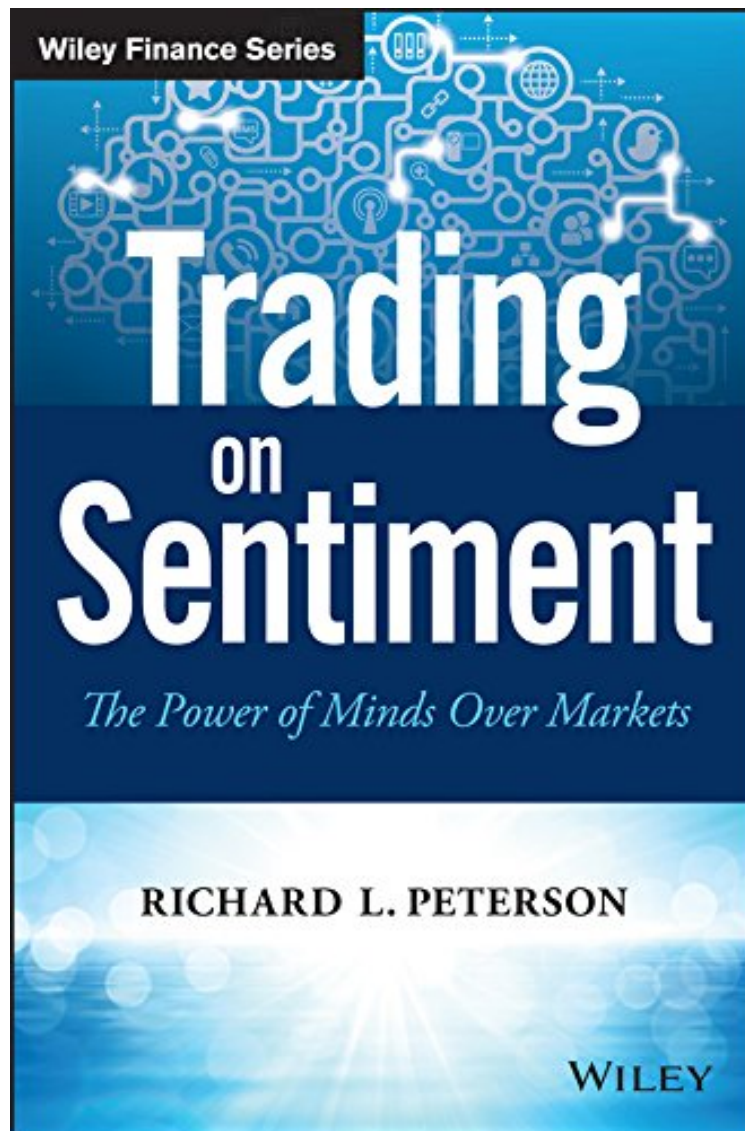


[E-BOOK] Trading on Sentiment: The Power of Minds Over Markets (Wiley Finance)

## Trading on Sentiment: The Power of Minds Over Markets (Wiley Finance)

*Richard L. Peterson*

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**Richard L. Peterson : Trading on Sentiment: The Power of Minds Over Markets (Wiley Finance)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Trading on Sentiment: The Power of Minds Over Markets (Wiley Finance):

8 of 8 people found the following review helpful. Actionable Knowledge on How to Profit on Sentiment Analysis By Kishan Trading on Sentiment assumes there are patterns in the markets and that a subset of these patterns are driven on sentiment. The book sheds light on how to use this information to profit in the markets. This is the first book of its

kind I have ever read, and I have read a fair number of books on finance. I have read a few books on behavioral finance in the past, and while they provided interesting and some potentially useful information, I believe *Trading on Sentiment* provided more valuable, actionable, and thoroughly explained insights on how to actually trade using behavioral finance principles. For instance, one of the books I read previously used the Rosemarie Nagel experiment as an analogy to explain how traders attempt to predict each other. The first book, however, came to the conclusion that predicting markets is inconsistent at best. By contrast, *Trading on Sentiment* used the experiment as motivation to begin a discussion on game theory strategy levels and how they play out in modern behavioral finance. While the book might seem to be set on the notion that sentiment is the prime mover of asset prices, the author actually maintains a fairly impartial tone on the matter throughout the book. Instead of falling down the rabbit hole of speculation, the author reframes the question to a more manageable and precise form - What causes traders to buy and sell? Simply, traders respond to information relevant to an emotion, mental model, belief, or expectation. This is the assumption the rest of the book proceeds from, and the author provides real evidence from behavioral finance to support this claim. Chapter five is the first chapter that delves into predictive analysis based on sentiment data, and I found it to be one of the most valuable chapters of the book. Chapter five's discussion of forecasting models built with TRMI data towards the end of the chapter was especially enlightening. The book uses the Thomson Reuters MarketPsych Indices (TRMI) as its primary source of actionable sentiment data. The TRMI target a number of market-moving sentiments based on news and social media sentiment. The book also cites earnings conference call transcripts, product reviews, and Google Trends (search) data to explain sentiment trading principles. I found the TRMI data to be the most valuable in general because it distilled sentiment and investor expectation down to a single indicator that could be plotted over a price chart. In addition, it aggregates a number of disparate sentiment sources using large scale text analysis and is specifically built for trading on sentiment. All in all I found the book to be well written and an excellent primer to trading on sentiment from a professional who knows what he is talking about.

