# 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**.

# 4. Behavioral example: Skewness of returns




**negative skew**




**positive skew**

**mean > 0**

**mean < 0**

Example of 4 types of strategies: randomly generated returns[2]

[1] source: Wikipedia, https://commons.wikimedia.org/wiki/File:Negative_and_positive_skew_diagrams_(English).svg,
This file is licensed under the Creative Commons Attribution-Share Alike 3.0 Unported license.

[2] source: own work at Opoka TFI