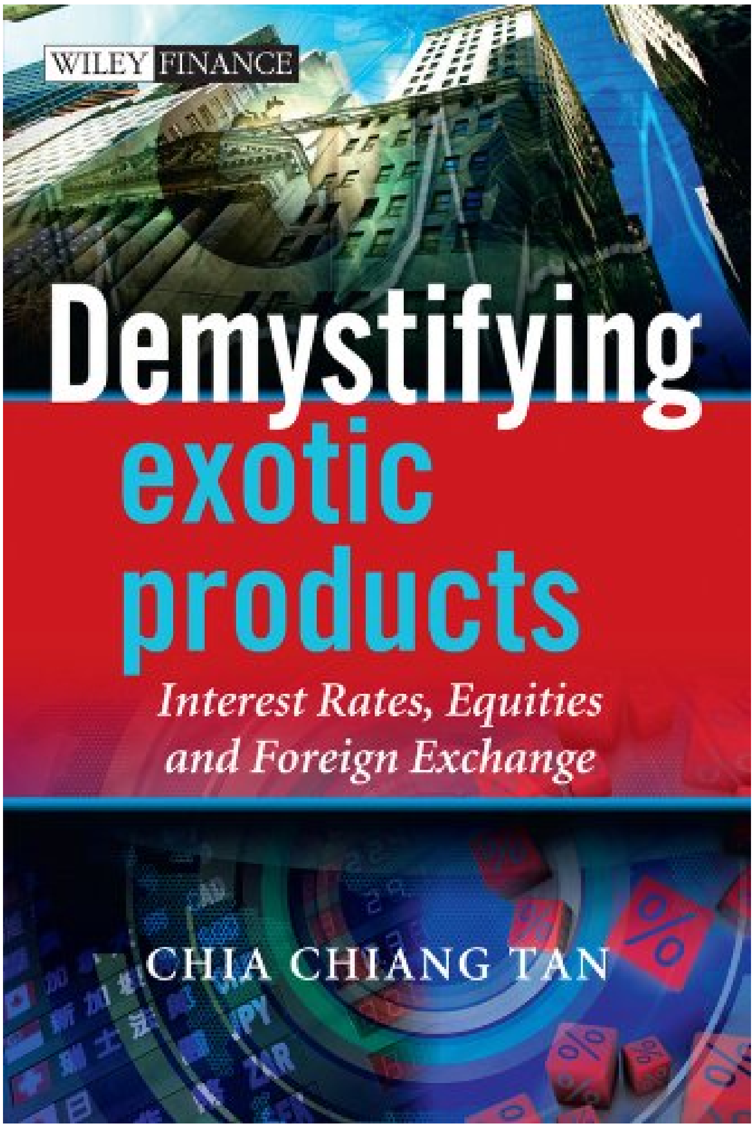
# Demystifying Exotic Products: Interest Rates, Equities and Foreign Exchange (The Wiley Finance Series)

*Chia Tan*




**Chia Tan : Demystifying Exotic Products: Interest Rates, Equities and Foreign Exchange (The Wiley Finance Series)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Demystifying Exotic Products: Interest Rates, Equities and Foreign Exchange (The Wiley Finance Series):

7 of 7 people found the following review helpful. The spirit of exoticsBy S. GaalI have been working as vaildation quant (model review) for several years.My very first assignment happened to be a validation of a PRDC. I got the

