

# FORECASTING FINANCIAL MARKETS: ADVANCES FOR EXCHANGE RATES, INTEREST RATES AND ASSET MANAGEMENT

London 30, 31 May, 1 June 2001

## Programme Chairs:

Christian Dunis  
(Infacts/StatQ and  
Liverpool Business  
School)

Michael Dempster  
(Judge Institute,  
University of  
Cambridge)

## Industrial Chairs:

Patrick Naïm  
(Elseware)

Darren Toulson  
(Intelligent Financial  
Systems Ltd.)

*Modelling with high frequency data*

*Fund management and trading rules*

*Funds of funds and balanced funds*

*Advances in asset management and portfolio  
optimisation*

*Relative value and market neutral strategies*

*Modelling volatility and correlation*

*Risk analysis and credit trading*

*Derivatives pricing models*

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# FORECASTING FINANCIAL MARKETS 2001

## CONFERENCE PROGRAMME

### Day 1: Wednesday 30 May 2001

08:00 Registration & Coffee

08:45 Opening Address

#### SESSION 1 – FUND MANAGEMENT AND FUNDS OF FUNDS

09:00 *PensionMetrics : Stochastic Pension Plan design and Value-at-Risk during the Accumulation Phase*, David Blake, Birkbeck College, London, Andrew Cairns, Heriot-Watt University, Kevin Dowd, Nottingham University.

09:30 *Classifying Hedge Funds Using Kohonen Mapping*, Bertrand Maillet, Patrick Rousset, University of Paris I Panthéon Sorbonne.

10:00 *Investment Performance of Domestic Funds Invested in International Securities: The French Case*, Vanessa Serret, Université de Droit, d'Economie et des Sciences d'Aix – Marseille.

10:30 *Poster Preview, Exhibits and Coffee*

10:45 *Multimanagement: Analysis Selection Investment Process*, Pierre Hervé, Axa Multimanager, Paris.

11:15 *Assessing Market Risk for Hedge Funds and Hedge Funds Portfolios*, F. –S. Lhabitant, Union Bancaire Privée, Geneva.

11:45 *Hedge Funds: A Look behind the Screen*, C.M. Jones, Gensec International Asset Management & Judge Institute, University of Cambridge.

12:15 *Lunch, Exhibits and Poster Session 1*

#### PARALLEL SESSION 2

##### ESTIMATING RETURN DISTRIBUTIONS

14:00 *Multivariate Distributional Tests in Risk Management : an Empirical Characteristic Function Approach*, Mascia Bedendo, Stewart D. Hodges, University of Warwick.

14:30 *Extreme Value Theory (EVT) for Risk Managers : Pitfalls and Opportunities in the Use of EVT in Measuring VaR*, Maria Coronado, ICADE, Universidad P. Comillas de Madrid.

15:00 *Extreme Value Calculations of European Futures Margin Requirements*, John Cotter, University College Dublin.

15:30 *Posters, Exhibits and Tea*

15:45 *Moment Condition Failure: Australian Evidence*, Jan Annaert, University of Antwerp, Marc De Ceuster, University of Antwerp, Deloitte & Touche, Allan Hodgson, Griffith University, Brisbane.

16:15 *Extreme Stock Returns*, Daniel Glickman, State Street Global Advisors, Gregory DiRienzo, Harvard University, Richard J. Ochman, State Street Global Advisors.

16:45 *Multi-period Conditional Distribution Functions for Heteroscedastic Models with Applications to Value-At-Risk*, Dominique Guégan, University of Reims.

17:15 *Close of session*

#### PARALLEL SESSION 3

##### CREDIT RISK AND TRADING STRATEGIES

14:00 *Credit Spreads Between German and Italian Zero Coupon Government Bonds - Empirical Assessment of a Three-Factor Defaultable Term Structure Model*, Anna Kalemnova, Bernd Schmid, Risklab GmbH, München.

14:30 *Emerging Markets : Investing with Political Risk*, Ephraim Clark, Radu Tunaru, Middlesex University Business School.

15:00 *Credit Spread Arbitrage in Emerging Eurobond Markets*, Caio Ibsen Rodrigues de Almeida, IBMEC-RJ and JGP, Antonio Marcos Duarte, Jr, IBMEC-RJ and Unibanco S.A., Cristiano Augusto Coelho Fernandes, Pontificia Universidade Catolica do Rio de Janeiro.

15:30 *Posters, Exhibits and Tea*

15:45 *Forecasting Stock Market Volatility and the Application of Volatility Trading Models*, Jason Laws, CIBEF, Liverpool Business School, Andrew Gidman, George Petch International, Brussels.

16:15 *Forecasting Volatility States and Active Portfolio Strategies*, Birger Nilsson, Mattias Persson, Lund University.

