Financial Simulation Modeling in

A Step-by-Step Guide

KEITH ALLMAN
JOSH LAURITO
MICHAEL LOH

John Wiley & Sons, Inc.
Contents

Preface vii
Acknowledgments xi
About the Authors xiii

CHAPTER 1
  Introduction 1

CHAPTER 2
  Random Numbers, Distributions, and Basic Simulation Setup 13

CHAPTER 3
  Correlation 47

CHAPTER 4
  Option Pricing 65

CHAPTER 5
  Corporate Default Simulation 95

CHAPTER 6
  Simulating Pools of Assets 127

CHAPTER 7
  Dealing with Data Deficiencies and Other Issues 153

CHAPTER 8
  Advanced Topics and Further Reading * 169
APPENDIX A
  Partial Differential Equations 175

APPENDIX B
  Newton-Raphson Method 183

References 187

Index 189