

```
%% Section 6: Step 2 of the SMM estimation
```

```
[~,modelMoments] = objectFunc(struct2array(paramsStep1)',setupStep1);
```

```
Wopt = getOptimalWeighting(qLag,modelMoments,setupStep1);
```

```
setupStep2 = setupStep1;
```

```
setupStep2.Sw = chol(Wopt);
```

```
setupStep2.optimWeightMat = 1;
```

```
disp(['Rank of Wopt = ', num2str(rank(Wopt))])
```

```
params0Step2 = paramsStep1;
```

```
for i=1:numOptimStep2
```

```
    [paramsStep2,setupStep2] = runOptimization(setupStep2,params0Step2);
```

```
    params0Step2 = paramsStep2;
```

```
end
```

```
% The standard errors
```

```
resultsStep2 = getSESMM(struct2array(paramsStep2)',epsValue,setupStep2);
```