

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

Marseille, 25, 26 and 27 May 2011

## Conference Programme

### Programme Chairs:

**Christian Dunis**  
(CIBEF and Liverpool  
Business School, Liverpool  
John Moores University)

**Michael Dempster**  
(Centre for Mathematical  
Sciences, University of  
Cambridge)

**Eric Girardin and Anne  
Péguin-Feissolle**  
(GREQAM and Université  
Aix-Marseille II)

*Hedging and market efficiency*

*Fund management and trading rules*

*Advances in asset management and portfolio  
optimisation*

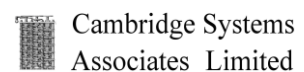
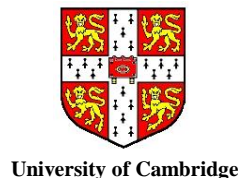
*Forecasting and trading with neural networks*

*Modelling volatility and correlation*

*Advanced financial modelling*

*Derivatives pricing models and real options*

### Sponsors:



# FORECASTING FINANCIAL MARKETS 2011

## CONFERENCE PROGRAMME

### Day 1: Wednesday 25 May 2011

#### SESSION 1 - HEDGING AND MARKET EFFICIENCY

- 08:00** Registration and Coffee
- 08:45** Opening Address
- 09:00** *Forecasting The Hedge Ratio in Commodities and Agricultural Futures Markets: Evidence from GARCH Models*, T. Choudhry and Y. Y. Zhang, School of Management, University of Southampton, UK.
- 09:30** *Is There an Optimal Instrument for EUR/GBP Hedging?*, J. Laws and J. Thompson, Liverpool Business School, UK.
- 10:00** *Detecting Structural Breaks In Time-Varying Hedge Ratios For Agricultural Commodities Futures*, S. H. Chen, Nanhua University, and W. H. Cheng, Tamkang University, Taiwan.
- 10:30** **Exhibits and Coffee**
- 10:45** *Testing Market Efficiency in the EU Carbon Futures Market*, R. Joyeux and G. Milunovich, Division of Economic and Financial Studies, Macquarie University, Australia.
- 11:15** *Arbitrage and the Law of One Price in the Market for American Depository Receipts*, H. Alsayed and F. McGroarty, University of Southampton, UK.
- 11:45** *Hedging vs. Speculative Pressures On Commodity Futures Returns*, G. Cifarelli, University of Florence, Italy.
- 12:15** **Lunch and Exhibits**

#### PARALLEL SESSION 2 - FUND MANAGEMENT AND PORTFOLIO OPTIMISATION

- 13:30** *Portfolio Returns and Manager Activity*, A. G. Ekholm, Hanken School of Economics, Helsinki, Finland.
- 14:00** *Adaptive Universal Portfolios*, P. O'Sullivan and D. Edelman, University College Dublin, Ireland.
- 14:30** *Investment Strategies Beating the Market. What Can we Squeeze from the Market?*, P. Sakowski, R. Slepaczuk and G. Zakrzewski, Faculty of Economic Sciences, University of Warsaw, Poland.
- 15:00** *Asset Allocation and Carry Trades*, J. Laborda, R. Laborda and J. Olmo, Universidad Carlos III and Lorenzo-Dávila Empresa de Asesoramiento Financiero Independiente (EAFI), Madrid, Spain.
- 15:30** **Exhibits and Tea**
- 15:45** *The Hazard-Adjusted Portfolio: A New Capital Allocation Scheme from an Extreme-Risk Management Perspective*, F. Laube and V. Terraza, University of Luxembourg, Luxembourg.
- 16:15** *Practical Weight-Constrained Conditioned Portfolio Optimisation Using Risk Aversion Indicator Signals*, M. Boissaux and J. Schiltz, Luxembourg School of Finance, Luxembourg.
- 16:45** *The Economic Value of Controlling for Large Losses in Portfolio Selection*, A. Dias, Warwick Business School, UK.
- 17:15** *The Prediction of Fund Failure through Performance Diagnostics*, G. Hubner, P. Cogneau and L. Bodson, HEC Management School, University of Liège, Belgium.
- 17:45** **Close of session**

