}$ is the $(1-\alpha)$ quantile of the $\chi^2_{q_1}$. This suggests, as a natural extension of our approach, to use the alternative statistic $\Psi_{n\theta_n}\left(\hat{d}_{n,1\theta_n}\right)$ with

$$\Psi_{n\theta}(\omega) = n \cdot \sum_{j=1}^{n-1} \rho_{n\theta}(j)\, \omega(j)' \left[\sum_{j=1}^{n-1} \omega(j)\, \omega(j)'\right]^{-1} \sum_{j=1}^{n-1} \rho_{n\theta}(j)\, \omega(j),$$

for any root-n consistent restricted estimator θ_n and a q_1-valued vector of weights ω. These statistics are asymptotically equivalent to LM_n under H_{1n}, as stated in the following Corollary, which is a straightforward consequence of Theorem 2.

Corollary 1 *Under conditions in Theorem 2 and* $\dot{H}_{1n}$,

$$\Psi_{n\theta_n}\left(\hat{\omega}_{n,\hat{\theta}_n}\right) \to_d \chi^2_{q_1}\left(\gamma' W_{\theta_0}\gamma\right),$$

where $W_{\theta_0} = \sum_{j=1}^{\infty} d_{1\theta_0}(j)\, \bar{\omega}(j)' \left[\sum_{j=1}^{\infty} \bar{\omega}(j)\, \bar{\omega}(j)'\right]^{-1} \sum_{j=1}^{\infty} \bar{\omega}(j)\, d_{1\theta_0}(j)'$, *and* $\Psi_{n\theta_n}\left(\hat{d}_{n,1\theta_n}\right) = LM_n + o_p(1)$.

The tests $\Phi_{n\theta_n}\left(\hat{\omega}_{n,\hat{\theta}_n}\right)$, with $\Phi_{n\theta_n}(\omega) = 1_{\left\{\Psi_{n,\theta_n}(\omega) > \chi^2_{q_1,\alpha}\right\}}$, are computed using any preliminary restricted $\sqrt{n}$-consistent estimator under the sequence of alternatives $\{H_{1n}\}_{n\geq 1}$. Thus, the asymptotic relative efficiency of tests in this class is $\gamma' \sum_{j=1}^{\infty} \hat{d}_{\infty,1\theta_0}(j)\, \hat{d}_{\infty,1\theta_0}(j)'\gamma \Big/ \gamma' W_{\theta_0}\gamma$, and $\Psi_{n\theta_n}\left(\hat{d}_{n,1\theta_n}\right)$ is locally efficient in its class for testing $\dot{H}_0$ in the direction of $\dot{H}_{1n}$, as well as asymptotically equivalent to the LM test, noticing that $\sum_{j=1}^{\infty} d_{1\theta_0}(j)\, \hat{d}_{\infty,1\theta_0}(j)' = \sum_{j=1}^{\infty} \hat{d}_{\infty,1\theta_0}(j)\, \hat{d}_{\infty,1\theta_0}(j)'$.

3. A NEW CLASS OF PORTMANTEAU TESTS

The test proposed by Box and Pierce (1970) is possibly the most popular in time series models specification. The test statistic is

$$BP_{n\theta_n}(m) = n\sum_{j=1}^{m} \rho_{n\theta_n}(j)^2,$$

where θ_n is any $\sqrt{n}$-consistent estimator of θ_0. Box and Pierce (1970), see also Hosking (1978), showed under regularity conditions on φ_θ, with m growing as $n \to \infty$, that the asymptotic distribution of $BP_{n\theta_n}(m)$ can be approximated under H_0 by that of a χ^2_{m-q} variable when $m = o\left(n^{1/2}\right)$. It is broadly accepted that the χ^2_{m-q} approximation is quite accurate when m is fairly large, and that small m's may produce serious size distortions. However, tests using large m's hardly detect long memory alternatives, where the autocorrelation function may take small values with a slow rate of decay. In this section, we apply the testing method developed in preceding sections for obtaining an asymptotically distribution free test based on a transformation of the first m ERA's, with m fixed with n.

It is well known that LM test statistics for testing the innovations white noise hypothesis in the direction of $AR(m)$ or $MA(m)$ alternatives are quadratic forms in a vector containing the first m ERA (see e.g. Hosking 1978, 1981). This is also the case when testing in the direction of a Bloomfield's (1973) exponential process (see Robinson 1994). That is, testing $\dot{H}_0 : \theta_{10} = 0$ assuming the Bloomfield (1973) exponential spectral density specification

$$f_\theta(\lambda) = g_{\theta_2}(\lambda)\exp\left(\sum_{k=1}^{m} \theta_{1k}\cos\lambda k\right), \ \theta = \left(\theta_1', \theta_2'\right)', \tag{8}$$

for some $\theta_0 = \left(\theta_{10}', \theta_{20}'\right)'$ and $\int_{-\pi}^{\pi} \log g_{\theta_2}(\lambda)\, d\lambda = 0$ for all θ_2. The null hypothesis $\dot{H}_0 : \theta_{10} = 0$ establishes that $g_{\theta_{20}}$ is the spectral density of $\{X_t\}_{t=-\infty}^{\infty}$, with residuals $\{\varepsilon_{\theta_2 t}\}_{t=-\infty}^{\infty}$ correlated according to Bloomfield's (1973) process under the alternative.

Then, $r(j) = \gamma_j/2$, $j \geq 1$, when testing in the direction $\dot{H}_{1n} : \theta_{1,n} = \gamma/\sqrt{n}$, with $r(j) = 0$ for all $j > m$. Therefore, in this case $d_{1\theta}(j) = \left(1_{\{j=1\}}, \ldots, 1_{\{j=m\}}\right)'$ in (7) $S_{1,n}(\theta) = \left(\rho_{n,\theta}(1), \ldots, \rho_{n,\theta}(m)\right)'$, and

$$H_n^{11}(\theta)^{-1} = I_m - (d_{2\theta}(1), \ldots, d_{2\theta}(m))' \left(\sum_{j=1}^{n-1} d_{2\theta}(j)\, d_{2\theta}(j)'\right)^{-1} (d_{2\theta}(1), \ldots, d_{2\theta}(m)),$$

I_m being the m-dimensional identity matrix. Assuming that the underlying time series process allows the parametrization (8), the LM test statistic for testing $\dot{H}_0$ has the form

$$LM_n = n\left(\rho_{n,\tilde{\theta}_n}(1), \ldots, \rho_{n,\tilde{\theta}_n}(m)\right) H_n^{11}\left(\tilde{\theta}_n\right)\left(\rho_{n,\tilde{\theta}_n}(1), \ldots, \rho_{n,\tilde{\theta}_n}(m)\right)'$$

and is asymptotically equivalent to $\Psi_{n,\theta_n}\left(\hat{d}_{n,1\theta_n}\right)$ for any $\sqrt{n}$-consistent restricted estimator θ_n.

The consideration of (8) for motivating the form of LM_n resembles the smooth tests proposed by Neyman (1937) in the context of classical goodness-of-fit testing. In fact, Bloomfield's spectral density in (8) parallels the exponential density considered in Kallenberg and Ledwina (1997) to derive smooth tests when the hypothesis is composite.

The results developed in previous sections remain valid for fixed $m = 1, 2, \ldots$ Furthermore, $\Psi_{n\theta_n}\left(\hat{d}_{n,1\theta_n}\right)$ can be written as the Box-Pierce statistic $BP_{n\theta_n}(m)$, but with $\rho_{n\theta_n}$ substituted by the linear transformation $\mathcal{L}_{n,\theta_n}\rho_{n\theta_n}$, where for any generic function $g : \mathbb{Z} \to \mathbb{R}$, $\mathcal{L}_{n,\theta}$ is the linear operator

$$\mathcal{L}_{n,\theta}g(j) = \frac{g(j) - d_{2\theta}(j)'\left[\sum_{i=j+1}^{n-1} d_{2\theta}(i)\, d_{2\theta}(i)'\right]^{-1} \sum_{i=j+1}^{n-1} g(i)\, d_{2\theta}(i)}{1 + d_{2\theta}(j)'\left[\sum_{i=j+1}^{n-1} d_{2\theta}(i)\, d_{2\theta}(i)'\right]^{-1} d_{2\theta}(j)},$$

$j = 1, \ldots, n-1-q_2$. That is, $\mathcal{L}_{n,\theta}g(j)$ are the standardized forward recursive residuals when projecting g on $d_{2\theta}$. We state formally this result in the next proposition.

Proposition 1 *When testing $\dot{H}_{1n}$ using $\hat{d}_{n,1\theta_n}$ in (7),*

$$\Psi_{n\theta_n}\left(\hat{d}_{n,1\theta_n}\right) = n\sum_{j=1}^{m}\left(\mathcal{L}_{n,\theta_n}\rho_{n\theta_n}(j)\right)^2.$$

Linear transformations like $\mathcal{L}_{n,\theta}$ have been applied in a variety of contexts. Let us mention just a few. Brown, Durbin and Evans (1975) suggested to transform the CUSUM of ordinary least squares in an empirical process using this type of transformation, which results in the CUSUM of recursive residuals. Khamaladze (1981) used a continuous time version of this type of transformation in the context of classical goodness-of-fit testing using the standard empirical process with estimated parameters. Recently, Delgado, Hidalgo and Velasco (2005) to the Barlett T_p- *process* in the context of time series models specification testing.

