

Global Technical Incerto Reading Club

Session 2 – Chapters 4-5

6 April 2021

Agenda

- **Reading Club – Details (Ron Richman) (5 min)**
- **Chapter 4**
 - **Part 1 – James Sharpe**
 - **Part 2 – Fergal MacShamhráin**
- **Chapter 5**
 - **Ron Richman**

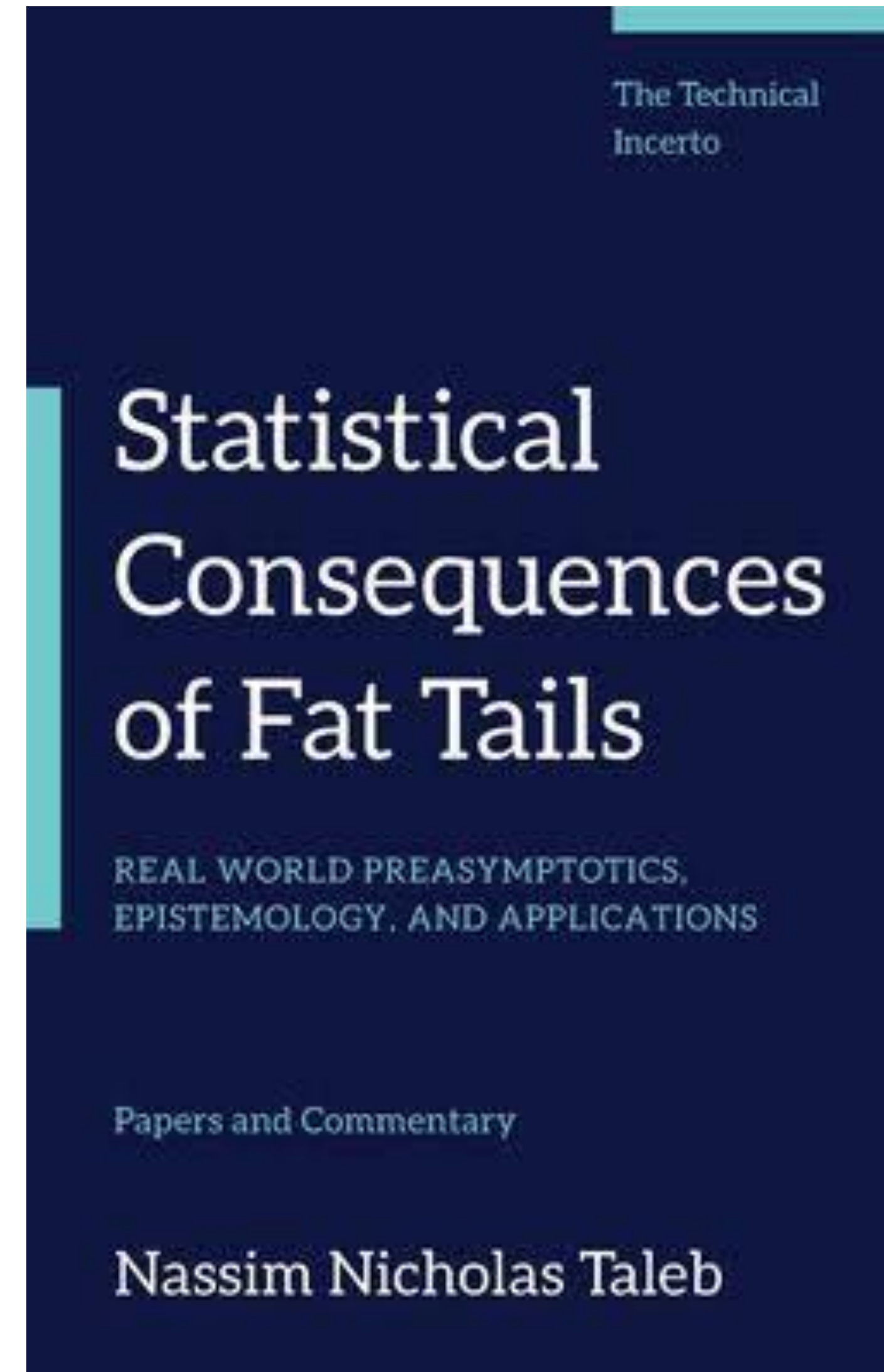
Reading Club

- Group of people interested in learning more about Nassim Taleb's risk, statistical and finance works in the Technical Incerto.
- Aim to read through the first volume of this series during 2021 and beyond
- Statistical Consequences of Fat Tails: Real World Preasymptotics, Epistemology, and Applications
- <https://arxiv.org/abs/2001.10488>
- **Aims:**

Benefit of large group reading together

Monthly presentation and discussion

Make code to reproduce/apply results freely available



Reading Club (2)

