

Popular Finance Books

Burton G. Malkiel (2019). *A Random Walk Down Wall Street*. 12th edition. W. W. Norton & Company. 480 pages, 13\$.

If you read only one book on financial markets and personal investments, choose this one. This classic text starts with the review of financial bubbles and manias, including the dotcom and housing bubbles of the 2000s. The author discusses quantitative finance theories of balancing risk and return, stock valuation, and modern investment strategies. A separate chapter is devoted to behavioral finance and common investing mistakes. The overall thesis is directed against frequent trading, stock-picking, and market timing. The book concludes with detailed investment advice for individuals.

Jeremy J. Siegel (2014). *Stocks for the Long Run*. 5th edition. McGraw-Hill. 448 pages, 25\$.

A great complement or substitute for the first book. However, this text contains some other topics: Dependence of the stock market on the Fed policy, business cycle, and politics; short-term fluctuations and volatility; options and futures. Valuation measures and beating the market are discussed in more detail. There is a discussion of behavioral finance in the form of Q&A.

Annette Thau (2010). *The Bond Book*. 3rd edition. McGraw-Hill. 448 pages. 24\$.

A comprehensive guide to the USA bond markets: Treasury, agency, corporate, and municipal bonds. This text will teach you bond language: yield to maturity, ratings, coupons, spreads. It contains useful references to online bond exchanges and databases. Particular attention is given to tax treatment of bonds, to bond mutual funds and ETFs, and to bond derivatives.

Robert J. Shiller (2016). *Irrational Exuberance*. 3rd edition. Princeton University Press. 392 pages. 13\$.

The author, a Nobel Prize-winning economist used this famous Greenspan's phrase for his book's title. He studies human emotions leading to the dotcom and housing bubbles and crashes. The author develops innovative valuation measures for the stock and housing markets.

Taylor Larimore, Mel Lindauer, Michael LeBoeuf (2014). *The Bogleheads' Guide to Investing*. 2nd edition.
Wiley. 336 pages. 17\$.

In 1976, Jack Bogle, then head of Vanguard, created the world's first index fund, tracking the Standard & Poor 500 index. The community of Bogle's followers call themselves *Bogleheads*. In this book, three members of this group give detailed advice on personal finance: disciplined and regular savings, expense ratios and other fund costs, indexing, diversifying, tax issues. Jack Bogle wrote the foreword.

Ralph L. Block (2011). *Investing in REITs*. 3rd edition.
Bloomberg Press. 448 pages. 31\$.

A real estate investment trust (REIT) is a publicly traded company which invests in real estate. Although part of a stock market, REITs are sometimes considered a separate asset class (along with stocks, bonds, and cash equivalents). REITs must pay most of their earnings in dividends, and are weakly correlated with the overall stock market, which is good for diversification. The book covers terminology and valuation methods for real estate, and differences from other sectors of the stock market.

Michael Durbin (2010). *All About Derivatives*. 2nd edition.
McGraw-Hill. 288 pages. 16\$.

This is an easy-to-read short guide to options, futures, swaps, and other derivatives. This book describes the main core of ideas behind derivatives pricing and trading. The author discusses briefly the binomial model and the classic Black-Scholes formula. A special chapter addresses the role of derivatives in the 2008 crisis. Somewhat more quantitative than other books.

Roger Gibson (2013). *Asset Allocation*. 5th edition.
McGraw-Hill. 448 pages. 56\$.

Based on historical data from 1926 supplied by Ibbotson, allocation strategies between stocks, bonds, real estate, commodities, and cash are recommended. The author stresses behavioral and psychological aspects: staying the course, rebalancing, resisting emotions (manias or panics). Case studies with real clients are discussed.

Charles Geisst (2018). *Wall Street: A History*. 4th edition. Oxford University Press. 584 pages. 18\$.

A comprehensive history of Wall Street and American economy from the late 18th century to the Great Recession and its aftermath. Covers relationship between Wall Street and Washington.

William J. Bernstein (2010). *The Four Pillars of Investing*. 2nd edition. Mc-Graw Hill. 352 pages. 20\$.

Written by a medical doctor-turned-financial analyst, this book discusses common pitfalls for the unsophisticated investor. Particular attention is paid to brokerage and mutual fund industries, as well as to financial news: The author shows that they do not serve their clients well. Lessons from financial history provide lessons for future investments. The author builds custom portfolios for investors of various sophistication and risk tolerance.

John C. Bogle (2017). *The Little Book of Common-Sense Investing*. 2nd edition. Bloomberg Press. 304 pages. 16\$.

The creator of index funds convincingly demonstrates indexing superiority over the active management and buy-and-hold superiority over frequent trading. Long-term analysis of the stock and bond markets provides approximate expected returns. The author argues against international investing, and against use of exchange-traded funds for market timing and speculation. The book contains quotes from various financial experts supporting the author's point of view.

Richard A. Ferri (2009). *The ETF Book*. 2nd edition. Wiley. 400 pages. 33\$.

An exchange-traded fund (ETF) is a form of equity traded on a stock exchange in real time but containing underlying assets (stocks or bonds). Recently, an explosion of ETFs made much easier for common people to participate in financial markets. In this book, the author provides a comprehensive overview of various classes of ETFs.

These books are: Published in a 2nd or later edition; Published recently, in 2009 or later; Reasonably short; Rigorous and scientifically sound; No ads, false claims, and propaganda; Popular and engaging, easy to read; No advanced mathematics required; Written by a university professor, or for an academic publisher.