

VaR Estimation Using the Informational Content of Futures Traded Volume

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Abstract : New Value at Risk (VaR) estimation is proposed and investigated. The well-known two stages Garch-EVT approach uses conditional volatility to generate one step ahead forecasts of VaR. With daily data for twelve stocks that decompose the Dow Jones Industrial Average (DJIA) index, this paper incorporates the volume in the first stage volatility estimation. Afterwards, the forecasting ability of this conditional volatility concerning the VaR estimation is compared to that of a basic volatility model without considering any trading component. The results are significant and bring out the importance of the trading volume in the VaR measure.

Keywords : Garch-EVT, value at risk, volume, volatility

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