4. TESTS BASED ON REGRESSION RESIDUALS

When $\{X_t\}_{t=-\infty}^{\infty}$ are the unobserved errors of a multiple regression model, new difficulties arise because of the presence of nonparametric nuisance functions when computing the optimal weights. Suppose that

$$Y_t = Z_t'\beta_0 + X_t,\ t = \pm 1, \pm 2, \ldots,$$

where we assume first that $\{Y_t, Z_t\}_{t=-\infty}^{\infty}$ is a $1+p$-valued vector covariance stationary time series, and $\beta_0 \in \mathbb{R}^p$ is a vector of unknown parameters. We shall discuss the case when Z_t admits non-stochastic regressors later.

Let β_n be a $\sqrt{n}$-consistent estimator of β_0, e.g. the Gaussian maximum likelihood estimate. In order to test the specification of X_t in these circumstances, consider residuals $X_t(\beta) = Y_t - \beta' Z_t$, $t = 0, \pm 1, \ldots$, i.e., $X_t = X_t(\beta_0)$ and

$$\varepsilon_t(\theta,\beta) = \varphi_\theta(B)\, X_t(\beta) = \frac{\varphi_\theta(B)}{\varphi(B)}\left\{\varepsilon_t + \varphi(B)\, Z_t'(\beta_0 - \beta)\right\},\ t = 0, \pm 1, \ldots,$$

i.e., $\varepsilon_t = \varepsilon_t(\theta_0, \beta_0)$. As before, the autocorrelation function of $\{\varepsilon_t(\theta,\beta)\}_{t=-\infty}^{\infty}$ can be estimated either by the sample autocorrelation function $\hat{\rho}_{n\theta\beta}(j) = \hat{\gamma}_{n\theta\beta}(j) / \hat{\gamma}_{n\theta\beta}(0)$, with $\hat{\gamma}_{n\theta\beta}(j) = n^{-1}\sum_{t=j+1}^{n} \varepsilon_t(\theta_n, \beta_n)\,\varepsilon_{t-j}(\theta_n,\beta_n)$, $\quad j = 0, 1, \ldots,$ or by, $\tilde{\rho}_{n\theta\beta}(j) = \tilde{\gamma}_{n\theta\beta}(j)/\tilde{\gamma}_{n\theta\beta}(0)$, where $\tilde{\gamma}_{n\theta\beta}(j)$ is defined as $\tilde{\gamma}_{n\theta}(j)$ with I_X replaced by $I_{X(\beta)}$. Also in this Section, $\rho_{n\theta\beta}$ refers to either $\tilde{\rho}_{n\theta\beta}$ or $\hat{\rho}_{n\theta\beta}$.

In order to identify the parameters, assume that $\varphi_\theta(B) Z_t$, are predetermined, i.e. $\mathbb{E}(\varepsilon_0(\theta,\beta) Z_j) = 0$, $j \leq 0$, but not necessarily strictly exogenous. Then, defining the cross-spectral density function between $X_t(\beta)$ and Z_t, $f_{X(\beta),Z}$ say, by $\mathbb{E}(X_0(\beta) Z_j) = (2\pi)^{-1}\int_{-\pi}^{\pi} \exp(i\lambda j) f_{X(\beta),Z}(\lambda)\, d\lambda$, we note that

$$\eta_{\theta\beta}(j) = \frac{\mathbb{E}(\varepsilon_0(\theta,\beta)\cdot\varphi_\theta(B) Z_j)}{\sigma^2} = \frac{1}{2\pi\sigma^2}\int_{-\pi}^{\pi} \exp(i\lambda j)\frac{f_{X(\beta),Z}(\lambda)}{f_\theta(\lambda)} d\lambda,$$

is assumed to be zero for $j \leq 0$, but allowed to be nonzero for $j > 0$. We also extend Class B to Class C to incorporate equivalent conditions on $\eta_{\theta\beta}$ as on d_θ. Assuming that $\mathcal{J} \in C$, the next Theorem is a straightforward extension of Theorem 3 . Hence, its proof is omitted.

Theorem 4 *Assume that $\{X_t\}_{t=-\infty}^{\infty} \in A$, $\mathcal{J} \in C$ and $H_{1n} \in L$,*

$$\sum_{j=1}^{n-1}\omega(j)\,\rho_{n\theta_n\beta_n}(j) = \sum_{j=1}^{n-1}\omega(j)\,\rho_{n\theta_0\beta_0}(j) - \begin{pmatrix}\beta_0 - \beta_n \\ \theta_n - \theta_0\end{pmatrix}' \sum_{j=1}^{n-1}\omega(j)\begin{pmatrix}\eta_{\theta_0\beta_0}(j) \\ d_{\theta_0}(j)\end{pmatrix} + o_p(1)\,.$$

Thus, asymptotically distribution free test statistics are based on weights orthogonal to both $\eta_{\theta_0\beta_0}$ and d_{θ_0}. To this end, we can consider the semiparametric estimator

$$\eta_{n\theta\beta}(j) = \frac{1}{\gamma_{n\theta\beta}(0)}\,\mathrm{Re}\left\{\frac{2\pi}{\tilde{n}}\sum_{k=1}^{\tilde{n}} \exp(i\lambda_k j)\frac{I_{X(\beta),Z}(\lambda_k)'}{f_\theta(\lambda_k)}\right\},$$

or time domain versions. This avoids to parameterize $f_{X(\beta),Z}$.

For any weight function ω and a smoothing number m, define

$$\hat{\omega}_{mn,\theta\beta}(j) = \omega(j) - \sum_{k=1}^{m} \omega(k) \begin{pmatrix} \eta_{n\theta\beta}(k) \\ d_{\theta}(k) \end{pmatrix}' \tag{9}$$

$$\times \left[\sum_{k=1}^{m} \begin{pmatrix} \eta_{n\theta\beta}(k)\, \eta_{n\theta\beta}(k)' & \eta_{n\theta\beta}(k)\, d_{\theta}(k)' \\ d_{\theta}(k)\, \eta_{n\theta\beta}(k)' & d_{\theta}(k)\, d_{\theta}(k)' \end{pmatrix} \right]^{-1} \begin{pmatrix} \eta_{n\theta\beta}(j) \\ d_{\theta}(j) \end{pmatrix}.$$

Thus, reasoning as before, $\psi_{m,n}\left(\hat{\omega}_{mn,\theta_n\beta_n}\right)$, with

$$\psi_{m,n}(\omega) = n^{1/2} \frac{\sum_{j=1}^{m} \rho_{n\theta\beta}(j)\, \omega(j)}{\left(\sum_{j=1}^{m} \omega(j)^2\right)^{1/2}},$$

is expected to be asymptotically pivotal under the null and suitable regularity conditions.

The convergence in distribution of $\psi_{m,n}\left(\hat{\omega}_{mn,\theta_n\beta_n}\right)$ is proved assuming that $(X_t, Z_t')'$ belongs to Class D, a multivariate extension of Class A, but allowing $f_{X,Z}$ to be nonparametric. It is also assumed that

$$\frac{1}{m} + \frac{m}{n^{1/2}} \to 0 \text{ as } n \to \infty \tag{10}$$

to control the estimation effect of $\eta_{\theta_0\beta_0}(j)$ by $\eta_{n\theta_0\beta_0}(j)$, $j = 1, \ldots, m$. The trimming is needed because, unlike d_{θ_0}, $\eta_{n\theta_0\beta_0}$ depends on a sample average. Notice that the trimming can be avoided by assuming a parametric function for $f_{X,Z} = f_{X(\beta_0),Z}$, which is weaker than assuming that Z_t is strictly exogenous, i.e. $\eta_{n\theta_0\beta_0}(j) = 0$ all $j \geq 1$.

Next theorem provides the limiting distribution of $\psi_n\left(\hat{\omega}_{m,n\theta_n\beta_n}\right)$ under local alternatives

$$H_{1n} : \rho_{\theta_0\beta_0}(j) = \frac{r(j)}{\sqrt{n}} + \frac{a_n(j)}{n}, \quad j > 0 \text{ for some } (\theta_0', \beta_0')' \in \Theta,$$

and shows that the test $\phi_n\left(\hat{r}_{mn,\theta_n\beta_n}\right) = 1_{\left\{\hat{r}_{mn,\theta_n\beta_n} > z_\alpha\right\}}$ is locally efficient in its class. Now $\bar{\omega} = \hat{\omega}_{\infty,\theta_0\beta_0}$. We also omit the proof given the similarities with that of Theorem 4.

