

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

Aix-en-Provence, 30, 31 May and 1 June 2007

Conference Programme

Programme Chairs:

Christian Dunis
(CIBEF and Liverpool John
Moore's University)

Michael Dempster (Judge
Business School, Cambridge
University)

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

*Modelling with high frequency data and market
microstructure*

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 2007

CONFERENCE PROGRAMME

Day 1: Wednesday 30 May 2007

SESSION 1 - FORECASTING IN FINANCIAL MARKETS

- 08:00** Registration and Coffee
- 08:45** Opening Address
- 09:00** *Is Survey Information Helpful to Improve Forecasting Performance*, H. Ma, I. Nolte and W. Pohlmeier, University of Konstanz, Germany.
- 09:30** *Modelling and Forecasting Financial Time Series of "Tick Data" by Functional Analysis and Neural Networks*, S. Dablemont, S. Van Bellegem, M. Verleysen, Université Catholique de Louvain, Belgium.
- 10:00** *Forecasting "High" and "Low" of Financial Time series by Particle Systems and Kalman Filters*, S. Dablemont, S. Van Bellegem, M. Verleysen, Université Catholique de Louvain, Belgium.
- 10:30** **Exhibits and Coffee**
- 10:45** *Which is Best for the U.S. Inflation Time Series: a Model or a Long Memory Process*, L. Charfeddine, Université Panthéon-Assas, and D. Guégan, Ecole Normale Supérieure, Cachan, France.
- 11:15** *Informativeness of Order Flow: the Role of Institutions*, E. Girardin, Université de la Méditerranée, Aix-en-Provence, France, and W. K. Wong, Tamkang University, Taiwan.
- 11:45** *Forecasting under Asymmetric Loss Functions*, V. Arekelian, University of Cyprus, Cyprus and E. Tzavalis, Athens University of Economics and Business, Greece.
- 12:15** **Lunch and Exhibits**

PARALLEL SESSION 2 - EQUITY MARKETS (I)

- 13:30** *The Impact of MiFID for Incoming Market Orders*, J. Pierre, Sytek Development, Liverpool, and C. Dunis, Liverpool John Moores University, UK.
- 14:00** *A Model for Time Varying Betas*, C. Adcock, University of Sheffield, UK, M. Ceu Cortez, M. J. Rocha Armada and F. Silva, University of Minho, Braga, Portugal.
- 14:30** *Pairs Selection and Outranking*, N. Huck, Université de Nancy, France.
- 15:00** **Exhibits and Tea**
- 15:15** *Price and Volume: Which one is the Best to Predict Financial Crisis? The Case of Some Asian and Latin American Markets*, O. Mbiakoup, CES Cachan, D. Guégan, Ecole Normale Supérieure, and L. Ferrara, COE, Paris, France.
- 15:45** *Nonlinear Forecasts of Stock Indexes Dividends in the G7 Countries*, F. Jawadi, ESC Amiens School of Management, Amiens, France.
- 16:15** *Temporal Aggregation and Systematic Sampling Effects on Non Linear Granger Causality Tests between Trade Volume and Returns*, E. Tserkezos, National Technological Institute of Athens, and D. Tserkezos, University of Crete, Greece.
- 16:45** **Close of session**

PARALLEL SESSION 3 - DERIVATIVES, OPTIONS AND VOLATILITY MODELLING

- 13:30** *How Much Compensation for Volatility in Interest Rate Derivatives?*, F. Fornari, European Central Bank, Frankfurt, Germany.
- 14:00** *Estimating Risk-Neutral Density Functions from EUR/HUF Currency Options and Forecasting Ability*, C. Csávas, National Bank of Hungary, Budapest, Hungary.
- 14:30** *Managing Jet Fuel Price Exposure: The case of European Airlines*, J. Laws, Liverpool John Moores University, UK.
- 15:00** **Exhibits and Tea**
- 15:15** *Forecasting Stock Price Volatility*, A. Rahou, H. Al-Madfai, A. Ware, H. Coombs and D. Gilleland, University of Glamorgan, UK.
- 15:45** *Volatility Forecasting and Value-at-Risk Estimation in the Emerging Markets: Case of a Single-Asset Portfolio in South Africa*, L. Bonga-Bonga, University of Johannesburg, South Africa.
- 16:15** *Utility-Based Pricing of Weather Derivatives*, H. Hamisultane, EconomiX, Nanterre, France.
- 16:45** **Close of session**

