COLLABORATIVE RESEARCH CENTER 649
"Economic Risk"

NEWSLETTER

No. 7

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Humboldt-Universität zu Berlin
Collaborative Research Center 649
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CURRENT EVENTS

More information can be found here:
http://sfb649.wiwi.hu-berlin.de/fedc/events_en.php

05 and 09 July 2010	**Mini Course on Dynamic Programming** Prof. Willi Semmler, The New School for Social Research, New York 05 July, 4 p.m. – 7.30 p.m., Spandauer Str.1, room 21b 09 July, 10 a.m. – 2 p.m., Spandauer Str. 1, room 203
14 – 15 July 2010	**Summer Course on Non and Semiparametric Statistics** Prof. Byeong Park PhD, Seoul National University, Korea Location: Humboldt-Universität zu Berlin, School of Business and Economics, Spandauer Str. 1, Room 112 Program
20 – 23 July 2010	**Chinese Week** Location: Humboldt-Universität zu Berlin, School of Business and Economics, Spandauer Str. 1 Program

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 22
Time: every Monday, 2 p.m.

14 July 2010	**Student Presentations** Different room and time: room 21a, 4 – 6 p.m.

SCHUMPETER SEMINAR

Location: Spandauer Str. 1, room 23
Time: every Tuesday, 4 p.m.

06 July 2010	**Iris Bohnet** (KSG Harvard) "The Elasticity of Trust: How to Promote Trust in the Arab Middle East and the United States"
13 July 2010	**Michael Krause**

(Deutsche Bundesbank)
"Public debt and inflation incentives"

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.

07 July 2010 **Jelena Bradic**
(Princeton University)
"Penalized Composite Quasi-Likelihood for Ultrahigh-Dimensional Variable Selection"

14 July 2010 **Richard Samworth**
(University of Cambridge)
"Maximum likelihood estimation of a multidimensional log-concave density"

REVIEW ABOUT CRC 649 EVENTS

03 – 05 June 2010 **CRC 649 Annual Conference**

Participants of the Conference

This year's annual conference of CRC 649 took place in the brightest sunshine conceivable. During the three days that all CRC 649 staff members spent at Hotel Residenz am Motzener See, weather conditions could not have been better, enabling the group to engage in many outdoor activities, such as volleyball and soccer. Some participants even made use of the opportunity to take a refreshing bath in Motzen Lake during the afternoon breaks.

These activities provided a perfect supplement to the highly constructive and fruitful plenary and group sessions, during which scientific talks as well as discussions on the direction of the CRC were held. Far from the noisy city of

Berlin, rural Brandenburg, with limited cell-phone reception, provided the perfect environment for various talks by members of the CRC as well as international guests. Thus, scientific engagement took place in a very concentrated and fertile atmosphere and all of the participants were able to gain valuable feedback on their work.

On the last evening, as has become tradition by now, the participants gathered around the campfire where once more Michael Burda proved his guitar skills and many others showed unsuspected singing talents. The cultural diversity of the CRC found its expression in the many songs from different countries that were sung that evening.

Michael Burda and Wolfgang Härdle opening the Buffet

The conference ended with all the CRC members joining together into a living sigma tau for the traditional photo, which you can see right above this article.

23 – 24 June 2010 **2nd Humboldt Distinguished Lecture Series in Applied Mathematics**

Darrell Duffie

The 2nd Humboldt Distinguished Lecture Series in Applied Mathematics took place on June 23rd and June 24th. The lecture series, which was organized by Ulrich Horst (A11) and supported by the SFB 649, the Berlin Mathematical School, the DFG Research Center MATHEON and the QP Lab, was given by Darrell Duffie of Stanford University. The lectures centered around the topic of Dark Markets with a particular focus on search for counterparties, negotiation of prices and information percolation in Over-The-Counter-Markets. The lecture was well received by students and faculty alike with more than 40 participants from the departments of economics and mathematics.

We thank Darrell Duffie for his inspiring lectures and hope to welcome him to Berlin soon again. (UH)

NEWS OF THE PROJECTS

Roland Strausz (A7) gave a talk on "Mediated contract and mechanism design" at the conference "Decentralized Mechanism Design, Distributed Computing, and Cryptography" in Princeton, 3 – 4 June 2010. He also attended the conference "Recent Developments in Mechanism Design," at Princeton from 4 to 5 June 2010. From 7 to 8 June 2010 Roland Strausz was on a research visit at Stern Business School, New York University.

Raffaele Fiocco (A7) gave a talk on "The design of industry structure in a vertically related market" at the annual conference of CRC 649 in Motzen from 3 to 5 June 2010.