Theorem 5 *Assume that* $\left\{(X_t, Z_t')'\right\}_{t=-\infty}^{\infty} \in D$*,* $\mathcal{J} \in C$*, and (10), under* $H_{1n} \in L$*,*

$$\psi_{m,n}\left(\hat{\omega}_{mn,\theta_n\beta_n}\right) \to_d N\left(\frac{\sum_{j=1}^{\infty}\bar{\omega}(j)\,r(j)}{\left(\sum_{j=1}^{\infty}\bar{\omega}^2(j)\right)^{1/2}}, 1\right).$$

If the elements of Z_t, $t = 1, 2, \ldots$, are nonstochastic, such as a polynomial trends in t, and under the identifiability conditions stated in the Appendix as Class E, estimation of β does not affect the asymptotic properties of ERA's and weights need not be orthogonalized. The reason is that the Z_t are strictly exogenous in this case, and the corresponding function $\eta_{\theta_0\beta_0}(j)$ is zero for all leads and lags. This fact, together with the assumption that β_n is (at least) $\sqrt{n}$-consistent, renders Theorems 3 and 4 valid in this set up.

5. A MONTE CARLO EXPERIMENT

This simulation study is based on 50,000 replications of $ARFIMA(p, d, q)$ models under alternative designs. The innovations are independent standard normals. Parameters are estimated using the restricted Whittle estimator under the null hypothesis and we use time domain ERA's.

We have computed the percentage of rejections using five distribution free tests:

1. Delgado, Hidalgo and Velasco (2005) omnibus test based on the transformed $T_p - process$ using the Cramer-von Mises criteria, CvM.

2. The efficient LM test against different residual autocorrelation alternatives.

3. Our efficient test $\hat{\Psi}_n = \Psi_{n\theta_n}\left(\hat{d}_{n,1\theta_n}\right)$ with $\hat{d}_{n,1\theta_n}$ corresponding to different residual autocorrelation alternatives.

4. Our portmanteau test $\hat{\Psi}_n$, with $\hat{d}_{n,1\theta_n}$ corresponding to the alternative of residuals autocorrelated according to an $AR(m)$.

5. Box Pierce test, computed as proposed by Ljung and Box (1978), $BP_n(m)$.

Table 1 reports the percentage of rejections under the null of AR(1), MA(1) and integrated of order d process ($I(d)$), with sample sizes of 200 and 500. We have computed BP test for $m = 10, 20$ and 30. Choices of m around $\sqrt{n}$ are expected to yield test statistics with good size accuracy. We also provide results for $m = 5$ in order to check size accuracy and power for small m. We report results for our recursive portmanteau test (RPT) using small values of $m = 1, 2, 3, 5$.

TABLES 1 & 2 ABOUT HERE

As it happens with the standard LM_n test statistic considering $AR(m)$ (or $MA(m)$, or Bloomfield(m)) departures from the innovations white noise hypothesis, the weighting matrix of the test statistic $\Psi_{n\theta_n}\left(\hat{d}_{n,1\theta_n}\right)$ becomes near idempotent as m increases. This fact prevents from using our RPT or the LM test with large values of m in this situation. The size accuracy of the RPT is excellent for the small values reported in the three designs considered. The CvM and BP tests also perform very well for a sample size of 500, but LM and $\hat{\Psi}_n$ suffer very serious size distortions for some designs.

The proportion of rejections under alternative hypotheses are reported in Table 2 for $n = 200$ and different designs. All the tests detect departures from the AR(1) specification in the direction of MA(1) innovations, as well as departures from the MA(1) specification in the direction of AR(1) innovations. However, $I(d)$ departures from the white noise hypothesis are better detected by the RPT than any other test. The classical BP test rejects less than the others in this situation. It is worth mentioning that departures form the AR(1) specification with parameter 0.5 in the direction of $I(d)$ correlated innovations are not detected by any test for the sample sizes considered. Departures from the $I(d)$ hypothesis are better detected. However, the RPT works much better than the others in this case.

6. REAL DATA EXAMPLES

We analyze the specification of two time series previously considered by Velasco and Robinson (2000) in the context of fractionally integrated models with ARMA(p, q) and Bloomfield(q) parametric specifications for the short memory components. The former ones are the ARFIMA models and the later are called Fractional Exponential models (FExp(q, d)).

The first data set consists of 500 annual time series of tree-ring widths in Arizona from 548 A.D. onwards, obtained by D. A. Graybill in 1984 and maintained by R. Hyndman at www-personal.buseco.monash.edu.au/~hyndman/TSDL. Lack of stationarity is the main issue in the analysis of this series, since fractional parameters estimated were in general indistinguishable from the border value $d = 0.5$. The different tests used in the Monte Carlo experiments above are used for model checking of the specifications considered by Velasco and Robinson (2000). We use similar values of m as in the simulations. We also used Whittle estimators, but for the goodness of fit analysis of FExp models we use frequency domain ERA, $\tilde{\rho}_{n\theta_n}$. We work with the increments of the series and add one unit to the estimates of the memory parameter, though results with raw data are qualitative similar and, despite possible nonstationarity, similar inference rules could be justified along the lines of Velasco and Robinson (2000). The results of this analysis are contained in Table 3. Basic models with none or only one short memory parameter are always rejected. BP tests for $m > 10$ hardly reject any specification, whereas our test $\hat{\Psi}_n$ clearly rejects these models for all m considered. The ARFIMA$(1, d, 1)$ model is also rejected and CvM test agrees with these conclusions. The remaining models with two short run parameters are not rejected, being the FExp$(2, d)$ preferred by BIC criterion (apart form the ARFIMA$(0,d,0)$ which is heavily rejected by our test).

TABLE 3 & 4 ABOUT HERE

The second time series is the chemical process temperature readings (series C) from Box and Jenkins (1976). Beran (1995) estimates the memory parameter d, rather than fitting an ARIMA model as Box and Jenkins suggest. As before, we work with the increments. The ARFIMA$(1,d,0)$ specification is strongly rejected by our new test, while the BP test only rejects clearly the pure fractional specification for moderate m. However, the FExp models are not rejected and in particular the FExp$(1,d)$ specification is preferred by BIC. In order to test Box and Jenkins' specification of an exact unit root, we test for long memory alternatives on the increments using also optimal two sided tests $\phi_{n,\alpha}(\hat{\omega})$ with $\omega(j) = j^{-1}$. These tests reject at $\alpha = 0.01$ all short memory specifications which impose $d = 1$, and so do CvM and $\hat{\Psi}_n$ tests, though the later only provides little evidence against the FExp$(2,1)$ model. In general, the BP test displays very little power against long memory alternatives for large or moderate m.

APPENDIX A: TESTS USING FREQUENCY DOMAIN AUTOCORRELATION ESTIMATES

Class A. The process $\{X_t\}_{t=-\infty}^{\infty}$ defined by $\varphi(B) X_t = \varepsilon_t$ belongs to Class A if:
(i) The process $\{\varepsilon_t\}_{t=-\infty}^{\infty}$ satisfies that $\mathbb{E}\left(\varepsilon_t^r \middle| \mathcal{F}_{t-1}\right) = \mu_r$ with μ_r constant ($\mu_1 = 0$ and $\mu_2 = \sigma^2$) for $r = 1, \ldots, 4$ and all $t = 0, \pm 1, \ldots$, where $\mathcal{F}_t$ is the sigma algebra generated by $\{\varepsilon_s, s \leq t\}$.
(ii) $f(\lambda) = |\varphi\left(e^{i\lambda}\right)|^{-2}$ is positive and continuously differentiable on $(0,\pi]$, and $|(d/d\lambda)\log f(\lambda)| = O\left(|\lambda|^{-1}\right)$ as $|\lambda| \to 0$.

Class B. The parametric model $\mathcal{J}$ belongs to Class B if:

(i) $f_\theta(\lambda)$ is continuously differentiable in $\theta \in \Theta$, $\lambda \in (0,\pi]$, with derivative $\mu_\theta(\lambda) := (\partial/\partial\theta)\log f_\theta(\lambda)$, so that $\mu_{\theta_0}(\lambda)$ is continuously differentiable on $(0,\pi]$.

(ii) $\left\|\partial\mu_{\theta_0}(\lambda)/\partial\lambda\right\| = O\left(|\lambda|^{-1}\right)$ as $|\lambda| \to 0$.

(iii) $\sup_{\theta\in\Theta}\|\mu_\theta(\lambda)\| = O(\log|\lambda|)$ as $|\lambda| \to 0$.

