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Module 2.3
Live Class: February 11
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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

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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 therefore we may want to use more advanced methods for its estimation than a simple standard deviation.