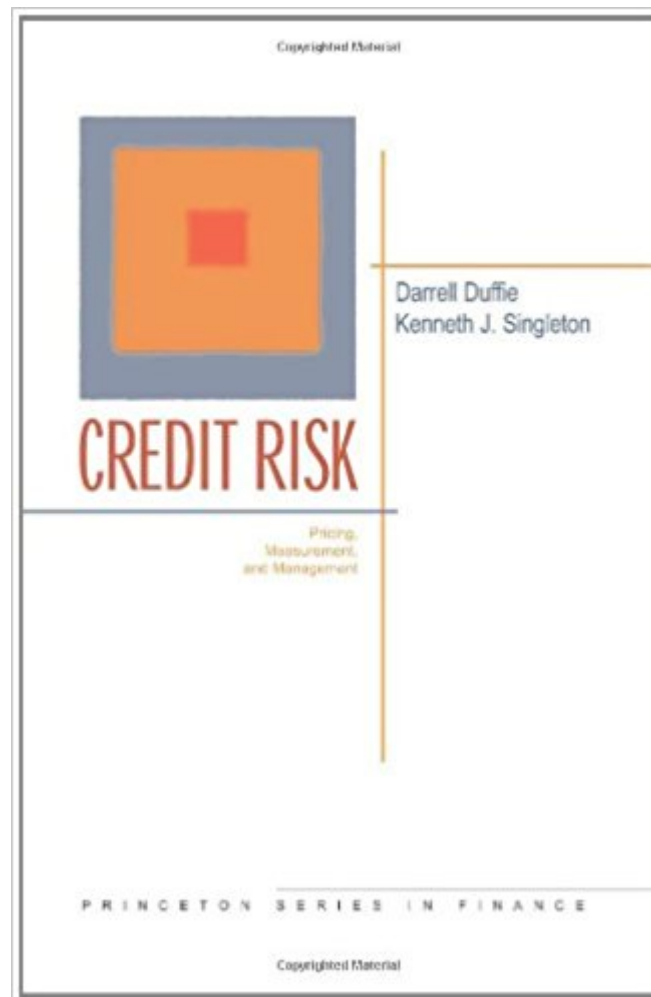


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# Credit Risk: Pricing, Measurement, And Management (Princeton Series In Finance)



## Synopsis

In this book, two of America's leading economists provide the first integrated treatment of the conceptual, practical, and empirical foundations for credit risk pricing and risk measurement. Masterfully applying theory to practice, Darrell Duffie and Kenneth Singleton model credit risk for the purpose of measuring portfolio risk and pricing defaultable bonds, credit derivatives, and other securities exposed to credit risk. The methodological rigor, scope, and sophistication of their state-of-the-art account is unparalleled, and its singularly in-depth treatment of pricing and credit derivatives further illuminates a problem that has drawn much attention in an era when financial institutions the world over are revising their credit management strategies. Duffie and Singleton offer critical assessments of alternative approaches to credit-risk modeling, while highlighting the strengths and weaknesses of current practice. Their approach blends in-depth discussions of the conceptual foundations of modeling with extensive analyses of the empirical properties of such credit-related time series as default probabilities, recoveries, ratings transitions, and yield spreads. Both the "structural" and "reduced-form" approaches to pricing defaultable securities are presented, and their comparative fits to historical data are assessed. The authors also provide a comprehensive treatment of the pricing of credit derivatives, including credit swaps, collateralized debt obligations, credit guarantees, lines of credit, and spread options. Not least, they describe certain enhancements to current pricing and management practices that, they argue, will better position financial institutions for future changes in the financial markets. Credit Risk is an indispensable resource for risk managers, traders or regulators dealing with financial products with a significant credit risk component, as well as for academic researchers and students.

## Book Information

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## Customer Reviews

It seems the authors attempted a compromise between theoretical and practical aspects - and failed at both. From a theoretical point of view, this book is missing the rigorous exposition these authors have been known for in their previous work. From a practical point of view, this book will be of no help to someone trying to implement any credit risk models. The numerous figures - probably added by the authors in an attempt to banish their reputation for texts that are extremely hard to read - do not help in this respect. Detailed descriptions or real examples that could be used for practical purposes are completely absent. There are better choices of credit risk books for both the theoretically and practically inclined.

Duffie and Singleton are the masters of the reduced-form credit risk modeling approach. Although well-written, their book does not add anything new. It's just another review of the state of the art in credit risk. One can get the original papers and learn much more without having to read a short summary on each work. You will not be able to learn how to model a credit risky instrument by reading this book. I would have liked to see fewer references and more worked-out examples with derivations and detailed numerical applications.

This book is obviously a quick shot. It's bits and pieces taken from various articles: not one topic is covered right. If the authors had at least selected the most relevant results and formulas from the respective articles, but no, they chose to spray the text with the occasional formula, often irrelevant and seemingly arbitrarily selected, while formulas representing important results are completely missing. The authors might be famous - this book is not going to be.

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