

C.A.S.E. Newsletter

Nr. 4 – December 2009



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CURRENT EVENTS

8-10 Jan 2010

Econ Boot Camp 2010

27-28 Jan 2010

Weather Derivatives Workshop

The aim of the workshop is to bring together researchers working on weather derivatives and weather-related risk and to stimulate an exchange of ideas about current achievements. A two-day workshop, consisting of four presentations of invited speakers and ten contributed talks, will provide an ideal forum for this. Approximately half of the contributed talks will deal with theoretical problems and the other half with empirical applications.

29-30 Jan 2010

Distinguished Lecture Series 2010: 200 Years of Finance and Statistics

In 2010 the Humboldt-Universität zu Berlin celebrates its 200th anniversary and to mark the event C.A.S.E. and CRC649 (Collaborative Research Center 649: Economic Risk) in cooperation with Weierstraß-Institut für Angewandte Analysis und Stochastik, Deutsche Bank QPL and WIWEX are organising the Distinguished Lecture Series: 200 Years of Finance and Statistics. The event will take place on 29 and 30 January at School of Business and Economics in the Heilig-Geist Kapelle.

REGULAR RESEARCH SEMINARS

Economic Risk Seminar

Place: Spandauer Str. 1, Room 22

Time: Monday 14:00 - 16:00 hrs

29.09.09

Stefan Reichelstein, Stanford:

Title: Decentralized Capacity Management and Internal Pricing

19.10.2009

Justin van de Ven, National Institute of Economics and Social Research, UK

Title: Private and Public Management of Aggregate Mortality Risk

26.10.2009

Philipp Schmidt-Dengler, LSE

Title: Government policy and the dynamics of market structure: Evidence from Critical Access Hospitals

- 02.11.2009** **Ola Kvaloy**, Universität Stavanger
Title: Incentive provision when contracting is costly
- 09.11.2009** **Christian Conrad**, Universität Heidelberg
- 16.11.2009** **Nadine Gatzert**, Universität Erlangen-Nürnberg
Title: Understanding the Death Benefit Switch Option in Universal Life Policies
(with Gudrun Hoermann)
- 23.11.2009** **Giorgio Valente**, University of Leicester
Title: Exchange Rate Predictability and Currency Hedge Funds Performance
- 30.11.2009** **Kian Guan LIM**, Singapore Management University
Title: Option Premium Puzzles
- 14.12.2009** **Yue Kuen Kwok**, Hong Kong University of Science and Technology
Title: Contagion models with interacting hazard rate processes
- 21.12.2009** CASE talks
Presentations of new members
- Schumpeter Seminar**
Place: Spandauer Str. 1, Room 21A
Time: Tuesday 16:00 - 18:00 hrs
- 13.10.2009** **Stefan Gerlach**, Goethe University Frankfurt
Title: Monetary policy and financial imbalances: facts and fiction
- 20.10.2009** **Anthony Ziegelmeyer**, Max Planck Institute Jena
- 03.11.2009** **Tommy Sveen**, Norges Bank
- 10.11.2009** **Carl-Johan Dalgaard**, University of Copenhagen
- 17.11.2009** **Uta Schönberg**, University College London
- 24.11.2009** **Joana Pais**, Universidade Tecnica de Lisboa
- 01.12.2009** **Philip Sauré**, Swiss National Bank

- 08.12.2009** **Günther Coenen**, European Central Bank
Title: Forecasting with DSGE Models: A Survey and an Application to the New Area-Wide Model of the ECB
- 15.12.2009** **Sascha Becker**, University of Sterling:
- WIAS Research Seminar Mathematical Statistics**
Place: Weierstraß-Institut für Angewandte Analysis und Stochastik
Mohrenstraße 39
10117 Berlin
Erhard-Schmidt-Hörsaal
Time: Wednesday 10:00 - 12:00 hrs
- 21.10.2009** **Andreas Maurer, München**
Similarity and transfer learning
- 28.10.09** **Erwan Le Pennec**, Université Denis Diderot, Paris
- 11.11.09** **Alexander McNeil**, Edinburgh
Title: From Archimedean to Liouville Copulae
- 18.11.09** **Abderrahim Taamouti**, Universidad Carlos III de Madrid
- 25.11.09** **Piotr Jaworski**, Warschau
Title: Tail behaviour of copulas + Value at Risk, Conditional Copulas + Market Contagion
- 02.12.09** **JOUR FIXE SFB649**
Workshop
- 09.12.2009** **Paul Doukhan**, Université Paris
- 16.12.09** **SFB Workshop: Demographic Risk**
Host: W. Härdle

