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Letter from Editors

The first issue of volume 5 consists of three papers representing three very different ways of modelling in economics. Alternative, theoretical - microeconomic and empirical - financial, approaches to risk analysis are presented in two papers, and the remaining one uses (for daily data from two separate markets) cointegration tools rooted in Bayesian macroeconometrics.

In the first paper, written by Michał Lewandowski, the concept of simple strategy is defined and three kinds of simple strategies are introduced. For three commonly used utility function families equivalent characterizations are obtained in terms of the corresponding simple strategy, in terms of the buying and selling price properties, and in terms of the utility function properties. An extension of Pratt (1964) theorem is presented, which involves buying price for a lottery as an alternative measure of comparative risk aversion. A number of propositions on both selling and buying price for a lottery and CRRA utility class are proved.

In the second paper, Ewa Ratuszny presents robust estimation applied to the Value-at-Risk (VaR) measurement. The approach she uses is based on quantile regression and bounded innovation propagation filters. In order to illustrate advantages of such (robust) methods, she compares more traditional VaR forecasts and the new ones, all obtained for several groups of instruments in the period of high uncertainty on financial markets. For comparative purposes three groups of tests are applied.

In the third paper, Krzysztof Osiewalski and Jacek Osiewalski address the question how to check if a long-run relationship between daily prices exists and whether taking it into account influences inference on volatility and short-run relations between returns on different markets. In the model proposed in the paper a hybrid MSV-MGARCH structure for VAR(2) disturbances is used. In order to keep cointegration modelling as simple as possible, only the case of two prices representing two markets is explicitly considered. In the empirical example the S&P500 index and the WTI oil price (from 19.12.2005 till 30.09.2011) are modelled.