

NEWSLETTER

Collaborative Research Center 649 „Economic Risk“

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NL 009, SEPTEMBER

Editorial:

Collaborative Research Center 649:
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"There is no rain above the clouds"

NEWS OF THE PROJECTS

Thomas Giebe (A6) attended EARIE 2015 in Munich from the 28th to the 30th of August and presented the paper „Competitors In Merger Control: Shall They Be Merely Heard Or Also Listened To?“ ([SFB 649 DP 2015-11](#)).

Wolfgang Karl Härdle (B1) attended the “Singapore Economic Review Conference 2015” in Singapore from 5th to 7th of August and in this context he participated a panel discussion entitled “SKBI Plenary Session: Smart Nation, Smart Data and Financial Innovation” on 6th of August. On the same day **Xinwen Ni (Z)** presented a lecture entitled “Tail Event Driven Asset Allocation: Evidence from Equity and Mutual Funds’ Markets” in collaboration with David Lee Kuo Chuen (Singapore Management University), Xinwen Ni (Nanyang Technology University), **Sergey Nasekin** and **Alla Petukhina (both B1)**. On 7th of August Wolfgang Karl Härdle gave a presentation about crypto currencies entitled “CRIX - a Crypto Currency Index” and **Cathy Chen (Z)** about “Distillation of News Flow into Analysis of Stock Reactions” in collaboration with Junni L. Zhang (Peking University), Sim Kee Boon (Singapore Management University), Cathy Y. Chen (Chung Hua University, Taiwan) and **Elisabeth Bommers (B1)**. Later Wolfgang Karl Härdle visited Charles University in Prague from 10th to 12th of August for joint research on “Modelling of Dynamic Financial Processes with Structural Breaks” with Professor Dr. Zdeněk Hlávka as part of a long existing ERASMUS exchange programme.

Michael C. Burda (C7) visited the Economics Department at the Copenhagen Business School for a research stay with Prof. Battista Severgnini from the 25th to the 29th of August.

Falk Mazelis (C7) participated in the Annual Conference of the European Finance Association in Vienna, which took place from 20th to the 22nd of August. He presented his paper "The Role of Shadow Banking in the Monetary Transmission Mechanism and the Business Cycle" in the Special Session of the Bank for International Settlements. He also participated in the EFA day-ahead conference of the ÖNB.

Steffen Ahrens (C10) participated in the 30th Annual Congress of the European Economic Association at the University of Mannheim from the 24th to the 27th of August where he presented his paper “Layoff Taxes, Unemployment Insurance, and Business Cycle Fluctuations”, which is a joint work with **Nooshin Nejati** and **Philipp L. Pfeiffer (both C10)**.

Helmut Lutkepohl (C15) participated in the World Congress of the Econometric Society in Montreal from 17th to the 20th of August and has presented his papers "Testing for Identification in Structural Vector Autoregressions with GARCH Residuals" and "Structural Vector Autoregressions with Smooth Transition in Variances: The Interaction Between U.S. Monetary Policy and the Stock Market".

Aleksei Netsunajev (C15) presented the paper "Structural Vector Autoregressions with Smooth Transition in Variances: The Interaction Between U.S. Monetary Policy and the Stock Market" at the 11th World Congress of the Econometric Society on the 20th of August.

CRC STAFF



Alexander Ristig (B10) has taken on a job at the University of Vienna. The CRC-team wishes him all the best and much success for his future career.

GUESTS OF THE CRC 649

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

01.06.2015 -
30.10.2015

Chen, Ying

National University of Singapore (SG)

Project: Financial statistics and risk management; non-stationary time series analysis

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01.07.2015 -
30.06.2016

Chen, Yi-Hsuan Cathy

Chung-Hua University (TW)

Project: The integration of credit default swaps markets

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01.08.2015 -
31.05.2016

Filipkov, Yuriy

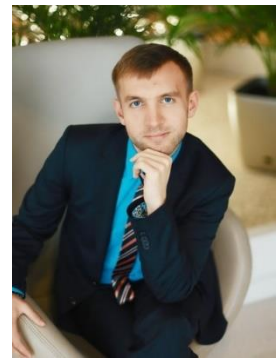
Odessa I.I. Mechnikov National University (UA)

Project: Management of scientific research and education and its societal modeling, financing and practical implementation of research and development

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02.09.2015 -
29.02.2016

Feijó, Ricardo

University of São Paulo (BR)

Project: Numerical simulations on the dynamics and Stochastic General Equilibrium Approach: an exercise in MATLAB program.

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NEW DISCUSSION PAPERS

More detailed information is available [here](#).

- 2015-039** "Dynamics of Real Per Capita GDP" by Daniel Neuhoff, August 2015.
- 2015-040** "The Role of Shadow Banking in the Monetary Transmission Mechanism and the Business Cycle" by Falk Mazelis, August 2015.
- 2015-041** "Forecasting the oil price using house prices" by Rainer Schulz and Martin Wersing, August 2015.
- 2015-042** "Copula-Based Factor Model for Credit Risk Analysis" by Meng-Jou Lu, Cathy Yi-Hsuan Chen and Karl Wolfgang Härdle, August 2015.
- 2015-043** "On the Long-run Neutrality of Demand Shocks" by Wenjuan Chen and Aleksei Netsunajev, August 2015.
- 2015-044** "The (De-)Anchoring of Inflation Expectations: New Evidence from the Euro Area" by Laura Pagenhardt, Dieter Nautz and Till Strohsal, September 2015.

