



# *NEWSLETTER*

***No. 11***

**5 November 2009**

**Humboldt-Universität zu Berlin  
Collaborative Research Center 649  
Spandauer Str. 1  
10178 Berlin – Germany**

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## CURRENT EVENTS

More information can be found here:

[http://sfb649.wiwi.hu-berlin.de/fedc/events\\_en.php](http://sfb649.wiwi.hu-berlin.de/fedc/events_en.php)

6 – 8 November 2009

### **CRC Workshop: Structure Adapting Methods**

Location: WIAS Berlin, Mohrenstraße 39, 10117 Berlin

Information: [Outline](#)

One of the most challenging problems in modern statistics and machine learning is to find efficient methods for treating complex high-dimensional data. Classical parametric and nonparametric methods face the so called curse of dimensionality problem: high dimensional models are too complex to be estimated with a reasonable precision from small or moderate samples. One possible way out of this problem is based on one or another structural assumption which allows to reduce the complexity/dimensionality of the model.

A number of such structural assumptions are popular in the statistical literature including single- and multiple-index, additive, models, projection pursuit and sparse models, among many others. Knowing the structure allows for applying the classical methods to the reduced models. Unfortunately, the exact structural information is rarely available and the related problem is to extract the structural information from the data as an important pre-processing step.

The aim of this workshop is bringing together leading specialists from the field of adaptive estimation for discussing the new approaches, ideas, challenges and addressing the algorithmic and mathematical aspects of this new and actively developing area of mathematical statistics and machine learning.

12 – 14 November 2009

### **Workshop and COMISEF Tutorial on "Applied Finance and Financial Econometrics"**

Location: Spandauer Straße 1, room 125

Information: [Outline](#)

The workshop aims in presenting and discussing newest research results in applied finance and financial econometrics. We invite young researchers to present their work covering all fields in modern empirical finance. Approximately 10-12 papers will be selected for presentation. The Young Researcher Workshop 2009 takes place at the Humboldt-Universität zu Berlin, School of Business and Economics.

For the 2009 workshop two leading researchers are invited as keynote speakers

- **Prof. Giampiero Gallo** (Department of Statistics, Università di Firenze)
- **Prof. Frank de Jong** (Faculty of Economics, Tilburg University)

The workshop is combined with a COMISEF tutorial on "Applied Finance" consisting of 5 lectures on

- *Credit Portfolio Management, Risk Measures and Capital Allocation* (Ludger Overbeck, Giessen)
- *CDO pricing* (Wolfgang Härdle, Berlin)
- *Stochastic Discount Factor based Asset Pricing* (Nikolaus Hautsch, Berlin)
- *Copulae Methods in Finance* (Ostap Okhrin, Berlin)
- *Estimating and modelling quadratic (co-)variation* (Roel Oomen, London)

The lectures will be imbedded in the workshop.

- 2 November 2009      **Jour fixe fall – for CRC 649 members only**  
 Location: Spandauer Str. 1, room 125  
 Time:      2 p.m.
- 9 December 2009      **Nobel Prize Lecture (public)**  
 Location: Heilig-Geist-Kapelle, Spandauer Straße 1  
 Information: [http://sfb649.wiwi.hu-berlin.de/Dokumente/Dokumente/HU\\_SFB649\\_Nobelpreis09\\_A1.pdf](http://sfb649.wiwi.hu-berlin.de/Dokumente/Dokumente/HU_SFB649_Nobelpreis09_A1.pdf)

## REGULAR RESEARCH SEMINARS

An overview is available at:  
<http://sfb649.wiwi.hu-berlin.de/fedc/seminars.php>

### ECONOMIC RISK SEMINAR

Location: Spandauer Str. 1, room 23  
 Time:      every Monday, 2 p.m.