Dirk Hofmann (A7) gave a talk titled "Bilateral Search with Horizontal Heterogeneity" at the PET10 - Annual Conference of the Association for Public Economic Theory in Istanbul, Turkey on 25 – 27 June 2010.

Alexandra Spitz-Oener (A9) gave a talk at the joint meetings of the Society of Labor Economists (SOLE) and the European Association of Labour Economists (EALE) on "The labor market impact of immigration: Heterogeneity following from Product and Labor Market Regulation." The meetings took place in London on 17 – 19 June 2010. She is now also an elected member of the Executive Committee of the EALE.

Ulrich Horst (A11) gave a plenary talk on "Equilibrium Pricing in Incomplete Markets under Translation Invariant Preferences" at the 24th Mini EURO Conference on Continuous Optimization and Information-Based Technologies in The Financial Sector (23 – 26 June 2010, Izmir, Turkey).

Santiago Moreno-Bromberg (A11) taught, together with Ivar Ekeland, a course on risk sharing at the University of British Columbia.

Tim Adam (A13) gave a lecture on "The Use of Credit Default Swaps by U.S. Fixed-Income Mutual Funds" at the brown bag seminar, Goethe-Universität Frankfurt, on 16 June 2010 and participated in the "Wissenschaftliches Private-Equity-Kolloquium" in Hamburg on 24 June 2010.

Wolfgang Härdle (B1) held a talk at the Academy of Science, Beijing, on "Local Quantile Regression" on 13 June 2010 and at Beijing University titled "Pricing temperature around the world" on 15 June 2010. Jointly with **Mengmeng Guo (B1)** and **Weining Wang (B10)** he gave a talk at Fudan University, Shanghai, on "Non and Semiparametric Modelling" on 22 June 2010. Furthermore, Wolfgang Härdle was keynote speaker at the International Symposium on Econometrics of Specification Tests in 30 Years at Xiamen University, 24 – 25 June 2010, China. He was co-organizer of the Symposium for Computational Finance at the Risk Management Institute at the National University of Singapore, 28 – 29 June 2010 and presented his papers "Modeling Asset Prices" (joint work with James E. Gentle, George Mason University) and "Variance Swaps."

Also at Symposium for Computational Finance **Maria Grith (B1)** presented her paper "Nonparametric Estimation of Risk-Neutral Densities."

Brenda López Cabrera (B1) attended the 6th World Congress of the Bachelier Finance Society in Toronto from 21 to 26 June 2010 and gave a presentation on "Localizing Temperature Risk."

Richard Song (B1) gave the talk “High Dimensional Nonstationary Time Series using Generalized Dynamic Semiparametric Factor Models” at Beijing University on 15 June 2010 and at the University of Leicester on 21 June 2010.

Lutz Hildebrandt (B2) presented the paper "On The Relationship Between Risk Aversion And Cross-category Brand Loyalty" at the Marketing Science Conference 2010 in Cologne on 18 June 2010.

Sven Tischer (B2) gave a talk about "The Impact Of Corporate Reputation: Linking Publication Of Reputation Rankings And Share Prices" (joint work with Anne Eckert and Lutz Hildebrandt) at the 39th EMAC Conference in Copenhagen/Denmark on 4 June 2010.

Nicole Wiebach (B2) presented the paper "Context Effects As Customer Reaction On Delisting" (joint work with Lutz Hildebrandt) at the 39th EMAC Conference 2010 in Copenhagen/Denmark on 2 June 2010. She also attended the workshop on "Modeling Consumer Decision Making and Discrete Choice Behavior" (with Jordan Louviere) at Goethe-University, Frankfurt/Main, on 7 – 9 June 2010.

Nikolaus Hautsch (B8) was invited speaker at the 3rd Annual Conference of the Society for Financial Econometrics in Melbourne, 17 June 2010. His talk was on "Forecasting Vast Dimensional Covariances Using a Dynamic Multi-Scale Realized Spectral Components Model."

Julia Schaumburg (B8) participated in the Netherlands Economic Study Group Meeting held in Leuven from 11 to 12 June 2010 and presented her paper "Prediction extreme VaR: Nonparametric quantile regression with refinements from extreme value theory."
Fuyu Yang (B8) attended the COMISEF conference that took place from 24 to 26 June 2010 in Lodz and gave a talk on "Bayesian Inference of the Economy State in Real Time."

Helmut Gründl (B9) was the organizer and the moderator of the "15. Versicherungswissenschaftliche Fachgespräch" which took place on 29 June 2010 at Allianz SE's Representative Offices. The title of the symposium was "Sicher durch die Finanzkrise mit Solvency II."

