

FORECASTING FINANCIAL MARKETS:

ADVANCES FOR EXCHANGE RATES, INTEREST RATES AND ASSET MANAGEMENT

Paris 4, 5 and 6 June 2003

Conference Programme

Programme Chairs:

Christian Dunis
(CIBEF and Liverpool Business School)

Michael Dempster
(Judge Institute, University of Cambridge)

Franck Bancel
(ESCP-EAP, Paris)

- q *Modelling with high frequency data*
- q *Fund management and trading rules*
- q *Funds of funds and balanced funds*
- q *Advances in asset management and portfolio optimisation*
- q *Relative value and market neutral strategies*
- q *Modelling volatility and correlation*
- q *Risk analysis and credit trading*
- q *Derivatives pricing and real options*
- q *Firms capital structure choices*

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The Art of Quantitative Asset Management

FORECASTING FINANCIAL MARKETS 2003

CONFERENCE PROGRAMME

Day 1: Wednesday 4 June 2003

08:00 Registration and Coffee

08:45 Opening Address

SESSION 1 - FUND MANAGEMENT AND PORTFOLIO OPTIMISATION

09:00 *How Likely are your Scenarios?*, F Bourgoïn, Barclays Global Investors, London.

09:30 *Outliers and Portfolio Optimization*, A. Charles, University of Montpellier.

10:00 *Optimal Portfolio Selection With Fuzzy Methods*, T. León, V. Liern, P. Marco and E. Vercher, Universitat de València.

10:30 *Exhibits and Coffee*

10:45 *Beyond Markowitz: Building Optimal Portfolio Using Non-Elliptical Asset Return Distributions*, A. Di Clemente (University of Rome, La Sapienza) and C. Romano (Capitalia Banking Group, Rome).

11:15 *Global Fund Management Using Stochastic Optimisation*, M. Villaverde, University of Cambridge.

11:45 *Forecasting Risk Models: An Application to Optimal Portfolio Selection*, D. Moreno (Universidad de Alcalá), P. Marco (Universidad de Valencia) and I. Olmeda (Universidad de Alcalá).

12:15 *Lunch and Exhibits*

PARALLEL SESSION 2 – CAPITAL MARKETS AND ASSET PRICES (I)

14:00 *The Determinants of Capital Structure Choice: A Survey of European Firms*, F. Bancel (ESCP-EAP) and U. R. Mittoo (University of Manitoba).

14:30 *The Dynamics of Capital Structure in Transition Economies*, E. Nivorozhkin (Gothenburg University).

15:00 *Financial Constraints, Bargaining Power and Wage Profiles*, C. Moussu and M. Tröge (ESCP-EAP).

15:30 *Exhibits and Tea*

15:45 *Why European Firms Issue Convertible Debt?*, F. Bancel (ESCP-EAP) and U. R. Mittoo (University of Manitoba).

16:15 *Optimal Estimation of the Betas of FTSE Mid 250 Stocks 1986-2000*, C. J. Adcock (University of Sheffield) and N. Meade (Imperial College, London).

16:45 *Estimating Beta Coefficients Using Ultra-Frequent Tick Data: Evidence From Small and Large UK Stock Data*, T. Giles and D. Butterworth (Charles River Associates, London).

17:15 *Close of session*

PARALLEL SESSION 3 – VOLATILITY MODELLING

14:00 *Volatility of Interest Rates in the Euro Area: Evidence from High Frequency Data*, N. Cassola (European Central Bank) and C. Morana (University of Piemonte Orientale, Novara).

14:30 *The Informational Content of Swaption Rates for USD and EUR Government Bonds Volatility Models*, C. Dunis and F. Francis (CIBEF, Liverpool Business School).

15:00 *Forecasting Stock Market Volatility with Regime Switching GARCH Models*, J. Marcucci (UCSD, San Diego).

15:30 *Exhibits and Tea*

15:45 *Testing for the Correct Specification of Integrated Volatility*, V. Corradi and W. Distaso, University of Exeter.

16:15 *Stochastic Volatility in Brazilian Stock Markets and its Impact on Option Pricing: An Empirical Investigation*, C. Ibsen de Almeida (Stanford University) and S. Dana (IBMEC Business School, Rio de Janeiro).

16:45 *Market Heterogeneities and the Causal Structure of the Volatility*, G. Zumbach and P. E. Lynch (Consulting in Financial Research, Saconnex, Switzerland).

