

## 4. Behavioral example: Skewness of returns

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

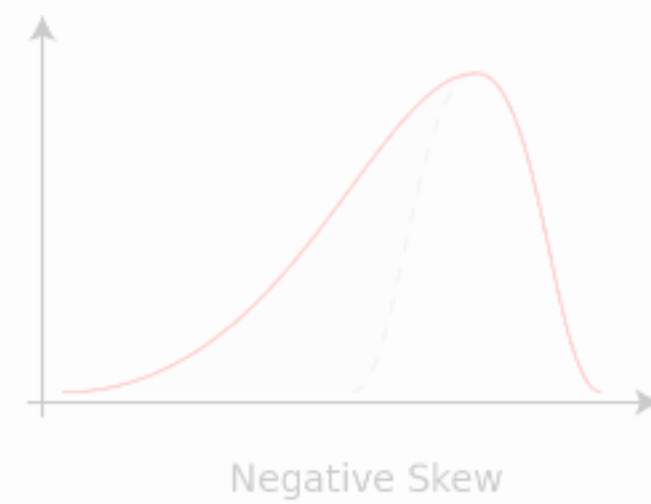
**Skew is different for different asset classes:**

- **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

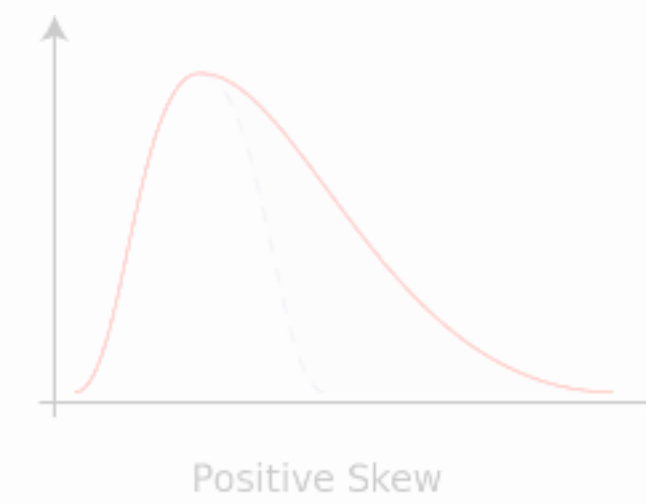
**Any given investor might exhibit a preference for a skew profile** different than the market he invests in.  
That gives rise to possibilities of exchange between players, and therefore, return on risk.

**Skew is sensitive to outliers.**

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**negative skew**



**positive skew**

**mean > 0**

**mean < 0**

Example of 4 types of strategies: randomly generated returns<sup>[2]</sup>

[1] source: Wikipedia, [https://commons.wikimedia.org/wiki/File:Negative\\_and\\_positive\\_skew\\_diagrams\\_\(English\).svg](https://commons.wikimedia.org/wiki/File:Negative_and_positive_skew_diagrams_(English).svg),  
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[2] source: own work at Opoka TFI