On 17 June 2010, **Katja Hanewald (B9)** presented the same project at the "14th International Congress on Insurance: Mathematics and Economics" in Toronto.

Thomas Post (B9) presented the project "Stochastic Mortality and the Dispersion of Subjective Estimates of Survival Probabilities—Evidence from Europe" on 23 June 2010 at the Brown Bag Seminar of the Department of Finance of Maastricht University and on 29 June 2010 at the "First Annual Boulder Summer Conference on Consumers' Financial Decision Making" in Boulder, Colorado.

Ostap Okhrin (B10) participated in the CRC Event in Motzen from 3 to 5 June 2010 with the brain-storming session on "High-frequency copula models." He started his long planed research trip to Asia as a visiting researcher at the Renmin University of China, Beijing from 17 to 21 June 2010, where he gave a talk on "Determining the Structure of HAC." On 23 June 2010, Ostap Okhrin gave a talk about "Summary of HAC" at the Hong Kong University of Science and Technology, after which he was as a visiting researcher at the National University of Kaohsiung, Taiwan from 24 to 27 June 2010, where he also gave a talk about "Determining the Structure of HAC" on 25 June 2010. Finally, Ostap Okhrin participated at the RMI Symposium on Computational Finance at the National

University of Singapore between 27 and 30 June 2010 with the talk on "Fitting high-dimensional copulae to data."

Michael Burda (C7) held a lecture on "Germany's Social Market Economy: A model under duress" at the Fulbright German Studies Seminar for American scientists on 10 June 2010 in Berlin. He participated at the Third EALE/SOLE conference, which took place in London from 17 to 19 June 2010 and gave a lecture on "Payroll taxes, social insurance and business cycles." Michael Burda participated in a lunch debate with the American ambassador about questions on the economic and financial crisis at the Bertelsmann representation in Berlin on 23 June 2010. He attended the "European Workshop in Macroeconomics" at Ludwig-Maximilians-Universität München from 24 to 25 June 2010 and an expert discussion on "Stability on the financial market" on 29 June 2010 in Berlin.
Furthermore, Michael Burda participated in a panel discussion "Sovereign defaults in the euro area: Legal and economic issues" at the Institute for Monetary and Financial Stability at the Goethe University in Frankfurt on 30 June 2010.

Juliane Scheffel (C7) presented her paper "Shift Work, Compensating Wage Differentials and the Impact on Leisure" at the 24th Annual Conference of the European Society for Population Economics (09 – 12 June 2010) in Essen.

Dorothee Schneider (C7) presented her paper "The Impact of ICT Investments on the Relative Demand for High-, Medium-, and Low-Skilled Workers: Industry versus Country Analysis" at the 24th Annual Conference of the European Society for Population Economics (09 – 12 June 2010) in Essen.

Frank Heinemann (C10) organized (together with Rosemarie Nagel and John Duffy) the 1st LeeX International Conference on Theoretical and Experimental Macroeconomics in Barcelona from 11 to 12 June 2010. He presented his paper "The Power of Sunspots: An Experimental Study" (joint with Dietmar Fehr (A6) and Aniol Llorente-Saguer (CalTex)) at this conference and at the annual meeting of the Ausschuss für Makroökonomie des Vereins für Socialpolitik, 25 to 26 June 2010 in Hamburg.

Sascha Becker (C14) presented the paper "Inflation, Price Dispersion and Market Integration through the Lens of a Monetary Search Model" (joint work with Dieter Nautz) at the 8th INFINITI Conference on International Finance in Dublin from 14 to 15 June 2010.

GUESTS OF THE CRC 649

You find a summary about all guests here:
http://sfb649.wiwi.hu-berlin.de/fedc/guests_en.php

Current Guests of the CRC 649"Economic Risk":

10.07.2010 -
25.08.2010

Xia Cui
Sun Yat-Sen University
Project: Statistical Analysis for Two Types of Complex Data and the Associated Models
Ziegelstr. 13a

01.07.2010 -
31.08.2010

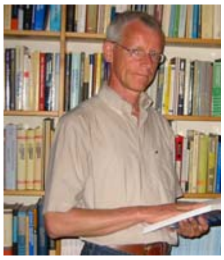
Anne Schopp
DIW – Berlin
Project: Compare demand & supply of investment volumes across sectors and regions. Ultimate question: what policy instruments are needed to facilitate finance needed for low carbon development?
Ziegelstr. 13a, room 601, phone: 2093 1462

28.06.2010 -
25.07.2010

Piotr Majer
Wroclaw University of Technology
Project: Investigation on long-memory time series chapter of SFE book. Check & update of related codes as well as check on consistency of notations and clarifying content
Spandauer Str. 1, room 400, phone: 2093 5721

