

Title: Forecasting Value-at-Risk and Expected Shortfall in Large Portfolios

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Abstract: Beyond their importance from the regulatory policy point of view, risk measures play an important role in risk management, portfolio allocation, capital level requirements, trading systems, and hedging strategies. However, due to the curse of dimensionality, their estimation and forecast in large portfolios is a difficult task. To overcome these problems, we propose a new procedure based on residual-based bootstrap, the general dynamic factor model and robust volatility models. The new procedure is applied in US stocks and the backtesting results indicate that the new proposal outperforms several existing alternatives.