



Article of the month:

Everybody's Doing it: Short Volatility Strategies and Shadow Financial Insurers

November 2017. Vineer Bhansali (CIO at LongTail Alpha) & Lawrence Harris (Prof. Finance and Business Economics Department at University of Southern California)

The extraordinary growth of short volatility strategies creates risks that may trigger the next serious market crash. A low yield, low volatility environment has drawn various market participants into essentially similar short volatility-contingent strategies with a common non-linear risk factor. We discuss these strategies, their commonalities, and the generally unrecognized risks that they would pose if everyone unwinds simultaneously. Volatility selling investors essentially provide....

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Cat Bond pricing under a product probability measure with pot risk characterization

April 2019. Qihe Tang (Statistics & Actuarial Science Prof., Iowa Univ.), Zhongyi Yuan (Asst. Prof. of Risk Mgmt.)

Frequent large losses from recent catastrophes have caused great concerns among insurers/reinsurers, who then turn to seek mitigations of such catastrophe risks by issuing catastrophe (CAT) bonds and thereby transferring the risks to the bond market. Whereas, the pricing of CAT bonds remains a challenging task, mainly due to the facts that the CAT bond market is incomplete and that the pricing usually requires knowledge about the tail of the risks. In this paper, we propose a general pricing framework based on a product pricing measure, which combines a distorted probability measure that prices the catastrophe risks underlying the CAT bond...

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Dividend Risk Premia

February 2016. Georg Cejnek (Head of Research, ZZ Vermögensverwaltung), Otto Randl (WU Vienna University of Economics and Business)

This paper studies time variation in the expected excess returns of traded claims on dividends, bonds, and stock indices for international markets. Novel dividend risk factor that complements the well-known bond risk factor of Cochrane and Piazzesi (2005). When the dividend risk factor and the bond risk factor are employed jointly, our model fits well to variations in subsequent one-year excess returns of dividend swaps and stock indices of the U.S., the U.K., the Eurozone and Japan.

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Why investors are careful buyers but careless sellers

April 2019. A report by The Economist Intelligence Unit

Jack schwager was once a moderately successful trader who wondered why he was not an immoderately successful trader. Perhaps if he knew the secrets of trading superstars, such as Paul Tudor Jones or Jim Rogers, he might improve. So he asked them for those secrets. "Market Wizards", his book of interviews with hedge-fund traders, was published in 1989. A second volume soon followed. Both books have since been pored over by a generation of hedge-fund wannabes. They are full of great stories and tips covering a range of investing styles...

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Credit data: worrying trends in sovereign risk

April 2019. David Carruthers (head of research at Credit Benchmark, a credit risk data provider)

Sovereign credit risk is a complex beast. It is often country—specific, but can also be driven by regional and global themes. Currently, all three factors are in play.

Venezuela is in a state of near-total economic collapse. Argentina, which sold a 100-year bond in 2017 after emerging from default the previous year, is gearing up for a critical election in October. A split decision in Turkey's recent local elections offered little reprieve for the country's already fragile economy.

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Jan Erik Saugestad: everyone should be investing responsibly

April 2019. Jennifer Thompson (Reporter at Financial Times)

First they came to raid, then they came to trade. Now the Vikings are coming for your money again — but this time it's about investing responsibly. Storebrand, the Norwegian financial group, is seeking to capitalise on surging interest in sustainable investment with a greater push into Europe by its asset management business. The investment arm is responsible for putting to work the group's total assets of Nkr707bn (£63.6bn) and it has positioned itself as a “good” investor, pulling back from problem areas such as tobacco and coal.

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A Chinese megabank and its CRO in the US

April 2019. Steve Marlin (MBA from Columbia University Graduate School of Business)

Given the often acrimonious relations between China and the United States, the US headquarters of the Industrial and Commercial Bank of China is in an odd spot: Trump Tower.

ICBC occupies three floors at the gilded address in midtown Manhattan. Having a headquarters whose landlord is the US president presents a particular stripe of risk, a fact first apparent during the 2016 election, when the reality star based his campaign there.

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Eastern promises: BlackRock

April 2019. A report by The Economist Intelligence Unit

Investors will be keen to hear more about the asset-management giant's recent overhaul when it announces first-quarter earnings today. The firm has hit a ceiling in the increasingly competitive American market, seeing its stock slump by 13% in the past year. In response, BlackRock announced a leadership shuffle earlier this month, shifting more responsibility to regional managers around the globe. The firm is particularly focused on China.

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UPCOMING EVENTS



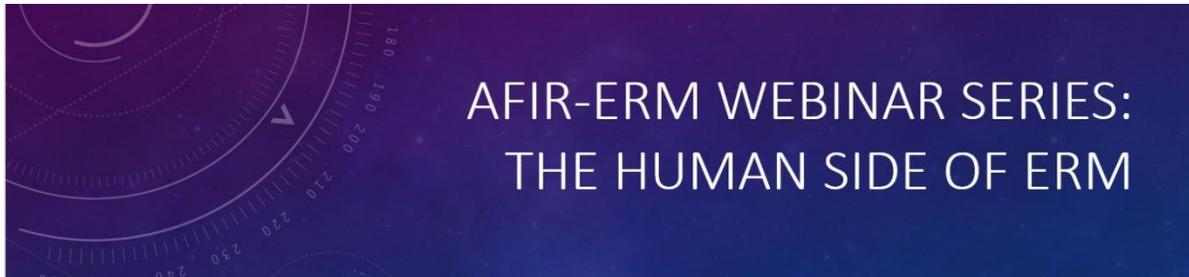
AFIR-ERM Colloquium, Florence 2019

21st to 24th May 2019. Florence, Italy

The Istituto Italiano degli Attuari and Ordine degli Attuari (ISOA) and the AFIR-ERM Section are pleased to invite you to the AFIR-ERM Colloquium 2019: "Innovating Actuarial Research on Financial Risk and ERM", that will be held from 21 to 24 May 2019 in Florence, Italy, the cradle of Renaissance. Come enjoy from its artistic heritage as you walk along in an "open-air museum". Find out more about the event.

[Find out more](#)

[Florence AFIR Colloquium 2019 FLYER now available!](#)



Webinar Series with Dave Ingram (CERA, FRM, PRM, FSA, MAAA, and member of AFIR-ERM)

8th May, 2019. Risk Intelligence

11th September, 2019. Risk Culture

11th December, 2019. Risk Appetite/Tolerance

Before, during and after the Financial Crisis, financial institutions can be seen to have been acting rationally, but only if you can admit that in the absence of a perfect view of the future, there are a number of different rational ways to imagine how the future will unfold. An idea is at the core of the anthropology theory of Plural Rationality. This webinar will explain how this theory provides vast explanatory power to understand the variety of approaches that have been and that are taken by financial institutions in response to risk.

[Find out more](#)



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UPCOMING EVENTS

The logo for Model Risk Management Europe, featuring a stylized graphic of three overlapping, colorful arrows (red, yellow, blue) pointing right, followed by the text 'Model Risk Management' in grey and 'Europe' in red.

Model Risk Management Europe

Model Risk Management Summit

26th June 2019. London, UK.

The application of model risk management is becoming ever more important for banks as the reliance on models to meet regulatory challenges and improve business performance increases. Risk.net is launching the Model Risk Management Summit to look at the analytical skills, governance and structures required for effective model risk management and the role that big data analytics and machine learning have to play. Attention will also focus on the expectations and impact of the ECB's Targeted Review of Internal Models (TRIM)...

[Find out more](#)



Coming Soon: In-person seminars in Poland and Tokyo!
