

Tail-risk protection trading strategies





Partners

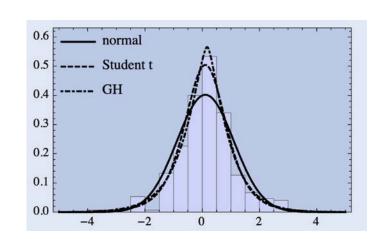
This project could be realized due to the collaboration of members of the center for asset management with scientists from Berlin School of Economics and Law, Firamis and Goethe University, Department of Finance.

Description

Starting from well-known empirical stylized facts of financial time series, we develop dynamic portfolio protection trading strategies based on econometric methods. As a criterion for riskiness, we consider the evolution of the value-at-risk spread from a GARCH model with normal innovations relative to a GARCH model with generalized innovations.

Content

Some distributions were empirically back tested on 11 years of DAX future data. Therein the Generalized Pareto distribution provides the strongest signals for avoiding tail risks. Further, the empirical test indicates that the dynamic tail-risk protection strategy effectively reduces the tail risk while outperforming traditional portfolio protection strategies.



Project Responsibility: Prof. Dr. Peter Schwendner