ABSTRACT

There are several types of risks in financial markets. Credit risk, operational risk, and market risk are the three main categories of financial risks. In the emergence of several financial crisis and failures of market risk management, researchers in the field of financial economics have considered measuring market risks of a portfolio of financial assets as an important issue. One measuring concept widely adopted is Value at Risk. VaR's popularity is from its ability to summarize the total exposure to market risk into a single number. This popularity of Value at Risk has given rise to numerous methodologies and implementations of it. In this paper, I will survey most commonly used methodologies and recent developments for VaR and analyze them by applying to the S&P 500 return data.