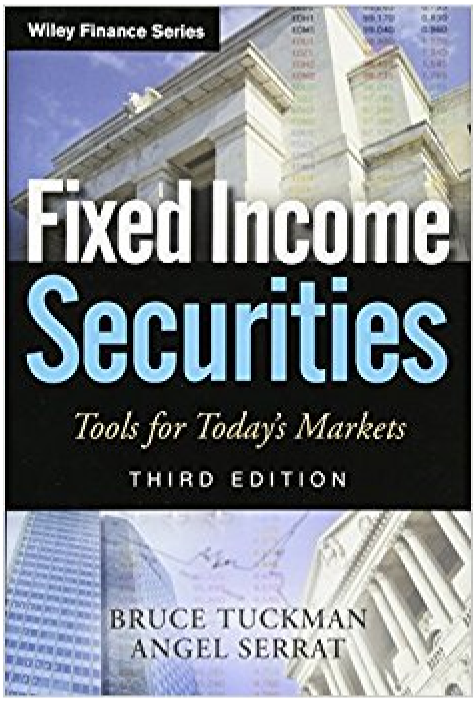
Fixed Income Securities: Tools For Today's Markets



Synopsis

Fixed income practitioners need to understand the conceptual frameworks of their field; to master its quantitative tool-kit; and to be well-versed in its cash-flow and pricing conventions. Fixed Income Securities, Third Edition by Bruce Tuckman and Angel Serrat is designed to balance these three objectives. The book presents theory without unnecessary abstraction; quantitative techniques with a minimum of mathematics; and conventions at a useful level of detail. The book begins with an overview of global fixed income markets and continues with the fundamentals, namely, arbitrage pricing, interest rates, risk metrics, and term structure models to price contingent claims. Subsequent chapters cover individual markets and securities: repo, rate and bond forwards and futures, interest rate and basis swaps, credit markets, fixed income options, and mortgage-backed-securities. Fixed Income Securities, Third Edition is full of examples, applications, and case studies. Practically every quantitative concept is illustrated through real market data. This practice-oriented approach makes the book particularly useful for the working professional. This third edition is a considerable revision and expansion of the second. Most examples have been updated. The chapters on fixed income options and mortgage-backed securities have been considerably expanded to include a broader range of securities and valuation methodologies. Also, three new chapters have been added: the global overview of fixed income markets; a chapter on corporate bonds and credit default swaps; and a chapter on discounting with bases, which is the foundation for the relatively recent practice of discounting swap cash flows with curves based on money market rates. [FOR THE UNIVERSITY EDITION] This university edition includes problems which students can use to test and enhance their understanding of the text.

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Customer Reviews

From the Authors: Five Ways to Deepen Your Knowledge of Fixed Income Markets in the Wake of the Financial Crisis   By Bruce Tuckman and Angel Serrat 1. Get to know the 'big picture' of markets and institutions. When markets are calm, you can get away with focusing on your products, your markets, and your customers or trading partners. During a crisis, however, everyone and everything reacts to the same macro forces. To take one example from the '07-'09 crisis, the deterioration of the housing market put stress on structured mortgage products and on the balance sheets of financial institutions, which, in turn, led to the collapse of a seemingly unrelated market, namely that for municipal auction rate securities. Weakened financial institutions were not in a position to support the auctions, which were failing as investors abandoned nearly all short-term investments in structured products. 2. Understand financing. Financial businesses lose money by bets on some market going bad, but they most often fail because they lose their financing. For example, at the start of the financial crisis, many hedge funds that invested exclusively in mortgage-backed securities on a levered basis were forced to unwind and cease operations. This was in part due to portfolio losses, but mostly due to depletion of capital from having to post more and more collateral in support of their borrowing. An even more important example, of course, was the threat to broker-dealers during the crisis, whose repo and commercial paper funding evaporated. 3. Be aware of money market spreads, basis swaps, and credit risk. Perhaps the single most telling icon of the financial crisis is the graph of the three-month LIBOR-OIS spread. This spread, which can be thought of as the cost of locking up funds for three months relative to borrowing at the overnight fed funds rate, became a key metric of financial stress during the crisis. From 2005 to 2007, the average of the USD and EUR LIBOR-OIS spreads were about eight and six basis points, respectively; at the height of the crisis, these spreads peaked at about 365 and 200 basis points, respectively. Of course, locking in the fed funds rate plus the LIBOR-OIS spread is achieved by borrowing at LIBOR and paying LIBOR vs. OIS in a basis swap. More broadly speaking, this all means that credit risk, even at short maturities and even for historically solid counterparties, can no longer be assumed away. 4. Learn how the practice of discounting has changed. Until relatively recently, the cash flows of swaps were discounted at rates derived from par swap rates. This was never a perfectly sound methodology in theory, but so long as LIBOR was not too different from the cost of funding, the methodology was good enough. During the crisis, however, when LIBOR rose way above the cost of funding, discounting at par swap rates gave significantly misleading results.