16:45 *Tactical Asset Allocation with Classification and Regression Trees*, Juan Laborda Herrero, The Chase Manhattan Bank, Madrid, Ana Munera Jimenez, BBVA, Madrid.

17:15 *Close of session*

### Day 2: Thursday 31 May 2001

08:30 *Coffee*

#### PARALLEL SESSION 4

##### MARKET DYNAMICS AND INVESTMENT

09:00 *Derivatives and Information*, M. Billio, G. Bison, A. Giacomelli, L. Pelizzon, D. Sartore, GRETA Associati and Venice University.

09:30 *Forecasting Equity Correlations: Geographic vs. Sector Evidences*, Riccardo Bramante, Università Cattolica del Sacro Cuore, Giampaolo Gabbi, Università degli Studi di Siena.

- 10:00** *The Fall and Rise of the US Stock Indexes in April 2000 - Changes in Expectations and Risk-Aversion Measures*, Jorge Barros Luis, University of York and Banif Investimento.
- 10:30** **Poster Preview, Exhibits and Coffee**
- 10:45** *A Scale of Market Shocks: An Application to Stock Data*, Bertrand Maillet, Thierry Michel, University of Paris I Panthéon-Sorbonne.
- 11:15** *Forecasting Inflation under Alternative Regimes: A Markov Switching Approach*, Susan Schommer, Banco Itaú, São Paulo.
- 11:45** *Explaining and Forecasting the Euro/Dollar Exchange Rate Using Threshold Models to Capture Non-Linearities Triggered by Business Cycle Developments and Equity Markets Dynamics*, Asmara Jamaleh, Banca Commerciale Italiana, Milano.
- 12:15** **Lunch, Exhibits and Poster Session 2**

## PARALLEL SESSION 5

### CONTINUOUS TIME FINANCE AND DERIVATIVES PRICING

- 09:00** *Time Changes, Lévy Processors and Asset Price Modeling*, Hélyette Geman, Essec et Université Paris IX Dauphine.
- 09:30** *A Continuous Time Evolutionary Model of Trading in Auction Markets*, Giulia Iori, Kings College, London, Carl Chiarella, University of Technology, Sidney.
- 10:00** *On Measuring Volatility and the GARCH Forecasting Performance*, Emilio Barucci, Università di Pisa, Roberto Reno, Scuola Normale Superiore, Pisa.
- 10:30** **Poster Preview, Exhibits and Coffee**
- 10:45** *Option Markets and the Feedback Effect in the Presence of Bid-Ask Spreads in the Underlying Asset*, João Amaro de Matos, João Sobral do Rosário, Universidade Nova de Lisboa.
- 11:15** *Integration of Long-Range Weather Forecasts into Derivatives Pricing Models*, Jurgen Gaiser-Porter, Abigail James, Weather Risk Advisory, Cambridge.
- 11:45** *An Autoregressive Conditional Binomial Option Pricing Model*, J.L. Prigent, Université de Cergy-Pontoise, O. Renault, London School of Economics, O. Scaillet, Université Catholique de Louvain.
- 12:15** **Lunch, Exhibits and Poster Session 2**

## PARALLEL SESSION 6

### FX MARKETS

- 14:00** *The Information Content of Risk Reversals*, Christian Dunis, Pierre Lequeux, CIBEF, Liverpool Business School.
- 14:30** *Technical Analysis in Foreign Exchange Markets: Linear Versus Nonlinear Trading Rules*, Fernando Fernández-Rodríguez, Universidad de Las Palmas de Gran Canaria, Julián Andrada-Félix, Universidad de Las Palmas de Gran Canaria, Simón Sosvilla-Rivero, Universidad Complutense de Madrid.
- 15:00** *Consistent High-Precision Volatility from High-Frequency Data*, Fulvio Corsi, Gilles Zumbach, Ulrich Müller, Michel Dacorogna, Olsen & Associates, Zürich.
- 15:30** **Posters, Exhibits and Tea**
- 15:45** *Central Bank Intervention and Exchange Rate Volatility: Evidence from a Switching Regime Analysis*, Michel Beine, University of Lille 2, Sébastien Laurent, University of Liège, Christelle Lecourt, University of Lille 2.
- 16:15** *Information Dynamics and Runs Analysis in Financial Time Series*, Andrzej M. Skulimowski, IAC UMM, Cracow.
- 16:45** *Impact of Money and Income in the Forward Market*, Nicholas Biekpe, University of Stellenbosch, South Africa.
- 17:15** *Close of session*