PREVIOUS EVENTS

30-31 October 2009 **2nd Humboldt-Princeton Conference**
Perceiving and Measuring Financial Risk: Credit, Energy and Illiquidity

The 2nd Humboldt-Princeton Conference 2009 took place on 30-31 October 2009. After the success of the first Conference held at Humboldt-Universität in 2007, this year researchers of both universities met in Princeton to discuss recent developments in "Perceiving and Measuring Financial Risk: Credit, Energy and Illiquidity". Among the lecturers were Wolfgang Härdle (Shape Invariant Modelling and Risk Patterns in Brain Analysis), Ulrich Horst (Hidden Liquidity and the Optimal Use of Iceberg Orders), Vladimir Spokoiny (Saddle point model selection) from the Humboldt-Universität, Jianqing Fan (Risk Assessment and Asset Allocation with Gross Exposure Constraints for Vast Portfolios) and Yacine Ait-Sahalia (Jump Clustering in Financial Markets) from Princeton University.



CRC 649 members at Princeton University

12-13 Oct 2009

Hermann Otto Hirschfeld Lecture

From 12 - 13 October 2009, the CRC 649 jointly with C.A.S.E. hosted the 7th "Hermann-Otto Hirschfeld Lecture" in the Holy Ghost Chapel of the School of Business and Economics. The lecture series was established in 2003 in memory of Hermann Otto Hirschfeld-Hartly, whose career as a statistician began in Berlin before he emigrated to the U.S.A. during World War II.



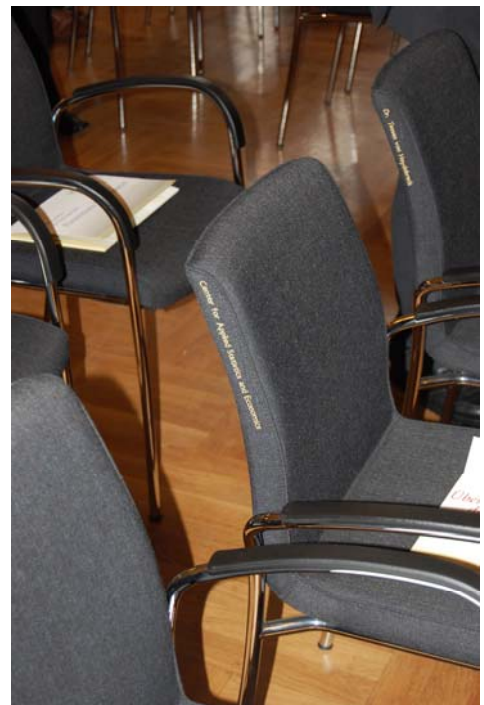
Prof. Hårdle and Prof. Autor

This year's lecture was organised by Prof. Dr. Alexandra Spitz-Oener, Junior Professor in Labour economics, who invited Prof. Dr. David Autor from MIT's Department of Economics. About 80 participants from several German and international institutions attended his lecture on the evolution of skill demands and wage structures in industrialised countries in the post-war period.

19 Nov 2009

Inauguration Ceremony of the Senatssaal, Unter den Linden

C.A.S.E. is very proud to announce that it has sponsored a chair in the newly renovated Senatssaal of the Humboldt-Universität in the main building in Unter den Linden. Professor Hårdle attended the inauguration ceremony on 19 November 2009.



NEWS

Wolfgang Härdle has been invited to serve in the advisory committee of the Statistics Department at Rutgers University (New Jersey, USA) to help establish a 'Financial Statistics and Risk Management' Masters Programme. Prof. Härdle has launched a new joint research project with Prof. Overbeck of Universität Giessen and Barbara Choros entitled "Modelling the Risk of CDO Dynamics". The project was assessed and approved by the Deutsche Forschungsgesellschaft (DFG) who will be financing it during its two year life span.

From 7 to 19 September Wolfgang Härdle was in London as a visiting professor at the Department of Economics at the University College London where, as a guest of Professor Andrew Chesher, he gave a talk at the "UCL and Cowles (Yale, USA) Joint Conference" on 18 and 19 September 2009.

He also gave a talk about "CDO and HAC" at the Centre for Microdata Methods and Practice on 8 September 2009 and another one about "Partial linear quantile regression and bootstrap confidence bands" on 15 September 2009.

