TWENTIETH ANNUAL SYMPOSIUM
OF
THE SOCIETY FOR NONLINEAR DYNAMICS AND ECONOMETRICS
APRIL 5 – APRIL 6, 2012

ISTANBUL BILGI UNIVERSITY
ISTANBUL, TURKEY

WEDNESDAY, APRIL 4

18:20   **SHUTTLE PICK-UP** (please meet at the hotel lobby of the conference hotels)

19:00 – 22:00 **COCKTAIL PARTY** (Tamirane / Bilgi University - Santral Campus)

19:00 – 22:00 **REGISTRATION** (Tamirane / Bilgi University - Santral Campus)

22:00   **SHUTTLE DEPARTURE** Return to conference hotels

THURSDAY, APRIL 5

7:50   **SHUTTLE PICK-UP** (please meet at the hotel lobby of the conference hotels)

8:15 – 9:00 **REGISTRATION** (BUILDING E1)

9:00 – 9:45 **WELCOME** (E1 - 301)

    Dr. Erdem Basci
    The Governor of the Central Bank of Turkey

9:45 - 11:15 **SESSION 2: FORECASTING UNDER UNCERTAINTY** (ROOM E1 - 201)
    Chair: Sarah Zubairy (Bank of Canada)

    Density Forecasts in the Presence of Instabilities
     Barbara Rossi; Duke University
     Tatevik Sekhposyan; Bank of Canada

    Discriminating between Different Kinds of Unpredictability
     Philip Bertram; University of Hanover

    Forecasting the Probability of Exceeding the US Debt Ceiling
     Shaun Vahey; Australian National University
     Anthony Garratt; Birkbeck
     Liz Wakerly; CAMA

9:45 - 11:15 **SESSION 3: FINANCIAL MARKET BEHAVIOR** (ROOM E1 - 202)
    Chair: Ivan Paya (Lancaster University Management School)

    How to Identify and Predict Bull and Bear Markets?
     Erik Kole; Erasmus University Rotterdam
     Dick van Dijk; Erasmus University Rotterdam

    Heterogeneous Beliefs in an Asset Pricing Model with Endogenous Fundamentals
     Mikhail Anufriev; University of Technology, Sydney

    Bubbles and Investment Horizons
     Nadja Guenster; Maastricht University
     Erik Kole; Erasmus University Rotterdam

9:45 - 11:15   **SESSION 4: BANKING AND FINANCE IN MACROECONOMICS** (ROOM E1 - 306)
Chair: Tino Berger (University of Cologne)

The Credit Cycle and the Business Cycle in Canada and the U.S.: Two Solitudes?
  Pierre Siklos; Wilfrid Laurier University

Bank Structure and International Capital Flows
  James Staveley-O'Carroll; Georgetown University

Dynamic Stochastic General Equilibrium Model with Financial Frictions, Cost of Adjustment and Imperfection in the Banking Sector - the Brazilian Case
  Joaquim Andrade; Universidade de Brasïlia

9:45 - 11:15   **SESSION 5: FACTOR MODELS** (ROOM E1 - 307)
Chair: Stefano Grassi (Aarhus University)

On the Issue of How Many Variables to Use When Estimating Common Factors Using the Kalman Filter
  Esther Ruiz; Universidad Carlos III de Madrid
  Pilar Poncela; Universidad Autonoma de Madrid

Testing for Panel Cointegration using Common Correlated Effects Estimators
  Josep Lluís Carrion-i-Silvestre; Universtity of Barcelona
  Anindya Banerjee; University of Birmingham

Real Versus Nominal Cycles: A Unified Markov-Switching Dynamic Bi-Factor Analysis
  Danilo Leiva-Leon; Universidad de Alicante

9:45 - 11:15   **SESSION 6: TAX POLICY** (ROOM E1 - 308)
Chair: Jacek Suda (Banque de France - Paris School of Economics)

An Extensive Look at Taxes: How Does Endogenous Retirement Affect Optimal Taxation?
  William Peterman; Federal Reserve Board of Governors

Macroeconomic Effects of Alternative Tax Policies during Financial Crises
  Inci Gumus; Sabanci University

Pollution, Mortality and Optimal Environmental Policy
  William Pouliot; University of Birmingham
  Aditya Goenka; National University of Singapore
  Saqib Jafarey; City University

