FORECASTING EXTREME EVENTS ON FINANCIAL MARKETS

Ionuț Cosmin Năstase*

The Academy of Economic Studies, Bucharest, Romania

Abstract

The events of the recent financial crisis from 2007-2008 were the basis for choosing this topic and justified the desire to deepen crises on financial markets. "Too big to fall" is a statement that this crisis has dismantled in just few months through the bankruptcy of US large-scale financial conglomerates such as Lehman Brothers, Bear Stearns, Merrill Lynch and others. September 2008 is a month that many will not forget, a "dark" month in which the entire global financial system froze, marked by huge creditors taken in collapse (Fannie Mae and Freddie Mac), by the buying of the bankrupted bank Bear Stearns by J.P Morgan for 2$/share, the collapse of Lehman Brothers, followed by the bankruptcy and the collapse of the largest American Insurance Group (AIG), which has been taken by the government. This paper's objective is to determine if, based on historical events – last financial crisis – we can determine whether we can define certain methods or instruments which can be used as signals for anticipating future extreme events on financial markets and how accurate and applicable they are.

Keywords

Financial crisis, Extreme events, Financial markets, Global financial system, Bankruptcy, Financial Engineering, Securities.

JEL Classifaction

G01, G17, G20

* Corresponding author, **Ionut Cosmin Nastase** – nastaseionutcosmin@gmail.com