

FORECASTING FINANCIAL MARKETS:

ADVANCES FOR EXCHANGE RATES, INTEREST RATES AND ASSET MANAGEMENT

Paris 2, 3 and 4 June 2004

Conference Programme

Programme Chairs:

Christian Dunis
(CIBEF and
Liverpool Business
School)

Michael Dempster
(Judge Institute,
University of
Cambridge)

Franck Bancel
(ESCP-EAP, Paris)

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 and real options

Sponsors:



FORECASTING FINANCIAL MARKETS 2004

CONFERENCE PROGRAMME

Day 1: Wednesday 2 June 2004

08:00 Registration and Coffee

08:45 Opening Address

SESSION 1 - FUND MANAGEMENT AND PORTFOLIO OPTIMISATION (I)

09:00 *Optimal Portfolio Allocation Under Higher Moments*, E. Jondeau, Banque de France and M. Rockinger, HEC Lausanne.

09:30 *Tracking Error in Multistage Portfolio Models*, D. Barro and E. Canestrelli, Università Ca' Foscari, Venezia.

10:00 *How Risky is your Portfolio? Does the Tracking Error Provide the Right Answer?*, F. Bourgoïn, Barclays Global Investors, London.

10:30 *Exhibits and Coffee*

10:45 *Mortality Risk and Real Optimal Asset Allocation for Pension Funds*, F. Menoncin, Università di Brescia and O. Scaillet, HEC Genève.

11:15 *Stylized Facts and Statistical Modelling of the Fama-French Factor Portfolios*, A. Beltratti, Università Bocconi, Milan, and C. Morana, Università del Piemonte Orientale, Novara.

11:45 *Home Bias in European Countries within a Bayesian Framework*, H. Asgharian and B. Hansson, Lund University, Sweden.

12:15 *Lunch and Exhibits*

PARALLEL SESSION 2 - FUND MANAGEMENT AND PORTFOLIO OPTIMISATION (II)

14:00 *Fund Management, Intellectual Capital, Intangibles and Private Disclosure*, J. Holland, University of Glasgow.

14:30 *The Use of Active Currency Management and Managed Futures Investments within a Traditional Portfolio: Preliminary Evidence of Potential Benefits to UK Investors*, K. Tee, Glasgow Caledonian University.

15:00 *Is Time-Varying Conditional Skewness Really Important in Mutual Funds Evaluation*, R. Rodriguez and D. Moreno, Universidad Carlos III, Madrid.

15:30 *Exhibits and Tea*

15:45 *The Modelling of Risk by Neural Networks*, H.G. Zimmermann and R. Grothmann, Siemens AG, München.

16:15 *Measuring and Optimizing Portfolio Credit Risk: A Copula-Based Approach*, A. Di Clemente, University of Rome 'La Sapienza', and C. Romano, Capitalia Bank Holding, Rome.

16:45 *What Does the Risk-Appetite Index Measure?* M. Misina, Bank of Canada, Ottawa.

17:15 *Close of session*

PARALLEL SESSION 3 – INVESTMENT AND TRADING STRATEGIES

14:00 *Probability Distributions, Trading Strategies and Leverage: An Application of Gaussian Mixture Models to the Morgan Stanley High Technology 35 Index*, A. Lindemann, C. Dunis and P. Lisboa, Liverpool John Moores University.

14:30 *Judgmental Bootstrapping of Technical Trades In The Bond Market*, R. Batchelor and T. Y. Kwan, Cass Business School, London.

15:00 *Optimal Holding Period for Active Stock Index Trading*, J. Miao, Liverpool John Moores University.

15:30 *Exhibits and Tea*

15:45 *Trading Futures Spreads: An Application of Correlation*, B. Evans, Liverpool John Moores University.

16:15 *Speculative Trading Strategy of Buying Crude Oil for Refinery on Spot Market*, P. Domijan, INA Rijeka Lube Oil Refinery, D. Kalpic and I. Petrovic, University of Zagreb.

16:45 *High Return Correlations in Emerging Markets: Are They Symptoms of Exploitable Arbitrage and Market Inefficiency? Evidence from Germany, Mexico, Thailand and Turkey*, K. Dew, Isik University, Istanbul.

