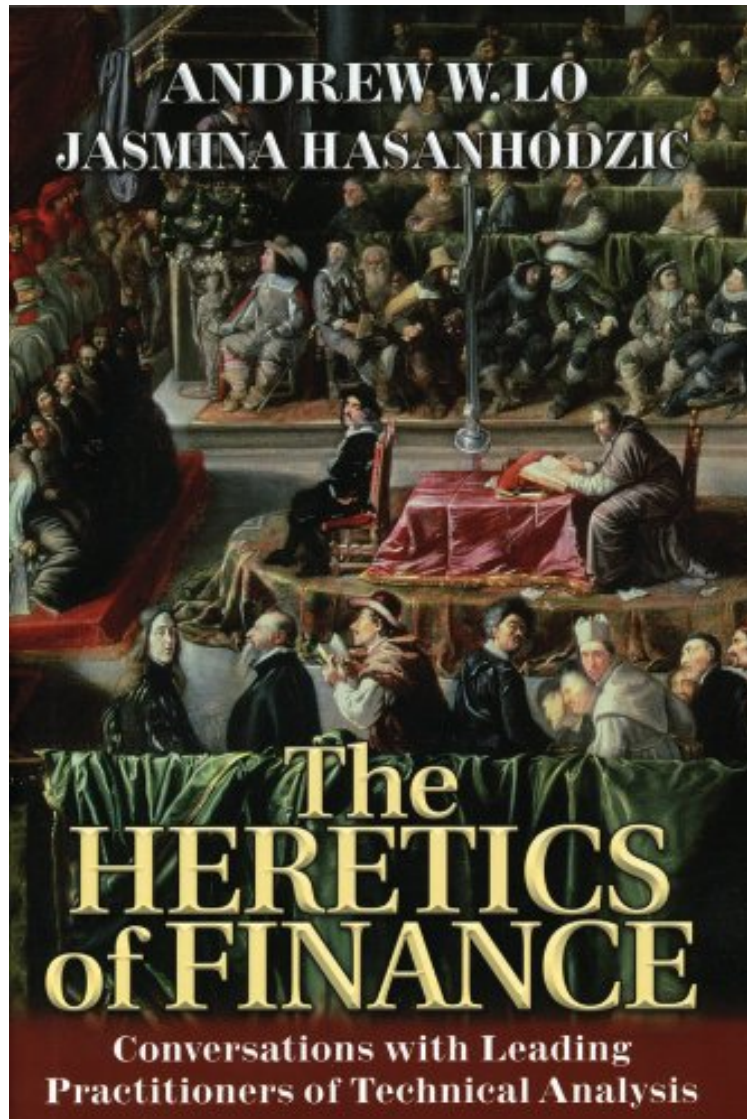


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Andrew W. Lo, Jasmina Hasanhodzic

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Andrew W. Lo, Jasmina Hasanhodzic : The Heretics of Finance: Conversations with Leading Practitioners of Technical Analysis (Bloomberg) before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Heretics of Finance: Conversations with Leading Practitioners of Technical Analysis (Bloomberg):

8 of 9 people found the following review helpful. Jam-packed With Gems of Investing Wisdom By Paige Turner Bloomberg press published a book about technical analysts called "The Heretics of Finance." It is written

conversationally, with interviews with some of the greatest living technicians. Most academics don't believe in technical analysis; most successful managers of real money do. This is one of the best books on stock market investing because it fills a niche that is not often written about. This thin volume is packed with market wisdom. All serious investors or portfolio managers, no matter how seasoned, or how skeptical of technical analysis should read this book. I've listed my favorite gems from the book here:

1. Don't overburden yourself with indicators.
2. Always follow the major trend- if you understand the major trend in the market, then everything will fall into place. In a trending market things are easier. Don't use moving averages in trend less markets, because you'll get whipsawed. If a trend is going up, even on light volume, go with it.
3. We all make mistakes, but we must not compound our mistakes. In technical analysis, you can correct the mistakes quickly, but you have to have the ability to admit a mistake.
4. Always start with the fundamentals; there must be a reason why to own a company.
5. AII Bull/Bear indicator is not consistent - sometimes when everyone is bullish, the market goes up; other times when everyone is bullish, the market goes down. The numbers are pretty random.
6. Technicians go wrong in making dramatic predictions. The best you can do in the market is to give some very strong tendencies and some direction.
7. In the last quartile of the bear market absolutely nothing work. There are just no hiding places.
8. Many asset managers are in the business of just collecting assets; the whole idea of performance and market achievement has gone by the wayside. Today's managers are not as interesting as the managers of 20 years ago; they are not as interested in the market.
9. Adam Smith says that if you're not consumed by this business, then you're not going to be successful, because most of the players are consumed by it. For the real portfolio pros - the business is what they eat, sleep, and breathe. "People like me wouldn't even dream of doing anything else." That's what makes us good at it. It consumes us. We're not satisfied with the mundane.
10. Technical analysis is best done individually, because it is part contrary - you're leaning against the prevailing wind all the time. In coming up with the ideas, you're standing on your own.
11. You need to know yourself, what risk you're willing to take, how quickly you can make decisions, how difficult it is for you to accept making mistakes, how quickly you can change your mind. These things are critically important to being a successful investor. If you don't know yourself, nothing else matters.
12. Unless you are a very short-term trader, you're going to make a lot of mistakes during sideways markets. During a strong uptrend, it's hard to do anything wrong, and during these choppy (sideways) periods, it's hard to do anything right.
13. It's relatively unusual to find real objectivity in the stock market. The stock market seems to attract egos.
14. Mutual funds and hedge funds alternate- one of them are usually controlling the market. Hedge funds tend to "rent" stocks not "invest" in them.
15. "Everything with me was simultaneously accidental and planned." - Bob Farrell.
16. "The best decisions in the stock market or in running money are not committee decisions." -B. Farrell
17. Once you put your money to work, the work is much more emotional. Never take a position on a technical basis, and then when it doesn't work say "Well, this is fundamentally good, so I'll keep it." Integrate the two, but don't use one as an excuse for the other." -B. Farrell
18. "There is always some stress in anything you do well. Its usually self-imposed stress, and that was true with me. I wanted to be right and to do something well." -B. Farrell
19. "The market is right. The market will make me wrong and find out where my pain threshold is. It will find out when I will change my opinion. It takes a number of years to learn to be less stubborn." -Ian McAvity
20. "Mr. Market will make a lot of noise because he does not want it to be easy. But it's impossible to determine what is random or to know precisely what is not random. Fear is a more urgent emotion than greed. Bottoms are very easy. Tops depend on how greedy people get." -Ian McAvity
21. Two big mistakes:
 - a. Seeing something on a chart and not pursuing it because everyone disagreed with it.
 - b. The biggest mistake you can make in the stock market is to get out too soon. "Let your profits run and cut your losses short."
22. Fundamental analysis blended with technical analysis: Price action is a leading indicator of the fundamentals. Some say the technicals may be bad, but the fundamentals are good. I say that can't be. If the technicals are bad, the fundamentals are bad. Two ways to combine the 2 approaches. If you are a fundamental analyst, first form fundamental judgment, then look at the chart - if it's in a downtrend, wait a while. Second way to do it is when you see something happening on the chart, fundamentals may not have changed, but they will in three months.
23. As you get older, more and more of technical analysis is intuitive.
24. Being wrong in forecasting the market does not mean you have "made a mistake." This is a probability business. If your principles are sound, you will be right a certain percentage of the time, which means you are wrong a certain percentage of the time.
25. "The best analyst is one who abdicates nothing. He blames or credits only himself." -R. Prechter, Jr.
26. "There is a big connection between the body and the brain. There is always a percentage of time that the trade does not work out. It's not because I've made a mistake it's because those are the numbers. I know I'm going to lose a certain percentage of the time." - Linda Rashchke
27. "You don't have to be wealthy to be a technician; you need forty cents for the ruler and ten cents for the pencil. You only need fifty cents worth of equipment to make multi-million-dollar decisions." - A. Shaw.
28. "All forms of analysis look at the past to get a feel for the future."
29. "If you follow the market properly, it's a low, evolving process. And life should be the same way; an evolving thing. We need to learn from our mistakes. The market will test every strength and weakness you have. If you're open to learning what your strengths and weaknesses are, you'll grow, and that's what the journey should be about." - Stan Weinstein
30. "Only liars are right 100% of the time. It's very important to learn how to take losses. You can make a lot of money in the stock market by letting your good stocks run, by letting the trend work for you. If you make good money on a winning

