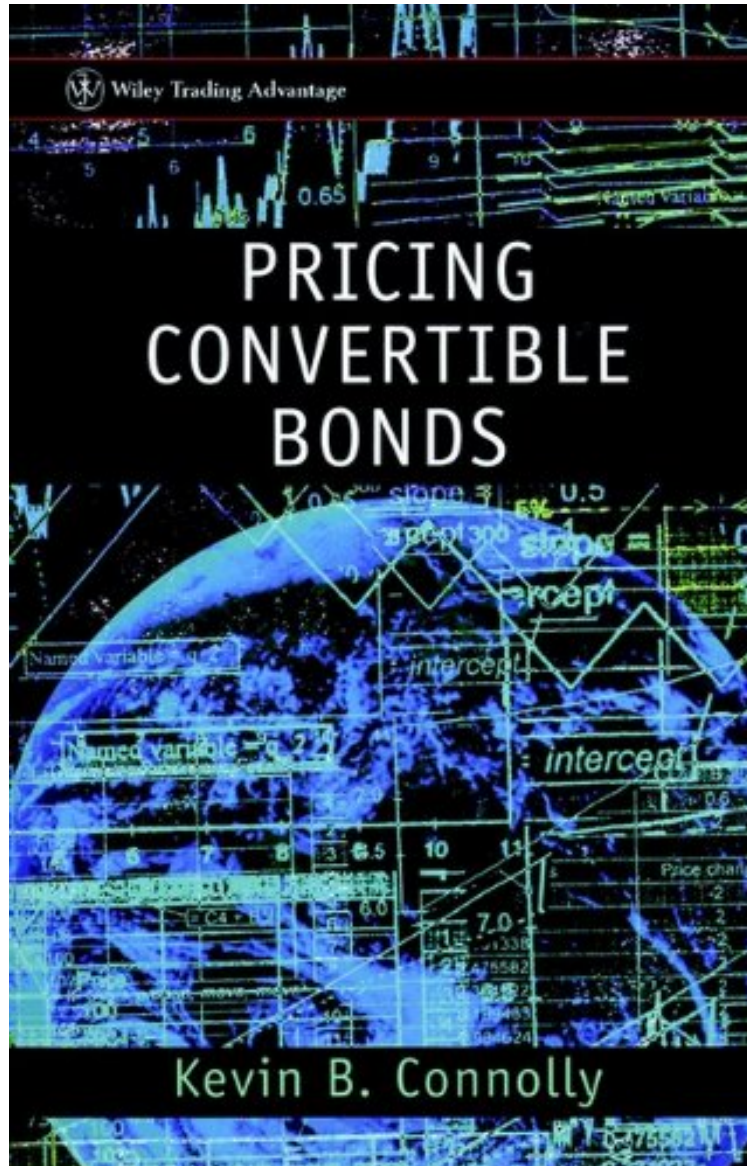


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Kevin B. Connolly

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Kevin B. Connolly : Pricing Convertible Bonds (Wiley Trader's Exchange) before purchasing it in order to gage whether or not it would be worth my time, and all praised Pricing Convertible Bonds (Wiley Trader's Exchange):

15 of 16 people found the following review helpful. Nimble and Suitably Detailed Handling of a Complex Topic!By S. SchneiderOnce the individual investor begins to grasp the complexity of convertible bonds, it beats me as to why he or she would not be inclined to give up the entire enterprise altogether. And this book is so chock full of a convertible maven's essential vitamins and minerals that, after the first reading at least, this investment arena will seem utterly Pyrrhic to a neophyte. Sadly, the book is dense enough that a newcomer is likely to miss its nimble, understated