- 17:45** **Guided Tour of Aix-en-Provence**

Day 2: Thursday 31 May 2007

08:30 Coffee

PARALLEL SESSION 4 - BOND PRICES AND INTEREST RATES

- 09:00 *Corporate Bond Portfolio Management: An Application of Quasi-Newton Methods to the Nelson-Seigel-Svensson Models*, T. Kenc, University of Bradford, UK.
- 09:30 *Discrete-Time Affine Term Structure Models: an ARCH Formulation*, M. Maggi, A. Carta and D. Fantazzini, Università di Pavia, Italy.
- 10:00 *Exponential or Logistic Smooth Transition Cointegration in the Term Structure of Interest Rates? A case of a Transition Economy*, J. Bruzda, Nicolaus Copernicus University, Torun, Poland.
- 10:30 **Exhibits and Coffee**
- 10:45 *Investigating the Corporate Spread: a Non-Parametric Approach*, C. Peroni, University of Manchester, UK.
- 11:15 *Measuring the Risk Premium of Corporate Bonds: Evidence from Panel Data Analysis*, Y. Kagraoka, GREQAM, Marseille, France and Musashi University, Tokyo, Japan.
- 11:45 *On the Persistence of the Eonia Spread*, D. Nautz and U. Hassler, Goethe University, Frankfurt, Germany.
- 12:15 **Lunch and Exhibits**

PARALLEL SESSION 5 - EQUITY MARKETS (II)

- 09:00 *The Business Cycle and the Equity Risk Premium in Real Time*, R. Kizys, University of York, UK, and C. Pierdzioch, Saarland University, Saarbrücken, Germany.
- 09:30 *Modelling Asymmetric Comovements of International Financial Markets: A Survey*, A. Nabli and A. Trabelsi, Institut Supérieur de Gestion de Tunis, Bardo, Tunisia.
- 10:00 *Predicting Equity Premium in a Bayesian Time Varying Parameter Model*, G. Gadzinski, International University of Monaco, Monaco.
- 10:30 **Exhibits and Coffee**
- 10:45 *Stock Market Integration: A South African Perspective*, A. Kabundi and I. Mouchili, University of Johannesburg, South Africa.
- 11:15 *Market Timing, Selectivity and the Contagion Phenomena in Stock Markets of Developing Countries: An Empirical Application*, D. Pendaraki and V. Arakelian, University of Ioannina, Greece.
- 11:45 *The Contagion of the Asian Crisis: A Correlation Approach Analysis*, E. Essaadi and W. Khallouli, Université de Tunis, Tunisia.
- 12:15 **Lunch and Exhibits**

PARALLEL SESSION 6 - ADVANCED MODELLING TECHNIQUES (I)

- 14:00 *Stochastic Volatility Models and the Taylor Effect*, E. Ruiz, Universidad Carlos III de Madrid, A. Mora-Galan, Unión Fenosa Gas, and A. Pérez, Universidad de Valladolid, Spain.
- 14:30 *Backtesting Value-at-Risk Based on Tail Losses*, W. K. Wong, Tamkang University, Taiwan.
- 15:00 *Irregularly Spaced Intraday Value-at-Risk (ISIVaR) Models: Forecasting and Predictive Abilities*, S. Tokpavi, University of Orléans, France.
- 15:30 **Exhibits and Tea**
- 15:45 *Risk Neutral and Actual Default Probabilities with an Endogenous Bankruptcy Jump-Diffusion Model*, O. Le Courtois, EM Lyon Graduate School of Management and F. Quittard-Pinon, University of Lyon 1, Lyon, France.
- 16:15 *A New Approach for Firm Value and Default Probability Estimation Beyond Merton Models*, D. Fantazzini, M. E. De Giuli and M. Maggi, University of Pavia, Italy.
- 16:45 *Firm Value, Diversified Capital Assets and Credit Risk: Towards a Theory of Default Correlation*, L. Grune, University of Bayreuth, Germany, W. Semmler and L. Bernard, New School for Social Research, New York, USA.
- 17:15 *Multiscale Reconstruction of Time Series*, A. Nawroth and J. Peinke, University of Oldenburg, Germany.
- 17:45 **Close of Session**

PARALLEL SESSION 7 - MODELLING FOREIGN EXCHANGE MARKETS

- 14:00 *A Median Approach to Spot Foreign Exchange Rates*, C. Müller, ETH, Zürich, Switzerland.
- 14:30 *The High-Frequency Response of the EUR-US\$ Exchange Rate to ECB Monetary Policy Announcements*, C. Conrad and M. J. Lamla, ETH, Zürich, Switzerland.
- 15:00 *The Role of Private Information in Return Volatility and Bid-Ask spreads in the Foreign Exchange Market*, F. J. McGroarty, University of Southampton, UK.
- 15:30 **Exhibits and Tea**
- 15:45 *Foreign Direct Investment and Exchange Rate Volatility: Further Empirical Evidence*, G. Giorgioni, Liverpool John Moores University, UK.
- 16:15 *Bootstrapping the Volatility of Real Exchange Rates*, L. Copeland and S. Heravi, Cardiff Business School, UK.
- 16:45 *A Model of Uncertainty Aversion and Regime Switching Premia: An Application to Foreign Exchange Risk Premia*, L. Evans, Newcastle University, N. Joseph, Aston Business School and T. Kenc, Bradford University, UK.
- 17:15 *FX Modelling by Dynamical Consistent Neural Networks*, H.G. Zimmermann, Siemens AG, München, Germany, and L. Bertolini, Cass Business School, London, UK.
- 17:45 **Close of session**

