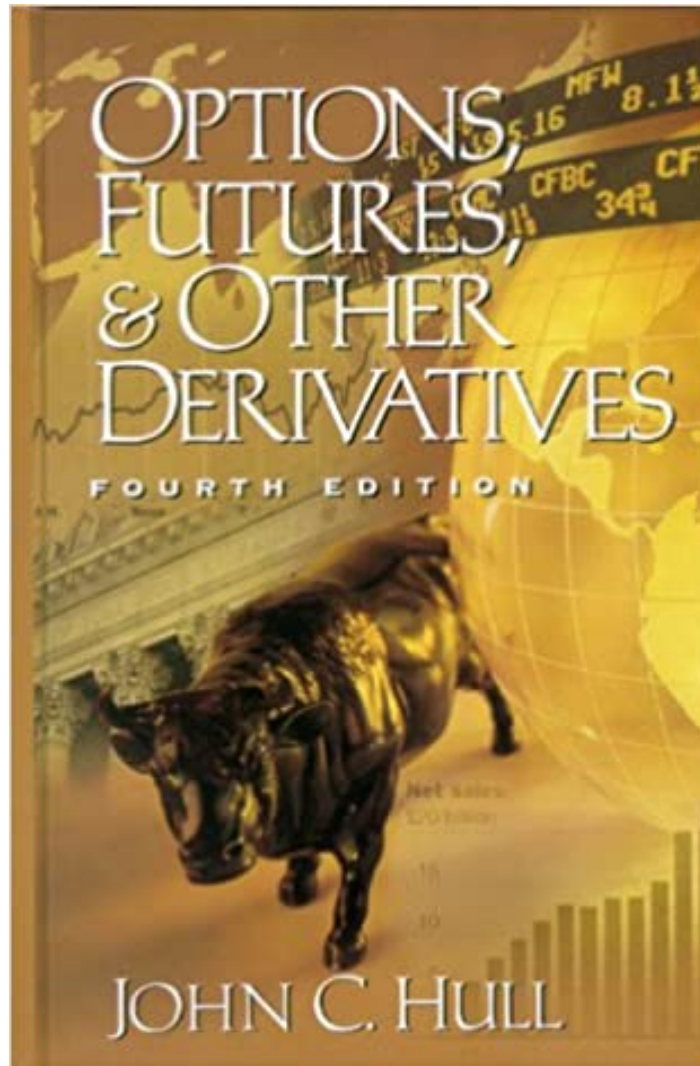


Options, Futures, and Other Derivatives (4th Edition)



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Synopsis

This fourth edition provides a unifying approach to the valuation of all derivatives not just futures and options and includes new chapters on value at risk and estimating volatilities and correlations. Hull (Joseph L. Rotman School of Management, U. of Toronto) assumes that the reader has taken introductory courses in finance and probability and statistics. The disk includes Excel-based software called DerivaGem which can be used to calculate options prices, imply volatilities, and calculate Greek letters for options and interest rate derivatives. For graduate and advanced undergraduate elective courses in business, economics, and financial engineering. Annotation c. Book News, Inc., Portland, OR (booknews.com)