(iv) For all $\lambda \in (0,\pi]$ and $0 < \delta < 1$ there exists some $K < \infty$ such that

$$\sup_{\{\theta:\|\theta-\theta_0\|\le\delta/2\}} \frac{1}{\|\theta-\theta_0\|^2}\left|\frac{f_{\theta_0}(\lambda)}{f_\theta(\lambda)} - 1 + (\theta-\theta_0)'\mu_{\theta_0}(\lambda)\right| \le \frac{K}{|\lambda|^\delta}\log^2|\lambda|.$$

(v) For $d_\theta(j) = (2\pi)^{-1}\int_{-\pi}^{\pi}\mu_\theta(\lambda)\cos(j\lambda)\,d\lambda$ and $\dot{d}_\theta(j) = \partial d_\theta(j)/\partial\theta$, $j = 1,2,\ldots,$

$$\sum_{j=1}^{\infty} d_{\theta_0}(j)\,d_{\theta_0}(j)' \text{ is finite and positive definite;} \tag{11}$$

$$\sup_{\theta\in\Theta}\|d_\theta(j)\| + \sup_{\theta\in\Theta}\left\|\dot{d}_\theta(j)\right\| \le Cj^{-1},\ j = 1,2,\ldots. \tag{12}$$

Class C. The parametric model $\mathcal{J}$ described in Section 5 belongs to Class C if:

(i) All conditions of Class B hold.

(ii) Conditions $(ii) - (iii)$ of Class B hold replacing $\mu_\theta(\lambda)$ by $f_{X(\beta)Z}(\lambda)/f_\theta(\lambda)$ for $(\theta',\beta')' \in \Theta$.

(iii) Condition (v) of Class B holds for $\left(\eta_{\theta\beta}(j)', d_\theta(j)'\right)'$ for $(\theta',\beta')' \in \Theta$.

Class D. The $(1+p)$-process $\{V_t\}_{t=-\infty}^{\infty}$, $\Psi(B)V_t = U_t$, belongs to Class D if:

(i) The process $\{U_t\}_{t=-\infty}^{\infty}$ satisfies that $\mathbb{E}(U_t|\mathcal{F}_{t-1}) = 0$, $\mathbb{E}(U_tU_t'|\mathcal{F}_{t-1}) = \Sigma$, $\mathbb{E}(U_{t,a}U_{t,b}U_{t,c}|\mathcal{F}_{t-1}) = \mu_{abc}$, $\mathbb{E}(U_{t,a}U_{t,b}U_{t,c}U_{t,d}|\mathcal{F}_{t-1}) = \mu_{abcd}$ with μ_{abc} and μ_{abcd} bounded, all $a,b,c,d = 1,\ldots,1+p$ and all $t = 0,\pm1,\ldots$, where $\mathcal{F}_t$ is the sigma algebra generated by $\{U_s, s \le t\}$.

(ii) $f_V(\lambda) = |\Psi\left(e^{i\lambda}\right)|^{-2}$ is continuously differentiable on $[-\pi,0) \cup (0,\pi]$, and $\|(d/d\lambda)\log f_V(\lambda)\| = O\left(|\lambda|^{-1}\right)$ as $|\lambda| \to 0$.

(iii) The elements of $f_V(\lambda)/f(\lambda)$ are bounded on $[-\pi,\pi]$, where $f \in A$.

Class E. The nonstochastic regressors $\{Z_t\}_{t=-\infty}^{\infty}$ belongs to Class E if $D_n = \sum_{t=1}^{n} W_tW_t'$ is positive definite for large enough n, $W_t = \varphi(B)Z_t$, $Z_t = 0$, $t \le 0$.

Class L. The sequence of local alternatives $\{H_{1n}\}_{n\geq 1}$ in (3) satisfies that

$$\sum_{j=1}^{\infty} r(j)^2 < \infty \text{ and } \sum_{j=1}^{n} a_n(j)^2 = O(1) \text{ as } n \to \infty. \tag{13}$$

(i) The function l defined as $l(\lambda) = (2\pi)^{-1} \sum_{j=1}^{\infty} r(j)\cos(\lambda j)$, satisfies that $|l(\lambda)| \leq K|\log \lambda|$ and is differentiable in $(0,\pi]$ so that $|(\partial/\partial\lambda) l(\lambda)| \leq K|\lambda|^{-1}$, all $\lambda > 0$.

(ii) The absolute value of $g_n(\lambda) = (2\pi)^{-1} \sum_{j=1}^{\infty} a_n(j)\cos(\lambda j)$ is dominated by an integrable function not depending on n for all $n > n_0$.

We consider now the frequency domain case, where $\rho_{n\theta}(j) = \tilde{\rho}_{n\theta}(j)$.

Proof of Theorem 1. Define $\psi_{n,k}(\omega) = n^{1/2}\left(\sum_{j=1}^{k}\omega(j)^2\right)^{-1/2}\sum_{j=1}^{k}\rho_{n\theta_0}(j)\,\omega(j)$. By Lemma 1, $\psi_{n,k}(\omega) \to_d N\left(\left(\sum_{j=1}^{k}\omega(j)^2\right)^{-1/2}\sum_{j=1}^{k} r(j)\,\omega(j), 1\right)$ as $n \to \infty$ for k fixed. Then, using Theorem 3.2 in Billingsley (1999) we only need to show that

$$\lim_{k\to\infty}\limsup_{n\to\infty} \Pr\left(\left|\psi_n(\omega) - \psi_{n,k}(\omega)\right| > \epsilon\right) = 0 \tag{14}$$

for any $\epsilon > 0$. We first note that the innovation variance estimate is the same in both $\psi_{n,k}(\omega)$ and $\psi_n(\omega)$ so we concentrate on the autocovariance estimates $\tilde{\gamma}_{n\theta_0}(j)$, $j = 0, 1, \ldots$. Then we show that, under H_{1n}, $\mathbb{E}n^{1/2}|\delta_n(j)| = O\left(n^{-\delta}\right)$ for some $\delta > 0$ and for each $j = 1, \ldots, k$, where $\delta_n(j) = \tilde{\gamma}_{n\theta_0}(j) - n^{-1/2}\sigma^2 r(j) - \tilde{\gamma}_{n\varepsilon}(j)$ and $\tilde{\gamma}_{n\varepsilon}(j)$ is defined as $\tilde{\gamma}_{n\theta_0}(j)$ but replacing $I_X(\cdot) f_{\theta_0}^{-1}(\cdot)$ by $I_\varepsilon(\cdot)$. Proceeding as in the proof of Lemma 1,

$$\tilde{\gamma}_{n\theta_0}(j) = \frac{2\pi}{\tilde{n}}\sum_{k=1}^{\tilde{n}}\frac{I_X(\lambda_k)}{f(\lambda_k)}\cos(j\lambda_k)\left\{1 + n^{-1/2} l(\lambda_k)\right\} + n^{-1}V_n(j),$$

where $\mathbb{E}|V_n(j)| = O(1)$ because g_n is uniformly integrable. Then, using Lemma 4 in DHV, for both $s = 1$ and $s = l$,

$$\mathbb{E}\left|n^{1/2}\frac{2\pi}{\tilde{n}}\sum_{k=1}^{\tilde{n}}\left(\frac{I_X(\lambda_k)}{f(\lambda_k)} - I_\varepsilon(\lambda_k)\right)s(\lambda_k)\cos(j\lambda_k)\right| = O\left(n^{-\delta}\right)$$

for some $\delta > 0$, uniformly in j, while $\mathbb{E}\left|(2\pi/\tilde{n})\sum_{k=1}^{\tilde{n}} I_\varepsilon(\lambda_k)\, l(\lambda_k)\cos(j\lambda_k) - \sigma^2 r(j)\right| = O\left(n^{-1}\log n\right)$ using Lemma 2 and Lemma 1 in DHV with r and l satisfying conditions of $H_{1n} \in L$. Next, this shows that

$$\sup_k \left| n^{1/2} \sum_{j=k+1}^{n-1} \delta_n(j)\,\omega(j) \right| \le n^{1/2} \sum_{j=1}^{n-1} |\delta_n(j)|\,|\omega(j)|$$

is $o_p(1)$ as $n \to \infty$, uniformly in k, using (2). Finally, using again (2) and Lemma 2,

$$\mathbb{E}\left| n^{1/2} \sum_{j=k+1}^{n-1} \tilde{\gamma}_{n\varepsilon}(j)\,\omega(j) \right|^2 = O\left(\sum_{j=k+1}^{n-1} \omega^2(j) + n^{-1} \sum_{j=k+1}^{n-1} \sum_{j'=k+1}^{n-1} |\omega(j)|\,|\omega(j')| \right)$$

and $\left| \sum_{j=k+1}^{n-1} r(j)\,\omega(j) \right|$ are both $o(1)$ as $k \to \infty$, so (14) holds by Markov's inequality. □

