

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

London 29, 30 and 31 May 2002

Programme Chairs:

Christian Dunis
(CIBEF 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 and real options

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FORECASTING FINANCIAL MARKETS 2002

CONFERENCE PROGRAMME

Day 1: Wednesday 29 May 2002

08:00 Registration and Coffee

08:45 Opening Address

SESSION 1 - FUND MANAGEMENT AND FUNDS OF FUNDS

09:00 *Hedge Funds Risk and Performance Revisited*, H. Geman and C. Kharoubi, Essec and University Paris IX Dauphine.

09:30 *Diversification in Funds of Hedge Funds: How Much is Enough?*, M. Learned and F.-S. Lhabitant, Thunderbird Graduate School of International Management (AZ, USA).

10:00 *How to Populate Strategic Asset Allocation with Mutual Funds and Managed Accounts?*, A. Munro, Union Bank of Switzerland, London.

10:30 *Exhibits and Coffee*

10:45 *Performance, Style and Persistence of Italian Equity Funds*, R. Casarin, M. Lazzarin and D. Sartore, GRETA, Venice.

11:15 *The Behaviour of Dead Hedge Funds: Vae Victis?*, F.-S. Lhabitant, Union Bancaire Privée, Geneva.

11:45 *Are Asset Managers Properly Using Tracking Error Estimates?*, D. Brandolini, R. Zenti and M. Pallotta, RAS, Milan.

12:15 *Lunch and Exhibits*

PARALLEL SESSION 2 - INVESTMENT AND TRADING STRATEGIES

14:00 *Traditional Against Alternative Equity Investment: Optimum Strategy Based on Historical Experience and Simulations*, J. Laborda, Barclays Bank, and A. Munera, BBVA, Madrid.

14:30 *The Hedging Effectiveness of Stock Index Futures: Using the FTSE100 Futures Contract to Hedge Investment Trust Companies*, J. Laws and J. Thompson, CIBEF, Liverpool Business School.

15:00 *Looking for Consistency in a Systematic Trading Program*, P. Faldini, The Beaumont Fund, Faldini & Novi SA, Geneva.

15:30 *Exhibits and Tea*

15:45 *Measuring Investment Risk During Market Crash: An Empirical Investigation*, R. Bramante, University of Pavia, and L. Lanzani, Fideuram Bank, Milan.

16:15 *The European Single Currency and the Volatility of European Stock Markets*, M. Billio, University Ca' Foscari of Venice, and L. Pelizzon, University of Padua.

16:45 *Value and Value at Risk of the S&P*, I. Mauleón and R. Sánchez, University Rey Juan Carlos, Madrid.

17:15 *Close of session*

PARALLEL SESSION 3 - CREDIT RISK AND ANALYSIS

14:00 *Correlated Default with Incomplete Information*, K. Giesecke, Humboldt-Universität zu Berlin.

14:30 *Predicting Default Probabilities for Emerging Markets Bond Portfolios*, S. Ciruolo, A. Berardi, University of Verona, and M. Trova, Monte Paschi Asset Management, Milan.

15:00 *Inter-Temporal Stability of the European Credit Spread Co-Movement Structure*, J. Annaert, A. Claes, University of Antwerp, and M. De Ceuster, University of Antwerp and Deloitte & Touche.

15:30 *Exhibits and Tea*

15:45 *Corporate Bond Spread Factors After Euro Introduction*, G. Gabbi, SDA Bocconi, and A. Sironi, Bocconi University, Milan.

16:15 *Neural Network-and-Logit-Based Modelling Strategy for Small Business Credit Scoring*, M. Bencic, N. Sarlija, M. Zekic-Susac, University of Osijek, and Z. Bohacek, Croatian Banking Association, Zagreb.

16:45 *Regime Switching in the Chinese A-Share Market at Different Frequencies*, E. Girardin, University of Aix-Marseille II, and Z. Liu, People's University of China, Beijing.