11:15 – 11:45   **COFFEE/TEA**

11:45 - 13:15   **SESSION 7: NOWCASTING** (ROOM E1 - 201)
Chair: Sumru Altug (Koc University)

ECB Infrastructure for Short-Term Forecasting
  Vincent Labhard; European Central Bank (ECB)

The Second Generation Nowcast Systems
  Micke Andersson; Sveriges Riksbank

Now- and Forecasting GDP Growth with a Markov-Switching Factor MIDAS Model
  Marie Bessec; Banque de France
  Othman Bouabdallah; Banque de France

11:45 - 13:15   **SESSION 8: FINANCE AND ECONOMETRICS** (ROOM E1 - 202)
Chair: Bruce Mizrach (Rutgers University)

Optimal Trading Strategy in a Limit Order Market with Imperfect Liquidity
  Polina Kovaleva; City University London
  Giulia Iori; City University

Trading Volume in General Equilibrium with Complete Markets
  Eric Aldrich; Federal Reserve Bank of Atlanta

A New Way of Eliminating Weak Instruments
  Mehmet Caner; North Carolina State University

11:45 - 13:15   **SESSION 9: MONETARY POLICY** (ROOM E1 - 306)
Chair: James Morley (University of New South Wales)

Stabilization Effects of the Euro Area Monetary Policy
  Tatevik Sekhposyan; Bank of Canada
  Michael Owyang; Federal Reserve Bank of St Louis

Forecasting Fed Funds Target Changes with Large Datasets
  Michael Owyang; Federal Reserve Bank of St Louis
  Travis Berge; University of California at Davis

Towards an Explanation of Cross-Country Asymmetries in Monetary Transmission
  Georgios Georgiadis; Goethe University Frankfurt

11:45 - 13:15   **SESSION 10: ECONOMETRIC METHODS** (ROOM E1 - 307)
Chair: Erik Kole (Erasmus University Rotterdam)

Piecewise Local Linear Estimation of Functional Equilibrium Relationships
Jean-Yves Pitarakis; University of Southampton
Anurag Banerjee; Durham University

Estimating Variance Matrices
Karim Abadir; Imperial College London

Efficient Estimation of Parameters in Marginals in Semiparametric Multivariate Models
Valentyn Panchenko; University of New South Wales

11:45 - 13:15   **SESSION 11: CREDIT, COLLATERAL, AND THE BUSINESS CYCLE** (ROOM E1 - 308)
Chair: Kevin Lansing (Federal Reserve Bank of San Francisco and Norges Bank)

Credit Uncertainty Cycle
Enrique Martinez-Garcia; Federal Reserve Bank of Dallas

Learning Leverage Shocks and the Great Recession
Jacek Suda; Banque de France - Paris School of Economics
Patrick Pintus; Aix-Marseille University and GREQAM-IDEP

Credit Decomposition and Business Cycles
Berrak Bahadir; University of Georgia
Inci Gumus; Sabanci University

13:15 – 14:30   **LUNCH (**SO CAFÉ / BILGI UNIVERSITY - SANTRAL CAMPUS**)**

14:30 - 16:00   **SESSION 12: NOWCASTING AND LEADING INDICATORS** (ROOM E1 - 201)
Chair: Vincent Labhard (Directorate General Economics, European Central Bank)

Leading Indicators of Real Activity and Inflation for Turkey, 2001-2010
Sumru Altug; Koc University
Erhan Uluceviz; Bilgi University

Nowcasting with Daily Data
Michele Modugno; Université libre de Bruxelles - ECARES
Marta Banbura; European Central Bank
Domenico Giannone; Université Libre de Bruxelles
Lucrezia Reichlin; London Business School

Forecasting Economic Growth in the Euro Area During the Great Moderation and the
Great Recession
Marco Lombardi; European Central Bank

14:30 - 16:00   **SESSION 13: FINANCIAL ECONOMETRICS I** (ROOM E1 - 202)
Chair: Serda Ozturk (Istanbul Bilgi University)

Testing for Jumps in GARCH Models, A Robust Approach
 Sébastien Laurent; Maastricht University
 Christelle Lecourt; FUNDP
 Franz Palm; Maastricht University