Proof of Theorem 2. Write

$$\sum_{j=1}^{n-1} \omega(j)\,\rho_{n,\theta_n}(j) = \sum_{j=1}^{n-1} \omega(j)\,\rho_{n\theta_0}(j) - (\theta_n - \theta_0)' \sum_{j=1}^{n-1} \omega(j)\,d_{\theta_n}(j) + \sum_{j=1}^{5} R_{nj},$$

where $R_{n1} = (\theta_n - \theta_0)' \sum_{j=1}^{n-1} \omega(j)\left\{ d_{\theta_n}(j) - d_{\theta_0}(j) \right\}$, $R_{n2} = (\theta_n - \theta_0)' \sum_{j=1}^{n-1} \omega(j)$ $\times \left\{ d_{\theta_0}(j) - d_{n\theta_0}(j) \right\}$, $R_{n3} = \sum_{j=1}^{n-1} \omega(j)\,\dot{d}_{n\theta_n}(j)$, and

$$R_{n4} = \left[\frac{1}{\sigma^2} - \frac{1}{\tilde{\gamma}_{n\theta_0}(0)} \right] \sum_{j=1}^{n-1} \omega(j)\,\tilde{\gamma}_{n\theta_0}(j),$$

$$R_{n5} = \left[\frac{1}{\tilde{\gamma}_{n\theta_n}(0)} - \frac{1}{\sigma^2} \right] \sum_{j=1}^{n-1} \omega(j)\,\tilde{\gamma}_{n\theta_n}(j),$$

with $d_{n\theta}(j) = (2\pi/\tilde{n})\,\sigma^{-2} \sum_{i=1}^{\tilde{n}} I_X(\lambda_i)\,f_\theta^{-1}(\lambda_i)\,\mu_\theta(\lambda_i)\cos(\lambda_i j)$, and

$$\dot{d}_{n\theta}(j) = \frac{2\pi}{\tilde{n}\sigma^2} \sum_{i=1}^{\tilde{n}} \frac{I_X(\lambda_i)}{f_{\theta_0}(\lambda_i)} \left\{ \frac{f_{\theta_0}(\lambda_i)}{f_\theta(\lambda_i)} - 1 + (\theta_n - \theta_0)'\,\mu_{\theta_0}(\lambda_i) \right\} \cos(\lambda_i j).$$

Thus, it suffices to prove that $R_{nj} = o_p\left(n^{-1/2}\right)$, $j = 1, \ldots, 5$. Applying (13), (2), and taking into account that θ_n is $\sqrt{n}$-consistent, $R_{n1} = o_p\left(n^{-1/2}\right)$. Write

$$\begin{aligned} R_{n2} &= (\theta_n - \theta_0)' \sum_{j=1}^{n-1} \omega(j) \left\{ d_{\theta_0}(j) - \frac{2\pi}{\tilde{n}} \sum_{i=1}^{\tilde{n}} \mu_{\theta_0}(\lambda_i)\cos(j\lambda_i) \right\} \\ &\quad + (\theta_n - \theta_0)' \sum_{j=1}^{n-1} \omega(j) \left\{ \frac{2\pi}{\tilde{n}\sigma^2} \sum_{i=1}^{\tilde{n}} \left[\frac{\sigma^2}{2\pi} - \frac{I_X(\lambda_i)}{f_{\theta_0}(\lambda_i)} \right] \mu_{\theta_0}(\lambda_i)\cos(j\lambda_i) \right\}. \end{aligned}$$

The first term on the left hand side is $O\left(n^{-1}\log n^2\right)$ applying Lemma 1 in DHV and (2), and the second term can be written as

$$\left(\theta_n-\theta_0\right)'\frac{2\pi}{\tilde{n}\sigma^2}\sum_{i=1}^{\tilde{n}}\left(\frac{\sigma^2}{2\pi}-I_{\varepsilon}\left(\lambda_i\right)\right)\mu_{\theta_0}\left(\lambda_i\right)\sum_{j=1}^{n-1}\omega\left(j\right)\cos\left(j\lambda_i\right) \tag{15}$$

$$+\left(\theta_n-\theta_0\right)'\frac{2\pi}{\tilde{n}\sigma^2}\sum_{i=1}^{\tilde{n}}\left(I_{\varepsilon}\left(\lambda_i\right)-\frac{I_X\left(\lambda_i\right)}{f_{\theta_0}\left(\lambda_i\right)}\right)\mu_{\theta_0}\left(\lambda_i\right)\cos\left(j\lambda_i\right) \tag{16}$$

Applying (2), $\left|\sum_{j=1}^{n-1}\omega\left(j\right)\cos\left(j\lambda_i\right)\right|=O\left(\log n\right)$ uniformly in i. Thus, after applying Markov's inequality, $\theta_n-\theta_0=O_p\left(n^{-1/2}\right)$ and (iii) of Class B, (15) is an $o_p\left(n^{-1/2}\right)$, whereas (16) $=o_p\left(n^{-1}\right)$ by DHV's Lemma 4. Hence, $R_{n2}=o_p\left(n^{-1/2}\right)$. Applying condition (iv) in Class B,

$$\left\|\dot{d}_{n\theta_n}\left(j\right)\right\|\leq\left\|\theta-\theta_0\right\|^2\frac{C}{\tilde{n}}\sum_{i=1}^{\tilde{n}}\left|\log\lambda_i\right|^2\frac{I_X\left(\lambda_i\right)}{f_{\theta_0}\left(\lambda_i\right)}$$

because θ_n is $\sqrt{n}$-consistent, and we can take $\delta=Kn^{-1/2}$ in , so that $\left|\lambda_i\right|\leq K$ when $i\geq 1$, reasoning as in the proof of Lemma 8 of DHV. Therefore,

$$\left\|R_{n3}\right\|\leq\left\|\theta_n-\theta_0\right\|^2\sum_{j=1}^{n-1}\left|\omega\left(j\right)\right|\frac{C}{\tilde{n}}\sum_{i=1}^{\tilde{n}}\left|\log\lambda_i\right|^2\frac{I_X\left(\lambda_i\right)}{f_{\theta_0}\left(\lambda_i\right)}=o_p\left(n^{-1/2}\right)$$

on taking expectations and using $\left\|\theta_n-\theta_0\right\|=O_p\left(n^{-1/2}\right)$. Finally note that replacing $\tilde{\gamma}_{n\theta_n}\left(0\right)$ by $\tilde{\gamma}_{n\theta_0}\left(0\right)$, and this by σ^2, makes no difference by (50) in DHV, which proves that $R_{n4}=o_p\left(n^{-1/2}\right)$ and $R_{n5}=o_p\left(n^{-1/2}\right)$. □

Proof of Theorem 3. We note that by Theorem 2 and because of the exact orthogonality of $\hat{\omega}_{n,\theta_n}$ and d_{θ_n}, $\psi_n\left(\hat{\omega}_{n,\theta_n}\right)=\bar{\psi}_n\left(\hat{\omega}_{n,\theta_n}\right)+o_p\left(1\right)$, with $\bar{\psi}_n\left(\hat{\omega}_{n,\theta_n}\right)=n^{1/2}\left(\sum_{j=1}^{n-1}\hat{\omega}_{n,\theta_n}\left(j\right)^2\right)^{-1/2}\sum_{j=1}^{n-1}\rho_{n\theta_0}\left(j\right)\hat{\omega}_{n,\theta_n}\left(j\right)$. So, we can apply Theorem 2, with ω substituted by $\hat{\omega}_{n,\theta_n}$, after noticing that $\sum_{j=1}^{\infty}\hat{\omega}_{n,\theta_n}\left(j\right)^2<\infty$, because of (2), (v) in the definition of Class B, and using $\hat{\omega}_{n,\theta_n}\left(j\right)=\omega\left(j\right)-d_{\theta_n}\left(j\right)'\beta_{n\theta_n}$, with $\beta_{n\theta}=\left(\sum_{j=1}^{n-1}d_{\theta}\left(j\right)d_{\theta}\left(j\right)'\right)^{-1}\sum_{j=1}^{n-1}d_{\theta}\left(j\right)\omega_{\theta}\left(j\right)$, and where $\beta_{n,\theta_n}=O_p\left(1\right)$, cf. Lemma 3.

