

Business Finance II – 515 - Summer 2016
Book Review Template

Participants' Names & ERP:
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Book Title	<i>Movie " The Big Short"</i>
Author(s)	<i>Michael Lewis & Adam McKay</i>
Publisher	<i>Film in 2015</i>
&Publishing Year	<i>Book published in 2010</i>

Author (s):

Former Wall Street trader Michael Lewis has made a mint out of writing books about the dark art of investment banking. He took the market by storm with Liar's Poker, which chronicled the testosterone-fuelled world of Salomon brothers in the mid 1980s.

His latest offering, The Big Short: Inside the Doomsday Machine, is about a handful of renegade and largely eccentric investors who bet against the financial system by shorting the sub-prime mortgage market, and made a killing along the way.

Synopsis of the book:

It is based on the non-fiction 2010 book of the same name by Michael Lewis about the financial crisis of 2007–2008, which was triggered by the United States housing bubble.

Before Crisis, short-term interest rates became lower after bursting of tech bubble & early 2000 recession, global savings glut - developing countries accumulated large financial reserves as these excess savings were invested, global interest rates declined to record low levels, investors began to assume more risk by seeking higher returns, financial markets entered in "Great Moderation" due to the above-average returns and below-average volatility.

The housing bubble was created by the layers of Credit default swap over collateralized debt obligations over Mortgage backed security over mortgage over housing. When mortgage buyer defaults, the whole bubble burst.

After crisis, USD 5 Trillion from Pension money, real estate value, savings & bonds has disappeared. 8 million people lost their jobs. 6 million lost their homes. The S&P 500 declined 57% from its high in October 2007 of 1576 to its low in March 2009 of 676.

Key Learning:

- *If it sounds too good to be true it probably is*
- *Do your research before you invest*
- *Don't invest in anything you don't understand*
- *Losing money on paper isn't the same as losing money*
- *Bankers see what they're paid to see*

Application:

The applications in Pakistan's financial landscape are:

- *Personal investments analysis in common stocks of listed companies in Pakistan Stock Exchange.*
- *Insurance of every doubtful investments and assets of personal and business.*
- *Before investing money in any sector which is in boom like in Pakistan currently it is property, you have to think and work out of the dark side as well*

Grading Plan:

Areas	Marks
Author	1
Synopsis	2
Key learning	5
Application	2