

REPORTS

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REPORT OF THE XI INTERNATIONAL CONFERENCE ON FORECASTING FINANCIAL MARKETS AND ECONOMIC DECISION-MAKING – FINDECON '2014

The 11th edition of FindEcon Conference on *Forecasting Financial Markets and Economic Decision-Making* was organized on 15–16 May 2014 by the Chair of Econometrics, Institute of Econometrics at University of Łódź. This year the conference was held in post-industrial interiors of Hotel Focus in Łódź. The meeting gave the opportunity to present papers on well diversified topics starting from methodological aspects of financial modelling and macroeconomic forecasting to general reflections on 30 years of financial liberalisation.

Professor Władysław Milo acted the Chair of Programme Committee and Piotr Wdowiński (Assoc. Professor) was the Chair of Organization Committee. The other academics from the Chair of Econometrics, University of Łódź, were very active in conference preparations with dr Mariusz Górajski and dr Grzegorz Szafrąński coordinating the works of Organization Committee and Programme Committee, respectively, acting as conference secretaries.

The conference was held under the patronage of the two prominent Polish institutions: National Bank of Poland (Narodowy Bank Polski) and Polish Financial Supervision Authority (Komisja Nadzoru Finansowego). The organizers also acknowledge the financial support from: Łódź Marshall Office, Faculty of Economics and Sociology at University of Łódź, CERFiN and Timberlake Consultants. The media partnership of this event was provided by Obserwator Finansowy (economics web portal) and TVP Łódź (television). Herewith we thank our sponsors and partners for ongoing support of our scientific events. They helped us to organise the event to the goodwill of all academic society.

The participants were representing ten domestic and nine foreign institutions, both of academic and financial background. The participants came from 15 different universities and 4 institutions including three central banks (National Bank of Poland, European Central Bank, Bank of Finland) and one commercial bank. They had the opportunity to take part in one invited lecture, four invited sessions and six contributed sessions. The participants presented the following topics, which were discussed after their presentations:

Invited lecture:

The inaugural lecture was given by prof. Timo Teräsvirta of Aarhus University and CREATES (Denmark). He discussed with all necessary econometric details his (yet unpublished) paper on *Specification and Testing of Multiplicative Time-Varying GARCH Models with Applications* (co-authored by Cristina Amado).

Invited sessions:

- The invited speech on *Reflections on 30 Years of Financial Liberalisation* by prof. Shanti P. Chakravarty from Bangor University (UK) was another piece of brilliant scientific reflection on the social origins of great financial crises experienced in 2007–2008. It was a thorough analysis based on the report of the most distinguished British economists in reply to the question of the British Queen asking why nobody had overseen the crises from its symptoms.
- Prof. Virmantas Račkauskas from Vilnius University (Lithuania) in his paper *Hilbert space valued GARCH with univariate volatility* (co-authored by Milda Prankevičiute) introduced new theoretical aspects of modelling volatility.
- Prof. Matti Virén from Turku University and Bank of Finland in his paper entitled *What drives loan losses in Europe?* has discussed practical aspects of macroeconomic determinants of lending activity across Europe.
- Dr Jacek Kotłowski from the Economic Institute (Deputy Director) of National Bank of Poland described from a practical perspective the forecasting process as it is introduced in NBP.

The following papers were presented during six contributed sessions (in order of appearance):

- Eliza Buszkowska (Adam Mickiewicz University in Poznań), *Forecasting the volatility of volatility with ARMA and GARCH models*.
- Witold Orzeszko (Nicolaus Copernicus University in Toruń), *An application of the NRL test to detect nonlinearity in financial time series*.
- James Sørli (Caixa Cinzenta SA Portugal), *Grey-box Methods in Financial Markets*.
- Paweł Miłobędzki (University of Gdańsk), *The components of bid-ask spreads at the Warsaw Stock Exchange*.
- Barbara Będowska-Sójka (Poznań University of Economics), *Liquidity Needs or News Releases – What Causes Jumps on the Warsaw Stock Exchange*.
- Juliusz Jabłecki, Ryszard Kokoszczynski, Paweł Sakowski, Robert Ślepaczuk, Piotr Wójcik (University of Warsaw), *Volatility derivatives in portfolio optimization*.

- Magdalena Grothe (European Central Bank), *Market pricing of credit rating signals*.
- Vija Micune (University of Latvia), *Banking Sector in Dynamic Stochastic General Equilibrium Models*.
- Mariusz Górajcki, Dominika Bogusz, Magdalena Ulrichs (University of Łódź), *Risk-sensitive optimal monetary policy rules in the Polish economy*.
- Antoni Leon Dawidowicz (Jagiellonian University), Katarzyna Brzozowska-Rup (University of Kielce), *An Online Expectation-Maximization Algorithm for Volatility Modelling*.
- Daniel Kosiorowski, Zygmunt Zawadzki (Cracow University of Economics), *Notes on optimality of predictive distribution pseudo-estimators in the CHARME models under the robust risk measures and their consequences for automatic trading strategies*.
- Sebastian Sitarz (University of Silesia), *Using the Tolerance Approach in the Market Model*.
- Agata Kliber (Poznań University of Economics), *Leverage Effect in Sovereign Credit Default Swap Spreads – Emerging Markets versus the Developed Ones*.
- Harri Ponkka (University of Helsinki), *Predicting the Direction of US Stock Markets using Industry Returns*.
- Dariusz Urban (University of Łódź), *Analysis of Investment Attractiveness of Companies Listed on Warsaw Stock Exchange for Sovereign Wealth Fund*.
- Magdalena Grothe, Jacob Ejsing, Oliver Grothe (European Central Bank), *Liquidity and credit risk premia in government bond yields*.
- Krzysztof Czerkas (CERFiN), *The foreign currency mortgage loans in the Polish banking sector and its possible macroeconomic and political consequences*.
- Grzegorz Szafranski (University of Łódź), Aleksandra Hałka (Narodowy Bank Polski), *What common factors are driving inflation in CEE countries?*

There was also the opportunity for young scientists (both graduate and PhD students) to present their work in progress during the poster session sponsored by Timberlake Consultants Ltd. The winning poster on *modelling credit risk for companies at Warsaw Stock Exchange* was presented by Artur Gądek (University of Łódź) – undergraduate student of *Business Analytics* (Faculty of Economics and Sociology, Institute of Econometrics).

Altogether different empirical research on both financial and macroeconomic topics were presented. Methodological and practical aspects of these papers were discussed. The participants were given many interesting remarks on their work in progress which will be useful in scientific work. Modelling volatility, liquidity, credit risk, inflation, monetary and macroprudential policies were among the most popular topics. They were intensively debated during regular presentations and during less formal discussions ('off the floor'). Some of them will find their place being published in the post-conference FindEcon monograph which we plan to publish next

year (see the previous volumes at <http://findecon.online.uni.lodz.pl/>) after reviewing the manuscripts.

Two invited lectures and the *Book of Abstracts* of other presented papers can be found on the FindEcon website (<http://findecon.uni.lodz.pl/>). It is also the best starting point to follow if you are interested in the next edition of FindEcon Conference we are planning in May 2016.

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