Also, by Lemma 1, $\bar{\psi}_n\left(\bar{\omega}\right)\rightarrow_d N\left(\left(\sum_{j=1}^{\infty}\bar{\omega}\left(j\right)^2\right)^{-1/2}\sum_{j=1}^{\infty}\bar{\omega}\left(j\right)r\left(j\right),1\right)$, because $0<\sum_{j=1}^{\infty}\bar{\omega}\left(j\right)^2<\infty$ since ω and d_{θ_0} are not perfectly collinear, (2) and (v) of

Class B. Then the theorem follows if we show that $\bar{\psi}_n(\hat{\omega}_{n,\theta_n}) - \bar{\psi}_n(\bar{\omega}) = \bar{\psi}_n(\hat{\omega}_{n,\theta_n}) - \bar{\psi}_n(\hat{\omega}_{n,\theta_0}) + \bar{\psi}_n(\hat{\omega}_{n,\theta_0}) - \bar{\psi}_n(\bar{\omega})$ is $o_p(1)$. First,

$$\bar{\psi}_n(\hat{\omega}_{n,\theta_n}) - \bar{\psi}_n(\hat{\omega}_{n,\theta_0}) = n^{1/2} \frac{\sum_{j=1}^{n-1} \rho_{n\theta_0}(j) \{\hat{\omega}_{n,\theta_n} - \hat{\omega}_{n,\theta_0}(j)\}}{\left(\sum_{j=1}^{n-1} \hat{\omega}_{n,\theta_n}(j)^2\right)^{1/2}}$$

$$+ n^{1/2} \sum_{j=1}^{n-1} \rho_{n\theta_0}(j) \hat{\omega}_{n,\theta_0}(j) \left\{ \left(\sum_{j=1}^{n-1} \hat{\omega}_{n,\theta_n}(j)^2 \right)^{-1/2} - \left(\sum_{j=1}^{n-1} \hat{\omega}_{n,\theta_0}(j)^2 \right)^{-1/2} \right\},$$

where $\hat{\omega}_{n,\theta_n}(j) - \hat{\omega}_{n,\theta_0}(j) = d_{\theta_0}(j)' \{\beta_{n\theta_0} - \beta_{n\theta_n}\} + \{d_{\theta_0}(j) - d_{\theta_n}(j)\}' \beta_{n\theta_n}$. Using a MVT argument and (12), $\|d_{\theta_0}(j) - d_{\theta_n}(j)\| \leq C \|\theta_n - \theta_0\| j^{-1}$, and $\|\beta_{n\theta_0} - \beta_{n\theta_n}\| = O_p(\|\theta_n - \theta_0\|)$ using the rates of decay of ω, d and $\dot{d}$. Then

$$\begin{aligned} n^{1/2} \sum_{j=1}^{n-1} \rho_{n\theta_0}(j) \{\hat{\omega}_{n,\theta_n} - \hat{\omega}_{n,\theta_0}(j)\} &= n^{1/2} \sum_{j=1}^{n-1} \rho_{n\theta_0}(j) d_{\theta_0}(j)' \{\beta_{n\theta_0} - \beta_{n\theta_n}\} \\ &\quad + n^{1/2} \sum_{j=1}^{n-1} \rho_{n\theta_0}(j) \{d_{\theta_0}(j) - d_{\theta_n}(j)\}' \beta_{n\theta_n} \end{aligned}$$

is $o_p(1)$, using the MVT, that $n^{1/2} \sum_{j=1}^{n-1} \rho_{n\theta_0}(j) d_{\theta_0}(j) = O_p(1)$, $\|\beta_{n\theta_0} - \beta_{n\theta_n}\| = O_p(\|\theta_n - \theta_0\|)$, and

$$\left\| n^{1/2} \sum_{j=1}^{n-1} \rho_{n\theta_0}(j) \{d_{\theta_0}(j) - d_{\theta_n}(j)\} \right\| \leq C \|\theta_n - \theta_0\| n^{1/2} \sum_{j=1}^{n-1} |\rho_{n\theta_0}(j)| j^{-1},$$

which is $O_p\left(n^{-1/2} \log n\right) = o_p(1)$, proceeding as in the proof of Theorem 1.

Next, $\bar{\psi}_n(\hat{\omega}_{n,\theta_0}) - \bar{\psi}_n(\bar{\omega})$ is

$$n^{1/2} \frac{\sum_{j=1}^{n-1} \rho_{n\theta_0}(j) \{\hat{\omega}_{n,\theta_0}(j) - \bar{\omega}(j)\}}{\left(\sum_{j=1}^{n-1} \hat{\omega}_{n,\theta_0}(j)^2\right)^{1/2}} \tag{17}$$

$$+ \left\{ \left(\sum_{j=1}^{n-1} \hat{\omega}_{n,\theta_0}(j)^2 \right)^{-1/2} - \left(\sum_{j=1}^{n-1} \bar{\omega}(j)^2 \right)^{-1/2} \right\} n^{1/2} \sum_{j=1}^{n-1} \rho_{n\theta_0}(j) \bar{\omega}(j) \tag{18}$$

and we find that, cf. Lemma 3,

$$\begin{aligned} \mathbb{E}\left(n^{1/2} \sum_{j=1}^{n-1} \tilde{\gamma}_{n\theta_0}(j) \{\hat{\omega}_{n,\theta_0}(j) - \bar{\omega}(j)\} \right)^2 &\leq \sum_{j=1}^{n-1} \{\hat{\omega}_{n,\theta_0}(j) - \bar{\omega}(j)\}^2 \\ + \frac{C}{n} \sum_{j=1}^{n-1} \sum_{j'=1}^{n-1} |\hat{\omega}_{n,\theta_0}(j) - \bar{\omega}(j)| &|\hat{\omega}_{n,\theta_0}(j') - \bar{\omega}(j')| \end{aligned}$$

which is $o\left(\sum_{j=1}^{n-1}\|d_{\theta_0}(j)\|^2\right)+n^{-1}o\left(\sum_{j=1}^{n-1}\|d_{\theta_0}(j)\|\right)^2=o(1)$ as $n\to\infty$, so that (17) is $o_p(1)$.

On the other hand, using Lemma 3, the term in braces in (18) is $o(1)$ as $n\to\infty$, so (18) is also $o_p(1)$ and the theorem follows. □

Proof of Corollary 1. The first part follows as Theorem 3 whereas the second one, follows noticing that $n^{1/2}\sum_{j=1}^{n-1}\rho_{n\theta_n}(j)\,\hat{d}_{n,1\theta_n}(j)=n^{1/2}\sum_{j=1}^{n-1}\rho_{n\theta_0}(j)\,\hat{d}_{n,1\theta_n}(j)+o_p(1)$ using Theorem 2 and that $\hat{d}_{n,1\theta_n}(j)$ and $d_{n,2\theta_n}(j)$ are orthogonal. □

Proof of Proposition 1. First notice that $\sum_{j=1}^{m}\left[\mathcal{L}_{n,\theta_n}\rho_{n\theta_n}(j)\right]^2=S_{n-1}-S_{n-1-m}$ using (5) in Brown et al. (1975), where

$$S_{n-1-m}=\boldsymbol{\rho}_{n-1}'\left(\begin{pmatrix}0 & 0\\ 0 & I_{n-1-m}\end{pmatrix}-\begin{pmatrix}0\\ X_{m+1}^{n-1}\end{pmatrix}\left(X_{m+1}^{n-1\prime}X_{m+1}^{n-1}\right)^{-1}\begin{pmatrix}0\\ X_{m+1}^{n-1}\end{pmatrix}'\right)\boldsymbol{\rho}_{n-1}$$

is the sum of least squares residuals in the linear projection of $\left\{\rho_{n,\theta_n}(j)\right\}_{j=m+1}^{n-1}$ on X_{m+1}^{n-1}, where $X_j^k=(d_2(j),\ldots,d_2(k))'$, $k\geq j$, $\boldsymbol{\rho}_k=\left(\rho_{n,\theta_n}(1),\ldots,\rho_{n,\theta_n}(k)\right)'$, I_k is the k-dimensional identity matrix, and 0 is a conformable matrix of zeros. Note that the lack of perfect colinearity between $d_{1\theta_0}$ and $d_{2\theta_0}$, cf. (11), implies that $\sum_{i=m+1}^{\infty}d_{2\theta_0}(i)\,d_{2\theta_0}(i)'$ is positive definite under (8).

Thus, it suffices to show that $\Psi_{n\theta_n}\left(\hat{d}_{n,1\theta_n}\right)=n\left(S_{n-1}-S_{n-1-m}\right)$. To this end, write

$$\Psi_{n\theta_n}\left(\hat{d}_{n,1\theta_n}\right)=n\boldsymbol{\rho}_{n-1}'P_nV_m'A_m^{-1}V_mP_n\boldsymbol{\rho}_{n-1}$$

where $V_m=(d_1(1),\ldots,d_1(m))'=\begin{pmatrix}I_m & 0\end{pmatrix}$, $A_m=I_m-X_1^m\left(X_1^{n-1\prime}X_1^{n-1}\right)^{-1}X_1^{m\prime}$ and $P_n=I_{n-1}-X_1^{n-1}\left(X_1^{n-1\prime}X_1^{n-1}\right)^{-1}X_1^{n-1\prime}$. Then we can use the fact that $A_m^{-1}=I_m+X_1^m\left(X_{m+1}^{n-1\prime}X_{m+1}^{n-1\prime}\right)^{-1}X_1^{m\prime}$ to show that this is $n\left(S_{n-1}-S_{n-1-m}\right)$ after standard algebraic manipulations. □

APPENDIX B: TESTS USING TIME DOMAIN AUTOCORRELATION ESTIMATES

For time domain analysis we only describe the main differences. We use the simplifying assumption that $X_t = \varepsilon_t = 0$ for $t \leq 0$, cf. (2) in Robinson (1994), so that Lemmas 1 and 2 follow at once for $\hat{\gamma}_{n\theta}$ under H_0 using the martingale property of ε_t. Then assuming that the sequence of alternatives $\{H_{1n}\}_{n\geq 1}$ belongs to Class L', we can show Lemma 1 and then Theorem 1 under H_{1n}:

Class L$'$. $H_{1n} \in L$ and $\zeta(z) = \sum_{j=0}^{\infty} \zeta_j z^j := \varphi_{\theta_0}(z)\varphi^{-1}(z)$ satisfies $\zeta(0) = 1$ and $\zeta_j = n^{-1/2} r(j) + n^{-1} a_n(j), \quad j = 1, 2, \ldots,$ where $|r(j)| \leq K j^{-1},\ j = 1, 2, \ldots,$ and for all n sufficiently large $|a_n(j)| \leq K j^{\epsilon - 1},\ j = 1, 2, \ldots,$ for all $\epsilon > 0$.