17:15 *Close of session*

Day 2: Thursday 5 June 2003

08:30 *Coffee*

PARALLEL SESSION 4 - CONTINUOUS TIME FINANCE AND DERIVATIVES MODELS

- 09:00 *Pricing Derivatives on a Controlled Stochastic Process: A Simplified Approach*, J. E. Hodder (University of Wisconsin-Madison) and J. C. Jackwerth (University of Konstanz).
- 09:30 *Arbitrage-Free Term Structures of Legendre Polynomials, Affine Processes and Option Pricing*, C. Ibsen de Almeida, Stanford University.
- 10:00 *Recovering Constrained Implied Risk-neutral Moments for Option Pricing with a Parallel Hybrid Stochastic Self-Adapted Genetic Algorithm*, E. Jurczenko (ESCP-EAP), B. Maillet (University of Paris I) and B. Negrea (University of Paris I).
- 10:30 *Exhibits and Coffee*
- 10:45 *An Empirical Comparison of Default Swap Pricing Models*, P. Houweling (Erasmus University and Rabobank, Rotterdam) and T. Vorst (ABN AMRO and Erasmus University, Rotterdam).
- 11:15 *Why Smiles Exist in Foreign Exchange Options Markets: Isolating Components of the Risk Neutral Process*, R. G. Tompkins (University of Technology, Vienna).
- 11:45 *A Treatment for the "Volatility Smile" with High Frequency Data*, S. Zuo (Nottingham University Business School).
- 12:15 *Lunch and Exhibits*

PARALLEL SESSION 5 - CAPITAL MARKETS AND ASSET PRICES (II)

- 09:00 *Diffusion Indices for Capital Markets*, D. Morillo and L. Pohlman, PanAgora Asset Management, Boston.
- 09:30 *Maximizing Equity Market Sector Predictability in a Dynamic Time Varying Parameter Model*, L. D. Johnson (Caxton Associates, New York) and G. Sakoulis (J.P Morgan Fleming Asset Management, London).
- 10:00 *Extreme Value Estimation of Boom and Crash Statistics*, J. Cotter (University College, Dublin).
- 10:30 *Exhibits and Coffee*
- 10:45 *Contagion and Interdependence Measures: Some Words of Caution*, M. Billio (University of Venice), M. Lo Duca (GRETA, Venice) and L. Pelizzon (University of Padua).
- 11:15 *Comovements and Correlations in International Stock Markets*, R. L. D'Ecclesia and M. Costantini (Università La Sapienza, Rome).
- 11:45 *Understanding Contagion Phenomena in Economy and Finance*, D Guégan (Ecole Normale Supérieure, Cachan).
- 12:15 *Lunch and Exhibits*

PARALLEL SESSION 6 – RISK MANAGEMENT

- 14:00 *Decomposing the Risk of Australian Equities by Market, Industry and Firm*, R. Bewley (University of New South Wales), X. Li and A. Poppenbeek (CommSec Quantitative Equities Research).
- 14:30 *Hidden Volatility and Liquidity Risk Factors*, D. Brandolini (RAS Asset Management), G. Gabbi (Università di Siena), C. Marsala (RAS Asset Management), M. Pallotta (RAS Asset Management) and R. Zenti (RAS Asset Management)
- 15:00 *Modelling and Simulation of the Term Structure with Applications to Market Transition Forecasts and Risk Management*, S. Borokova (Delft University of Technology).
- 15:30 *Exhibits and Tea*
- 15:45 *A Simple Adaptive Measure of Systemic Risk in Financial Markets: A Revisited Index of Market Shocks*, B. Maillet (University of Paris I) and T. Michel (Commission des Opérations de Bourse, Paris).
- 16:15 *On a Class of Spectral Measures for Power Markets Risk Management*, M. Resta and D. Sciutti (University of Genova).
- 16:45 *Return-based Style Analysis with Time-Varying Exposure*, L. Swinkels (Tilburg University) and P. J. van der Sluis (ABP Investments).
- 17:15 *Close of session*

PARALLEL SESSION 7 - ADVANCED MODELLING TECHNIQUES (I)

- 14:00 *Extended Switching Regression Models: Theory and Applications*, A. Preminger, U. Ben-Zion and D. Wettstein, Ben-Gurion University of the Negev, Beer-Sheva.
- 14:30 *Variance (Non-)Causality: a Bivariate GARCH-type Model*, M. Caporin (Università Ca' Foscari, Venice).
- 15:00 *Statistical Benefits of Value-at-Risk with Long Memory*, A. Beltratti (Bocconi University) and C. Morana (University of Piemonte Orientale, Novara).
- 15:30 *Exhibits and Tea*
- 15:45 *Small Sample Properties of GARCH Estimates and Persistence*, S. Hwang (Cass Business School, London) and P. L. Valls Pereira (IBMEC Business School, Rio de Janeiro).
- 16:15 *Confidence Regions for Parametric VaR Estimates with Order Statistics*, R. Tunaru (London Metropolitan University).
- 16:45 *Bayesian Inference for Mixtures of Stable Distributions*, R. Casarin (University of Venice and University Paris Dauphine).
- 17:15 *Close of session*

Day 3: Friday 6 June 2003

08:30 *Coffee*

PARALLEL SESSION 8 – ADVANCED MODELLING TECHNIQUES (II)

