When Genius Failed: The Rise and Fall of Long-Term Capital Management

Roger Lowenstein
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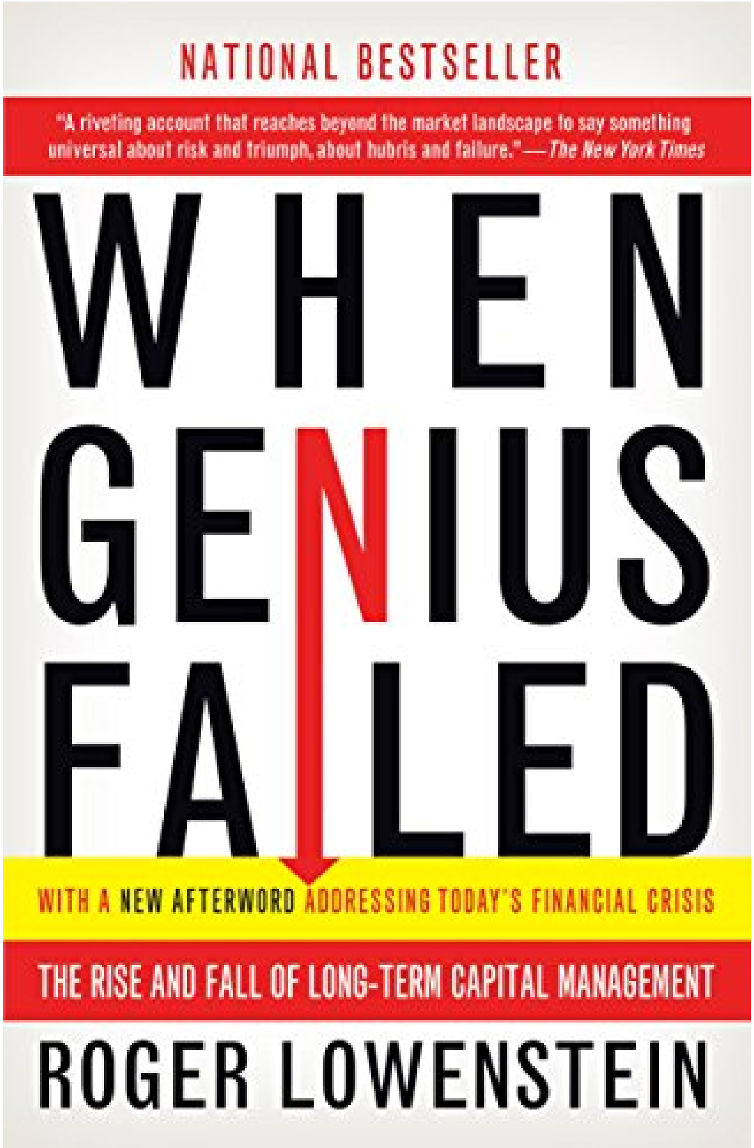

#45935 in eBooks 2001-01-18 2001-01-18File Name: B000FC1KZC | File size: 45.Mb

Roger Lowenstein : When Genius Failed: The Rise and Fall of Long-Term Capital Management before purchasing it in order to gage whether or not it would be worth my time, and all praised When Genius Failed: The Rise and Fall of Long-Term Capital Management:

3 of 3 people found the following review helpful. Roger Lowensteinrsquo;s book contains an extraordinary amount of detail. ...By Richard BobbRoger Lowensteinrsquo;s book contains an extraordinary amount of detail. Therersquo;s

nothing wrong with that.The gist of the story is that no amount of financial modelling can overcome a ldquo;black swanrdquo; event, even though the term ldquo;black swanrdquo; was not a known term at the time of these events.Fast forward from 1998 to 2008 and the term ldquo;black swanrdquo; has become a key piece of ldquo;financial lexiconrdquo; when considering what unforseen uncertainty might do to the value of financial assets and liabilities.With the benefit of hindsight, some of the geniuses at Long Term Capital Management might have considered financial modelling for a ldquo;black swanrdquo; event.The story is also one for detailing the shortcoming and weakness of human character. For example:bull; Hubris v humility;bull; Arrogance v meeknessbull; Over confidence v modesty;bull; Pride v humility;bull; Condescension v respect;bull; Disdain v respect;bull; Contempt v admirationand so it goes on.A reader is somewhat reminded by the verse ldquo;as you shall sow, then so shall you reaprdquo;. Such an apt phrase seemingly applies throughout the book, but the one stand out is when management decides to fully redeem the capital of the outside investors, with a view to increasing managementrsquo;s share of the pie, only to find that the geniuses at Long-Term Capital Management had failed to realise that by shafting these investors, they had (in the end) shafted themselves.1 of 1 people found the following review helpful. Very entertaining and lessons for all tradersBy Meritt J FinerWhen Genius Failed was a great read. Lowenstein did a terrific job of introducing the reader to the quirky personalities at Long Term Capital and their interactions with Wall Street, European and Asian investment banks and the Fed. The real genius of the book was that Lowenstein nailed WHY genius failed. The same lessons the professors and traders at Long Term Capital failed to learn are the ones that all traders need to know. Trading in the financial markets is art as well as science. Knowing what quantitative models can and cannot do, and knowing when a modelrsquo;s underlying assumptions are violated are key to successful trading. And finally, having the humility to accept that no matter how smart you are (or think you are) the financial markets can and will periodically make you look like an idiot.3 of 3 people found the following review helpful. it's people and egos, not models and numbersBy NatashaAlthough this novel was at times quite dense, it provided very fascinating insights into the world of Wall Street. It was not just a world of numbers, but rather competing unchecked egos, high-stakes, and a rejection of the potential for defeat. If you are not familiar with finance, this book can drag a bit. However, it does teach you a lot (despite its haughty tone and vocabulary). What is important here is how there are people behind the numbers-- and too often that is a fact overlooked by investors and Wall Street alike.

With a new Afterword addressing todayrsquo;s financial crisisAnbsp;BUSINESS WEEKnbsp;BEST BOOK OF THE YEARIn this business classicmdash;now with a new Afterword in which the author draws parallels to the recent financial crisismdash;Roger Lowenstein captures the gripping roller-coaster ride of Long-Term Capital Management. Drawing on confidential internal memos and interviews with dozens of key players, Lowenstein explains not just how the fund made and lost its money but also how the personalities of Long-Termrsquo;s partners, the arrogance of their mathematical certainties, and the culture of Wall Street itself contributed to both their rise and their fall.When it was founded in 1993, Long-Term was hailed as the most impressive hedge fund in history. But after four years in which the firm dazzled Wall Street as a $100 billion moneymaking juggernaut, it suddenly suffered catastrophic losses that jeopardized not only the biggest banks on Wall Street but the stability of the financial system itself. The dramatic story of Long-Termrsquo;s fall is now a chilling harbinger of the crisis that would strike all of Wall Street, from Lehman Brothers to AIG, a decade later. In his new Afterword, Lowenstein shows that LTCMrsquo;s implosion should be seen not as a one-off drama but as a template for market meltdowns in an age of instabilitymdash;and as a wake-up call that Wall Street and government alike tragically ignored.