

Index

- ABS() function, 128–129
- Absolute error, in simple moving average construction, 128–129
- ABSOLUTE function, 40–42
- Absolute references, 40–42, 295
 - relative cell references and, 295
- Adobe Systems (ADBE), 304
- After-hours performance, 188–191
- Afternoon trading strategy, 182–188
- Aggressive selling pressure, quantifying risk and, 116–117
- Amazon (AMZN), 79, 80, 292, 304
- Amgen (AMGN), 79
- Apple (AAPL), 80, 304
 - moving average indicator example, 122–125
 - performance study, 57–67
- AutoFill, 54–57
- AutoFilter command, 46–51
- AVERAGE function, 107, 122, 255
- Average per trade (APT), 15, 53

- Backstops. *See* Protective stop orders
- Bacon, Francis, 243
- Bands, trading of, 171–173
- Bear markets, investment breakdown and, 100–102
- Beating the market, operational definition of, 1
- Beauvoir, Simone de, 3
- Bed, Bath, and Beyond (BBBY), 304
- Behavior modification, for better trading results, 8–9

- Beta scores, quantifying risk and, 112–113
- Binary outcomes, in trading, 13
- BlackBerry (RIMM), 20–21, 304
- Bull markets:
 - bear markets versus, 100–102
 - harbingers of, 102–103
 - simple moving averages in, 141–144
- Candlestick charts, 92–93
- “Catch the Crest of the Wave” (Trongone), 17
- Cause/effect relationship, among variables, 61
- Cell references, relative versus absolute, 295
- Channel trading, 101, 157
- Chart patterns, decrypting of, 1–2, 304
- Cisco Systems (CSCO), 79, 80, 304
- Clark, Kenneth, 285
- Column charts, 297
- Comfort zone, trading in, 281–282
- Commodity, breaking down. *See* E-mini S&P (ES) futures contract, breaking down example
- Comparative cross-hedging system (CXS), 259–270
- Comparative trading volume, 200–206
- Contributory variables. *See* Predictor variables, eurozone currency (EC) contracts and
- Convergent methods, in cross-hedging strategies, 264–266

- Corrections. *See* Risk, quantifying of
- Correlation:
- performance measurement, 31–36
 - performance measurement, drawbacks of, 36–44
- CORREL function, 31–34
- Costco (COST), 79, 304
- in correlation example, 31–33
- COUNTIF function, 104–105, 298
- COUNTIFS function, 106–107, 298
- Cross-hedging strategies, 243–270
- comparative cross-hedging system, 259–270
 - convergent/divergent methods, 264–266
 - evaluation of IWM, 257–259
 - evaluation of QQQ, 259
 - evaluation of SPY, 257
 - outlying scores and, 250–255
 - pricing dissimilarities, 245–250
 - size of position, 244–245
 - SPY versus XLF, 266–270
 - trading volume as indicator, 255–257
- Crossover-moving averages (CMAc), 161–168
- Cross-validation analysis, 152–154, 303–304
- Cues. *See* PowerShares QQQ (cues)
- Culbertson, S.A., 3
- Cumulative sums.
- of RTS and OVS, 74–80
 - tracking without, 83–84
- Curiosity, trading success and, 285–286
- Currency contracts. *See* Predictor variables, eurozone currency (EC) contracts and
- Daily calculations, in simple moving average construction, 131–132
- Daily price change. *See* Performance, monitoring of
- Daily prices, downloading historical to spreadsheet, 293–294, 303
- De Beauvoir, Simone, 2
- Defensive orders. *See* Protective stop orders
- Dell (DELL), 304
- Dependent (response) variable, 47, 61
- Divergent methods, in cross-hedging strategies, 264–266
- Downturns, quantifying risk and, 110–112, 118–120
- Doyle, Sir Arthur Conan, 120
- Drag and drop, in logic functions, 55–57
- Durante, Jimmy, 271
- Early morning activity, 98–100
- Early morning price swings, 88–98
- Early-morning trading volume, 214–215
- eBay (EBAY), 79, 304
- 8-day SMA, 161–163, 165–166
- E-mini S&P (ES) futures contract,
- breaking down example, 87–108
 - bear versus bull markets, 100–102
 - bull market harbingers, 102–103
 - early morning activity, 98–100
 - early morning price swings, 88–98
 - flexible Excel statements, 103–105
 - hours of operation, 87
 - Spiders compared, 88
- E-mini S&P (ES) futures contract, volume characteristics and, 209–211, 214–215, 217–219
- Error term, in simple moving average construction, 128
- ES equities contracts. *See* Predictor variables, eurozone currency (EC) contracts and
- European Union, 222, 228
- Eurozone crisis 222, 228
- Eurozone currency. *See* Predictor variables, eurozone currency (EC) contracts and
- Existentialism, 11