17:15 *Close of session*

Day 2: Thursday 3 June 2004

08:30 *Coffee*

PARALLEL SESSION 4 - CAPITAL MARKETS AND ASSET PRICES

- 09:00 *Testing CAPM on Individual Stocks in the FTSE100*, J. Thompson, Liverpool John Moores University.
- 09:30 *The Stability and Convergence of Sequential Capital Investment Model*, S. Zuo, Nottingham University.
- 10:00 *An Analysis on the Spanish Classification of Mutual Funds*, D. Moreno, Universidad Carlos III, P. Marco, Universidad de Valencia and I. Olmeda, Universidad de Alcalá.
- 10:30 *Exhibits and Coffee*
- 10:45 *Bank Credit and Seasonal Anomalies in China's Stock Markets*, E. Girardin, Université de la Méditerranée, Aix-en-Provence, and Z. Liu, People's University of China, Beijing.
- 11:15 *Size and Book to Market Effects: Further Evidence from the French Case*, S. Lajili, Université de Paris-Dauphine.
- 11:45 *Tests of Changing Persistence in U.S. Treasury On/Off Spreads under Weighted-Symmetric Estimation*, L.V. Smith, Judge Institute of Management, Cambridge and D.N. Tambakis, Pembroke College, Cambridge.
- 12:15 *Lunch and Exhibits*

PARALLEL SESSION 5 - ADVANCED MODELLING TECHNIQUES (I)

- 09:00 *Dynamic Conditional Correlation Models: Block Structures and Markov Switches for Contagion Analysis*, M. Billio and M. Caporin, Università Ca' Foscari, Venezia.
- 09:30 *Bayesian Inference on Dynamic Models with Latent Factors*, M. Billio and R. Casarin, Università Ca' Foscari and D. Sartore, GRETA Associati, Venezia.
- 10:00 *Empirical Estimation of Tail Dependence Using Copulas: Application to Asian Markets*, C. Caillault and D. Guégan, , Ecole Normale Supérieure, Paris.
- 10:30 *Exhibits and Coffee*
- 10:45 *Chaos and Non-Linear Value at Risk: Application to the NIKKEI Returns Series*, C. Kyrtsou, University of Macedonia and University of Montpellier I, and V. Terraza, University of Luxembourg.
- 11:15 *Cross Country Behavior of Affine Term Structure Models*, F. Fornari and M. Luisi, Bank of International Settlements, Basle.
- 11:45 *Non-linear Analysis of Shocks when Financial Markets are Subject to Changes in Regimes*, B. Maillet, M. Olteanu and J.Rynkiewicz, Université Paris I.
- 12:15 *Lunch and Exhibits*

PARALLEL SESSION 6 - BOND, INTEREST AND FOREIGN EXCHANGE MARKETS

- 14:00 *How Well Do Models of Stock Market Volatility Forecast at Longer Horizons?*, B. Raunig, Oesterreichische Nationalbank, Vienna.
- 14:30 *Bootstrapping the Economy: A Non-Parametric Method of Generating Consistent Future Scenarios*, U.A. Müller, P. Blum and Å. Wallin, Converium Ltd, Zürich.
- 15:00 *Should Central Banks Talk to the FX Markets?*, M. Beine, Université de Bruxelles, G. Janssen, Katholieke Universiteit Leuven, and C. Lecourt, Université de Namur.
- 15:30 *Exhibits and Tea*
- 15:45 *Unrated Corporate Bond Credit Spread Factors*, G. Gabbi and A. Sironi, Università L. Bocconi, Milan.
- 16:15 *Corporate Bond Market Behaviour*, I. Rebelo and D. Hughes, London Metropolitan University.
- 16:45 *Short-Term Forecasts for Corporate Bonds Spreads*, P. Bussoli, Nextra Investment Management, Milan.
- 17:15 *Can Option Smiles Forecast Changes in Interest Rates? An Application to the U.S, the U.K and the Euro Area*, M. Pericoli, Banca d'Italia, Rome.
- 17:45 *Close of session*

PARALLEL SESSION 7 - ADVANCED MODELLING TECHNIQUES (II)

- 14:00 *Tree-Structured Smooth Transition Autoregressive Models*, J. Rosa, Federal University of Paraná, M. Medeiros and A. Veiga, Pontifical Catholic University of Rio de Janeiro.
- 14:30 *Is Momentum Due to Data-Snooping?*, J. Ericsson and A. González, Stockholm School of Economics.
- 15:00 *High-Frequency Cross-Correlation Dynamics in US Equity Markets*, O.V. Precup and G. Iori, Kings College, London.
- 15:30 *Exhibits and Tea*
- 15:45 *A Semimartingale Model for the Euro Overnight Index Average*, C. Pozzi, Tufts University, Boston, and A. Roncoroni, ESSEC Business School, Paris.
- 16:15 *A Factor-Based, Non-Parametric Risk Measurement Framework for Hedge Funds and Fund-of-Funds*, T.R.J. Goodworth and C.M. Jones, io Investors, London.
- 16:45 *Application of Extreme Value Theory Methods in Value-at-Risk Estimation*, K. Tolikas and R. Brown, The University of Dundee.
- 17:15 *Integrated Risk Management with a Filtered Bootstrap Approach*, C. Marsala, M. Pallotta and R. Zenti, RAS Asset Management SGR, Milan.
- 17:45 *Close of session*

Day 3: Friday 4 June 2004

08:30 *Coffee*

PARALLEL SESSION 8 - DERIVATIVES, OPTIONS AND VOLATILITY MODELLING (I)

09:00 *Estimating and Forecasting Volatility with Large Scale Models: Theoretical Appraisal of Professionals' Practice*, P. Zaffaroni, Banca d'Italia, Rome.

