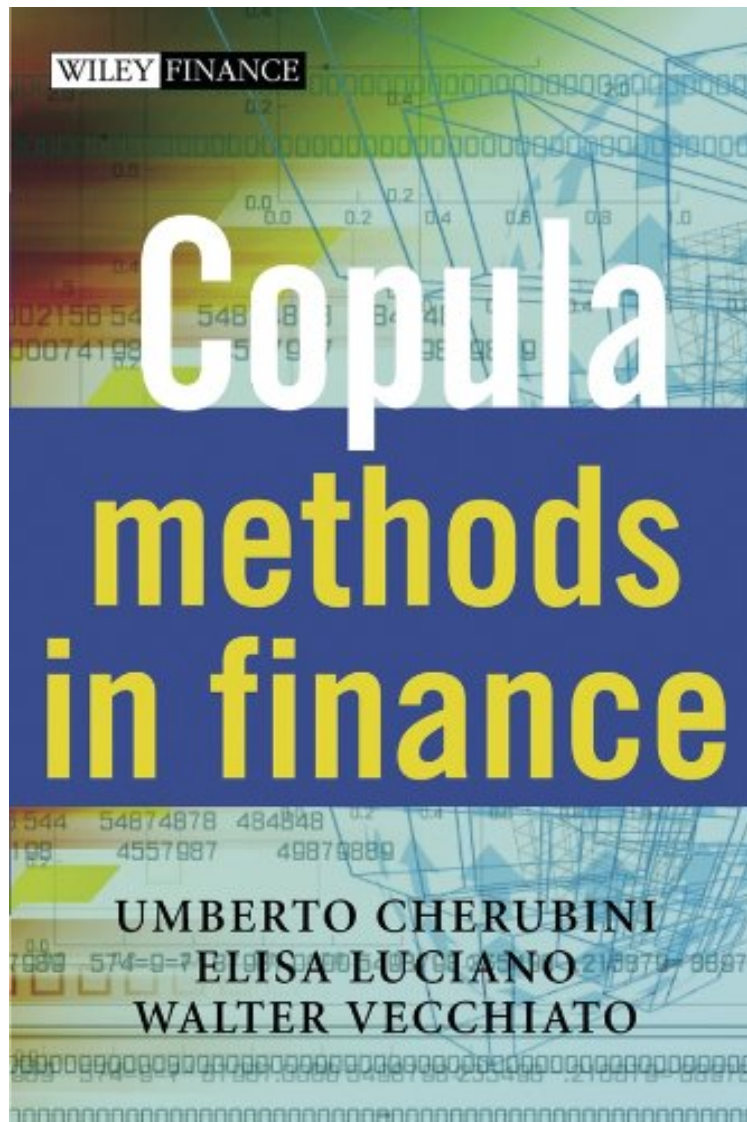


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Copula Methods in Finance (The Wiley Finance Series)

Umberto Cherubini, Elisa Luciano, Walter Vecchiato
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Umberto Cherubini, Elisa Luciano, Walter Vecchiato : Copula Methods in Finance (The Wiley Finance Series) before purchasing it in order to gauge whether or not it would be worth my time, and all praised Copula Methods in Finance (The Wiley Finance Series):

20 of 21 people found the following review helpful. Comprehensive but full of mistakes
By Customer
This book promises to be a very good comprehensive introduction to copula theory and addresses many practical aspects of copula. There are useful sections on bivariate (2-dimensional) and multivariate copulas including elliptical (Normal, Student t) and archimedean copula. There is a fair section on fitting copula parameters to data and a good section on Monte Carlo simulation of fitted copula. However, there are numerous errors that I've come across, which make

learning from this book very difficult or impossible. In fact, every section I've looked at in detail has mistakes, not typos, in the equations. (I just dropped my rating to 2 stars because of this!) The multivariate Frechet minimum boundary is written incorrectly in multiple locations. Whereas an example demonstrates that this bound is not a true copula, the following theorem says that it is a copula. The reference for the theorem, Sklar (1999), actually reads "Personal communication" in the bibliography! This reference is only slightly better than "From a dream..." Unfortunate notation confuses the reader by repeating the copula density notation for the "conditional distribution" in the simulation section. This section is also riddled with mistakes and unexplained notation. Thankfully, enough examples exist that some use can be made of portions of the text by the practitioner. 19 of 21 people found the following review helpful. The most readable and

