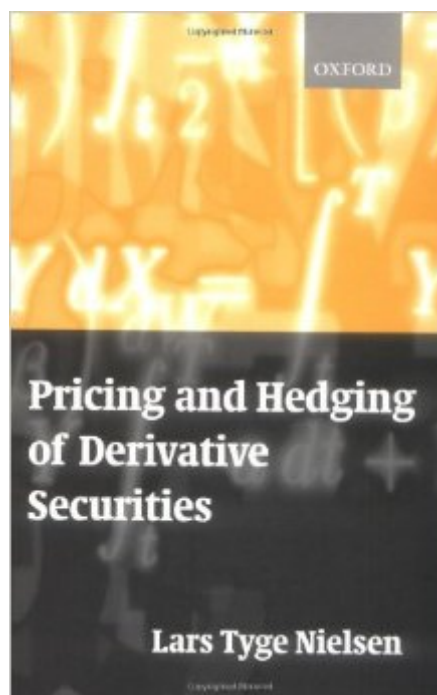


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Pricing And Hedging Of Derivative Securities



Synopsis

The theory of pricing and hedging of derivative securities is mathematically sophisticated. This book is an introduction to the use of advanced probability theory in financial economics, presenting the necessary mathematics in a precise and rigorous manner. It enables the reader to understand journal literature with confidence, to apply the methods to new problems or to do original research in the field.

Book Information

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Customer Reviews

This book is excellent. As anyone interested in this field knows, there is a lot of high-level math. The author has included several appendices which cover the required background, and he only includes proofs that are helpful to overall understanding. All theorems without proofs have references to the standard math texts. In comparison to other texts, it does not leave many important ideas to intuition like Neftci's book. Baxter & Rennie is better than Neftci, but not as good as Elliot & Kopp or Lamberton & Lapeyre. All of the above I have studied to some extent, and Nielsen's book seemed to include all that these did AND to fill in the gaps. This is the first book I have seen to actually define 'numeraire'. Make no mistake, to truly understand this material one has to make an investment in learning a good amount of math. The texts I recommend for real analysis are Royden (tops among all for ease and clarity) and Folland (more comprehensive, but very well written); for probability I recommend Resnick's new book which includes a good chapter on discrete-time martingales (much more readable than Chung) and the legendary text by Billingsley. If you are willing to learn about 4 chapters of Royden and keep Resnick at your side, then this is the only book

you need. If not, then start with Baxter and Rennie.

This is an excellent textbook on financial mathematics. It is quite mathematical, but self contained, clearly and carefully written. The appendices are very well written condensed reviews of basic technical facts. The book also contains discussions of a topics that I've never seen anywhere else, such as "Arbitrage and Admissibility" and "The doubling strategy". As mentioned in the preface, the book is based on a doctoral-level course, and the author clearly had the benefit of a large amount of feedback from students. Reading it, one can't help notice the presence of a very large number of extra remarks and hints, inserted on every page in order to clarify what must have been a denser original text. Finally, I have to mention the excellent editorial work done by Oxford University Press in producing this book, as compared to similar books published by Wiley.

Learn continuous time finance from this book: you won't be disappointed. I have read almost all the most famous finance books and I must say that this is by far the best one of them. Although somewhat limited in scope, it is masterfully written: everything is explained clearly and carefully. All statements are rigorously proved. I would say it is suitable both for beginners, having a minimum exposure to measure-theoretic probability and willing to spend some time on it, and for advanced students. Personally, I first read the book as a beginner and found it extremely useful, but even now, that I understand and know most of the material, I find it to be an invaluable reference. The level of mathematical sophistication is quite high, so don't expect anything like Neftci, Baxter and Rennie, Mikosch or Bjork. The level is the same of Duffie, but, while Duffie presents a lot of material and most of the time he doesn't provide proofs and explanations (which, personally, I find irritating), this book is limited to few selected topics, but they are explained at length. Unfortunately, the perfect finance book has not yet been written (finance professionals seem to be too busy and well paid to write good books), but this one is almost perfect. If you really want to understand quantitative finance, I strongly recommend that you invest a good amount of hours in studying this book. Two good books to accompany this one might be Resnick's book on probability and Steele's book on stochastic calculus.

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