Regularity conditions on $\mathcal{J}$ for the analysis of tests based on time domain autocorrelations $\hat{\rho}_{n\theta_n}$ are similar to those for frequency domain, since, assuming that $\varphi_\theta(e^{i\lambda})$ is differentiable so that $\xi_\theta(z) = (\partial/\partial\theta)\log\varphi_\theta(z),\ \xi_\theta(0) = 0$ all θ, and expanding $\xi_\theta(z) = \sum_{j=1}^{\infty} \xi_{\theta,j} z^j$, we find that

$$d_\theta(j) = -\frac{1}{\pi}\int_{-\pi}^{\pi} \mathrm{Re}\left\{\xi_\theta\left(e^{i\lambda}\right)\right\}\cos(j\lambda)\, d\lambda = -\xi_{\theta,j}.$$

Theorems 2 and 3 for $\hat{\rho}_{n\theta_n}$ follow replacing condition (iv) in Class B by (iv'):

(iv') For all $0 < \delta < 1$ there exists some $K < \infty$ such that $\psi_\theta(z) = \sum_{j=0}^{\infty} \psi_{\theta,j} z^j := \varphi_\theta(z)/\varphi_{\theta_0}(z) - 1 - (\theta - \theta_0)' \xi_{\theta_0}(z)$ satisfies that $\sup_{\{\theta:\|\theta-\theta_0\|\leq\delta/2\}} \|\theta - \theta_0\|^{-2} \left|\varphi_{\theta,j}\right| \leq K j^{\delta-1}\log^2 j,\ j = 1, 2, \ldots.$

LEMMATA

Lemma 1 *Assume that* $\{X_t\}_{t=-\infty}^{\infty} \in A$. *Then,* $n^{1/2}\left(\tilde{\rho}_{n,\theta_0}(1), \ldots, \tilde{\rho}_{n,\theta_0}(k)\right)' \to_d N\left((r(1), \ldots, r(k))', I_k\right)$, *under* $H_{1n} \in L$, *for* k *fixed.*

Proof. We only consider the asymptotic distribution of $n^{1/2}\left(\tilde{\gamma}_{n\theta_0}(1), \ldots, \tilde{\gamma}_{n\theta_0}(k)\right)'$, since $\tilde{\gamma}_{n\theta_0}(0) \to_p \sigma^2$ under H_{1n}, see e.g. (51) in the proof of Theorem 2 in DHV.

First, we write $f_{\theta_0}(\lambda)^{-1} = f(\lambda)^{-1}\left\{1 + n^{-1/2}h_n(\lambda)\right\}$, where $h_n(\lambda) = l(\lambda) + n^{-1/2}g_n(\lambda)$ satisfies that $\int_0^{\pi} h_n(\lambda)\cos(\lambda j)\, d\lambda = r(j) + n^{-1/2}a_n(j)$. Then, under H_{1n},

$$\tilde{\gamma}_{n\theta_0}(j) = \frac{2\pi}{\tilde{n}} \sum_{k=1}^{\tilde{n}} \frac{I_X(\lambda_k)}{f(\lambda_k)} \cos(\lambda_k j) \left\{1 + \frac{l(\lambda_k)}{n^{1/2}} + \frac{g_n(\lambda_k)}{n}\right\}$$

Now, reasoning as in the proof of Theorem 5 of DHV and using that g_n is integrable, $\tilde{\gamma}_{n\theta_0}(j) = \tilde{\gamma}_{n\varepsilon}(j) + n^{-1/2}\sigma^2 r(j) + o_p\left(n^{-1/2}\right)$, cf. also the proof of Theorem 1. The convergence then follows as in Lemma 7(b) of DHV, using Lemma 2. □

Lemma 2 *Assume that* $\{\varepsilon_t\}_{t=-\infty}^{\infty}$ *is as in Class A. Then* $n\mathbb{E}\left[\tilde{\gamma}_{n\varepsilon}^2(j)\right] = \sigma^4 + O\left(n^{-1}\right),\ j = 1, 2, \ldots,$ *and* $n\mathbb{E}\left[\tilde{\gamma}_{n\varepsilon}(j)\tilde{\gamma}_{n\varepsilon}(j')\right] = O\left(n^{-1}\right),\ j \neq j',$ *as* $n \to \infty$.

Proof. It follows by direct calculation of the moments of $I_\varepsilon(\lambda_j)$, cf. Brillinger (1980, Theorem 4.3.1) and approximation of sums by integrals. □

Lemma 3 *Under* (2), (11) *and* (12), *uniformly in* $j = 1, 2, \ldots,$ $\left|\hat{\omega}_{n,\theta_0}(j) - \bar{\omega}(j)\right| = o\left(\left\|d_{\theta_0}(j)\right\|\right)$ *and* $\left|\hat{\omega}_{n,\theta_0}(j)^2 - \bar{\omega}(j)^2\right| = o\left(\left\|d_{\theta_0}(j)\right\|^2 + \left\|d_{\theta_0}(j)\right\|\left|\omega(j)\right|\right)$, *as* $n \to \infty$.

Proof. Follows using standard ordinary least squares algebra. □

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Table 1. Empirical size of LM and Portmanteau tests at 5% of significance.

	CvM	LM	$\hat{\Psi}_n$	$\hat{\Psi}_n$, $\varepsilon_{\theta t} \sim AR(m)$				$BP_{n\theta_n}(m)$			
m				1	2	3	5	5	10	20	30
$n = 200$											
H_0: AR(1)											
δ_{10}	$\varepsilon_{\theta t} \sim$I(d)										
-0.8	4.7	3.4	3.4	4.9	4.8	4.6	4.3	5.5	5.5	6.0	6.6
-0.5	4.4	3.2	3.3	4.8	4.7	4.5	4.2	5.1	5.2	5.7	6.3
0.0	4.1	2.5	2.5	5.0	4.6	4.4	4.2	4.9	5.0	5.7	6.3
0.5	3.6	1.1	0.7	4.9	4.7	4.5	4.2	4.8	5.1	5.6	6.3
0.8	3.1	4.9	3.0	4.8	4.6	4.6	4.4	5.0	5.2	5.8	6.3
H_0: MA(1)											
η_{10}	$\varepsilon_{\theta t} \sim$I(d)										
-0.8	4.2	3.5	3.3	4.5	4.4	4.2	4.1	6.7	6.3	6.4	7.0
-0.5	4.2	3.0	3.1	4.5	4.5	4.4	4.1	5.1	5.1	5.7	6.3
0.0	4.1	2.3	2.3	4.7	4.4	4.4	4.1	4.8	5.0	5.6	6.2
0.5	3.6	3.3	0.6	4.6	4.4	4.2	4.1	4.8	5.0	5.5	6.2
0.8	3.1	24.5	3.6	4.6	4.4	4.3	4.3	6.3	5.9	6.1	6.6
H_0: I(d)											
d_0	$\varepsilon_{\theta t} \sim$AR(1)										
0.0	3.5	4.9	4.3	4.3	3.8	3.5	3.4	5.0	5.2	5.7	6.4
0.2	3.5	4.9	4.3	4.3	3.8	3.4	3.3	5.0	5.2	5.7	6.3
0.4	3.6	5.1	4.2	4.2	3.7	3.4	3.2	5.0	5.1	5.6	6.2
$n = 500$											
H_0: AR(1)											
δ_{10}	$\varepsilon_{\theta t} \sim$I(d)										
-0.8	5.1	4.3	4.3	5.1	5.0	5.0	4.8	5.4	5.3	5.5	5.8
-0.5	5.0	4.1	4.1	5.0	5.0	4.9	4.7	5.1	4.9	5.4	5.7
0.0	4.6	3.6	3.6	5.0	5.1	4.8	4.8	5.1	4.9	5.4	5.6
0.5	4.5	2.0	2.1	5.0	5.0	4.9	4.8	5.1	5.0	5.3	5.7
0.8	4.3	4.2	3.8	5.1	4.8	5.0	4.9	5.3	5.1	5.4	5.7
H_0: MA(1)											
η_{10}	$\varepsilon_{\theta t} \sim$I(d)										
-0.8	4.9	4.3	4.2	5.0	4.8	4.8	4.6	6.1	5.6	5.7	6.0
-0.5	4.9	4.0	4.1	4.9	5.0	4.8	4.7	5.2	5.0	5.4	5.7
0.0	4.6	3.5	3.5	4.8	5.0	4.8	4.6	5.0	4.9	5.3	5.7
0.5	4.5	3.2	1.8	4.9	4.8	4.8	4.7	5.0	5.0	5.3	5.6
0.8	4.3	17.4	3.8	4.9	4.7	4.8	4.7	5.8	5.4	5.5	5.8
H_0: I(d)											
d_0	$\varepsilon_{\theta t} \sim$AR(1)										
0.0	4.5	5.0	4.7	4.7	4.4	4.3	4.1	5.3	5.1	5.4	5.7
0.2	4.5	4.9	4.6	4.6	4.4	4.3	4.1	5.2	5.1	5.4	5.7
0.4	4.6	5.3	4.5	4.5	4.3	4.2	4.0	5.3	5.1	5.4	5.7

Table 2. Empirical power of LM and Portmanteau tests at 5% of significance.

