UNIVERSITÄT GRAZ
UNIVERSITY OF GRAZ

Department of Economics

Host: Univ.-Prof. Dr. Hans Manner

INVITATION

Dr. Dennis Umlandt
(Uni Innsbruck)

On the topic:

"Moment Conditions and Time-Varying Risk Premia"

This paper proposes a novel approach for estimating linear factor pricing models with dynamic risk premia based on a generalized method of moments framework. Time-varying risk prices and exposures follow an updating scheme that aims for the steepest descent of the conditional moment-criterion function at time t. The most informative moment for inferring risk premium dynamics comes from the cross-sectional pricing equation estimated in the second stage of the popular Fama-MacBeth regression approach. Monte Carlo results show that the new approach is able to adequately filter various types of risk premium dynamics. An application to the Fama-French 3-factor model shows that the GMM-based procedure can significantly reduce pricing errors compared to other dynamic and static approaches. The results show that risk premia dynamics vary across factors, and while they are generally countercyclical, they exhibit significant declines at the beginning of crisis periods. These declines are not predicted by regression-based approaches.

Date: November 14, 2023
Starting time: 4.30 p.m.
Location: HS 111.21/Beethovenstraße 8/2

All professors, lecturers, assistants and students are cordially invited to this lecture!