<u>Editor's comments</u>

I am attaching a slightly edited version, with suggested changes in red, most of it is just to make reading a little easier.

With regard to substance, I have just the following comments:

(1) The VAR is the simplest form of a dynamic model, you cannot say it is static (p.2). It may make sense to say that such a simple linear dynamic model cannot capture complex dynamics.

(2) The Durbin-Watson statistic does not follow the usual properties in dynamic models, it is more or less useless then. I do not know what "LM test (2)" is testing for. If it is an autocorrelation test statistic, then it is already better and more powerful than DW, and it may test for first- and second-order autocorrelation (DW, even if correct, only tests for first order). If it is a different test statistic, better provide a Breusch-Godfrey statistic or a Q statistic. Omit the DW test.

(3) Only one remark concerning my edited file. In particular, note that RF Engle, a Nobel laureate, is not written "Engel".

Otherwise, this is an interesting application of a non-linear time-series approach.

<u>Author's feedback</u>

We really appreciate the editor's comments which also improved and increased the contribution of our paper. Our response to each of the editor's comments is presented under the feedback.

1. We agree with this comment. We have rewrote the line, (p.2), pointing that VAR is a simple dynamic model which cannot capture complex dynamic relationships, highlighted in yellow colour.

2. LM (2) test was used to check for autocorrelation in all the models. We have removed Durbin-Watson test as suggested.

We have corrected the typographic error "Engel" to "Engle".