

Appendix

Attachment/ Detachment points	Combination Market	μ_A and D_A have opposite signs	μ_A and D_A have the same signs
0%-3%	23.53%	23.53%	23.53%
3%-6%	62.75 bp	120.31 bp	135.07 bp
6%-9%	18 bp	31.61 bp	27.69 bp
9%-12%	9.25 bp	10.70 bp	6.63 bp
12%-22%	3.75 bp	2.03 bp	0.69 bp
absolute error		74.34 bp	87.69 bp
correlation ρ		19.39%	15.67%
σ_1^2		2.7519	1.1

Table 7: Pricing results by one factor double CSN copula model with different combinations for μ_A and D_A at 12-April-2006.

The following tables show the compound and base correlations of the data at 12-April-2006.

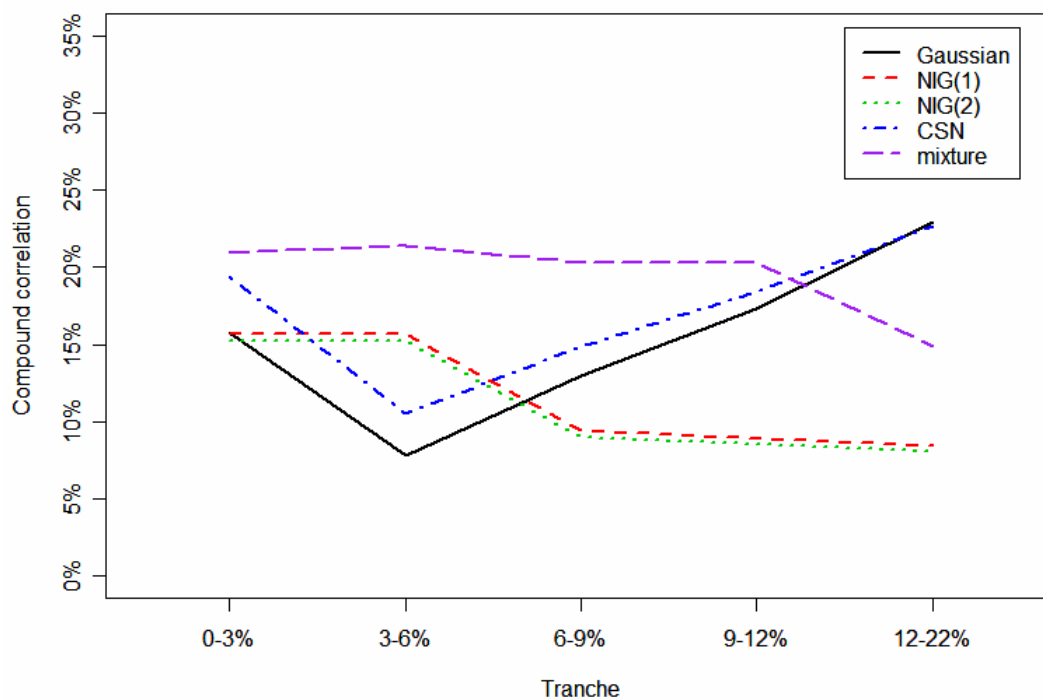


Figure 17: The implied compound correlation curve for iTraxx Europe series 5 based on different copula models at 12-April-2006.

Attachment/ Detachment points	Gaussian	NIG(1)	NIG(2)	CSN	mixture
0%-3%	15.78%	15.66%	15.27%	19.39%	20.95%
3%-6%	7.79%	15.66%	15.27%	10.56%	21.38%
6%-9%	13.00%	9.45%	9.01%	14.87%	20.33%
9%-12%	17.34%	8.54%	8.54%	18.45%	20.35%
12%-22%	22.93%	8.04%	8.04%	22.67%	14.89%

Table 8: The implied compound correlation for each tranche of iTraxx Europe based on different copula models at 12-April-2006.

