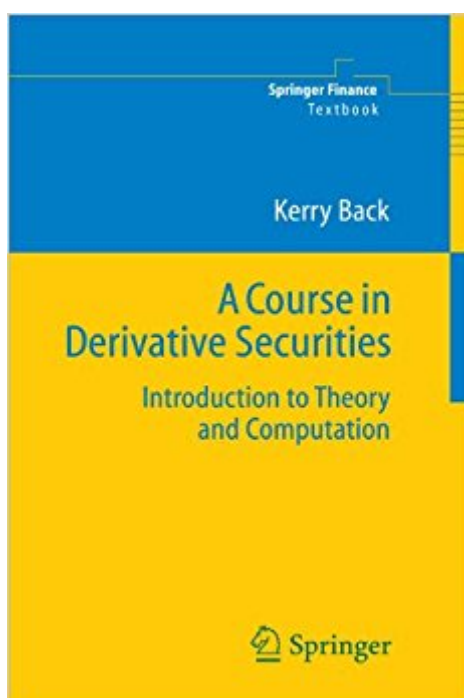


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# A Course In Derivative Securities: Introduction To Theory And Computation (Springer Finance)



## Synopsis

"Deals with pricing and hedging financial derivatives. Computational methods are introduced and the text contains the Excel VBA routines corresponding to the formulas and procedures described in the book. This is valuable since computer simulation can help readers understand the theory. The book succeeds in presenting intuitively advanced derivative modelling it provides a useful bridge between introductory books and the more advanced literature." --MATHEMATICAL REVIEWS

## Book Information

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## Customer Reviews

From the reviews of the first edition: "Professor Back has written a superb book on advanced derivatives. The book provides wonderfully clear explanations without sacrificing mathematical accuracy. I highly recommend this book for everyone who wants to understand more about this fascinating and important area."(Mark Broadie, Columbia University, New York)"Professor Kerry Back's book fills a void in the derivative literature by providing an excellent and much needed book for a second course in derivatives. The clear presentation and the choice of VBA as the software tool makes this a perfect textbook for such a course. Using VBA via excel is an excellent choice as it exhibits an "open source" environment that is readily available for users."(Eliezer Z. Prisman, York University, Toronto) "This book deals with pricing and hedging financial derivatives. Computational methods are introduced and the text contains the Excel VBA routines corresponding

to the formulas and procedures described in the book. This is valuable since computer simulation can help readers understand the theory. The book under review succeeds in presenting intuitively advanced derivative modelling. In my opinion, it provides a useful bridge between introductory books and the more advanced literature." (Benjamin Jourdain, *Mathematical Reviews*, Issue 2006 h) "This book contains a practical introduction to the mathematics of financial engineering. It can serve as an excellent bridge between the introductory books on derivative securities and those that provide advanced mathematical treatments. the book presents a very wide spectrum of the problems and methods concerned with pricing and hedging derivatives in a quite accessible way. it can be strongly recommended not only to be used as a course but also for those wishing to train themselves in this field." (Malgorzata Doman, *Zentralblatt MATH*, Vol. 1085, 2006) "The strength of this book is in its clarity in exposition of the complex modern financial mathematics. The book is self-contained, and a student can learn the key elements of the main toolkits in financial engineering. Further, the book provides useful exercises and VBA programs so that the students can simulate the results. I recommend the book to an MBA program. The book could also be used in some master programs in financial engineering and mathematical finance." (Thomas S. Y. Ho, *SIAM Review*, Vol. 48 (3), 2006)

Endorsements: Professor Back has written a superb book on advanced derivatives. The book provides wonderfully clear explanations without sacrificing mathematical accuracy. I highly recommend this book for everyone who wants to understand more about this fascinating and important area. Mark Broadie, Columbia University, New York Professor Kerry Back's book fills a void in the derivative literature by providing an excellent and much needed book for a second course in derivatives. The clear presentation and the choice of VBA as the software tool makes this a perfect textbook for such a course. Using VBA via excel is an excellent choice as it exhibits an "open source" environment that is readily available for users. Eliezer Z. Prisman, York University, Toronto --This text refers to the Hardcover edition.

