FORECASTING FINANCIAL MARKETS:

ADVANCES FOR EXCHANGE RATES, INTEREST RATES AND ASSET MANAGEMENT

London 26, 27, 28 May 1999

Organisers:

**Christian Dunis
STATQ & Liverpool
Business School**

**Berç Rustem
Department of
Computing
Imperial College**

elseware
The Software Alternative

Modelling with high frequency data

Non linear models, Chaotic dynamics

Applications of neural networks and genetic algorithms

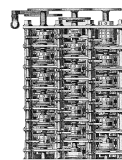*Advances in asset management and portfolio optimisation*

Modelling and forecasting volatility

Risk analysis and credit trading

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FORECASTING FINANCIAL MARKETS
CONFERENCE PROGRAMME

Day 1: Wednesday 26 May 1999

08:00   Registration & Coffee

08:40   Opening Address
Christian Dunis (STATQ & Liverpool Business School) & Berç Rustem (Imperial College)

Session 1
ADVANCES IN ASSET MANAGEMENT
Chairman: Alan Kirman (GREQAM, Marseille)

09:00   *The Changing Home Country Bias: Insights from Individual Pension Funds' Foreign Equity Holdings,* Alan Timmermann, London School of Economics, David Blake, University of London.

09:30   *Investment Styles in the European Equity Markets,* Monica Billio, Domenico Sartore, University Ca Foscari, Venice, Roberto Casarin, GRETA, Venice.

10:00   *Fat Tails and the Capital Asset Pricing Model,* C.J. Adcock, Westminster Business School, London.

10:30   *Portfolio Choice with Higher Order Moments,* Gustavo M. de Athayde, EPGE/FGV, Rio de Janeiro, Renato G. Flôres, Solvay Business School, ULB, Brussels.

11:00   *Questions*

11:15   *Coffee*

11:30   *Risk Neutral Forecasting*, Spyros Skouras, European University Institute, Florence.

12:00   *Non-Parametric Estimation of Two Dimensional Diffusions in Finance,* Renato G. Flôres, Solvay Business School, ULB, Brussels, Cristian Huse, EPGE/FGV, Rio de Janeiro.

12:30   *Questions*

12:30   *Luncheon*

Parallel Session 2
HIGH FREQUENCY TRADING
Chairman: Michael Dempster (Judge Institute, University of Cambridge)

14:00   *Real Trading Volume and Price Action in the FX Markets,* Pierre Lequeux, BNP, London.

14:30   *Can Technical Pattern Trading Be Profitably Automated ?*, M.A.H. Dempster & C.M. Jones, University of Cambridge.

15:00   *Non Linear Components in High Frequency Data and Econometric and Neural Networks Forecasts' Quality***,** Riccardo Bramante & Maria Paola Viola, Universita Cattolica del Sacro Cuore, Milan, Giampaolo Gabbi, Universita di Siena.

15:30   *Questions*

15:45   *Tea*

16:00   *A Comparative Study of Foreign Exchange Quotes Indicative Versus Market Quotes,* Emmanuel Acar, Dresdner Kleinwort Benson, London.

16:30   *Liquidity and Market Makers : An Analysis with Ultra High Frequency Data*, Jose G. Montalvo, Universitat de Valencia.

17:00   *Questions*

Parallel Session 3
NON LINEAR MODELS AND MARKET BUBBLES 1
Chairman: Chris Adcock (EJF & University of Bath)

14:00   *On the transitory nature of gurus***,** Alan Kirman, GREQAM, Marseille.

14:30   *Self-Organisation in Opinion Aggregation Models***,** Sergio Focardi, The Intertek Group, Paris, Michele Marchesi, DIEE, University of Cagliari.

15:00   *A Methodology To Materialise Psychological Elements of Foreign Exchange Market Dynamics***,** Yann Lepape, Université Aix-Marseille.

15:30   *Questions*

15:45   *Tea*

16:00   *Gegenbauer Processes: Estimation and Forecasting,* L. Ferrara, Université Paris 13, Dominique Guégan, Université de Reims, ENSAE-CREST.

16:30   *Currency Forecasting Based on An Error Components-Seemingly Unrelated Nonlinear Regression Model,* Winston T.Lin, State University of New York at Buffalo.

