

AY 2016 Course Summary MSc in Finance Program

Instructor	Daisuke, Nakazato
Course Title	Credit Modeling and Incomplete Markets

Overview: Course Description

Many derivatives evaluation problems in practice face a problem where the market traded such products is no longer complete, that is to say, some risks are not necessary tradable; such examples are numerous: credit, commodity, volatility-smile or even in interest rate markets between LIBOR and Swaps. In practice, an ingenious evaluation technic was invented based on the Black-Jamishidian methodology. As an example, evaluation of an arbitrary credit portfolio is still open ended question, throughout series of lectures; however, this novice methodology will be applied to give a comprehensive insight into this complicated problem. The seminar is elevated to a doctoral level quickly since a required mathematical tool is a general semi-martingale. Students may find these problems very challenging yet very interesting; and amazed by how predecessors reasonably overcome them.

Objective of this course

Learn practical know-how where no theoretical solution is available in derivatives pricing.