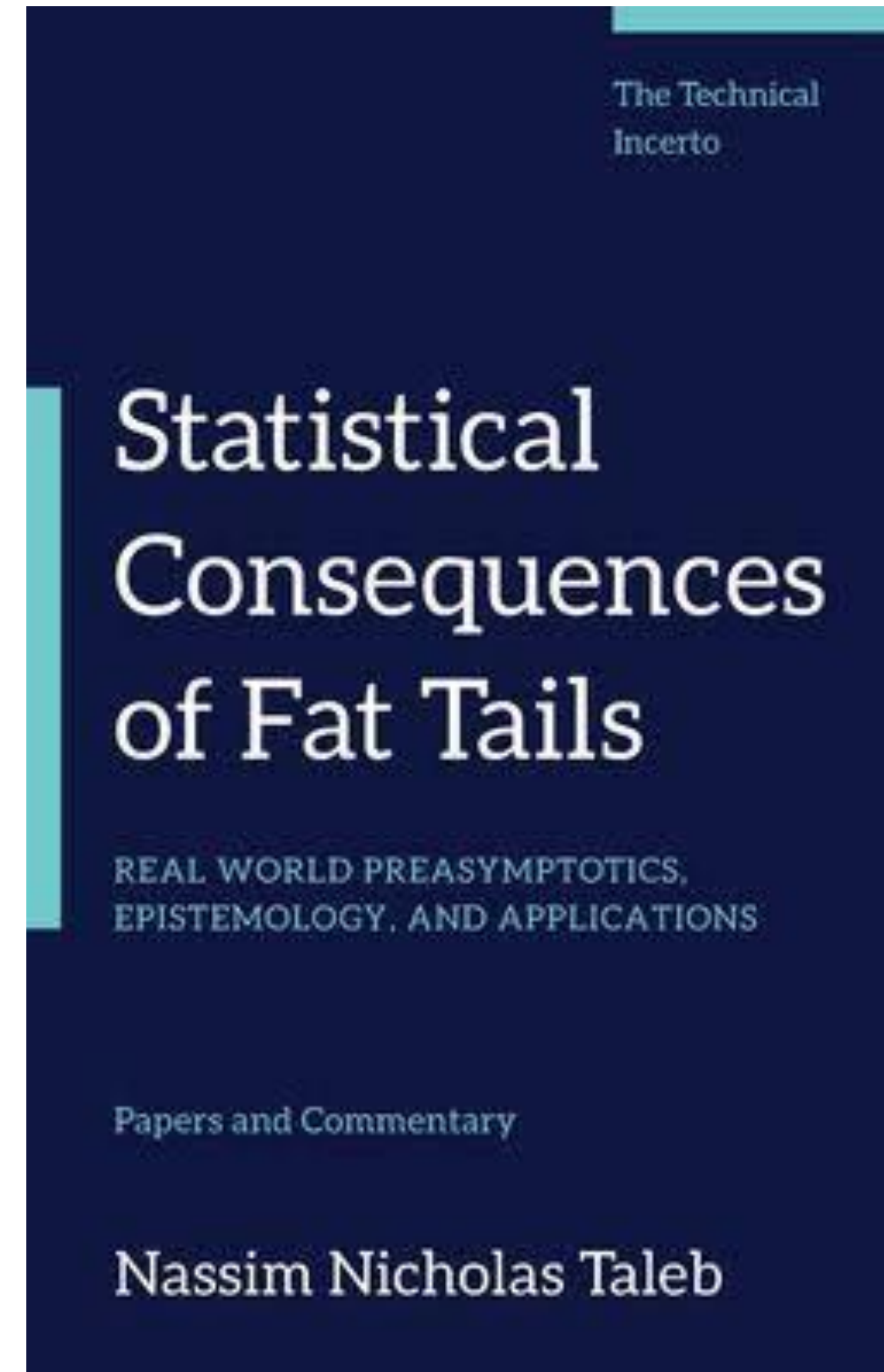
- Thank you to Jake Billings for the reading club website and [link to recordings](http://www.techincertoreadingclub.com/):

<http://www.techincertoreadingclub.com/>

- GitHub repository containing discussions and code:

<https://github.com/Technical-Incerto-Reading-Club>

- Thank you to all contributors to date



Chapter 5 - Intro

- **Two main topics:**

- **Sub-exponentials**

On the border between thin-tailed and fat-tailed distributions

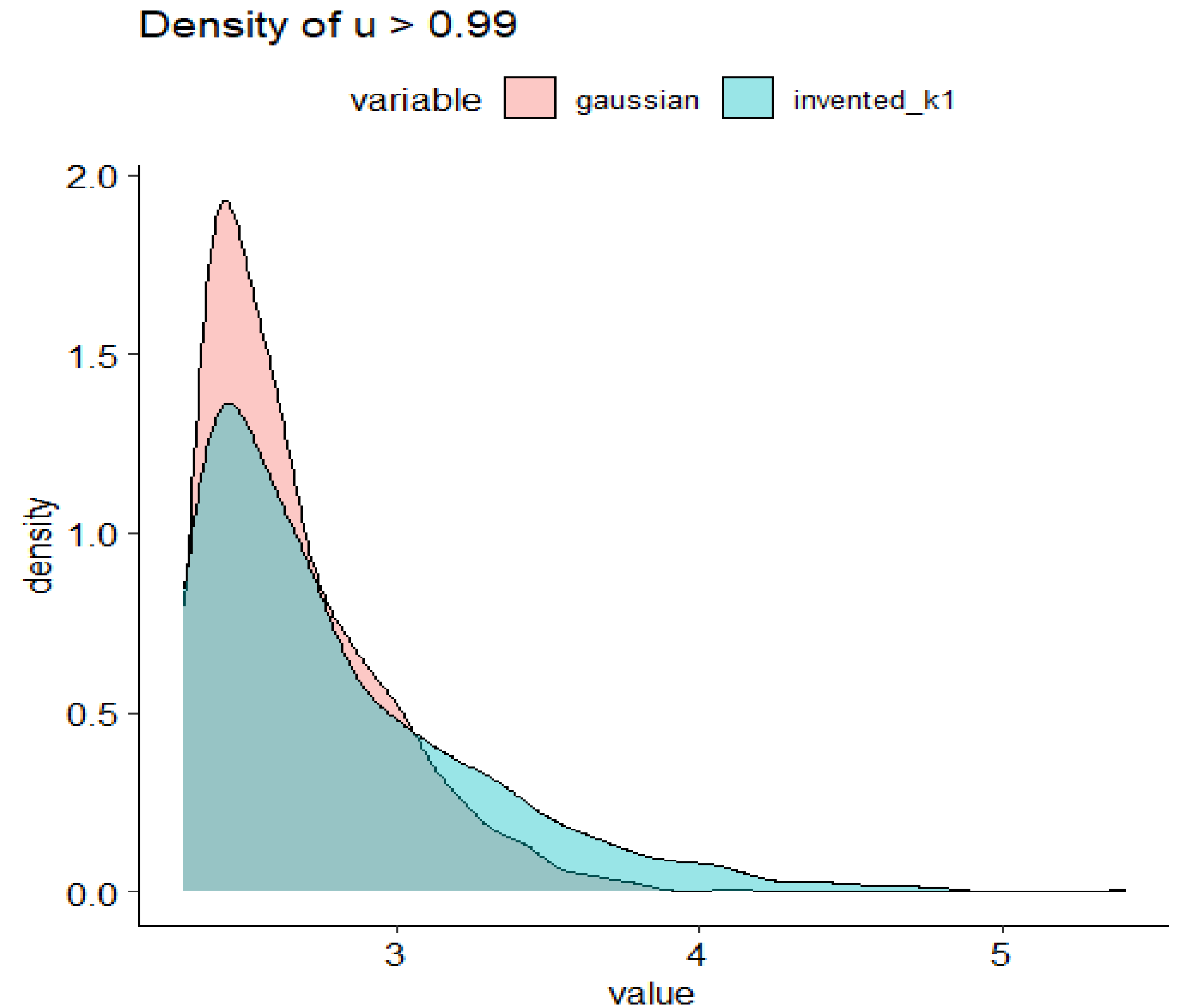
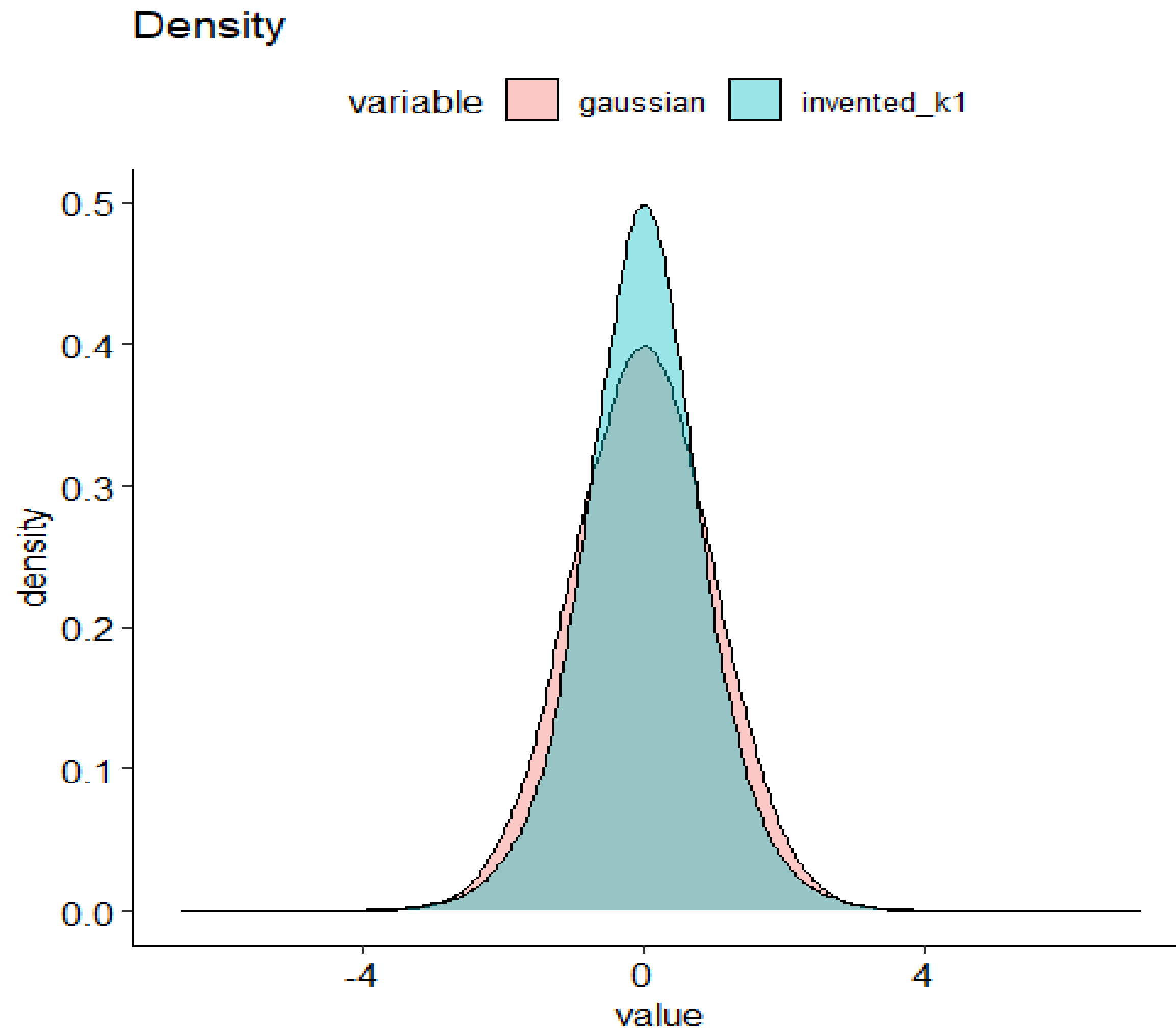
- **Fat tails**

