

4. Behavioral example: Skewness of returns

Skew is time dependent, as financial data is not stationary.

Skew is different for different asset classes:

- **bonds** have a **negative** skew (small returns most of the times, defaults some times)
- a **stock index** has **slightly negative** skew (volatility is higher in crises and bear markets)
- a set of **individual stocks** has **positive** skew

Any given investor might exhibit a preference for a skew profile different than the market he invests in.
That gives rise to possibilities of exchange between players, and therefore, return on risk.

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Skew is sensitive to outliers.