

FORECASTING FINANCIAL MARKETS

ADVANCES FOR EXCHANGE RATES,
INTEREST RATES AND ASSET MANAGEMENT

Conference Programme

26, 27 and 28 May 2010
Hannover, Germany



Programme Chairs

List of Topics

Christian Dunis

*CIBEF and Liverpool Business School
Liverpool John Moores University*

**Modelling with high frequency data
and market microstructure**

Michael Dempster

*Centre for Mathematical Sciences
University of Cambridge*

Fund management and trading rules

Funds of funds and balanced funds

Michael H. Breitner

*Institut für Wirtschaftsinformatik
(Institute of Information Systems Research)
Leibniz Universität Hannover*

**Advances in asset management
and portfolio optimisation**

**Relative value
and market neutral strategies**

Daniel Rösch

*Institute of Banking and Finance
Leibniz Universität Hannover*

Modelling volatility and correlation

Risk analysis and credit trading

Derivatives pricing models and real options



Conference Venue

Leibnizhaus
Holzmarkt 4-6
30159 Hannover (Germany)



Registration

Practitioners, researchers as well as other interested parties are invited to register at www.ffm2010.uni-hannover.de as participants **by 05 May 2010**. Please see the last page of this document for terms and conditions.

More Information

(e.g. travel information, accommodation, etc.) can be found at our websites: www.ffm2010.uni-hannover.de, www.cibef.com and www.ffm-conference.com.

Publication of Papers

Papers for the Conference will appear in the *Conference Proceedings CD-ROM*, a copy of which will be given to every 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.



Day 1: Wednesday 26 May 2010

SESSION 1 - MODELLING WITH NEURAL NETWORKS

- 08:00** Registration and Coffee
- 08:45** **Opening Address**
- 09:00** **Robust Forecasts with Shared Layer Perceptrons**
H. J. von Mettenheim and M. H. Breitner, Leibniz Universität Hannover, Germany.
- 09:30** **Using a Neural Network Approach for Backtesting Methodologies for Estimating and Forecasting Asset Risk**
C. Scherrer, S. T. Rachev, Y. S. Kim, M. Feindt, University of Karlsruhe and KIT, Germany and F. Fabozzi, Yale School of Management, New Haven, USA.
- 10:00** **Neural Networks versus Genetic Programming Algorithms: The Athens Stock Market**
A. Karathanasopoulos, C. Dunis and J. Laws, Liverpool John Moores University, UK.
- 10:30** **Exhibits and Coffee**
- 10:45** **Advanced Forecasting with Neural Networks**
H. G. Zimmermann, Siemens AG, Munich, Germany.
- 11:15** **Modeling Portfolio Value at Risk with Statistical and Neural Network Approaches**
M. H. Breitner, C. Luedtke, H. J. von Mettenheim, D. Rösch, P. Sibbertsen and G. Tymchenko, Leibniz Universität Hannover, Germany.
- 11:45** **Forecasting Financial Crises Using An Artificial Immune Recognition System: Evidence From Turkish Financial Markets**
H. Kodaz and M. A. Boyacıoğlu, Selçuk University, Konya, Turkey and V. Akel, Bozok University, Yozgat, Turkey.
- 12:15** **Lunch and Exhibits**

