

Book review: How the Global Financial Markets Really Work

Dec 10 2009 [Mark Martin](#)

Having read numerous books on how the financial markets work, I was not initially very enthusiastic about reviewing this book. Even a promise that the book includes a "full assessment of 2009's financial crisis" did not fill me with enthusiasm. On a dark, rainy evening, however, I opened the book and started to read. I was very soon pleasantly surprised and by the end of the first two chapters, I was really starting to enjoy myself. What the author does is to bring a new perspective to this topic. How does he manage this? Well, quite simply he brings everything into context with what is happening today, giving the content a fresh feel. So, for example, he does not just explain about credit derivatives and asset-backed securities, he also provides a good understanding of their role in bringing about the credit crisis.

Overview

The book demystifies the City, giving the reader a guided tour through the different sectors of the financial services industry and providing a brief overview of the activities undertaken by commercial, central and investment banks. A chapter is dedicated to explaining how the global insurance industry works. All the main financial instruments and markets are covered and, as you would expect from the author given his background as an editor at compliance specialists *Complinet*, he dedicates three chapters to regulation and compliance, covering the most important regulatory initiatives of the last few years. The chapter on money laundering and fraud makes for a fascinating, if somewhat alarming, read. The penultimate chapter is an interesting perspective on the role of analysts, journalists and PR agencies. The author carefully avoids taking sides when examining the role of the media in the banking crisis. A final chapter on personal finance neatly links the credit crisis and its impact on the wholesale markets to the world of the retail consumer.

Keeping it current

With events changing so rapidly in the financial services world, there is always the danger that books such as this become out of date very quickly. However, the author does an admirable job of making it topical and referring to likely future developments. The author's technique of introducing each topic by providing a potted history of how we got to where we are, before bringing the topic right up to date and detailing future likely developments, is particularly useful. The explanations are clear, accessible and devoid of any jargon. Complex financial instruments are neatly broken down into their component parts and explained in just enough detail to give the "lay reader" a good grounding in how they work and their advantages and disadvantages. The big financial and economic issues are covered in an insightful and informative manner: globalisation, emerging markets, the regulatory response to the credit crisis. The book also celebrates the global success of the City, highlighting London's role as the engine for Europe's financial services industry.

Although this book is aimed primarily at the City novice, there is something for everyone and, even after spending all my working life in the City, I found it a good way of plugging the gaps in my knowledge. Would-be investors will also find useful information on how the markets work and how shares are valued. The book is divided into manageable chunks so does not need to be digested in one whole sitting.

Final thoughts

All in all there is much to like about this book. It contains a wealth of knowledge and provides a fascinating read. A vast amount of research and analysis has clearly gone on behind the scenes to enlighten the reader about complex and technical topics without compromising the quality of the analysis. In a strange way I found the book comforting; after all, if the City can bounce back and emerge stronger and more resilient from such setbacks as Black Monday and Black Wednesday then surely there must be hope that it can survive the current crisis. The book is very likely to achieve its stated aim of "kick-starting an interest in global financial markets" among its readers. For those whose interest is piqued, a list of further reading is provided in the appendix.

Author Biography:

Mark Martin is Director of Regulatory Training at Complinet, responsible for the development and delivery of regulatory and compliance e-learning programmes for over 530 firms globally.