EGARCH Models with Fat Tails, Skewness and Leverage
 Genaro Sucarrat; BI Norwegian Business School
 Andrew Harvey; University of Cambridge

Global, Regional and Country Factors for the World Economy: A Dynamic Factor
Approach
 Stefano Grassi; Aarhus University
 Borus Jungbacker; VU University Amsterdam
 Siem Jan Koopman; VU University Amsterdam

14:30 - 16:00   **SESSION 15: TRENDS AND BREAKS** (ROOM E1 - 306)
Chair: Jun Ma (University of Alabama)

Why are Shocks to Trend and Cycle So Commonly Negatively Correlated?
 Tara Sinclair; George Washington University
 Xiaohan Ma; The George Washington University

Testing for Broken Trends in Multivariate Time Series
 Nuno Sobreira; Nova School of Business and Economics
 Luis Nunes; Univ. Nova Lisboa

Detecting Spurious Regressions Under Changes in Persistence
 Robinson Kruse; Leibniz University Hannover

14:30 - 16:00   **SESSION 16: FISCAL POLICY** (ROOM E1 - 307)
Chair: Ming Lo (St. Cloud State University)

A Factor-Augmented VAR for Regional Analysis of the Effects of Fiscal Shocks
 Sarah Zubairy; Bank of Canada
 Michael Owyang; Federal Reserve Bank of St Louis

Sovereign Risk in the Euro Area: Is it Mostly Fiscal or Financial?
 Giovanni Caggiano; University of Padua
 Luciano Greco; University of Padua

State-Dependent Effects of Fiscal Policy
 James Morley; University of New South Wales
 Steven Fazzari; Washington University in St. Louis
 Irina Panovska; Washington University in St. Louis

16:00 – 16:30　　**COFFEE/TEA**

16:30 - 18:00　　**SESSION 17: REAL-TIME FORECASTING** (ROOM E1 - 201)
　　　　　　　　Chair: Shaun Vahey (Australian National University)

　　　　　　　　Real-Time Forecasts of the Real Price of Oil
　　　　　　　　　Christiane Baumeister; Bank of Canada
　　　　　　　　　Lutz Kilian; University of Michigan

　　　　　　　　The Predictability of US Data Revisions: Comparing Surveys and Forecasting Models
　　　　　　　　　Ana Beatriz Galvao; Queen Mary, University of London
　　　　　　　　　Michael Clements; University of Warwick

　　　　　　　　Regime-switching Global Vector Autoregressive Models
　　　　　　　　　Marco Gross; European Central Bank
　　　　　　　　　Michael Binder; Goethe University Frankfurt

16:30 - 18:00　　**SESSION 18: INTERNATIONAL FINANCE** (ROOM E1 - 202)
　　　　　　　　Chair: Hakan Kara (Central Bank of Turkey)

　　　　　　　　Trend Shocks, Risk Sharing and Cross-Country Portfolio Holdings
　　　　　　　　　Gursu Keles; TCMB
　　　　　　　　　Yavuz Arslan; TCMB
　　　　　　　　　Mustafa Kilinc; Central Bank of Turkey

　　　　　　　　Common Movement of the Emerging Market Currencies
　　　　　　　　　Meltem Chadwick; Central Bank of Turkey
　　　　　　　　　Fatih Fazilet; Central Bank of Turkey
　　　　　　　　　Necati Tekatli; Central Bank of Turkey

　　　　　　　　Nonlinearities in CDS-Bond Basis
　　　　　　　　　Kurmas Akdogan; Central Bank of Turkey
　　　　　　　　　Meltem Gülenay Chadwick; Central Bank of Turkey

　　　　　　　　Closing Small Open Economy Models: A Comparison of Numerical Accuracy
　　　　　　　　　Huseyin Ozbilgin; Central Bank of Turkey (TCMB)

16:30 - 18:00　　**SESSION 19: BUSINESS CYCLES** (ROOM E1 - 306)
　　　　　　　　Chair: Tara Sinclair (George Washington University)

　　　　　　　　Structural Changes and Jobless Recoveries
　　　　　　　　　Irina Panovska; Washington University in St. Louis

　　　　　　　　News About Taxes and Expectations-Driven Business Cycles
　　　　　　　　　Anca Ioana Sirbu; University of California, Riverside

