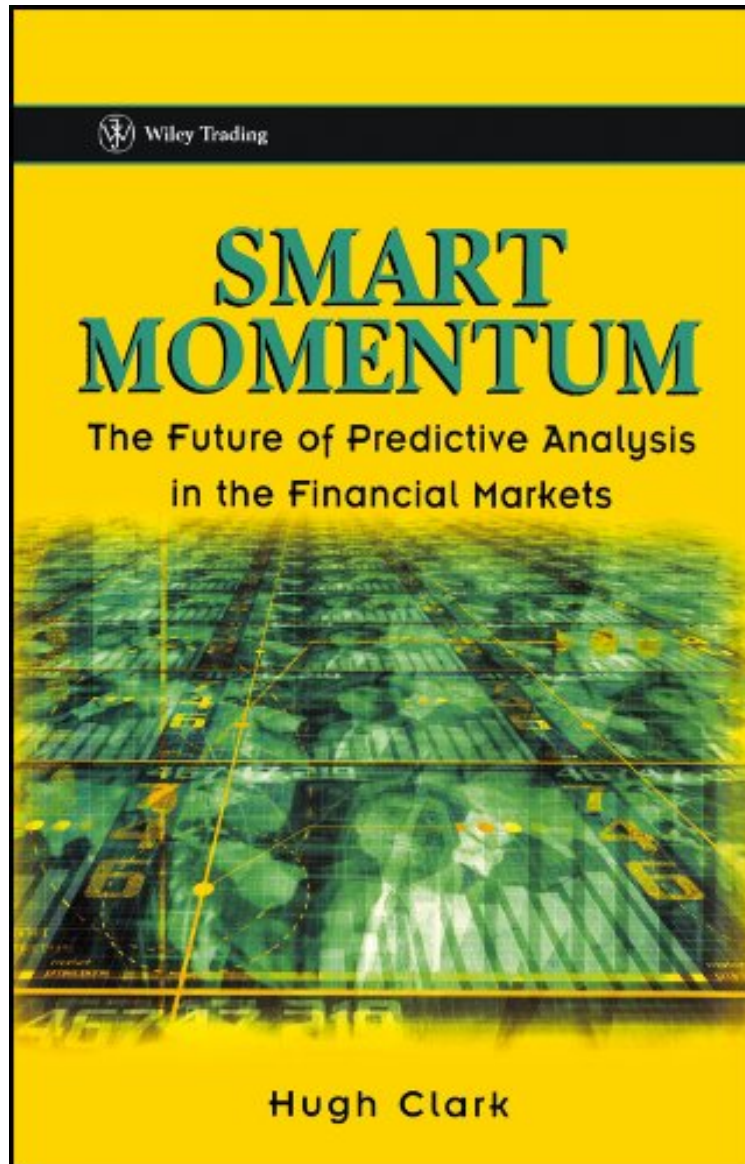


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## Smart Momentum: The Future of Predictive Analysis in the Financial Markets (Wiley Trading)

*Hugh Clark*

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**Hugh Clark : Smart Momentum: The Future of Predictive Analysis in the Financial Markets (Wiley Trading)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Smart Momentum: The Future of Predictive Analysis in the Financial Markets (Wiley Trading):

16 of 16 people found the following review helpful. For traders with Microsoft Excel experience. By A Customer I think this book is targeted towards discretionary traders who are comfortable with trading indicators (MA, RSI,

