Modern Pricing of Interest-Rate Derivatives: The LIBOR Market Model and Beyond

Riccardo Rebonato
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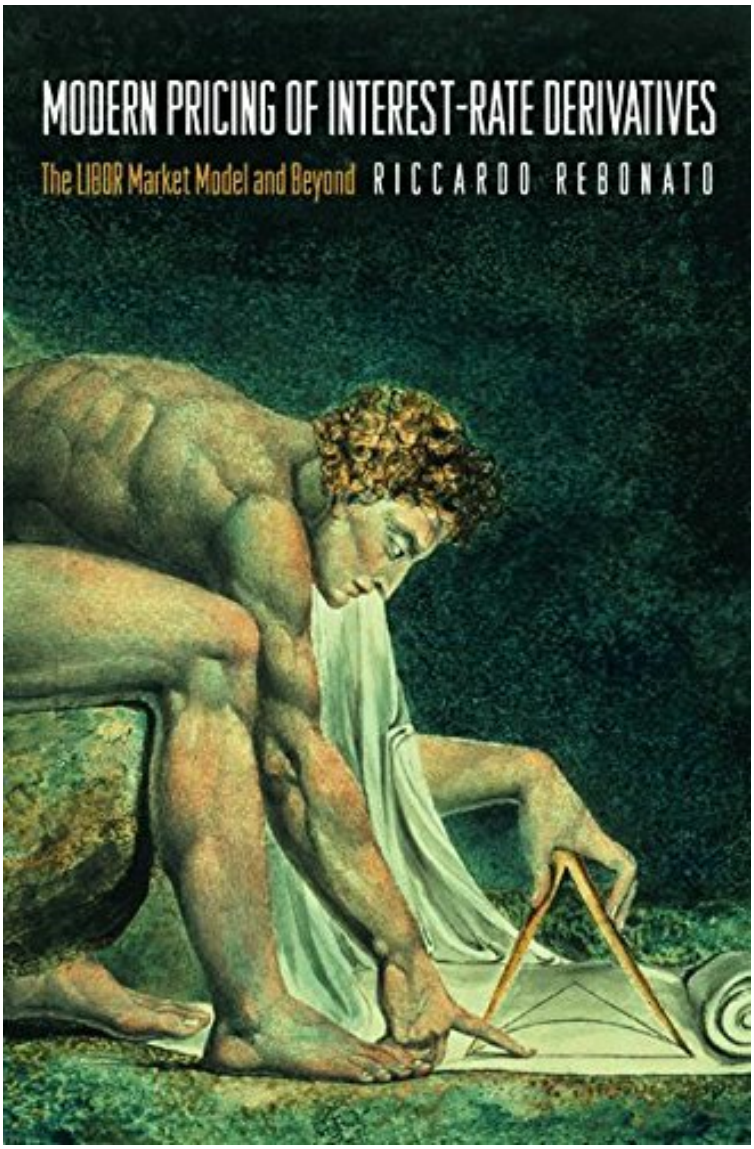

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Riccardo Rebonato : Modern Pricing of Interest-Rate Derivatives: The LIBOR Market Model and Beyond before purchasing it in order to gage whether or not it would be worth my time, and all praised Modern Pricing of Interest-Rate Derivatives: The LIBOR Market Model and Beyond:

1 of 1 people found the following review helpful. Best on the subjectBy book junkieThis book is hands down the best I have read on the subject. Unlike many others who just list a bunch or definitions, theorems and the like, Rebonato

does not go into the mathematical justification of every single point, but rather concentrates on the more important practical aspects like real-life implementation and calibration. Don't get me wrong, you WILL need to understand some serious math, but the book goes beyond that.Being a physicist, it reminds me of Feynman's books which, although they cover the same material as many others, give you that extra valuable insight into how all that math actually relates to what happens in practice.Worth every penny.0 of 0 people found the following review helpful. Five StarsBy S. DuttaIt's great as expected.21 of 26 people found the following review helpful. rebonato does it againBy A CustomerMy avid reading kept jostling out superb hot ideas from this book. Rebonato carries out a comprehensive survey of the LIBOR market model. He tackles historical background, calibration, and effective implementation. The later chapters also cover extensions to the LIBOR market model to take account of smile and skew. In particular, there is extensive discussion of the cutting-edge Joshi-Rebonato stochastic-vol, displaced-diffusion LIBOR market model.If you are working on the pricing of exotic interest rate derivatives, this book is a must buy.

