STUDY OF US TREASURY MARKET USING ARCH-M CLASS MODELS UNDER GENERALIZED SECANT HYPERBOLIC CONDITIONAL DISTRIBUTIONAL ASSUMPTION

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Past studies have shown that the degree of leptokurtosis induced by the time-varying conditional variance under the Normality assumption often does not capture all of the leptokurtosis present in financial data. We show that Generalized Secant Hyperbolic was a better specification of the conditional distributional assumption for ARCH-M class of models used for yield data in US Treasury market. It was better able to capture shifts in *ex ante* inflation and risk premium regimes than mixture of Normals assumption.