My Life as a Quant
Emanuel Derman (2004)

Why Read It?

- An honest and engaging account of the author's life, career, and experiences as a physicist and in quantitative finance.
- Shows how and why Derman made the transition from academia to Wall Street, and details the differences between the two worlds.
- Analyzes how the quantitative finance industry evolved, and its place in the investment community.

Getting Started

Derman was one of the first physicists to move into finance and use his skills in quantitative modeling and trading during the emergence of financial engineering and exotic derivatives in the 1980s and 1990s. In *My Life as a Quant*, he describes coming to terms with such a complete mindshift, and how he was able to apply his scientific skills to a burgeoning new area of research.

Author

Emanuel Derman is a professor and director of the financial engineering program at Columbia University. He was previously a managing director at Goldman Sachs, and has been named the SunGard/IAFE Financial Engineer of the Year, and appointed to the Risk Hall of Fame.

Context

- Describes Derman's interactions with famous scientists and big players on Wall Street, including Fischer Black, with whom he collaborated on the widely used Black–Derman–Toy model.
- Analyzes the development of quantitative finance as a practical discipline and its place in the hierarchy of finance, where traits like salesmanship, practical trading skills, and internal politicking are more of a dominant culture.
- Explains how the best financial quants combine mathematics, intuition, financial insight, business knowledge, and technology.

Impact

- Follows Derman's transformation from young scientist to Managing Director and head of the renowned quantitative strategies group at Goldman Sachs.
- Analyzes the varying styles and approaches of quants and traders and their incompatibility.
- Provides insights into how investment banks work, and the role that quants play in developing new products and trading strategies.
- Examines the nature of discovery in physics and how this compares with computational and theoretical finance.
- Derman comes across as humble, self-critical, philosophical, and intelligent as he reflects on his life and career; he feels that he wasn't able to be a success in his physics career, and that there was a wide disparity between youthful ideals and mature compromises.

Quotations

“When you do physics you’re playing against God; in finance, you’re playing against God's creatures.”
“Traders and quants are genuinely different species.”
“Personality plays a larger part in economic writing because truth’s part is smaller.”

More Info

Books:


See Also

Finance Library

• *Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets*

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