## PARALLEL SESSION 7

### ADVANCED FORECASTING METHODS

- 14:00** *Forecasting Nonlinear Functions of Returns using LINEX Loss Functions*, Soosung Hwang, City University Business School, John Knight, University of Western Ontario, S.E. Satchell, Cambridge University.
- 14:30** *Combining Statistical Classifiers to Predict Stock Returns in UK Industrial Sectors*, George T. Albanis, Roy A. Batchelor, Enron Europe Limited, City University Business School.
- 15:00** *Selecting Explanatory Variables of Price Changes Using Independent Component Analysis*, Thierry Ané, HEC Lausanne.
- 15:30** **Posters, Exhibits and Tea**
- 15:45** *The Effect of Asymmetries on Optimal Hedge Ratios*, Chris Brooks, University of Reading, Olan T. Henry, University of Melbourne, Gita Persaud, University of Reading.
- 16:15** *Financial Decisionmetrics: Towards a Decision-Based Approach to Financial Econometrics*, Spyros Skouras, Santa Fe Institute.
- 16:45** *The Quantifiable Financial Market Forecasting Trend*, Gregory Chernizer, CVTM Inc., New Jersey.
- 17:15** *Close of session*

## Day 3: Friday 1 June 2001

- 08:30** *Coffee*

## PARALLEL SESSION 8

### PORTFOLIO OPTIMISATION AND RETURN MODELLING

- 09:00** *Scenario Optimization Asset and Liability Modeling for Endowments with Guarantees*, Stavros Zenios, University of Cyprus and The Wharton School, Philadelphia, Andrea Consiglio, University of Calabria, Flavio Cocco, Prometeia Calcolo.
- 09:30** *The Impact of Risk Models in a Portfolio Optimisation Framework*, Frédérick Bourgoïn, Barclays Global Investors, London.

- 10:00** *Portfolio Optimization with Drawdown Constraints*, Stanislav Uryasev, Alexei Chekhlov, Michael Zabarankin, University of Florida.
- 10:30** *Poster Preview, Exhibits and Coffee*
- 10:45** *Practical Experience with Scenario Generation*, Kjetil Hoyland, Gjensidige-NOR Asset Management, Oslo, Michal Kaut, Stein W. Wallace, Norwegian University of Science and Technology, Trondheim.
- 11:15** *The Capital Asset Pricing Model And Factors of Return*, Chris Adcock, University of Sheffield.
- 11:45** *Portfolio Frontier with Higher Moments: The Undiscovered Country*, Gustavo de Athayde, Renato G. Flôres Jr, E.P.G.E/F.G.V., Rio de Janeiro.
- 12:15** *Lunch, Exhibits and Poster Session 3*

## PARALLEL SESSION 9

### VOLATILITY AND CORRELATION

- 09:00** *Multivariate Correlated ARCH*, George Christodoulakis, City University Business School, London.
- 09:30** *Are There Multiples Regimes in Financial Volatility?*, Marcelo C. Medeiros, Alvaro Veiga, PUC, Rio de Janeiro.
- 10:00** *Modeling Stock Returns with Multivariate LSTGARCH Models*, Gilles Dufrenot, Vélayoudoum Marimoutou, Anne Peguin-Feissolle, GREQAM-CNRS, Marseille.
- 10:30** *Poster Preview, Exhibits and Coffee*
- 10:45** *Forecasting Relationships Between Indexes of Different Countries : a New Approach to the Multivariate Garch*, Gustavo de Athayde, Banco Itaú, São Paulo.
- 11:15** *Conditional Correlation Models and Implications for Asset Pricing: Evidence in the US Stock Markets*, Gust Janssen, University of Leuven.
- 11:45** *Modelling Financial Time Series using GARCH-type models and a Skewed Student Density*, Philippe Lambert, Université Catholique de Louvain, Sébastien Laurent, Université de Liège.
- 12:15** *Lunch, Exhibits and Poster Session 3*

## SESSION 10 – ADVANCED MODELLING TECHNIQUES

- 14:00** *Daily Trading Model with Bayesian Variant MLP Network*, Ian T. Nabney, Aston University, Birmingham, H.W. Cheng, University of Macau.
- 14:30** *Forecasting High-Dimensional Dynamical Systems by Error Correction Neural Networks with a focus on the German Yield Curve*, Ralph Grothmann, University of Bremen, Ralph Neuneier, Hans-Georg Zimmermann, Siemens AG, Münich.
- 15:00** *Prediction of FX Volatility via an RBF Neural Network with Closed-Form Regularization*, Gordon H. Dash, Nina Kajiji, University of Rhode Island, Kingston.
- 15:30** *Posters, Exhibits and Tea*
- 15:45** *InfoEvolve - Forecasting the S&P 500 Futures Using Information Theory and Genetic Algorithms*, A.G. Vaidyanathan, R.D. Davies, A.Moser, A.J. Owens, Dupont de Nemours & Co., Wilmington, Delaware.
- 16:15** *Predicting Bonds Using the Relevance Vector Machine*, Neep Hazarika, John Taylor, Econostat Ltd., Wargrave.
- 16:45** *Computational Learning Methods for Intraday FX Markets*, Michael Dempster, T. W. Payne, Y. S. Romahi, V. Skiranth, G. W. Thompson, Judge Institute, Cambridge.
- 17:15** *End of Conference*

