This book consists of four self-contained essays in finance and financial econometrics. The focus in this research is on modelling and detecting changes in financial markets. The nature of the changes differs throughout the thesis. Chapter 2 looks at time-varying interest rates and documents an equally time-varying ability of simple, mis-specified models to fit data generated by possibly complicated processes. Chapter 3 provides tools to investigate, among others, stability of the relative risk aversion. In Chapter 4, I propose a method to measure statistical significance of such changes. Finally, Chapter 5 documents the evolution of the hedge fund industry and the various economic motives which have been driving the changes.

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