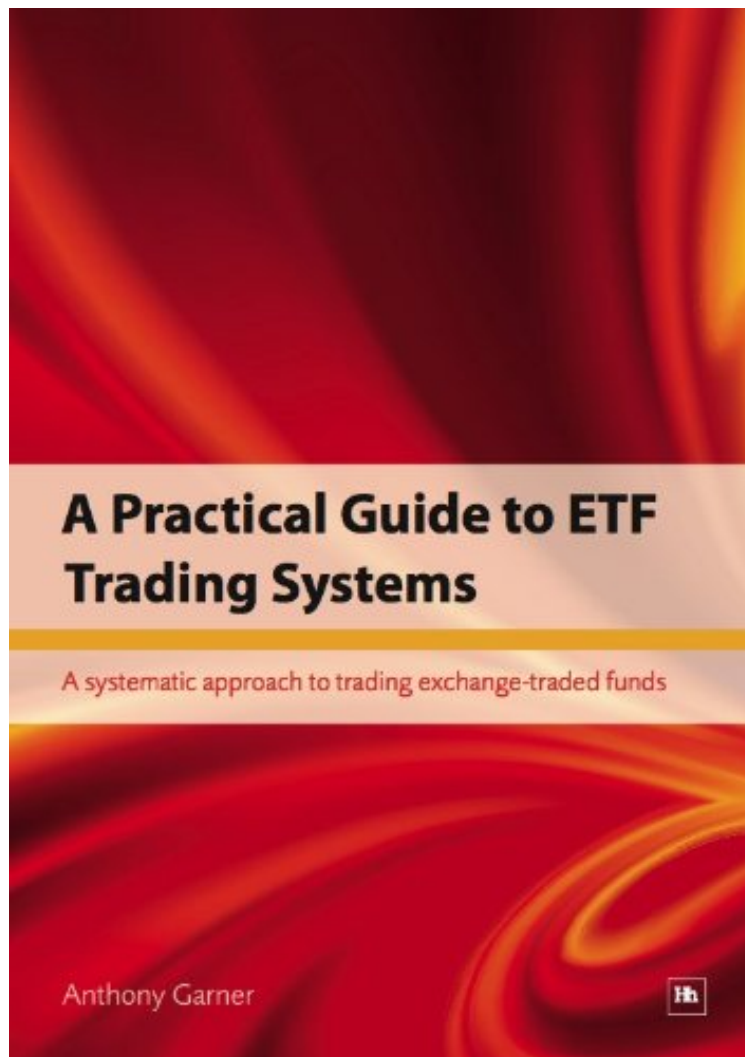


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A Practical Guide to ETF Trading Systems: A systematic approach to trading exchange-traded funds

Anthony Garner

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Anthony Garner : A Practical Guide to ETF Trading Systems: A systematic approach to trading exchange-traded funds before purchasing it in order to gauge whether or not it would be worth my time, and all praised A Practical Guide to ETF Trading Systems: A systematic approach to trading exchange-traded funds:

7 of 7 people found the following review helpful. Not What I had Hoped ForBy BroomyI recently discovered trend trading and have been doing some research to understand it. The first book I read was Michael Covel's Trend Following. It provided a good introduction and made a strong case for why trend trading is a better strategy than buy and hold, but it left me wanting more details. I got the details I wanted in Andreas Clenow's book Following the Trend.

That is an excellent and highly recommended book for anyone interested in a more thorough understanding of how to set up and manage a trend trading system. One drawback of traditional trend trading is that to fully diversify you need a lot more capital than many individual investors have. It is this limitation that caused me to explore using ETFs in a trend trading system. Garner starts out with an overview of trend trading with a focus on using equities. I didn't get much out of that section because Covell covers it more completely--it takes up most of his book--and he does not discuss it from the perspective of equities, but all asset classes. In Part 2 the author performs a series of backtests to show that diversification improves the return and lowers the risk. While the title suggests that the focus will be on ETFs, there is very little discussion of the topic. It doesn't talk about how to evaluate whether a particular ETF is appropriate for a trend trader. My primary reason to try using ETFs in a trend trading system is that it would allow me to diversify into more asset classes, including commodities, which Clenow argues may be difficult for the small investor to include in a portfolio because the contracts can be large. More disappointing is that the strategy he describes only considers long positions. Clenow argues persuasively that short positions add an important layer of diversification, and that shorts help reduce risk. One of the nice things about ETFs is that it is very easy to include short positions in the asset mix. These are the topics that I wanted to read about, but the book did not address these topics. Perhaps I should have looked it over more carefully before buying it. In sum, the book was a disappointment for me. I gave it two stars because I didn't get much out of it, and there are other books that do a better job of covering what the author does here. And the title is misleading because it really has little to do with ETFs, and that is the only reason I bought it. The book is also pricey--I'm glad I purchased the cheaper Kindle version. I would have been even more disappointed if I had sprung for the paper version.

