Discussion of the paper: "Making and evaluating point forecasts" by T. Gneiting

Gianni Amisano (ECB), Bundesbank workshop: **"Uncertainty and Forecasting in Macroeconomics", Eltville 2012/06/1-2**

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Brief description in my words

- Making point forecast (PF): Better not do it.
- Evaluating PF: then do it properly!

Brief description, in TG´s own words

- Ideally forecasts ought to be probabilistic
- If we have to deal with PF, then:
  - either specify scoring function **EX ANTE**
  - or adopt **ELICITABLE** target functional, eg mean, quant) and use scoring function **CONSISTENT** with target functional

Overall judgement

- Very dense and full of interesting results
- it puts together several existing results and also provides rationale of empirical findindgs

Some notions (I): consistency of scoring rule

- **consistency** as dual to PF **optimality**
- close connection to concept of **properness:** scoring rule leading forecasters to use subjective conditional distributions
- "a process is **incentive-compatible** if all of the participants fare best when they truthfully reveal any private information asked for by the mechanism."

Some notions (II): elicitability

- functional (PF, quantile etc) is elicitable if possesses a consistent scoring rule.
- if not, out of business
- eg. conditional VaR measures

Any positive role for PF? (I)

- lighter committment to set of model assumptions?
- robustness?

Any positive role for PF? (II)

- **combining** vs ranking forecasting models
- with density forecasts: log scoring rule (Hall Mitchell, 2007, Geweke and Amisano, 2011, Amisano and Geweke 2012): good in situations of pervasive uncertainty.
- any additional role for PF in this regard?

Advice on forecasting combinations

- sometimes pool of forecasts have some models producing density forecasts and some models yielding point forecasts
- how to deal with these situations?