5 of 5 people found the following review helpful. Sentiment Analysis is one of three ways to deliver consistent Alpha, this book will get you started down the path to profits.... By Rmai As a Tactical Trader, Sentiment Analysis is one of the pillars my process is built on. *Trading on Sentiment* is great introduction for novice traders and refresher for the experienced. It is well written and while contradictory at time, doesn't read like a dry academic tome. Thomson Reuters MarketPsych Indices (TRMI) is arguably the most comprehensive sentiment analysis platform available to Market Professionals and to have TRMI data provide the backdrop for the content in this book makes it exponentially more valuable. Should be added to reading lists of Trading Firms the world over.

7 of 8 people found the following review helpful. Unique Thoughts on Familiar Topics By Customer [FULL DISCLOSURE] I read the book cover to cover over the course of a week, in a few 1 to 2 hour chunks. [CONTENT] 4 stars *Trading on Sentiment* makes bold claims. While the author keeps a self-critical attitude throughout the book in the spirit of the scientific method, the reader is presented with a firm belief that there is value in sentiment data. Equities to commodities and everything in between are considered from a sentiment data perspective. Some aspects, like US stocks, are given more attention than others, like macroeconomic data, but readers should at least have a whetted appetite from chapters that interest them. The author bites off more than he can chew content wise, but this only reinforces that this field deserves further study. [WRITING] 5 stars *Trading on Sentiment* is written for the reader with no experience or understanding of sentiment data. The author begins the book with an overview of known trading strategies like Warren Buffet's value investing, and a brief look at identifying regular anomalies in markets. Then, the author explains the basics of behavioral psychology. Putting the two together, the author shows how behavioral psychology can be used to find trading opportunities. This framework prepares the reader to get the most out of each topic, like the those I mentioned above, and also allows the reader to skip ahead to the topics of most interest. [OVERALL] 5 stars *Trading on Sentiment* is a starting point for curious readers, but has enough food for thought to sustain interest. Sentiment data will become more relevant as technology advances, and proactive investors can catch the wave here.

In his debut book on trading psychology, *Inside the Investor's Brain*, Rich Shyer and Peter Peterson demonstrated how managing emotions helps top investors outperform. Now, in *Trading on Sentiment*, he takes you inside the science of crowd psychology and demonstrates that not only do price patterns exist, but the most predictable ones are rooted in our shared human nature. Peterson's team developed text analysis engines to mine data - topics, beliefs, and emotions - from social media. Based on that data, they put together a market-neutral social media-based hedge fund that beat the SP 500 by more than twenty-four percent through the 2008 financial crisis. In this groundbreaking guide, he shows you how they did it and why it worked. Applying algorithms to social media data opened up an unprecedented world of insight into the elusive patterns of investor sentiment driving repeating market moves. Inside, you gain a privileged look at the media content that moves investors, along with time-tested techniques to make the smart moves - even when it doesn't feel right. This book digs underneath technicals and fundamentals to explain the primary mover of market prices - the global information flow and how investors react to it. It provides the expert guidance you need to develop a competitive edge, manage risk, and overcome our sometimes-flawed human nature. Learn how traders are using sentiment analysis and statistical tools to extract

value from media data in order to: Foresee important price moves using an understanding of how investors process news. Make more profitable investment decisions by identifying when prices are trending, when trends are turning, and when sharp market moves are likely to reverse. Use media sentiment to improve value and momentum investing returns. Avoid the pitfalls of unique price patterns found in commodities, currencies, and during speculative bubbles Trading on Sentiment deepens your understanding of markets and supplies you with the tools and techniques to beat global markets—; whether they're going up, down, or sideways.