Scalability

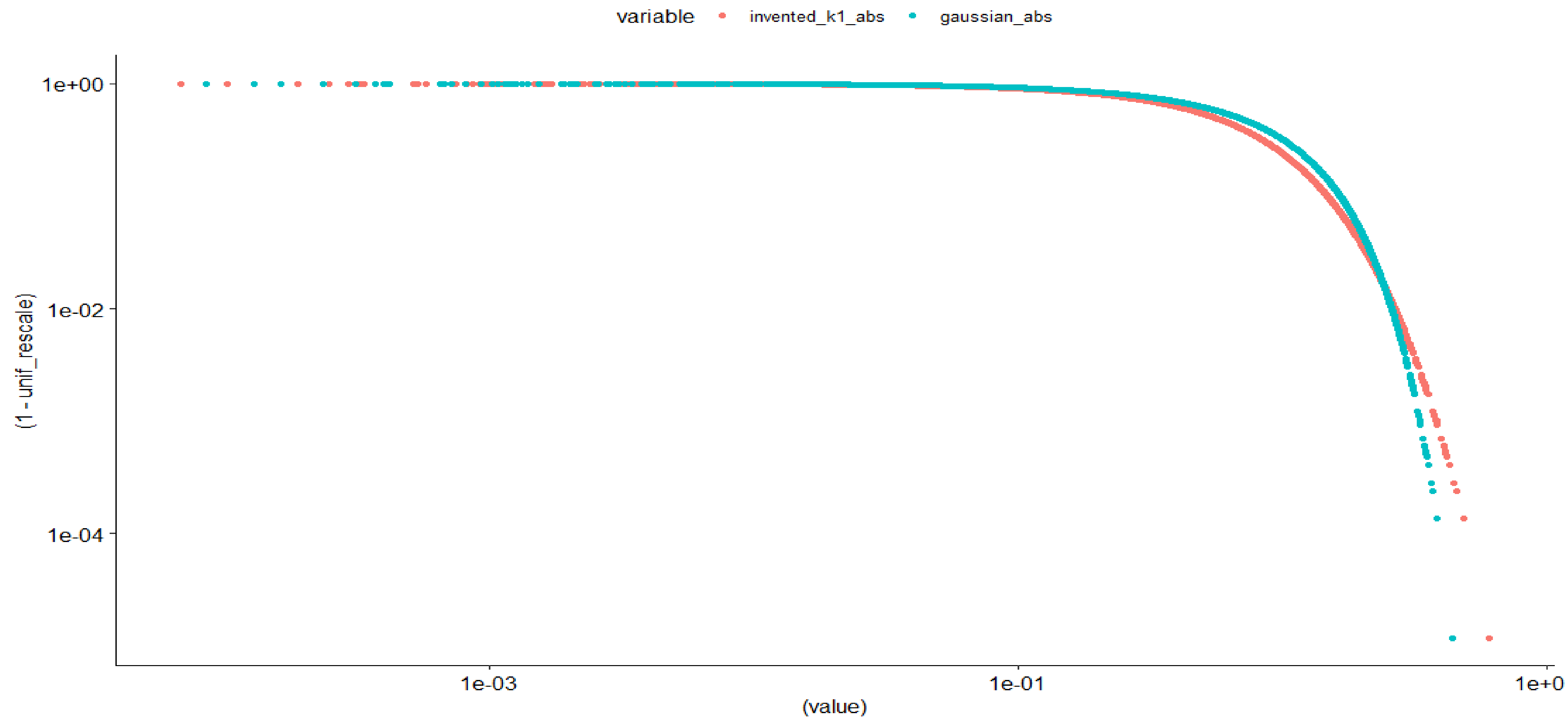
Properties of Fat Tails

“Stochastic volatility” i.e. fooled by randomness

