

# Extreme events in financial risk management

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Propositions (Stellingen)  
accompanying the dissertation

# EXTREME EVENTS IN FINANCIAL RISK MANAGEMENT

by Thorsten Lehnert

1. "In the end, there may be no absolute truth about financial values. ... When you propose a model of the physical world, you're pretending you can guess the structure God created. But when you propose a financial model, you're pretending you can guess another person's mind. ... It's not that physics is 'better'; rather that finance seems to be harder."

*Emanuel Derman, "The Great Pretender", Derivatives Strategy Magazine, 6, 1.  
Chapter 1 of this dissertation*

2. There is an evolution in the way financial markets 'behave' and therefore the statistical description of financial fluctuations has to be imperfect.

*Chapter 1 of this dissertation*

3. While financial applications involve many different time intervals, ranging from a few minutes (intraday) to a number of years, most techniques used in econometrics focus on modeling the fluctuations of price series in a single time interval.

*Chapter 3 of this dissertation*

4. An attractive feature of the truncated Lévy flight is that it can nicely describe the time scaling properties of financial price fluctuations, but can also be Gaussian.

*Chapter 3 of this dissertation*

5. Option prices are highly informative; the task is to infer the relevant information.

*Chapter 5 of this dissertation*

6. Financial risk is the risk of losing money and not the chance of winning money.

7. It was already Goethe, who learned a lot from Hafiz.

8. A child is the most wonderful and most challenging task in your life.

9. Happiness is when what you think, what you say, and what you do are in harmony.

*inspired by Mohandas Gandhi, "The serenity book".*