



application of the LIBOR market model to the pricing of interest-rate derivatives. Next he treats in great detail the calibration of this model to market prices, asking how possible and advisable it is to enforce a simultaneous fitting to several market observables. He does so with an eye not only to mathematical feasibility but also to financial justification, while devoting special scrutiny to the implications of market incompleteness. Much of the book concerns an original extension of the LIBOR market model, devised to account for implied volatility smiles. This is done by introducing a stochastic-volatility, displaced-diffusion version of the model. The emphasis again is on the financial justification and on the computational feasibility of the proposed solution to the smile problem. This book is must reading for quantitative researchers in financial houses, sophisticated practitioners in the derivatives area, and students of finance.

Introduces practical approaches for optimizing management and hedging of Interest Rate Risk in the Banking Book (IRRB) driven by fast evolving regulatory landscape and market expectations. Interest rate risk in the banking book (IRRB) gained its importance through the regulatory requirements that have been growing and guiding the banking industry for the last couple of years. The importance of IRRB is shifting for banks, away from 'just' a regulatory requirement to having an impact on the overall profitability of a financial institution. Interest Rate Risk in the Banking Book sheds light on the best practices for managing this importance risk category and provides detailed analysis of the hedging strategies, practical examples, and case studies based on the author's experience. This handbook is rich in practical insights on methodological approach and contents of ALCO report, IRRB policy, ICAAP, Risk Appetite Statement (RAS) and model documentation. It is intended for the Treasury, Risk and Finance department and is helpful in improving and optimizing their IRRB framework and strategy. By the end of this IRRB journey, the reader will be equipped with all the necessary tools to build a proactive and compliant framework within a financial institution. Gain an updated understanding of the evolving regulatory landscape for IRRB Learn to apply maturity gap analysis, sensitivity analysis, and the hedging strategy in banking contexts • Understand how customer behavior impacts interest rate risk and how to manage the consequences Examine case studies illustrating key IRRB exposures and their implications Written by London market risk expert Beata Lubinska, Interest Rate Risk in the Banking Book is the authoritative resource on this evolving topic.

"Overall this book provides an excellent summary of the state of knowledge of term structure modelling. It combines a solid academic background with the practical experience of someone who works in the financial sector." Alan White and John Hull, A-J Financial Systems, Canada The modelling of exotic interest-rate options is such an important and fast-moving area, that the updating of the extremely successful first edition has been eagerly awaited. This edition re-focuses the assessment of various models presented in the first edition, in light of the new developments of modelling imperfect correlation between financial quantities. It also presents a substantial new chapter devoted to this revolutionary modelling method. In this second edition, readers will also find important new data dealing with the securities markets and the probabilistic/stochastic calculus tools. Other changes include: a new chapter on the issues arising in the pricing of several classes of exotic interest-rate instruments; and insights from the BDT and the Brennan and Schwartz approaches which can be combined into a new class of "generalised models". Further details can be found on the links between mean-reversion and calibration for important classes of models.

Interest-Rate Option Models

How a 1982 Forecast Sparked a Global Bull Market

Modern Pricing of Interest-Rate Derivatives

Interest Rate Markets

Stochastic Interest Rates

Interest Rate Modelling

The most professional and industry relatable text currently available for linear interest rate derivatives. This revised edition markedly expands the first edition released in 2016, with revised content based on multiple recommendations from active portfolio managers. Learn more at TradingInterestRates.com.. Written by a practicing derivatives portfolio manager with over twelve years of fixed income trading experience, this book focuses on core trading concepts; pricing, curve building (single and multi-currency), risk, credit and CSAs, regulations, VaR and PCA, volatility, cross-gamma, trade strategy analysis and market moving influences. The book's focus is interest rate swaps and cross-currency swaps. Topics are presented from that perspective, outlining the importance of regulations in an IRD capacity, with volatility and swaptions taught from a practical point of view rather than an overly cumbersome academic one. The treatment of risk is expansive and thorough. The author formally analyses modern market-maker techniques to accurately predict PnL, and successfully implement multiple, consistent perspectives to view all details of risks. Almost everything included here is compulsory knowledge for a modern, successful, swaps trader or interest rate risk portfolio manager. Certainly this book sets the benchmark for the level of expertise that swaps traders should strive for, and the style is aimed at the novice and professional alike.

How can managers increase their ability to calculate price and risk data for financial instruments while decreasing their dependence on a myriad of specific instrument variants? Wolfgang Schwerdt and Marcelle von Wendland created a simple and consistent way to handle and process large amounts of complex financial data. By means of a practical framework, their approach analyzes market and credit risk exposure of financial instruments and portfolios and calculates risk adjusted performance measures. Its emphasis on standardization yields significant improvements in speed and accuracy. Schwerdt and von Wendland's focus on practical implementation directly addresses limitations imposed by the complex and costly processing time required for advanced risk management models and pricing hundreds of thousands of securities each day. Their many examples and programming codes demonstrate how to use standards to build financial instruments, how to price them, and how to measure the risk and performance of the portfolios that include them. Feature: The authors have designed and implemented a standard for the description of financial instruments Benefit: The reader can rely on accurate and valid information about describing financial instruments Feature: The authors have developed an approach for pricing and analyzing any financial instrument using a limited set of atomic instruments Benefit: The reader can use these instruments to define and set up even very large numbers of financial instruments. Feature: The book builds a practical framework for analysing the market and credit risk exposure of financial instruments and portfolios Benefit: Readers can use this framework today in their work and identify and measure market and credit risk using a reliable method.

Three experts provide an authoritative guide to the theory and practice of derivatives Derivatives: Theory and Practice and its companion website explore the practical uses of derivatives and offer a guide to the key results on pricing, hedging and speculation using derivative securities. The book links the theoretical and practical aspects of derivatives in one volume whilst keeping mathematics and statistics to a minimum. Throughout the book, the authors put the focus on explanations and applications. Designed as an engaging resource, the book contains commentaries that make serious points in a lighthearted manner. The authors examine the real world of derivatives finance and include discussions on a wide range of topics such as the use of derivatives by hedge funds and the application of strip and stack hedges by corporates, while providing an analysis of how risky the stock market can be for long-term investors, and more. To enhance learning, each chapter contains learning objectives, worked examples, details of relevant finance blogs technical appendices and exercises.

Tools for Today's Markets

Model Rules of Professional Conduct

Fixed Income Relative Value Analysis, + Website

Fixed Income and Interest Rate Derivative Analysis

Foreign Exchange