- 2 November 2009      **Ola Kvaloy**  
 (Universität Stavanger)  
 "Incentive provision when contracting is costly"
- 9 November 2009      **Christian Conrad**  
 (Universität Heidelberg)  
 "On the Transmission of Memory: Inflation Persistence and the Great Moderation"
- 16 November 2009      **Nadine Gatzert**  
 (Universität Erlangen-Nürnberg)  
 "Understanding the Death Benefit Switch Option in Universal Life Policies" (with Gudrun Hoermann)
- 23 November 2009      **Giorgio Valente**  
 (University of Leicester)  
 "Exchange Rate Predictability and Currency Hedge Funds Performance"
- 30 November 2009      **Kian Guan Lim**  
 (Singapore Management University)  
 "Option Premium Puzzles"

### SCHUMPETER SEMINAR

Location: Spandauer Str. 1, room 22  
 Time:      every Tuesday, 4 p.m.

- 3 November 2009      **Tommy Sveen**  
 (Norges Bank)  
 "Revisiting the importance of non-traded goods' prices in cyclical real exchange rate fluctuations"

10 November 2009      **Carl-Johan Dalgaard**  
(University of Copenhagen)  
"Lightning, IT Diffusion and Economic Growth across US States"

17 November              Uta Schönberg  
(University College London)  
"Referral-based Job Search Networks"

### **WIAS RESEARCH SEMINAR MATHEMATICAL STATISTICS**

Location: Weierstrass Institute for Applied Analysis and  
Stochastics, Mohrenstraße 39, 10117 Berlin  
Erhard-Schmidt-Hörsaal  
Time:      every Wednesday, 10 a.m.

11 November 2009      **Alexander McNeil**  
(Heriott-Watt University Edinburgh)  
"From Archimedean to Liouville Copulae"

25 November 2009      **Piotr Jaworski**  
(Warsaw University)  
"Tail behaviour of copulas + Value at Risk, Conditional  
Copulas + Market Contagion"

## **REVIEW ABOUT CRC 649 EVENTS**

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

The 2<sup>nd</sup> Humboldt-Princeton Conference 2009 took place 30-31 October 2009. After the great 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 are Wolfgang Härdle (Shape Invariant Modelling and Risk Patterns in Brain Analysis), Ulrich Horst (Hidden Liquidity and the Optimal Use of Iceberg Orders) and Vladimir Spokoiny (Saddle point model selection) from the Humboldt-Universität, and 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 to 13 October 2009 **Hermann Otto Hirschfeld Lecture**

From 12 to 13 October 2009, the CRC 649 jointly with C.A.S.E., hosted the 7<sup>th</sup> edition of the “Hermann-Otto Hirschfeld Lecture” taking place in the Holy Ghost Chapel of the School of Business and Economics at Humboldt-Universität zu Berlin. The lecture series was established in 2003 in memory of Hermann Otto Hirschfeld-Hartly, whose career as statistician began in Berlin before he emigrated to the U.S during World War II.



Prof. Hårdle and Prof. Autor

This year’s lecture was organized by Prof. Dr. Alexandra Spitz-Oener, junior professor in labor economics, who invited Prof. Dr. David Autor from the MIT Department of Economics. About 80 participants from several German as well as international institutions attended his lectures on the evolution of skill demands and wage structures in industrialized countries in the post-war period.

## NEWS OF THE CRC

**We are happy to announce that the new CRC 649 project A13: "Corporate Speculation with Derivatives", headed by Prof. Tim Adam, Ph.D, was approved by the DFG. Welcome and congratulations!**

Parts of the "economic risk" are the financial risks faced by corporations. Many corporations manage their financial risks, such as interest rate, exchange rate and commodity price risks, using derivative securities. Recently, firms have also been concerned about credit risks and refinancing (liquidity) risks. The use of financial derivatives is especially prevalent among German firms. Bodnar and Gebhardt (1999) report that 78% of German firms use derivatives compared to 57% of firms in the USA. An important area in corporate finance is to understand why and how firms are using derivatives, and how derivatives policies affect total firm risk and firm value. While there is a large theoretical literature that has derived conditions under which hedging with derivatives increases shareholder wealth, empirical studies document a considerable divergence between the theory and the practice of hedging. Glaum (2002) finds that a majority of German firms follow profit-oriented, forecast-based hedging strategies, which is inconsistent with the traditional theories of corporate risk management. High-profile derivatives related losses at major companies in Europe, the USA, Asia, and Africa demonstrate the need to understand corporate risk management practices not only from a shareholder perspective but also from the perspective of regulators and other stakeholders of corporations. The objective of this research project is to examine whether behavioral explanations, which either assume that a rational manager operates in an irrational market, or an irrational manager operates in a rational market, better explain current risk management practices.