17:00   *Questions*

17:15   *End of Day 1*

Day 2: Thursday 27 May 1999

Parallel Session 4
TRADING AND RISK - BONDS AND EQUITIES
Chairman: Carl Chiarella (University of Technology, Sydney)

09:00   *Coffee*

09:30	*Irrational Exuberances and Precautions in Stock Markets,* Juan Laborda Herrero, The Chase Manhattan Bank, Madrid.
10:00	*Stock Valuation, Equilibrium Corrections and Earning Forecasts,* Hans-Martin Krolzig, Institute of Economics and Statistics, Oxford, Juan Toro, European University Institute, Florence.
10:30	*Excess Return on French Equities : Estimation Using a Factor Model,* Christophe Morel, Ministère des Finances and Université Paris Dauphine, Paris .*
11:00	*Questions*
11:15	*Coffee*
11:30	*The Determination of the Risk Premium on Euroland Public-Sector Bonds: A comparison of Multicriteria and Statistical Approaches,* Ephraïm Clark, Middlesex University Business School, London.
12:00	*Hedging a Portfolio of Corporate Bonds with Interest Rate/Swap Derivatives Using a PCA/EGARCH Yield Curve Model,* Darren Toulson, Sabine Toulson, Abongwa Ndumu, Alison Sinclair, Intelligent Financial Systems Ltd, London.
12:30	*Questions*

Parallel Session 5
NON LINEAR MODELS AND MARKET BUBBLES 2
Chairman: Alan Timmermann (London School of Economics)

09:00	*Coffee*
09:30	*Currency forecasting, Sunspots, and Markov-Switching Regimes,* Olivier Jeanne and Paul Masson, Research Department, International Monetary Fund, Washington, DC.
10:00	*A Test of the Random Walk Hypothesis on High Frequency Stock Prices,* Thierry Michel, Direction de la Prévision and TEAM, Paris, Laurent Augier, Université de la Rochelle and TEAM.
10:30	*Exchange Rate Dynamics and Structural Breaks,* Cem Ertur et Zaka Ratsimalahelo, Université de Bourgogne, Dijon.
11:00	*Questions*
11:15	*Coffee*
11:30	*Forecasting daily dollar exchange rates,* Liangyue Cao, University of Western Australia,Nedlands, Adbul S. Soofi, University of Wisconsin-Platteville.
12:00	*Modelling economic high-frequency time-series with STAR-STGARCH models,* Stefan Lundbergh and Timo Teräsvvirta, Stockholm Schools of Economics.
12:30	*Questions*
12:45	*Luncheon*

Parallel Session 6
TRADING CURRENCIES AND GLOBAL RISK MANAGEMENT
Chairman: Renato Flôres (Ecole de Commerce Solvay, Bruxelles & E.P.G.E./F.G.V., Rio de Janeiro)

14:00	*Analysis of time varying exchange rate risk,* Ramaprasad Bahr, University of New South Wales, Sidney, Carl Chiarella, University of Technology, Sidney.
14:30	*Non linear analysis for forecasting currencies,* Foort Hamelink, Tilburg University.
15:00	*Bootstrap Predictability of Daily Exchange Rates,* Demosthenes N. Tambakis, City University Business School, Anne-Sophie Van Royen, University College London.
15:30	*Questions*
15:45	*Tea*
16:00	*An Extreme Value Theory Approach to Calculating Minimum Capital Risk Requirements,* C. Brooks, A.D. Clare and G. Persand, University of Reading.
16:30	*Sensitivity Analysis of VAR Procedures,* Joana Caldas, EPGE/FGV, Rio de Janeiro.
17:00	*Questions*

Parallel Session 7
FUND MANAGEMENT AND TRADING RULES
Chairman: Stephen Satchell (Trinity College, University of Cambridge)

