Financial risk management

STUDENTS ARE EXPECTED TO HAVE COMPLETED
FIXED INCOME AND DERIVATIVES
ECONOMETRICS I

COMPETENCES AND SKILLS THAT WILL BE ACQUIRED AND LEARNING RESULTS.
This course is designed to train the participants in evaluating, hedging and measuring financial risks. In recent years the most widely used measure of risk is Value at Risk (VaR). The course introduces the VaR measure and discusses its strengths and weaknesses. VaR is calculated for market risk and also for credit risk.

DESCRIPTION OF CONTENTS: PROGRAMME
1. Introduction to Risk Management
2. Hedging Risks
3. The Greeks and Portfolio Insurance
4. The Management of Interest Rate Risk
5. Value at Risk (VaR)
6. Historical and Monte Carlo Simulation of VaR
7. Back-Testing
8. VaR Limitations

LEARNING ACTIVITIES AND METHODOLOGY
- Class
- Group homeworks

ASSESSMENT SYSTEM
The goal of the final exam (50% of the final calibration) is to verify the degree in which the competitions of knowledge have been acquired by the student. A MINIMUM GRADE OF 4.00 in this exam is needed to compute the weighted average. The 50% of the final calibration that remains will correspond to a test exam (20%) and a presentation of an empirical case (in groups of 3 students).

% end-of-term-examination: 50
% of continuous assessment (assignments, laboratory, practicals...): 50

BASIC BIBLIOGRAPHY
- Hull, J Options Futures and Other Derivatives, Pearson, 2013
- J. Hull Risk Management and Financial Institutions, Willey, 2012

ADDITIONAL BIBLIOGRAPHY
- Rene M. Stulz Risk Management and Derivatives, Prentice Hall.