

Prof. Donefer's Suggested Sources January 2012

The following is a *personal, idiosyncratic and certainly incomplete* list of readings and sources for students in my classes. Look for the most current edition of each book. Unfortunately it is U.S. centric, which I plan to address in the future. Appearance on this list does not represent any endorsement of products or services of the firms referenced. Feel free to email me with your comments and suggestions.

Investments

Investments by Zvi Bodie, Alex Kane, Alan J. Marcus, McGraw-Hill/Irwin; Graduate level, great introduction to investments *Or*

Essentials of Investments, by Zvi Bodie, Alex Kane, Alan J. Marcus, McGraw-Hill/Irwin; Undergraduate version, somewhat more basic.

The Complete Guide to Capital Markets for Quantitative Professionals, by Alex Kuznetsov; McGraw-Hill

The Intelligent Investor: The Definitive Book on Value Investing, by Benjamin Graham; Collins, Great choice for the individual investor. *Or*

Security Analysis by Benjamin Graham, David Dodd; McGraw-Hill; Available are the 1934 original, 1940, and 1951 editions. A 2008 6th ed. with numerous commentaries is also available. Not for novices but for those wanting to be Buffett style value investors.

The Era of Uncertainty: Global Investment Strategies for Inflation, Deflation, and the Middle Ground, by Francois Trahan and Katherine Krantz. Start with the macro view before investing.

Other Asset Classes

Bond Markets, Analysis and Strategies by Frank Fabozzi, Prentice-Hall

Options, Futures and Other Derivatives, Prentice Hall by John C. Hull and its Students Solutions Manual. The standard quantitative introduction to derivatives.

Futures, Options, and Swaps by Robert W. Kolb and James A. Overdahl; Wiley-Blackwell, A more descriptive approach.

All About...The Foreign Exchange Market in the United States by Sam Y. Cross Federal Reserve Bank of New York. A very readable introduction. Available as a free hardcopy which can be ordered from the Fed or accessed online at:

<http://www.ny.frb.org/education/addpub/usfxm/>.

Federal Reserve Bank

These sites have many papers and are sources of great data in all the financial markets.

<http://www.federalreserve.gov/>

<http://www.ny.frb.org/> New York

Be sure to learn about how the Fed works:

The Federal Reserve System in Brief at:

<https://www.newyorkfed.org/publications/frame2.cfm?url=http%3A%2F%2Fwww%2Efrbsf%2Eorg%2Fpublications%2Ffederalreserve%2Ffedinbrief%2Findex%2Ehtml%20>

A Day in the Life of the FOMC at:

<https://www.newyorkfed.org/publications/frame2.cfm?url=http%3A%2F%2Fwww%2Ephiladelphiafed%2Eorg%2Feducation%2Fteachers%2Fresources%2Fday%2Din%2Dlife%2Dof%2Dfomc%2F>

There are 12 Fed branches. Rather than search each one, check the search “All Fed Sites” box. However, feel free to Google and review each one.

Modern Portfolio Theory – Efficient Market Hypothesis

Capital Ideas: The Improbable Origins of Modern Wall Street’ Peter L. Bernstein’, Wiley A classic must read

Capital Ideas Evolving by Peter L. Bernstein Wiley (2007), Updated views.

A Random Walk Down Wall Street: Completely Revised and Updated Eighth Edition by Burton G. Malkiel, W. W. Norton & Company;

The Myth of the Rational Market: A History of Risk, Reward, and Delusion on Wall Street by Justin Fox, Harper Business. 2009 view about why MPT is wrong.

Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism by George A. Akerlof and Robert J. Shiller, Princeton University Press. How behavioral finance changes our views of efficient markets.

Thinking, Fast and Slow, by Daniel Kahneman, Nobel Prize winner explains prospect theory and our irrationality.

History

Tulipomania of 1624, the South Sea Bubble of 1720 and other investing debacles that all professionals should be familiar. Try either (or both) of the next two books:

Extraordinary Popular Delusions & the Madness of Crowds by Charles Mackay, Andrew Tobias (Foreword), Three Rivers Press; Reprint edition

Manias, Panics, and Crashes: A History of Financial Crises by Charles P. Kindleberger; Wiley Investment Classics

A Short History of Financial Euphoria by John Kenneth Galbraith, Penguin

Devil Take the Hindmost: A History of Financial Speculation, by Edward C. Plume

Liar's Poker: Rising Through the Wreckage on Wall Street, by Michael Lewis
Penguin, Wall Street in the 1980's – dated but often spoken of.

