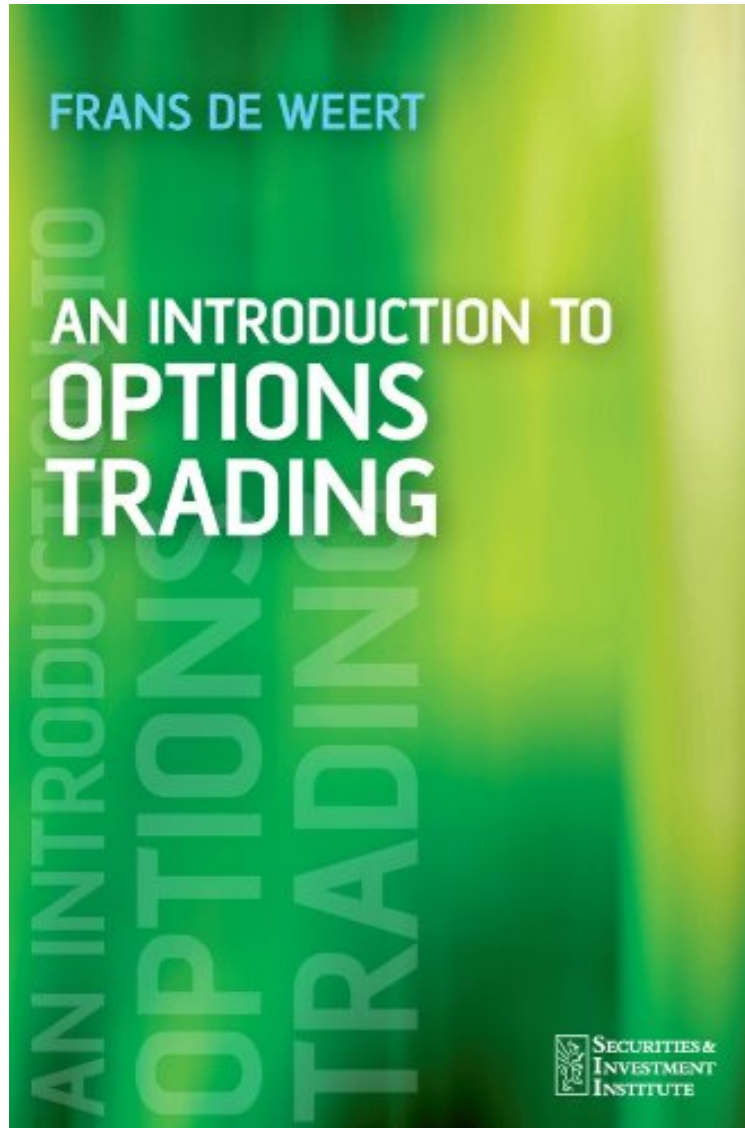


An Introduction to Options Trading (Securities Institute)

Frans de Weert

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Frans de Weert : An Introduction to Options Trading (Securities Institute) before purchasing it in order to gage whether or not it would be worth my time, and all praised An Introduction to Options Trading (Securities Institute):

1 of 1 people found the following review helpful. It's a good book. Very easy to read and well writtenBy CustomerIt's a good book. Very easy to read and well written. Its not mathematical intensive so its suitable for beginners. Advance learners and practitioners can gain some insights from this book as well as Frans seeks to explain things intuitively rather than mathematically. Good book to have on the shelf for refresher. However this book is very expensive and rather short.6 of 9 people found the following review helpful. Not very useful to the individual investor...By

