Lingnan 嶺南大學 University
The Liberal Arts University in Hong Kong 香港的博雅大學
財務及保險學系 Department of Finance & Insurance
香港商學研究所 Hong Kong Institute of Business Studies

ACADEMIC SEMINAR

Efficient Diversification under Generalized Almost Stochastic Dominance

Stochastic dominance (SD) has been identified as an important method for efficient diversification. However, the SD rule is too rigid in that it remains silent on some obvious preferences between two distributions for most investors as pointed out by Leshno and Levy (2002). Thus the purpose of this paper is to derive an efficient frontier according to generalized almost stochastic dominance (GASD) rules proposed by Tsetlin et al. (2014), which can effectively delete the choices which are not preferred by most economically important decision makers. We first respectively propose tests for portfolio admissibility and portfolio optimality under generalized almost first-degree stochastic dominance. We then propose tests for efficient diversification under generalized almost second-degree stochastic dominance. In each test, we demonstrate how to use computational and tractable linear programming to implement the tests and provide their applications in the stock markets.

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Christine Wang received her Ph.D. degree in 2014 from National Taiwan University. Her doctoral thesis focuses on portfolio optimization and market efficiency. She has published her paper, entitled "Almost Marginal Conditional Stochastic Dominance" (AMCSD), on *Journal of Banking and Finance*. Her research interests are asset allocation, option pricing, risk theory and financial mathematics. In 2010 she worked in KGI Securities Company at Proprietary Trading department to develop portfolio investment trading strategies and analyse derivatives risk. She also holds a BA degree in Mathematical Science from National Chengchi University and a MA degree in Finance from National Chiao Tung University.

Date: 12 November 2015 (Thursday)

Time: 11:00 am – 12:30 pm

Venue: SEK210, 2/F, Simon & Eleanor Kwok Bldg.

Language: English

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*** All are Welcome ***