

1. Record Nr.	UNINA9910451487003321
Titolo	Credit correlation [[electronic resource]] : life after copulas // editors, Alexander Lipton, Andrew Rennie
Pubbl/distr/stampa	New Jersey, : World Scientific, c2008
ISBN	1-281-91882-2 9786611918828 981-270-950-9
Descrizione fisica	1 online resource (178 p.)
Altri autori (Persone)	LiptonAlexander RennieAndrew <1968->
Disciplina	332.64/57
Soggetti	Credit derivatives Electronic books.
Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	Reprinted from the International journal of theoretical and applied finance, v. 10, no. 4 (June 2007).
Nota di bibliografia	Includes bibliographical references.
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1.1. Correlated intensities in portfolio credit risk modeling

Sommario/riassunto

The recent growth of credit derivatives has been explosive. The global credit derivatives market grew in notional value from 1 trillion to 20 trillion from 2000 to 2006. However, understanding the true nature of these instruments still poses both theoretical and practical challenges. For a long time now, the framework of Gaussian copulas parameterized by correlation, and more recently base correlation, has provided an adequate, if unintuitive, description of the market. However, the increased liquidity in credit indices and index tranches, as well as the proliferation of exotic instruments su