- Factorial design, 151, 253
“Fair value” difference, formula for
measuring, 16–17
Fantasy sports, 12
Fear, negative outliers and, 24
Ferster, C.B., 3
Fibonacci, Leonardo, 161
Fibonacci numbers, 161
50-day SMA, 174–177, 199–200,
209–211
“Football Revolution” (Kuper), 12
Formulas, constructing for
spreadsheet, 53–55
- GC (gold) contract, in risk metric
example, 113–116. *See also*
Predictor variables, eurozone
currency (EC) contracts and
Generating interactive profits (GIA),
155–160
“Going against grain,” 161–179
contrasting styles, 167–171
crossover-moving averages,
161–168
intraday range, 177–179
price pullbacks, 173–177
trading bands, 171–173
Google (GOOG), 79, 304
performance monitoring of two
trading sessions, 80–82
- Hedging. *See* Cross-hedging strategies
Historical prices, downloading into
Excel, 293–294
Hypothesis, establishing working, 61
- IF(AND) function, 45, 48
in Apple performance study, 57–67
“IF” statements, 52–53, 215
Independent variable, 61
Individualism, 11
Intel (INTC), 79, 304
Interactive Data Corporation, 213
Interactive profits, generating of, 155–160
Intraday range, 177–179
Intraday sessions, ranking of, 215–219
Intrinsic motivation, 11
iShare Gold Trust (IAU), in protective
stop orders example, 272–274, 275
- Julius Caesar, 181
- Kierkegaard, Søren, 11
Kuper, Simon, 12
- Lagging indicator, 131, 142–143, 303
Lagging variable, 61
LARGE function, 24, 25, 42
Leading variable, 61
Leonardo da Vinci, 45, 221, 285
Long-term analysis, integrating variable
in moving average, 154–155
- Maslow, Abraham, 11
MAX function, 80
Mean score, 21–22, 26
Median score, 26–27
Microsoft (MSFT), 79, 304
MIN function, 80
Momentum indicators, 43, 121,
150–151, 159–160, 192–193
Money management, trading success
and, 287–288
Morning volatility, avoiding, 182–188
Moving average indicator, 121–140
constructing simple moving averages,
125–137
simulation analysis, 137–140
smoothing trendline, 122–125
Moving averages, 300–301
crossover-moving averages, 161–168
forecasting in uncertain
environment, 301–303
performance measurement and,
43–44
3-day, in downward setting, 301

- Moving averages, integrating variables into, 141–160
- categorizing variables, 144–147
 - contributory variables, 147–152
 - cross-validation analysis, 152–154, 303–304
 - generating interactive profits, 155–160
 - long-term analysis, 154–155
 - SMA in bullish markets, 141–144
- Multiplicative effect, 148
- Netflix (NFLX), 24, 27–29, 79, 80
- Nietzsche, Friedrich, 141
- Number crunching, 4–5, 12–14
- Oracle (ORCL), 79, 304
- Outliers:
- negative, and fear, 24, 26
 - negative, and mean scores, 40
 - percentiles and classifying of, 28
 - positive, and mean scores, 40
- Outlying scores:
- cross-hedging strategies, 250–255
 - performance measures, 24
 - predictor variables, eurozone currency contracts and, 230–233
- Overnight trading session (OVS):
- Apple performance study, 58–67
 - hours of, 70
 - performance monitoring and, 69–86
- Parameter (number of days), selecting for SMA construction, 125–126
- Patterns, trading of, 196–197
- Percentage error, 127, 129–130, 136, 138, 300, 303–304
- Percentages, playing of, 3–4, 9, 11–18, 120, 197
- constructive strategy development, 17–18
 - creativity and, 11–12
 - data and research to support hypotheses, 12–14
 - earlier price movements and, 14
 - exploratory study, 14–16
 - “fair value” difference and, 16–17
- Percentage score, 14, 22–24, 178, 184, 251
- PERCENTILE function, 28–31, 193–195, 215, 231
- Percentiles, 28–30
- Performance, monitoring of, 69–86
- differences among companies, 79–80
 - Google and, 80–82
 - reasons for, 78–79
 - 3-day performance study, 84–86
 - tracking success, 69–74
 - tracking without continuous scores, 83–84
 - worksheet described, 74–78
- Performance measures, 19–44
- correlation, 31–36
 - correlation, drawbacks of, 36–44
 - measuring return, 19–20
 - measuring return, discrepancies and, 20–22
 - median score, 26–27
 - outlying scores, 24
 - percentile function comparisons, 30–31
 - percentiles, 28–30
 - price change conversion to percentage score, 22–24
 - quartiles, 28
 - risk and, 27–28
 - statistical function, 25–26
- Performance results, extracting, 45–67
- Apple performance study, 57–67
 - automating with drag and drop, 55–57
 - filter command, 45–51
 - IF(AND) function, 45, 48–49
 - IF statements, 52–53
 - performance equations, 53–55
 - “Playing the percentages.” *See* Percentages, playing of

