SEMINAR ON STOCHASTICS
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Bubbles, and Long Memory in Asset-Price Volatility

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After introducing the concept of long memory time-series, we show that a class of microeconomic behavioral models with interacting agents can replicate the empirical long memory properties of financial time-series. The essence of these models is that the behavior of market participats is influenced by those of other participants. This generates herding behavior which affects the asset price dynamics. Although the model seems to generate long-memory in volatility, we show that this is due to regime-switching, which can be detected by new tests that we propose.

Tuesday May 7; 2:00 p.m.–2:50 p.m.; LCB 222
(Note the unusual time.)