PARALLEL SESSION 2 - FUND MANAGEMENT AND PORTFOLIO OPTIMISATION

- 13:30** **Risk Assessment in Stochastic Programming: An Application to Asset-Liability Management for Pension Funds**
A. Veiga and D. M. Valladão, DEE Pontifical Catholic University of Rio de Janeiro. PUC-Rio, Brasil.
- 14:00** **Value at Risk for Large Portfolios**
C. Lönnbark, K. Brännäs and U. Holmberg, Umeå University, Sweden.
- 14:30** **Dynamic Portfolio Decisions with Time Varying Labor Income**
W. Semmler, New School, New York, USA.
- 15:00** **Markowitz Versus Michaud: Portfolio Optimization Strategies Reconsidered**
M. Hibbeln, M. Gürtler and F. Becker, Technische Universität Braunschweig, Germany.
- 15:30** **Exhibits and Tea**
- 15:45** **The Impact of Industry and Country Diversification on BRIC Equity Portfolios**
F. Wu and A. G. P. Claes, Louvain School of Management, Belgium.
- 16:15** **Optimal Portfolio Selection in Nonlinear Arbitrage Spreads**
H. Alsayed and F. McGroarty, University of Southampton, UK.
- 16:45** **Tactical Size Rotation in Switzerland**
T. Hock, Zurich Cantonal Bank, Switzerland.
- 17:15** **Copula Approach for Downside Risk Measures in Portfolio Management**
J. Kuzmina, BA School of Business and Finance, Latvia, and G. Pettere, Riga Technical University, Latvia.
- 17:45** **Close of session**

PARALLEL SESSION 3 - FORECASTING

- 13:30** **Out-Of-Sample Equity Premium Prediction: Economic Fundamentals Vs. Moving-Average Rules**
C. Neely, Federal Reserve Bank of St. Louis, D. Rapach, St. Louis University, J. Tu, Singapore Management University and G. Zhou, Washington University of St. Louis, USA.
- 14:00** **The Information in Forward CDS Spreads: Predicting Risk Premia and Stock Returns**
N. Friewald and C. Wagner, Vienna University of Economics and Business, Austria.
- 14:30** **The Predictive Accuracy of Credit Ratings: Measurement and Inference**
W. Orth, University of Cologne, Germany.
- 15:00** **An Approach to Forecast Economic Time Series Using Models for Locally Stationary Processes**
T. Loll, University of Hamburg, Germany.
- 15:30** **Exhibits and Tea**
- 15:45** **Investigation of Revised Beta Based on R-CAPM in Comparison with Reward Beta Based on CAPM for Forecasting Expected Rate of Return**
F. R. Roodposhti, S. Shaverdiyani and M. Irani, Islamic Azad University, Iran.
- 16:15** **A Genetic Programming Environment for EUR/USD Exchange Rate Forecasting**
G. A. Vasilakis, University of Patras, E. F. Georgopoulos, Technological Educational Institute of Kalamata, K. A. Theofilatos, University of Patras, Greece, A. S. Karathanasopoulos, Liverpool Business School, UK, and S. D. Likothanassis, University of Patras, Greece.
- 16:45** **Why Do Financial Market Experts Misperceive Future Monetary Policy Decisions?**
S. Schmidt, Centre for European Economic Research, Mannheim, and D. Nautz, Free University Berlin, Germany.
- 17:15** **Close of session**
- 18:15** **Guided Tour of Hannover**

08:00 **Coffee**

PARALLEL SESSION 4 - EQUITY MARKETS (I)

- 08:30 **Seeking for Alpha by Using Stock Key Figures,**
A. Brauneis, University of Klagenfurt and R. Mestel, University of Graz, Austria.
- 09:00 **Do UK Ftse350 Investors Overreact?**
J. Laws, J. Thompson and S. Wall, Liverpool John Moores University, UK.
- 09:30 **Time-Varying Persistence in the German Stock Market**
K. K. Kunze and H. G. Strohe, Universität Potsdam, Germany.
- 10:00 **Dynamic Linkages Between Stock Markets: The Effects of Crises and Globalization**
M. Doman, Poznań University of Economics, and R. Doman, Faculty of Mathematics and Computer Science, Poznań, Poland.
- 10:30 **Exhibits and Coffee**
- 10:45 **Stock Exchange Consolidation and Volatility: The Case of Euronext,**
F. B. Slimane, Champagne School of Management, Troyes, France.
- 11:15 **Volatility Spillovers, Macroeconomic Announcements and Stock Prices**
A. Belgacem, Paris10 University, France.
- 11:45 **Football Championships and Jersey Sponsors' Stock Prices: An Empirical Investigation**
M. Hanke and M. Kirchler, University of Innsbruck, Austria.
- 12:15 **Lunch and Exhibits**

