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# Newsletter 13/2023

ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
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## Upcoming Seminars

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| **Wednesday, 31.5.2023** | **Internal Seminar** |
| 12.15-13.15 | Timo Dimitriadis |
| AWI room 00.010 | "Systemic Risk Models" |
| **Friday, 2.6.2023** | **Macro & Econometrics Seminar** |
| 9.30-10.15 | Anne Opschorr, Vrije Universiteit Amsterdam |
| Villa Menzer, Grüner Salon, | "The t-Riesz Distribution: Introducing Tail Heterogeneity in Vector Distributions" |
| Neckargemünd | (Host: Christian Conrad) |

## Abstracts

### Internal Seminar

Timo Dimitriadis

"Systemic Risk Models"

We introduce new regression models for the systemic risk measures Co-Value-at-Risk (CoVaR) and Marginal Expected Shortfall (MES). These relate an outcome variable (e.g., market returns) to covariates conditional on some other variable (e.g., returns of a large bank) falling in its tail. We propose two-step procedures to estimate the new regression models and derive their large sample properties, including consistency and asymptotic normality. We show that these regressions have applications in diverse fields as the study of systemic risks of large banks, (risk parity) portfolio optimization and dissecting systemic risk contributions of growth-at-risk forecasts into different countries.

The talk will introduce the econometric methods in a rather intuitive way and will focus on the financial and macroeconomic applications. It is based on the preprint https://arxiv.org/abs/2206.14275 focusing on the CoVaR and current work in progress on the MES.

**Macro & Econometrics Seminar**

Anne Opschorr

"The t-Riesz Distribution: Introducing Tail Heterogeneity in Vector Distributions"

We introduce the t-Riesz distribution for vector based variables in financial econometrics. The distribution extends the well-known multivariate Student's t distribution by introducing tail heterogeneity through different degrees of freedom (DoF) parameters for each asset. The closed form density allows for easy and fast optimization of the likelihood. We provide a clustering approach for the DoF parameters to reduce the computational burden when the number of assets become large. We apply the t-Riesz distribution for multivariate volatility modeling of daily stock returns during the period 2001-2020 and show that particularly multivariate overnight returns benefit from allowing tail heterogeneity. Forecasts of portfolio tail risk measures such as Value-At-Risk improve vis-\'a-vis standard benchmarks such as the multivariate Student's t distribution.

## Talks and Research Visits

**Katharina Momsen** gave a seminar talk on "Seller Opportunism in Credence Goods Markets - The Role of Market Conditions" at the IMEBESS 2023 Conference, Lisbon, May 18-20.

**Zain Chaudhry** presented "Fickle Groups: A Field Experiment on Time Preferences" (joint with Karrar Hussain) at the 21st European Development Research Network (EUDN) PhD Workshop, Stockholm, Sweden, May 8-9.

**Ferdinand Rauch** presented his work: "Identifying Agglomeration Shadows: Long-run Evidence from Ancient Ports" at the Department of Economics of the University of Bergamo, May 11, at the European Meeting of the Urban Economics Association in Milan, May 5 and at the Baden-Württemberg Economic History Workshop 2023, held in Konstanz April 20-21.

Editorial deadline for issue 14/2023 of the newsletter:
Wednesday, May 31, 2023, 12 p.m.
newsletter@awi.uni-heidelberg.de