Barbara Choros and Prof. Härdle gave a short course about "Joint Extremes, Copulae and CDO Valuation" on 24 September 2009 during the Workshop on Copula Theory and Its Applications which took place in Warsaw on 25 and 26 September 2009.

Wolfgang Härdle was an invited keynote speaker at the Workshop on "Derivative Innovations and Risk Management" at the National Hua University in Hsinchu City, Taiwan from 30 September until 4 October where he spoke about CDOs.

He gave a presentation on the topic "How to tame CDOs?" at the Chair for Stochastics at Universität Bayreuth on 22 October. At the end of October he also gave a presentation at "Princeton - Humboldt Conference 2009" entitled "Shape Invariant Modelling and Risk Patterns in Brain Analysis".

He also went to Singapore from 4 to 9 December to visit the Institute for Mathematical Sciences (IMS) at the National University of Singapore and gave a talk entitled "Emissions Trading; Weather Climate and Energy Risk" in an event called "Financial Mathematics".

Nikolaus Hautsch attended the Conference on Individual Decision Making, High Frequency Econometrics and Limit Order Book Dynamics from 23 to 25 September 2009 in Warwick, United Kingdom and gave a keynote speech on "Econometrics of Limit Order Books: Dynamics, Prediction and Market Impact".

He also gave a presentation on "Price Adjustments to News with Uncertain Precision" at the University of Hannover on 9 December and also participated in the 20th Conference "Real Time Econometrics" in Aarhus University (Denmark) from 18 to 19 December and gave a talk on "Modelling and Forecasting Liquidity Supply Using Semiparametric Factor Dynamics".

Michael C. Burda was invited to participate in the conference "Falling Behind or Catching Up? The East German Economy in the Twentieth Century" on 24-26 September 2009 in Washington DC, organised by the German Historical Institute Washington. He attended the public panel discussion "A Culture of Decline? Politics, Economy, and Social Life in East Germany" and gave a talk on "The East German Economy on its Way into the Twenty-First Century".

He also attended the "1st Workshop of the Research Training Group" at the Department of Economics at the University of Vienna, from 28-29 September 2009 where he gave a public lecture entitled "The Financial Crisis – the End of Globalization?".

Professor Burda also gave a lecture on "The emergence of the global financial market crisis. Who failed?" at the Haniel Summer School on Religion, Politics and Economics at the Theological Faculty on 5 October 2009.

The Goethe-Institute Warszawa and Poland's most important daily paper co-organised a 4th Discussion Evening entitled "The Crisis. European Solidarity or a New Dividing Line" and invited Prof. Burda to participate as a discussant in the economic debate at the University of Warsaw on 7 October 2009.

Finally Professor Burda visited the Department of Economics at Copenhagen Business School from 18-20 October 2009 and gave a talk on "Payroll Taxes, Social Insurance and Business Cycles" on 19 October 2009.

Professor Burda rejected a call of a professorship at Universität Wien.

Helmut Gründl, Thomas Post and Katja Hanewald attended the Annual Meeting of the American Risk and Insurance Association (ARIA) in Providence, Rhode Island (USA). Helmut Gründl, Thomas Post, Tian Zhou-Richter and Katja Hanewald gave presentations on the topics "Stochastic Mortality, Macroeconomic Risks, and Life Insurer Solvency", "Asymmetric Information in the Private Long-Term Care Insurance" and "Mortality Modeling: Lee-Carter and the Macroeconomy".

Katja Hanewald took part at the Annual Conference 2009 of the Verein für Socialpolitik in Magdeburg and gave a presentation on the topic "Mortality Modeling: Lee-Carter and the Macroeconomy". Helmut Gründl, Tian Zhou-Richter, and Katja Hanewald attended the 36th Seminar of the European Group of Risk and Insurance Economists (EGRIE in Bergen (Norway) and presented the papers "Don't They Care? or, are They Just Unaware? Risk Perception and the Demand for Long Term Care Insurance" and "Stochastic mortality, Macroeconomic Risks, and Life Insurer Solvency".

Katja Hanewald took part at Longevity 5: The Fifth International Longevity Risk and Capital Markets Solutions Conference in New York and presented the papers "Mortality Modeling: Lee-Carter and the Macroeconomy" and "Stochastic Mortality, Macroeconomic Risks, and Life Insurer Solvency".