TEBoulderGiven the other reviews of this book, I was very much looking forward to receiving this book. My disappointment was enormous. This book reads like a hastily thrown together Master's thesis that, with its multiple uses of examples directly from Hull adds little to the literature of options theory. Although it has some basic mathematical material (high school calculus level exposition), these sections are sloppily written and often fail to define terms. For example, in Chapter 2 on the Black-Scholes formula, $N(x)$ is stated as "the standard normal distribution" without defining the function. Now the normal distribution is well enough known, but there are different normalizations so how do I know which particular one he is using? Only later in Eqn. 6.3 do we see the derivative $N'(x)$ written explicitly to define the normalization. But here there is a massive typo in the formula so it's not really a compensation. But what's worse is that in spite of its title, the book has little practical knowledge to impart on how options are actually traded and how they actually perform under real market conditions. A very useful book would have presented real trading scenarios and tracked them through the gyrations of price and volatility to their maturity to show how REAL options perform in a REAL market. Instead, this book has examples with 0.02 shares of stock being bought in zero-profit 100% delta hedge scenarios - highly theoretical, in fact totally useless, to the real options investor. Chapter 10, "Several options strategies", reads like a sparse Chinese menu of options plays, each with a pathetically simple example that anyone can find in the most basic Wikipedia articles. There is no discussion of the actual situations that these strategies are used in, nor of the possible outcomes of each strategy with variable market conditions. But my favorite "example" is on page 112 where De Weert poses the scenario "Consider an investor who knows that TomTom is due to come out with a statement that will be a real market mover." In other words, "Consider an insider trading scenario in which a criminal wishes to exploit illegal information..." It's just amazing how the corrupt culture of Wall Street has permeated even the supposedly academic treatises. Again, this example is useless to the real individual investor who can't possibly "know" such things. I guess if you're an insider trading criminal, this is the book for you! I'm not an insider trading criminal. I'm a professional physicist. And if a student of mine submitted this as a thesis project I would feel generous in giving it a B- grade, based on the shoddy mathematical treatments and the almost laughable simplicity of the illustrations and plots used in the book. To be fair, other "introductory" options book out there are even more simple minded and useless to the technical investor. Why can't someone write a good book with enough math and REAL EXAMPLES to show how these things are actually used to make (and lose) money? Be warned: you can lose a lot of money VERY quickly playing with options. This book will not help you AT ALL to learn how best to use these extremely dangerous financial power tools in the real world. It will show you the most basic elements of the Black-Scholes formula and has some worthwhile examples discussing the greeks and hedging, but for the most part I kept thinking this book was a rather light effort by an average mathematics student who was never allowed on the trading floor.

5 of 8 people found the following review helpful. A must have for traders

By a reader This book is the most powerful book on options as it makes the dynamics of options intuitive by focussing on its economics while at the same time providing the mathematics behind it. All this is achieved by using real life investment strategies as examples. The culmination of this book is that it shows the relation between all the Greeks and the profit of a delta hedged option. The book can easily be used as a manual for traders as it gives guidelines as to when to early exercise options and the correlation exposure of composite or quanto option to name just two examples. Any trader or sales man in investment banking should use this as a manual.

Explaining the theory and practice of options from scratch, this book focuses on the practical side of options trading, and deals with hedging of options and how options traders earn money by doing so. Common terms in option theory are explained and readers are shown how they relate to profit. The book gives the necessary tools to deal with options in practice and it includes mathematical formulae to lift explanations from a superficial level. Throughout the book real-life examples will illustrate why investors use option structures to satisfy their needs.

From the Back Cover "An Introduction to Options Trading is a pleasurable book to read. The simplicity of the language and exposition make it accessible to a wide spectrum of interested readers, especially to option traders. Although no rigorous mathematics is discussed in this book, the formulas used are well motivated and explained." Karma Dajani, Utrecht University, The Netherlands

An Introduction to Options Trading is one of the first books to explain where the profit of option traders really comes from. Although people usually assume that this profit relates to bid-offer spreads, this book actually shows that there is a much more sophisticated way of making money when trading options. This book shows why investors use option structures to satisfy their needs, and what practical implications these option structures have on the trader. Explaining the theory and practice of options trading from scratch, the reader will quickly become familiar with delta hedging, gamma, vega and theta and how these terms relate to the trader's profit. Throughout the book real-life examples will be used to explain the practicalities of options bringing the theory behind options to life. After reading An Introduction to Options Trading the reader will understand how options can be tailored to an investor's needs. The book will give the reader an understanding of the incredible potential of making money through options and will equip him with the necessary tools to deal with options in practice.

About the Author Frans de Weert is mathematician by training who is currently working as an

equity derivatives trader at Barclays Capital, New York. After obtaining his masters in Mathematics, specializing in probability theory and financial mathematics at the University of Utrecht, he went on to do a research degree, M.Phil, in probability theory at the University of Manchester. After his academic career he started working as trader for Barclays Capital in London. In this role he gained experience in trading many different derivative products on European and American equities. After two and half years in London, he moved to New York to start trading derivatives on both Latin American as well as US underlyings. Frans de Weert lives in New York city.