- Pope, Alexander, 161
- Position size, cross-hedging strategies and, 244–245
- Positive reinforcement, trading successes and, 3
- PowerShares QQQ (cues):
cross-hedging strategies, 243–259
different time frames and, 195–196
performance monitoring and, 71–80
RANK function and, 167–171
trading of, 292–293
volume characteristics and, 204–208, 210
- Predictive scores, 126–127
- Predictor variables, eurozone currency (EC) contracts and, 221–241
analysis timeframe, 222–223
background, 223–227
effects on gold, 237–238
eurozone crisis and, 228–230
outlying scores and, 230–233
price brackets, 233–237
price direction within category, 238–240
- Price change:
converting to percentage score, 22–24
correlation and, 40–42
cross-hedging strategies, 245–250
future performance and, 14
volume distortion and, 200–204
- Price pullbacks, 173–177
- Price range, in investment breakdown, 88–98
- Prices, downloading historical, 293–294
- Protective stop orders, 271–274
comfort zone and, 281–282
momentum and, 182–188
trading with, 274–276
- Quantifying risk. *See* Risk, quantifying of
- QUARTILE function, 28, 276
- RANK.AVG function, 42, 295
- RANK function, 42–44, 167–171, 206–208, 215–217
- Rate-of-change (ROC) indicators, 148–159
- Regression to the mean, 78
- Regular trading session (RTS):
Apple performance study, 58–67
hours of, 70
performance monitoring and, 69–86
- Relative versus absolute cell references, 295
- Relief rally, 117–118
- Resistance, 125, 157–158, 165, 168, 171–173
- Response variable, 47, 60
- Restrictive trading systems, 4–8, 181–187
advantages of, 181
after-hours performance, 188–191
afternoon positions, 182–188
different time frames, 195–196
disaster prevention with, 191–193
number crunching, 4–5
pattern trading, 196–197
statistics, 5–6
trading specifics, 5
widening range and, 193–195
working hypothesis, 5
- Results, measuring of, 303
- Return, measuring of, 19–20
discrepancies and, 20–22
- Risk:
performance measurement and, 27–28
restrictive trading systems and avoidance of, 191–193
Risk, quantifying of, 109–120
aggressive selling pressure and, 116–117
beta scores and, 112–113
down days and, 110–112
learning from downturns, 118–120