By Surf/Bike This is the kind of book I wished to have when I started to study copula functions in finance. The book does not bring big innovations in the subject, but has an exceptional value in its attempt to collect and make accessible a lot of material on copulae. Equity and Credit Risk are the primary fields of application. After introducing bivariate families of copulae and different measures of association, it extends the analysis to the multidimensional case. Then two very nice chapters deal with the problem of 1) calibrating copulae 2) sampling from various copulae. Finally, applications to credit risk (CDOs) and equity options are presented. Overall, I think it is a very valuable book for all the people looking to have one unique source to understand and apply copula functions in finance. 4 of 10 people found the following review helpful. Not a good introductory book

By xinonnet This book is difficult to follow, although the examples help to clarify some of the concepts. While it might be a good reference, it is not a good introductory book for someone who didn't have any prior knowledge on copulas.

Copula Methods in Finance is the first book to address the mathematics of copula functions illustrated with finance applications. It explains copulas by means of applications to major topics in derivative pricing and credit risk analysis. Examples include pricing of the main exotic derivatives (barrier, basket, rainbow options) as well as risk management issues. Particular focus is given to the pricing of asset-backed securities and basket credit derivative products and the evaluation of counterparty risk in derivative transactions.

"...This book is of great use for researchers as well as practitioners..." (Statistical Papers, July 2005)

From the Back Cover The evaluation and risk measurement of portfolios of complex non-linear positions and non-normal risk factors has become a major nightmare for people working in the structured finance business. Dealing with "fat tails" and "smile effects", as well as the typical asymmetric shape of default risk has rapidly made obsolete the traditional linear correlation tools. In this new environment, the copula functions methodology has become the most significant new technique to handle the co-movement between markets and risk factors in a flexible way. This is the first book addressing copula functions from the viewpoint of mathematical finance applications. The method is to explain copulas by means of applications to major topics in derivative pricing and credit risk analysis, with the target to make the reader able to devise her own application, following the strategies illustrated throughout the book. Examples include pricing of the main exotic derivatives typically included in commonly traded structured finance products (barrier, basket, rainbow options), as well as risk management issues. Particular focus is given to the pricing of asset-backed securities and basket credit derivative products and the evaluation of counterparty risk in derivative transactions.

Copula Methods in Finance provides:

- Rigorous treatment of the mathematics of copula functions, illustrated with financial applications
- Complete analysis of estimation and simulation issues applied to market data
- Credit-linked structured products applications: CDO and basket credit derivatives
- Equity-linked structured product applications: barrier, rainbow and basket derivatives
- Counterparty risk in derivative transactions: vulnerable option pricing

About the Author

UMBERTO CHERUBINI is Associate Professor of Mathematical Finance at the University of Bologna, and partner in Polyhedron Computational Finance, Florence, Italy. He is fellow of FERC, Cass Business School, London and Ente Einaudi, Bank of Italy, Rome. He has also taught graduate finance courses at Catholic University in Milan, Hitotsubashi University in Tokyo, and is supervisor of the Market Risk Area at the risk management education program of the Italian Banking Association (ABI). He is a member of the independent screening committee of TLX, the new Italian structured products market. Before joining the academia, he was with the Economic Research Department of Banca Commerciale Italiana, where he was Head of the Risk Management Unit.

ELISA LUCIANO, Ph.D., is Full Professor of Mathematical Finance at the University of Turin (Italy), Fellow of ICER, Turin, and Associate Fellow of FERC, Cass Business School, London. She also teaches at the École Nationale Supérieure de Cachan, Paris, and at the École Supérieure en Sciences Informatiques, Université de Nice-Sophia Antipolis, France. Her main research interest is Quantitative Finance, with special emphasis on portfolio selection and risk measurement. She has published extensively in Academic journals, including the Journal of Finance and Applied Mathematical Finance.

WALTER VECCHIATO is Head of Risk Management and Research at Veneto Banca in Montebelluna Treviso, Italy. Previously he was Head of Credit Derivatives Analysis at Banca Intesa in Milan, Italy. He was also Professor of Applied Statistics in University of Pavia, Italy and he was Visiting Researcher in Financial Econometrics at University of California at San Diego, La Jolla. He enhanced his research with the presence of Nobel Economic Sciences 2003 award winner Professor Robert F. Engle. He has written

and published on quantitative finance and risk management techniques. He is a referee for many academic and practitioner journals and a frequent speaker for many symposiums on Finance worldwide.