THE UNIVERSITY   OF HONG KONG

Department of Mathematics

Numerical Mathematics and Applied Analysis Group Seminar (NMAA)

Economic default time and the Arcsine law

Professor Xin Guo
UC Berkeley

on Friday, February 11, 2011 at 11:00am
in Room 309, Run Run Shaw Building, HKU

Abstract

The credit risk crisis of 2007 and the resultant financial institution failures, including the collapse of Lehman Brothers in September of 2008, highlights the importance of an accurate assessment of the risks of the institution's investments. Crucial to the calculation of the risk of the institution's investments is the correct measurement of the timing of default. In this talk, we will briefly review the traditional models for default and introduce and build a model for a new notion of default: economic default. This new notion and model framework will then be compared with the old ones and will be related to the classical Arcsine Law distribution.

Based on the joint work with R.A. Jarrow (Cornell U.) and A. de Larrard (Paris 6).

All are welcome
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