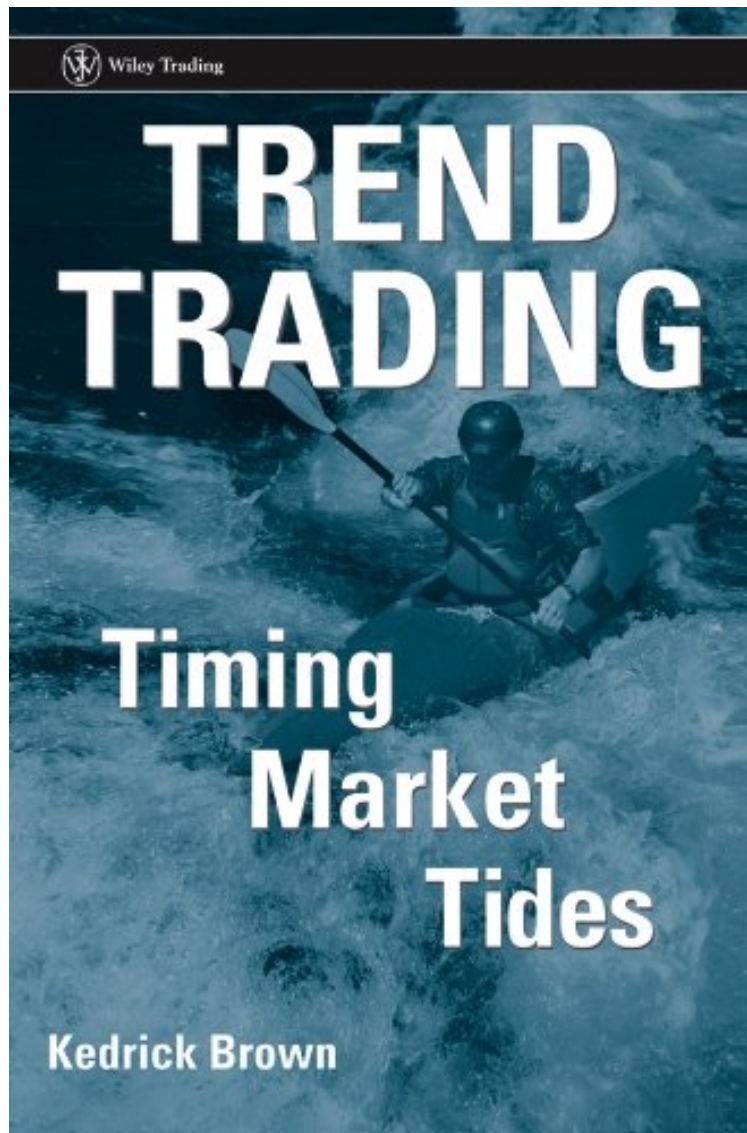


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Trend Trading: Timing Market Tides (Wiley Trading)

Kedrick Brown

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Kedrick Brown : Trend Trading: Timing Market Tides (Wiley Trading) before purchasing it in order to gauge whether or not it would be worth my time, and all praised Trend Trading: Timing Market Tides (Wiley Trading):

2 of 4 people found the following review helpful. There's something here for those who have been in the marketsBy Jose M. BrizThere is more in this book than a simple presentation of theories and formulas. The author presents technical tools in a human context and walks the reader through the process of becoming a trader in the mind, in the heart and in practice. I would suggest this book to those wanting to slowly work their way to a successful career in risk taking. For those already there, I would suggest it as a framework to contrast and enrich their own styles.57 of 60

people found the following review helpful. Specific ideas for beginners and serious traders

By Mike Carr

Systems traders have long been known to employ profitable trend following strategies in the futures markets. Applying those concepts to stock trading has proven to be difficult, although the idea of trend following in stock markets dates back at least the days of Charles Dow. In a new book, Kedrick Brown, a former vice president at Knight Equity Markets, LP, redefines trend trading and offers readers a lot to think about, and readers of this book will find a large number of testable ideas. Brown reviews the basic tenets of Dow Theory, and summarizes the underlying idea as, "Dow Theory thus assumes that it is only worth owning stocks during confirmed bull markets in the major indices, and that one should be out of stocks otherwise." He also offers a straightforward definition of a trend following trading strategy as, "Any preplanned, rule-based strategy for managing open position PL in which open profits could hypothetically grow indefinitely under a limited set of circumstances, while open losses are limited under all circumstances." After developing a common base of understanding, Brown develops a relatively simple trend following strategy applying what he calls three dimensional technical analysis. In three dimensional technical analysis, traders need to consider not only price and time in a single stock, but they should expand their focus to similar information in multiple stocks simultaneously. In his book, Brown fully develops a sample strategy to trade any NASDAQ stock, such as MSFT. This strategy, one of many in the book, relies on an objective method of defining a market's trend - the binary trend identification method using Donchian bands:

1. Filter condition: Take long positions in MSFT only if the NASDAQ Composite is in an uptrend, defined as price having made a new 32-day high more recently than it made a new 32-day low.
2. Buy MSFT if it makes a new 24-day high while the NASDAQ Composite is in an uptrend.
3. Limit your losses by setting an initial fixed stop at the 24-day low at the time of trade entry.
4. If the initial stop is hit, reenter on a new 24-day high if the NASDAQ Composite is still in an uptrend.
5. Exit if the NASDAQ Composite enters a downtrend, defined by the price reaching a new 32-day low.

Buy and sell decisions in this example follow the trend of the general market. The strategy manages open position PL by limiting losses and allowing profits to run in bull markets. Interestingly, specific reentry points are precisely defined. This is often challenging for traders to do, and Brown points out that it is important to get back into positions after being stopped out if trend following in equities is going to be rewarding to traders. Other trading strategies are comprehensively developed in the book, and the reader is always given a complete understanding of the underlying principles. Brown also devotes a large portion of the book to a detailed discussion on position sizing, and provides worksheets that traders can use or adapt for their personal use to develop trading plans. Overall, the book can serve as a complete "how to" manual for the beginning trader, but offers a great deal for more experienced traders. In an interesting, but brief section, Brown addresses the institutional money manager's need to add alpha by outperforming, on a relative basis, a benchmark. Assuming the benchmark is the SP 500, Brown notes, "If you hold a proxy for the SP 500 at all times when not trading, you need only to outperform the proxy during the holding periods of your trades to beat its long term performance (before commissions and taxes)." The discussion and test results of this point are worth considering for all those attempting to outperform a benchmark.

1 of 2 people found the following review helpful. Interesante

By Antonio Mangas

Intradías, scalpers, swinger, ventajistas, reversores a la media, buy and holders, arbitrajistas, contrarians, spreaders, vendedores y compradores de volatilidad, fundamentalistas, adoradores de Elliot, buscagiros, bottom pickers, cost averagers, dividenderos, seguidores de sistemas automáticos, y por fin, trend followers. Después de mucho leer y probar cosas, esta es la filosofía de trading a la que mejor me adapto o, por decirlo de otro modo, en la que más creo. Por eso, llevo una temporada estudiando a los grandes del Trend Following y buscando por ahí nuevos autores que puedan ir apareciendo. Este libro que comento hoy, es uno de ellos. En sí, el libro no aporta gran cosa si ya has leído sobre el tema. Quizá recuerda algunos conceptos interesantes como son:

- 1) El aplicar una estrategia de seguimiento de tendencia NO DEPENDE de la manera en la que entremos al mercado, sino en cómo manejemos los stops una vez que estemos dentro. Esta es la idea que más me gusta de todo el libro. Hace ya tiempo que venía pensando en algo parecido. Y es que por mucho que lo queramos complicar, esto de invertir siguiendo tendencias es muy fácil: busca un mercado que vaya hacia arriba, entra y dale suficiente holgura a tu stop para surfear la tendencia y que no te saque en cualquier retroceso. Fin. No hay mucho más.
- 2) Eso sí, también nos recuerda que esto de seguir tendencias, también consiste en aguantar los retrocesos que todo mercado alcista tiene y en no desfallecer cuando venga el drawdown de nuestra curva de equity. Luego presenta una serie de herramientas, más o menos útiles y su manera de usarlas para el seguimiento de tendencias, que a veces difiere de la manera tradicional de usarlas: canales de Donchian, Stocástico, %R, Bandas de Bollinger, medias. Aporta alguna idea curiosa, como el tema de considerar las acciones en parejas a la hora de entrar en lugar de individualmente (al estilo Livermore) o el tema de entrar y salir de los valores no siguiendo su precio sino siguiendo el precio de otro valor "piloto". No es un libro de sistemas, en tanto en cuanto no cuenta un sistema de trading, sino que es un libro más bien generalista que puede darnos alguna que otra idea para usar en nuestros propios sistemas. El libro está bien, le doy 3 estrellas. Estoy harto de puntuaciones de 5 estrellas para libros mediocres. Mi escala es: 1* MALO, a evitar 2* NORMAL, no cuenta nada nuevo 3* BUENO, sin ser una obra maestra está bien 4* MUY BUENO. Hay que leerlo 5* OBRA MAESTRA. Imprescindible