- Risk, quantifying of (*continued*)
 relief rally and, 117–118
 risk metrics and trading system
 construction, 113–116
 standard deviation's disadvantages,
 109–110
- Rogers, Carl, 18
- Rolling ranking, 169, 208, 215–217
- Rousseau, Jean-Jacques, 11, 155
- RTS. *See* Regular trading session (RTS)
- Russell 2000:
 cross-hedging strategies and, 243–259
 protective stop orders and,
 276–279, 282
- Scattergram, 8, 98, 189, 190, 232, 233
- Schopenhauer, Arthur, 69
- Scores, ranking of, 42–44, 169–170,
 206–208
- Scores, smoothing of, 122–125
- Sectors, comparative cross-hedging
 system and, 259–264
- Self-actualization, 18
- Self-confidence, 9
- Self-determination, 1–9. *See also* Success
 behavior modification and, 8–9
 chart pattern decryption, 1–2, 304
 replacing ineffective systems, 2–4
 restrictive trading system and, 4–8
- Selling pressure, quantifying risk and,
 116–117
- Seneca, 285
- Setbacks, accepting as temporary, 11–12
- Sherlock Holmes (fictional character),
 quoted, 1, 109
- Simple moving averages (SMAs):
 in bullish markets, 141–144
 3-day, 125–127, 130–136, 139–140,
 143–144, 161–166, 174–177, 301
 8-day, 161–163, 165–166
 50-day, 174–177, 199–200, 209–211
- Simple moving averages (SMAs),
 constructing of, 125–137
 above or below expectations,
 130–131
 absolute error, 128–129
 daily calculations, 131–132
 error term, 128
 parameter selection, 125–126
 percentage error, 129
 weighting moving averages, 132–137
- Simulation analysis, 137–140
- “Situational Trading” (Trongone), 196
- SLOPE function, 112
- SMALL function, 24
- SPDR Gold shares (GLD), 40, 211–213
- Spiders (SPY):
 advantages of trading, 291–292
 after-hours performance, 188–191
 afternoon positions, 182–188
 comparative cross-hedging system and
 sectors, 259–264
 cross-hedging strategies, 243–259
 crossover-moving averages, 161–168
 different time frames and, 195–196
 ES contract compared, 88
 intraday range, 177–179
 price pullbacks, 174–177
 risk avoidance and, 191–193
 variable in moving average example,
 141–160
 volume characteristics and, 201–204,
 209–216
- Standard deviation, disadvantage of
 quantifying risk with, 109–110
- Staples, Inc. (SPLS), 304
- Starbucks (SBUX), 31–33, 79, 304
- Statistical functions, in Excel, 25–26,
 297–300. *See also specific functions*
- Statistics, 4–6, 12–14. *See also*
 Performance measures
- Status bar, in Excel, 48–51
- STDEV formula, 109, 110
- Success. *See also* Self-determination
 analysis and, 286–287
 asking questions and, 285–286

- money management and, 287–288
- trading decisions and defining of, 280–281
- trading philosophy and, 288–289
- SUMIFS, 106–107, 298
- Sun Tzu, 87, 121, 199
- Support and resistance (SAR), 125, 157–158, 171–173
- 30-day rolling ranking, volume and, 215–217
- 3-day SMA:
 - in downward setting, 301
 - going against grain, 161–166, 174–177
 - integrating variables and, 143–144
 - SMA construction and, 125–127, 130–136, 139–140
- Time frames, trading in different, 193–196
- Trading bands, 171–173
- Trading decisions, 271–283
 - comfort zone and, 281–282
 - defining success, 280–281
 - protective stop orders and, 271–279
 - transitional developments, 282–283
- Trading patterns, 196, 197
- Trading signal, 126, 127, 146
- Trading strategies.
 - developing constructive, 17–18
 - replacing ineffective, 2–4
- Trading volume. *See* Volume, identifying shifting characteristics of
- Transitional developments, trading decisions and, 282–283
- Trendless markets, trading in, 121–140
 - constructing simple moving averages, 125–137
 - simulation analysis, 137–140
 - smoothing trendline, 122–125
- Trendlines:
 - drawing of, 296
 - smoothing of, 122–125
- Twain, Mark, 19
- USD, eurozone crisis and, 228
- Variables, integrating into moving averages:
 - categorizing variables, 144–147
 - contributory variables, 147–152
 - cross-validation analysis, 152–154, 303–304
 - generating interactive profits, 155–160
 - long-term analysis, 154–155
 - SMA in bullish markets, 141–144
- Variables, letters representing, 54
- Volatility, investment breakdown and, 88–98
- Volume, as indicator in cross-hedging strategies, 255–257
- Volume, identifying shifting characteristics of, 199–220
 - disharmonious narratives, 208–211
 - early-morning trading volume, 214–215
 - ranking intraday sessions, 217–219
 - ranking scores, 206–208
 - 30-day rolling ranking, 215–217
 - trading findings, not axioms, 211–213
 - value of logical thinking, 213–214
 - volume adjustment and excessive loss, 204–206
 - volume distortion, 200–204
- Weighting moving averages (WMA), in simple moving average construction, 132–137
- Weighting sequence, 133–139

- XLB (materials sector), comparative cross-hedging system and, 260, 262, 266
- XLE (energy sector), comparative cross-hedging system and, 260, 261, 266
- XLF (financial sector), comparative cross-hedging system and, 260–261, 266–270
- XLI (industrials sector), comparative cross-hedging system and, 260, 263, 266
- XLK (technology sector), comparative cross-hedging system and, 260, 262, 266
- XLP (consumer staples sector), comparative cross-hedging system and, 260, 264, 266
- XLU (utility sector), comparative cross-hedging system and, 260, 263, 265, 266
- XLV (health care sector), comparative cross-hedging system and, 260, 263, 266
- XLY (consumer discretionary sector), comparative cross-hedging system and, 260, 264, 266
- Yahoo (YHOO), 304

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>