24.06.2010 -
31.07.2010

Helmut Luetkepohl
European University Institute
Project: Analyse multipler Zeitreihen
Ziegelstraße 13a, room: 602, 2093 1466



21.06.2010 -
31.12.2012

Magdalena Tchikov
FU – Berlin
Project: Empirical analysis of CDS pricings; Consistency to prevalent pricing models
Ziegelstr. 13a

21.06.2010 - 30.11.2010

Fabian Schmidt
FU – Berlin
Project: Reflektion von Operating-Leasingverhältnissen auf Unternehmenskennzahlen und das Unternehmensrisiko
Ziegelstr. 13a, room: 607, phone: 2093 1455

26.05.2010 - 06.08.2010

Guan-Cheng Li
University of California, Berkeley
Project: Huge dataset processing and statistical learning, from algorithm design to implementation
Ziegelstr. 13a, room 504, phone 2093 5623

04.05.2010 – 21.07.2010

Philip Przybilla
HTW Berlin
Project: Asymmetrische Information und sektorale Liquidität - Eine Untersuchung unterschiedlicher Konzentrationsstärken
Ziegelstr. 13a, room 601, phone 2093 1462

08.03.2010 – 01.03.2011

Ralf Sabiwalsky
Freie Universität Berlin
Project: Traditional CAPM valuation is based on the assumption of elliptically distributed asset returns and two-moment-preferences
Ziegelstr. 13a, room 601, phone 2093 1462

15.02.2010 – 31.12.2010

Anastasia Kraft
Freie Universität Berlin
Project: Regression model based on two methods, the factor approach and the constructive capitalization
Ziegelstr. 13a, room 601, phone 2093 1462

08.02.2010 – 29.10.2010

Thomas Lagner
Technische Universität Berlin
Project: The Influence of Credit Ratings on Corporate Strategy
Ziegelstr. 13a, room 607, phone 2093 1455

26.10.2009 – 29.10.2010

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 - 30.06.2010

Maximilian Kuhn
Freie Universität Berlin
Project: Energy Markets Research, "Was treibt den Ölpreis?"
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

2010-033 **Volker Krätschmer, Henryk Zähle**
"Sensitivity of risk measures with respect to the normal approximation of total claim distributions"

2010-032 **Wolfgang Karl Härdle, Rouslan Moro, Linda Hoffmann**
"Learning Machines Supporting Bankruptcy Prediction"

PUBLICATIONS

Abbassi, P. Nautz, D. and C. Offermanns (2010)
"Interest Rate Dynamics and Monetary Policy Implementation in Switzerland", Swiss Journal of Economics, 2010-I-13, 313–340.

CRC STAFF

At this point Collaborative Research Center "Economic Risk" 649 would like to present Weining Wang, staff member of project B10 "Dynamic Semi-parametric Modeling" and Mathias Ritter, staff member of project C11 "Weather Risk Management in Agriculture using Weather Derivates."

Weining Wang was born in 1987 in Xinjiang. After high school, Weining Wang studied mathematics and statistics at Hong Kong and was awarded 2008 with the BSc of Mathematical Statistics of Hong Kong Baptist University (first honor). In parallel she worked as research assistant on linear mixed model (Prof. L. Zhu).

Weining Wang joined the Humboldt-Universität zu Berlin in 2008, being first working on the topic Uniform Confidence Band for Pricing Kernels, then local adaptive method with applications in weather derivative markets and quantile regression. Other areas of academic interest include risk management, financial engineering and labor economics. Weining Wang lectures Statistical Programming Language, Statistics I, II. (WW)

Matthias Ritter was born in Tübingen. He studied mathematics with minor subject economics at Westfälische Wilhelms-Universität Münster, Humboldt-Universität zu Berlin and Technische Universität Berlin. Matthias wrote his thesis on the topic "Weather Derivatives: An Overview of Models, Pricing and Hedging" supervised by Prof. Imkeller and received his diploma in mathematics from HU in October 2009. Since January 2010, he has been a PhD student at Georg-August-Universität Göttingen (Department of Agricultural Economics and Rural Development, Prof. Mußhoff) in cooperation with Humboldt-Universität zu Berlin (Department of Agricultural Economics, Prof. Odening) and has continued working on weather derivatives and weather risk. In his free time, he enjoys reading, movies and soccer. (MR)

QUOTE OF THE MONTH

"Some people think football is a matter of life and death. I don't like that attitude. I can assure them it is much more serious than that."

Bill Shankly, Sunday Times (UK), 4 October 1981

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

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Editorial deadline for the eighth Newsletter 2010 is 31.07.2010.