

arXiv.org > q-fin > arXiv:1104.1773

Quantitative Finance > Risk Management

Default Clustering in Large Portfolios: Typical Events

Kay Giesecke, Konstantinos Spiliopoulos, Richard B. Sowers

(Submitted on 10 Apr 2011 (v1), last revised 4 Mar 2012 (this version, v2))

We develop a dynamic point process model of correlated default timing in a portfolio of firms, and analyze typical default profiles in the limit as the size of the pool grows. In our model, a firm defaults at a stochastic intensity that is influenced by an idiosyncratic risk process, a systematic risk process common to all firms, and past defaults. We prove a law of large numbers for the default rate in the pool, which describes the "typical" behavior of defaults.

Subjects: **Risk Management (q-fin.RM)**; Probability (math.PR); Computational Finance (q-fin.CP)

MSC classes: 91G40, 60F05, 60F10 Cite as: arXiv:1104.1773 [q-fin.RM] (or arXiv:1104.1773v2 [q-fin.RM] for this version)

Submission history

From: Konstantinos Spiliopoulos [view email] [v1] Sun, 10 Apr 2011 14:53:27 GMT (39kb) [v2] Sun, 4 Mar 2012 23:19:55 GMT (38kb)

Which authors of this paper are endorsers?

Link back to: arXiv, form interface, contact.

We gratefully acknowledge supp the Simons Fo and member ins

Search or Article-id

(<u>Help</u> | <u>Advance</u> All papers

Download:

- PDF
- PostScript
- Other formats

Current browse cont q-fin.RM

< prev | next >

new | recent | 1104

Change to browse b

math math.PR q-fin q-fin.CP

References & Citatio

NASA ADS