#### PARALLEL SESSION 3 - FORECASTING AND TRADING WITH NEURAL NETWORKS

- 13:30** *Neural Network Model Building: A Practical Approach*, H. J. Von Mettenheim and M. H. Breitner, Leibniz Universität Hannover, Germany.
- 14:00** *Causality Analysis in the Framework of Historical Consistent Recurrent Neural Networks*, H. G. Zimmermann and R. Grothmann, Siemens AG, München, Germany.
- 14:30** *Advances in Causal Retro-Causal Market Price Modelling*, H. G. Zimmermann, Siemens AG, München, Germany.
- 15:00** *Forecasting and Trading the EUR/USD Exchange Rate with Gene Expression and Psi Sigma Neural Networks*, G. Sermpinis, Bedfordshire Business School, Luton, C. L. Dunis, J. Laws and A. Karathanasopoulos, Liverpool Business School, UK.
- 15:30** **Exhibits and Tea**
- 15:45** *Self Organizing Maps, Pattern Recognition and Financial Crises*, S. Barthelemy, M. Pautonnier, TAC-Financial, Saint Hilaire des Landes, P. Devaux and F. Faure, BNP Paribas, Paris, France.
- 16:15** *Modelling and Trading the Corn/Ethanol Crush Spread with Neural Networks*, C. L. Dunis, J. Laws and P. W. Middleton, Liverpool Business School, UK.
- 16:45** *Modelling and Trading the Greek Stock Market with Gene Expression and Genetic Programming Algorithms*, C. L. Dunis, J. Laws and A. Karathanasopoulos, Liverpool Business School, UK.
- 17:15** *Forecasting IBEX-35 Moves Using Support Vector Machines*, C. Dunis, Liverpool Business School, UK, R. Rosillo and D. De La Fuente, University of Oviedo, Spain.
- 17:45** **Close of session**

- 18:15** **Guided Tour of the Vieux-Port**

## Day 2: Thursday 26 May 2011

08:00 Coffee

### PARALLEL SESSION 4 - EQUITY MARKETS

- 08:30 *Application of Game Theory on Evaluating Investment in Stocks*, F. R. Roodposhti and R. E. Rasi, Islamic Azad University, Iran.
- 09:00 *Information Cascades in The Stock Market: New Evidence from an Intra-Day Analysis*, S. Kremer, Freie Universität Berlin, Germany.
- 09:30 *Capital Structure, Profitability and Value of Firm: An Empirical Investigation Of Large UK Firms*, B. Ghimire and S. Ghumra, London School of Business and Finance, UK.
- 10:00 *Measuring The Effect of Shocks on Linkages between Stock Markets*, M. Doman, Poznań University of Economics, and R. Doman, Adam Mickiewicz University, Poznań, Poland.
- 10:30 **Exhibits and Coffee**
- 10:45 *Foreign-Shares Discount on the Chinese Stock Market: Evidence for A - And H - Share Markets*, J. K. W. Fung, E. Girardin and J. Hua, Université de la Méditerranée, Marseille, France.
- 11:15 *Early Diagnosis Of Critical Stock Price Movements*, J. Jacobs, Leuphana University of Lüneburg, Germany.
- 11:45 *Stock Market Cycles: How Good Are They For Trading?*, C. L. Dunis, Liverpool Business School, UK, E. Bellini and A. T. Gallegos, University of Sevilla, Spain.
- 12:15 **Lunch and Exhibits**

