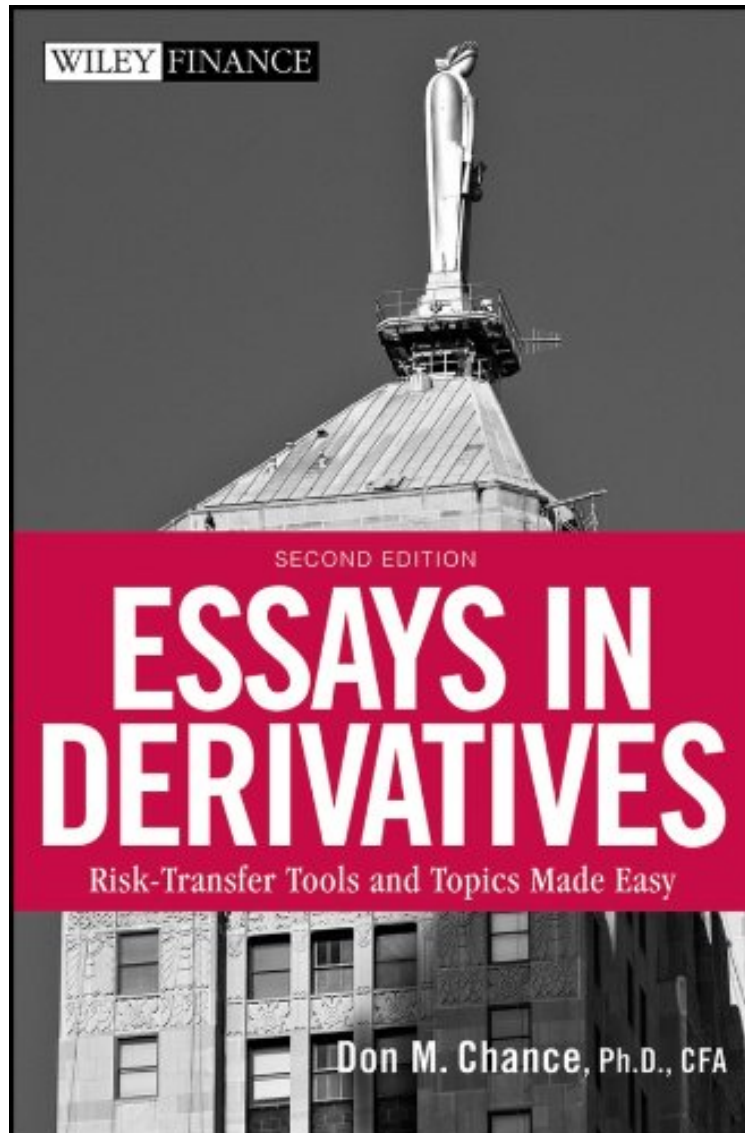


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## Essays in Derivatives: Risk-Transfer Tools and Topics Made Easy (Wiley Finance)

*Don M. Chance*

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**Don M. Chance : Essays in Derivatives: Risk-Transfer Tools and Topics Made Easy (Wiley Finance)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Essays in Derivatives: Risk-Transfer Tools and Topics Made Easy (Wiley Finance):

1 of 1 people found the following review helpful. "There's More to Life Than Stocks and Bonds!" (Don Chance)By Loyd EskildsonThis is an updated version of the 1998 edition, again with the intent of making reading about derivatives easy. Seventy-three essays, grouped into seven sections are used to cover the topic. Payoff of a derivative is

"derived" from something else, at the end of a defined period. Risks involving foreign exchange rates, raw material prices, interest rates, etc. are covered. Derivatives are instruments that permit the transfer of risk. They're not the only means - eg. a put option protects against downside risk also. Derivatives require much less capital than spot markets, and usually are more liquid and sensitive to price influences. They are also much easier to sell short. Derivatives can also be used to alter the risk of a portfolio without disrupting it. Futures markets involve standard term contracts (except the price), with margin requirements, and exchanges guaranteeing settlement. (Forward markets are non-standardized and not guaranteed.) Swaps are the most popular derivative. The most common type of swap is the interest rate swap - usually one set of payments determined by a floating rate (eg. LIBOR), while the other is fixed at an agreed-on rate. Some swaps have both sets tied to floating rates. Credit derivatives strip the credit risk off eg. a loan and trade it separately. Any product called insurance automatically falls under heavy regulation in the U.S. CDS have proven to be the most successful of all credit derivatives. "Essays in Derivatives" goes on to cover every imaginable aspect of the topic, without relying on math. (Chance also claims that most derivatives users don't understand the math anyway.) An excellent repository of knowledge on the topic! 3 of 4 people found the following review helpful. Gliding on the most productive and smoothest learning curve of Derivatives By SB This is the most enjoyable and productive book on derivatives, of course if you love the subject. It is no doubt that the subject is very complicated, especially if you lack college-level math-skill. This might be the best approach, particularly for end-users of various kind of risk management tools and products. Still, for more advanced individuals, this concept oriented collections of well threaded essays could be used as the mirror to check your radical understandings on the subject. I bet you will find many of your long held fundamentals be challenged or even revised thus facilitating your potential advancement on fully utilizing this prevalent indispensable risk management tools. In shorts, it is ideal to be your second readings after your favorite basic finance texts and the great companion to any derivatives related text at whatever levels you plan to invest your (generally, lots of) valuable time in. You will experience a much steeper and higher learning curve and probably the most productive one. Derivatives will never be made this easy to study, Dr Chance has done the excellent job and thus contribution to the wide community of derivative-related learners.

