

# Modified Scheffé's Prediction Bands

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## Summary

The formula for the Scheffé prediction bands proposed by Jorda & Marcellino (2010) is considered. It is demonstrated, that in many cases of practical interest, the bands fail to satisfactorily approximate the uncertainty associated with a path-forecast. A modification of the Scheffé method is proposed. An empirical application demonstrates that the original and the modified prediction bands can be considerably different. Results of the Monte Carlo study lead to the conclusion of the superior coverage properties of the modified Scheffé prediction bands.