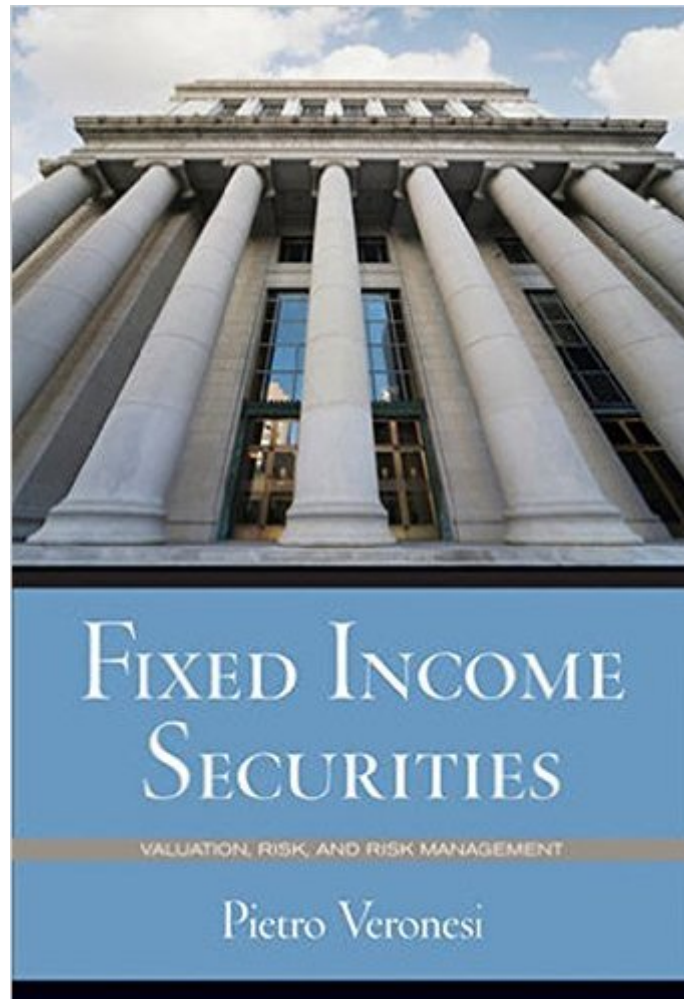


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Fixed Income Securities: Valuation, Risk, And Risk Management



Synopsis

The deep understanding of the forces that affect the valuation, risk and return of fixed income securities and their derivatives has never been so important. As the world of fixed income securities becomes more complex, anybody who studies fixed income securities must be exposed more directly to this complexity. This book provides a thorough discussion of these complex securities, the forces affecting their prices, their risks, and of the appropriate risk management practices. Fixed Income Securities, however, provides a methodology, and not a shopping list. It provides instead examples and methodologies that can be applied quite universally, once the basic concepts have been understood.

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Customer Reviews

As a fixed income practitioner, I have long lamented the lack of resources combining academic rigor (like Martellini, Rebonato, etc.) and practical application (Tuckman, Fabozzi eh). The closest book I have found to addressing the challenges of someone working with fixed income in their day-to-day jobs is Tuckman, a reasonably well-written book, although more of a handbook for advanced users than a tutorial to the markets. Veronesi is possibly the best fixed income introduction ever written. It does not skimp on mathematical thoroughness, as evidenced by crystal clear sections on term structure modeling and continuous time finance, as well as practical examples, including sections on term curve fitting, PCA/regression-based hedging, and well-written case studies throughout. In short, this has become my favorite reference to the fixed income markets and I highly recommend it to practitioners or even students with some mathematical sophistication and exposure to the

markets.

I just taught a course using this book as a guide and I can say it is just what we needed. It lies in between mathematically oriented books such as Brigo-Mercurio and more intuitive approaches such as Hull. It is one of the few books I have seen that does a pretty good job at explaining plain vanilla instruments such as interest rate swaps, caps & floors and swaptions. At the same time the exposition of the various interest rate models and the forward measure is excellent. I do not give it five stars only because at certain points the mathematics is very imprecise and leads to confusion. See for example the treatment of HJM framework when the author uses Stochastic Fubini with very little explanation. Nonetheless, this is a must have and I am looking forward to edition number two.

Overall this is a nice intro textbook to fixed income. But it has way to many typos and arithmetic mistakes. The typo list on the author's website only addresses less than half typos and mistakes. The author did not keep consistency when explaining mathematical derivations. Sometimes he treats readers as math morons and sometimes he skips important steps/explanations which in fact should be there to help "math morons".

If you are looking for a great book on fixed income, teaching you how to do pricing and understand concepts being both practical and rigorous, this is the one. If you are looking for a baby introduction, with no formulas, no math, this is not for you. But for people interested in getting sophisticated the book teaches you what you need. Fantastic book, written by a great leading finance professor.

I read the book through and through while taking the author's course on Fixed Income Asset Pricing at The University of Chicago, and I must say, unlike one of the reviewers, I did not encounter more than 10-15 typos throughout the book (and I usually notice them). The book is incredibly clear, very suitable for self-study, and the examples are easy to understand. The data provided actually makes things that much more concrete, which helps if you want to build code to implement the pricing methods discussed. I highly recommend the book for a practitioner as the book never gets bogged down by the mathematics or complicated proofs, - the math is there - but the "proof" is in the incredible intuition the author conveys for the equations and the formulas. Incredible work and a book I often refer to.

I've never seen someone complicate such simple concepts. He clearly knows fixed income, he just

doesn't know how to explain or teach it. First six chapters are basic fixed income materials that are covered in CFA level 1. But he uses mnemonics that you have to memorize in order to solve problems. I hope other professors don't ever require this book in class. Worst finance book I've ever spent money on. Shows what a horrible professor he is too.

Ridiculously over complex, as are many textbooks, substituting the practical with formulas. There are few complete examples, instead substituting actual values from exercises randomly within formulas. The glossary appears to have been an afterthought constructed by an editorial assistant. In this day and age one would expect Excel references and functions, possibly even example spreadsheets used in other texts, but these are completely absent. All in all I would never use this to teach or recommend.

Finance books aimed at quantitative MBAs either seem to overdo the math and hide what operatively is going on, or present you with a meaningless string of formulas. Fixed Income Securities does a good job of showing where simple half page types of derivations come from, drastically reducing the "bunny out a hat feeling". The explanations are very clear and succinct. I'm surprised by the typos concern - a list of corrections are on Veronesi's site, and I can't remember seeing more than two while reading it.

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