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Beyond reasonable doubt: multiple tail risk measures applied to European industries

David Edmund Allen, Robert John Powell & Abhay Kumar Singh

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Abstract

Using a comprehensive range of metrics, this article determines how relative market and credit risk change among European sectors during extreme market fluctuations. Differences are found between conditional and nonconditional outcomes, and sectors which were most risky prior to the Global Financial Crisis (GFC) are found to be different to the riskiest sectors during the GFC. These findings are consistent across the metrics used. The insights into extreme sectoral risk are important to investors in portfolio selection and to banks in setting sectoral concentration limits.

Keywords:

market risk | credit risk | value at risk | conditional value at risk | distance to default

JEL Classification:

B41 G11

Notes

Related Research Data

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Source: Journal of Banking & Finance

Coherent Measures of Risk

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Default Risk in Equity Returns

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A Quantile Monte Carlo Approach to Measuring Extreme Credit Risk

Source: SSRN Electronic Journal

Optimization of conditional value-at-risk

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