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**John Hund\*** (jhund@tulane.edu), A. B. Freeman School of Business, Tulane University, New Orleans, LA 70115. *When risk is not risky: Idiosyncratic volatility and portfolio formation*. Preliminary report.

Recent results in finance suggest that increases in idiosyncratic volatility mean more randomly selected stocks are required to form diversified or tracking portfolios. However, this requires strong assumptions regarding the evolution of the market correlation structure. Using recent advances in probabilistic genetic algorithms, we investigate the time-variation in the market correlation structure and its consequences for constructing market mimicking portfolios. (Received February 05, 2008)