Day 3: Friday 1 June 2007

08:30 *Coffee*

PARALLEL SESSION 8 - ADVANCED MODELLING TECHNIQUES (II)

- 09:00 *A Simple Fractionally Integrated Model with a Time-Varying Long Memory Parameter*, M. Boutahar, A. Péguin-Feissolle and G. Dufrénot, GREQAM, Marseille, France.
- 09:30 *Time Reversal Invariance in Finance*, G. Zumbach, Consulting in Financial Research, Saconnex, Switzerland.
- 10:00 *Effects of Various Optimization Functions on the Out of Sample Performance of Genetically Evolved Trading Systems*, A. Vigier, Cooper Neff Alternative Managers, Paris, France and S. Chmil, Fideuram Asset Management, Dublin, Ireland.
- 10:30 *Exhibits and Coffee*
- 10:45 *Semi-Parametric Functional Coefficient Autoregressive Conditional Duration Model*, M Fernandes, University of London, UK, M. C. Medeiros and A. Veiga, Pontifical Catholic University of Rio de Janeiro, Brazil.
- 11:15 *Estimating Quadratic Variation when Quoted Prices Change by a Constant Increment*, J. Large, University of Oxford, UK.
- 11:45 *Combining Expectation and Risk Estimation by Neural Networks*, H.G. Zimmermann, Siemens AG, Munich, Germany.
- 12:15 *Lunch and Exhibits*

PARALLEL SESSION 9 - FUND MANAGEMENT AND PORTFOLIO OPTIMISATION (I)

- 09:00 *Household Portfolio Choices and Ageing in Italy*, M. Brunetti and C. Torricelli, University of Modena and Reggio Emilia and CEFIN, Italy.
- 09:30 *The Distribution and the Non-Arbitrage Price of the CPPI Portfolio*, A. Cipollini, UBS Alternative Investments, Milan, Italy.
- 10:00 *Expected Utility Optimal Decisions Based on Zero Inflation and Interest Credit Opportunity (ZICO)*, J. Rebai and F. Abid, Sfax University, Tunisia.
- 10:30 *Exhibits and Coffee*
- 10:45 *Do Conditional Covariance Estimates Generate Value?*, N. Baltutis and E. J. Dockner, University of Vienna, Austria.
- 11:15 *An Analytical Framework for Assessing Asset Pricing Models and Predictability*, R. Garcia, N. Meddahi and R. Tédongap, Université de Montréal, Canada.
- 11:45 *VWAP at Risk*, C. M. Cormack, J. Manchaldore, Econophysica Ltd., and O. Soloviev, Queen Mary University, London, UK.
- 12:15 *Lunch and Exhibits*

SESSION 10 - FUND MANAGEMENT AND PORTFOLIO OPTIMISATION (II)

- 14:00 *Changes in G10 Correlation and their Implications for International Investors*, P. Lequeux and M. Menon, ABN AMRO Asset Management, London, UK.
- 14:30 *International Diversification of Risky Portfolios*, M. Pericoli and M. Sbracia, Bank of Italy, Rome, Italy.
- 15:00 *Commodities Futures and Portfolio Risk Diversification*, J. Thompson, Liverpool John Moores University, UK.
- 15:30 *Exhibits and Tea*
- 15:45 *Assessing the Performance of Hedge Funds Market: An Application to the Italian Hedge Funds Industry*, R. Bramante, Università Cattolica del Sacro Cuore, A. Chiarello, A. Cipollini and A. Manzini, UBS Alternative Investments, Milan, Italy.
- 16:15 *Predicting Asymmetric Monthly Fund Flows for Hedge Funds*, P. Lajbcygier, Monash University, Clayton, Australia.
- 16:45 *Performance and Long-Run Persistence Evaluation in European Mutual Fund Industry*, P. Grau-Carles, J. Sainz and L. M. Doncel, Universidad Rey Juan Carlos, Madrid, Spain.
- 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:

**La Baume les Aix
Chemin de la Blaque
F-13090 Aix-en-Provence**

Registration Fees:

Presenters registration fees: EUR 200 (academics) and EUR 350 (non-academics and dual academic/non-academic employment). For papers with multiple authorship, only one presenter can pay this reduced fee.

Standard delegate fees: EUR 1000. Academics are entitled to a 50% discount (letter on University letterhead required). The fee includes all refreshments and lunches and a guided tour of Aix on Wednesday 30 May.

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

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

A Conference dinner is organised on Thursday 31 May for which there will be an additional fee of EUR 40 (please register on site on the first day of the Conference).

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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 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 Aix-en-Provence in May/June. Hotel information is available on our website www.cibef.com in the 'FFM Conference' section.

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

- Yves Doazan, GREQAM, 2 rue de la Charité, F-13236 Marseille Cedex 02

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