

HISTORIC VaR HINTS

The document "Return to RiskMetrics: The Evolution of a Standard" describes in detail the methodology that you should follow in pages 25-31 including a worked example.

The aim of this exercise is to compute the historic VaR using real data from Bloomberg — so you need to combine the methodology described above with your ^(or Excel) MATLAB skills and your Bloomberg skills.

I recommend starting simply and trying to price a portfolio in a single stock / (or index). Then, time permitting, you could add in more stocks, allow options, varying interest rates etc.

It should be feasible to compute the historic VaR in Excel but it is probably safer to use MATLAB for this project.

You might want to look through the examples and solutions from FMO6 to help with this project.