MACD, etc.), but unfamiliar with how to back test these indicators on historic data. If you want to back test your trading ideas in a Microsoft Excel spreadsheet, this book may be of interest to you. If you already know how to test systems on Trade Station or Super Charts, this book is probably too elementary. This book is divided into two parts. Part I explains the theory of "Smart Momentum." Part II shows step-by-step how to implement it in Microsoft Excel. The nice thing about this book is that Part II parallels Part I on a chapter-by-chapter basis. The book focuses on (a) indicator creation, (b) indicator selection, and (c) indicator combination. The logical development of a trading system proceeds as follows: An equity curve shows cumulative dollars extracted from the market versus time. The "Smart Momentum Ratio" (SMR) summarizes an equity curve in a single number. (The author claims the Sharpe ratio, in and of itself, is not good enough.) One can compare equity curves by comparing their respective SMRs. The better the equity curve, the larger the SMR. Since an equity curve is the cumulative daily result of a trading indicator: The better the trading indicator, the larger the SMR. A collection of one or more trading indicators comprises a trading system. Since a single indicator may fail under certain market conditions, it is desirable to build a trading system out of several uncorrelated indicators. If one varies the parameters of a trading indicator, and its SMR stays relatively constant, then that indicator is said to be "robust." Indicators that contain SMR spikes (referred to as "Matterhorns") are not robust. Curve fitting is avoided by using several data windowing methods, which are briefly mentioned. By the way, this book does not teach you how to use Microsoft Excel. It only gives you the Excel spreadsheet formulas to enter into spreadsheet cells (I did not test them to see if they were accurate). The techniques shown in this book are fine for tinkering in Excel, but to seriously create and analyze indicators the way the author suggests would take man-years in front of Excel. This may lead a person serious about developing trading systems into computer programming and optimization algorithms. For the latter approach, I recommend "The Encyclopedia of Trading Strategies" by Katz and McCormick. Because of the above reason, and the reasons that follow, I only gave the book 4 stars (with respect to its intended target audience): Chapter 9 - Spreadsheet preliminaries) The author uses USDJPY data sampled at 6:00, 12:00, and 18:00 GMT, but does not tell where to acquire such data. Chapter 11 - Indicator selection) The author tells how to find robust indicators, but does not give the Excel steps needed to generate the 3D charts used in companion chapter 4. Chapter 12 - Indicator combination) Indicator correlation matrices are presented. The author says they are generated with the Excel "correl" function, but does not reveal what cell references to use. Chapter 13 - Maintenance) Failing indicators are replaced with new ones on a frequent basis. In my opinion, this is not the signature of a robust trading strategy.

Fast technological advances have allowed investors and traders to make increasingly sophisticated analysis of market momentum. The current trend in the financial world continues towards momentum analysis and Smart Momentum builds on this to create a new and far more reliable method of momentum analysis called "smart momentum". This dependable technique has opened up new possibilities in investment strategy and this book looks at both the theory and the application. The reader is guided through the techniques of smart momentum in clear accessible language. \* Hugh Clark has vast investment experience and provides practical and proven examples of smart momentum in practice. \* Explains in a highly practical manner the totally new technique developed by the author \* Contains a complete worked example of the whole technique

From the Inside Flap Smart momentum is a new technique, offering a new approach to current financial thinking. Simple, succinct and easy to follow, this book shows the way to open up a vast field of new investment strategies. Divided into two parts, this book provides both a general introduction and practical guidance to the technique. In Part I, this book explains the theory of smart momentum in easy-to-understand prose without the need for mathematical formulae. It is intended for those who have a general background in any area of finance. Part II takes the form of a worked example and is intended for those who wish to build their own trading model. This book should be read by all finance professionals. \* Smart momentum tackles some of the flaws in current analysis techniques. \* Smart momentum can be applied to existing techniques in both technical and fundamental analysis. \* Smart momentum is alive. It changes dynamically with the markets it is applied to. The author is pleased to receive comments at: [hmlclark@cs.com](mailto:hmlclark@cs.com) From the Back Cover Smart momentum is a revolutionary discipline that opens a new dimension in financial analysis. Starting from first principles, this book carefully explains a new logical approach to market analysis now available thanks to the advances in computer technology. The applications are enormous: smart momentum can be applied to many existing analysis techniques in any market. Smart momentum is not a black box, but a simple process based on logical intuition. It is both democratic and dynamic, continually adapting to changes in market characteristics. Neatly split into two parts and easy to understand, this book caters for those who want only to understand the concept of smart momentum as well as those who wish to apply the analysis directly. These techniques provide the basis for a new generation of financial analysis. This book is a must for every finance professional. About the Author HUGH CLARK is co-founder and Director of TIR Currency Management Limited which manages currency funds on behalf of institutional investors. With many years experience at directorial level, his previous roles have included Director of Inverlat International Limited and Global Head of Derivative Research with Baring Securities

Limited. He holds an MA (Hons) degree in Mathematics from the University of Cambridge.