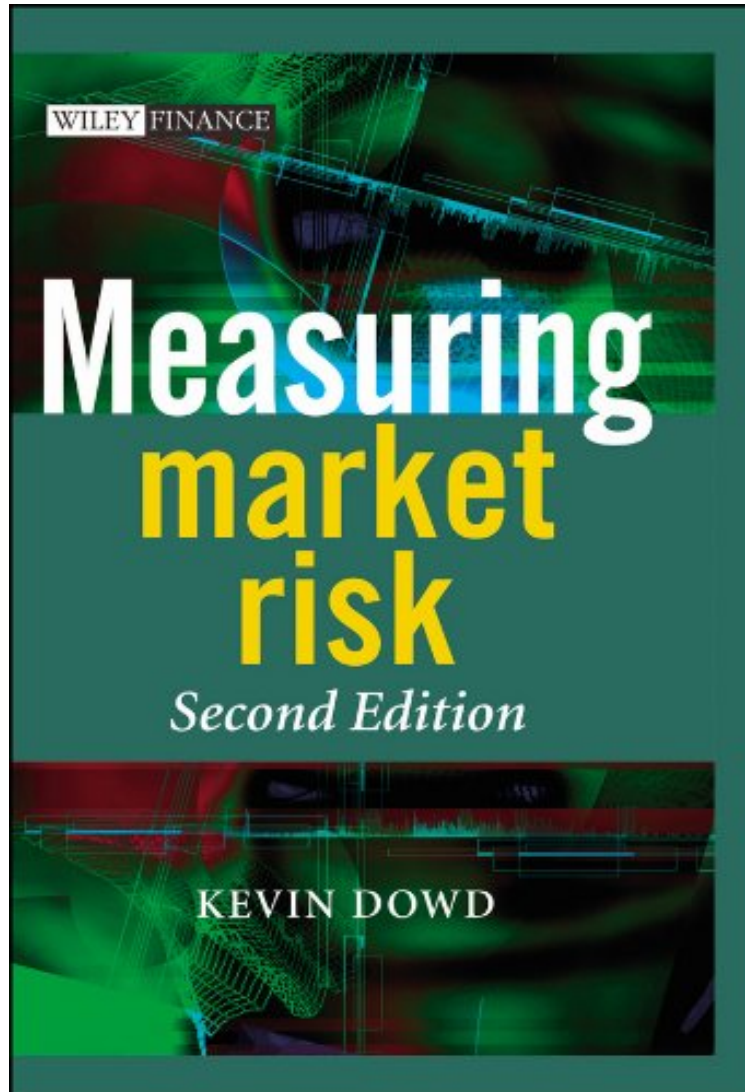


(Ebook pdf) Measuring Market Risk (The Wiley Finance Series)

Measuring Market Risk (The Wiley Finance Series)

Kevin Dowd

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Kevin Dowd : Measuring Market Risk (The Wiley Finance Series) before purchasing it in order to gage whether or not it would be worth my time, and all praised Measuring Market Risk (The Wiley Finance Series):

6 of 9 people found the following review helpful. Best in category (theoretical market risk VaR)By David R. HarperIt hurts me to see negative reviews because this is one of the single best references on market risk VaR (i.e., market VaR not credit VaR). I do agree with previous reviewers in three respects: Dowd's book has a specific non-beginner audience, this is a theoretical (academic) rather than practice-oriented text on VaR, and its strength is not really portfolio VaR. Okay, so clearly this is not really for an introduction to VaR nor is it for VaR-in-the-trenches. But within the (advertised) scope, there simply isn't a better survey of theoretical market risk VaR tools. Dowd goes into much more detail than Jorion (who is a leading author). And, very few will appreciate the analytical rigor and precision

