

THE ALCHEMY OF TRADING SYSTEMS

How to turn the lead of your thoughts into the gold of trading profits.

The Alchemy of Trading Systems is a short book describing different approaches to designing and implementing technical trading systems. The intended audience is the general reader, though the book is advanced to make it a worthwhile read for market professionals.

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DISCUSSION OF THE TOPIC OR PRODUCT

Predicting the stock market is easier than trying to predict even your daily pick-four lottery.

In the markets, on any given day, there are only two ways for the market to go. Up, or down.

However, most people don't know how to go about systematizing what they know and feel to be true about the market into any kind of workable plan that could make them money over the long term.

That's what *The Alchemy of Trading Systems* is all about; it's about a beginner's journey through the ins and outs of the hedge fund industry's system design shops. There are lots of Things You Should Do and Pitfalls to Avoid documented between its covers.

While the professional may get something out of it if they are new to system trading or looking for a change of perspective, it is the beginners who will get the most from this book.

This book goes back to the simple premises on which most trading systems are based. It teaches the reader how to begin their design process, as well as how to define "success," without a lot of egotistical BS and a \$135 price tag.

The book is designed to be priced in the trade paper or mass market paperback format for less than \$20. It's short, sweet, and to the point. It's the Strunk and White of trading system books. It sets down in simple English all of the tools the beginner (or the professional new to system trading) needs to get started designing their own systems.

If you're a trader who has "made it big" by getting lucky consistently without really knowing how you did it, or you're a Joe Schmomethemoney who started trading and got hit hard and often by Mrs. Market right out of the gate (and quickly handed what was left of your portfolio over to a "trading professional") this book is for you.

There are lots of different kinds of system designers, and you don't need to be a Mensa member to design a system that will take your portfolio places over the long term.

If you want to take Mrs. Market to the cleaners for a change, this book will show you how to get started.

The book comes with access to a system design spreadsheet, which gives you a powerful tool to help you follow some of the arguments in the book as well as something with which you can begin the search for your own systems.

The book is currently published at both Lulu.com and through Amazon.com's Booksurge service. It enjoys modest sales with a few books selling each month primarily on word of mouth.

The book has strong reviews from people who have bought the book.

WHY THE PRODUCT IS NEEDED BY THE MARKETPLACE

This product is needed because there are very few short and to the point books about trading system design which are targeted at the beginner.

When people think about trading systems, they think about lots of computing power, high-power Manhattan Offices, ego-freaks at the trading desk, and other “out of reach” kinds of scenarios.

In fact, most trading systems are deceptively simple intellectual constructs which simply capitalize on some aspect of the market that one individual sees, and the rest of us do not. Finding those “loopholes” is what this book is all about. I know about this first hand, as my great uncle had a very simple and very effective trading system. He died with a briefcase filled with \$2.1 million in stock certificates under his bed (read the book to find out the full story).

The book discusses the best ways to approach trading system design – and includes a discussion of the intuitive and imaginative aspects (as per Pasteur, Einstein, and etc.) of finding a good trading system – pulling the needle from the haystack.

The book debunks a lot of the myths that surround trading systems and how those systems are created, and encourages a “can do” attitude in readers. Even if the reader only takes a stab at designing their own systems, they become better market participants and can cast a more professional eye on the activities of their “professional” money manager over the long term.

INTENDED PRIMARY MARKET AND SECONDARY MARKETS

This book is primarily intended for the investor who is interested in technical trading systems, and may have some exposure to system vendors, technical indicators & etc., but who doesn't know how to get started designing their own.

The secondary market is the trading professional who might use the book as a teaching tool with clients; as an opening into the world of system trading prior to getting a more advanced certification like a Chartered Market Technician; or as a place to start when beginning to design their own trading systems.

TYPICAL USER PROFILE

The typical user profile is a middle income or higher professional male or female who has upwards of \$25,000 of investment capital. Generally these people manage part or all of their own portfolio and have some exposure to trading systems, but who might be confused as to a) how systems are created, or b) how systems are implemented, or c) want to design their own but don't know how to get started.

For the more advanced reader, the book can help them a) rethink their design process b) give them direction in system implementation, c) provide broker, data vendor, and other useful lists and d) give them a text they can pass on to others who are interested in trading system design.