09:30 *Utilising Implied Volatility Data from Index Options in Forecasting Volatility*, J. Laws, Liverpool John Moores University.

10:00 *Pricing and Hedging Options in Incomplete Markets: Idiosyncratic Risk, Systematic Risk and Stochastic Volatility*, T. Chauveau and H. Gatfaoui, Université Paris I.

10:30 *Exhibits and Coffee*

10:45 *The Volatility of the Instantaneous Spot Interest Rate Implied by Arbitrage Pricing: A Dynamic-Bayesian Approach*, R. Bhar, University of New South Wales, C. Chiarella, H. Hung, University of Technology, Sydney, and W. Runggaldier, Università di Padova.

11:15 *Valuing Power Generation Assets as Real Options on Different Spreads*, G. Castellacci, OpenLink Financial, Mitchel Field, New York.

11:45 *Interest Rates Volatility in the Euro Area*, N. Cassola, European Central Bank and C. Morana, University of Piemonte Orientale, Novara.

12:15 *Lunch and Exhibits*

PARALLEL SESSION 9 - FORECASTING IN FINANCIAL MARKETS

09:00 *Advances in Forecasting Using Neural Networks*, H.G. Zimmermann, R. Grothmann and Ch. Tietz, Siemens AG, München.

09:30 *Extended Switching Regression Models with Time Varying Probabilities for Combining Forecasts*, A. Preminger, U. Ben-Zion and D. Wettstein, Ben-Gurion University of the Negev, Beer-Sheva, Israel.

10:00 *Can Earnings Forecasts Be Improved by Taking into Account the Forecast Bias?*, F. Dossou, S. Lardic and K. Michalon, Sinopia AM.

10:30 *Exhibits and Coffee*

10:45 *Forecasting the Euro/Dollar Exchange Rate: Are International Parities Useful?*, S. Sosvilla-Rivero, FEDEA and Universidad Complutense de Madrid and E. García, FEDEA, Madrid.

11:15 *Forecasting the Bond-Equity Yield Ratio Using Regime Switching and Cointegration Models: An International Comparison*, P. Giot and M. Petitjean, Université de Namur.

11:45 *Are Market Crashes Predictable? An Empirical Evidence*, R. Bramante, Università Cattolica del Sacro Cuore and G. Gabbi, Università di Siena.

12:15 *Lunch and Exhibits*

SESSION 10 - DERIVATIVES, OPTIONS AND VOLATILITY MODELLING (II)

14:00 *A Real Options Study of Strategic Alliances: Value of the Option to Expand and Contract*, L.D. Johnson and W. Suo, Queen's University, Kingston, Canada.

14:30 *Hedging Euribor Futures*, C. Adcock, Z. Purewsuren and P. Turner, University of Sheffield.

15:00 *The Economic Value of Advanced Time Series Methods for Modelling and Trading 10-Year Government Bonds*, C. Dunis and V. Morrison, Liverpool John Moores University.

15:30 *Exhibits and Tea*

15:45 *Consistent Estimation of Time-Varying Market Prices of Risk*, E. Ferreira, Universidad del Pais Vasco, J. Bazo, Universidad Carlos III de Madrid and S. Orbe, Universidad del Pais Vasco.

16:15 *Modelling Long Memory and Asymmetry in Exchange Rate Volatility: A Multivariate Garch Approach with Time-Varying Correlations*, K.Y. Ho, Cornell University, and A. Tsui, National University of Singapore.

16:45 *On the Numerical Evaluation of Option Prices in Jump Diffusion Processes*, P. Carr, Bloomberg, and A. Mayo, Baruch College, New York.

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 3 June 2004 for which there will be an additional fee of EUR 35 (please register on site on the first day of the Conference).

Surname:

First name:

Institution:

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Payment:

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

- Cheque payable to: Association Finance sur Seine (re. FFM2004), 3 rue Barbette, 75003 Paris, France.

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ffm2004@cibef.com or to Nicky Hovell, CIBEF, Liverpool John Moores University, John Foster Building, Liverpool L3 5UZ (United Kingdom), Fax: +44151 231 3234.

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 are 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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