14:00	*Empirical Tests for Differences in Downside and Symmetric Equilibrium Risk Measures, with Application to Surviving Small and Large UK Companies,* Christian S. Pedersen.
14:30	*The Efficiency of Investment Fund Management: Stochastic Frontier vs Portfolio Envelopment Analysis. Applications,* Walter Briec, IGR-IAE, Rennes, Jean-Baptiste Lesourd, GREQAM, Marseille.
15:00	*A Non Parametric Approach to Pricing and Hedging Derivative Securities with an Application to LIFFE Data,* J.A. Barria, S.G. Hall, Imperial College, London.
15:30	*Questions*
15:45	*Tea*
16:00	*Applications of Nonlinear Modeling Techniques within the Esprit Project Storm,* David Foubard, CDC-AME, Paris, Laurent Springer, Dresdner RCM, Paris, Rémy Lamaud, Indocam, Paris, Duc Pham Hi, Natexis Bank, Paris, Patrick Naïm, Elseware, Paris.
17:00	*Questions*
17:15	*Close of Session*
19:30	*Conference Dinner*

Day 3: Friday 28 May 1999

Parallel Session 8
MODELLING VOLATILITY AND CORRELATION
Chairman: Dominique Guégan (ENSAE, Paris)

09:00 *Coffee*

09:30 *Function Approximation and Bayesian Inference Techniques in the Sequential Tracking of Options Prices,* M. Niranjan, University of Sheffield, J.F.G de Freitas, University of Cambridge.

10:00 *Factor GARCH, Regime Switching and Term Structure Models,* David Khabie-Zeitoun and Nicos Christofides, Imperial College, London.

10:30 *Hedging Volatility on the FX Markets: A Comparison of Modeling Techniques,* Bruno Roche, Renato Flôres, Solvay Business School, ULB, Brussels.

11:00 *Questions*

11:15 *Coffee*

11:30 *Large Scale Problem in Conditional Correlation Estimation,* Frédéric Bourgoin, UBK Asset Management, London.

12:00 *The Pitfalls in Fitting GARCH processes,* Gilles Zumbach, Olsen & Associates,Zürich.

12:30 *Questions*

Parallel Session 9
APPLICATIONS OF NEURAL NETWORKS AND GENETIC ALGORITHMS
Chairman: John Moody (Oregon Graduate Institute of Science & Technology, Portland)

09:00 *Coffee*

09:30 *Estimating Empirical Distributions and Evaluating Their Effect on VAR Calculations,* Nicos Christofides, A. Ypsilanti, Imperial College, London, and B. Tanyi, Fujitsu UK.

10:00 *FX Forecasting by Market Modelling,* H.G. Zimmermann, R. Neuneier, Siemens AG, Munich.

10:30 *Measuring DAX Market Risk: A Neural Network Volatility Mixture Approach,* Kai Bartlmae, Daimler Chrysler AG, Ulm.

11:00 *Questions*

11:15 *Coffee*

11:30 *Self Organised Genetic Algorithm in Stock Market Forecast,* K.Y. Szeto, P.X. Luo, The Hong Kong University of Science and Technology.

12:00 *Minimizing Downside Risk via Stochastic Dynamic Programming,* John Moody, Matthew Saffel, Oregon Graduate Institute of Science and Technology, Portland, OR.

12:30 *Questions*

12:45 *Luncheon*

Session 10
RISK MODELLING
Chairman: Nicos Christofides (Imperial College, London)

14:00 *Local models for segmentation and prediction of financial time series,* Mehdi Azzouzi, Ian Nabney, Aston University.

14:*30* *State Space Models in Finance,* Ragnar H. Lesch, David Lowe, Aston University, Birmingham.

15:00 *The Expected Slipage in the Financial Market Transaction,* Gregory Chernizer, CVTM Inc, USA.

15:30 *Questions*

15:45 *Tea*

16:00 *An Ordered Probit Analysis of Future Price Formation under Floor and Electronic Trading,* Owain ap Gwilyn and Stephen Thomas, University of Southampton.

16:30 *Understanding bid-ask spreads of derivatives under uncertain volatility and transaction costs,* Thierry Ané, Université Paris Dauphine, Vincent Lacoste, ESSEC, Paris.

17:00 *Forecasting with the ARFIMA-ARCH Model***,** Michael A. Hauser, University of Economics and Business Administration, Vienna.

17.15 *Questions*

17:30 *Closing Remarks*

17:45 *End of Conference*

Conference Venue:
The Harrington Centre
Harrington Hall
5-25 Harrington Gardens
London SW7 4JW

Registration Fees:

Standard delegate fee 660 € (+ VAT 20.60%) Total: 796 €. Academics are entitled to a 50% discount. The fee includes all refreshments & lunches. A Conference dinner is organised on Thursday 27 May 1999.

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

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