Lords of Finance: The Bankers Who Broke the World by Liaquat Ahamed, Penguin.
The start of international banking and the need for central banks.

The Ascent of Money: A Financial History of the World by Niall Ferguson, Penguin.
You may want to see the PBS show from the book at www.pbs.org/wnet/ascentofmoney/

Wall Street: A History: From Its Beginnings to the Fall of Enron by Charles R. Geiss, Oxford University Press. Good history.

Nerds on Wall Street: Math, Machines and Wired Markets by David J. Leinweber

2007-2010 Financial Crisis

Too many books to list, but these are some of my favorites.

What Happened to the Quants in August 2007?: Evidence from Factors and Transactions Data by Khandani and Lo, Basis for his congressional testimony and later book on hedge funds. http://mitsloan.mit.edu/finance/pdf/Lo_Quants.pdf

This Time Is Different: Eight Centuries of Financial Folly, by Carmen M. Reinhart and Kenneth Rogoff. History of financial crises over the long term.

All the Devils Are Here: The Hidden History of the Financial Crisis, by Bethany McLean and Joe Nocera. More analysis of the crisis.

Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System--and Themselves by Andrew Ross Sorkin. The title says it all.

Fool's Gold: How the Bold Dream of a Small Tribe at J.P. Morgan Was Corrupted by Wall Street Greed and Unleashed a Catastrophe by Gillian Tett, Free Press. Story of the creation and growth of Credit Default Swap (CDS) markets.

In Fed We Trust: Ben Bernanke's War on the Great Panic by David Wessel, Crown Business. What was happening at the Fed when it evaluated the bailouts and what to do about Bear, Merrill and Lehman, et al. Looks at Bernanke, Paulson and Geithner's roles.

House of Cards: A Tale of Hubris and Wretched Excess on Wall Street by William D. Cohan, Doubleday. The story of Bear Stearns failure.

The Two Trillion Dollar Meltdown: Easy Money, High Rollers, and the Great Credit Crash by Charles R. Morris, Public Affairs. Probably the first book on the subprime crisis. When I bought my copy its title was just The Trillion Dollar Meltdown.

Restoring Financial Stability: How to Repair a Failed System, by New York University Stern School of Business, Viral Acharya, and Matthew Richardson, Wiley. *Very highly recommended* is an online, free course on the crisis is available at: http://w4.stern.nyu.edu/whitepapers/white_papers_courses.html

See also **The Big Short** by Lewis, **The House of Cards** by Cohan and many others.

Risk - General

All are must reads for anyone interested in financial risk.

Against the Gods: The Remarkable Story of Risk by Peter L. Bernstein Wiley; Great history of risk.

A Demon of Our Own Design: Markets, Hedge Funds, and the Perils of Financial Innovation by Richard Bookstaber

Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets by Nassim Nicholas Taleb Random House Trade Paperbacks; His first book on risk and I think the better one.

The Black Swan: The Impact of the Highly Improbable, by Nassim Nicholas Taleb, Random House

The Misbehavior of Markets by Benoit Mandelbrot, Richard L. Hudson Basic Books Even before Taleb's book this was the first to address the issues of non normality.

When Genius Failed: The Rise and Fall of Long-Term Capital Management by Roger Lowenstein Random House Trade Paperbacks

Traders Guns & Money, by Satyajit Das, FT Prentice Hall, 2006

Risk Magazine <http://www.risk.net/> and Willmot <http://www.wilmott.com/>

Risk –Text books

Value at Risk, by Philippe Jorion McGraw Hill, 3rd ed 2006

Risk Management, by Michel Crouhy, Robert Mark and Dan Galai McGraw Hill

Essentials of Risk Management, by Michel Crouhy, Robert Mark, and Dan Galai McGraw Hill, Shorter version of their previous book.

Understanding Market, Credit, and Operational Risk: The Value at Risk Approach, by Anthony Saunders, Jacob Boudoukh, and Linda Allen, Blackwell Publishing

Financial Institutions Management A Risk Management Approach, by Anthony Saunders, Marcia Millon Cornett Irwin McGraw Hill

Risk Management and Financial Institutions, by John Hull Pearson Prentice Hall, 2nd edition is far better than the 1st.

Exchanges and Markets

Trading and Exchanges: Market Microstructure for Practitioners by Larry Harris
Oxford University Press

Equity Markets in Action: The Fundamentals of Liquidity, Market Structure & Trading by Robert A. Schwartz, Reto Francioni, Wiley; Book & CD

The Equity Trader Course by Robert A. Schwartz, Reto Francioni, Bruce Weber,
Wiley; Book & CD

Empirical Market Microstructure: The Institutions, Economics, and Econometrics of Securities Trading by Joel Hasbrouck, Oxford University Press,

Electronic Exchanges: The Global Transformation from Pits to Bits by Michael Gorham and Nidhi Singh, Elsevier, Futures centric.

