FUNDAMENTALS OF FINANCIAL INSTRUMENTS

An Introduction to Stocks, Bonds, Foreign Exchange, and Derivatives

SUNIL PARAMESWARAN
Fundamentals of Financial Instruments
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Sunil Parameswaran

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Preface

This book grew out of the lecture notes I used for corporate training programs in India and abroad. The feedback from participants has been invaluable in polishing and refining the exposition. The eventual flow and clarity that I believe I have been able to achieve is in no small measure due to the critical and incisive inputs of my students as well as professional acquaintances.

There is typically no course exclusively on financial instruments in most MBA curricula. Consequently, this topic invariably gets combined with material on financial institutions as a part of a course on financial markets. I believe, however, that there is a strong case for offering a comprehensive course on financial instruments for second-year MBA students. But care should be taken to ensure that material that is covered in traditional courses such as financial derivatives and fixed income securities is not repeated any more than is necessary. Many students who take such a course may not be majoring in finance and consequently may not take specialized courses such as derivatives. For them, therefore, the specter of substantial overlap is less of an issue. Even for students of finance, despite the inevitable repetition of facets of topics such as bonds, futures, and options, a course on instruments is a comprehensive and integrated offering that will serve them in good stead in the future.

The course starts from first principles and builds in intensity. Exposure to one or more courses on financial management will certainly be useful for the reader as he or she navigates through the material. Although the book is a stand-alone treatise on the subject, readers may like to augment it with standard texts on issues in finance such as security analysis, bond markets, futures and options, and international finance.

The issues covered in this book are universal and of relevance for students of finance as well as market professionals irrespective of where they may happen to be located. However, most of the illustrations and examples pertain to markets in the developed world, particularly the United States, and the products that trade in them. Consequently, the book should have appeal for readers in all parts of the world.