Further information: [CRC-Website project A13](#)  
[Homepage: Institute of Corporate Finance](#)

## NEWS OF THE PROJECTS

**Lydia Mechtenberg (A6)** has been granted a research fellowship by the DAAD for a visit at Princeton University, USA, from 1 October 2009 to 31 March 2010 (invited by Roland Benabou).

**Roland Strausz (A8)** gave a talk about "Regulatory Risk" at a Seminar 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 on "Hierarchical Structures and Dynamic Incentives"

**Dirk Hofmann (A8)** participated in the SFB/TR15 Conference in Tutzing from 14 to 16 October 2009 and gave a presentation on "Two-sided Certification: The market for Rating Agencies".

**Ulrich Horst (A11)** gave a presentation on "Hidden Liquidity and the Optimal Placement of Iceberg Orders" at the Fields Institute in Toronto on 30 September 2009.

**Wolfgang Härdle (B1)** 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 gave a presentation at "Princeton - Humboldt Conference 2009" entitled "Shape Invariant Modelling and Risk Patterns in Brain Analysis".

**Andrija Mihoci (B1)** visited the conference "SIS2009: Statistical Methods for the analysis of large data-sets" in Pescara, Italy from 23 to 25 September 2009 and gave a talk about "Modelling and Forecasting Liquidity Supply Using Semiparametric Factor Dynamics".

**Barbara Choroš (B1)** gave two lectures on Multivariate Statistical Analysis at the Department of Probability and Mathematical Statistics at the Charles University Prague in the frame of Erasmus Programme on 15 October 2009.

**Dr. Sigbert Klinke (B1)** participated at the 2009 "Statistische Woche" in Wuppertal from 8th till 10th October. Jointly with Manuel Förster, Ramona Buske, Christiane Kuhn, Daja Preuße, and Prof. Dr. Olga Zlatkin-Troitschanskaia (all Johannes-Gutenberg-Universität Mainz) a presentation about "Modellierung und Messung der professionellen Handlungskompetenz von Lehrkräften im Längsschnittdesign im Projekt ILLEV" was given.

**Lutz Hildebrandt, Nadja Silberhorn and Nicole Wiebach (B2)** attended the annual meeting of the research group "consumer behavior" at the Universität des Saarlandes in Saarbrücken from 17 to 19 September. Lutz Hildebrandt gave a talk about "Theory follows method - zum Einfluss der Methodik auf die Theoriebildung in der Konsumentenverhaltensforschung" on 18 September 2009.

Lutz Hildebrandt gave a talk about "Internationale Doktoranden Ausbildung in Europa" at the EIASM Academic Council Meeting in Helsinki on 21 September 2009.

Prof. Hildebrandt and **Anne Eckert (B2)** 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.

**Axel Werwatz (B3)** 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.

On invitation of the University of Rennes, **Vladimir Spokoiny (B5)** gave a lecture series titled "Modern nonparametric statistics" from 1 to 14 October 2009 and. On invitation of the University of Yale, he gave the same lecture series from 18 to 29 October.

**Nikolaus Hautsch (B8)** attended the Conference on Individual Decision Making, High Frequency Econometrics and Limit Order Book Dynamics from 23 to 25 September in Warwick and gave a keynote speech on "Econometrics of Limit Order Books: Dynamics, Prediction and Market Impact".

**Ostap Okhrin (B10)** 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".

**Michael C. Burda (C7)** gave a lecture on "The emergence of the global financial market crisis. Who failed?" on the Haniel Summer School on Religion, Politics and Economics at the Theological Faculty on 5 October 2009.

The Goethe-Institute Warszawa and the most important daily paper of Poland organized the 4th discussion evening with the topic "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 Warszawa on 7 October 2009.

Prof. 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.

**Dorothee Schneider (C7)** attended the annual meeting of the Verein für Socialpolitik in Magdeburg from 8 to 11 September 2009 and gave a talk about "The Effect of ICT Investments on the Relative Compensation of High-, Medium-, and Low-Skilled Workers: Industry versus Country Analysis".