17:15 *Close of session*

Day 2: Thursday 30 May 2002

08:30 *Coffee*

PARALLEL SESSION 4 - ESTIMATING RETURN DISTRIBUTIONS

- 09:00 *Return Interval, Dependence Structure and Multivariate Normality*, T. Ané, HEC Lausanne, and C. Labidi, University Paris IX Dauphine.
- 09:30 *Extreme-Value Dependence in Financial Markets*, S.H. Poon, J. Tawn, Lancaster University, and M. Rockinger, HEC Paris.
- 10:00 *Do Extreme Falls Help Forecasting Stock Returns?*, E. Başçi, S. Başçi, Bilkent University, Ankara, and G. Iu, City University Business School, London.
- 10:30 **Exhibits and Coffee**
- 10:45 *Extreme Returns in a Shortfall Risk Framework*, G. Toniolo, R. Casarin and M. Billio, GRETA and University of Venice.
- 11:15 *Multivariate Skewed Densities, a New Approach*, L. Bauwens and S. Laurent, CORE, Louvain-la-Neuve, Belgium.
- 11:45 *An Extension of the Generalised Skew Student Distribution*, C. Adcock, University of Sheffield.
- 12:15 **Lunch and Exhibits**

PARALLEL SESSION 5 - CONTINUOUS TIME FINANCE AND DERIVATIVES MODELS

- 09:00 *A Dynamic Bayesian Algorithm for Continuous Time Spot Rate Estimation*, R. Bhar, University of New South Wales, C. Chiarella, University of Technology, Sidney, and W. Runggaldier, University of Padova.
- 09:30 *The Pricing Kernel Puzzle*, D. Brown and J.C. Jackwerth, University of Wisconsin at Madison.
- 10:00 *Applying a 3-Factor Defaultable Term Structure Model to the Pricing of Credit Default Options*, B. Schmid and A. Kalemánova, Risklab GmbH, München.
- 10:30 **Exhibits and Coffee**
- 10:45 *A Model for the Dynamics of Term Structures of Interest Rates in Emerging Markets*, C. Ibsen, JPG S.A., and IBMEC Business School, A.M. Duarte, Unibanco S.A., and C.A. Coelho Fernandes, Pontificia Universidade Católica, Rio de Janeiro.
- 11:15 *Recovering Constrained Implied Risk-Neutral Moments for Option Pricing with a Parallel Hybrid Stochastic Self-Adapted Genetic Algorithm*, E. Jurczenko, B. Maillet and B. Negrea, University of Paris I Panthéon-Sorbonne.
- 11:45 *An Application of Real Options to Mergers and Acquisitions in European Financial Services*, C. Dunis, CIBEF, Liverpool Business School, and T. Klein, The Boston Consulting Group, Hamburg.
- 12:15 **Lunch and Exhibits**

PARALLEL SESSION 6 - FX MARKETS

- 14:00 *Impact of Money and Income on Liquidity in the Forward Market*, N. Biekpe, University of Stellenbosch, South Africa.
- 14:30 *Modelling FX Volatility: A Comparative Analysis of the RBF Neural Network Topology*, G. Dash and N. Kajiji, University of Rhode Island, Kingston.
- 15:00 *Multi-Fractal Model and European Exchange Rates*, J. Fillol, University of Paris X Nanterre.
- 15:30 **Exhibits and Tea**
- 15:45 *Farther Away From the Random Walk, the Impact of News on the Dollar Exchange Rate*, M. Tivegna, Teramo University.
- 16:15 *Modelling and Trading the EUR/USD: Do Neural Networks Perform Better?*, C. Dunis and M. Williams, CIBEF, Liverpool Business School.
- 16:45 *Forecasting the Dollar/Euro Exchange Rate: A Nonlinear Approach*, J. Andrada-Félix, F. Fernández-Rodríguez, University of Las Palmas, and S. Sosvilla-Rivero, FEDEA and University Complutense of Madrid.
- 17:15 *Close of session*

PARALLEL SESSION 7 - MARKET DYNAMICS AND INVESTMENT

- 14:00 *Optimal Limit Order Strategies*, G. Iori and N. Zervos, Kings College, London.
- 14:30 *An Empirical Analysis of XETRA Order Book Data with Applications to Market Liquidity*, H. Beltran Lopez, P. Giot and J. Grammig, Université Catholique de Louvain, Belgium.
- 15:00 *The Italian Overnight Market: Microstructure Effects, the Martingale Hypothesis and the Payment System*, E. Barucci, University of Pisa, C. Impenna, Bank of Italy, and R. Renò, University of Siena.
- 15:30 **Exhibits and Tea**
- 15:45 *A Quantile Regression Analysis of the Cross Section of Stock Market Returns*, M. Barnes, Federal Reserve Bank of Boston, and A. Hughes, University of Adelaide.
- 16:15 *A Macro-Perspective of Stock Market Sectors in the US and in the Euro Area*, F. Fornari and M. Pericoli, Bank of Italy.
- 16:45 *Cointegration and Core Inflation*, G. De Athayde, S. Schommer, Banco Itaú, São Paulo, and R. Flôres, EPGE, Rio de Janeiro.
- 17:15 *Close of session*

