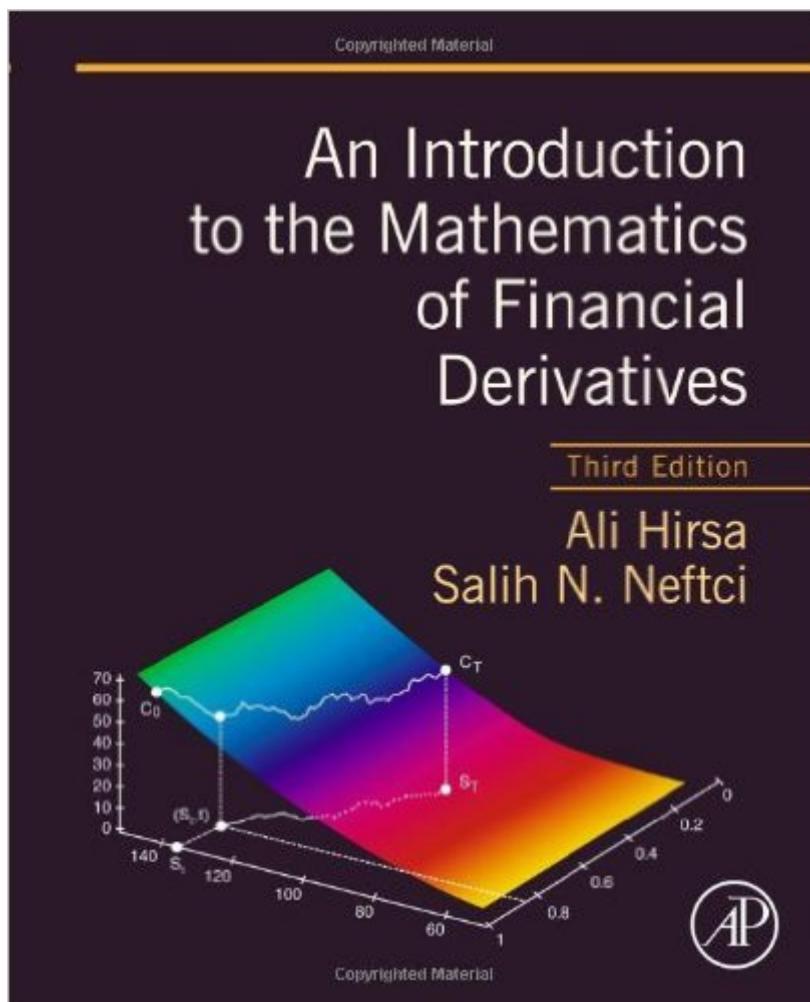


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An Introduction To The Mathematics Of Financial Derivatives, Third Edition



Synopsis

An Introduction to the Mathematics of Financial Derivatives is a popular, intuitive text that eases the transition between basic summaries of financial engineering to more advanced treatments using stochastic calculus. Requiring only a basic knowledge of calculus and probability, it takes readers on a tour of advanced financial engineering. This classic title has been revised by Ali Hirsa, who accentuates its well-known strengths while introducing new subjects, updating others, and bringing new continuity to the whole. Popular with readers because it emphasizes intuition and common sense, An Introduction to the Mathematics of Financial Derivatives remains the only "introductory" text that can appeal to people outside the mathematics and physics communities as it explains the hows and whys of practical finance problems. Facilitates readers' understanding of underlying mathematical and theoretical models by presenting a mixture of theory and applications with hands-on learning. Presented intuitively, breaking up complex mathematics concepts into easily understood notions. Encourages use of discrete chapters as complementary readings on different topics, offering flexibility in learning and teaching.

Book Information

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Customer Reviews

Full of typos.. Even equation numbers referred to in the text is not correct at many places, leading me to guess the intent. The book is good, but these typos and errors make it harder to read. An explicit errata for this book is awaited.

This book has many errors persisting from the second edition. Some of the exercises are incorrect

as written, and emails to the author have produced no response. A solutions manual should be in preparation, and a list of comprehensive errata should appear either on Elsevier's website or the author's website.

I was hoping that this book, written by a high level finance quant- Ali Hirsia, would have added many more details and examples to the existing topics already in the 2nd edition of the book. But the third edition just adds some modern topics, but adds only a little more material to a few existing chapters in the 2nd edition to make the book slightly more useful as an INTRODUCTION to the Mathematics of Financial Derivatives. Also this new edition modernizes some notation in one paragraph , however the editors do a half donkey job... because, in a subsequent paragraph the old notation was not replaced... making the 3rd edition less readable than the second edition. If the author/editor doesn't provide a errata sheet then you have to stick with the 2nd edition written just by the original author, Salih N. Neftci. But since there is some new useful information in the 3rd and I have the 2nd edition without the new typos, that the 3rd edition introduces on the old material, I found this edition useful to have.

One the best text books for beginners. It explains abstract mathematical theories with easy to understand language and examples. For example, one does not need to have advanced math background to understand chapter 14 which covers Equivalent Martingale Measures (the Girsanov Theorem) and chapter 24 which covers stopping time for American options. Chapter 24 is especially interesting in the sense that it uses simple theory and example to layout steps one can use to determine the optimal (best) time to exercise American options. The new chapters 22 (Pricing Derivatives via Fourier Transform Technique), 23 (Credit Spread and Credit Derivatives) and 25 (Overviews of Calibration and Estimation Techniques) are great addition to the previous (second) edition. Chapters 22 and 25 introduce more advanced methods and models for pricing and predicting future prices for derivative products. Chapter 23 gives an in-depth introduction to credit derivative.

It's sad because I actually think this could be a good textbook, but the amount of errors in it make it almost unreadable. the errata is 40 pages and is missing a very large amount of errors. You can't trust the book to be correct, and with an introductory book to a very technical field it makes it borderline unreadable. If you are reading this book for the society of actuaries' quantitative finance exam you're out of luck. They should really take it off of the syllabus. If you're trying to learn

stochastic calculus for financial analysis I have to imagine there are better texts out there. It is quite rare to go more than 2 pages without a blatant error.

As a Master of Science, I have read many textbooks on math and stats over the years. This is no doubt THE WORST ONE. Even with the errata, there are still TONS OF ERRORS. I don't doubt the author is a qualified mathematician, but he may not be very good at explaining stuff. I feel that he didn't explain certain concepts clearly enough, while for some simple concepts, he made it over complicated. By the way, I'm not the only person who feel this way. A few of my friends are using this book as well and they all agree with me. YMMV.

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