### PARALLEL SESSION 5 - DERIVATIVES AND REAL OPTIONS

- 08:30 *Option Pricing Via Nonparametric Esscher Transform*, M. Pereira, C. Epprecht and A. Veiga, Department of Electrical Engineering, Pontifical Catholic University, Rio de Janeiro, Brasil.
- 09:00 *Why Do We Need to Watch Out for the Standard Risk-Neutral Option Valuation?*, Y. Rakotonratsimba, ECE School of Engineering, Paris, France.
- 09:30 *How Does Option Listing Affect the Underlying Stock Price Duration and Liquidity? Evidence From The French Underlying Stock Market*, K. Jouaber-Snoussi and R. Tekaya, Université Paris-Dauphine, Paris, France.
- 10:00 *The Information Content of Option-Based Forecasts of Volatility: Evidence from the Italian Market*, S. Muzzioli, University of Modena and Reggio Emilia, Italy.
- 10:30 **Exhibits and Coffee**
- 10:45 *Real Options Valuation of the License of a Copper Mine*, M. Mendez, ESIC Business and Marketing School, Madrid, Spain.
- 11:15 *Contingent Claims Valuation and Calibration with Parameter Uncertainty for Low Frequency Data*, R. Tunaru, Kent Business School, Canterbury, UK.
- 11:45 *An Entropy-Based Approach For Measuring Volatility: Evidence From The German Stock Market*, G. Kharlamov, Goethe University Frankfurt, Germany.
- 12:15 **Lunch and Exhibits**

### PARALLEL SESSION 6 - ADVANCED MODELLING (I)

- 13:30 *Mean Reversion Based on Autocorrelation: A Comparison Using the S&P 100 Constituent Stocks and the 100 Most Liquid ETFs*, J. Rudy, C. L. Dunis and J. Laws, Liverpool Business School, UK.
- 14:00 *Identifying and Explaining the Number of Regimes Driving Asset Returns*, M. Gatamel, University of Grenoble, France, and F. Ielpo, Lombard Odier Investment Managers, Geneva, Switzerland.
- 14:30 *Do Jumps Help in Forecasting the Density of Returns?*, J. Chevallier, Université Paris-Dauphine, Paris, France, F. Ielpo, Lombard Odier Investment Managers, Geneva, Switzerland, and B. Sevi, Université de la Méditerranée, Marseille, France.
- 15:00 *Mean-Variance Cointegration and the Expectations Hypothesis*, T. Strohsal, Freie Universität Berlin, and E. Weber, University of Regensburg, Germany.
- 15:30 **Exhibits and Tea**
- 15:45 *Regression Trees, Soft Information and Integrated Ratings*, G. Gabbi, G. Chitarrelli, M. De Lerma and M. Matthias, Bocconi University, Milan, Italy.
- 16:15 *Wavelet Analysis And The Term Structure Of Interest Rates*, M. Kiermeier, University of Applied Sciences Darmstadt, Germany.
- 16:45 *The Response of the Electronic European Interbank Market to the Financial Turmoil*, G. Iori, City University, London, UK.
- 17:15 *Information Cascades and Behaviour of Economic Agents*, M. H. Mousavi and A. R. Arjroody, Transportation Research Institute, Tehran, Iran.
- 17:45 **Close of Session**