　　　　　　　　Employment Responses to Aggregate and Sectoral Technology Shocks
　　　　　　　　　Kangwoo Park; Korea National Open University

16:30 - 18:00   **SESSION 20: NONLINEAR TIME SERIES I** (ROOM E1 - 307)
Chair: Michael Owyang (Federal Reserve Bank of St Louis)

Nonlinear Time Series Models and Model Selection
Ming Lo; St. Cloud State University
Yamin Ahmad; University of Wisconsin - Whitewater

Inference in Semiparametric Partial Threshold Models
Yundong Tu; University of California, Riverside

Fiducial Distribution Confidence Intervals for Threshold Models with an Application to Credit Market Crises
Luiggi Donayre; University of Minnesota - Duluth

16:30 - 18:00   **SESSION 21: INFLATION** (ROOM E1 - 308)
Chair: Joaquim Andrade (Universidade de Brasïlia)

Is Forecasting Inflation Easier Under Inflation Targeting?
Harun Özkan; Istanbul Bilgi University

On the Redistributional Effects of Long-Run Inflation in a Cash-in-Advance Economy
Venoo Kakar; University of California, Riverside

18:30   **DEPARTURE** (from campus to Gala Dinner at Sardunya)

19:00 – 22:30   **GALA DINNER** (Sardunya)

22:30   **DEPARTURE** (from Sardunya to conference hotels)

8:20   **SHUTTLE PICK-UP** (please meet at the hotel lobby of the conference hotels)

9:00 - 10:30   **SESSION 22: COMBINATION, MISSPECIFICATION, AND FORECASTING**
(ROOM E1 - 201)
Chair: Karin Loch (University of Heidelberg)

Threshold Autoregression under Misspecification and an Application to Forecasting
  Myung Hwan Seo; London School of Economics

Is There an Optimal Forecast Combination? A Stochastic Dominance Approach to
Forecast Combination Puzzle.
  Thanasis Stengos; University of Guelph
  Mehmet Pinar; Fondazione Eni Enrico Mattei
  M. Ege Yazgan; Istanbul Bilgi University

Trend-Cycle Decomposition of Output and Euro Area Inflation Forecasts a Real-Time
Approach Based on Model Combination
  Pierre Guerin; Bank of Canada
  Laurent Maurin; European Central Bank
  Matthias Mohr; European Central Bank

9:00 - 10:30   **SESSION 23: FINANCIAL ECONOMETRICS II** (ROOM E1 - 202)
Chair: Eric Aldrich (Federal Reserve Bank of Atlanta)

Effects of Outliers on Asymmetric GARCH Models
  M. Angeles Carnero; Universidad de Alicante
  Ana Perez; Universidad de Valladolid
  Esther Ruiz; Universidad Carlos III de Madrid

Wishart Affine Stochastic Correlation and Realized (Co)Variances: An Ordinary Least
Squares Estimation Approach
  Jose Da Fonseca; Auckland University of Technology

9:00 - 10:30   **SESSION 24: COMMODITY MARKETS** (ROOM E1 - 306)
Chair: Christiane Baumeister (Bank of Canada)

Oil Price Dynamics, Macro-Finance Interactions and the Role of Financial Speculation
  Claudio Morana; Department of Economics

Speculation in the Oil Market
  Ivan Petrella; Birkbeck College, University of London
  Luciana Juvenal; Federal Reserve Bank of St Louis

The Dynamics of Commodity Prices: A Clustering Approach
  Ozge Savascin; University of North Carolina, Chapel Hill

9:00 - 10:30   **SESSION 25: NONLINEAR TIME SERIES II** (ROOM E1 - 307)
Chair: Pierre Siklos (Wilfrid Laurier University)

A Powerful Entropy Test of Linearity
  Esfandiar Maasoumi; Emory University

Specification, Estimation and Evaluation of Vector Smooth Transition Autoregressive
Models with Applications
  Timo Teräsvirta; Aarhus University

Tests for Linearity in STAR Models: SupWald and LM-type Tests
  Rehim Kilic; Federal Reserve Bank of Atlanta

9:00 - 10:30   **SESSION 26: HOUSING** (ROOM E1 - 308)
Chair: Gerald Dwyer (Federal Reserve Bank of Atlanta)

