

How Relevant is Volatility Forecasting for Financial Risk Management?

Peter F. Christoffersen, Francis X. Diebold

[➤ Author and Article Information](#)

The Review of Economics and Statistics (2000) 82 (1): 12–22.

<https://doi.org/10.1162/003465300558597> [Article history](#) 

[Cite](#) [Permissions](#) [Share](#)  [Views](#) 

Abstract

It depends. If volatility fluctuates in a forecastable way, volatility forecasts are useful for risk management (hence the interest in volatility forecastability in the risk management literature). Volatility forecastability, however, varies with horizon, and different horizons are relevant in different applications. Moreover, existing assessments of volatility forecastability are plagued by the fact that they are joint assessments of volatility forecastability and an assumed model, and the results can vary not only with the horizon but also with the assumed model. To address this problem, we develop a model-free procedure for assessing volatility forecastability across horizons. Perhaps surprisingly, we find that volatility forecastability decays quickly with horizon. Volatility forecastability – although clearly of relevance for risk management at the short horizons relevant for, say, trading desk management – may be much less important at longer horizons.

This content is only available as a PDF.

© 2000 President and Fellows of Harvard College and the Massachusetts Institute of Technology

You do not currently have access to this content.

Sign in

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

Client Account

Email address / Username

This site uses cookies. By continuing to use our website, you are agreeing to [our privacy policy](#). No content on this site may be used to train artificial intelligence systems without permission in writing from the MIT Press.

Accept

[Sign In](#)

[Reset password](#)

[Register](#)

Sign in via your Institution

Sign in via your Institution

[Buy This Article](#)

Email Alerts

[Article Activity Alert](#)

[Latest Issue Alert](#)



[View Metrics](#)

Latest

[Most Read](#)

[Most Cited](#)

Is Mobile Money Changing Rural Africa? Evidence from a Field Experiment

Inaccurate Statistical Discrimination: An Identification Problem

Revisiting the Origins of Business Cycles With the Size-Variance Relationship

Too Lucky to Be True: Fairness Views under the Shadow of Cheating

This site uses cookies. By continuing to use our website, you are agreeing to [our privacy policy](#). No content on this site may be used to train artificial intelligence systems without permission in writing from the MIT Press.

Accept

Web of Science (152)

Google Scholar

Crossref (224)

Related Articles

Modeling Time-Varying Uncertainty of Multiple-Horizon Forecast Errors

The Review of Economics and Statistics (March,2020)

Stock Market Volatility and Macroeconomic Fundamentals

The Review of Economics and Statistics (July,2013)

Roughing It Up: Including Jump Components in the Measurement, Modeling, and Forecasting of Return Volatility

The Review of Economics and Statistics (November,2007)

High-Frequency Data, Frequency Domain Inference, and Volatility Forecasting

The Review of Economics and Statistics (November,2001)

Related Book Chapters

Forecasting Inflation

Understanding Inflation and the Implications for Monetary Policy: A Phillips Curve Retrospective

Ignorance as Horizon

Understanding Ignorance: The Surprising Impact of What We Don't Know

Topological Horizons

Heidegger and the Thinking of Place: Explorations in the Topology of Being

Polyphonic Horizons

Polyphonic Minds: Music of the Hemispheres

The Review of Economics and Statistics

This site uses cookies. By continuing to use our website, you are agreeing to our [privacy policy](#). No content on this site may be used to train artificial intelligence systems without permission in writing from the MIT Press.

Online ISSN: 1530-9142 Print ISSN: 0034-6535

Accept



MIT Press Direct

A product of The MIT Press

Newsletter sign up



MIT Press Direct

About MIT Press Direct

Books

Journals

CogNet

Information

Accessibility at MIT

MIT Press Direct VPAT

For Authors

For Customers

For Librarians

Direct to Open

Open Access

Media Inquiries

Rights and Permissions

For Advertisers

MIT Press

About the MIT Press

The MIT Press Reader

MIT Press Blog

Seasonal Catalogs

MIT Press Home

Give to the MIT Press

Contact Us

This site uses cookies. By continuing to use our website, you are agreeing to our [privacy policy](#). No content on this site may be used to train artificial intelligence systems without permission in writing from the MIT Press.

Accept

[Terms of Use](#) [Privacy Statement](#) [Crossref Member](#) [COUNTER Member](#)

The MIT Press colophon is registered in the U.S. Patent and Trademark Office

This site uses cookies. By continuing to use our website, you are agreeing to [our privacy policy](#). No content on this site may be used to train artificial intelligence systems without permission in writing from the MIT Press.

Accept