2 of 4 people found the following review helpful. Excellent! By Customer
This book was recommended on the blog of Mebane Faber (author of *The Ivy Portfolio*). I am presently working to put together a simple timing system on a diversified portfolio of assets. For anyone looking to do the same, this book is well worth reading. The systems and concepts are similar (but not identical) to those discussed in *The Ivy Portfolio*. The author goes into great detail on the systems' performance and shows how altering various aspects (start date, system parameters, asset classes, etc) would have altered past performance. While such past performance is no guarantee of future success, the book does an excellent job of displaying the robustness of the reasonably simple systems presented. It gives me much confidence to move forward with a simple system that I believe will be effective over time. The author also shows ways to dial up absolute returns if desired and how doing so alters risk-adjusted returns and drawdown. Perhaps the greatest take away for me was the author's demonstration that widely diversifying globally (treating the US as "one of many") and diversifying to deeper granularity has been effective for such systems in the past. This was a hunch I had, so I was glad to see the author had some proof that this was indeed true, at least historically. The confidence I have gained is well worth the cost of this book.

4 of 4 people found the following review helpful. Some Practical Content but Incomplete By Scott's Investments
Regular readers of Scott's Investments know that for the most part I am a fan of disciplined, systematic, and well-researched investing. Anthony Garner's *A Practical Guide to ETF Trading Systems* (Harriman House) details his approach to systemically trading exchange-traded funds. The primary system he uses is a trend following model with ETFs. Garner's primary methodology is to build mechanical systems using third-party software. He details in-depth his complete approach to rule-based trading, starting with his preferred software platforms all the way to two systems he argues beat buy-and-hold, both on a nominal and risk-adjusted basis. Garner provides insight into his data sources as well as several limitations and roadblocks a system developer may encounter when acquiring long-term market data. Garner presents two systems, a bollinger band breakout system and a momentum system, that both beat buy-and-hold in his backtests. He uses as much historical data as possible, while acknowledging limitations in acquiring data for a several market indices. I give kudos to Garner for acknowledging the potential limitations in historical data so readers gain insight into the hurdles in developing their own system. The two systems Garner present have solid historical returns and, in theory, could be practically implemented by investors in their own investing. There are some drawbacks to Garner's presentation of his systems. For example, without a third party software platform similar to the one Garner uses (which has a subscription fee), an investor will have difficulty trading the system. The momentum system detailed by Garner is also very similar to some of the methods detailed by Mebane Faber in *The Ivy Portfolio: How to Invest Like the Top Endowments and Avoid Bear Markets*. However, unlike Garner, Faber's system requires no third party software platform and is much easier for the self-directed investor to digest. Also, Garner misses the mark by not presenting some of the additional data cited in his book on his own website. Instead, he refers readers to chat forums of his software provider. He missed a great opportunity to have real-time updates of his systems on a website or via a newsletter. *A Practical Guide to ETF Trading Systems* reads more like a book on how to create mechanical trading systems using software. Garner presents plenty of data, which also makes the book an incredibly short read because many of the pages are charts and tables. The book, and systems presented, have practical potential for investors. However, Garner only gets readers to the tip of the iceberg, not giving us anything more than historical backtests on two trading systems. I think his systems can be better implemented using other sources and books due to Garner's presentation of his systems and failure to follow-through with a website or other platform for updating readers real-time on trades within his two systems.

'A Practical Guide to ETF Trading Systems' is about simple, rule-based trading systems of a trend following nature. This book reflects the author's belief that successful investing is not complex, that market timing works and that investors should spurn traditional actively-managed products in favour of managing their own investments using index-tracking funds. Providing a comprehensive introduction to rule-based trading, this book sets out in detail two specific systems which may be applied to exchange-traded funds (ETFs) and exchange-traded commodities (ETCs). Sceptics will maintain that mechanical systems do not work and that you cannot ignore the fundamentals. They are wrong. Sophisticated investors have profited handsomely over the years by following price trends on a purely mechanical basis and they will continue to do so. This guide will show you that systematic trading is likely to provide far better risk-adjusted returns than any conventional approach currently on offer from professional fund managers. There has never been a better time to benefit from the advantages of systematic investing. At a time when long-only traditionalists are fully invested in stocks and nursing huge losses, the systematic investor has exited the markets entirely and waits patiently for a signal to re-enter.

About the Author After education at Westminster School, Oxford University and the College of Law, Anthony Garner spent a few formative years as a solicitor with a City of London law practice, before moving to an investment bank. He left conventional employment in 1995 in favour of a long cherished aim to work for himself and since then has been trading financial markets for his own account. For some years now his interest has concentrated on designing, testing and trading simple mechanical strategies, since his years inside the financial industry convinced him that, for the majority, the discipline of systematic trading is a better way to go.