handling of a maddeningly complex topic. It is only after perusing the other available literature on convertibles that Kevin Connolly's competent, intelligent handling dawns on you. Then you see this text as a high-end stereo system amongst crude boom boxes! Although Connolly writes under the pretext the reader knows next to nothing about the convertible, or even senior debt and common equity instruments, the book may not be the optimal starting point to understand convertibles. For the American reader, there is also the matter that the examples are in pounds sterling, and not in dollars. But the text provides a terrific point-of-entry for the investor who is left wanting by crude convertible pricing models which fail to adequately account for subtler, but critical, details such as embedded long-put options, reflex clauses, and what one ought to do with probability issues. The implicit theme of the book is "every convertible is a different animal...accept it and get nimble enough to competently deal with the instrument's intricacies." The reader is well served --with the theme, the non-condescending explanation, and the tools Connolly offers to deal competently and confidently with convertible complexities. 9 of 10 people found the following review helpful. Useful, practical, essential, but MORE Please! By Bachelier Connolly has written a useful, practical book for those who are attempting to price these (increasingly) complex instruments. For more abstract or academic treatments of the topic, seek other sources and the innumerable academic journals of quant finance. But for a nut-work gotta-price-this-bugger-cause-my-boss-asked-me-to-and-Im-the-quant-guy-in-the-shop this guide, while not strictly a cookbook, is indispensable. Although it begins at a relatively basic level, it clearly and concisely explains every technique from the simple ($y = mx + b$) and then step-by-step ratchets up to the Excel-samurai level (MIN and MAX tests after multiple operations of option pricing trees (bi-nomial and tri-nomial)). I limited my rating to four stars, however, because Connolly only mentions in passing the available (expensive) software-house products that do many of the same things his example spreadsheets do. Fin software needs critics, and I can think of no one better placed than the author to examine them and give front-line quant analysts his views. In addition, like most worker bees, I try never to reinvent the wheel (programming in C++ and VB or anything else for this kinda thing is undiluted soul-destroying tedium), but at the same time want to thoroughly check out the foundational theory and techniques someone applied before I risk my career on someone else's work. In this case, a good list of the academic sources and current financial literature on the topic would have been a useful and welcome addition to this slender volume. I suppose a final criticism is that we have all seen the exponential growth of credit derivatives in the past few years. Connolly's next edition will need to address the topic of credit derivatives in relation to convertible bonds, as their use in combination with CBs provides alternate hedging, investment, and speculative strategies not explicitly considered in this book. 2 of 3 people found the following review helpful. Excellent. By A Customer This is a very good book. Connolly starts from the beginning, assuming you know nothing, but accelerates at just the right rate to hang on to beginners and not to annoy people who already know the basics. Admittedly, if you're a quant you'll know all this stuff (anyway, if you're already a quant you shouldn't need to buy a book on the subject in the first place). If you're not a quant, it's a fine introduction to how to model convertibles. In fact, there's enough information here for you to have a go at writing your own toy model that takes into account most of the complexities of CBs (including puts and resets), although you'd be a trifle crazy - or extremely confident - to start trading off a model you implemented *only* having read this book. This is an excellent book for anyone who is a user of CB models, who understands the inputs and outputs, and who wants to know more about what's going on inside the model "black box".

The Convertible Bonds (CB) market is growing all the time. To date, over one trillion dollars worth of CBs are in circulation. Corporations are finding this source of fund-raising more and more attractive. And for different reasons, the buyers are finding CBs increasingly attractive investment vehicles. There are few works on the subject of pricing convertible bonds. Most books discussing derivative products cover all details of pricing futures and options in minute detail. Convertible bonds and warrants are usually mentioned as an after thought in the latter chapters. This is the first book to address the very complex issue of pricing convertible bonds. Kevin Connolly, Researcher of complex volatility trading for Refco Overseas Ltd. and Lecturer at City University Business School and London Guildhall University, has put together an excellent treatment of pricing convertible bonds, delving into topics such as: * Returns distributions and associated descriptive statistics * Modeling the share price process * The basic convertible bond model * Introducing the complications * Convertible bond sensitivities * Using equity warrant models to price CBs * Reflex clauses Fund managers, hedge players/traders, undergraduates and postgraduates will find this book invaluable. Easy to understand software on Microsoft Excel spreadsheets is also supplied.

From the Inside Flap Convertible bonds are a hybrid of bond and equity. Like a bond, they provide the holder with an income, although this is lower than on a conventional bond because the holder also has the right to buy the issuer's shares at a predetermined price during the life of the bond. These instruments now appeal to a much wider range of investors. There are few works on the subject of pricing convertible bonds. Most books discussing derivative products cover all details of pricing futures and options in minute detail. Convertible bonds and warrants are usually mentioned as an after thought in the latter chapters. This is the first book to address the very complex issue of pricing convertible bonds. From the Back Cover The Convertible Bonds (CB) market is growing all the time. To date, over one trillion

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About the Author KEVIN B. CONNOLLY in used to be Head of Quantitative Research at James Capel Co. He then joined Cresvale International Asset Management as Director responsible for instituting scientific risk management for Cresvale s principal Japanese warrants market-making section. He is currently undertaking research into complex volatility trading for Refco Overseas Ltd. He also lectures at City University Business School and London Guildhall University, UK. Kevin has already published a book in 1997, *Buying and Selling Volatility*.