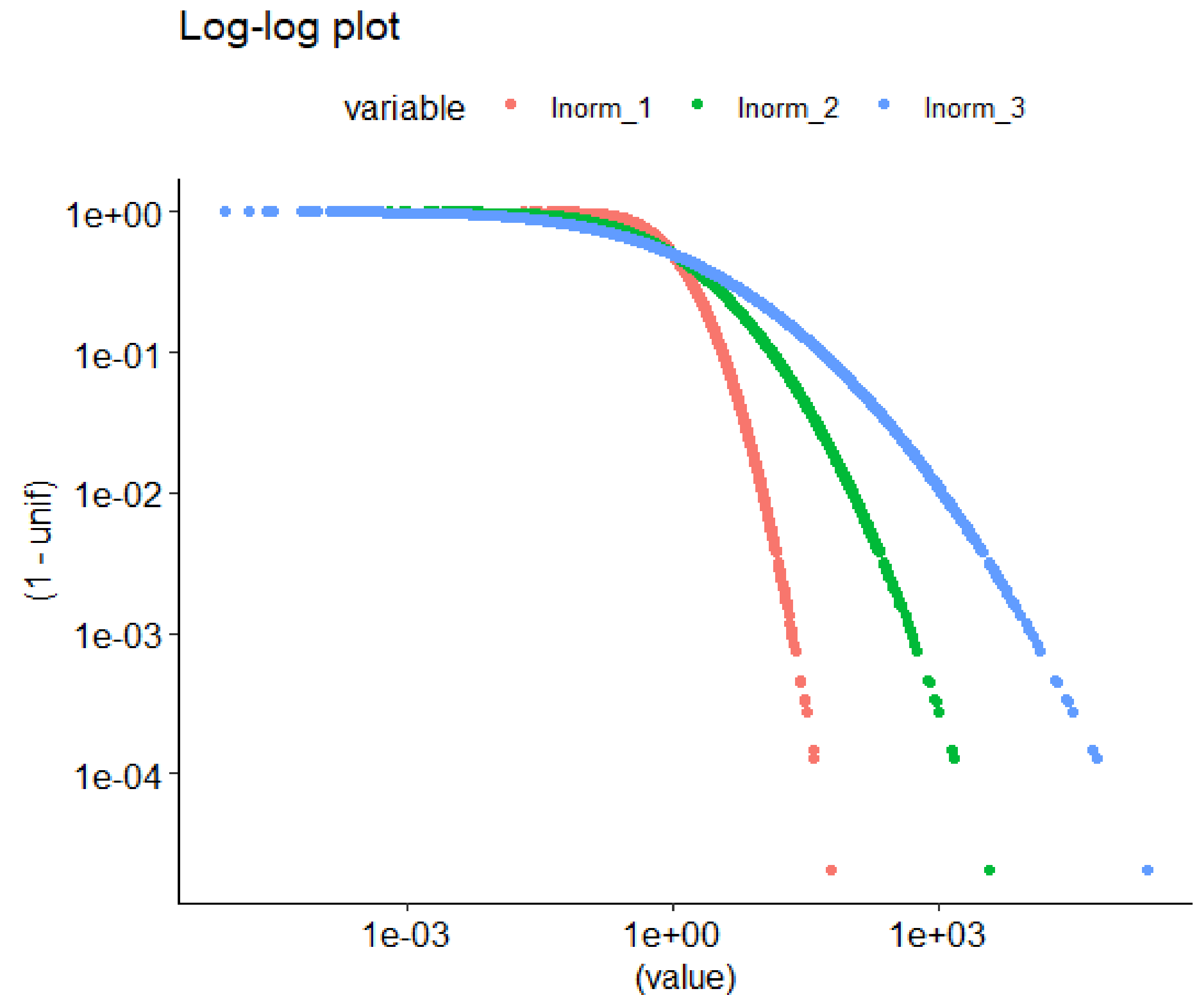
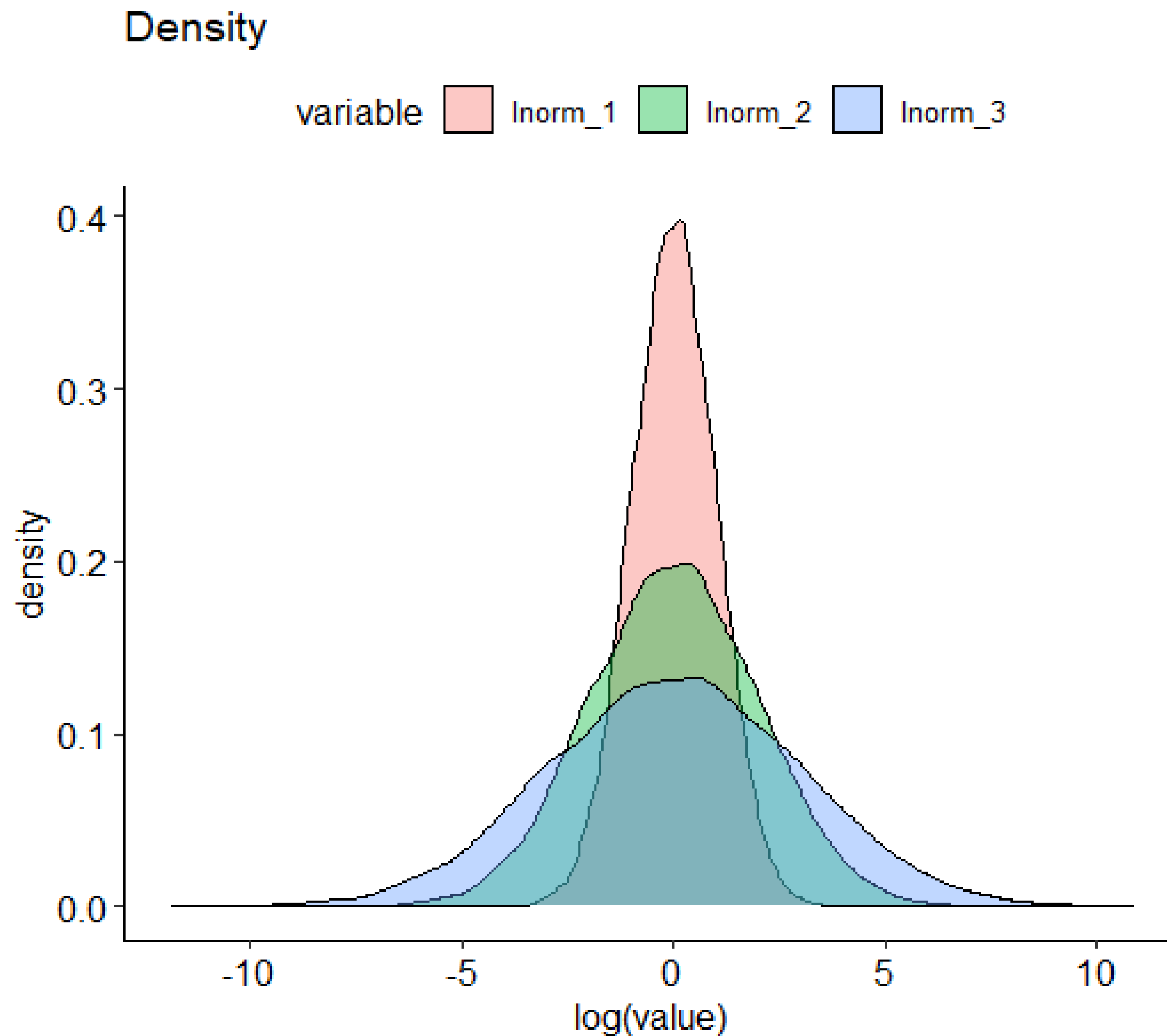
Gaussian vs Invented