### PARALLEL SESSION 7 - ASPECTS OF INTERNATIONAL FINANCE (I)

- 13:15 **Invited Talk** : *The Internationalisation of the Renminbi*, R. N. McCauley, Senior Advisor, Monetary and Economic Department, Bank for International Settlements, Basel, Switzerland.
- 14:00 *China's Monetary Policy Communication: Money Markets Not Only Listen, They Also Understand*, A. G. Herrero, Banco Bilbao Vizcaya Argentaria, Hong Kong, and E. Girardin, Université de la Méditerranée, Marseille, France.
- 14:30 *The Effects of Monetary Policy on the Term Structure of Interest Rates in China*, S. Lunven and E. Girardin, Université de la Méditerranée, Marseille, France.
- 15:00 *Financial Market Crashes and Spikes in Implied Volatility*, C. Baum, Boston College, USA, and DIW Berlin, Germany.
- 15:30 **Exhibits and Tea**
- 15:45 *The Instability of the Banking Sector and Macrodynamics: Theory and Empirics*, S. Mittnik, University of Munich, Germany, and W. Semmler, New School for Social Research, New York, USA.
- 16:15 *The Norges Bank's Key Rate Projections and the News Element of Monetary Policy: A Wavelet Based Jump Detection Approach*, L. Winkelmann, Freie Universität Berlin, Germany.
- 16:45 *The Information Content of the RBNZ Interest Rate Projections*, G. A. Detmers and D. Nautz, Freie Universität Berlin, Germany.
- 17:15 *Blame the Discount Factor no Matter What the Fundamentals Are*, A. Naszodi, Magyar Nemzeti Bank, Budapest, Hungary.
- 17:45 **Close of session**

## Day 3: Friday 27 May 2011

08:00 *Coffee*

### PARALLEL SESSION 8 - ADVANCED MODELLING (II)

- 08:30 *Analytic Approximations to GARCH Aggregated Returns Distributions With Applications to VaR and ETL*, C. Alexander, E. Lazar, Henley Business School, Reading, and S. Stanescu, Kent Business School, Canterbury, UK.
- 09:00 *Extreme Value Theory Versus Traditional GARCH Approaches Applied To Financial Data: A Comparative Evaluation*, D. Furió and F. J. Climent, University of Valencia, Spain.
- 09:30 *Value at Risk Estimation in a Mixture Normality Framework*, R. Bramante and D. Zappa, Università Cattolica del Sacro Cuore, Milan, Italy.
- 10:00 *Modelling Commodity Value at Risk with Psi Sigma Neural Networks Using Open-High-Low-Close Data*, C. L. Dunis, J. Laws, A. Karathanasopoulos, Liverpool Business School, and G. Sermpinis, Bedfordshire Business School, Luton, UK.
- 10:30 *Exhibits and Coffee*
- 10:45 *Speed and Accuracy Comparison of Non-Central Chi-Square Distribution Methods for Option Pricing and Hedging Under the CEV Model*, M. Larginho, J. C. Dias, ISCAC, Coimbra, and C. A. Braumann, Universidade de Evora, Portugal.
- 11:15 *The Intraday and Overnight Behaviour of SPY Options and Adjusted Delta Hedging*, D. Simon, Bentley University, Boston, USA.
- 11:45 *Common Volatility In Evolutionary Panels*, G. Motta, Maastricht University, The Netherlands, and M. Barigozzi, London School of Economics, UK.
- 12:15 *Lunch and Exhibits*

### PARALLEL SESSION 9 - ASPECTS OF INTERNATIONAL FINANCE (II)

- 08:30 *Does Liquidity or Private Information Matter for International Co-movement?*, Q. Chen, Credit Risk Analysis Division, Office of the Comptroller of the Currency, Washington DC, USA.
- 09:00 *Sovereign Risk Premiums as Function of Economic Sentiment*, R. Latocha, WestLB Mellon Asset Management, Düsseldorf, Germany.
- 09:30 *Optimal Trading Rules at Hourly Frequency in the Foreign Exchange Markets*, M. Tivegna and D. Pelusi, University of Teramo, Italy.
- 10:00 *The Financing Bias of Euro-Dollar Futures*, G. Desvilles, Conservatoire National des Arts et Métiers, Paris, France.
- 10:30 *Exhibits and Coffee*
- 10:45 *Forecasting EUR-USD Intraday Implied Volatility*, C. L. Dunis, Liverpool Business School, N. Kellard and S. Snaith, Essex Business School, Colchester, UK.
- 11:15 *Modelling and Trading the EUR-USD Exchange Rate Using a Novel Hybrid Method of Particle Swarm Optimization and Radial Basis Function Neural Networks*, K. Theofilatos, S. Likothanassis, University of Patras, E. Georgopoulos, Technological Educational Institute of Kalamata, Greece, G. Sermpinis, University of Bedfordshire, Luton and A. Karathanasopoulos, Liverpool Business School, UK.
- 11:45 *Detrended Realized Volatility in The Global FX Market*, A. B. Schmidt, ICAP Electronic Broking LLC, Parsippany, New Jersey, USA.
- 12:15 *Lunch and Exhibits*

