

Professor Robert Engle and Dr. Ted Hong were invited by TSE and UST to speak at 2009 Global Economic and Financial Master Forum at Taiwan and met with Taiwanese President Ma Ying-jeou

Taipei, Taiwan, November 17, 2009

Dr. Ted Hong and the 2003 Nobel Laureate in Economics Professor Robert Engle were invited by University System of Taiwan (UST) to speak at Taiwan. The UST include four schools: National Central University, National Chiao Tung University, National Tsing Hua University, and National Yang-Ming University. Professor Robert Engle, were invited to give three talks at National Central University, National Chiao Tung University, and National Tsing Hua University. His topic was – “Long Run Skewness and Systemic Risk”. He pointed out that Financial Risk Management has generally focused on short run risks rather than long run risks and arguably this is an important component of the current financial crisis. Econometric approaches to measuring long run risk are investigated by testing for measures of long run skewness associated with asymmetric volatility models. This skewness in a market factor leads to default correlations even far in the future. Investors concerned about long run risks can hedge exposure as in the ICAPM. Such hedging will affect asset prices and can be tested directly with volatility models. Using estimates from VLAB, evidence is found for several types of hedge portfolios including volatility, long bonds, term spread, credit spread and gold.

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Beyondbond’s President, Dr. Ted Hong and his professor Robert Engle were invited to give a talk at Taiwan Stock Exchange. Professor Robert Engle, the 2003 Nobel Laureate in Economics presented: “Global Financial Stability and Long Term Risk”. Taking risk to achieve return is the central feature of finance. Volatility is a way to measure risk and when it is changing over time the task is especially challenging. The performance of volatility forecasts during the financial crisis is assessed for a variety of asset classes. Forecasts of volatility are presented using up to date information on US equity markets, bond markets, credit markets and exchange rates. Similar measures are shown for international equities. The economic causes of volatility are discussed in the light of new research in a cross country study. These are applied to the current economic scene. Long run risks are then discussed from the same perspective. Three long run risks are discussed – global macroeconomic depression, war and terrorism and climate change. Some policy suggestions are made to reduce these risks and benefit society today as well as in the future.