

Fabio Bottani (Banca Aletti, Milan, Italy), Paola Carpani (Banca Aletti, Milan, Italy),
and Giovanni Urga (Cass Business School, London, UK and Bergamo University, Italy)

“A Systemic Risk Indicator and Asset Allocation”

Abstract. We propose a comprehensive indicator to measure systemic risk at global level combining the dynamics of international financial markets and of the economic cycle. The indicator is constructed using both financial data at high frequency and economic indicators at monthly frequency. We find that the indicator is an important source of information in asset allocation decisions to manage the tail risk of a portfolio.