**Frank Heinemann (C10)** attended the annual meeting of the Verein für Socialpolitik in Magdeburg from 8 to 11 September and presented his paper on "Measuring agents? Reaction to public and private information in beauty contest games".

## AWARDS

**Dr. Sigbert Klinke (B1)** won the Faculty Award 2008 for excellent teaching for the tutorial class in "Statistics I".

**Dr. Thomas Post (B9)** won the Faculty Award 2008 for excellent teaching for the lecture "Risk Management".  
Congratulations!

## GUESTS OF THE CRC 649

You find a summary about all guests here:  
[http://sfb649.wiwi.hu-berlin.de/fedc/guests\\_en.php](http://sfb649.wiwi.hu-berlin.de/fedc/guests_en.php)

### Current Guests of the CRC 649 "Economic Risk":

02.11.2009 -  
12.11.2009

#### **Daniel König**

LMU München

Project: Development of methods for value investing for which risk and return is strongly anti-correlated

Ziegelstr. 13a, room 607, phone 2093 1455





26.10.2009 -  
23.11.2009

**Kai-Sören Schultheis**

Universität St. Gallen  
Project: Explanatory Power of Implied  
Correlations in Equity Markets  
Ziegelstr. 13a, room 601, phone 2093 1462



12.10.2009 -  
11.01.2010

**Maximilian Kuhn**

Freie Universität Berlin  
Project: Energy Markets Research, "Was treibt  
den Ölpreis?"  
Ziegelstr. 13a, room 601, phone 2093 1462



25.09.2009 -  
31.12.2009

**Sandra Nikolov**

Freie Universität Berlin  
Project: Mergers & Acquisitions - Aktivitäten  
auf dem deutschen Aktienmarkt  
Ziegelstr. 13a, room 607, phone 2093 1455



21.09.2009 -  
31.12.2009

**Antonina Waszczuk**

Viadrina Frankfurt (Oder)  
Project: persönlicher Ertragssteuern im  
Kapitalisierungszinssatz  
Ziegelstr. 13a, room 601, phone 2093 1462



24.08.2009 -  
30.11.2009

**Stefan Trueck**

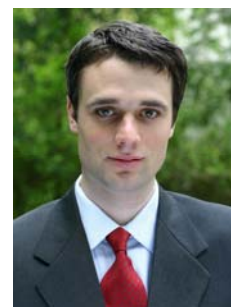
Macquarie University  
Project: Quantitative Finance, Risk Manage-  
ment, Energy Economics, Financial Econome-  
trics, Power and Emission Markets, Credit Risk,  
Operational Risk, Applied Statistics, Real Estate  
Finance  
Ziegelstr. 13a, room 607, phone 2093 1455



12.01.2009 -  
31.12.2009

**Maximilian Stadler**

Technische Universität Berlin  
Project: Shareholder Aktivismus durch Hedge  
Fonds  
Ziegelstr. 13a, room 601, phone 2093 1462



05.01.2009 -  
31.12.2009

**Enzo Weber**

Freie Universität Berlin  
Project: Structural Dynamic Conditional  
Correlation  
Ziegelstr. 13a, room 601, phone 2093 1462



16.11.2007 -  
31.12.2009

**Jan Philipp Weber**

Freie Universität Berlin  
Project: Macroeconomic determinants of real  
estate bubbles  
Ziegelstr. 13a, room 601, phone 2093 1462



31.05.2007 -  
31.12.2009

**Eduardo Ortiz Tanchez**

University of Oxford  
Project: Effekt der Wahl des Basiswertes auf  
den Preis von Wetterderivaten  
Ziegelstr. 13a, room 601, phone 2093 1462



## NEW DISCUSSION PAPERS

You find all discussion papers under:

[http://sfb649.wiwi.hu-berlin.de/fedc/discussionPapers\\_en.php](http://sfb649.wiwi.hu-berlin.de/fedc/discussionPapers_en.php)

