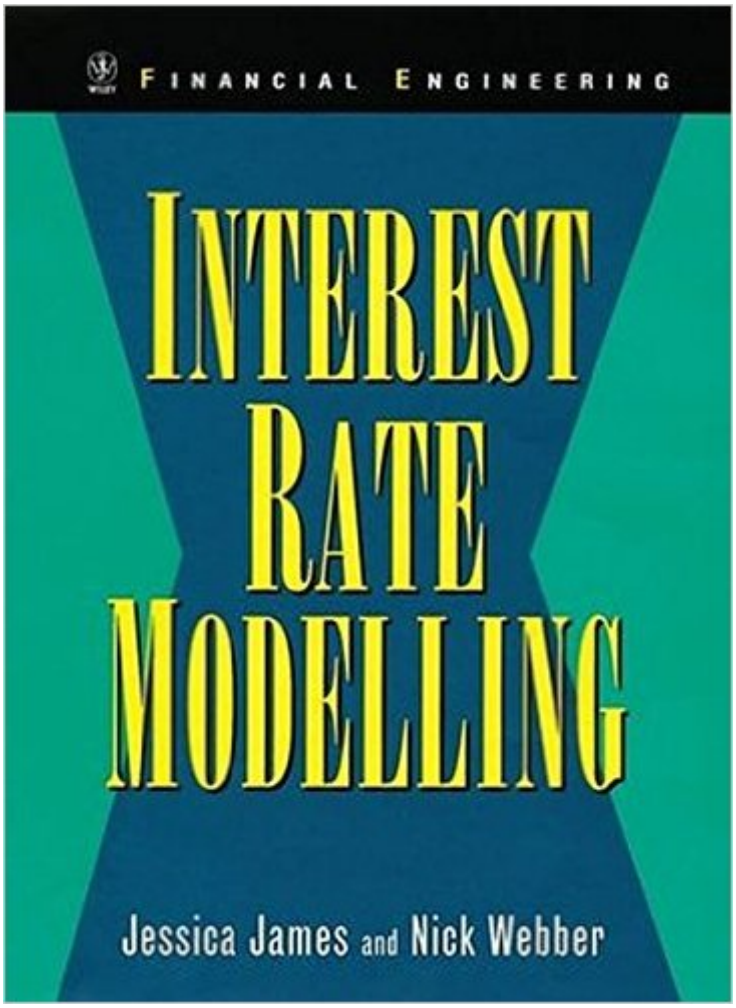
Interest Rate Modelling: Financial Engineering



Synopsis

As interest rate markets continue to innovate and expand it is becoming increasingly important to remain up-to-date with the latest practical and theoretical developments. This book covers the latest developments in full, with descriptions and implementation techniques for all the major classes of interest rate models-both those actively used in practice as well as theoretical models still 'waiting in the wings'. Interest rate models, implementation methods and estimation issues are discussed at length by the authors as are important new developments such as kernel estimation techniques, economic based models, implied pricing methods and models on manifolds. Providing balanced coverage of both the practical use of models and the theory that underlies them, Interest Rate Modelling adopts an implementation orientation throughout, making it an ideal resource for both practitioners and researchers.

Book Information

Hardcover: 654 pages
Publisher: Wiley; 1 edition (January 15, 2000)
Language: English
ISBN-10: 0471975230
ISBN-13: 978-0471975236
Product Dimensions: 6.3 x 1.6 x 9.1 inches
Shipping Weight: 2.4 pounds (View shipping rates and policies)
Average Customer Review: 4.6 out of 5 starsÂ Â See all reviewsÂ (7 customer reviews)
Best Sellers Rank: #1,512,735 in Books (See Top 100 in Books) #102 inÂ Books > Business & Money > Economics > Interest #1188 inÂ Books > Textbooks > Business & Finance > Investments & Securities #2057 inÂ Books > Textbooks > Business & Finance > Finance

Customer Reviews

While very ambitious and containing some very good material, I think there are too many errors, typos, and gaps in this book. For example, the derivation of equation (3.20) on page 43, a not insignificant result on swap rates, is embarrasingly wrong. They make 2 fundamental errors in equations (3.15) and (3.16) and appear fortunate to arrive at (3.20) which is correct. These errors are not mere typos. Their examples related to the concept of a filtration on top of page 58 appear to be wrong. Elsewhere in the book notation is often used inconsistently and without adequate definition. There are also gaps. For example, when discussing volatility structures in Section 16.1, they use equation (16.6) (which is correct) in a number of examples, but I could not find where they

actually derived that equation. (It should have been in the HJM chapter) but was not there.I like the fact that they wanted to include a chapter on term structures from the macro-economic perspective. Unfortunately this chapter is difficult to read, provides no macroeconomic intuition and again appears to omit too many details. For example, the description of the IS-LM-Phillips model is inadequate and either should be expanded or dropped from future editions. Likewise, the description of the Sommer model is inadequate. Equation (11.3) in the statement of Sommer's Theorem would appears to be wrong at first sight. The left-hand-side of that equation is known by time t, but the right-hand-side would appear to be UNknown by time t. This apparnet contradiction can be explained but the authors never comment on such matters, often making the material more difficult to follow.Chapter 17 on GMM and MLE methods is quite nice but again, not everything is adequately explained. The examples of Section 17.2.