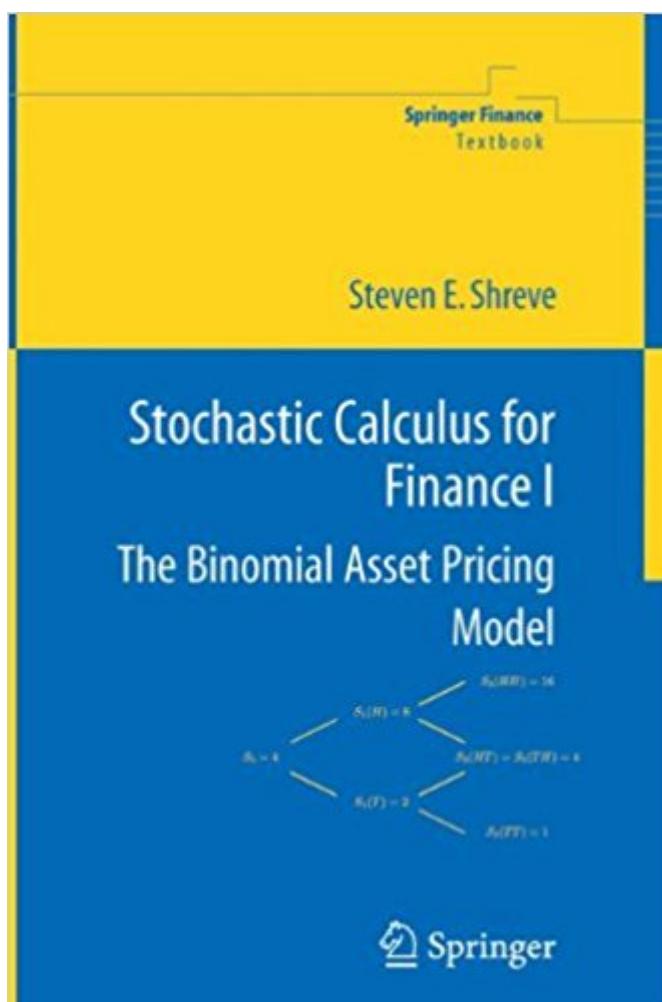


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Stochastic Calculus For Finance I: The Binomial Asset Pricing Model (Springer Finance) (v. 1)



Synopsis

Developed for the professional Master's program in Computational Finance at Carnegie Mellon, the leading financial engineering program in the U.S. Has been tested in the classroom and revised over a period of several years Exercises conclude every chapter; some of these extend the theory while others are drawn from practical problems in quantitative finance

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Customer Reviews

Steven Shreves comprehensive two-volume Stochastic Calculus for Finance may well be the last word, at least for a while, in the flood of Masters level books.... a detailed and authoritative reference for quants (formerly known as rocket scientists). The books are derived from lecture notes that have been available on the Web for years and that have developed a huge cult following among students, instructors, and practitioners. The key ideas presented in these works involve the mathematical theory of securities pricing based upon the ideas of classical finance....the beauty of mathematics is partly in the fact that it is self-contained and allows us to explore the logical implications of our hypotheses. The material of this volume of Shrevess text is a wonderful display of the use of mathematical probability to derive a large set of results from a small set of assumptions. In summary, this is a well-written text that treats the key classical models of finance through an applied probability approach. It is accessible to a broad audience and has been developed after years of teaching the subject. It should serve as an excellent introduction for anyone studying the mathematics of the classical theory of finance.-- SIAM, 2005 From the reviews of

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Stochastic Calculus for Finance evolved from the first ten years of the Carnegie Mellon Professional Master's program in Computational Finance. The content of this book has been used successfully with students whose mathematics background consists of calculus and calculus-based probability. The text gives both precise statements of results, plausibility arguments, and even some proofs, but more importantly intuitive explanations developed and refine through classroom experience with this material are provided. The book includes a self-contained treatment of the probability theory needed for stochastic calculus, including Brownian motion and its properties. Advanced topics include foreign exchange models, forward measures, and jump-diffusion processes. This book is being published in two volumes. The first volume presents the binomial asset-pricing model primarily as a vehicle for introducing in the simple setting the concepts needed for the continuous-time theory in the second volume. Chapter summaries and detailed illustrations are included. Classroom tested exercises conclude every chapter. Some of these extend the theory and others are drawn from practical problems in quantitative finance. Advanced undergraduates and Masters level students in mathematical finance and financial engineering will find this book useful. Steven E. Shreve is Co-Founder of the Carnegie Mellon MS Program in Computational Finance and winner of the Carnegie Mellon Doherty Prize for sustained contributions to education.

Shreve's book is an excellent introduction to basic options pricing. He not only deals with plain vanilla options, but also shows how the binomial model can be used to value exotic options. Each chapter has exercises which not only apply what is taught but force you to think and ensure that you really understand it. Little more than basic algebra is required to understand the text, making it very accessible. His expositions of topics such as martingales, markov processes, etc. are very good. The text can be dense, though--there's a great deal of information. In short, if you want an introduction of how options can be priced without the partial differential equations in the Black-Scholes model, this is an excellent choice.

Constantly rereading to gain understanding of the book's explanation of simple concepts.

Despite, I like it

I have the 1st version (pdf), so I hesitated before I make the purchase. Now it turns out that the book is worthy every buck.1. Use coin tossing space consistently as working sample. Very intuitive, never get the idea lost in abstract concepts.2. Detailed workout of examples. Very good for self study.3. Plenty of hands-on homeworks. Not necessarily very challenging. But provide good amount of extra examples. If anything the book can add, I hope it can supply implementations, in Matlab or C++. Well, it may be far stretching for a math book.

The second part has much more to tell. and although based on the first part, could be studied separately. The first part is still a decent foundation for interested readers.

This is one of the most refined books I have seen. I had its previous edition and there is constant improvement, just thinking if there can be more end to end examples

Light-weight useful classic textbook.

It's great book.

serves a very good starting point for someone with a little background in probability theory, stochastic processes. Highly recommended for starters

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