House Prices, Expectations, and Time-Varying Fundamentals
  Kevin Lansing; Federal Reserve Bank of San Francisco and Norges Bank
  Paolo Gelain; Norges Bank

Housing Market Dynamics: Any News?
  Caterina Mendicino; Banco de Portugal
  Sandra Gomes; Bank of Portugal

Identifying the Source of Fluctuations in House Prices
  Olena Mykhaylova; University of Richmond

10:30 – 11:00   **COFFEE/TEA**

11:00 - 12:30   **SESSION 27: FORECASTING AND FINANCE** (ROOM E1 - 201)
Chair: Ana Beatriz Galvao (Queen Mary, University of London)

Anticipating Long-Term Stock Market Volatility
  Karin Loch; University of Heidelberg
  Christian Conrad; University of Heidelberg

Forecasting the Return Distribution Using High-Frequency Volatility Measures
  Sebastiano Manzan; Baruch College, CUNY
  Jian Hua; Baruch College

Forecasting Mixed Frequency Time Series with ECM-MIDAS Models
  Thomas Götz; Maastricht University
  Alain Hecq; Maastricht University
  Jean-Pierre Urbain; Maastricht University

11:00 - 12:30   **SESSION 28: BANKING AND FINANCE** (ROOM E1 - 202)
Chair: Mikhail Anufriev (University of Technology, Sydney)

High Frequency Trading in the Equity Markets During Large-Scale Asset Purchases
Bruce Mizrach; Rutgers University
Cheng Gao; Rutgers University

The Cross-Section Analysis of Interbank Lending and Borrowing Rates:An Empirical Investigation Using Nonparametric Methods
Burcu Kapar; City University
Giulia Iori; City University
Jose Olmo; City University London

Lessons from the Evolution of Foreign Exchange Trading Strategies
Christopher Neely; Federal Reserve Bank of St. Louis
Paul Weller; University of Iowa

11:00 - 12:30   **SESSION 29: FINANCIAL CRISIS AND YIELDS** (ROOM E1 - 306)
Chair: Gerald Dwyer (Federal Reserve Bank of Atlanta)

Bayesian Semiparametric Dynamic Nelson-Siegel Model
Cem Cakmakli; University of Amsterdam

Modelling Dynamic Dependencies between CDS and the Equity Market with Regime Switching Copulas
Fei Fei; Cass Business School, City University London
Ana-Maria Fuertes; Cass Business School, City University London
Elena Kalotychou; Cass Business School, City University London

Systematic and Liquidity Risk in Subprime-Mortgage Backed Securities
Gerald Dwyer; Federal Reserve Bank of Atlanta
Mardi Dungey; University of Tasmania
Thomas Flavin; NUI Maynooth

11:00 - 12:30   **SESSION 30: NONLINEAR TIME SERIES III** (ROOM E1 - 307)
Chair: Claudio Morana (Milan State University, Bicocca)

Nonlinear Causality Tests and Multivariate Conditional Heteroskedasticity: A Simulation Study
  Ivan Paya; Lancaster University Management School
  Efthymios Pavlidis; Lancaster University
  David Peel; Lancaster University Management School

Simple Procedures for Specifying Transition Functions in Persistent Nonlinear Time Series Models
  Hendrik Kaufmann; Leibniz Universität Hannover
  Robinson Kruse; Leibniz University Hannover
  Philipp Sibbertsen; Leibniz Universitaet Hannover

Global Hemispheric Temperature Trends and Co--Trending: A Shifting Mean Vector Autoregressive Analysis
  Matthew Holt; Univesity of Alabama
  Timo Teräsvirta; Aarhus University

11:00 - 12:30   **SESSION 31: EXCHANGE RATES** (ROOM E1 - 308)
Chair: YinWong Cheung (University of California, Santa Cruz and Cesifo, Munich)

The Contribution of Economic Fundamentals to Movements in Exchange Rates
  Jun Ma; University of Alabama
  Nathan Balke; Southern Methodist University and Federal Reserve Bank of Dallas
  Mark Wohar; University of Nebraska-Omaha

Asymmetric Price Impacts of Order Flow on Exchange Rate Dynamics
  Yongcheol Shin; University of York