PARALLEL SESSION 5 - DERIVATIVES AND REAL OPTIONS

- 08:30 **Wild Bootstrap Inference on Long-Run Linkages Between the CDS and Credit Spreads**
S. Prohl and R. G. Brandon, SBI, Universität Zürich, Switzerland.
- 09:00 **Closed Formulas for the Price and Sensitivities of a Vanilla European Option Under a Jump Diffusion Model**
Y. Rakotonratsimba, ECE Paris, France.
- 09:30 **Option Pricing Models with HF Data - A Comparative Study. The Properties of Black Model with Different Volatility Measures**
P. Sakowski, R. Kokoszczynski, N. Nehrebecka, P. Strawinski and R. Slepaczuk, University of Warsaw, Poland.
- 10:00 **How Do News Releases and Their Information Content Affect Bund Futures Prices?**
F. Moraux, Université de Rennes and CREM, France and A. Richard, BRED, France.
- 10:30 **Exhibits and Coffee**
- 10:45 **Mergers and Market Valuation: Real Options Approach**
V. Baranouskaya, University of Lugano, Switzerland.
- 11:15 **The Value of Volatility, Real Options, and the "In the Money" State**
F. Huruva, University of Salford, UK.
- 11:45 **Real Options in Nuclear Reactor Valuation**
J. H. M. Anderluh and U. Lauferts, Delft University of Technology, Netherlands.
- 12:15 **Lunch and Exhibits**

12:15 *Lunch and Exhibits*

PARALLEL SESSION 6 - EQUITY MARKETS (II)

- 13:30 ***Statistical Arbitrage and High-Frequency Data with an Application to Eurostoxx50 Equities***
J. Rudy, C. Dunis, J. Laws and G. Giorgioni, Liverpool John Moores University, UK.
- 14:00 ***Price Jumps and Liquidity Dynamics: An Intraday Analysis***
M. Petitjean, Louvain School of Management and FUCaM, K. Boudt, Lessius University College and K.U. Leuven, Belgium, and H. Ghys, Kempen Capital Management, Netherlands.
- 14:30 ***Transaction Size Regulation and Market Quality***
P. Perotti, University of Graz, Austria, R. Fredella and B. Rindi, Bocconi University, Milan, Italy University of Graz, Austria.
- 15:00 ***Measuring Economic Uncertainty and its Impact on the Stock Market***
M. Dzielinski, Swiss Banking Institute, University of Zürich, Switzerland.
- 15:30 ***Exhibits and Tea***
- 15:45 ***Can a Young Capital Market Be Efficient? A Reference To Dubai Financial Market***
R. Mohnot, Middlesex University, Dubai, UAE.
- 16:15 ***Empirical Verification of the Applicability for the Concept of Relative Strength By Levy in the Context of a Trading Strategy for DAX Titles***
S. Schöning, WHL Wissenschaftliche Hochschule Lahr, Germany.
- 16:45 ***Close of Session***

PARALLEL SESSION 7 - ASPECTS OF INTERNATIONAL FINANCE

- 13:30 ***De Facto ACU Targeting in East Asia***
E. Girardin, Université de la Méditerranée, Marseille, France.
- 14:00 ***The Impact of Monetary Policy on the Exchange Rate in Emerging Economies***
A. Rezessy, European Commission, Joint Research Centre, Brussels, Belgium.
- 14:30 ***Puzzles in Financial Development and Economic Growth***
B. Ghimire and G. Giorgioni, Liverpool John Moores University, UK.
- 15:00 ***Causality Relation Between Real Exchange Series and Emerging Stock Markets: Panel Common Factor Analysis***
S. Sulku, Karadeniz Technical University, Turkey.
- 15:30 ***Exhibits and Tea***
- 15:45 ***Exchange Rate Flexibility Across Financial Crises***
V. Coudert, V. Mignon and C. Couharde, Banque de France, Paris, France.
- 16:15 ***Order Flow Persistence and Conditional Long Range Dependence in Intraday Spot Exchange Rates***
F. McGroarty, University of Southampton, UK.
- 16:45 ***The Revenge of Fundamentals on Carry Trades During Crises***
B. Drut and M. Brière, Amundi Asset Management, Paris, France.
- 17:15 ***Analysis of The Intraday Effects of Economic Releases on the Currency Market***
E. Sun, Karlsruhe Institute of Technology, Germany.
- 17:45 ***Close of session***

