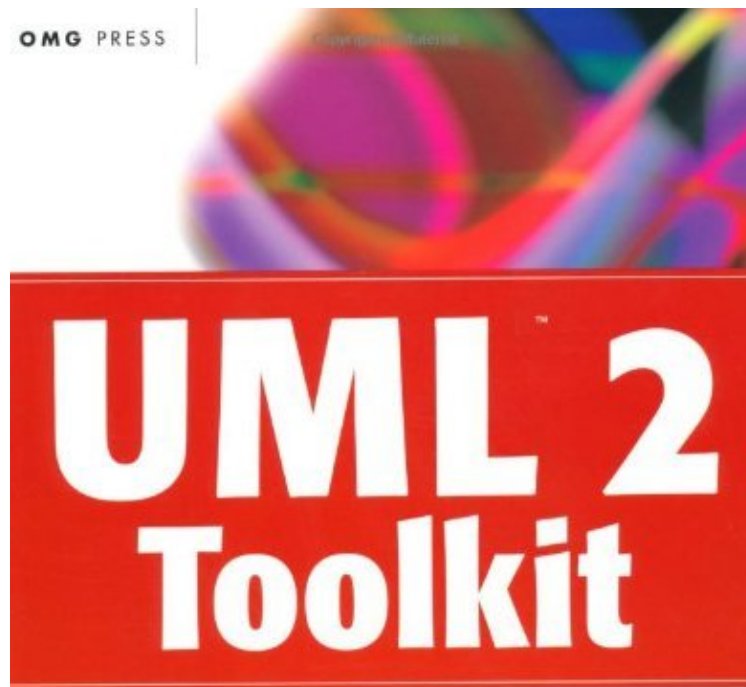


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## Financial Modeling of the Equity Market: From CAPM to Cointegration (Frank J. Fabozzi Series)

*Frank J. Fabozzi, Sergio M. Focardi, Petter N. Kolm*  
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**Frank J. Fabozzi, Sergio M. Focardi, Petter N. Kolm : Financial Modeling of the Equity Market: From CAPM to Cointegration (Frank J. Fabozzi Series)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Financial Modeling of the Equity Market: From CAPM to Cointegration (Frank J. Fabozzi Series):

1 of 3 people found the following review helpful. Excellent choice of covered topics, okay presentation  
By Customer  
This book will be a valuable tool to quants, risk managers, portfolio managers, strategists / forecasters. It covers a comprehensive range of topics, from generation of forecasts to modeling risk to optimizing portfolios to accounting for transaction costs. This breadth turns into a bit of a weakness as the depth and detail of coverage is often inconsistent and uneven across the topics; technical details required to understand and implement some of the more interesting models are omitted on many occasions. However, the authors usually do give references to original work,

so if needed the details can be recovered at the cost of extra time reading through academic papers. My biggest gripe (and the reason why I give this book four stars and not five) is insufficient coordination between the authors. Some of the topics appear multiple times in different chapters of the book and are discussed twice from a different perspective. E.g. VAR models are introduced in chapter 12, where authors discuss their closed-form solutions. Then in chapter 15 VAR models are introduced again; this time the book discusses estimation of regression coefficients. ARDL and dynamic factor models are not only introduced twice in different chapters, but are in fact defined materially differently - apparently as a result of respective chapters having been written by different authors without sufficient coordination. Finally, the book unfortunately has many typos, some more obvious and some less so, meaning that before model estimation formulas appearing in the book can be used for practical purposes they may need to be cross-verified from an independent source or by retracing their derivation. Despite the drawbacks, I believe this is a timely, quite valuable book. Highly recommended.

0 of 0 people found the following review helpful. Good but uneven  
By Robert Keyfitz  
For someone who knows a little about this area and wants to know more, buy this book. It's reasonably up to date and accessible and in only [!] 600 pages covers a lot of must-know material. It offers a good balance of theoretical and rigorous on the one hand and practical and applicable on the other. I'd have no hesitation in recommending it despite some annoying flaws. Think of it like a quirky but well intentioned professor who sometimes confuses you but equally often gives you a dazzling insight and usually gets you to the point where you can figure out what you need to know. If not, it has voluminous references to the literature which are particularly useful. A quality publisher like Wiley surely could have done a better job of editing. The book weaves in and out through a series of mathematical and econometric topics which don't hold together very well. (In general the mathematical chapters are better than the econometric ones.) There are too many typos and grammatical mistakes and at least one error (in the derivation of the Black-Litterman model) though I suspect there are many more. Nevertheless, I've probably spent more time with this book than any other on my shelf and I know a lot more because of it.

