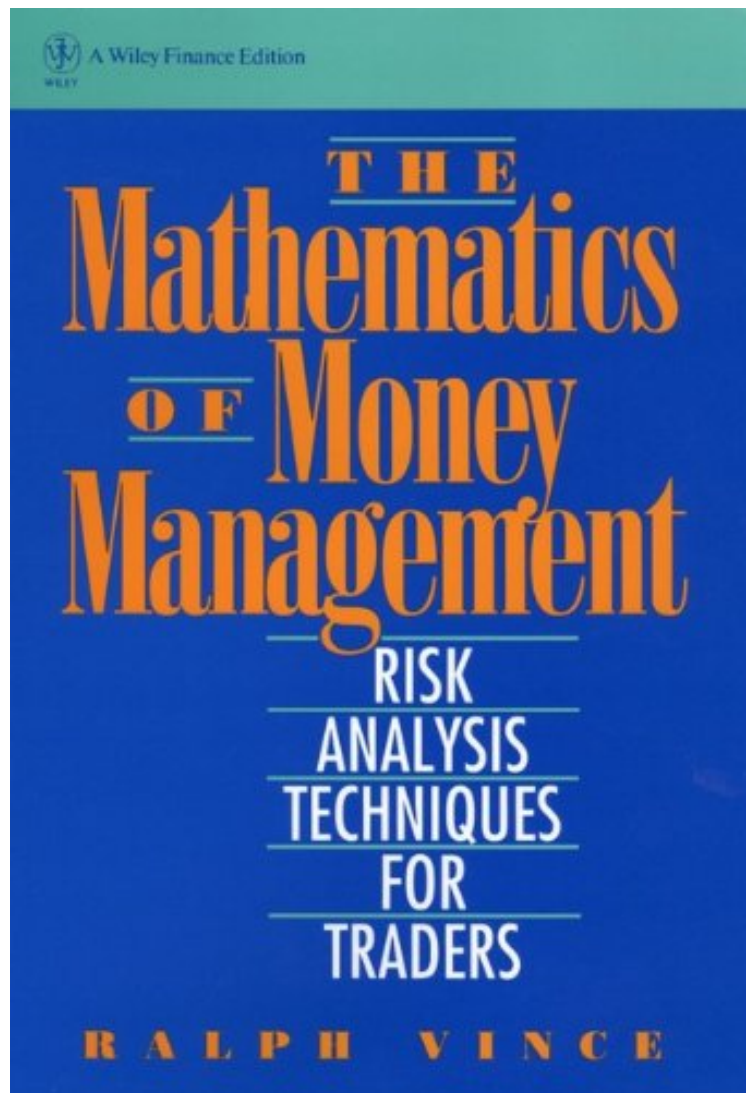


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## The Mathematics of Money Management: Risk Analysis Techniques for Traders (Wiley Finance)

Ralph Vince

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**Ralph Vince : The Mathematics of Money Management: Risk Analysis Techniques for Traders (Wiley Finance)** before purchasing it in order to gage whether or not it would be worth my time, and all praised The Mathematics of Money Management: Risk Analysis Techniques for Traders (Wiley Finance):

1 of 1 people found the following review helpful. Best book ever on position sizingBy Straddle1985This book must have been the best I've red on money management (position sizing). The author illustrates in a mathematical way how we can maximize the growth of our equity using his optimal  $f^*$  formula. I think most people with a basic background