From the Inside Flap In his debut book on trading psychology, *Inside the Investor's Brain*, Richard Peterson demonstrated how managing emotions helps top investors outperform. Now, in *Trading on Sentiment*, he takes you inside the science of crowd psychology and demonstrates that not only do price patterns exist, but the most predictable ones are rooted in our shared human nature. Peterson's team developed text analysis engines to mine data—; topics, beliefs, and emotions—; from social media. Based on that data, they put together a market-neutral social media-based hedge fund that beat the SP 500 by more than twenty-four percent—;through the 2008 financial crisis. In this groundbreaking guide, he shows you how they did it and why it works. Applying algorithms to social media data opens up an unprecedented world of insight into the elusive patterns of investor sentiment driving repeating market moves. Inside, you gain a privileged look at the news and social media themes that move investors, along with time-tested techniques to make the smart moves—;even when it doesn't feel right. This book digs underneath technicals and fundamentals to explain the primary mover of market prices—; the global information flow and how investors react to it. It provides the expert guidance you need to develop a competitive edge, manage risk, and overcome our sometimes-flawed human nature. Learn how traders are using sentiment analysis and statistical tools in order to: Foresee how market prices will be influenced by news, rumor, and social media Identify when prices are trending, when trends are turning, and when sharp market moves are likely to reverse Improve value and momentum-based investment returns Take advantage of unique price patterns found in commodities, currencies, and during speculative bubbles Forecast changes in global economic activity Overcome the most common mistakes of the investing herd Trading on Sentiment deepens your understanding of markets and supplies you with the tools and techniques to profit—;whether prices are moving up, down, or sideways.

From the Back Cover Praise for *Trading on Sentiment* "Trading on Sentiment will undoubtedly be seen in time as a seminal work."—;Brenda Jubin, *Investing.com* "In markets, as in poker, if you don't have an edge, you shouldn't play. There are 3 sources of edge in markets: information, analysis, and human behavior. The first two are hard to obtain and harder to maintain as the world is constantly changing. Human nature, the cycles of fear and greed, are unchanging and are the most fertile ground of sustainable competitive advantage. Until now, there has been no comprehensive guide to this almost inexhaustible source of potential profits. Dr. Richard Peterson is one of the world's experts on human behavior in capital markets and he has written by far the best book to appear on the subject. This marvelous book should be read by every serious investor. It will pay dividends for years to come."—;Bill Miller, Chairman and Chief Investment Officer of LMM LLC "Finally a book on behavioral finance by a market practitioner who can also be your professor. Peterson's *Trading on Sentiment* is a pioneering work that will help you not only contextualize your emotions, but also profit from them."—;Keith R. McCullough, Chief Executive Officer, Hedgeye Risk Management "Trading on Sentiment is more than a book about trading and more than a book about sentiment. It is a book that informs us about how to gauge changes in the emotional temperatures of financial market participants. Richard Peterson is a true visionary who early on developed techniques that would convert big financial data into information and trading heuristics upon which active investors can, well, act. As always, the usual caveat applies that financial markets are risky, complex, nonlinear neighborhoods to visit, especially when the academic literature has yet to converge on a consensus view of how to measure the risk associated with expected return."—;Hersh Shefrin, Mario Belotti Professor, Santa Clara University, and author of *Behavioral Risk Management* Praise for *Inside the Investor's Brain* (Wiley, 2007) "Richard Peterson has distilled his own first-hand experience as a psychiatrist in Silicon Valley and has used his knowledge of behavioral finance to describe the emotional qualities necessary to be a good investor. Not only is this a fascinating book for everyone, it may also be the most profitable book you ever read."—;George Akerlof, Nobel Laureate in Economics, 2001 "Exceptionally well-written, it will likely prove to be a seminal text on the influence of the human brain on investment behavior. And neurofinance, as that field is known, may provide the next great edge for savvy investors. *Inside the Investor's Brain*, written by an experienced but surprisingly young author (he's 35), is outstanding. Peterson and his first book have much to offer investors and the institutions in which they work."—;Dr. David L. Nathan, *Barron's*, September 2007 "Highly recommended."—;Kiplinger's Best Investing Reads of 2007 About the Author RICHARD L. PETERSON is CEO of MarketPsych and a behavioral finance expert, investment adviser, psychiatrist, and consultant to the financial industry. His two previous books, *Inside the Investor's Brain* and *MarketPsych*, were named top financial books of the year by Kiplinger.