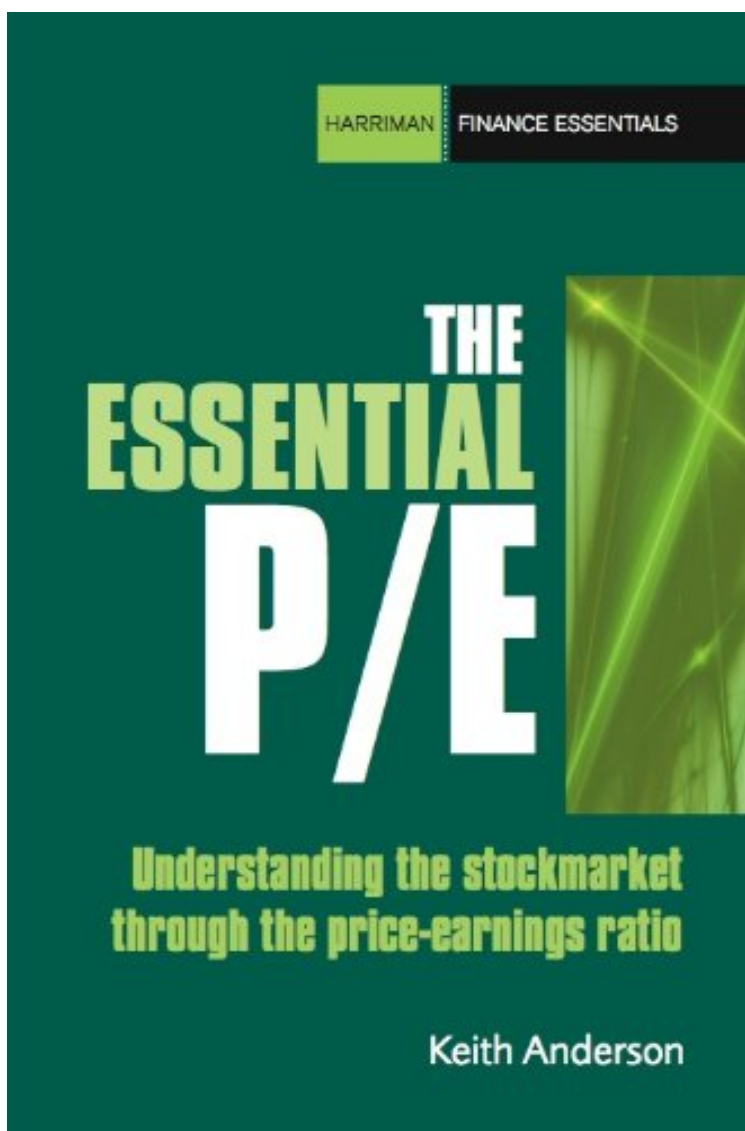


(Mobile pdf) The Essential P/E: Understanding the stock market through the price-earnings ratio (Harriman Finance Essentials)

The Essential P/E: Understanding the stock market through the price-earnings ratio (Harriman Finance Essentials)

Anderson Keith

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Anderson Keith : The Essential P/E: Understanding the stock market through the price-earnings ratio (Harriman Finance Essentials) before purchasing it in order to gage whether or not it would be worth my time, and all praised The Essential P/E: Understanding the stock market through the price-earnings ratio (Harriman Finance Essentials):

3 of 3 people found the following review helpful. well-written and interestingBy Andrea MatthewsOK - the only

previous review was completely negative. Having borrowed the book through my local library, and very much enjoyed reading it, I added it to my cart to consider buying it for my library to read again. So I was pretty mystified by that review. At first I thought, well, there's another of my lazy-minded, Americo-centric compatriots...ugh. Now I suspect it's a pre-emptive strike...the suggestions in this book make so much sense and are so straightforward, maybe Jim Rogers is afraid too many people will read the book and weaken the strategy! I held off writing this review to see if anyone else would chime in, but I'm finally stepping in primarily out of a sense of fairness. In strong contrast to Mr. Rogers, I thought the book was very entertainingly and accessibly written, and I wasn't bothered by the focus on non-US markets, since most of the investing books available cover the US thoroughly. When necessary, the author does reference US data, so there's no real confusion about what the implications of his strategy are for US investors. The author gives interesting background on the history of the P/E as an indicator and basis for investing, and adds his own work. I'm a relatively meat-and-potatoes investor, and I'm not sure I'll follow through on his approach (although I'd be very interested in a mutual fund based on it), but I came away at least feeling better informed about what P/E can tell me about stocks and funds. And how can you complain about an investing book that's actually fun to read??0 of 6 people found the following review helpful. More for a British audienceBy CustomerI was disappointed in this book. The book is written more for a British audience than American. The book uses British pound symbols instead of dollars, the appendix contains EPS and P/E for the FTSE 100 index instead of an American index, it has section titles like: "The P/E effect in the UK" and differences in spelling convention like capitalisation vs capitalization, etc. It may have been because of the above that I thought the book was difficult to follow and understand.

The price-earnings ratio, or P/E, is the most commonly quoted investment statistic, but have you ever considered what it actually means? For most people it's a shorthand way of deciding how highly the market regards a company, with investors prepared to overpay for earnings from a high-P/E 'glamour' stock as opposed to a low-P/E 'value' stock. However, academics have known since 1960 that the opposite is true: value stocks outperform glamour stocks consistently over decades. A company with a low P/E may have been marked down for no readily apparent reason and thus could represent an attractive value investment for those with the patience to wait while the market re-values it. However, the P/E is a backward-looking measure and just because the company earned pound;1 per share last year it doesn't necessarily mean it will earn anything like that in the foreseeable future. Or, a low P/E can mean a company is deservedly cheap because it is in financial difficulty - in this case the company is likely to become cheaper yet or even go into administration. This book is a practical guide to how you can adjust and improve the price-earnings ratio and use it, alongside other financial ratios, to run against the crowd and boost your stock returns.

About the AuthorAfter completing his BSc in Mathematical Statistics and Operational Research at Exeter, Keith Anderson worked for some years as a systems developer, most recently at Deutsche Bank in Frankfurt. He then did an MSc in Investment Analysis at Stirling, where he won the Morley Prize as the top academically in his year. For his PhD at the ICMA Centre, Reading University, Keith showed that different ways of calculating the Price-Earnings ratio could significantly improve investor returns. He worked as a lecturer at Durham University Business School for two years before moving to York in 2008. Keith has written a number of books, papers and articles.