

Exchange Rates and International Financial Economics: History, Theories, and Practices

J. Kallianiotis

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before purchasing it in order to gage whether or not it would be worth my time, and all praised Exchange Rates and International Financial Economics: History, Theories, and Practices:

1 of 1 people found the following review helpful. A Must Have Text For MBA Student, Global Businessperson Or FX Trader...By Robert ColomboI recently had the pleasure of digesting the material contained within the covers of this re-

markable book and I easily give it high marks all around on bringing clarity to a complex subject that is generally misunderstood and receives less curriculum exposure than it deserves. As an experienced FX Trader, designer of algorithmic trading platforms and Industry Professor of Engineering and Economics, I can say with authority that this text can serve a wonderful dual purpose as: (1) a great foundation for a senior level or early graduate level course on the logical and mathematical workings of the Foreign Exchange market; and (2) as a necessary read by and subsequent desk reference for, every currency analyst or trader on Wall Street and off Wall Street in the back offices of every global corporation subject to FX exposure. Professor Kallianiotis is both passionate and brilliant on the subject matter and brings to light key technical points in each of the sections of the manuscript and while doing so, he continues to regularly reinforce the inter-relationships and dependencies amongst them: In the Section on The Foreign Exchange Market, a good cross-section of FX market anatomy and market participant profiles is presented with clear summaries of common trade "mechanics" including a brief presentation on rate arbitrage and triangular arbitrage which are illustrated well with simple to digest numerical examples. In the Section on The Foreign Exchange Rate Determination, all the usual contributors are discussed including trade flow, payment balancing and asset-based models including the "human factor" of holding currency as an asset class. The political, policy, psychological and other myriad factors are discussed to ensure that the reader understands that rate determination is an extremely dynamic process that at times can be dominated by news. In the Section on Exchange Rate Forecasting, he clarifies without confusion the systems concept of equilibration in the absence of stationarity and the important aspects of equilibrium error processes. In this treatment, he presents well the seemingly counter-intuitive material that is critical to understanding multidimensional market dynamics where stationary models are often built from combinations of non-stationary time-series variables. In the Section on Currency Derivatives, he covers in depth the crucial aspects of the subject including forwards, futures, swaps and option contracts from both a hedging and speculative perspective. Care is also given to a treatment by example of binary options and synthetics like strangles and straddles. A personal and appropriate under-current is also present in the material concerning the risks associated with derivative trading. In the Section on Exchange Rate Risk, a solid review of transaction, operating and balance sheet translation risks that face the global marketplace is presented. In addition to presenting approaches to measuring the risk to be mitigated, a review of risk mitigation by operational improvement, receivable/payables hedging and credit swaps are all demonstrated. Although a point is made about hedging commodity price fluctuation versus transportation risk (e.g., moving commodities by ship) it could be expanded as it represents a heavy exposure in industry specific circles requiring oil, gases and earth metals. The text is a valuable contribution to the existing body of knowledge because it not only provides some of the underlying history of the market as a general perspective for the reader, but discusses important contemporary topics and their not so obvious inter-relationships, in sufficient detail as to make more insightful FX analysis and trade craft possible after one reading. In terms of improving the next book release, I can see the addition of better color graphics and more model visualizations, an analysis of social sentiment data and its impact on transient price dynamics, an expanded treatment of price action spectral behavior using wavelets, a discussion of modeling emerging "digital currencies" like Bitcoin and perhaps the inclusion of a companion CD-ROM (or website) with useful book takeaways for practicing professionals. Robert S. Colombo, CEOTEKNOWSIS, Inc. rsc@teknowsisinc.com

The recent financial crisis has troubled the US, Europe, and beyond, and is indicative of the integrated world in which we live. Today, transactions take place with the use of foreign currencies, and their values affect the nations' economies and their citizens' welfare. Exchange Rates and International Financial Economics provides readers with the historic, theoretical, and practical knowledge of these relative prices among currencies. While much of the previous work on the topic has been simply descriptive or theoretical, Kallianiotis gives a unique and intimate understanding of international exchange rates and their place in an increasingly globalized world.

"Currency movement can make or break a corporation in today's global business environment. As such, this book serves as a useful tool for students, scholars and professionals in search of a practical understanding of the forces behind international exchange rate movements. Thank you, Dr. Kallianiotis, for sharing your insight and wisdom - a great contribution to the field of international finance." - Cathyann D. Tully, Associate Professor of Finance, Wagner College, USA
About the Author
Ioannis N. Kallianiotis is a professor Finance at the Arthur J. Kania School of Management at the University of Scranton.