In recent years, interest-rate modeling has developed rapidly in terms of both practice and theory. The academic and practitioners' communities, however, have not always communicated as productively as would have been desirable. As a result, their research programs have often developed with little constructive interference. In this book, Riccardo Rebonato draws on his academic and professional experience, straddling both sides of the divide to bring together and build on what theory and trading have to offer. Rebonato begins by presenting the conceptual foundations for the application of the LIBOR market model to the pricing of interest-rate derivatives. Next he treats in great detail the calibration of this model to market prices, asking how possible and advisable it is to enforce a simultaneous fitting to several market observables. He does so with an eye not only to mathematical feasibility but also to financial justification, while devoting special scrutiny to the implications of market incompleteness. Much of the book concerns an original extension of the LIBOR market model, devised to account for implied volatility smiles. This is done by introducing a stochastic-volatility, displaced-diffusion version of the model. The emphasis again is on the financial justification and on the computational feasibility of the proposed solution to the smile problem. This book is must reading for quantitative researchers in financial houses, sophisticated practitioners in the derivatives area, and students of finance.

"Rebonato's writing style is probably the most elegant I have ever seen in a quantitative finance book. His ideas are conveyed in a brief and clear manner. . . . I thoroughly enjoyed this book since it allowed me to discover a whole new world in a fast and painless fashion. I would therefore recommend it to everyone who has any interest in the fascinating universe of fixed-income derivatives."--Alireza Javaheri, Quantitative FinanceFrom the Inside Flap"Dr. Rebonato has blended technical mastery with many years of practical experience to produce what should become the standard handbook for anyone wanting to value, hedge or control the risks of interest rate derivatives."--Ian Cooper, Professor of Finance, London Business School "This eagerly awaited book fills an important need. It covers the pressing but technically difficult issues of how to implement 'market' models of the term structure for the purposes of valuing and hedging interest-rate-sensitive derivatives. Dr. Rebonato is a leading expert in the field. His treatment is exceptionally lucid as well as authoritative."--Stewart Hodges, University of Warwick "Riccardo Rebonato succeeds admirably in combining an accessible exposition of the foundations of the LIBOR market model framework with extensive guidance on the calibration and implementation of the models in practice. The book's many insights into the dynamics of fixed income markets and models should provide industry professionals with valuable tools and offer academics a rare glimpse of the market as viewed by a practitioner-theorist, all presented in the author's elegant and lively style."--Paul Glasserman, Columbia University "This book is a significant contribution to the field. It offers plenty of empirical work and case studies illustrating the application of the models each step of the way. Unlike other treatments, it emphasizes the market rationale for modeling choices, and is not driven by purely mathematical considerations. Reference is continually made to market features, the behaviour of instruments, and empirical features, with all of this backed up by the author's considerable experience."--Nick Webber, University of Warwick "There are many books that get bogged down in mathematical technicalities before they get to the point and are therefore of little use to practitioners. Rebonato takes the opposite approach: he gets to the point. People working in the mathematical finance industry will love this book."--Jeff Dewynne, Oxford UniversityFrom the Back Cover"Dr. Rebonato has blended technical mastery with many years of practical experience to produce what should become the standard handbook for anyone wanting to value, hedge or control the risks of interest rate derivatives."--Ian Cooper, Professor of Finance, London Business School"This eagerly awaited book fills an important need. It covers the pressing but technically difficult issues of how to implement 'market' models of the term structure for the purposes of valuing and hedging interest-rate-sensitive derivatives. Dr. Rebonato is a leading expert in the field. His treatment is exceptionally lucid as well as authoritative."--Stewart Hodges, University of Warwick"Riccardo Rebonato succeeds admirably in combining an accessible exposition of the foundations of the LIBOR market model framework with extensive guidance on the calibration and implementation of the models in practice. The book's many insights into the dynamics of fixed income markets and models should provide industry professionals with valuable tools and offer academics a

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