Conference Dinner

The conference dinner will be held Thursday evening at the *Atrium* which is located in Hannover's ancient town hall.



08:30 **Coffee**

PARALLEL SESSION 8 - ADVANCED MODELLING (I)

09:00 **Model Risk = Specification + Validation**

G. Stahl, Leibniz Universität Hannover, P. Bertram, Hannover and Ulm Universities and P. Sibbertsen
Leibniz Universität Hannover, Germany.

09:30 **Multivariate Downside Risk: Normal Versus Variance Gamma**

M. Wallmeier and M. Diethelm, University of Fribourg, Switzerland.

10:00 **Time and Dynamic Volume-Volatility Relation Around Option Listing: Evidence From the French Underlying Stocks**

T. Rim and J. S. Kaouther, Université Paris-Dauphine, France.

10:30 **Exhibits and Coffee**

10:45 **High-Frequency and Model-Free Volatility Estimators**

R. Ślepaczuk, University of Warsaw, and G. Zakrzewski, Deutsche Bank PBC S.A., Poland.

11:15 **Modelling Volatility of the Gold Prices by Using Generalized Autoregressive Conditional Heteroscedasticity Method: The Case of Turkey**

M. A. Boyacıoğlu, V. Alptekin and B. Güvenek, Selçuk University, Konya, Turkey.

11:45 **Examining the Role of Fundamental and Technical Analysis with Artificial Computational Trading**

L. Nuñez-Letamendia and Y. Jiang, Instituto de Empresa Business School, Madrid, Spain.

12:15 **Lunch and Exhibits**

PARALLEL SESSION 9 - TRADING STRATEGIES AND INTEREST RATES

09:00 **Herding of Institutional Traders**

S. Kremer, Free University Berlin, Germany.

09:30 **The Influence of Buy-Side Analysts on Mutual Fund Trading**

S. Frey, University of Tübingen, and P. Herbst, Goethe University Frankfurt, Germany.

10:00 **Market Impact of Trading Algorithms in Simulated and Real Markets**

J. Fraenkle and S. T. Rachev, Karlsruhe Institute of Technology, Germany.

10:30 **Exhibits and Coffee**

10:45 **Intraday-Varying Information Risk in the Bond Market?**

C. Fricke, Leibniz Universität Hannover, Germany.

11:15 **Convergence Short Rate Model of Cox-Ingersoll-Ross Type**

B. Stehlikova and V. Lacko, Comenius University, Bratislava, Slovakia.

11:45 **Hull-White Or Jarrow-Turnbull? The Same Credit Engine**

G. Desvilles, Conservatoire National des Arts et Métiers, Paris, France.

12:15 **Lunch and Exhibits**

SESSION 10 - ADVANCED MODELLING (II)

13:30 **Simulation of Execution Costs in the Global Institutional Spot FX Market**

A. B. Schmidt, ICAP Electronic Broking LLC, New Jersey, USA.

14:00 **Replicating Hedge Fund Indices with Optimization Heuristics**

M. Gilli, E. Schumann, G. Cabej and J. Lula, University of Geneva, Switzerland.

14:30 **Probability of Execution in Simulated Order-Driven Markets**

C. Yingsaeree, P. Treleven and G. Nuti, University College London, UK.

15:00 **Techniques for Tracking Error Decomposition**

R. Bramante, Università Cattolica del Sacro Cuore, Milan and G. Dallago,
Informatica Bancaria Trentina, Trento, Italy.

15:30 **Exhibits and Tea**

15:45 **Are Copula-Gof-Tests of Any Practical Use? Results from a Simulation Study**

