Editorial

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The current issue of the *Journal of Asset Management* (JAM) brings together a number of papers that broadly involve aspects of forecasting. I will not list or discuss their contents in detail. The papers look at, *inter alia*, forecasting issues for mutual funds, growth stocks, and asset classes. Although we do not specifically list this as a special issue on forecasting, it is a consequence of receiving so many good papers in general, that we can theme the material in various ways. We hope to follow this issue with other themed issues in the future.

I shall discuss, however, forecasting and the current financial crisis. One story that might be told is that all active managers make the same forecasts. They all have the same buy list, they all have the same sell list. In a moment of market volatility, everybody wants to sell the same thing. There are no counterparties to the trade; there is no liquidity; the market price

has to move dramatically for the market to clear.

I have always rather believed the above story, and so I was surprised to see in the recent book *Restoring Financial Stability* by Acharya and Richardson (Wiley Finance: 2009), no reference to forecasting in the index, nor could I find discussion of the role of forecasting in the text. Since I think that this is a good book, that covers most aspects of the crisis fairly thoroughly, I have come to the conclusion that there may be more diversity in financial forecasting than I had previously imagined. It may be, of course, that these effects were happening but they were relatively insignificant compared with the major impacts of bankruptcy and asset class disappearance.

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Editor