Sort review

From the Inside FlapPrefaceThis book is appropriate for graduate and advanced undergraduate elective courses in business, economics, and financial engineering. It is also suitable for practitioners who want to acquire a working knowledge of how derivatives can be analyzed. One of the key decisions that must be made by an author who is writing in the area of derivatives concerns the use of mathematics. If the level of mathematical sophistication is too high, the material is likely to be inaccessible to many students and practitioners. If it is too low, some important issues will inevitably be treated in a rather superficial way. In this book, great care has been taken in the use of mathematics. Nonessential mathematical material has been either eliminated or included in end-of-chapter appendices. Concepts that are likely to be new to many readers have been explained carefully, and many numerical examples have been included. This book provides a unifying approach to the valuation of all derivatives - not just futures and options. The book assumes that the reader has taken an introductory course in finance and an introductory course in probability and statistics. No prior knowledge of options, futures contracts, swaps, and so on is assumed. It is not therefore necessary for students to take an elective course in investments prior to taking a course based on this book. Changes in This EditionThis edition contains more material than the third edition. The material in the third edition has been updated and its presentation has been improved in a number of places. The major changes include: 1. A new chapter (chapter 14) has been included on value at risk. 2. A new chapter (chapter 15) has been included on estimating volatilities and correlations. GARCH models are covered in much more detail than in the third edition. 3. Chapter 19 contains much new material and explains the role played by martingales and measures in the valuation of derivatives. 4. Chapter 20 on the standard market models for valuing interest rate derivatives has been revised. It now uses the material in chapter 19 to provide a more complete discussion of the models for valuing bond options, caps, and swap options. 5. There are now two chapters on equilibrium and no-arbitrage models of the term structure (chapters 21 and 22). Chapter 21 covers equilibrium models and one-factor no-arbitrage models of the short rate. Chapter 22 covers two-factor

models of the short rate, the HIM model, and the LIBOR market (BGM) model.⁶ Chapter 4 on Interest Rates and Duration has been rewritten to make the material clearer and more relevant.⁷ Chapter 23 on Credit Risk has been rewritten to reflect developments in this important area.⁸ More material has been added on volatility smiles and volatility skews (chapter 17).⁹ The sequencing of the material has been changed slightly. Volatility smiles and alternatives to Black-Scholes now appear before the chapter on exotic options, which in turn appears before the material on interest rate derivatives.¹⁰ The notation has been improved and simplified. S_0 and F_0 are used to denote the asset price and the forward price today (that is, at time zero) and the cumbersome "T - t" no longer appears in most parts of the book.¹¹ A glossary of terms has been included.¹² Many new problems and questions have been added. SoftwareNew Excel-based software, DerivaGem, is included with the book. This software is a big improvement over the software included with previous editions. It has been carefully designed to complement the material in the text. Users can calculate options prices, imply volatilities, and calculate Greek letters for European options, American options, exotic options, and interest rate derivatives. Interest rate derivatives can be valued either using Black's model or a no-arbitrage model. The software can be used to display binomial trees (see for example Figure 16.3 and Figure 21.11) and provide many different charts showing the impact of different variables on either option prices or the Greek letters. The software is described more fully at the end of the book. Updates to the software can be downloaded from my Web site (mgmt.utoronto.ca/~hull). SlidesSeveral hundred PowerPoint slides can be downloaded from my Web site. The slides now use only standard fonts. Instructors can adapt the slides to meet their own needs. Answers to QuestionsSolutions to the end-of-chapter problems in the first three editions were available only in the Instructor's Manual. Over the years many people have asked me to make the solutions more generally available. I have hesitated to do this because it would prevent instructors from using the problems as assignment questions. In this edition I have dealt with this issue by dividing the end-of-chapter problems into two groups: "Questions and Problems" and "Assignment Questions". There are over 450 Questions and Problems and solutions to these are in a book Options, Futures, & Other Derivatives: Solutions Manual, which is published by Prentice Hall. There are about 80 Assignment Questions. Solutions to these are available only in the Instructor's Manual. From the Back CoverOne of the exciting developments in finance over the last 20 years has been the growth of derivatives markets. In many situations, both hedgers and speculators find it more attractive to trade a derivative on an asset than to trade the asset itself. Some derivatives are traded on exchanges. Others are traded by financial institutions, fund managers, and corporations in the over-the-counter market, or added to new issues of debt and equity securities. Much of this book is concerned with the valuation of derivatives. The aim is to present a unifying framework within all derivatives-not just options or futures-can be valued. Excerpt. © Reprinted by permission. All rights reserved. PrefaceThis book is appropriate for graduate and advanced undergraduate elective courses in business, economics, and financial engineering. It is also suitable for practitioners who want to acquire a working

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Roger S. McClary, "A text for an advanced actuarial science course. You A text for an advanced actuarial science course. You need to have finished second year mathematics and statistics to use the book in its entirety. Analysis and theory of probability courses help too."

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