

Schedule of Readings

Business 864

Below are the readings recommended for the material covered in each week of class. This will be extended as the course evolves and we see how far we actually get each week. A * indicates that tough math in that section of the text or reading may be skipped, but you should try to understand the observations made or conclusions reached.

WEEK 1: Jan 11-13

Lando preface and chap 1

Culp chap 8 (Basel I and II capital regulation)

class overheads: intro to measures and stochastic processes

WEEK 2: Jan 18-20

Lando, chap. 2.1, 2.2 (Merton model)

Jones (2000) survey of credit risk modeling

notes1.pdf (Ito's lemma and arbitrage valuation)

Back chap 2.1-2.4, 2.8 (continuous time diffusion processes)

O'Kane and Scholgl (Lehman 2001) [by end of course]

Hull chap 26 (credit risk overview)

WEEK 3: Jan 25-27

notes2.pdf (Numerical solution of valuation pde)

Theunissen "Computing Notes"

Lando, chap 2.3*, 2.4*

Back appendix A "VBA Programming"

Back chap 10 (finite difference methods)

WEEK 4: Feb 1-3

Lando chap 2.6 (Black-Cox model), 2.11-2.13*

O'Kane (Lehman 2000) "Introduction to default swaps"

Hull chap 27.1-27.2 (credit default swaps, total return swaps)

WEEK 5: Feb 8-10

Duffie-Singleton chap 3.1-3.5 pp. 43-69 (handout)

Lando chap 5.0-5.3, 5.6-5.7 (intensity models)

Back chap 13.1-13.5 (background Vasicek term structure model)

Back chap 14.4 (background CIR term structure model)

WEEK 6: Feb 15-17

What you should have read last week . . .

“European Securitization: A Resource Guide”

“Securitization 101”, Gangwani

“Credit Spreads Explained”, O’Kane and Sen