Market Microstructure Theory by Maureen O'Hara, Wiley. Bit dated but still useful.

Nasdaq: A History of the Market That Changed the World by Mark Ingebretsen,

Handbook of Electronic Trading by Joe Rosen, BTW I wrote the preface.

Journal of Trading <http://www.ijournals.com/JOT/>

Financial Math and Data Analysis

Paul Wilmott Introduces Quantitative Finance by Paul Wilmot, Wiley. This is Wilmott's most basic introduction to financial math. See his advance books too.

Market Models: A Guide to Financial Data Analysis by Carol Alexander, Wiley; A very useful book and I consider a must own if you are interested in the topic. Book's website: www.wiley.co.uk/marketmodels/Home.html

The Drunkard's Walk: How Randomness Rules Our Lives, by Leonard Mlodinow, Vintage. Not a text but a great read on probability.

Modeling Financial Times Series by Stephen J. Taylor, World Scientific Publishing

An Introduction to High-Frequency Finance by Ramazan Gençay, Michel Dacorogna, Ulrich A. Muller, Olivier Pictet, Richard Olsen, Academic Press

Analysis of Financial Time Series by Ruey S. Tsay, Wiley, A great reference.

An Introduction to High-Frequency Finance by Ramazan Gençay, Michel Dacorogna, Ulrich A. Muller, and Olivier Pictet, Academic Press

Statistical Arbitrage: Algorithmic Trading Insights and Techniques, by Andrew Pole, Wiley

Pairs Trading: Quantitative Methods and Analysis, by Ganapathy Vidyamurthy, Wiley

High Frequency Trading

Inside the Black Box: The Simple Truth About Quantitative Trading by Rishi K Narang, A good introduction.

All About High-Frequency Trading by Michael Durbin, Basic introduction.

High-Frequency Trading: A Practical Guide to Algorithmic Strategies and Trading Systems by Irene Aldridge

Algorithmic Trading and DMA: An introduction to direct access trading strategies by Barry Johnson. More about technology.

The High Frequency Game Changer: How Automated Trading Strategies Have Revolutionized the Markets by Paul Zubulake and Sang Lee.

Use of Excel in Finance and Modeling

Financial Modeling, MIT Press; by Simon Benninga

Principles of Finance with Excel, by Simon Benninga, Oxford University Press

Analyzing Business Data with Excel by Gerald Knight, O'Reilly Media; I have not used this myself, but it has come highly recommended.

Excel Modeling in (the Fundamentals of) Investments or Corporate Finance by [Craig W. Holden](#). There are four titles in total and are keyed to texts such as Investments by Bodie. Pearson/ Prentice Hall 2004. Go to www.spreadsheetmodeling.com/ to review.

Websites

Investing News and Education

General information and access to SEC filings from both of the following:

<http://money.msn.com/investing>

<http://finance.yahoo.com/>

<http://www.investopedia.com/> Preferable to Wikipedia, but neither are considered authoritative.

<http://bigcharts.marketwatch.com/> Charting, try the Java charts

<http://www.bloomberg.com/>

<http://today.reuters.com/news/home.aspx>

<http://online.wsj.com/home/us> Wall Street Journal and <http://www.collegejournal.com/>

As students you are entitled to a very substantial discount to the Journal with free home delivery and access to the online WSJ, be sure to ask for it, even if you are a part time student; Also available for Barrons.

<http://online.barrons.com/public/main> Barron's weekly

<http://www.optionseducation.org/> Authoritative options information

<http://www.cmegroup.com/education/> Futures information

<http://www.investinginbonds.com/> Bond information

Risk

http://www.cmra.com/best_practice_current_crisis.php Many good articles and links available on this site.

<http://www.gloriamundi.org/> Best site on Value At Risk

http://www.derivativesstrategy.com/magazine/bestof/trading_Scandals.asp

<http://www.gsm.uci.edu/~jorion/oc/case.html> Philippe Jorian on the Orange County case.

