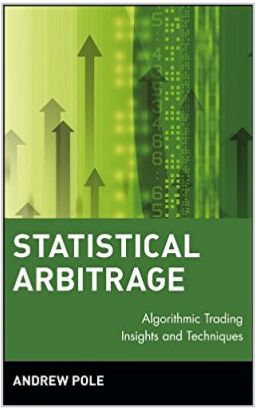

Statistical Arbitrage: Algorithmic Trading Insights and Techniques (Wiley Finance)

By Andrew Pole

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While statistical arbitrage has faced some tough times?as markets experienced dramatic changes in dynamics beginning in 2000?new developments in algorithmic trading have allowed it to rise from the ashes of that fire. Based on the results of author Andrew Pole?s own research and experience running a statistical arbitrage hedge fund for eight years?in partnership with a group whose own history stretches back to the dawn of what was first called pairs trading?this unique guide provides detailed insights into the nuances of a proven investment strategy. Filled with in-depth insights and expert advice, *Statistical Arbitrage* contains comprehensive analysis that will appeal to both investors looking for an overview of this discipline, as well as quants looking for critical insights into modeling, risk management, and implementation of the strategy.

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- Sales Rank: #1380547 in eBooks
- Published on: 2009-05-18
- Released on: 2009-05-18
- Format: Kindle eBook

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Editorial Review

Review
"Over time, anything that creates an edge for a particular group of bettors—including the most astute observers of horse flesh—gets factored into the odds and becomes unreliable as a system. That's the classic argument of random walk theorists, and the equally classic response is that there's a lot of money to be made before that factoring is complete. This book is a contribution to that never-ending debate." (Hedgeworld.com)

From the Inside Flap

While statistical arbitrage has faced some tough times—as markets experienced dramatic changes in dynamics beginning in 2000—recent developments in algorithmic trading have fueled the resurgence of this discipline.

With new, sustained patterns of stock price dynamics emerging and some old patterns regaining potency, there are plenty of profitable opportunities available for the shrewd statistical arbitrageur.

Based on the results of author Andrew Pole's own research and extensive experience running a statistical arbitrage hedge fund—in partnership with a group whose own history stretches back to the dawn of what was first called pairs trading—Statistical Arbitrage provides you with comprehensive coverage of this proven investment approach. Through real-life examples and detailed discussions, this unique guide presents you with a critical analysis of what statistical arbitrage is and how it has been historically practiced; a formal theoretical underpinning for the existence of opportunities and quantification thereof; and an extensive explanation of the enormous shifts in the structure of the U.S. economy—reflected in the financial markets—with specific focus on the consequences for arbitrage possibilities.

Page by page, you'll become familiar with the nuances of modern statistical arbitrage and discover the algorithmic trading techniques you need to succeed in today's markets. Created with the serious financial professional in mind, this well-written resource:

- Introduces the concept of pairs trading and elaborates on some of its main features
- Outlines formal statistical models for more general portfolios—several popular models for time series are described, from basic weighted moving averages to dynamic factor analysis
- Addresses important questions for quantifying the magnitude of exploitable opportunities in reversion gambits
- Characterizes the problems that beset statistical arbitrage in 2000 and directly caused its catastrophic drop in returns from 2002 to 2004
- Reveals how statistical arbitrage has rebounded through technological developments in algorithmic trading
- Provides valuable insight into practical model building

Filled with innovative information and expert advice, Statistical Arbitrage contains essential analysis that will appeal to individuals looking for an overview of this discipline, and to institutional investors looking for critical insights into modeling, risk management, and implementation of this important strategy.

From the Back Cover

Praise for Statistical Arbitrage

"In this lucid, intelligent, and highly readable book, Andrew Pole presents the insights of an experienced and successful exponent of statistical arbitrage, with an uncommon mixture of flair, accessibility, and academic precision. Anyone with an interest—professional or otherwise—in what goes on inside the black boxes of mathematical trading strategies will enjoy the book."
—Nick Macleod, Head of Quantitative Research and Risk Management Ermitage Asset Management Jersey Limited

"What a find! Andy Pole provides a remarkable look at the history and evolution of what is frequently considered to be the most opaque of the myriad hedge fund strategies. His detailed focus on and clever examples of the underlying drivers of stat arb are an invaluable resource for anyone investigating the strategy for the first time. Even we old-timers will learn something."
—Judith Posnikoff, PhD, Managing Director Pacific Alternative Asset Management Company

"Andy Pole delivers a readable and comprehensive history of statistical arbitrage. Using real-life examples and accounts from his decades of experience, this book chronicles the rise in popularity of stat arb, explains its recent struggle for profitability, as well as provides novices with insights into the art and science of building their own models."
—Susan Kaderabek, Portfolio Manager, Franklin Street Partners

"Statistical Arbitrage offers a rare glimpse of insights into the otherwise opaque world of short-term trading strategies. The book provides an excellent balance conceptualizing the mathematics of short-term technical trading strategies with more practical discussions on the recent performance of such strategies. Statistical arbitrage remains for many outsiders, including hedge fund professionals, a 'black box' strategy. Andy Pole has managed to turn black into, if not white, then a lighter shade of gray."
—Christian Thygesen, Managing Director, Investcorp International Inc.

"Andy Pole has extensive practical experience of statistical arbitrage trading together with an ability to explain the underlying theory with great clarity. This book is therefore highly recommended for those looking to master the subject matter."
—Bruce Lockwood, Financial Risk Management

Users Review

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Reading a book can be one of a lot of task that everyone in the world adores. Do you like reading book therefore. There are a lot of reasons why people enjoyed. First reading a guide will give you a lot of new facts. When you read a publication you will get new information since book is one of many ways to share the information or maybe their idea. Second, examining a book will make you more imaginative. When you examining a book especially hype book the author will bring that you imagine the story how the characters do it anything. Third, you may share your knowledge to other individuals. When you read this Statistical Arbitrage: Algorithmic Trading Insights and Techniques (Wiley Finance), it is possible to tells your family, friends in addition to soon about yours e-book. Your knowledge can inspire average, make them reading a publication.

Edward Torres:

The book untitled Statistical Arbitrage: Algorithmic Trading Insights and Techniques (Wiley Finance) contain a lot of information on it. The writer explains the girl idea with easy technique. The language is very clear to see all the people, so do certainly not worry, you can easy to read it. The book was authored by famous author. The author brings you in the new period of time of literary works. You can actually read this book because you can please read on your smart phone, or model, so you can read the book throughout anywhere and anytime. In a situation you wish to purchase the e-book, you can available their official web-site as well as order it. Have a nice study.

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