Written in a straightforward and accessible style, Trend Trading teaches you how to trade equity trends with sound

money management discipline, from the individual stock level to the whole portfolio level. Tailored to investors who want to use elements of trend following strategies in their equity portfolios, Trend Trading presents unique investment tools and advanced technical analysis methods in simple, commonsense terms.

From the Inside FlapTrend following has proven itself to be an extremely profitable long-term trading strategy in the futures markets. This book will show you how to adapt select characteristics of this powerful trading style to successfully trade equity trends. As a private investor with more than eight years of professional equity trading experience, author Kedrick Brown knows what it takes to succeed in today's highly volatile markets. And now, with Trend Trading: Timing Market Tides, he shares his considerable market experience with youmdash;by explaining in detail how to trade equity trends in the real world. Written in a straightforward and accessible style, Trend Trading teaches you how to trade equity trends with sound money management discipline, from the individual stock level to the whole portfolio level. Tailored to investors who want to use elements of trend following strategies in their equity portfoliosmdash;without spending a fortune on the expensive research systems used by large firmsmdash;Trend Trading presents unique investment tools and advanced technical analysis methods in simple, commonsense terms. Divided into two comprehensive parts, this valuable resource contains: Methods for timing trades in individual stocks based on the price action of external indices or stocks Unique technical analysis methods like stochastic averagingmdash;which enables you to analyze the trending behavior of a group of stocks Information on specialized ways to apply trend following techniquesmdash;such as using them to rotate from an investment in one financial instrument to another Powerful position sizing tools that you can apply to individual or multiple stocks Detailed discussions of the elements necessary to succeed as a trend trader By following the concepts outlined in this book, you'll greatly increase your understanding of exit timing, position sizing, and the entire trade planning process, freeing up more time to maximize your trading edge by focusing on instrument selection and entry timing. Filled with in-depth insights, expert advice, and real-world examples, Trend Trading provides you with easy to apply ideas about how to take more control over the investment process and better manage your risks when trading. With this book as your guide, you'll be ready to enter the markets with confidence and exit with profits.

From the Back CoverPraise for TREND TRADING "Trend Trading provides a bedrock foundation for anyone who would seek to build wealth in the stock market. The author carefully explains his disciplined and methodical approach in terms that even a complete novice can understand. But the book is not just for beginners, and I would have no qualms about handing over my savings to a money manager who practices the techniques that it so meticulously describes. For that reason, I recommend it not just for fledgling investors but to any money manager or financial advisor who is looking to improve his or her performance." mdash;Rick Ackerman, Editor, Rick's Picks "Most learn to trade stocks through trial and error. The only way to hasten the learning curve is to learn from the real-life experiences and knowledge of successful traders who've traveled down the same road. This book provides that opportunity!" mdash;Charles E. Kirk, The Kirk Report "Kedrick Brown is a true Wall Street professional who has done battle in the trenches during some of the most turbulent times the market has ever seen. This book gives unique access into the thought process and mindset of how a market insider approaches the game. It applies the proven concept of 'trend following' to the equity markets in a simple and straightforward manner easily understood by investors of all levels of sophistication." mdash;Neal Berger, President, Apogee Asset Management, LLC "A must-read for anyone who is serious about trading financial markets." mdash;Justin Evans, Founding Partner, Evans Capital Management "Trend Trading is an insightful tool that can be used by all investors regardless of your individual strategy. No matter what the philosophy, if there is not a trend after you buy, then you will not be able to sell at a higher price." mdash;Calvin R. Stamps, Managing Partner and Portfolio Manager Bretwood Capital Partners, LLC

About the AuthorKEDRICK BROWN is a private investor with more than eight years of professional equity trading experience, most recently as vice president at Knight Equity Markets, LP (currently a subsidiary of Knight Capital Group, Inc.) At Knight, he traded hundreds of equities through a wide range of volatility, liquidity, and market structure conditions, executing thousands of daily trades; and managed several junior traders. He holds a BS in physics from Rutgers University and currently resides in New Jersey.