



Research Seminar Series

Thursday, April 2nd, 2009
Time: 16:00 – 18:00, Room 013

Seminar Title

“Time-Variability in Higher Moments Is Important for Asset Allocation”

Professor Michael Rockinger
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Summary

It is well known that strategies that allow investors to allocate their wealth using return and volatility forecasts, the use of which are termed market and volatility timing, are of significant value. In this paper, we show that distribution timing, i.e., the ability to use distribution forecasts for deciding asset allocation, also yields significant economic value. By considering the weekly asset allocation among the three largest international stock markets, we find that distribution timing yields around 100 basis points per year. To control for the parameter uncertainty of the model, we cast the model into a Bayesian setting. We also consider alternative preference structures and datasets. In all cases, the value of distribution timing remains highly significant.

Michael Rockinger holds a Ph.D. in Economics (1992) from Harvard University, M.A. in Economics (1990) from Harvard University and an M.A. in Economics (1988) from University of Lausanne. He received his M.S. in Mathematics (1986) from the Swiss Federal Institute of Technology of Lausanne (EPFL). At the moment he is full professor at the HEC, University of Lausanne, Switzerland. In the past he taught in HEC, Paris France. He has published in the Journal of Financial Econometrics, Journal of Empirical Finance, Review of Financial Studies, etc. His research interests include empirical finance, financial economics, econometrics, macro and finance.