

Useful Books to Read

We are often asked what preparatory reading might be useful. While we emphasise that preparatory reading is not necessary, for any student whose qualifications we accept for entry to the course, it may naturally be of some benefit. We suggest that you might like to dip into the following:

- If your undergraduate degree had nothing about finance or financial markets, look at Hull (2003). This is one of the best introductions to the derivatives markets around, widely used in business schools and very accessible.
Boyle and Boyle (2001) also gives a good introduction to the derivative markets and their impact on financial markets.
- If your undergraduate probability is a little rusty, Grimmett & Stirzaker (1982) will help.
- Baxter & Rennie (1996) is a very popular introduction to the modern mathematics of finance (the real core of this degree). It skips over the formal mathematics (see the next two books if you wish to look at that) and gets right to the heart of the subject.
- For an introduction to the more abstract formulation of probability that is the foundation of modern mathematical finance, look at Williams (1991). It is not aimed at financial applications, and is a little “theorem-proof” in style, but it is very clear.
- Øksendal (1998) is a very much more advanced look at stochastic differential equations (SDEs) upon which the Black-Scholes model of option pricing is based. Make sure you get the 5th edition; previous editions did not have the chapter on financial mathematics.
- Knowledge of macroeconomics helps to understand the underlying determinants of variables like inflation, interest rates and exchange rates. To find out how economists theorise about them it would be useful to read relevant sections of any intermediate-level textbook on the subject, such as those by Mankiw, Dornbusch et al, or Blanchard, in any recent edition.

BAXTER, M. & RENNIE, A. (1996). *Financial Calculus*. CUP.

BLANCHARD, O. *Macroeconomics*. Prentice Hall.

BOYLE, P., AND BOYLE, F. (2001). *Derivatives: The Tools that Changed Finance*. Risk Books.

DORNBUSCH, R., FISCHER, S. AND STARTZ, R. *Macroeconomics*. McGraw-Hill.

- GRIMMETT, G.R. & STIRZAKER, D.R. (1982). *Probability and Random Processes*. Oxford University Press. (or any later edition)
- HULL, J.C. (2003). *Options, Futures and Other Derivatives (5th Edition)*. Prentice-Hall. (or any later edition)
- MANKIW, N. G. *Macroeconomics*. Worth.
- ØKSENDAL, B. (1998). *Stochastic Differential Equations (5th Edition)*. Springer-Verlag. (or any later edition)
- WILLIAMS, D. (1991). *Probability with Martingales*. CUP.