### Poster Session 1 (Wednesday) – Fund Management

*Italian Equity Funds: Efficiency and Performance Persistence*, Roberto Casarin *et al.* (GRETA Associati, Venice); *Bias in Earnings Forecasts and its Implications for Returns: A Study for the Brazilian Market*, Franco Delano (Dreyfus Brascan Asset Management, Rio de Janeiro); *Valuing Information using Utility Functions : How Much Should We Pay for Forecasts of Returns ?*, Soosung Hwang *et al.* (City University Business School, London); *Multi-Moment CAPM: Some Basic Results*, Emmanuel Jurcenko *et al.* (University Paris I Panthéon-Sorbonne); *Domestic versus International Integration in the Process of Financial Liberalisation*, Gulnur Muradoglu *et al.* (University of Manchester); *Cointegration between Saving and Investment: an Application to the OECD Countries*, Stefania P. S. Rossi (Istituto Universitario Navale, Naples); *Operational Risk and Bernoulli Laws : Thoughts Towards New Frontiers and Challenges*, Stefano Serra (Pricewaterhouse Coopers, London); *Risk Analysis for Asset Managers: Historical Simulation, the Bootstrap Approach and Value at Risk Calculation* Raffaele Zenti *et al.* (RAS Asset Management S.p.A.); *Risk Management in an Asset Management Company: a Practical Case*, Dario Brandolini *et al.* (RAS Asset Management S.p.A.).

### Poster Session 2 (Thursday) - Derivatives Pricing and Volatility

*A Framework for Valuing Exotic Asian and Basket Options*, Giuseppe Castellacci *et al.* (OpenLink Financial, Mitchellfield); *Filtering Equity Risk Premia from Derivative Prices*, Carl Chiarella *et al.* (University of Technology, Sidney); *Modelling European Credit Spreads*, Marc De Ceuster *et al.* (University of Antwerp); *Intraday Value-at-Risk*, Pierre Giot (Maastricht University); *Monetary Policy Expectations from Option Prices on USD Interest Rate Futures in 1998-2000*, Jorge Barros Luis (University of York); *G@RCH 2.0: An Ox Package for Estimating and Forecasting Various ARCH Models*, Sébastien Laurent *et al.* (University of Liège); *Fallback Options*, Oleg A. Soloviev *et al.* (Queen Mary University, London); *Asset-Liability Management for Pension Funds using CVaR Constraints*, Stan Uryasev *et al.* (University of Florida); *Heterogeneous Volatility Cascade in Financial Markets*, Gilles Zumbach *et al.* (Olsen & Associates, Zürich); *Managing the Risk Side of a Medium Size Portfolio Showing GARCH Effects*, Carolina Castagnetti, University of Pavia and Fideuram Capital SpA, Milan.

### Poster Session 3 (Friday) – Financial Markets and Asset Pricing

*Optimal Portfolio Choice under Changing Risk*, Giampaolo Gabbi *et al.* (Università degli Studi di Siena); *Tactical Asset Allocation and Time Diversification for Euro Bond and Equity Markets*, Giampaolo Gabbi *et al.* (Università degli Studi di Siena); *Momentum in the UK Stock Market*, Mark Hon (University of Bristol); *Exchange Rates Barometers*, Giorgio Radaelli (Bank One, London); *Heterogeneous Expectations, Currency Options and the Euro/Dollar Exchange Rate*, Bronka Rzepkowski (CEPII, Paris); *A Multicriteria Model for Portfolio Management*, Joao Oliveira

*Estimating State Price Densities by Hermite Polynomials: Theory and Application to Italian Equity Option Markets*, Roberto Violi (Banca d'Italia, Rome); *A Perspective on Empirical Studies of Contagion and Interdependence*, Marcello Pericoli *et al.* (Bank of Italy); *Multi-moment Approximate Option Pricing Models: a General Comparison of Pricing and Hedging Performances*, Bertrand Maillet *et al.* (University Paris I Panthéon-Sorbonne).

**Conference Venue:  
The Harrington Centre  
Harrington Hall  
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London SW7 4JW**

**Registration Fees:**

Standard delegate fee: GBP 600. Academics are entitled to a 50% discount (letter on University letterhead required). The fee includes all refreshments and lunches.

Please note that payment must be received at least one week before the Conference begins.

A conference dinner is organised on Thursday 31 May 2001 for which there will be an additional fee of £25 (please register on site on the first day of the Conference).

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**Hotel Accommodation:**

We recommend that delegates who wish to stay at Harrington Hall for the duration of the Conference book a room as soon as possible as many conferences will be taking place in London during May.

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