Mercoledì 11 aprile 2018 - ore 11:00
Aula 11, Edificio C

Il prof. **Andrea Cipollini** (Università di Palermo) terrà un seminario dal titolo:

Financial Connectedness and Long Memory

abstract:

We focus on the methodology put forward by Diebold-Yilmaz (2009 and 2012) to obtain indices of financial connectedness through Forecast Error Variance Decomposition, FEVD. It is customary to obtain FEVD from the estimation of a traditional Vector Autoregression model, VAR, also for strongly persistent series such as time varying volatilities.

As an alternative to a high-order VAR, we suggest the use of a parsimonious modeling approach. More specifically, given the evidence of long memory, we derive FEVD from either the estimation of a Fractional Integrated VAR (in a study applied to variance risk premia) or from a Vector Heterogeneous Autoregressive model (in a study applied to realized semi volatility series). Furthermore, we suggest an alternative method to the traditional row normalization scheme when transforming FEVD into indices of financial connectedness.