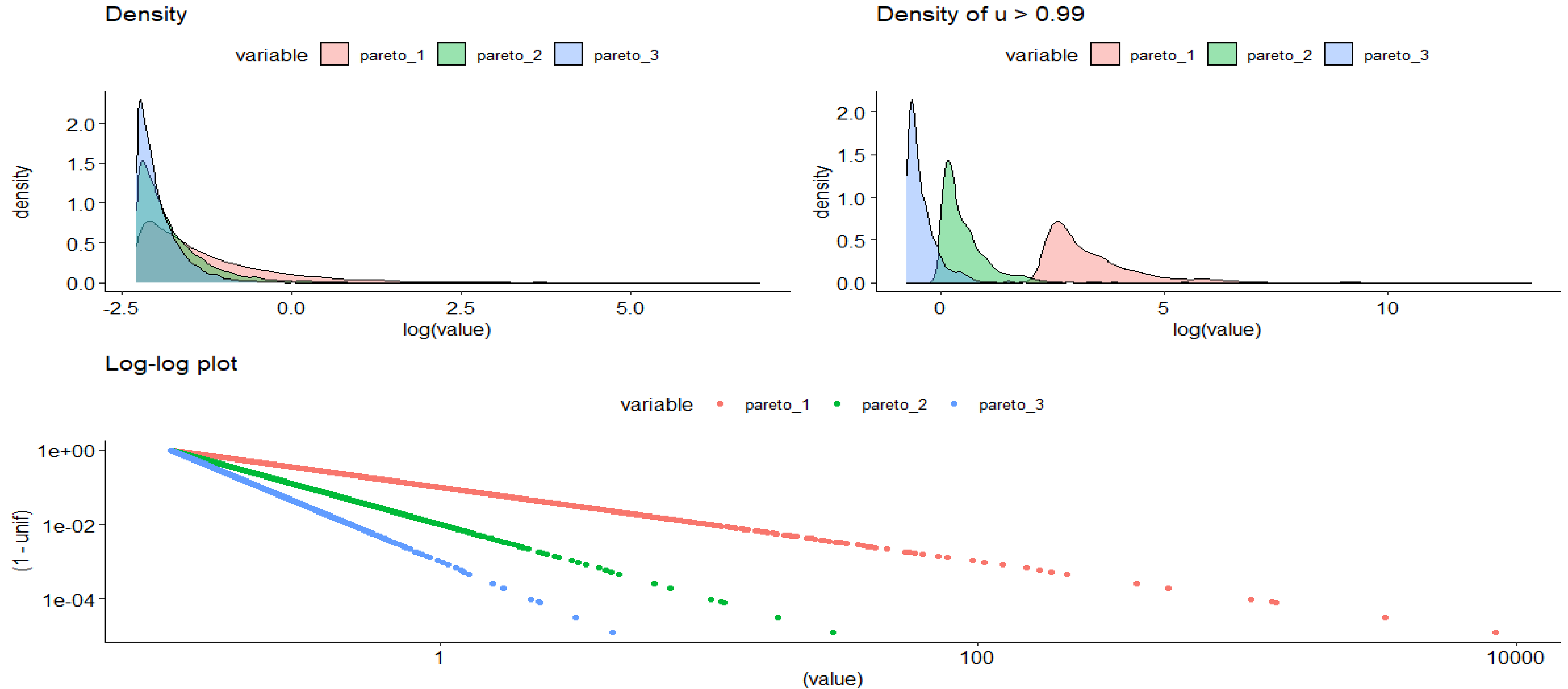
Folded: Gaussian vs Invented



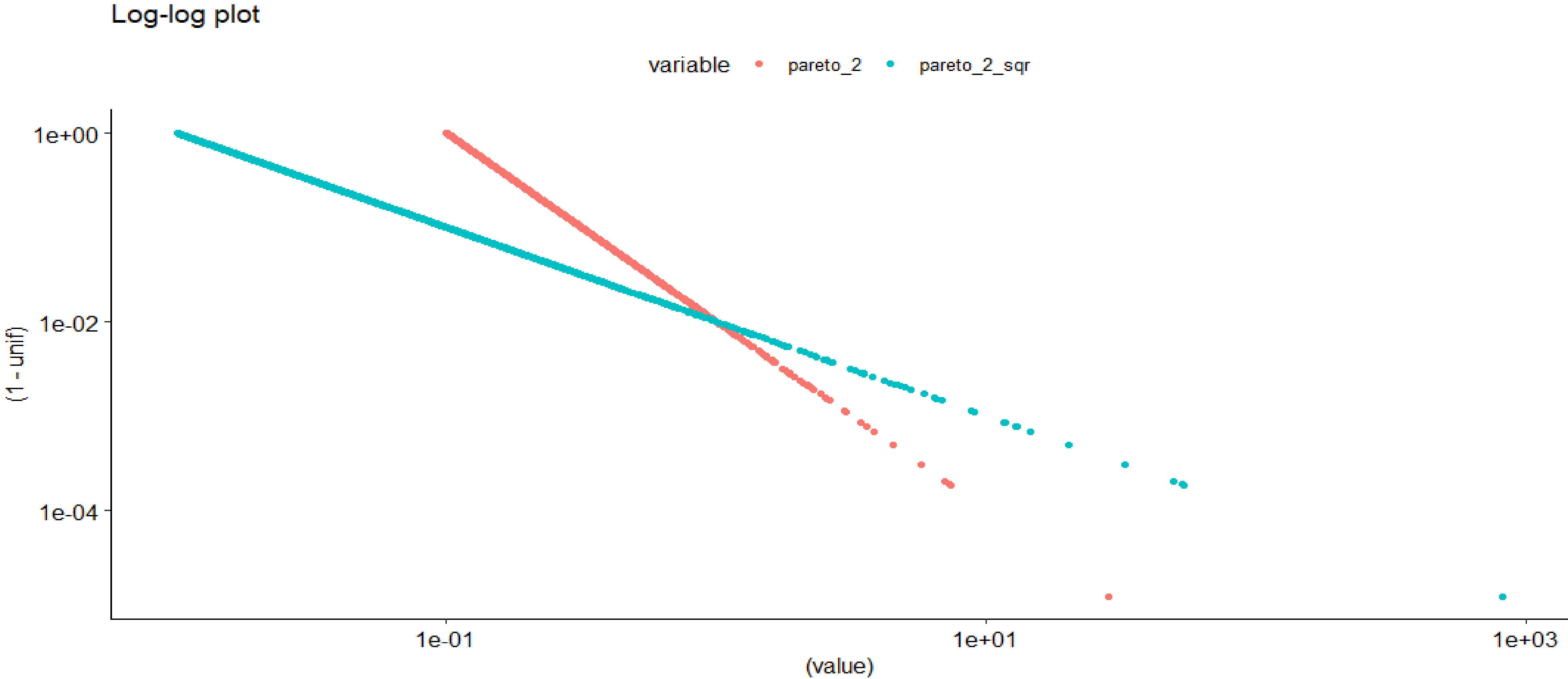
Log-normal – sigma in [1,2,3]