**2009-045**

**Wolfgang Karl Härdle, Christian Wolfgang Friedrich  
Kirchner**

"Quantifizierbarkeit von Risiken auf Finanzmärkten"

**2009-046**

**Fred Benth, Wolfgang Karl Härdle, Brenda López Cabrera**

"Pricing of Asian temperature risk"

**2009-047**

**Sigbert Klinke, Dina Kuhlee, Christian Theel, Cornelia  
Wagner, Christian Westermeier**

"MM-Stat – MultiMedia-Statistik: Statistische Datenanalyse –  
webbasiert, interaktiv und multimedial"

- 2009-048**      **Lydia Mechtenberg, Roland Strausz**  
"Migration of the Highly Skilled: Can Europe catch up with the US?"
- 2009-049**      **Nikolaus Hautsch, Lada M. Kyj, Roel C.A. Oomen**  
"A blocking and regularization approach to high dimensional realized covariance estimation"
- 2009-050**      **Xia Cui, Wolfgang Karl Härdle, Lixing Zhu**  
"Generalized single-index models: The EFM approach"
- 2009-051**      **Nikolaus Hautsch, Ruihong Huang**  
"The Market Impact of a Limit Order"
- 2009-052**      **Oliver Blaskowitz, Helmut Herwartz**  
"On economic evaluation of directional forecasts"

## PUBLICATIONS

**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. and Prantl, S. (2009)**

*How does Entry Regulation Influence Entry into Self-employment and Occupational Mobility?*, Economics of Transition, 2009, Vol. 17(4), p. 769-802.

**Burda. M.C. and Severgnini, B. (2009)**

*TFP Growth in Old and New Europe*, Comparative Economic Studies, Vol. 51, p. 447-466.

## CRC STAFF

At this point the Collaborative Research Center 649 "Economic Risk" wants to present Prof. Tim Adam, Ph.D., head of the project A13 "Corporate Speculation with Derivatives" and Peter Mohr, staff member of project A12 "Contextual Influences on Risk Perception in Investment Decisions".



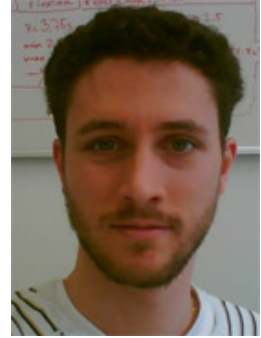
Professor Adam received a Ph.D. in Economics from the University of Virginia in 1997. Since then he has taught at internationally leading universities, such as the Massachusetts Institute of Technology, the University of Michigan, the Hong Kong University of Science & Technology, and the National University of Singapore. In 2008, he joined the Wirtschaftswissenschaftliche Fakultät of Humboldt-Universität, where he set up the Chair of Corporate Finance.

Professor Adam's research interests lie in the area of empirical corporate finance, especially corporate risk management.

Current research projects focus on how speculative and managerial motives affect corporate derivatives usage, exit strategies in the private equity sector, and the use of credit default swaps by mutual funds. His research has been published in top academic journals, including the Journal of Finance, the Journal of Financial Economics, and the Journal of Banking and Finance.

Peter Mohr was born in Elmshorn. He received his diploma in business administration at the Westfälische Wilhelms-Universität in Münster with his thesis on „ Neural Correlates of Home Bias in Investment Decisions“.

During his studies he worked as a student assistant in the interdisciplinary research group on Neuroeconomics at the Institute for Retail and Network Management. After his studies he received a stipend from the International Max Planck Research School on the Life Course and worked as a predoctoral research fellow at the Max Planck Institute for Human Development in Berlin. Since October 2009, Peter Mohr is working as a research assistant in CRC project A12 on „Contextual Influences on Risk Perception in Investment Decisions“. His research interests cover individual risk perception and economic decision making which he aims to investigate with behavioral and neuroimaging experiments.



## QUOTE OF THE MONTH

*"Always bear in mind that your own resolution to succeed is more important than any other."*

Abraham Lincoln  
(1809-1865)

Please also note that the newsletter is published on the homepage of the CRC 649.

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**The CRC 649 – Newsletter is published at the beginning of each month.  
Editorial deadline for the twelfth Newsletter 2009 is 27.11.2009.**