As a result, the most sophisticated practitioners completed their conversion to a two-curve pricing methodology, and, in June 2010, LCH Clearnet converted to OIS discounting. 5. Follow regulatory changes to derivatives markets. The Dodd-Frank law and other regulatory initiatives set out to require that certain swaps be cleared and that others be subject to new rules and capital requirements. Despite the significant passage of time, however, many of the details of the new regulatory regime, including the criteria for mandated clearing and the extent of capital requirements for non-cleared swaps, remain in flux. As a result, significant uncertainties exist with respect to the costs of using and of making markets in swaps. Fixed Income Securities: Tools for Today’s Markets, Third Edition, was revised, among other reasons, to discuss these and other issues that have assumed greater importance as a result of the financial crisis.

Both working professionals and newcomers to the broad, complex, and competitive field of fixed income will appreciate the approach of authors Bruce Tuckman and Angel Serrat in this Third Edition, namely: theory and conceptual frameworks presented intuitively and without unnecessary abstraction; quantitative models and techniques developed with a minimum of mathematical complexity; institutional structures and market conventions described at a useful level of detail; and ideas clearly and profusely illustrated with market data, realistic examples, applications, and case studies. Fixed Income Securities, Third Edition begins with an overview of global fixed income markets, focusing on those in the United States, Europe, and Japan. Who borrows and who lends? How big are the various players and markets? How has the 2007–2009 financial crisis manifested itself? With the institutional background set, Part One of the book lays the foundations of fixed income pricing, namely, the arbitrage pricing of securities with fixed cash flows and the various ways to quote interest rates and returns. Part Two then describes interest rate risk and hedging, including: one-factor approaches (DV01, duration, and convexity); multi-factor approaches (key rate ’01s and durations, partial ’01s and PV01, and forward-bucket ’01s); and empirical approaches (regression and principal component analyses). Part Three shows how to price interest rate derivatives. It starts with the fundamentals, the arbitrage pricing of contingent claims and the determination of the shape of the yield curve, and then continues on to one-factor short-rate models. Finally, the last chapter of this part presents the Gauss+ model, a three-factor model popular with relative value traders, and—in a presentation unique for its mathematical simplicity—introduces the LMM model, an approach popular with exotic derivatives traders. Part Four builds on the earlier parts of the book to present and analyze many other markets and securities, including repo, interest rate futures and derivatives, note and bond futures, interest rate and basis swaps, fixed income options, corporate bonds, credit default swaps, mortgages, and mortgage-backed securities. This part also contains a chapter explaining the industry’s relatively recent shift from LIBOR to OIS discounting and another chapter on the practicalities of curve construction. Fixed Income Securities, Third Edition has been written in such a way as to bring a necessarily complex subject matter—developed over years by leading academics and practitioners—to a broad audience of investors, traders, and other working finance professionals. This audience will indeed find this book an invaluable collection of tools for today’s markets.