	CvM	LM	$\hat{\Psi}_n$	$\hat{\Psi}_n$, $\varepsilon_{\theta t}$ ~AR(m)				$BP_{n\theta_n}$ (m)			
m				1	2	3	5	5	10	20	30
$H_0 : AR(1),\ \delta_{10} = 0.\quad H_1 : \varepsilon_{\theta t}$ ~MA(1). $n = 200$											
η_{10}		$\varepsilon_{\theta t}$ ~MA(1)									
-0.8	100.	99.8	99.8	99.8	100.	100.	100.	100.	99.6	94.9	89.1
-0.5	80.8	83.6	80.6	80.6	78.9	71.4	59.9	66.7	49.9	38.3	33.8
0.2	7.1	12.9	9.7	9.7	8.0	7.1	6.1	7.3	6.7	6.9	7.5
0.5	70.8	75.9	80.8	80.8	79.2	73.0	61.8	68.7	51.7	39.2	34.7
0.8	99.6	99.5	99.8	99.8	100.	100.	100.	100.	99.6	95.2	89.3
$H_0 : MA(1),\ \eta_{10} = 0.\quad H_1 : \varepsilon_{\theta t}$ ~AR(1). $n = 200$											
δ_{10}		$\varepsilon_{\theta t}$ ~AR(1)									
-0.8	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.
-0.5	84.4	78.1	81.2	81.2	82.3	77.3	69.7	74.2	61.9	50.4	44.9
0.2	7.2	25.0	6.9	6.9	6.1	5.6	4.9	5.9	5.6	6.1	6.7
0.5	77.1	86.9	81.5	81.5	80.4	75.1	66.9	72.1	59.3	48.2	43.0
0.8	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.
$H_0 : I(d).\quad H_1 : \varepsilon_{\theta t} \sim AR(1)$. $n = 200$											
δ_{10}		$\varepsilon_{\theta t}$ ~AR(1)									
d_0= 0.0											
0.2	11.3	37.2	34.3	34.3	23.2	6.1	13.0	17.5	14.3	12.5	12.4
0.5	26.8	79.8	77.7	77.7	68.3	56.8	43.7	47.4	41.2	31.7	28.6
0.8	9.8	55.4	51.4	51.4	46.4	36.7	24.4	24.4	26.4	21.4	20.2
d_0= 0.2											
0.2	11.1	36.7	34.2	34.2	23.1	17.1	13.0	17.4	14.3	12.5	12.4
0.5	26.7	79.1	77.7	77.7	68.2	56.8	43.6	47.3	41.2	31.6	28.4
0.8	9.6	61.1	53.7	53.7	49.4	40.6	28.3	24.8	26.6	21.5	19.9
$H_0 : AR(1).\quad H_1 : \varepsilon_{\theta t} \sim I(d).\ \ n = 200$											
d_0		$\varepsilon_{\theta t} \sim I\,(d)$									
δ_{10}= 0.0											
0.1	8.2	10.2	8.7	8.4	8.1	7.8	7.1	8.0	7.5	7.5	7.8
0.2	19.9	29.9	26.5	22.4	21.8	21.1	19.3	20.4	18.4	15.8	15.0
0.3	36.0	47.5	42.5	42.5	42.3	40.6	37.8	37.2	35.0	30.0	26.8
0.4	48.8	46.1	38.8	60.5	60.0	57.6	53.7	49.1	48.4	41.8	37.3
δ_{10}= 0.5											
0.1	3.6	2.7	1.0	5.0	4.8	4.6	4.3	5.0	5.1	5.8	6.4
0.2	3.3	4.7	1.5	5.5	5.3	5.2	5.3	5.5	5.7	6.2	6.7
0.3	3.6	8.3	2.6	7.8	6.9	6.8	6.5	7.0	6.8	7.1	7.5
0.4	5.7	16.2	7.1	14.8	11.6	10.9	9.9	11.7	9.6	8.9	9.1

Table 3. Ring tree Arizona data, $n = 500$. Goodness of fit analysis for ring tree data based on fractionally integrated models. *,**,*** denote significant values at 10%, 5% and 1% respectively. Standard errors of d estimates are in parenthesis.

	BIC	$\hat{d}$ (se)	CvM	$\hat{\Psi}_n,\ \varepsilon_{\theta t} \sim$AR$(m)$				$BP_{n\theta_n}(m)$			
m				1	2	3	5	5	10	20	30
model	H_0 :ARFIMA(p,d,q)										
$(0,d,0)$	-3.5234	.437 (.035)	.62	2.28	18.03***	19.70***	20.10***	13.26**	17.06**	28.90*	41.90
$(1,d,0)$	-3.5120	.459 (.054)	1.57*	14.60***	16.49***	16.60***	17.24***	13.56***	16.55**	26.51*	31.06
$(2,d,0)$	-3.5215	.563 (.057)	.71	2.23	2.27	3.09	5.11	2.95	6.94	15.50	18.31
$(0,d,1)$	-3.5160	.647 (.050)	0.91	1.01	6.66**	7.02*	10.52*	10.14**	12.87	18.62	20.69
$(0,d,2)$	-3.5216	.649 (.107)	1.17*	.29	1.72	1.88	5.54	2.23	6.61	14.30	16.76
$(1,d,1)$	-3.5130	.691 (.124)	.26	5.07**	5.22*	6.63*	8.76	6.67**	10.58	16.86	19.16
	H_0 : FExp(m,d)										
FExp$(1,d)$	-3.5122	.666 (.056)	1.70**	.00	11.57***	12.18***	13.97**	13.20***	17.20**	26.40*	30.08
FExp$(2,d)$	-3.5233	.618 (.071)	.70	.00	.00	.42	1.88	1.67	8.05	17.90	21.11

Table 4. Chemical C data, $n = 226$. Goodness of fit analysis for ring tree data based on fractionally integrated models. *,**,*** denote significant values at 10%, 5% and 1% respectively. Standard errors of d estimates are in parenthesis.

	BIC	$\hat{d}$ (se)	CvM	$\hat{\Psi}_n,\ \varepsilon_{\theta t} \sim$AR$(m)$				$BP_{n\theta_n}(m)$			
m				1	2	3	5	5	10	20	30
model	H_0 :ARFIMA(p,d,q)										
$(0,d,0)$	3.7949	.871 (.052)	4.53***	20.87***	20.89***	21.69***	23.44***	23.58***	27.22***	29.03**	30.61
$(1,d,0)$	3.7176	1.076 (.065)	1.37*	6.88***	6.92**	8.32**	9.71*	9.61**	10.87	12.28	13.41
$(2,d,0)$	3.7101	1.227 (.075)	.31	1.50	1.54	2.14	3.57	3.16	3.54	4.71	5.81
$(0,d,1)$	3.7120	1.249 (.159)	.97	6.34**	8.34**	8.83**	9.32*	8.17**	8.82	9.71	10.76
$(0,d,2)$	3.7054	1.313 (.126)	.11	1.53	1.83	2.00	2.08	1.55	1.87	2.96	4.33
$(1,d,1)$	3.7133	1.326 (.144)	.03	2.50	3.48	3.69	3.88	3.23	3.54	4.51	5.70
	H_0: FExp(m,d)										
FExp$(1,d)$	3.6967	1.153 (.083)	.75	.96	2.35	3.03	4.20	4.81	5.14	6.90	7.69
FExp$(2,d)$	3.7196	1.165 (.106)	.00	2.16	2.75	3.37	5.06	4.94	4.89	6.49	7.28
		$\Psi_n\left(\widehat{j^{-1}}\right)$		H_0: Unit Root $(d=1)$							
ARFIMA$(2,1,0)$	3.7236	87.1***	1.21*	3.06*	8.06**	11.11**	14.59**	12.80***	16.25**	18.34	20.03
ARFIMA$(0,1,2)$	3.7104	6.2***	1.65**	5.16**	7.52**	9.08**	10.65*	9.06**	11.47	13.45	14.86
FExp$(2,1)$	3.7216	7.7***	1.73**	-	-	5.24	10.66*	10.93**	13.27*	16.92	17.73