

CQF 2009
Module 5.6
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Valuing CDOs Using Copulas

In this lecture:

- We will learn about pricing credit instruments
- Formulate a pricing model for static CDOs
- Define copulas
- Apply copulas to price and manage the risk of credit derivatives

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Summary

- A valuation framework for credit derivatives
- A pricing model for static CDOs
- The meaning and basic properties of copulas
- Sklar's Theorem
- How to model joint default with copulas
- The Li model
- The upside and downside of this type of model