Exchange Rate Equations Based on Interest Rate Rules: In-Sample and Out-of-Sample Performance
  YinWong Cheung; University of California, Santa Cruz and Cesifo, Munich

13:15 – 14:30   **LUNCH (**SO CAFÉ / BILGI UNIVERSITY - SANTRAL CAMPUS)

14:00 - 15:30   **SESSION 32: LONG MEMORY** (ROOM E1 - 201)
Chair: Mark Jensen (Federal Reserve Bank of Atlanta)

Learning Generates Long Memory
  Guillaume Chevillon; ESSEC & CREST-INSEE, Paris
  Sophocles Mavroeidis; Oxford University

Multiple Breaks in Long Memory Time Series
  Heiko Rachinger; Universidad Carlos III de Madrid

Sovereign Default Swap Market Efficiency and Country Risk in the Euro Area
  Orcun Kaya; Goethe University
  Yalin Gunduz; Deutsche Bundesbank

14:00 - 15:30   **SESSION 33: FINANCE TOPICS** (ROOM E1 - 202)
Chair: Valentyn Panchenko (University of New South Wales)

Basket and Spread Options under Variance Gamma Model
  Svetlana Borovkova; Vrije Universiteit Amsterdam
  Ferry Permana; Universitas Katolik Parahyangan, Bandung

An Analysis of the Decision for Plunging Using Log-SNP Distributed Asset Returns
  Trino Niguez; University of Westminster
  Ivan Paya; Lancaster University Management School
  David Peel; Lancaster University Management School
  Javier Perote; University of Salamanca

A New Country Risk Index for Emerging Markets: A Stochastic Dominance Approach
  Mehmet Pinar; Fondazione Eni Enrico Mattei
  Elettra Agliardi; Universtiy of Bologna
  Rossella Agliardi; University of Bologna
  Thanasis Stengos; University of Guelph
  Nikolas Topaloglou; Athens University of Business and Economics

14:00 - 15:30   **SESSION 34: MACRO UNCERTAINTIES** (ROOM E1 - 306)
Chair: Olena Mykhaylova (University of Richmond)

The Time-Varying Volatility of Earnings and Aggregate Precautionary Savings
  Lorenzo Pozzi; Erasmus University Rotterdam

Global Macroeconomic Uncertainty
  Sibylle Herz; University of Muenster
  Tino Berger; University of Cologne

House Prices and Extrapolative Expectations in Canada
  Eleonora Granziera; Bank of Canada
  Sharon Kozicki; Bank of Canada

14:00 - 15:30   **SESSION 35: NONLINEAR TIME SERIES IV** (ROOM E1 - 307)
Chair: Sebastiano Manzan (Baruch College, CUNY)

Stochastic Volatility and Leverage:Application to a Panel of S&P Stocks
  Serda Ozturk; Istanbul Bilgi University
  Jean-Francois Richard; University of Pittsburgh

Maximum Likelihood Estimation of a Noninvertible ARMA Model with Autoregressive Conditional Heteroskedasticity
  Mika Meitz
  Pentti Saikkonen; University of Helsinki

Bootstrap Refinements for Nonstationary Nonlinear Models
  Chi Nguyen; Tan Tao University

14:00 - 15:30   **SESSION 36: INTERNATIONAL MACRO** (ROOM E1 - 308)
Chair: Christopher Neely (Federal Reserve Bank of St. Louis)

Estimating and Explaining the Equilibrium Rate of Employment for the G7
Hauke Vierke; University of Cologne
Tino Berger; University of Cologne

A Panel Analysis of the Fisher Effect with an Unobserved I(1) World Real Interest Rate
Gerdie Everaert; Ghent University

On the Construction of Two-Country Cointegrated VAR Models with an Application to the UK and US
Reinhold Heinlein; University of Kent
Hans-Martin Krolzig; The University of Kent

15:30 – 16:00   **COFFEE/TEA**

16:00 - 17:30   **SESSION 37: CRAIG HIEMSTRA MEMORIAL LECTURE** (ROOM E1 - 301)

PREDICTABILITY OF ASSET RETURNS AND THE EFFICIENT MARKET HYPOTHESIS
Prof. Hashem Pesaran
University of Cambridge

18:00   **DEPARTURE** (via shuttle to conference hotels)