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# **Extreme Value Dependence in Financial** Markets: Diagnostics, Models, and Financial Implications | Get access >

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The Review of Financial Studies, Volume 17, Issue 2, April 2004, Pages 581–610, https://doi.org/10.1093/rfs/hhg058

Published: 15 October 2003

#### **Abstract**

This article presents a general framework for identifying and modeling the joint-tail distribution based on multivariate extreme value theories. We argue that the multivariate approach is the most efficient and effective way to study extreme events such as systemic risk and crisis. We show, using returns on five major stock indices, that the use of traditional dependence measures could lead to inaccurate portfolio risk assessment. We explain how the framework proposed here could be exploited in a number of finance applications such as portfolio selection, risk management, Sharpe ratio targeting, hedging, option valuation, and credit risk analysis.

The Review of Financial Studies Vol. 17, No. 2, pp. 581-610 © 2004 The Society for Financial Studies; all rights reserved.

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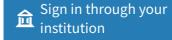


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