I got this book for my finance class. Material is good but I guess the author did not explain thing well enough. I had to watch YouTube video to understand material.

Includes relevant topics for practitioners. It is comprehensive enough, with useful tools and avoiding extensive matemathical developments. Fair price vrs similar books. Recommended.

Tuckman and Serrat are extremely intelligent and have written a great book here. I have not gotten through all of it but this book explains the securities and markets throughout the world well.

The 3rd Edition of Bruce Tuckman’s "Fixed Income Securities" is outstanding. The Introduction gives the best overview of today’s fixed income market I have ever read. Part 1 to Part 3 is classic with updated examples. These three parts have educated a whole generation of MBAs and "quants." The new chapters in Part 4, on CDS and mortgage-backed securities, are extremely relevant.The authors successfully bridge theory and practice. If you want to have just one book on Fixed Income, this is the one.

Very good read, exactly what I was looking for. Focus on non-math concepts (but equally, if not more, important).

Great content but the Kindle edition is poorly done due to misaligned and improperly sized block equations and numbering, inline equations sticking out, punctuation surrounding equations occasionally overflowing to a separate line etc - definitely not an eye candy. Appears same in cloud reader and on the iPad. I wonder why couldn’t they just make a PDF from the source TeX file of the book.

Unnecessarily complex. Very hard to understand so did not help for my studies at all.

I have used Tuckman’s book for teaching for 5 years now. I thought 2nd edition was great, but the updated 3rd edition is even better. The authors managed to give a balanced intro into FI markets, very suitable for anyone who is just being introduced to these markets as a student or as a junior professional. At the same time, the book goes in depth discussing some very interesting cases and shows practical applicaitons. I am in general not a fan of Fabozzi’s handbooks because they are too simplistic and superficial. This book dives into deeper discussions but still offers a transaction-oriented view - which is what I believe is most valuable for those learning FI. This is a MUST read

Fixed Income Securities: Tools for Today’s Markets PASSIVE INCOME: TOP 7 WAYS to MAKE $500-$10K a MONTH in 70 DAYS (top passive income ideas, best passive income streams explained, smart income online, proven ways to earn extra income) Passive Income Online: 5 Highly Profitable Ways To Make Money Online (Passive Income, Automatic Income, Network Marketing, Financial Freedom, Passive Income Online, Start Ups, Retire, Wealth, Rich) Passive Income Millionaire: Passive Income Streams Online To Make $200-10,000 A Month In 90 Days And Work From Home (Passive Income, Online Business, Passive Income Streams) Understanding Bond Markets: Guide to the innerworkings of today’s Debt Securities Markets Fixed Income Securities: Valuation, Risk, and Risk Management The Handbook of Fixed Income Securities, Eighth Edition Risk Management: Approaches for Fixed Income Markets PASSIVE INCOME:14 Ways to Make $5,000 a Month in Passive Income - Online Business Ideas, Home-Based Business Ideas, Passive Income Streams, and More! Passive Income: 5 Ways to Make Passive Income While You Sleep: Take a Step Closer to Financial Freedom (Financial freedom, Internet marketing, Business online, Passive income Book 1) Passive Income Strategies: Practical Ways to Make Passive Income Even With a Full-Time Job: Lifestyle changes that bring in passive income Passive Income: The Ultimate Guide to Financial Freedom: (Multiple Passive Income Streams, Quit Your Job, Passive Income Ideas, Make Money Online, Financial Freedom) Passive Income: Four Beginner Business Models to Start Creating Passive Income Online (Passive Income Streams, Online Startup, Make Money Online, Financial Freedom Book 1) PASSIVE INCOME :MUTUAL FUND (Book #3): Make Your Money Work for you by Mutual Fund (passive income in 90 days,passive income top 7 ways to make $500-$10k a month in 70 days) (MONEY IS POWER) The

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