in mathematics (and statistics) can understand the explanation on how optimal  $f^*$  is determined and how we can calculate it. The math behind isn't that complicated (it's actually all summarized in his equation 1.13 on page 31). For the people having trouble to apply this method on backtested results, I advise Thomas Stridsman his book (How to build winning trading systems). He illustrates how to do this in MS Excel. I'm currently using his optimal  $f^*$  as a method to determine the maximum portfolio heat for my trading systems, but not immediately applying it to position size all my entry orders. You can also use the  $f^*$  to score your trading system. Definitely advised to people with an interest in money management for trading systems. 24 of 31 people found the following review helpful. Not For the Innumerate By Bill Baehr I would have given this book 5 stars if it was written with more examples to demonstrate the theories and formulas that it contains. The author certainly doesn't "spoon feed" his material to the reader. If you are innumerate stay away from this book. Of course, if you are innumerate stay out of trading the markets. What the author has to say regarding the correct amount of contracts or shares to buy based upon the calculation of optimal  $f$  is very important in order to keep from going broke and to receive exponential gains. It is loaded with concepts to facilitate the money management element of trading. I would say that a good prerequisite for reading this book would be an engineering degree something like advanced rocket science. 0 of 2 people found the following review helpful. Way Too Verbose By College Student The book is way too verbose for its topic. The book also does not present much empirical evidence in support of the "risk analysis techniques". Furthermore the mathematics involved seems very convoluted for no reason at all.

Every futures, options, and stock markets trader operates under a set of highly suspect rules and assumptions. Are you risking your career on yours? Exceptionally clear and easy to use, The Mathematics of Money Management substitutes precise mathematical modeling for the subjective decision-making processes many traders and serious investors depend on. Step-by-step, it unveils powerful strategies for creating and using key money management formulas--based on the rules of probability and modern portfolio theory--that maximizes the potential gains for the level of risk you are assuming. With them, you'll determine the payoffs and consequences of any potential trading decision and obtain the highest potential growth for your specified level of risk. You'll quickly decide: What markets to trade in and at what quantities When to add or subtract funds from an account How to reinvest trading profits for maximum yield The Mathematics of Money Management provides the missing element in modern portfolio theory that weds optimal  $f$  to the optimal portfolio.

From the Publisher Permits traders in the futures, options and stock markets to create profitable trading formulas based on the rules of probability and modern portfolio theory. Shows how to develop and utilize key formulas which minimize losses, maximize profits and avoid excessive risk. Reintroduces the idea of "optimal- $f$ " and its use in weighing and assigning values to the components of a trader's portfolio. Includes a computer program for immediate hands-on usage of techniques described. From the Inside Flap Until now, money management practices have been driven by a loose collection of highly subjective rules of thumb. By failing to accurately understand the outcomes of their potential actions, many traders and serious investors have been operating blind. The Mathematics of Money Management injects a new degree of precision into your trading strategies. Based on the rules of probability and modern portfolio theory, it shows you how to create and use these money management techniques in the futures, options, and stock markets. And you don't need to be a PhD to exploit these strategies. Every equation and formula is easy to understand, and practical examples are provided for immediate hands-on use of the trading techniques discussed. By wedding the precepts and practices of modern portfolio theory to the concept of optimal  $f$ , The Mathematics of Money Management shows how to gauge the payoffs and consequences of every potential trading action, before you take it. Armed with this information, you'll obtain the greatest potential investment growth for your specified level of risk, no matter what your chosen market. You'll use these time-tested strategies to: Evaluate the risks and rewards of any potential trading decision Accurately weigh and assign values to the components of any portfolio Determine exactly how many contracts to trade for a specific market and/or system Maximize profits under reinvestment trading Prognosticate future system performance Now you can bid good-bye to unreliable money management assumptions and faulty decision making. Here's the money management tool for making mathematically correct trading decisions. From the Back Cover Every futures, options, and stock markets trader operates under a set of highly suspect rules and assumptions. Are you risking your career on yours? Exceptionally clear and easy to use, The Mathematics of Money Management substitutes precise mathematical modeling for the subjective decision-making processes many traders and serious investors depend on. Step-by-step, it unveils powerful strategies for creating and using key money management formulas--based on the rules of probability and modern portfolio theory--that maximizes the potential gains for the level of risk you are assuming. With them, you'll determine the payoffs and consequences of any potential trading decision and obtain the highest potential growth for your specified level of risk. You'll quickly decide: What markets to trade in and at what quantities When to add or subtract funds from an account How to reinvest trading profits for maximum yield The Mathematics of Money Management provides the missing element in modern portfolio theory that weds optimal  $f$  to the optimal

portfolio.