CQF January 2009
Module 2.3
Live Class: February 11
Lecturer: Andy Duncan

Value at Risk and Volatility

In this lecture:
- The meaning of Value at Risk (VaR)
- How VaR is calculated in practice
- Simulations and bootstrapping
- Simple volatility estimates
- The exponentially weighted moving average

By the end of this lecture, you will be able to:
- Calculate the risk in a portfolio of assets
- Use simulation methods for calculating VaR
- Estimate volatility in two different ways

Summary:
- It is common practice for banks and hedge funds to estimate how much money they could lose, this is called Value at Risk (VaR).
- VaR is quoted over a given time horizon and with a specified degree of confidence.
- Volatility is probably not constant and there fore we may want to use more advanced methods for its estimation than a simple standard deviation.