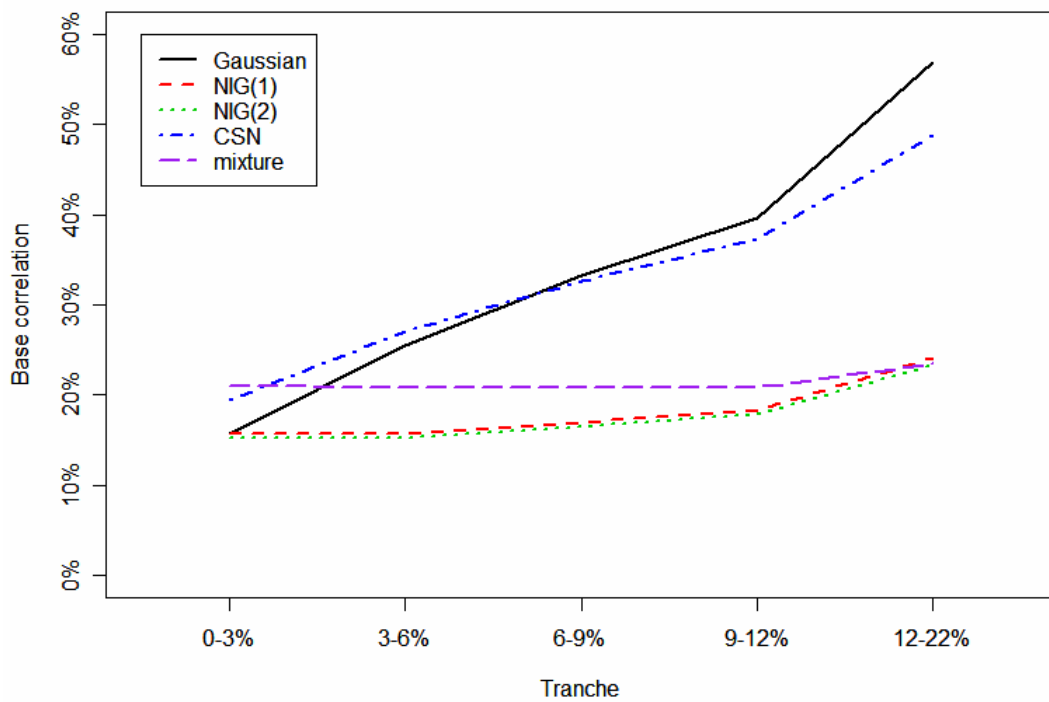


Figure 18: The implied base correlation curve for iTraxx Europe series 5 based on different copula models at 12-April-2006.

Attachment/ Detachment points	Gaussian	NIG(1)	NIG(2)	CSN	mixture
0%-3%	15.78%	15.66%	15.27%	19.39%	20.95%
0%-6%	25.49%	15.65%	15.27%	27.00%	20.77%
0%-9%	33.21%	16.96%	16.57%	32.66%	20.80%
0%-12%	39.63%	18.39%	17.96%	37.34%	20.77%
0%-22%	56.79%	24.09%	23.30%	48.78%	23.46%

Table 9: The implied base correlation for the iTraxx Europe tranches based on different copula models at 12-April-2006.

Attachment/ Detachment points	Proportion			
	$p=0.3$	$p=0.5$	$p=0.7$	$p=0.9$
0%-3%	23.53%	23.53%	23.53%	23.53%
3%-6%	91.81 bp	61.42 bp	61.29 bp	56.48 bp
6%-9%	25.91 bp	18.80 bp	22.29 bp	21.52 bp
9%-12%	10.73 bp	9.69 bp	12.77 bp	12.59 bp
12%-22%	3.64 bp	5.94 bp	6.98 bp	6.61 bp
absolute error	38.55 bp	4.76 bp	12.51 bp	15.98 bp
correlation ρ	19.81%	20.95%	20.52%	19.41%
α	0.5256	0.1045	0.4900	0.6750
β	0	0	0	0
σ_1^2	2.7519	2.7519	2.7519	2.7519

Table 10: Pricing the iTraxx Europe tranches by one factor double mixture distribution copula model with different proportion at 12-April-2006.