Cambridge Elements

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A PRACTITIONER'S GUIDE TO DISCRETE-TIME YIELD CURVE MODELLING

WITH EMPIRICAL ILLUSTRATIONS AND MATLAB EXAMPLES

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Abstract: This Element is intended for students and practitioners as a gentle and intuitive introduction to the field of discrete-time yield curve modelling. I strive to be as comprehensive as possible, while still adhering to the overall premise of putting a strong focus on practical applications. In addition to a thorough description of the Nelson-Siegel family of model, the Element contains a section on the intuitive relationship between P and Q measures, one on how the structure of a Nelson-Siegel model can be retained in the arbitrage-free framework, and a dedicated section that provides a detailed explanation for the Joslin, Singleton, and Zhu (2011) model.

Keywords: yield curve modelling, discrete-time, arbitrage-free models, Nelson-Siegel type models

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