G. N. F. Weiß, Ruhr-Universität Bochum, Germany.

16:15 **Estimating Nelson/Siegel: A Ridge Regression Approach**

J. Annaert, M. D. Ceuster, H. Zhang, Universiteit Antwerpen, and A. Claes, Louvain School of Management, Belgium.

16:45 **High and Low Frequency Statistical Arbitrage Via the Optimal Thermal Causal Path**

V. L. R. Chinthalapati, London School of Economics and University of Greenwich, UK.

17:15 **End of Conference**

Scientific Committee

Chris Adcock, *E.J.F. and University of Sheffield*
Sanvi Avouyi-Dovi, *A.E.A. and Banque de France*
Sylvain Barthélémy, *TAC Financial Research*
Frédéric Bourgoïn, *Schroders, London*
Michael H. Breitner, *Leibniz Universität Hannover*
Carl Chiarella, *University of Technology, Sydney*
John Cotter, *University College, Dublin*
Michel Dacorogna, *SCOR Group, Zürich*
Michael Dempster, *University of Cambridge*
Christian Dunis, *Liverpool Business School*
Renato G. Flôres Jr, *E.P.G.E./F.G.V., Rio de Janeiro*
Eric Girardin, *GREQAM and Aix-Marseille II*
Stewart Hodges, *University of Warwick*
Jason Laws, *Liverpool Business School*
David Miles, *Imperial College, London*
John Moody, *University of Berkeley*
Anne Péguin-Feissolle, *GREQAM and CNRS, Marseille*
Daniel Rösch, *Leibniz Universität Hannover*
Stephen Satchell, *University of Cambridge*
Allan Timmermann, *UCSD, San Diego, California*
John Thompson, *Liverpool Business School*
Darren Toulson, *Intelligent Financial Systems, London*
Stavros Zenios, *University of Cyprus; University of Pennsylvania*

Contact

Any questions relating to the Conference
can be addressed to:

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Registration Fees

Standard delegate fees: **EUR 550** (academics; letter on University letterhead required) and **EUR 1100** (non-academics and dual academic/nonacademic employment). Please note that payment must be received **before 5 May 2010**. Further information: www.ffm-conference.com

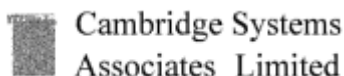
The fee includes all material, refreshments, coffee breaks and lunches. All participants including presenters are responsible for their own travel and accommodation expenses.

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 till **5 May 2010**, subsequently no refund will be given.

A **Conference dinner** is organised on Thursday 27 May 2010 for which there will be an additional fee of **EUR 45** (please register by payment via bank transfer). See www.ffm2010.uni-hannover.de

Exhibitors: We have an exhibition area available throughout the Conference. For further information and costs, please contact Christian Dunis at cdunis@tiscali.co.uk or on +44 .20.7228.6128.

Sponsors



Registration Form

I would like to register to attend the *17th Forecasting Financial Markets Conference* (26-28 May 2010, Hannover, Germany).

Surname:

First name:

Institution:

Address:

Telephone:

Fax:

E-mail:

I would like to attend the Conference dinner (27 May 2010) and register: _____ person(s)

Payment

Please do not forget to mention the name of the person(s) for whom the payment is made!

Payments must be made to *Association d'Econométrie Appliquée* either by cheque in EUR from a Euro Zone bank only, by bank transfer or by Visa or Mastercard.

In all cases, go to www.aea-eu.net/FFM/2010 and follow the relevant payment instructions.

Registration

When completed this form should be returned to:

fm2010@cibef.com or to

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