Ostap Okhrin gave a talk about "CDO Pricing with Hierarchical Archimedean Copulae" at the workshop "Copulae Theory and its Applications" in Warsaw from 25 - 26 September. He also visited the Statistische Woche 2009 in Wuppertal from 4 – 8 October and gave a talk about "Properties of hierarchical archimedean copulae". He also attended the Princeton - Humboldt Conference 2009 (30-31 October) and gave a talk about "Time-varying Copulae in application to financial data".

Melanie Schienle was invited to the Humboldt-Princeton Conference, which took place on 30-31 October 2009 in Princeton, to give a talk on "Nonparametric Estimation of Individual Risk Behavior in Euler Equations". She participated on the Workshop on Structure Adapting Methods at WIAS Berlin from 6-8 November 2009 and was also invited to the CRC 648 Jour fixe on 2 December 2009 to give a plenary talk on "Non- and Semiparametric Methods for Nonlinear Cointegration Type Models in Euler Equations and Foreign Exchange Rate Markets".

Alexandra Spitz-Oener rejected a call for a W2 professorship at the Albert-Ludwigs-Universität Freiburg.

Roland Strausz gave a talk about "Regulatory Risk" at UCL London on 6 October 2009. He participated in the SFB/TR15 Conference in Tutzing from 14 to 16 October 2009 and gave presentations on "Certification in Vertically Concentrated Markets" and "Hierarchical Structures and Dynamic Incentives". On 13-14 October he gave a talk on "The Political Economy of Regulatory Risk" at the 6th Norwegian-German Seminar on Public Economics in Munich. He also gave a talk at the 3rd Workshop on Political Economy in Dresden, on 4 and 5 December.

Roland Strausz also gave a talk about "The political economy of regulatory risk" at the 3rd Workshop on Political Economy in Dresden from 4 to 5 December 2009. Furthermore he gave a talk about "Regulatory risk in incentive regulation" at the University of Maastricht on 10 December 2009. In addition to the above, he hosted the following visitors: Klaus Ritzberger (Vienna Graduate School of Finance), Françoise Forges (Université Paris-Dauphine), Markus Reisinger (LMU München), Balazs Szentes (UCL), Martin Peitz (University of Mannheim) and Daniel Krämer (Bonn) all of whom will be here in Berlin as visiting researchers until June 2010.

Lutz Hildebrandt and Anne Eckert presented the paper "Critical Incidents and the Effect of Corporate Social Responsibility on Reputation: The Case of the German Automotive Industry" at the 9th International Conference of Relationship Marketing at FU Berlin on 30 September 2009.

Lutz Hildebrandt and Nadja Silberhorn presented their research project "Does umbrella branding really work?" at Beiersdorf AG in Hamburg. On invitation of Lutz Hildebrandt, Udo Wagner (University of Vienna) gave a talk on "Managerial Applicability of Graphical Formats Supporting Positioning Decisions" on 7 December (12-2pm) and Kalyan Raman (Northwestern University) held a seminar on "The fundamentals of market response modeling and its benefits to companies for optimizing data-

based decisions" on 24-25 November at Humboldt University. Lutz Hildebrandt hosted the "Wirtschafts- und Sozialwissenschaftlicher Fakultätentag" (WISOFT) (5-6 November) at Humboldt University. On 20 November Lutz Hildebrandt participated at the research colloquium on quantitative marketing at the University of Göttingen.

Axel Werwatz presented the paper "Product policy and the East-West productivity gap" at the annual meeting of the International Atlantic Economic Society in Boston on 9 October 2009 and at the Freie Universität Berlin on 3 December.

On invitation from University of Rennes, **Vladimir Spokoiny** gave a lecture series titled "Modern nonparametric statistics" from 1 to 14 October 2009 and on invitation from the University of Yale, he gave the same lecture series from 18 to 29 October.

Dr. Thomas Post won the Faculty Award 2008 for excellent teaching for the lecture "Risk Management".

Bengt-Arne Wickström gave lectures at the International Summer School in Economics and Management (ISSEM), Havana, September/October 2009.

PUBLICATIONS

Boeri, T. and Burda. M.C. (2009): Preferences for Collective versus Individualised Wage Setting, *Economic Journal*, Vol. 119, Issue 540, p. 1440-1463, October 2009.

Burda. M.C. and Severgnini, B. (2009): TFP Growth in Old and New Europe, *Comparative Economic Studies*, Vol. 51, p. 447-466.

