Today, we will introduce our report named Black-Litterman Portfolios with Machine Learning derived Views.

First, I will have a general talk about the Black-Litterman Model and the data we used.

Black-Litterman Model, created by Fischer Black and Robert Litterman, is a sophisticated portfolio construction method. It uses a Bayesian approach to combine the subjective views of an investor regarding the expected returns of one or more assets in the market.

What kind of views? For example,

Some people may think international bonds will outperform US bonds by 25 basis points.

This is a kind of view. Our work is using ML to generate those views to build the BL model.

So it is crucial to choose some highly liquid ETFs which constitute a globally diversified multi-asset portfolio.

Here are the charts of these ETFs

And the Time Period we selected is from ….

Hence, we can insulate the study from explicit market-bias.