Generally the more advanced reader is an investment professional who subscribes to traditional buy and hold strategies, and is looking to up the ante in terms of value-add for his or her clients. Having heard about hedge funds and how they operate, the book provides some entry into the world of complex trading methodologies without being overwhelming.

SALES HANDLES (WHAT PROBLEMS DOES THE PRODUCT HELP SOLVE; WHY IS THE INFORMATION IMPORTANT)

The book helps to solve the problem of where to get started in the trading system game. It is a primer on defining system design (and trading) styles, system design and implementation, trading methodologies, and an exploration of some of the more “intangible” aspects of trading system design.

The information is important because it comes out of direct experience working for a hedge fund that was system-design focused -- and experience gained from passing through the offices of many hedge funds with a good trading system in hand.

The information is concisely presented, and without “dumbing it down” for the general reader provides the tools that even the true beginner needs to get started designing their own systems.

This isn't a fifty pound text book. It's a book that's meant to be stuck in your back pocket and read in an afternoon. It's entertaining, no-nonsense, and dare I say it, witty.

VIEW OF COMPETITIVE WORKS AND HOW THE SUGGESTED PRODUCT DIFFERS

When you type in “trading systems” into the search box at Amazon, you get

New Trading Systems and Methods, Peter J. Kaufmann (a Wiley Title), sales rank 30,853,

Trading Systems That Work: Building and Evaluating Effective Trading Systems by Thomas Stridsman, sales rank 36,393

Financial Trading Systems Design and Development with C++ (+CD) (Wiley Finance) by Gaurav Mangla, sales rank 403,702

And so on.

Most of these books are professional titles with upwards of a \$50 price tag. They are aimed at market professionals or savvy investors who can both afford the higher sticker price, and who probably have extensive knowledge in one or more aspects of the financial markets.

When you resift that search term by “best selling”, the relevant publications are the following:

The Intelligent Investor Rev Ed. (Collins Business Essentials) by Benjamin Graham and Jason Zweig, sales rank 362

Rich Dad's Guide to Investing: What the Rich Invest in, That the Poor and the Middle Class Do Not! by Robert T. Kiyosaki and Sharon L. Lechter, sales rank 675

The Neatest Little Guide to Stock Market Investing (Revised Edition) (Neatest Little Guide to Stock Market Investing) by Jason Kelly, sales rank 1442

How To Make Money In Stocks: A Winning System in Good Times or Bad, 3rd Edition by William J. O'Neil, sales rank 1,792

And

Inside the House of Money: Top Hedge Fund Traders on Profiting in the Global Markets by Steven Drobny, sales rank 3,461

These books are all mainstream titles in mass-market or trade paper format with retail price tags under \$20. It is in this second pool of titles that *The Alchemy of Trading Systems* would fall.

HOW THE SUGGESTED PRODUCT DIFFERS

In the case of the more complex technical offerings, *The Alchemy of Trading Systems* differs in that it is not designed for the market professional but rather for the general reader who is trying to make a buck from the market, but is continually getting fleeced (in one way or another) by market professionals.

This book differs from the second group of titles in that it focuses on a very narrow aspect of investing: the trading system.

With the first three best-selling books, each takes a more general view of investing and does not focus specifically on trading systems. In general, the authors lack specific hedge fund and/or system design experience and take a more wholistic view of the markets and market practices.

The final title (which I have not read but plan to now that I've come across it here), seems more along the lines of what *The Alchemy of Trading Systems* is trying to do.

CONCLUSION

The Alchemy of Trading Systems presents Wiley with the opportunity to add another mainstream title to its collection of investment books. The book is well written, well conceived, and taps into popular interest in hedge funds, investment strategies, and trading systems. The Alchemy of Trading system fills a gap in current market offerings by offering a tightly focused exploration of trading system design as well as encouraging an Emersonian "self-reliance" attitude in readers as they approach the financial markets on their own.

Thank you for taking the time to read the proposal. A complete manuscript for 6x9 trade paper publication including current cover art is enclosed on CD-ROM.

Sincerely,

Dr. Matthew Hanson