Frequently Asked Questions in Quantitative Finance

Paul Wilmott
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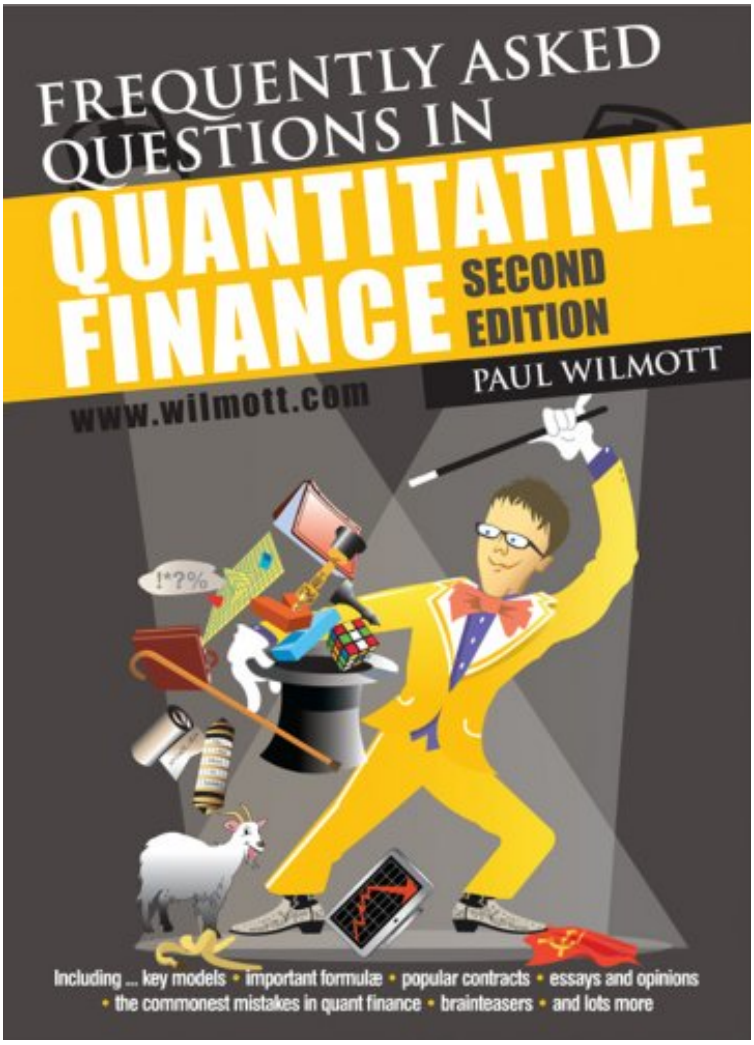

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Paul Wilmott : Frequently Asked Questions in Quantitative Finance before purchasing it in order to gage whether or not it would be worth my time, and all praised Frequently Asked Questions in Quantitative Finance:

4 of 4 people found the following review helpful. FAQBy Palle E T JorgensenI believe that this book accomplishes its intention: help students and users to get a quick entry into the subjects of use in finance.One first impression that jumped out was the author's (PW) delightful sense of humor. ("Magicians and mathematicians!")PW has taught and practiced this stuff, and it shows.A big part is mathematical finance, and a big part of this is based on certain stochastic differential equations, the Black-Scholes equation for the computation of the value of options.It uses the geometric Brownian motion which is also explained from a practical viewpoint.The book takes both a narrow and a wide view.Illustration: (i) It offers both short answers and long ones; the latter include mathematical formulae.(ii) For the particular tasks at hand, the author offers an overview of the tools needed, mathematical tools figuring

prominently.(iii) List of keywords, with enlightening discussion and answers. Guides to the literature, etc.(vi) There is a list of options and derivatives that are used: Accrual, American, European, Asian, Asset swap, Balloon option, Barrier option, Basket option, Bermuda option, Call and put options, Cap, Cliquet option, and more.The book concludes with a list of tips for folks interviewing in banks and in the financial industry: typical questions! What to say, and what not! Review by Palle Jorgensen, July 2011.0 of 0 people found the following review helpful. This is by far the most useful quant interview book out thereBy M. KovarikA really concise overview of "must know" topics in classical quant finance. This is by far the most usefulquant interview book out there. In addition to a FAQ, it has book recommendations, a list of importantmodels, and brain teasers.33 of 34 people found the following review helpful. Excellent Review of Quantitative Finance TopicsBy Shafik YaghmourI am working through my master's degree in Financial Engineering (quantitative track) and this book is almost bar-none one of the best references I have found. It starts out with a FAQ that covers almost all of the important questions such as:-What are the different types of Mathematics found in Quantitative Finance?-What is CAPM?-What is Maximum Likelihood Estimation?-What is Ito's lemma?-What are the 'greeks'?-How robust is the Black-Scholes model?The answers are short yet at the same time very useful. Each answer has well thought out examples that allow you to get to the core of the topic. At the end of each answer there are references if you want to explore the topic in more detail.The book then has sections on:-Most Popular Probability Distributions and Their Uses in Finance-Ten Different Ways to Derive Black-Scholes-Models and Equations-The Black-Scholes formula and the Greeks-Common Contracts-Popular Quant Books-The Most Popular Search Words and Phrases on [...]-Brainteasers-Paul Dominic's Guide to Getting a Quant JobIt is clearly not a text-book, it covers a lot of ground in a little more than 400 pages but it is a useful reference and if you need a review this will fill the purpose. It is definitely not the place to start your learning for that you will need to check out books such as: Neftci's "Principles of Financial Engineering", Hull's "Options, Futures and Other Derivatives" and Shreve's "Stochastic Calculus for Finance" I and II. Once you have started out this can help you fill in holes and figure out where you need to focus on.

Getting agreement between finance theory and finance practice is important like never before. In the last decade the derivatives business has grown to a staggering size, such that the outstanding notional of all contracts is now many multiples of the underlying world economy. No longer are derivatives for helping people control and manage their financial risks from other business and industries, no, it seems that the people are toiling away in the fields to keep the derivatives market afloat! (Apologies for the mixed metaphor!) If you work in derivatives, risk, development, trading, etc. you'd better know what you are doing, there's now a big responsibility on your shoulders. In this second edition of Frequently Asked Questions in Quantitative Finance I continue in my mission to pull quant finance up from the dumbed-down depths, and to drag it back down to earth from the super-sophisticated stratosphere. Readers of my work and blogs will know that I think both extremes are dangerous. Quant finance should inhabit the middle ground, the mathematics sweet spot, where the models are robust and understandable, and easy to mend. hellip;And that's what this book is about. This book contains important FAQs and answers that cover both theory and practice. There are sections on how to derive Black-Scholes (a dozen different ways!), the popular models, equations, formulae and probability distributions, critical essays, brainteasers, and the commonest quant mistakes. The quant mistakes section alone is worth trillions of dollars! I hope you enjoy this book, and that it shows you how interesting this important subject can be. And I hope you'll join me and others in this industry on the discussion forum on wilmott.com. See you there!rdquo; FAQQF2...including key models, important formulae, popular contracts, essays and opinions, a history of quantitative finance, sundry lists, the commonest mistakes in quant finance, brainteasers, plenty of straight-talking, the Modellers' Manifesto and lots more.

About the AuthorPaul Wilmott has been called "the smartest of the quants, he may be the only smart quant" (Portfolio magazine/Nassim Nicholas Taleb), "cult derivatives lecturer" (Financial Times), "the finance industry's Mozart" (Sunday Business), and "financial mathematics guru" (BBC).