- 2015-045** "Tail Event Driven ASset allocation: evidence from equity and mutual funds' markets" by Wolfgang Karl Härdle, David Lee Kuo Chuen, Sergey Nasekin, Xinwen Ni and Alla Petukhina, September 2015.
- 2015-046** "Site assessment, turbine selection, and local feed-in tariffs through the wind energy index" by Matthias Ritter and Lars Deckert, September 2015.
- 2015-047** "TERES - Tail Event Risk Expectile based Shortfall" by Philipp Gschöpf, Wolfgang Karl Härdle and Andrija Mihoci, September 2015.
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PUBLICATIONS

Ritter, M., Shen, Z., López Cabrera, B., Odening, M. and Deckert, L.

A New Approach to Assess Wind Energy Potential
Energy Procedia
DOI: 10.1016/j.egypro.2015.07.485

Pieralli, S., Ritter, M. and Odening, M.

Efficiency of wind power production and its determinants
Energy
DOI: 10.1016/j.energy.2015.07.055

Fehr, D. and Huck, S.

Who knows it is a game? On strategic awareness and cognitive ability
Experimental Economics
DOI: 10.1007/s10683-015-9461-0

Chen, Y.H. and Härdle, W.

Common factors in credit defaults swap markets
Computational Statistics
DOI: 10.1007/s00180-015-0578-6

Quantlets

81 new Quantlets were uploaded in the August of 2015 (a total of 257 Quantlets in 2015). More detailed information is available [here](#).

Project: FASTEC

Reduced-rank multiple regression problems are of interest in a wide variety of science fields, for example the Capital Asset Pricing Model (CAPM) and Arbitrage Pricing Theory (APT) can be estimated by this technique without specifying the factors. However, it gives little information for the conditional distributions

other than the expected values. For $\tau \in (0,1)$, the conditional τ -quantile functions, particularly for τ is close to 0 or 1, are crucial in many applications, such as risk management. In the current study, the estimation of large multiple quantile regression models regularized by nuclear norm is considered. The rank of the coefficient matrix is interpreted as the number of factors for the tail event functions, and is sparse in the spirit of CAPM and APT. Hence, we call the estimated quantile functions as FASTEC: Factorisable Sparse Tail Event Curves. Both theoretical properties and computational aspects of the estimating procedure for FASTEC are studied. In particular, nonasymptotic oracle bounds for the estimation error are derived, and an efficient proximal gradient algorithm is developed for the non-smooth optimization problem incurred in our estimating procedure. Merits of the proposed methodology are further demonstrated through applications to Conditional Autoregressive Value-at-Risk (CAViaR) (Engle and Manganelli; 2004), and a Chinese temperature dataset. With a dataset consists of stock prices of global financial firms ranging over 2007-2010, the major market risk contributors and market sensitive firms are selected by our method.

The description of results and methodology can be found in the [SFB 649 DP 2015-034 "Factorisable Sparse Tail Event Curves"](#).

The corresponding quantlets with R code can be found in the Quantnet [here](#).

The quantlet [FASTEC SAMC VaR](#) reproduces the empirical results of 230 asset returns, including plot of asset returns, tail curve and tau-spread analysis.

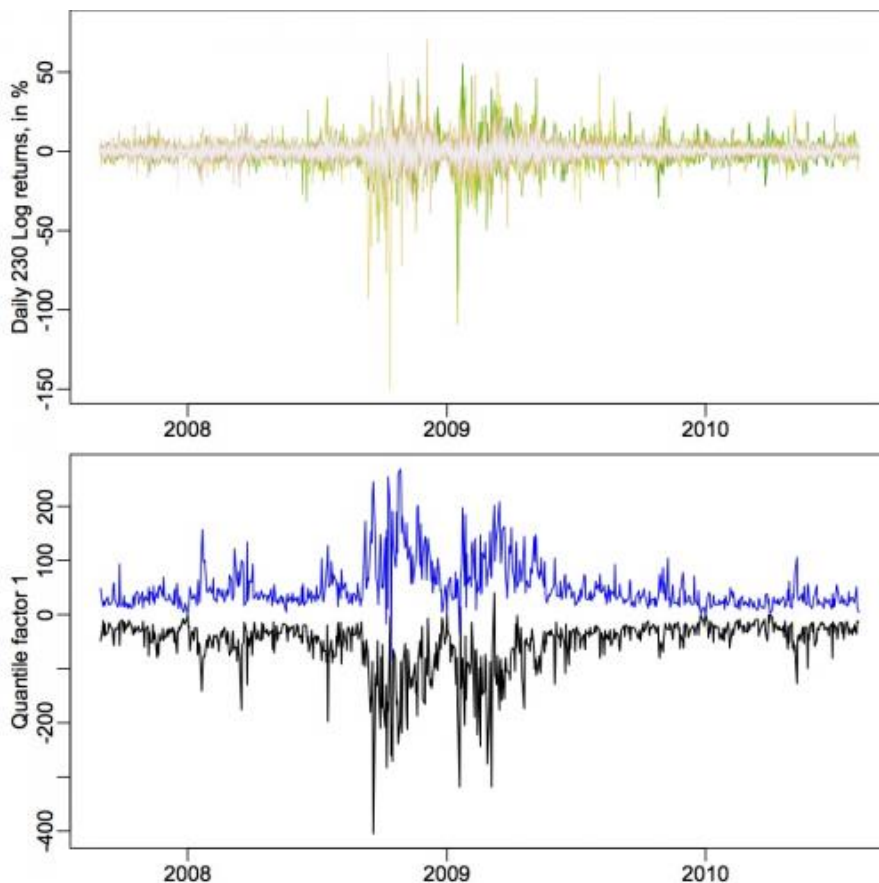


Figure 1: Daily log returns and quantile factor 1

QUOTE OF THE MONTH

"A mathematician is a device for turning coffee into theorems."

Paul Erdos (1913-1996)

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

The CRC 649 - Newsletter is published at the beginning of each month.

Editorial deadline for the tenth Newsletter 2015 is 30.09.2015.