

Review of: "Cryptocurrency market risk analysis: evidence from FZL function"

Mhamed-Ali El-Aroui¹

¹ International University of Rabat

Potential competing interests: No potential competing interests to declare.

The major contribution of this study is to use the joint loss dynamic models (FZL) of Fissler and Ziegel 2016 for joint VaR and ES in cryptocurrency markets risk analysis.

The author should illustrate the advantages of this approach over standard approaches. What risk ranking would have been obtained without the use of this FZL method? What differences in terms of regulatory capital calculations?

The author should mention first (using some examples from the literature) the advantages and empirical results obtained by FZL in standard risk Management applications (not cryptocurrencies).

The author should comment his result: MDM test of equal predictive accuracy (EPA) rejects the null hypothesis of EPA for Litecoin at 1% level. What was the model having the best predictions. What are the possible explanations of such a different result (just for Litecoin at 1%). What possible practice recommendations?

Many equations are illegible because of editing problems (3, 4, 6, 7, 10, 11). All fractions are shifted as powers.

Many language problems (eg: page 2: "Expected Shortfall measure the average return", page 6: "Laplace law which robustly measure fat-tail", page 15: "FZL values drawn from both VaR and ES provides a better", etc.).

Some cited references are not in the References list (eg: Ji et al. 2018, Trabelsi 2018, BIC 2013 (unless it is a typo for BIS 2013)).

Figure 1 should have a more precise title (the author should mention that daily (?) returns are depicted). Moreover the usefulness of figure 1 is not obvious.

Many typos: eg. page 7 (VaR_a instead of VaR_{alpha}), page 6 (before eq. (8) alpha is not in subscript), page 7: "periodH", etc.