stock, and if you take small losses when you lose, it can become a very profitable endeavor. If you have a false breakout, it's very important to get out immediately." - Stan Weinstein³¹. "When I first started, if a position didn't work, I would stay with it longer and wish and hope. I soon learned that it's better to quickly take a loss on a position that isn't working and to stay with the ones that are working." - Stan Weinstein³². "When an awful lot of people are saying, "you're so smart, and we agree," I get nervous. As the consensus grows, I tend to want to go opposite." - McAvity³³. "Don't fight the tape." "Don't be afraid to make mistakes; just don't compound them." - Marty Zweig³⁴. "The market is alive, and all one can do is describe the behavior of the beast. There are no hard and fast rules..." - Prechter³⁵. "If you follow technical analysis in a very disciplined manner, the net effect is that, except for the totally unexpected, it dramatically reduces the chances of your being blindsided and taking a dramatic loss. That's the whole point of technical analysis. The likelihood of an experienced, well-trained, disciplined, objective technical analyst taking a large loss is rather low." - Desmond³⁶. "You'll generally find that corporate earnings are improving all through the bear markets. Using only fundamental analysis, people generally are left to suffer the full ravages of a bear market." - Desmond³⁷. "Sometimes they'll say, 'you were right, but for the wrong reason.' I say to them "but you were wrong for the right reason; I'd rather have it my way." - Murphy³⁸. "My fundamental colleagues analyze the value of a stock, which really depends on the value of a company. The problem is that, as an investor, you're not buying the company; you are buying a little piece of paper that represents part ownership of the company. The value of that little piece of paper goes up and down for all sorts or reasons not all of which have to do with what the company is doing." - Deemer³⁹. "Technical analysis attracts people with a certain mindset; someone who is unconventional, willing to take chances, creative, a bit of a maverick, a little crazy. It attracts a certain type of person, a risk taker." - J. Murphy⁴⁰. "Some people have a knack for technical analysis. The psychological element also has something to do with it- the fact that you have to be unemotional, especially if you're a trader. A technician is usually a contrarian, because the market usually goes against the crowd. You have to be bullish when people are bearish. You have to be very strong-willed to stand up to these people and say, 'precisely because everybody in America says that things look bad, you should be buying stocks.'" - Deemer⁴¹. "You have to be confident in your own analysis, you have to believe in your own work, you have to believe in the model that you're trading. And second, independent thinking. You have to do the research that supports the model you're using. You can't be listening to what the consensus is or what this person says or that person says, or allow doubts in. It also takes a lot of patience." - L. Raschke⁴². "No one assessing or trading markets is unemotional about it. This job is not like building cars. It's like trying to outwit a pack of murderous inmates in an insane asylum. You can't do it calmly because you don't know what they're capable of, and they don't have to use reason." - R. Prechter⁴³. "I've learned that you're better off not making decisions during the trading day. That may sound crazy, but it's true. We determine before the market opens what we want to do that day." - Murphy⁴⁴. "The more I listened to what people were saying, the more I asked myself, how does he know? So I would ask them, and the response would be 'everyone knows that.' So I would research these things and I would find out that no one really knew." - Birinyi⁴⁵. "The key to success is to love what you do." - Prechter⁴⁶. "The key to success is ultimately to do 100 percent of your own work and rely on yourself and not look at other people's work. Of course, learn from other people's ideas and their ways of looking at things, but a technician has to be self-reliant." - L. Raschke^{0 of 0} people found the following review helpful. Read this book By Ronnie Adkins If you're a trader, or an investor, you really should read this book. I was so glad I did. What a group of talent collected for one book. I do think the interviews could've been done a little better, but perhaps the interviewers would need to be traders to ask more of the questions I would've like asked. None the less, I'm giving it 5 stars because of the people interviewed. I learned some history, had a lot of great thought provoking ideas that I'll explore and also got a few new books to read from it. I'm so glad I bought this book. 0 of 0 people found the following review helpful. WHEAT AMONG THE CHAFF! By JAMES JOSEPH GREAT INSIGHTS AMONG THE MANY COMMENTS. THESE REPRESENTED TERRIFIC INTERVIEWS!

The Heretics of Finance provides extraordinary insight into both the art of technical analysis and the character of the successful trader. Distinguished MIT professor Andrew W. Lo and researcher Jasmina Hasahodzic interviewed thirteen highly successful, award-winning market professionals who credit their substantial achievements to technical analysis. The result is the story of technical analysis in the words of the people who know it best; the lively and candid interviews with these gurus of technical analysis. The first half of the book focuses on the technicians' careers: How and why they learned technical analysis What market conditions increase their chances of making mistakes What their average workday is like To what extent trading controls their lives Whether they work on their own or with a team How their style of technical analysis is unique The second half concentrates on technical analysis and addresses questions such as these: Did the lack of validation by academics ever cause you to doubt technical analysis? Can technical analysis be applied to other disciplines? How do you prove the validity of the method? How has computer software influenced the craft? What is the role of luck in technical analysis? Are there laws that underlie market action? What traits characterize a highly successful trader? How do you test patterns before you start using them with real money? Interviewees include: Ralph J. Acampora, Laszlo Birinyi, Walter Deemer, Paul Desmond,

Gail Dudack, Robert J. Farrell, Ian McAvity, John Murphy, Robert Prechter, Linda Raschke, Alan R. Shaw, Anthony Tabell, Stan Weinstein.

“Technical trading is ubiquitous in financial markets, which might explain some major financial-market anomalies and makes it an important topic for research. Like good scientists, Lo and Hasanhodzic explore this territory by gathering first-hand observations, with fascinating results.” —Carol Osler, Program Director, Lemberg Masters in International Economics and Finance, Brandeis International Business School, Brandeis University