

Date of the event:

On Friday, 11th November, 2011
From 01:00 PM to 2:00 PM

Location:

Luxembourg School of Finance
University of Luxembourg
4 Rue Albert Borschette
2nd Floor
Modigliani Miller Auditorium (E02-003)
L-1246 Luxembourg

Registrations:

- Free seminar (with lunch included)
- Registrations by email before November 7th, 2011
- At the following address : lsf-events@uni.lu

Information:

Ms Martine Zenner
Tel : +352 46 66 44 6335

<http://www.lsf.lu/eng/Research/Seminars-and-Workshops>



The LSF is pleased to invite you to the following lunch seminar:

Conditional Skewness of Stock Market Returns in Developed and Emerging Markets and its Economic Fundamentals

*By Professor Eric Ghysels
University of North Carolina, Chapel Hill*



**Friday, 11th November 2011
From 01:00 PM to 2:00 PM**

Conditional Skewness of Stock Market Returns in Developed and Emerging Markets and its Economic Fundamentals

The Luxembourg School of Finance

Is pleased to invite you to the

LSF Seminar

We use a quantile-based measure of conditional skewness or asymmetry of asset returns that is robust to outliers and therefore particularly suited for recalcitrant series such as emerging market returns. We study the following portfolio returns: developed markets, emerging markets, the world, and separately 73 countries. We find that the conditional asymmetry of returns varies significantly over time. This is true even after taking into account conditional volatility effects and unconditional skewness effects in returns. Interestingly, we find that the conditional asymmetry in developing countries features low correlation with that in emerging markets. This finding has implications for portfolio allocation, given the fact that the correlation of the returns themselves has been historically high and is increasing. In contrast to conditional volatility fluctuations, which are hard to explain with macroeconomic fundamentals, we find a strong relationship between the conditional skewness and macroeconomic variables. Moreover, the low correlation between conditional asymmetry across developed and emerging markets can be explained by macroeconomic fundamental factors in the cross-section, as both markets feature opposite responses to those fundamentals. The economic significance of the conditional asymmetry is also demonstrated in an international portfolio allocation setting.