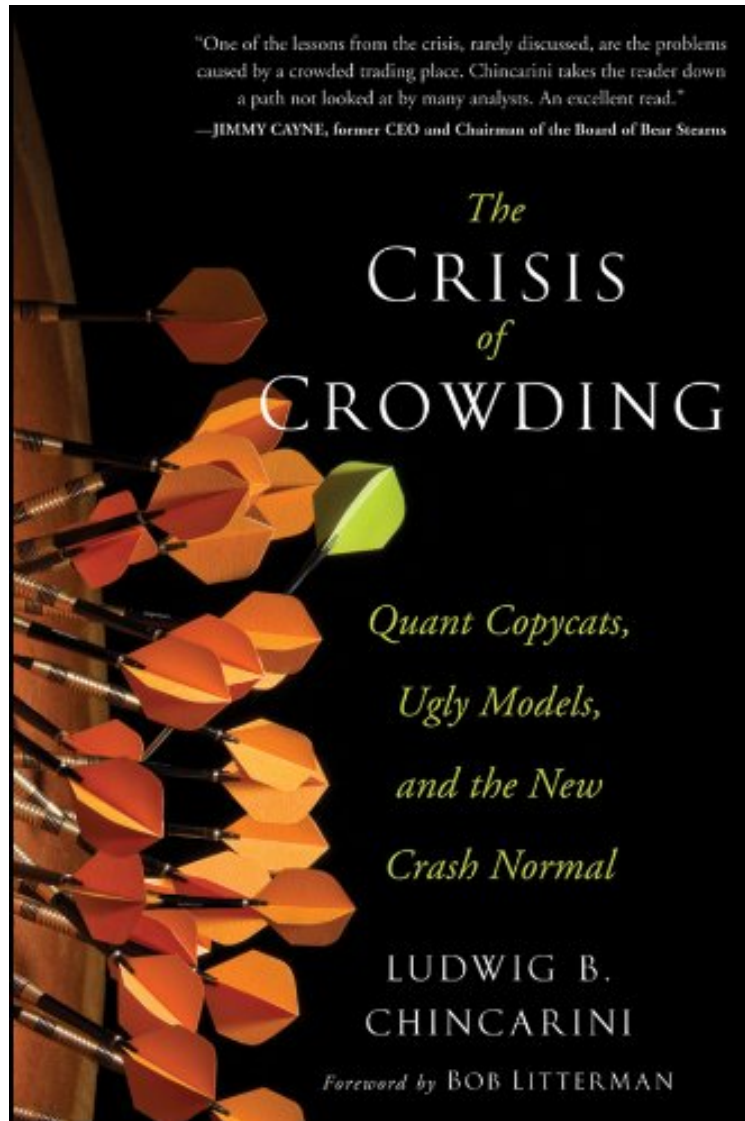


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The Crisis of Crowding: Quant Copycats, Ugly Models, and the New Crash Normal (Bloomberg)

Ludwig B. Chincarini

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crisis .what the true reason behind the crisis, I was not disappointed--stories in this book were excellently presented. Written in clear, precise prose (no theory obfuscation) and then illustrated with rigorous formulas and copious examples. I found this book make the complicated theory to a very simple way to understand. i really enjoy the time i spend on this book,The book is well organized; individual chapters can be read on a stand alone basis or a group of chapters taken together for a more comprehensive view. It's a volume that's exceptionally well suited for individuals with a solid grasp of fundamental analysis and a strong command of basic financial theories.highly recommend this book.for financial student who also want to investigate in this area, there is another book related to this possibly also useful for you."Quantitative Equity Portfolio Management: An Active Approach to Portfolio Construction and Management (McGraw-Hill Library of Investment and Finance)"0 of 0 people found the following review helpful. ... illustrates clearly the the crisis of crowding while explaining useful financial concepts which are closely related to the toBy CustomerThis book illustrates clearly the the crisis of crowding while explaining useful financial concepts which are closely related to the topic. The authors managed to describe most key factors without using complicated mathematical models. There are also many practical examples and analysis which help readers apply the theoretical knowledge into real-world scenarios. Complicated ideas are explained thoroughly by well-managed tables or charts and the text itself is totally readable and easy to follow. As a reader who has a finance background, this book helped me learn lots of stuff from many stories and examples, and helped me learn critical concepts and strategies. This is a fantastic book for those who are interested in the crisis of crowding want to broaden their financial knowledge. And I also read the other book write by this author: Quantitative Equity Portfolio Management. It is also very helpful.2 of 2 people found the following review helpful. A great insightful book about financial marketBy James K.The author tells an excellent story about financial crisis from its background to its aftermath while educating readers about important knowledges of finance. Many details are covered, yet the concepts are straight forward. The book is nice for people who know some finance to have a good time walking through what was going on during 2008 financial crisis, and it is excellent for those who have moderate financial background to learn, improve and be surprised by how the market reacts with the crowd.The book does not simply show readers facts of the crisis or provide shallow opinions, however, it analyzes the reasons behind incidents and makes you think deeply about the market.Human behaviors are hard to predict and the crisis of crowds has not been eliminated. However, we will definitely know much more about it after reading this book and hopefully we can avoid most of the losses if similar situation happens again.I'm happy that I bought the book.

