



*“Predicting Bond Excess Returns with
Forward Rates: An Asset –Allocation
Perspective” (in English)*

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Abstract

This paper revisits the predictability of bond excess returns by means of long-term forward interest rates. We assess the economic value of out-of-sample forecasting ability of empirical models based on forward rates in a dynamic asset allocation strategy. Our results show that the information content of forward rates does not generate any systematic economic value to investors. The performance of the predictive models against the no-predictability benchmark worsens over time and the few positive performance fees recorded from dynamic portfolio strategies based on forward rates are generally small in size and do not offset realistic transaction costs.

Date: 19 December 2011 (Monday)
Time: 5:00pm – 6:30pm
Venue: SO102, Dorothy Y. L. Wong Building

Biography

Professor Giorgio Valente is Professor of Finance at Essex Business School, University of Essex, UK. He previously held positions at the University of Warwick, UK; the Chinese University of Hong Kong and the University of Leicester, UK. Giorgio Valente has published, among others, in the Journal of Business, the Journal of Financial and Quantitative Analysis, the Review of Finance, the Journal of the European Economic Association, the Journal of International Economics. His research focuses on international finance and global investments, empirical issues in asset pricing and fixed income and FX markets microstructure with a particular interest in FX determination and forecasting and the behavior of international interest rates. He was co-Editor of Applied Financial Economics and Applied Financial Economics Letters between 2005 and 2008 and he is currently Associate Editor of the Pacific Economic Review. Giorgio is a regular visitor of several institutions including the US Federal Reserve, the Hong Kong Monetary Authority and the Bank for International Settlements. His profile appeared in Marquis' Who's Who in America, Who's Who in Asia and Who's who in the World and his name has been included among the top 200 RePEc young world economists (with less than ten years from obtaining their PhD degree).

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