Day 3: Friday 31 May 2002

08:30 *Coffee*

PARALLEL SESSION 8 – ADVANCED PORTFOLIO OPTIMISATION

- 09:00 *Bottom-Up Portfolio Construction Based on Momentum Agents Applied to Pairs of Assets*, A. Vigier, BNP Paribas Asset Management, Paris.
- 09:30 *Non Parametric Forecasting for Conditional Asset Allocation*, S. Beckers and B. Blair, WestLB Asset Management, London.
- 10:00 *The Downside of International Equity Markets*, R. Campbell, Maastricht University.
- 10:30 *Exhibits and Coffee*
- 10:45 *Targeted and Realised Tracking Errors: The Impact of Covariances*, D. Morillo and L. Pohlman, PanAgora Asset Management, Boston, MA.
- 11:15 *Empirical Risk Measurement with Asymmetric Returns Distributions*, C. Pedersen, Oliver, Wyman & Co, and S. Hwang, City University Business School, London.
- 11:45 *Decomposing Risk via Time-Varying Betas*, R. Bramante, University of Pavia, and G. Gabbi, SDA Bocconi.
- 12:15 *Lunch and Exhibits*

PARALLEL SESSION 9 - VOLATILITY AND CORRELATION

- 09:00 *Comparing Risk Forecasts of Conditional and Unconditional VaR Models*, B. Saltoglu, Marmara University, Istanbul, and T-H. Lee, University of California at Riverside.
- 09:30 *Long Memory in the Volatility of High Frequency UK Futures*, J. Cotter, University College Dublin.
- 10:00 *Two Moment Estimation of Prices and Price Volatility*, R. Weaver and W. Natcher, Pennsylvania State University.
- 10:30 *Exhibits and Coffee*
- 10:45 *The Economic Value of Real-Time Portfolio Risk*, G. Janssen, University of Leuven, Belgium.
- 11:15 *Modelling Daily VaR Using Realised Volatility and ARCH*, P. Giot, University of Namur, and S. Laurent, CORE, Louvain-la-Neuve, Belgium.
- 11:45 *Modelling Volatilities with LSTGARCH Models*, G. Dufrénot, V. Marimoutou and A. Péguin-Feissolle, GREQAM, Marseille.
- 12:15 *Lunch and Exhibits*

SESSION 10 - ADVANCED MODELLING TECHNIQUES

- 14:00 *Super Fast Calculation of GARCH Correlation*, F. Bourgoin, Barclays Global Investors, London.
- 14:30 *Optimal Asset Allocation for a Large Number of Investment Opportunities*, H.G. Zimmermann and R. Grothmann, Siemens AG, München.
- 15:00 *Using Support Vector Machines to Trade Aluminium on the LME*, Z. Harland, Krueger Research, London .
- 15:30 *Exhibits and Tea*
- 15:45 *Decision Support System for Financial Time Series Analysis*, A. Skulimowski, UMM, Kraków, Poland.
- 16:15 *A New Bayesian Combiner for Financial Time Series Prediction*, N. Hazarika and J. Taylor, CL NewQuant Ltd., Wargrave.
- 16:45 *Intraday FX Trading: Reinforcement vs. Evolutionary Learning*, M. Dempster, T. W. Payne and Y. S. Romahi, Judge Institute, University of Cambridge.
- 17:15 *End of Conference*

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

Registration Fees:

Standard delegate fee: GBP 630. 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 30 May 2002 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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Exhibitors: We have a spacious exhibition room available throughout the Conference. For further information and costs please contact Mylène Bazsaliczka at Elseware on +331 4458 9340.

When completed this form should be returned to:

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Telephone: +331 4458 9340 Fax: +331 4296 6868 E-mail: mylene@elseware.fr

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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London SW7 4JW**

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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 21 days before the Conference, subsequently no refund will be given.