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Disentangling crashes from tail

The study of tail events has become a central preoccupation for academics, investors and policy makers, given the recent financial turmoil. However, the question on what differentiates a crash from a tail event remains unsolved. This work elaborates a new definition of stock market crash taking a risk management perspective based on an augmented extreme value theory methodology. An empirical test on the French stock market (1968-2008) indicates that it experienced only two crashes in 2007-2008 among the 12 identified over the whole period.

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