SEMINÁRIOS

SÉRIES TEMPORAIS, ONDALETAS E DADOS DE ALTA DIMENSÃO

LOCAL: **IME-USP, Sala 144 - Bloco B**

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HORÁRIO: **15h30**

COVARIANCE PREDICTION IN LARGE PORTFOLIOS ALLOCATION

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Many financial decisions such as portfolio allocation, risk management, option pricing and hedge strategies are based on forecasts of the conditional variances, covariances and correlations of financial returns. The paper shows an empirical comparison of several methods to predict one-step-ahead conditional covariance matrices. The methods are assessed on portfolios constructed by stocks from the S&P 500 index traded from January 2, 2000, to November 30, 2017, through out-of-sample minimum variance portfolio return metrics. The main result is that considering the standard deviation metric, DCC-based methods estimated by composite likelihood and the RiskMetrics 2006 methodology report the best performances in daily and monthly rebalanced portfolios.

Joint work with Carlos Trucios, Luiz K. Hotta and Andre Portela Santos.