

Modeling and Forecasting Financial Market Volatility: Past Developments and New Directions

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Following the advent of the (G)ARCH class of models more than two decades ago, a revolution in modeling and forecasting financial market volatility has swept academic research and the financial services industry alike, with the new forecasting procedures finding wide-ranging applications in asset pricing, portfolio allocation, risk management, as well as direct volatility based trading. This lecture surveys some of the important historical developments and most popular statistical forecasting procedures in current use, along with ongoing volatility research based on high-frequency intraday data and so-called realized variation measures.