### SESSION 10 - ADVANCED MODELLING (III)

- 13:15 **Invited Talk** : *Epidemics of Rules, Information Aggregation Failure and Market Crashes*, A. Kirman, GREQAM, Marseille, France and K. Anand and M. Marsili, Abdus Salam International Center for Theoretical Physics, Trieste, Italy.
- 14:00 *Revisiting the Excess Co-Movements of Commodity Prices in a Data-Rich Environment*, Y. Le Pen, Université de Paris-Dauphine, B. Sévi, Université de la Méditerranée, Marseille, France.
- 14:30 *Post-News Price Adjustment Speeds Vary Across Market Sectors*, F. McGroarty, University of Southampton., UK.
- 15:00 *Are Corporate News Just a Sideshow for Financial Markets or Do They Convey Useful Information?*, M. Dzielinski, University of Zürich, Switzerland.
- 15:30 *Exhibits and Tea*
- 15:45 *How To Get The Asset Return Structure And Distribution Under The Presence Of Transaction Costs?*, A. V. Bui and Y. Rakotondratsimba, ESLSCA Business School, Paris, and ECE Graduate School of Engineering, Paris, France.
- 16:15 *Modelling Electricity Spot Prices: Combining Mean-Reversion, Spikes and Stochastic Volatility*, T. Schmid, F. Weber and K. Mayer, Technische Universität, München, Germany.
- 16:45 *Common Dynamic Factors Driving Metal and Energy Prices*, Y. Kagraoka, Musashi University, Tokyo, Japan.
- 17:15 *Trading Inefficiencies in CDS Markets and their Determinants*, R. Tunaru, Kent Business School, Canterbury, UK.
- 17:45 *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:

**Faculté de Sciences Economiques et de Gestion**  
**14 rue Puvis-de-Chavannes**  
**F-13001 Marseille (France)**

### Registration Fees:

**Presenters registration fees:** EUR 300 (academics) and EUR 500 (non-academics and dual academic/non-academic employment). In the case of a paper with multiple authorship, only one presenter can pay this reduced fee. Please note that **when submitting a paper you commit to present it if accepted, and payment of registration fees will thus be required by Thursday 14 April 2011 unless you withdraw in writing before that date.**

**Standard delegate fees:** EUR 1100 (non-academics and dual academic/non-academic employment), EUR 550 (academics, letter on University letterhead required). The fee includes all refreshments and lunches. **Please note that payment of standard delegate fees must be received before 5 May 2011.**

All participants including presenters are responsible for their own travel and accommodation expenses. A Conference dinner is organised on Thursday 26 May 2011 for which there will be an additional fee of EUR 45 to be paid beforehand with your registration. In all cases, go to [www.aea-eu.org/FFM/2011](http://www.aea-eu.org/FFM/2011) and follow the relevant payment instructions.

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When completed this form should be returned to:

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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@tiscali.co.uk](mailto:cdunis@tiscali.co.uk) or on +44 (0)20 7228 6128.

### Hotel Accommodation:

Hotel and other practical information can be found on our websites: [www.cibef.com](http://www.cibef.com) and [www.ffm-conference.com](http://www.ffm-conference.com).

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

- Yves Doazan, IDEP-GREQAM, 2 rue de la Charité, F-13266, Marseille Cedex 2 (France)

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**Cancellation Policy:** Should a delegate be unable to attend, a substitute may attend the Conference in his/her place. Notification of cancellation must be given in writing by letter or fax. Full refunds are available up to 5 May 2011, subsequently no refund will be given.