
Modélisation des risques financiers et extra-financiers

Partner(s) : Insti 7

Scientific director(s) : Bertrand Cadelon

RESEARCH PROGRAM DESCRIPTION

The research program aims at analysing the impacts of the macroeconomic environment and the green transition for institutional investors.

Macroeconomic environment

The COVID crisis and the war in Ukraine have paved the way of a new macroeconomic regime, characterized by the rehearsal of inflation and the increase in interest rates.

Predicting inflation constitutes therefore a bottleneck for policymakers (central banks or treasury offices) to fix their economic policies but it also presents a broader interest for investors, in particular via the slope of the yield curve, labor market actors during the wage negotiation processes or even simple households and firms, desiring to evaluate their purchasing power, their saving capacities or planning their inventory. It is therefore not surprising that a multitude of inflation forecasts indicators are available on the market at almost real time frequency.

The structure of interest rate (yield curve) constitutes a second crucial object of interest for investors. The interplay between the term structure of interest rates and economic unfolding is of key relevance to economic players. For central banks, the yield curve is an important tool of monetary policy transmission, whereas for financial investors, the term structure reflects the expectations and risk-return assessments of the future macroeconomic outlook.

Understanding Green investment

Together with the on-going macroeconomic environment, the extra-financial aspect (green transition, governance,...) take a larger place in investor decisions.

The first study will evaluate the optimal public policies to be implemented to favor the green transition. Should we go on with decision coming from multilateral meeting as the Paris Agreement or is it more appropriate to develop a global carbon tax? This simple question has prompted debate among economists about the effectiveness of climate policies.

Climate change may affect macroeconomic developments and the transmission of monetary policy, and then may have relevant implications for the design and the toolkit of monetary policy. Since the Global Financial Crisis in 2008, most central banks have undertaken unconventional monetary policy measures, including asset purchase programs, to pursue their policy mandates in a low interest rate

environment. However, there is growing debate on evaluating the environmental effects of central bank policies, particularly for non-standard measures.

This raises the question about how to design monetary policies that are effective in achieving their primary objectives, but without having undesirable climate externalities and ideally with the potential to complement other policy actions in addressing climate change. Some options to include climate change objectives in the central bank mandate and in the monetary policy toolkit are considered by central banks or in course of implementation, but the outcomes remain uncertain and questionable.

RESEARCH TEAM

Researchers

Prof. Bertrand Candelon (UCLouvain)

Dr. Jean-Baptiste Hasse (Aix-Marseille U and University of Rotterdam)

PUBLICATIONS OF THE YEAR DIRECTLY RELATED TO THE RESEARCH PROGRAM

Published

Candelon, Bertrand & Hasse, Jean-Baptiste, 2023. "Testing for causality between climate policies and carbon emissions reduction," Finance Research Letters, Elsevier, vol. 55(PA).

Candelon, Bertrand & Moura, Rubens, 2023. "Sovereign yield curves and the COVID-19 in emerging markets," Economic Modelling, Elsevier, vol. 127(C).

Argyropoulos Christos, Candelon, Bertrand, Hasse, Jean-Baptiste, Katerina Panopoulou, 2023. "Toward a Macroprudential Regulatory Framework for Mutual Funds" in International Journal of Finance and Economics, April.

Accepted

Hasse, Jean-Baptiste et al., 2023. "Non-Standard Errors" The Journal of Finance.

Under review

B. Candelon, M. Joëts and V. Mignon. "What Makes Econometric Ideas Popular: The Role of Connectivity".

B. Candelon, F. Mugrabi, S. Ben Naceur, M. Belkhir and W. G. Choi. "The Effect of Macroprudential Policy on Bank Systemic Risk: Does Inflation Targeting Matter?".

B. Candelon, S. Ben Naceur, D. Emrullahu and S. Elekdag, "Is FinTech eating the Bank's lunch?"

B. Candelon and Francesco Roccazzella, "Do we care about ECB inflation forecasts?"

B. Candelon and Rubens Moura "A Multicountry Model of the Term Structures of Interest Rates with a GVAR" .

B. Candelon and A.Luisi "Testing for the Validity of W in GVAR models".

Hasse, J-B., Lecourt, C., and Siagh S. "Institutional Stock-Bond Portfolios Rebalancing and Financial Stability".

Working papers

B. Candelon, M. Joëts and V. Mignon. "What Makes Econometric Ideas Popular: The Role of Connectivity" LFIN working paper 2023 / 05.

B. Candelon, F. Mugrabi, S. Ben Naceur, M. Belkhir and W. G. Choi. "The Effect of Macroprudential Policy on Bank Systemic Risk: Does Inflation Targeting Matter?" IMF working paper 23/119.

B. Candelon, S. Ben Naceur, D. Emrullahu and S. Elekdag, "Is FinTech eating the Bank's lunch?" IMF working paper 23/39.

Hasse, J-B., Lecourt, C., and Siagh S. "Institutional Stock-Bond Portfolios Rebalancing and Financial Stability" AMSE Working Paper No 2023-22?

MAJOR COMMUNICATIONS RELATED TO THE RESEARCH PROGRAM

Major academic conferences, invited speaker, etc.

Bertrand Candelon . IWFSAS conference 2023 , October 6, 2023.

. Caisse des dépôts et consignations", January 11, 2023.

Jean-Baptiste Hasse . AFSE, Sciences Po Paris, June 14-16, France.

. QFFE, Aix-Marseille University, June 8-9.

. ARAE workshop Paris Nanterre, December

Events organized by the program

ESG, le monde d'après ? – Colloque Insti7 en partenariat avec les UN PRI le 20 avril 2023.

OTHER HIGHLIGHTS

Awards, scientific recognition, organization of calls for projects, involvement in master's courses, PhD program visiting researchers, etc...

PhD Defense Souhaila Siagh under the supervision JB Hasse