A rare analytical look at the financial crisis using simple analysis The economic crisis that began in 2008 revealed the numerous problems in our financial system, from the way mortgage loans were produced to the way Wall Street banks leveraged themselves. Curiously enough, however, most of the reasons for the banking collapse are very similar to the reasons that Long-Term Capital Management (LTCM), the largest hedge fund to date, collapsed in 1998. The Crisis of Crowding looks at LTCM in greater detail, with new information, for a more accurate perspective, examining how the subsequent hedge funds started by Meriwether and former partners were destroyed again by the lapse of judgement in allowing Lehman Brothers to fail. Covering the lessons that were ignored during LTCM's collapse but eventually connected to the financial crisis of 2008, the book presents a series of lessons for hedge funds and financial markets, including touching upon the circle of greed from homeowners to real estate agents to politicians to Wall Street. Guides the reader through the real story of Long-Term Capital Management with accurate descriptions, previously unpublished data, and interviews Describes the lessons that hedge funds, as well as the market, should have learned from LTCM's collapse Explores how the financial crisis and LTCM are a global phenomena rooted in failures to account for risk in crowded spaces with leverage Explains why quantitative finance is essential for every financial institution from risk management to valuation modeling to algorithmic trading Is filled with simple quantitative analysis about the financial crisis, from the Quant Crisis of 2007 to the failure of Lehman Brothers to the Flash Crash of 2010 A unique blend of storytelling and sound quantitative analysis, The Crisis of Crowding is one of the first books to offer an analytical look at the financial crisis rather than just an account of what happened. Also included are a layman's guide to the Dodd-Frank rules and what it means for the future, as well as an evaluation of the Fed's reaction to the crisis, QE1, QE2, and QE3.

From the Inside FlapThe financial markets are dangerously over-crowded. Investors follow popular trends or latch onto profitable new strategies with herd-like single-mindedness, and an increasingly globalized and interconnected world has only exacerbated the problem. The Crisis of Crowding: Quant Copycats, Ugly Models, and the New Crash Normal explores how the dramatic overcrowding we've seen over the last quarter century has yielded terrifying results, including the 2008 financial crisis that continues to reverberate around the globe. The story of overcrowding as we know it now began in 1998, with the failure of the profoundly successful Long-Term Capital Management (LTCM) hedge fund. Exploring how this seemingly isolated event signaled a much larger problem within the financial industry, The Crisis of Crowding traces the story of LTCM and the subsequent hedge funds started by its founder, John Meriwether and his former partners, through the events of 2008, and up to the ongoing European debt crisis. Part

narrative, part quantitative analysis, the book is filled with firsthand recollections from those on the front lines of the crowding crisis, including several LTCM partners. Featuring insights from key banking and hedge fund authorities, it brings the events that led to the current crisis vividly to life, showing how and why the market has evolved in new and dangerous ways, and what can be done about it. Much that should have been obvious after the fall of LTCM could have prevented the crises that followed. Instead, the problems of overcrowding went unchecked so that when the next economic disaster hit, increased leverage, policy mishaps, and an even more crowded trading space resulted in a far bigger collapse. We failed to learn our lesson the first time around, but that doesn't mean it's too late. Future economic crises are all but guaranteed, and *The Crisis of Crowding* reveals exactly what we need to know so we're prepared for next time.

From the Back Cover "One of the lessons from the crisis, rarely discussed, are the problems caused by a crowded trading place. Chincarini takes the reader down a path not looked at by many analysts. An excellent read." —JIMMY CAYNE, former CEO and Chairman of the Board of Bear Stearns "The Crisis of Crowding is an excellent account of the financial crisis of 2008. This book has everything: an analysis of the trades, interviews with key players, and, most importantly, a simple, entertaining explanation of how we got into this mess. It stretches from the LTCM crisis in 1998 to the Greek crisis of 2012. Anyone who wants to know how our financial system works and how we can improve it should read this book." —FRANK FABOZZI, Professor at EDHEC Business School and former Professor at the Yale School of Management "Dr. Chincarini gives an engaging description of the various crises over the last decade and how they are connected. It's as if Chincarini were in the trading room taking notes as the crisis unfolded." —KEN KRONER, Chief Investment Officer and head of the firm's scientific active equity business, BlackRock "Do we need yet another book on the financial crisis? Yes, we do. Some books are fun to read, but leave you confused about what the actors actually did. Others give you a great deal of technical information, but can be a hard slog. This book by Ludwig Chincarini fills the middle. It is fun to read, and it tells you exactly who did what and how. Read, enjoy, and learn." —OLIVIER BLANCHARD, Chief Economist at the IMF "Chincarini's book, which combines a narrative style with an overview of economic fundamentals, should be on the reading list of anyone interested in the roots of our financial meltdown." —AUSTAN GOOLSBEE, former Chairman of the Council of Economic Advisors to the President, Professor of Economics, University of Chicago "Chincarini looks at the financial crises of the last fifteen years—starting with a comprehensive analysis of the LTCM crisis in 1998 and ending with the Euro-debt crisis of 2012—and argues convincingly that the central risk in these crises was accentuated from within the financial system rather than from external economic forces (it includes the best analysis I have read on the LTCM crisis). This bold new theory has important implications for both industry practices as well as for new regulations. This book should be required reading for anyone who wants to understand and help prevent future financial crises." —ERIC ROSENFELD, cofounder of Long-Term Capital Management and JWM

About the Author Ludwig B. Chincarini, CFA, PhD, is a Professor of Finance in the School of Management at the University of San Francisco and Director of Quantitative Strategies at United States Commodity Funds. He was previously on the academic board of IndexIQ, with over fifteen years of experience in the financial industry specializing in portfolio management, quantitative equity management, and derivatives. He was Director of Research at Rydex Global Advisors, where he co-developed the SP 500 equal-weight index and helped launch the Rydex ETF program. He helped build an internet brokerage firm, FOLIO, designing its innovative basket trading and portfolio management platform. He also worked at the Bank for International Settlements (BIS) and Schroders. He is the coauthor of *Quantitative Equity Portfolio Management*. He received a PhD from the Massachusetts Institute of Technology and a BA from the University of California at Berkeley. ludwigbc.com