I have been teaching from the book, and found a number of virtues. I used it in a beginning graduate course, but one which was very interdisciplinary. I aimed at covering all the relevant topics for the subject, not stressing one (too much!) over the others. Now the book is aimed at MBA students, and I used it in a course with students from a handful of departments. But for this purpose the level and the details in Kerry Back's book was on target. It helps student who come with a minimal

mathematical background to be able quickly to absorb some main principles. And at the same time it helps math students to understand ideas from economics and from finance. The book offers an effective entry into the fundamentals of probability space, random variables, and Black-Scholes. In particular, it offers insight into Black-Scholes, that doesn't presuppose, on the part of readers, a lot of PDE theory. Kerry Back's choice of VBA/Excel offers way students can easily start to play with examples, and to generate their own examples. For my use in a math course, I picked a number of books to use as supplementary reading, for example Oksendal et al, Krylov, Shreve, Wilmott et al, and Baz et al. Review by Palle Jorgensen, October 2011.

First the conclusion: This, along with the standard Hull text, is one of my two favorite derivatives books. I wouldn't recommend this as a first or perhaps even a second derivatives book, but the clear writing, accessibility and interesting perspective based on change of numeraire arguments make it worth picking up. For me the nice thing about this book is that it has encouraged me to think differently about derivatives models. To give you a sense for how the book progresses, at the end of the first chapter the author gives a sketch with a little intuition on how the Black-Scholes Euro call formula can be derived based on the appropriate selection of numeraires. The author builds on the idea throughout the book. Most intermediate level derivative texts have change of numeraire much later in the book or as a lead in to fixed income models, while this book introduces it in the first chapter. Other reviewers have suggested that that the VBA/Excel is an excellent part of this book and I suspect this is true, but there are a number of other books that do a good job with VBA and Excel.

I found that this book is very useful for someone who wants to acquire an in depth understanding of financial derivatives without having advanced mathematical knowledge. The author is presenting all the fundamental issues related to financial derivatives in a simple and straightforward manner and the reader has the opportunity to develop flexible vba codes in order to understand the material. I think that someone having worked on this book will be easier to proceed to more advanced books like Willmot's Quantitative Finance.

very practical for financial engineering. you definitely need to have read a beginning book on derivatives before tackling this book. i love this book because it focuses on implementation a lot and also gives a lot of intuition. overall, an excellent book

Dr Kerry Back in my opinion wrote one the best if not the best practical book in financial Derivatives. In such a crowded field where books are published at an exponential rate; finding a practical book is often a challenge especially since many of them repeat the same information over and over. The best feature of this textbook lies in the problems at the end of chapters. The problems are well chosen and very practical and require the use of VBA/Excel. This book does not get involved with complicated math as so many books in financial engineering do. I am doing a Phd degree in math, I deal with abstract mathematics on a daily basis so am looking for a textbook that will provide a good intuition to the concept of Derivative Securities without sacrificing too much Mathematical rigor. In this regard Dr Kerry Back did a very good job, the book requires only an understanding of non-measure probability theory, calculus, linear algebra and differential equations making it accessible to MBA students and undergraduates as well. I strongly recommend this book to math majors who want a textbook that explain Financial Derivatives well. I also recommend Stochastic Calculus for Finance II by Shreve for readers who want a measure theoretic and PDE approach to Financial Derivatives.

I have read literally dozens of books on stochastic calculus and derivatives. This one is different in one aspect. It uses the change of numeraire technique wherever it is possible, to make complicated things simple. Most of the books treat it (and use it) only in a small chapter or only refer to the paper of Geman, Jamshidian, El Karoui. I understood this technique before, but here it is used so often that it actually becomes your technique and your weapon. Very powerful, I would like to thank the author. One star less because there are no solutions to exercises.

I definitely agree with other reviewers, besides answers are available. As a matter of fact, I request professor Back whether he has solutions somewhere. He prepared them and emailed to me. What a great person. As a non-quant, I find this book very accessible and clear. Also VBA examples provide useful insight into implementing models, also something I value highly.

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