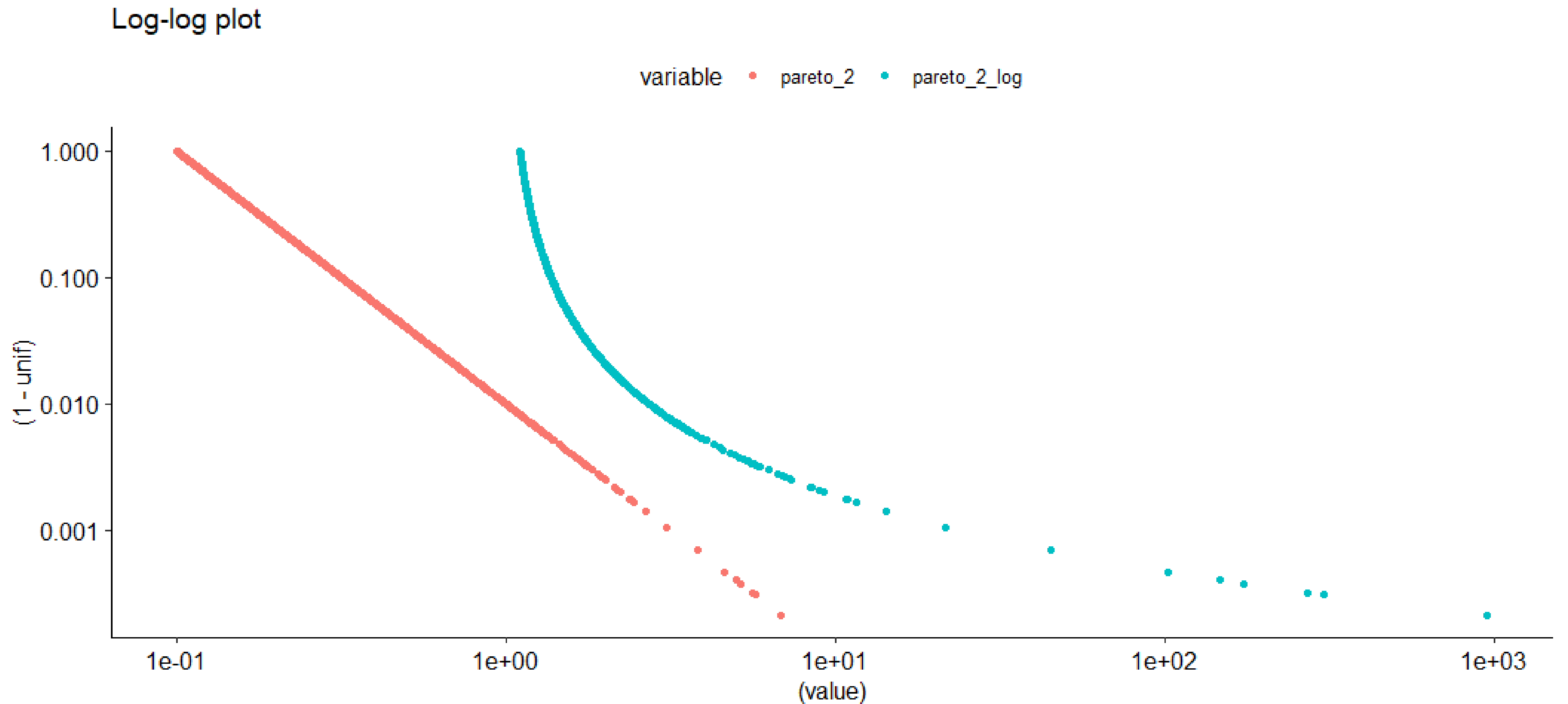
Pareto – alpha in [1,2,3]



Pareto²



Exp(Pareto)



Meetup Session 3

- **To cover Chapters 6-7 in the book**

Chapter 6: Thick tails in higher dimensions + Appendix
Chapter 7: Limit distributions, a consolidation

- **Schedule at beginning of May**

- **Call for volunteers**

Presentation – Chapter 6 – 1 Hour

Presentation – Chapter 7 – 1 Hour

Code backing the monthly presentation – R/Python