In the updated second edition of Don Chance's well-received *Essays in Derivatives*, the author once again keeps derivatives simple enough for the beginner, but offers enough in-depth information to satisfy even the most experienced investor. This book provides up-to-date and detailed coverage of various financial products related to derivatives and contains completely new chapters covering subjects that include why derivatives are used, forward and futures pricing, operational risk, and best practices.

From the Inside Flap Derivatives can be a painfully difficult subject to master, usually requiring a steep learning curve. As Don Chance points out, "many legal pads are used up, sometimes frustratingly, in working through some of the principles covered in technical derivatives books." This book is different. In the updated second edition of Chance's well-received *Essays in Derivatives*, the author once again keeps derivatives simple enough for the beginner, but offers enough in-depth information to satisfy the more experienced investor. This book provides up-to-date and detailed coverage of various financial products related to derivatives in several key areas: derivatives and their markets, the basic instruments, derivative pricing, derivative strategies, exotic instruments, and fixed income securities and derivatives. Chance begins with the basics, defining what a derivative is, outlining four common types—forward contracts, futures contracts, options, and swaps—and explaining the kinds of situations in which one type might be used and preferred over another. From there, he gradually moves on to more complex topics—all presented in the same accessible, down-to-earth style and nontechnical language. Since the first edition of this book was published in 1998, the derivatives business has become vastly more sophisticated. Recognizing this, the author has eliminated outdated material and, in addition to revising almost every chapter in the book, has added many completely new chapters, covering subjects that include why derivatives are used, forward and futures pricing, operational risk, volatility derivatives, weather derivatives, good and bad practices, and other new topics. In addition, the end of each chapter includes practice questions that allow you to test how much of the material has been retained. Answers are provided at the end of the book. The material in *Essays in Derivatives* will appeal to individuals at all levels of expertise. Beginners will find these essays particularly useful in gaining a fundamental grasp of the subject, and experts will appreciate the simple manner in which such seemingly complicated subjects can be presented. Both will agree: a basic understanding of derivatives need not be hard . . . and can even be enjoyable. From the Back Cover Praise for *Essays in Derivatives* SECOND EDITION "This is the first book that anyone interested in derivatives should read. Don Chance shows his mastery of the subject through his ability to turn a complex area into something readable and useful. This is also the first book on derivatives that made me laugh out loud . . . and meant to do so. If nothing else, read it just to find out how the Book of Genesis is connected to derivatives history. Thank you, Don, for your years of work that led to this book." —David R. Koenig, Past Chair, Board of Directors, Professional Risk Managers' International Association "Professor Chance's *Essays in Derivatives* is a brilliantly conceived and executed book. I particularly like the very wide breadth of technical coverage gained through seventy-three essays that provide the

essence of what is needed for practice. The essays are short and clearly written, but maintain satisfying depth."mdash;Dennis W. McLeavey, CFA, DBA, Head of Education, EMEA, CFA Institute" This is a great collection of interesting and entertaining essays that takes the topic of derivatives far beyond the models and textbooks. I believe that both quants and managerial types will enjoy Don's unique perspective and insights."mdash;Moshe A. Milevsky, PhD, Finance Professor, York University, and Executive Director, The IFID Centre" As the derivatives market becomes increasingly diverse and complicated, Chance has combined in one source a broad-reaching epic that is a must-read for all investment professionals."mdash;Bud Haslett, CFA, FRM, Director of Option Analytics, Miller Tabak + Co., LLC" Don Chance possesses an unusual combination of sound technical insight and outstanding expository skill. Essays on Derivatives provides the reader with a solid foundation in the subject while dispelling much of the gratuitous complexity that so often surrounds it. The book requires some diligent attention and perseverance, but it is accessible to curious non-specialists with only a minimum of mathematical training. I recommend it to any business generalist seeking a deeper understanding of this important topic. "mdash;David M. Rowe, EVP for Risk Management at SunGard and long-time columnist for Risk magazine

About the Author DON M. CHANCE holds the William H. Wright Jr. Endowed Chair for Financial Services at the E. J. Ourso College of Business Administration at Louisiana State University. He was formerly the First Union Professor of Financial Risk Management at the Pamplin College of Business at Virginia Tech. Prior to his academic career, Chance worked for a large southeastern bank. Professor Chance has had numerous articles published in academic and practitioner journals, is often quoted in the media, and has an extensive consulting practice. He holds a PhD in finance from LSU and is a CFA charterholder.