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Preface

This book contains the edited version of the papers presented at the conference Computational Finance 2006, held in London in June 2006. This conference follows the success of the First International Conference of Computational Finance and its Applications which was held in Bologna, Italy, in 2004.

In the last two years, several major events have characterised the international financial markets. The most significant one was certainly the explosion of the price of commodities, in particular of oil, which has recently reached a level of 74 dollars.

This prompted several investment banks and traditional commodity players to strongly increase their presence in the commodities trading area. Several new trading groups have been established, which marks a strong expansion in this area after the collapse of the previous generation of players, such as Enron.

Surprisingly, the impact on the economy of such high oil prices has been so far rather limited.

On the contrary, share prices have shown a prolonged growth, fuelled by a relative strong economic growth, low unemployment, strong profits from oil-related companies and a new wave of mergers and acquisitions. Technology shares, such as Google, have also grown strongly, with some analytics comparing this performance with the years of the .COM boom.

Analysts are now divided on where the markets will go next. Some argue that growth will continue, while others are warning that we could be already in the middle of a new stock market bubble.

Because of the interests at stake in the financial markets and in particular because of the uncertainty of the direction of the economy and financial markets, investment in research in the field of finance has remained extremely strong.

Finance has continued to be one of the main fields of research where the collaboration between the industry, such as investment banks, and the wider research community is strongest.

Within this context, the purpose of this conference has been to bring together leading experts from both the industry and academia to present and share the results of their research, with the aim to become one of the main forums where such collaboration takes place.

This book contains many high quality contributions reporting advances in the field and focussed on the following areas: Financial service technologies in the 21st century; Advanced computing and simulation; Derivatives pricing; Forecasting, advanced computing and simulation; Market analysis, dynamics and simulation; Portfolio management and asset allocation; Risk management; Time series analysis and forecasting.

This volume would not have been possible without the help of the members of the International Scientific Advisory Committee, whose help is gratefully acknowledged. Their help in reviewing the papers has been essential in ensuring the high quality of this volume.

The Editors
London, 2006

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