3 of 3 people found the following review helpful. great book for modeling  
By Lijun Shi  
this is a good introductory book for quantitative developers. Many of the recent research and application of the financial engineering idea has rendered some famous books not as up-to-date as needed. The financial modeling has a lot of different methods and directions, this book definitely did not cover all those new developments. But it is almost impossible to do that, instead, it does covers a lot interesting ground. And I find almost few other books overlap with this one so far, so even on cost per coverage basis, it is a good buy. Also check out the other book written by this trio, "Robust Portfolio Optimization and Management".

An inside look at modern approaches to modeling equity portfolios  
Financial Modeling of the Equity Market is the most comprehensive, up-to-date guide to modeling equity portfolios. The book is intended for a wide range of quantitative analysts, practitioners, and students of finance. Without sacrificing mathematical rigor, it presents arguments in a concise and clear style with a wealth of real-world examples and practical simulations. This book presents all the major approaches to single-period return analysis, including modeling, estimation, and optimization issues. It covers both static and dynamic factor analysis, regime shifts, long-run modeling, and cointegration. Estimation issues, including dimensionality reduction, Bayesian estimates, the Black-Litterman model, and random coefficient models, are also covered in depth. Important advances in transaction cost measurement and modeling, robust optimization, and recent developments in optimization with higher moments are also discussed.

Sergio M. Focardi (Paris, France) is a founding partner of the Paris-based consulting firm, The Intertek Group. He is a member of the editorial board of the Journal of Portfolio Management. He is also the author of numerous articles and books on financial modeling. Petter N. Kolm, PhD (New Haven, CT and New York, NY), is a graduate student in finance at the Yale School of Management and a financial consultant in New York City. Previously, he worked in the Quantitative Strategies Group of Goldman Sachs Asset Management, where he developed quantitative investment models and strategies.

From the Back Cover  
Financial Modeling of the Equity Market  
In Financial Modeling of the Equity Market, Frank Fabozzi, Sergio Focardi, and Petter Kolm provide you with the tools you need to succeed in managing equity portfolios. This book presents complex concepts in a concise and clear manner and includes a wealth of real-world examples and practical simulations. Filled with in-depth insight and expert advice, Financial Modeling of the Equity Market covers a wide range of important topics including: The major approaches to single-period portfolio analysis, including modeling, estimation, and optimization issues Static and dynamic factor analysis, regime shifts, long-run modeling, and cointegration Estimation issues such as dimensionality reduction, Bayesian estimates, the Black-Litterman model, and random coefficient models Advances in transaction cost measurement and modeling, robust optimization, and recent developments in optimization with higher moments  
Financial Modeling of the Equity Market contains the latest techniques for modeling equity portfolios, and offers both financial professionals and students of finance a chance to improve their skills within this important area.

About the Author  
FRANK J. FABOZZI, PHD, CFA, CPA, is the Frederick Frank Adjunct Professor of Finance at Yale University's School of Management and a Fellow of the International Center for Finance. Prior to joining the Yale faculty, Fabozzi was a visiting professor of finance in

the Sloan School of Management at MIT. Fabozzi is the Editor of the Journal of Portfolio Management. Sergio M. Focardi is a founding partner of the Paris-based consulting firm, The Intertek Group. He consults on, trains on, and implements quantitative financial models. He is also a member of the editorial board of the Journal of Portfolio Management and author of numerous articles and books on financial modeling. Petter N. Kolm, PHD, is a doctoral student in finance at Yale University's School of Management and a financial consultant in New York City. Previously, he worked in the Quantitative Strategies group at Goldman Sachs Asset Management where he developed quantitative investment models and strategies.