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EDITORIAL

# Editorial

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It is a great honor for me to be chosen as the managing editor of the Financial Markets and Portfolio Management (FMPM) journal as the successor to Manuel Ammann and I am looking forward to this challenging task. Manuel has served the journal as managing editor for as long as 8 years. During this time, FMPM has become a widely read outlet for the research of numerous academics and practitioners in finance. The most important milestones under Manuel's editorship were the transformation from a trilingual into an English journal, the introduction of a double-blind peer reviewing process, and the move from a small local publisher to a large, international publishing house which all helped to increase the quality, reputation, and dissemination of the journal. In the name of all the members of the publisher of this journal, the Swiss Society for Financial Market Research, I thank Manuel for his commitment, effort, and acuity in establishing FMPM as a journal read and respected by practitioners and academics alike. As the new managing editor, I will build on and continue these efforts of my predecessor and strive to publish a journal of relevance to both academics and practitioners.

This third issue of 2012, and the first issue under the new editorship, includes four research articles. The first article, authored by Philip Maymin and Zakhar Maymin, shows that objective risk measurement algorithms mandated by central banks for regulated financial entities will result in more risk taking by these financial entities and higher systemic risks. The paper then presents three options for the future of financial regulation.

The second article is written by Kevin Krieger, Nathan Mauck, and Denghui Chen. They investigate the link between scheduled Federal Open Market Committee (FOMC)

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meetings and the VIX volatility index. The authors show that the VIX significantly declines on scheduled meeting dates and attribute this decline to the resolution of uncertainty regarding future interest rates provided by the meetings. They also show that significant returns can be earned from taking short-VIX positions in derivative markets.

The third article of this issue, authored by Alexis Derviz, investigates the role of lender–borrower informational disparity, economic sentiment, and macroprudential intervention on the probability of default (PD), losses given default (LGD), and aggregate economic activity in a two-period joint debt–equity market equilibrium framework. The results show that both monetary and macroprudential restrictions are able to reduce LGD, but not PD and that the real implications of both are very similar in the aggregate. However, macroprudential policies are more advantageous for bank earnings.

Thorsten Poddig and Albina Unger, authors of the fourth article, use Monte Carlo simulations and an empirical global portfolio dataset to investigate the effect of estimation errors on two alternative asset allocation approaches, the equally weighted risk contribution (ERC) and the principal component analysis (PCA) portfolio. Their results show that the ERC approach is more robust to changes in the input parameters and has a smaller estimation error than classical Markowitz approaches, whereas the PCA approach is even less stable.

I would like to thank the authors who have made this issue possible and the many referees for their generous contribution to the success of FMPM.