Variance Decomposition of Dividend-Price-Ratios and Long-Term Income-Oriented Asset Allocation

Prof. Dr. Dietmar Hillebrand
Department 4: Economics II, Business Mathematics
Hochschule für Technik und Wirtschaft, Berlin, Germany

Date: 9 May 2013 (Thursday)
Time: 2.00pm – 3.00pm
Venue: MAS Executive Classroom 2, MAS-03-07
School of Physical and Mathematical Sciences

Fundamental ratios of stocks like the dividend-price ratio contain information about future dividend growth or future returns. In this talk I present estimates for the German stock market: In the cross section the dividend-price ratio forecasts mainly future dividend growth, whereas in the time series it predicts future returns. Building on this, I argue that short-term volatility in equity markets can – to a degree – be ignored by long-term investors. An income-oriented asset allocation based on dividend-price ratio signals is constructed that is compared with the widely used rolling over of 10 year government bonds.

Speaker Biography

Dr. Dietmar Hillebrand is a professor of mathematics with the focus on quantitative finance at the Hochschule für Technik und Wirtschaft, Berlin, Germany since 2009. Prof. Hillebrand received his diploma in mathematics from the University of Dortmund in 1999 and his Ph.D. from the Technical University Berlin in 2007. He worked as a quantitative analyst and assistant director in the quantitative research and client business departments of the Investment Banking Division of Landesbank Berlin AG, where he developed trading systems and asset allocation strategies for structured products and institutional clients. His main research interests are in strategic and tactical asset allocation and the valuation of equity markets.

Host: Prof. Nicolas Privault, Division of Mathematical Sciences, School of Physical and Mathematical Sciences