

Kurtosis and the Black Swan: Some Fine Financial Findings

by

Nicola Loperfido, University of Urbino, Urbino, Italy (nicola.loperfido@uniurb.it)

The Black Swan: The Impact of the Highly Improbable is a book which became a bestseller by pointing out the relevance of extreme, that is events in finance. It also depicted statisticians as being totally inept at dealing with such events, but very apt in deceiving themselves and others using the normal distribution and more complicated models. This is unfair, given the vast statistical literature devoted to non-normal models for extreme financial events. However, it is also true that most of it is better suited for professional statisticians than for financial analysts with limited statistical backgrounds and little time to learn advanced statistical techniques. These analysts might find kurtosis a simple and useful tool for dealing with tail events. This seminar examines some properties of kurtosis and applies them to financial decisions. Theoretical results will be illustrated by using data collected from several financial markets.