

# Overnight News and Daily Equity Trading Risk Limits

[Get access >](#)

Katja Ahoniemi, Ana-Maria Fuertes, Jose Olmo

*Journal of Financial Econometrics*, Volume 14, Issue 3, Summer 2016, Pages 525–551, <https://doi.org/10.1093/jjfinec/nbu032>

**Published:** 13 February 2015    **Article history** ▾

## Abstract

This article proposes a new bivariate modeling approach for setting daily equity-trading risk limits using high-frequency data. We construct one-day-ahead Value-at-Risk forecasts by taking into account the different dynamics of the overnight and daytime return processes and their covariance. The covariance is motivated by market microstructure effects such as price staleness and news spillover. Among the competitors we include a simpler bivariate model where the overnight return is redefined by moving the open price further into the trading day, and a univariate model based on the close-to-close return and an overnight-adjusted realized volatility. We illustrate the different approaches using data on the S&P 500 and Russell 2000 indices. The evidence in favor of modeling the covariance is more convincing for the latter index because of the lower trading volumes and, relatedly, the less efficient price discovery at market open for small-cap stocks.

© The Author, 2015. Published by Oxford University Press. All rights reserved. For Permissions, please email: [journals.permissions@oup.com](mailto:journals.permissions@oup.com)

**Issue Section:** [Articles](#)

You do not currently have access to this article.

## Sign in

 [Get help with access](#)

**Personal account**

**Institutional access**

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD

Sign in >

Register

 Sign in through your institution

 Sign in through your institution >

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

### **Institutional account management**

[Sign in as administrator](#)

## Purchase

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

## Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

Overnight News and Daily Equity Trading Risk Limits - 24 Hours access

EUR €53.00

GBP £44.00

USD \$58.00

## Rental



This article is also available for rental through DeepDyve.