of Dowd; I use Dowd to teach VaR, and where other authors make formula mistakes, he doesn't seem to. Other authors, like Culp and even Wilmott, use a VaR that leads new learners into certain math errors, but Dowd's VaR formulations are thoughtful and less prone to deployment errors. Each year I use this book, it continues to impress me more. Special strengths are: reviews of non-normal parametric value at risk; succinct and accessible introduction to extreme value theory (EVT); careful review of VaR's weaknesses (e.g., non coherent)--Dowd is expert on the limitations of VaR; and liquidity-adjusted VaR. The bent is mathematical, for sure, but most of the book is within reach of basic/intermediate calculus; if you have a background, you'll find that some of the first one-third is even probably too much introduction (e.g., volatility, covariances and correlations). The FRM (financial risk manager) has assigned only Chapter 16 (Model Risk) to FRM candidates. Which is ironic, because this chapter isn't so strong, FRM candidates should be reading the rest of the book. But, for now, three years on, this is still the leading book in a very specific category. 18 of 24 people found the following review helpful. One of the best books on VaR, but not suitable for beginners. By Anonymous I fundamentally disagree with the reviewer stating that this book should not be bought. The fact that that reviewer isn't familiar with Matlab is a shame given that he or she works as a risk manager and since Matlab is often a basic pre-requisite for doing good quantitative finance. Serious risk management demands serious numerical software and Matlab is one such tool which allows quick model implementation in the fast paced business world. Excel/VBA are definitely not suitable for good work in this field (just look up the many statistical problems that can be found in Excel's functions, for example, or try to implement some basic matrix operations using VBA). C is not great either given that the Dowd's didactic message would be lost in a sea of imperative coding logic. Not understanding that the 'svd' function is shorthand for singular value decomposition, makes me suspect that that reviewer's quantitative abilities may not at the level needed to read this book. However, I don't want to turn this review into a flame-fest advocating Matlab over all else and ignoring the content of the book itself. I think Matlab has its faults too, but Dowd made a sensible choice in using this pseudocode-like language for the examples of the models he presents. (And if Matlab is too expensive to purchase there are many free clones that work just as well: just search for 'scilab' or 'octave' on the web). But on with the review of the book itself...As I said in the subject heading, this book is not suitable for beginners. There is not much in the way of justification of the aims of VaR or the field of market risk management, while much time is spent on classroom level theory. For example, chapter one contains a very brief recap of the highlights of the history of portfolio risk measurement, while chapter 2 already attempts to rip VaR apart with the justification of using coherent risk measurements instead of VaR. A beginner is just not going to be able to grasp all that's going on at this early stage without a good number of practical examples. Even *with* the examples, it's often hard for people new to the field to get the kind of intuition that only comes after years of practice and working through real problems. Dowd doesn't do much to alleviate that kind of confusion. However, for the practicing, well-read risk manager or quant, the book is a veritable encyclopediac reference of the field. Dowd does for VaR what Fabozzi does for fixed income securities. He covers practically all the major models and their many variations and gives much more information about the mathematical tools needed to make these models tick than do most of the classic references (e.g. Jorion). What's more Dowd does an admirable job of describing important complements to VaR such as stress testing, backtesting, and model risk. Finally, the citations that Dowd includes in the book are useful in and of themselves as they include the main readings in the field. My biggest complaint with the book is that it's no more than a survey of the *theory* of VaR. To that end, Dowd's academic focus is present throughout and this focus book does not easily lend itself to practical issues in risk management and analysis. For example, one of the most important practical issues in risk management is the mapping of securities into their building block risk factors, yet Dowd spends a paltry 11 pages discussing this topic. What's more there is no mention of the very real world need to model portfolio VaR in the case of missing market data. Dowd too often assumes a perfect world of complete data which is simply not the case. Moreover Dowd does not discuss many of the real world issues involved in the development and maintenance of living breathing enterprise risk systems. Overall I think this book is an extremely useful addition to every risk manager's bookshelf, but I only gave it 4 stars because I feel there is a fair bit of room for improvement. 3 of 6 people found the following review helpful. great reference in market risk. By Alfred Wu I think that this book is an excellent book for a person who want to know more stuff about market risk. But it is not suitable for a person who is new in this field. But if you want to reference something further, it could help you, I think. To read this book, you may need some fundamental math concept. Basically, it is more theory description than just concept description. To me, it give me another idea on how to deal with heavy tail VaR. Not just only Normality VaR that we are familiar with. I read some books about risk management. seldom authors describe it so detail and clear. Of course, some math may need numeration analysis, probability, linear algebra. if you want to implement it in Java, C without other package help. those detail implement methods may need some further books about those math which we need to reference. But it is not an easy work. I think this book really help me in this field, market risk.

Fully revised and restructured, *Measuring Market Risk*, Second Edition includes a new chapter on options risk management, as well as substantial new information on parametric risk, non-parametric measurements and liquidity risks, more practical information to help with specific calculations, and new examples including VaR and case

studies.nbsp;

"hellip;of value to professional risk managers and academics who are serious about wanting to keep up to date with developments in market risk measurementhellip;" (Financial World, October 2002)From the Inside FlapMeasuring Market Risk provides an overview of the state-of-the-art in VaR and ETL estimation. Balancing theory with practice through the use of software simulations, the author explains, in an accessible way, how market risk can be measured.From the Back CoverThis book offers an extensive and up-to-date review of market risk measurement, focusing particularly on the estimation of value at risk (VaR) and expected tail loss (ETL). Measuring Market Risk provides coverage of parametric and non-parametric risk estimation, simulation, numerical methods, liquidity risks, risk decomposition and budgeting, backtesting, stress testing, and model risk, as well as appendices on mapping delta-gamma approximations and options VaR. Divided into two parts, the book also comes with a Toolkit containing 11 toolboxes dealing with technical issues often used in market risk measurement, including quantile error estimation, order statistics, principal components and factor analysis, non-parametric density estimation, fat-tailed distributions, extreme-value theory, simulation methods, volatility and correlation estimation, and copulas. The book is packaged with a CD containing a MATLAB folder of 150 risk measurement functions, with additional examples in Excel/VBA. Measuring Market Risk is designed for practitioners involved in risk measurement and management. It will also be of use to MBA, MA and MSc programmes in finance, financial engineering, risk management and related subjects in addition to academics and researchers working in this field.