<http://www.contingencyanalysis.com/> Risk Consultants

http://www.risk_glossary.com/ Risk Glossary

<http://www.defaultrisk.com/> Credit Risk

<http://www.riskcenter.com/> Risk Center

<http://www.risk.net/> Risk Magazine

<http://www.bis.org/index.htm> Basel accord source - must reads in all areas

Risk Manager Certification Organizations:

<http://www.prmia.org>

<http://www.garp.com/>

<http://www.rmahq.org/RMA/> Risk management Association

Risk Vendors

<http://www.moodyskmv.com> Moodys KMV credit risk product
<http://www.standardandpoors.com/> S&P Go to risk solutions page.
<http://www.algorithmics.com/> Algorithmics
<http://www.riskmetrics.com/> RiskMetrics – See their original VaR documents
<http://www.msctarra.com/> Barra
<http://www.sungard.com/adaptiv> Sungard
<http://www.bobsguide.com/rm.html> Listing of many risk vendors

Newsletters

<http://www.smartbrief.com/sifma/> SIFMA Smart Brief daily
<http://www.rblt.com/> Great source of industry information on market structure
<http://www.johnlothiannewsletter.com/> Another great industry source for market infrastructure

Research Firms (Your firm may have subscriptions)

<http://www.tabbgroup.com/>
<http://www.aitegroup.com/>
<http://www.towergroup.com/research/home/index.htm>
<http://www.celent.com/>

Math

<http://www.statsoft.com/textbook/stathome.html> Statistics source
<http://www.wilmott.com/> Site for quants
Sign up for groups on LinkedIn on topics of interest.

Exchanges –Stock, Options, Futures

<http://www.world-exchanges.org>
<http://www.nyse.com/> New York Stock Exchange Group
<http://www.nasdaq.com/> and <http://www.nasdaqtrader.com/>
<http://www.nyse.com/> American Stock exchange now part of NYSE
<http://www.chx.com/> Chicago
<http://www.nasdaq.com/> Boston Stock exchange now part of NASDAQ
<http://www.nasdaq.com/> Philadelphia exchange now part of NASDAQ
<http://www.nsx.com/> formerly the Cincinnati Stock Exchange
<http://www.cboe.com/> Chicago Board of Options Exchange
<http://www.iseoptions.com/> International Securities Exchange now part of Deutsche Bourse
<http://www.cme.com/> Chicago Mercantile Exchange and Chicago Board of Trade (CBOT)
<http://www.theice.com/> Inter-Continental Exchange and NY Board of Trade (NYBOT)

ECNs Type Exchanges

<http://www.batstrading.com/home/> BATS

<http://www.directedge.com/> Direct edge

Alternative Trading Systems

<http://www.pipelinetrading.com/default.aspx> Pipeline

<http://www.liquidnet.com/> Liquidnet

<http://www.itg.com/offerings/posit.php> Posit

<http://www.levelats.com> Level

<http://www.bidstrading.com/> Bids

Regulators

<http://www.finra.org>

<http://www.sec.gov/>

<http://www.cftc.gov/>

Post Trade – Clearing and Settlement

<http://www.dtcc.com/> Stocks, bonds, etc.

<http://www.optionsclearing.com/> Options

<http://www.cme.com/clearing/> CME Futures Clearing

https://www.theice.com/clear_us.jhtml ICE Clearing

Foreign Exchange Trading – Institutional Markets

<http://www.fxstreet.com/> Retail site but good charts and FX quote data

<http://www.icap.com/markets/foreign-exchange.aspx> ICAP formerly EBS

<http://www.currenex.com/>

https://www.lavatrading.com/solutions/foreign_exchange.php

<http://www.hotspotfx.com/>

<http://about.reuters.com/productinfo/dealing3000/>

<http://www.cls-group.com/>FX settlement

Fixed Income

<http://www.sifma.org/> Securities Industry group

<http://www.investinginbonds.com/>

<http://www.publicdebt.treas.gov/>

<http://www.sifma.org/research/pdf/2006eCommerceSurveyFinal120606.pdf> --Annual survey of electronic markets

Sample electronic trading of fixed income markets

<http://www.icap.com>

<http://www.bonddeskgroup.com/>

<http://www.espeed.com/>

<http://www.marketaxess.com/>

<http://www.tradeweb.com/>

<http://www.municenter.com/>

Institutional Money Transfer Systems

<http://www.swift.com/>

<http://www.chips.org/home.php>

<http://www.federalreserve.gov/paymentsystems/fedwire/default.htm> Fedwire

Finance / Technology Online Magazines

<http://www.wallstreetandtech.com/>

<http://www.watsonline.com/>

<http://www.bobsguide.com/>

<http://www.thetradenews.com/trade-magazine>

<http://www.advancedtrading.com/>

<http://www.securitiesindustry.com/>

<http://www.tradersmagazine.com/>