

Monte Carlo Simulation

To what extent does Monte Carlo Simulation help financial analysts assess possible portfolio and stock returns?

What is Monte Carlo simulation?

- Estimate possible outcomes of an uncertain event
- Based on normal distribution of past returns
- Multiple simulations are run to provide outcomes

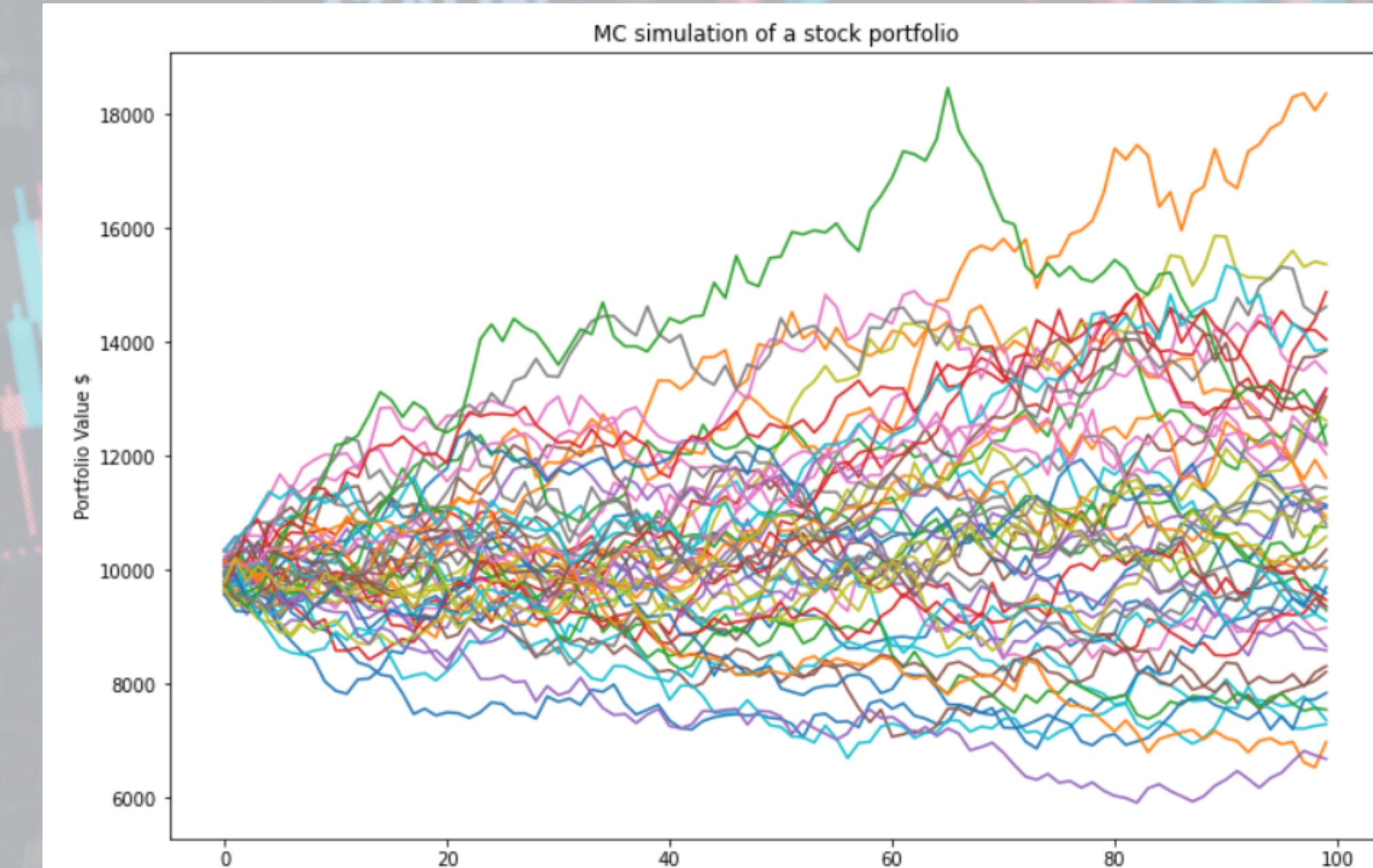
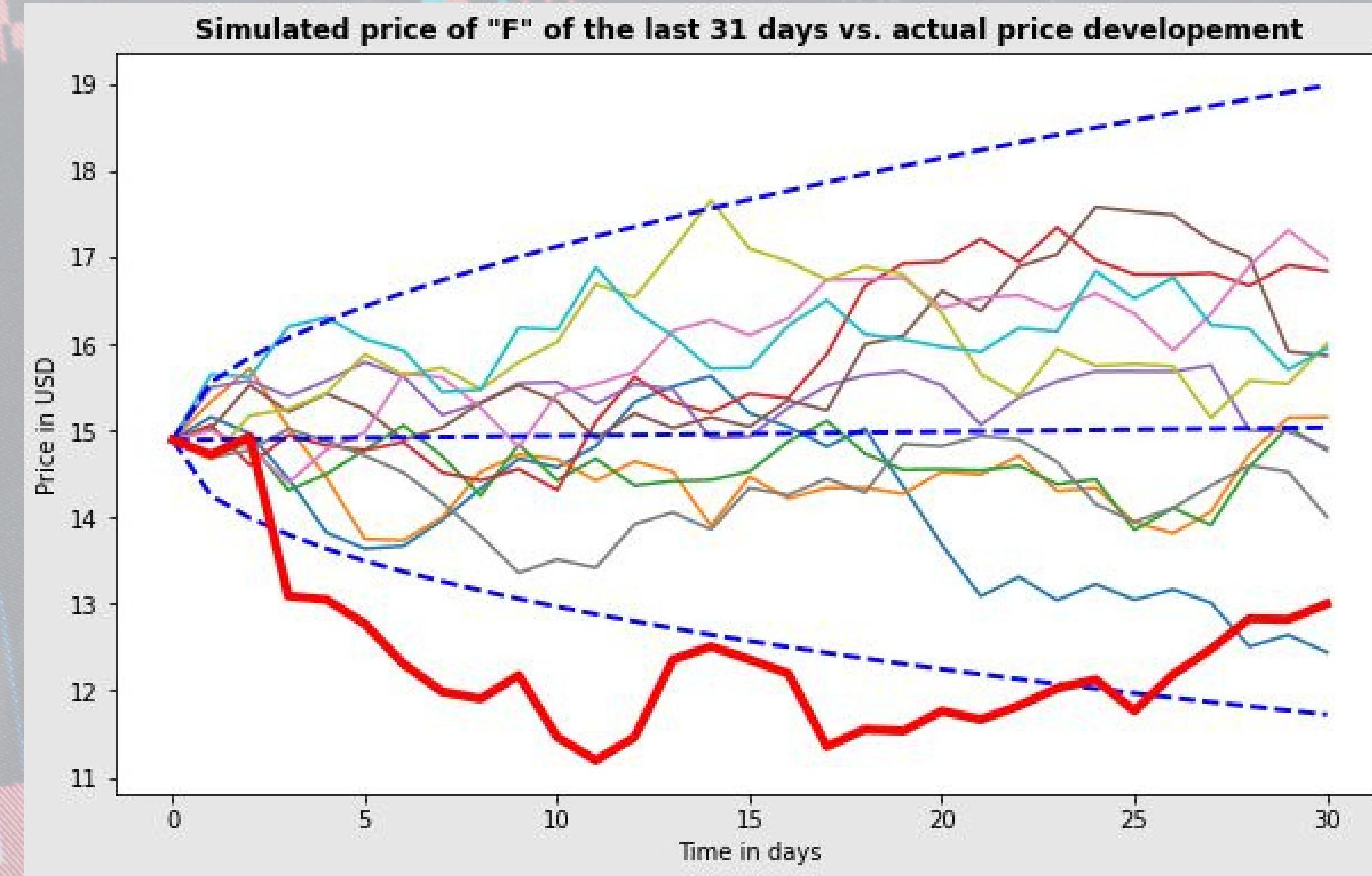
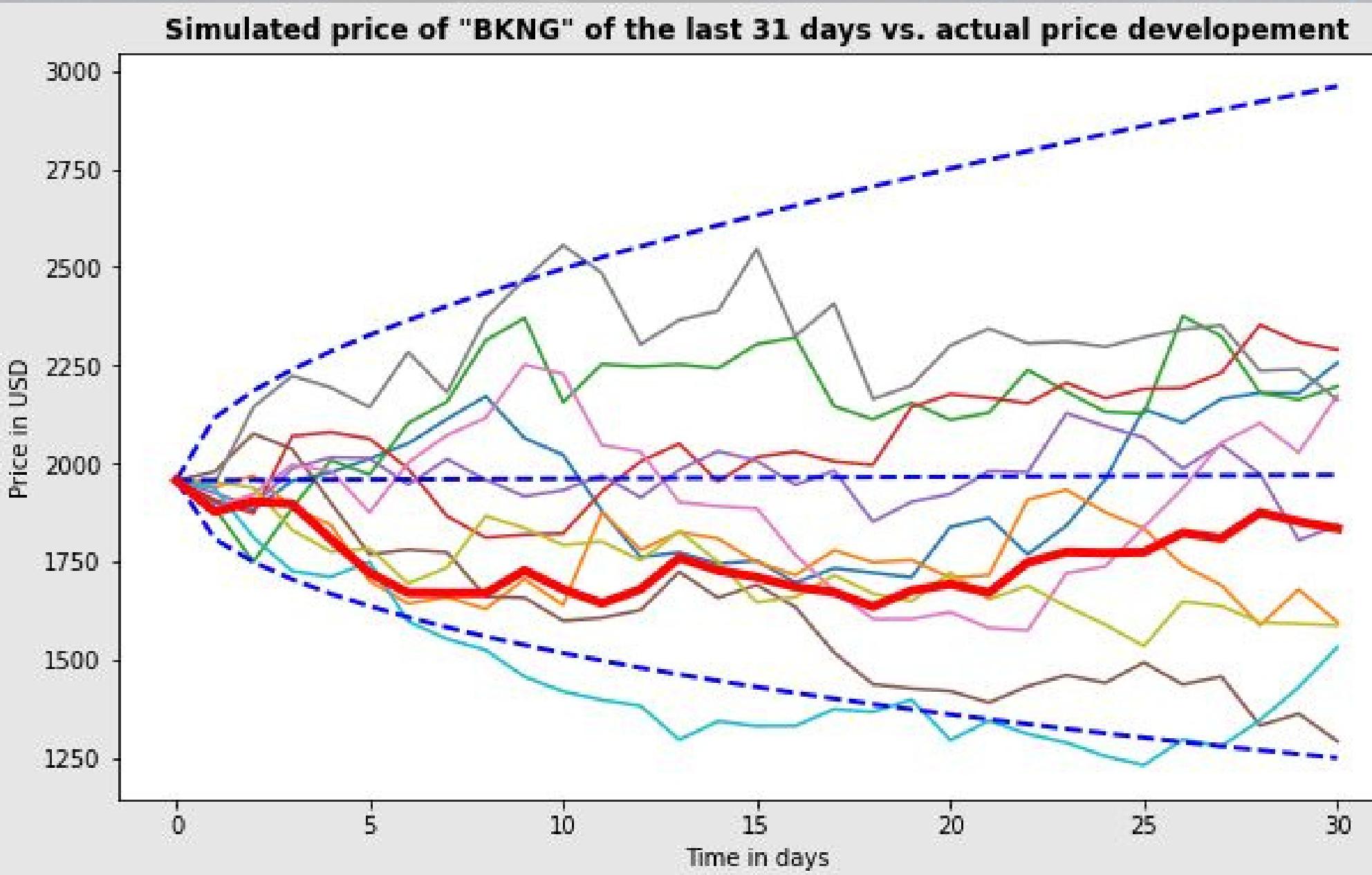
Why is the topic relevant?

- Uncertainty in the financial world
- Number of applications in and outside of finances

How the topic was approached

- Building the tool for simulating stock and portfolio values
- Research question discussion

Single stock experiment



Conclusions

1

Great tool to simulate stock process during normal times

2

Does not consider unexpected events nor changing economic climate

3

Managing risk with a confidence interval