

Vector autoregression model VAR belongs to the most used multiple time series models mainly in field of financial econometrics. The main role of this text is to survey basic theory of VAR models and to illustrate application of theory on real data. At first the properties of multiple time series and basic linear models are described. Then we focus on the VAR model, more specifically on its description, construction and application. In the construction subsection our primary focus is on the order identification, model estimation by OLS method and diagnostics. In the diagnostics basic assumptions of the model are checked, more specifically stationarity, correlation of the residuals and normality. In applications we focus on explanation and description of Granger causality. In the last section previously described theory is applied on real data in two examples. On them we illustrate construction of the VAR model. Furthermore, in the second example we also analyze causality and discuss the results.