

This book shows how current and recent market prices convey information about the probability distributions that govern future prices. Moving beyond purely theoretical models, Stephen Taylor applies methods supported by empirical research of equity and foreign-exchange markets to show how daily and more frequent asset prices, and the prices of option contracts, can be used to make and evaluate predictions about future prices, their volatility, and their probability distributions.

Taylor provides a comprehensive introduction to the dynamic behavior of asset prices, relying on finance theory and statistical evidence. He uses stochastic processes to define mathematical models for price dynamics, but with less mathematics than in other books. The key topics covered include random-walk tests, trading rules, ARCH models, stochastic volatility models, high-frequency datasets, and the information that option prices imply about volatility and distributions.

*Asset Price Dynamics, Volatility, and Prediction* is ideal for students of economics, finance, and mathematics who are studying financial econometrics, and will enable researchers to identify and apply appropriate models and methods. It will also be a valuable resource for quantitative analysts, fund and risk managers, and investors who seek realistic expectations about future asset prices and the risks to which they are exposed.

