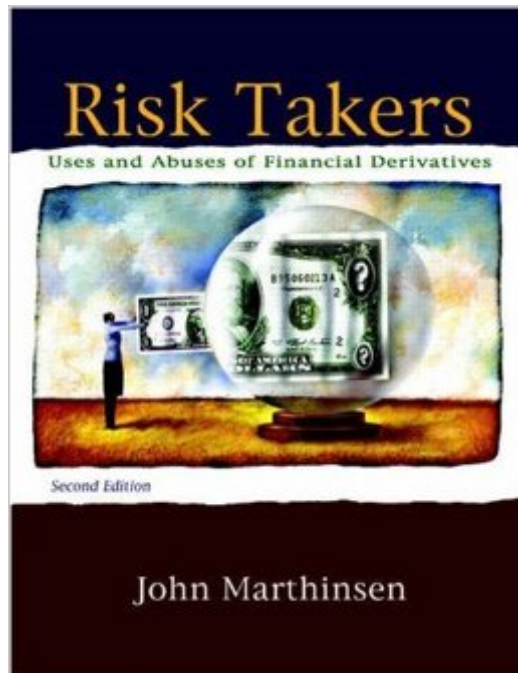


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Risk Takers: Uses And Abuses Of Financial Derivatives (2nd Edition)



Synopsis

Â In an approachable, non-technical manner, Risk Takers brings eight modern financial derivatives situations to life, fully exploring the context of each event and evaluating the outcomes. Primer on Derivatives; Employee Stock Options: What Every MBA Student Should Know; Roche Holding: The Company, Its Financial Strategy, and Bull Spread Warrants; Metallgesellschaft AG: Illusion of Profits and Losses; Reality of Cash Flows; Swaps That Shook an Industry: Procter & Gamble versus Bankers Trust; Orange County: The Largest Municipal Failure in U.S. History; Barings Bank PLC: Leeson's Lessons; Long Term Capital Mismanagement: J.M. & The Arb Boys; Amaranth Advisors LLC: Using Natural Gas Futures to Bet on the Weather. For all readers interested in financial derivatives, options, futures, and risk management.

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Because there is no table of content here, I would like to take the privilege to type one for you. Ch 1 Employee stock options: what every MBA should know Ch 2 Roche Holding: the company, its financial strategy, and bull spread warrants Ch 3 The three amigos (three option traders) Ch 4 Metallgesellschaft AG: illusion of P/L, reality of cash flows Ch 5 Swaps that shook an industry; P&G vs Bankers Trust Ch 6 Orange County: the largest municipal failure in US history Ch 7 Barings Bank PLC: Lesson's lessons Ch 8 Long-Term Mismanagement: "John Merriwether and the Arb Boys" IMHO, the author had delivered well what he promised on the book title. The cases are representative, concise but sufficiently detailed. The review questions in the end of each chapter and the absence of sophisticated option pricing formula make it particularly suitable as an HBR type

textbooks on derivatives for business school undergrads. However, I am obliged to comment that the author had overlooked the negative influence of investment bankers on the proliferation of derivatives. For readers who want to get a more complete picture, I would strongly recommend "Devil Take the Hindmost: A History of Financial Speculation by Edward Chancellor", "Fiasco by Frank Partnoy", "Eyewitness to Wall Street by David Colbert" and "Wall Street Meat by Andy Kessler".

This book features examples of both good and bad uses of derivatives. All the scandals we read about in the newspaper are a result of certain factors which we can learn from. It is clear that each scandal has a lesson for us to learn from, but derivatives as financial instruments in itself are not bad or destructive. This book shows these lessons with simple explanations. A must-have book.

I used this book for a Risk Management course in my MBA program. We had to read all of the cases in it which cover different hedge fund failures or derivative scams in which major companies lost billions of dollars. It is a very informative book which can get technical at some parts. It discusses the trading strategies of companies like Banker's Trust, LTCM, Amaranth, and many more. It is definitely worth the money and provides you with some impressive facts on the OTC market.

For anyone who studies or has studied derivatives, this text covers the most important historical cases. These cases not only provide essential background information, but indirectly teach the principles of derivatives in an easy to understand manner.

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