NITheCS Colloquium

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Boosting the Predictability of the Market Risk Premium

Prof Jens Jackwerth (University of Konstanz, Germany)

Monday, 22 June 2026 | 16h00–17h00 SAST

HOW TO ATTEND:

In person (main venue):

- Road House Cinema (Neelsie) Stellenbosch University

Watch at a satellite venue:

- Seminar Room K310 Physics Building G5 North-West University

Online (live stream)

--- Please note, a recording of the lecture will be published on the NITheCS YouTube channel following the event ---

ABSTRACT

The market risk premium is an essential quantity, yet hard to estimate. Limiting correlations between the pricing kernel and market returns to the interval [-1, 0] informs on the risk premium. Simulations in canonical models place these correlations much closer to -1 than 0. Avoiding the slack bounds against 0, we construct tight bounds based on correlations between the pricing kernel and functions of returns. Empirically, these bounds work well in terms of out-of-sample R-squared (26% against the benchmark of a long 124-year sample of historical risk premiums). The new bound draws information from both risk-neutral and physical moments of returns.

BIOGRAPHY

Jens Jackwerth is Professor of Finance at the University of Konstanz in Germany and Visiting Professor of Finance at the University of Zurich, Switzerland. An internationally recognised scholar in financial economics, his research focuses on asset pricing, derivatives, hedge funds and risk management, with influential contributions to understanding option markets and investor risk aversion. His work has been published in leading journals including the *Journal of Finance*, *Review of Financial Studies* and *Journal of Financial Economics*. Professor Jackwerth has received numerous international research awards and is widely recognised for connecting financial theory with real-world market behaviour.

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