Gassen, J. and Ashbaugh Skaife, H. (2009): Can Audit Reforms Affect the Information Role of Audits? Evidence from the German Market. *Contemporary Accounting Research* 26 (3): 867-898

Härdle, W., Lee, Y.J., Schäfer, D. and Yeh, Y.R. (2009): Variable Selection and Over-sampling in the Use of Smooth Support Vector Machines for Predicting the Default Risk of Companies. *J. Forecasting*, 28, 6, 512 - 534, Published Online: Dec 2 2008 6:56AM, DOI: 10.1002/for.1109

Spitz-Oener, A. (2009): How does Entry Regulation Influence Entry into Self-employment and Occupational Mobility?, *Economics of Transition*, Vol. 17(4), 2009. (with Susanne Prantl, Max Planck Institute for research on Collective Goods).

Strausz, R. (2009): Planned Obsolescence as an Incentive Device for Unobservable Quality, *The Economic Journal*, 119 (October), 1405-1421.
doi:10.1111/j.1468-0297.2009.02290.x.

DISCUSSION PAPERS

Discussion Papers can be found at:

http://sfb649.wiwi.hu-berlin.de/fedc/discussionPapers_en.php

Benth, F., Härdle, W. and López Cabrera, B. (2009): Pricing of Asian temperature risk, available at: <http://sfb649.wiwi.hu-berlin.de/papers/pdf/SFB649DP2009-046.pdf>

Burda, M. and Hamermesh, D. (2009): Evidence on Unemployment, Market Work and Household Production, available at: <http://sfb649.wiwi.hu-berlin.de/papers/pdf/SFB649DP2009-043.pdf>

Cui, X., Härdle, W. and Zhu, L. (2009): Generalized single-index models: The EFM approach, available at: <http://sfb649.wiwi.hu-berlin.de/papers/pdf/SFB649DP2009-050.pdf>

Groß-Klußmann, A. and Hautsch, N. (2009): Quantifying High-Frequency Market Reactions to Real-Time News Sentiment Announcements, available at: <http://sfb649.wiwi.hu-berlin.de/papers/pdf/SFB649DP2009-063.pdf>

Härdle, W., Wolfgang, C. and Kirchner, F. (2009): Quantifizierbarkeit von Risiken auf Finanzmärkten, available at: <http://sfb649.wiwi.hu-berlin.de/papers/pdf/SFB649DP2009-045.pdf>

Härdle, W., Hautsch, N. and Mihoci, A. (2009): Modelling and Forecasting Liquidity Supply Using Semiparametric Factor Dynamics, available at: <http://sfb649.wiwi.hu-berlin.de/papers/pdf/SFB649DP2009-044.pdf>

Hautsch, N., Kyj, L. and Oomen, R. (2009): A blocking and regularization approach to high dimensional realized covariance estimation, available at: <http://sfb649.wiwi.hu-berlin.de/papers/pdf/SFB649DP2009-049.pdf>

Hautsch, N. and Huang, R. (2009): The Market Impact of a Limit Order, available at: <http://sfb649.wiwi.hu-berlin.de/papers/pdf/SFB649DP2009-051.pdf>

Schulz, R., Wersing, M. and Werwatz, A. (2009): Renting versus Owning and the Role of Income Risk: The Case of Germany, available at: <http://sfb649.wiwi.hu-berlin.de/papers/pdf/SFB649DP2009-060.pdf>

Silberhorn, N., Hildebrandt, L. (2009): Is cross-category brand loyalty determined by risk aversion?, available at: <http://sfb649.wiwi.hu-berlin.de/papers/pdf/SFB649DP2009-061.pdf>

Strausz, R. and Mechtenberg, L. (2009): Migration of the Highly Skilled: Can Europe catch up with the US? , available at: <http://sfb649.wiwi.hu-berlin.de/papers/pdf/SFB649DP2009-048.pdf>

Strausz, R. (2009): Monopoly Distortions in Durability and Multi-Dimensional Quality, Discussion Papers, SFB/TR 15 Governance and the Efficiency of Economic Systems, Free University of Berlin, Humboldt University of Berlin, University of Bonn, University of Mannheim, University of Munich.

Strausz, R. (2009): The Political Economy of Regulatory Risk, available at: <http://sfb649.wiwi.hu-berlin.de/papers/pdf/SFB649DP2009-040.pdf>

Please note that the CASE Newsletter is also published on the CASE homepage.
The C.A.S.E. - Newsletter appears every three months.
The deadline for the 1st Newsletter of 2010 is 15 March 2010.