How to measure financial portfolio diversification benefits, cross-country spill-overs, herding and contagion effects? Answers to these questions hinge upon assumptions on volatilities, correlations and predictive relationships. The often unstable empirical nature of measuring financial comovement necessitates the development of novel econometric models. By adopting the recently popularized class of score driven filtering models, Erkki Silde discusses the theoretical advances and address empirical questions – ranging from measuring risk premia in option markets to pinning down international volatility spillovers.

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