product proposal from the FO together with some c++ code. Getting throgh the algebra ( Ito calculus, the description of Markov Functional and XCCY BGM for comparison, calibration ) went well. However, I missed the understanding of the product.What motivated it? What are the assumptions on the economic side ?Why does the PRDC swap look like, as it looks like ? How does it compare to XCCY swap ? Why do rthey use the term "funding" leg ?Why the hell do we make our lives more complicated with the early exercise feature ? Why is it good for the customer ?How does it look like with the FX options ?All these terms seem to be pretty obvious for practicioners ( especially for desk quants and structurers ) but at that time ( early 2000 ) there existed no book from which the beginner could get these fundamental things, making you really undrestand the product. You did not want to seem like a fool by asking these pretty obvious things from the FO. So what I did I validated the product ( merely on the operation side ) and begin asking myself these pretty obvious questions. It took me about a year ( while working fulltime ) to figure out the answers myself.If I had this book at disposal, life would have been much more easy. The book does not mention the models nor numerical methods. It concentrates on the basic financial principles. Explains you how the exotic structures ( triggers, callable products, TARN like products ) are used to enhance the investor's profit by taking extra risk. Explains you the economic motivations why it is profitable to take a CMS coupon bond, especially in the current situation, with low short rates and the assumption, that the rates will be growing in the future. Also analyses the exotic EQ products and lets us us know why the hell one would buy a Himalaya option.I think, that these sorts of books were rare so far, since they concenrated mainly on Maths. No problem with that, but if you are lacking for understanding of the product, the Maths will not help you too long. And the product knowledge, you could get with several years of work experience and a lot of effort, suddenly stands here prepared in this book.I recommend it to novice quants, especially on the model development / validation side, where the interaction with FO is more problematic and thus this practical knowledge is more hard to obtain.

In recent times, derivatives have been inaccurately labelled the financial weapons of mass destruction responsible for the worst financial crisis in recent history. Inherently complex and perilous for the ill-informed investment professional they can however also be gainfully harnessed. This book is a practical guide to the complexities of exotic products written in simple terms based on the premise that derivatives are not homogenous, and not necessarily dangerous. By exploring common themes behind the construction of various structured products in interest rates, equities and foreign exchange, and investigating the economic environment that promoted the explosive growth of these products, this book will help readers make sense of their relevance in this period of economic uncertainty. Subsequently, by explaining exotic products with simple mathematics, it will aid readers in understanding their potential use in certain investment strategies whilst having a firm control over risk. Exotic products need not be inaccessible. By understanding the products available investors can make informed decisions ensuring features are consistent with their investment objectives and risk preferences. Author Chia Chiang Tan takes readers through the risks and rewards of each product, illustrating when products can damage investment strategies and how to avoid them, leading to suitable, profitable investments. Ultimately, this book will provide practitioners with an understanding of derivatives, enabling them to determine for themselves which products will fit their investment strategy, and how to use them based on the economic environment and inherent risks.

From the Inside Flapldquo;This book does a great job of explaining complex concepts associated with sophisticated derivatives and structured products in a clear and easy to understand way. In addition, it provides the reader with the necessary foundation to engineer a strategy which expresses a specific market view while taking into account the investor's appetite for risk. If you want to get a better understanding of how structured products can be used then read on.rdquo; mdash;Steacute;phane Arvanitis, Senior Vice President and Head of Derivative Strategies, ING Investment ldquo;Chia takes a refreshingly unique approach by concentrating on how exotic products have arisen in the last decade to address investorsrsquo; risk-reward preferences. He explains the economic rationales behind various esoteric products, their key features, as well as situations in which clients have inadvertently found themselves more exposed than they thought hellip; This book makes compelling reading for anyone interested in structured products. And if you happen to be studying the mathematics behind financial derivatives, why not have a look at why there is demand for them in the first place? It might give you a better perspective as to the products at the end of the assembly line.rdquo; mdash;Dr Alex Langnau, Global Head of Quantitative Analytics, Allianz Investment Management, and visiting scientist at the Ludwig-Maximilians University, MunichAbout the AuthorCHIA CHIANG TAN is currently a quantitative analyst in Global Markets at Deutsche Bank. Prior to this he has held positions at CIBC, Barclays Capital and Dresdner Kleinwort. His work has spanned a multitude of asset classes, including interest rates, equities and foreign exchange. In his various roles, he has seen first-hand how a myriad of derivatives solutions have emerged to satisfy client demands resulting from the prevailing economic environment, as well as how some of these purported solutions have at times gone badly wrong. Chia has an undergraduate degree in Mathematics from University College London and a Master of Mathematical Finance from the University of Toronto.