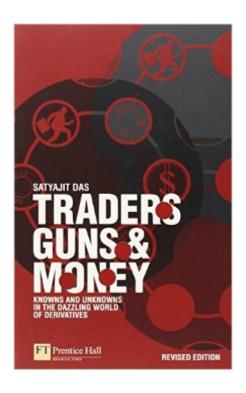
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Traders, Guns And Money: Knowns And Unknowns In The Dazzling World Of Derivatives Revised Edition (Financial Times (Prentice Hall))





Synopsis

Traders Guns and Money is a wickedly comic exposé of the culture, games and pure deceptions played out every day in trading rooms around the world. And played out with other people's money. A sensational insider's view of the business of trading and marketing derivatives, this revised edition explains the frighteningly central role that derivatives and financial products played in This worldwide bestseller reveals the truth about derivatives: those the global financial crisis. financial tools memorably described by Warren Buffett as ' financial weapons of mass destruction'. Traders, Guns and Money will introduce you to the players and the practices and reveals how the real money is made and lost. The global financial crisis took almost everyone by surprise and even now new problems keep appearing and solutions continue to be elusive. In the original version of Traders, Guns and Money, Satyajit Das provided a highly prescient insight into the structure and risk of the world financial system exposing the problems that are becoming readily apparent. In a 2006 speech – The Coming Credit Crash – Das argued that: "an informed analysis … shows that risk is not better spread but more leveraged and (arguably) more concentrated…. This does not improve the overall stability and security of the financial system but exposes it to increased risk of a "crash".

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Customer Reviews

"Knowns and unknowns in the dazzling world of derivatives" great subtitle and the author really delivers. I love books on finance. Possibly stemming from being dropped on my head as a child.

Some are pretty brutal to read but this one is as entertaining as it is educational. I was familiar with some derivatives like futures contracts and options, before reading this book. Now derivatives like CDO (Collateralized Debt Obligations), CCO (Commodity Collateralized Obligations), currency swaps, interest rate swaps, or even inverse floaters make sense to me. Obviously I am far from being an expert on any of these, but after reading this book I can now understand why Warren Buffet called derivatives "Financial Weapons of Mass Destruction". The author does a great job educating you in story-like fashion. The book told of numerous investors that ended up getting screwed by some pretty good salespeople at different dealer firms. Buyer beware comes to mind time and time again as I read these episodes. The treasurer of Orange County California got in way over his head because he was making a ton of money. Which he attributed to his financial wisdom. Then when interest rates went against him and his county lost 1.5 billion dollars he changed his tune saying he had some kind of brain defect and could not understand numbers. That would have been handy for the voters of Orange County to know BEFORE they elected him to office. I guess there are many reasons to use derivatives like avoiding taxes, moving risk from highly regulated areas to less regulated areas, using loans as collateral for even bigger loans, or repackaging bad credit in a way that transfers the risk to someone else.

This book is really two, rather disimmilar, halves. I suspect that the kind of audience that would enjoy each half would be different too. First, it is worth noting that Das is very knowledgeable about derivatives, not only in a marketing, but also a technical sense. He has written a series of (very lengthy and very good) books over the years on most aspects of derivatives/structured products. Knowing his background and given my own significant experience with derivatives, I found the first half of the book (before the chapters on risk management and models)boring and not much more than a collection of trading floor anecdotes that tried to make the author sound more "hip" than I suspect he is. There was very little of substance, other than a bit of flavor. If you can stay the course, the book gets progressively much better in the middle as it adresses risk management, models and structured products (first FX and interest rate, then equity and, finally, credit). It would be difficult to appreciate the full significance of some of the things Das was telling you about the shortcomings of these products, their risks and the ways they are sold without a decent prior knowledge. I felt there were still rather too many slick anecdotes and phrases, but that there was real substance too. I found myself saying, at several points: "oh, that's a very inciteful point," (e.g. for a convertible bond, from the investors' perspective, if they don't convert the bond into stock because the issuer's equity price is too low, that's probably precisely the time that, when they are

left with a bond, the issuer's credit quality for the bond payments has suffered along with the stock price).

I really enjoyed reading the book Traders, Guns, and Money: Knowns and Unknowns in the Dazzling World of Derivatives by Satyajit Das. It is an interesting book in that it is a fictionalized autobiography of Das. As the book outlines the author's professional life in finance, it describes how he got involved in financial derivatives. The primary purpose of the book is to give a primer on derivatives, how they were created, how they are used, their benefits, and their dangers. The author's use of humor along with the hilarious vignettes of his finance associates (Nero, Clem/Crem, Adewiko, Budi, etc.) and funny anecdotes from his career made the book fun to read. The book really helped explain what exactly derivatives are (giving me a good review of some of what I was taught in college) and how they are used today. I also appreciated the in-depth analysis of several well-known instances where derivatives were used by investors and companies which really helped to demonstrate their application in the real world as well as the oftentimes hidden dangers of using these financial tools. I found his discussion of the currency swap done by the Walt Disney Company in the 1980's to be of particular interest to me. Despite the fact that I previously read the HBS case study during a Derivatives and Risk Management course which I took as a student at Harvard, Das's explanation of the incident really gave me an even better understanding of how exactly the transaction was structured and how it eventually went wrong. His explanation of why Disney's financial advisors made the deal so complex was also amusing. (You will have to read the book to find out.) Moreover, Satyajit Das really underscored the complex nature of derivatives and their use in either speculative bets or in hedges.

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