- 09:00 *Probability Distributions, Trading Strategies and Leverage: An Application of Gaussian Mixture Models*, A. Lindemann, C. Dunis and P. Lisboa (CIBEF and School of Computing and Mathematical Sciences, Liverpool John Moores University).
- 09:30 *Block Dynamic Conditional Correlation Multivariate GARCH models*, M. Billio, M. Caporin (Università Ca' Foscari and GRETA, Venice) and M. Gobbo (GRETA, Venice).
- 10:00 *Using Irregularly Spaced Returns to Estimate Multi-Factor Models: Application to Brazilian Equity Data*, Á. Veiga (PUC-Rio, Departamento de Engenharia Elétrica) and L. R. Souza (EPGE – Fundação Getúlio Vargas, Rio de Janeiro).
- 10:30 *Exhibits and Coffee*
- 10:45 *Detecting Turning Points in Financial Time Series: A Probability Based Approach*, R. Bramante (Università Cattolica del Sacro Cuore) and G. Gabbi (Università di Siena).
- 11:15 *Explaining the Cross-Section Returns in France: Characteristics or Covariances?*, S. Ajili (University Paris Dauphine).
- 11:45 *SETAR and Long-Memory Dynamics in Financial Data: Can we Discriminate Between Both?*, G. Dufrénot (University Paris XII), Dominique Guégan (Ecole Normale Supérieure, Cachan) and A. Péguin-Feissolle (GREQAM, Marseille).
- 12:15 *Lunch and Exhibits*

PARALLEL SESSION 9 - INVESTMENT AND TRADING STRATEGIES

- 09:00 *Technical Trading Rules Gains: The Filter Rules Approach Applied to the Foreign Exchange and Brent Oil Markets*, J. Laws and S. Sinha (CIBEF, Liverpool Business School).
- 09:30 *Tactical Yield Curve Movements and Fixed Income Long-Short Strategies with Classification and Regression Trees*, J. Laborda (Barclays Bank, Madrid).
- 10:00 *Day Trading the Euro-Dollar with a News-Based Model of Exchange Rates*, M. Tivegna (University of Teramo).
- 10:30 *Exhibits and Coffee*
- 10:45 *Stock Index Futures: Prediction and Trading Profitability*, J. Laws, J. Thompson and G. Wang (CIBEF, Liverpool Business School).
- 11:15 *Genetically Optimized Artificial Agents Using Various Strategies Applied to Stocks Trading*, A. Vigier (BNP Paribas Asset Management).
- 11:45 *Long-Run Dependence in a Real Trading Time Agent-Based Model*, N. Boitout and T. Delahaut (University of Orléans).
- 12:15 *Lunch and Exhibits*

SESSION 10 - ADVANCED FORECASTING TECHNIQUES

- 14:00 *Euro/Dollar Exchange Rates: A Multy-Country Structural Monthly Econometric Model for Forecasting*, D. Sartore, L. Trevisan (University of Venice), M. Trova (Monte Paschi Asset Management) and F. Volo (GRETA, Venice).
- 14:30 *Testing for Longer Horizon Predictability of Return Volatility with an Application to the German DAX*, B. Raunig (Österreichische Nationalbank, Vienna).
- 15:00 *Common Idiosyncratic Components of Equity Premia in the US and Euro Area and their Power in Forecasting Business Cycles*, F. Fornari (Bank of Italy, Rome).
- 15:30 *Exhibits and Tea*
- 15:45 *Evaluation and Combination of Conditional Value-at-Risk Forecasts*, R. Giacomini (University of California, San Diego) and I. Komunjer (California Institute of Technology, Pasadena).
- 16:15 *Forecasting Hedge Fund Index Return by Level and Classification: A Comparative Analysis of Neural Network Topologies*, G. Dash and N. Kajiji (University of Rhode Island, Kingston).
- 16:45 *Forecasting Bond Yields: A Case Study of 5 Countries*, A. Munro, Union Bank of Switzerland, London.
- 17:15 *End of Conference*

Publication of Papers:

Conference papers will be available on the Conference Proceedings Cd-Rom, a copy of which will be given to each delegate. Authors are also invited to submit their work to the *European Journal of Finance* (E.J.F.) which will publish a special proceedings issue containing selected papers from the Conference.

Conference Venue:

ESCP-EAP
79, Avenue de la République
75011 Paris (France)

Registration Fees:

Standard delegate fee: EUR 1000. Academics are entitled to a 50% discount (letter on University letterhead required). The fee includes all refreshments and lunches.

All participants including presenters are responsible for their own travel and accommodation expenses.

Authors of the papers selected for the Conference are asked to pay a nominal fee of EUR 125 to cover expenses.

In the case of a paper with multiple authorship, the reduction applies to a single presenter only.

A Conference dinner is organised on Thursday 5 June 2003 for which there will be an additional fee of EUR 35 (please register on site on the first day of the Conference).

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

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Exhibitors:

We have a spacious exhibition area available throughout the Conference. For further information and costs, please contact Christian Dunis at cdunis@totalise.co.uk or on +44 (0)20 7228 6128.

Hotel Accommodation:

We recommend that delegates who wish to attend the Conference book a room as soon as possible as many conferences will be taking place in Paris in June. Hotel information is available on our website www.cibef.com.

Any further questions relating to the Conference can be addressed to:

- Michèle Criton, ESCP-EAP, Office 2517, 5th floor, 79 Avenue de la République, F-75543 Paris Cedex 11

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e-mail: n.g.hovell@livjm.ac.uk, Telephone: +44151 231 3729, Fax: +44151 231 3234

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