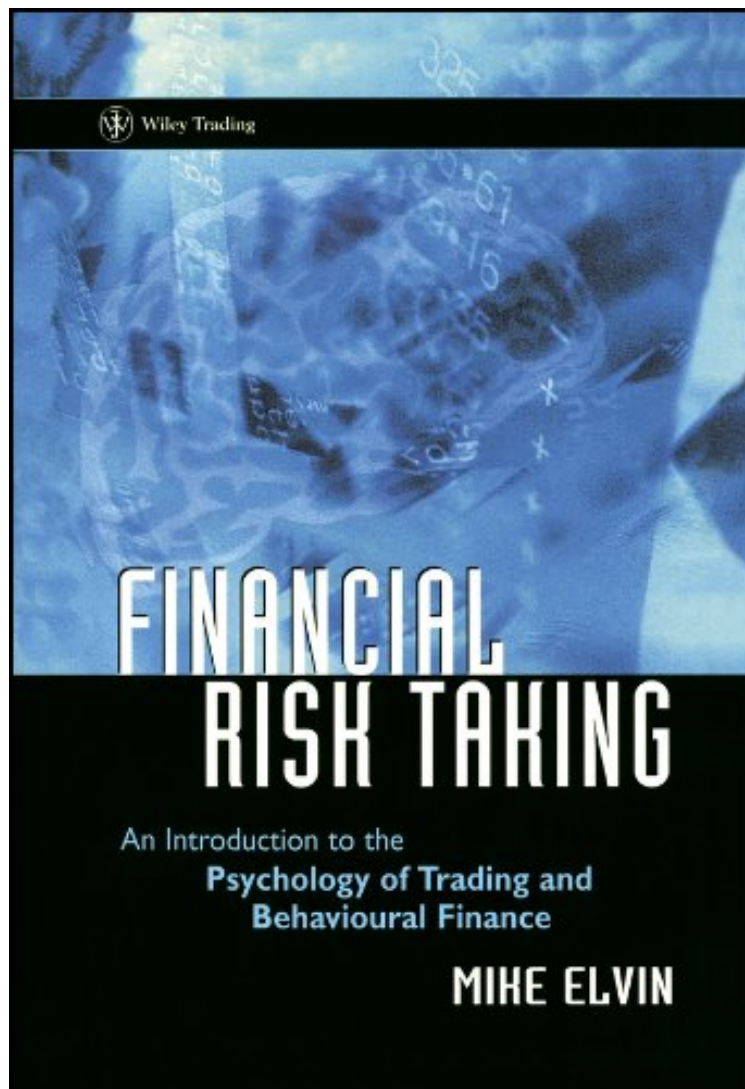


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Financial Risk Taking: An Introduction to the Psychology of Trading and Behavioural Finance (Wiley Trading)

Mike Elvin

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Mike Elvin : Financial Risk Taking: An Introduction to the Psychology of Trading and Behavioural Finance (Wiley Trading) before purchasing it in order to gage whether or not it would be worth my time, and all praised Financial Risk Taking: An Introduction to the Psychology of Trading and Behavioural Finance (Wiley Trading):

28 of 29 people found the following review helpful. Another viewBy dbphoenixWell, I don't know if "fascinating" is the word I'd choose for this book, though I'm not entirely sure that the word "book" is appropriate to describe it either. I'm sure Elvin is a very nice person and I applaud him for the journey he undertook to achieve trading

competence, assuming that he ever did (achieve trading competence). However, this is not so much a book as a very long -- and I mean VERY long -- research paper. In effect, Elvin provides the glue to hold together not only the views of others but also sometimes lengthy passages from their books. Rather than contribute anything new to the literature, he provides what is called a "review of the literature", and that review is somewhat shallow. For example, the facility with which he assumes the value of certain elements, such as Fibonacci, even though there is no evidence that they have any demonstrable value at all, toots "new trader", giving the book a sort of What I Learned During My Summer Vacation After Being Screwed By A Guru quality. In a way, it reminds me of those compilations one sees advertised on late-night television: a few minutes of one movement from some symphony, a sampling of an aria from some opera. If this style encourages one to investigate the source material, all to the good. But at \$45 (\$70 MSRP), it's a bit steep for a sampler. I suggest, therefore, that dear reader get this book from the library first in order to find out if it's truly what he wants. It may instead provide leads to those books which might actually benefit the reader in the way he had in mind when he sought out the book in the first place.

7 of 8 people found the following review helpful. Get the book, read and apply it - worth the effort.

By Robert Heavill I don't normally write reviews, but I think that this is a great book. Serious traders should consider adding this to their library of reference material. I have a trading library that contains most of the classic trading books, including more than a dozen on trading psychology. The key is to find the "gems" in each one and figure out how to apply them in our own personal style of trading. This book is unique in three ways:

1. It pulls together some of the "gems" from the classics so the information is more accessible in one place.
2. The author lays down an excellent framework (structure) for being a successful trader - not just today, but a broad set of integrated skills that must be mastered and balanced. This is actually a interrelated set of "competencies" that the author outlines.
3. A "Model of Trading" is identified at a high level, and presented in a strategic and tactical flow chart. Some text supports the flow charts. There is no "one book" that covers it all, but applying the information in this book would help the individual trader develop his trading career and bring it to a more professional level.

13 of 13 people found the following review helpful. Trading and Emotional IQ

By Mark Mills This is the first 'trading' book I've read that explicitly offers advice on suicide. Here is the final sentence of the last chapter, the one on depression and suicide: "...seek out a counselor, to find your way to God as you understand Him, or whatever it is that you need to do to end your pain, loneliness, and hopelessness. If you can manage this, and do something very small every day, I know you will get through your period of loss, and I will feel tremendously grateful for having shared some of your experience with you through this book."

This is not a book on 'how to trade'. Loosely, the book is a psychologist's autobiographical 5 years in the trading pit (ok, in front of a trading screen). The first section covers Dr. Elvin's frustrations with finding a teacher and the second lightly touches on trading techniques. This is all rather flimsy material, but represents a fair picture of the pitfalls facing anyone trying to 'learn' trading by sitting in classes. The 3rd section on 'perceptual bias' is very good, and obviously takes advantage of Dr. Ervin's 'real job', clinical psychology. There is brief but concise descriptions of the 'primacy error' (we are unduly influenced by experiences immediately prior to a decision), the 'availability error' (we tend to take the easy way out) and the 'Halo effect' (a good trait blinds us to the bad). Other topics include the 'misplaced consistency theory, the 'sunk cost error', 'prospect theory', 'self-deception bias', 'representativeness bias', and 'sampling bias' (law of small numbers). As an answer to this, Dr. Elvin briefly argues against the Neo-Platonic efforts to exclude emotion from decision making, and recommends assessing one's Emotional IQ with a view to improve it. A few well placed emotional disasters pulled from the author's trading experiences illustrate the points nicely. Concluding that emotional issues are the primary blame for trading disasters, the 4th section covers the delights of Zen meditation and taking on the self-image of a warrior-trader. The book suggests this is the path the author finally chose. We don't end here, though. Instead, Dr. Elvin launches into a fascinating discussion on suicide, the suicides of famous traders and gambling addiction, again with personal insights to his own dark moments. All of these materials are covered in more detail elsewhere, but Dr. Elvin's consistent reference to his own trading experiences provide a relevance missing in more academic work. The summary chapter suggests the author was trying to write a model of trading competence. Using this goal as a measure, the author has failed to deliver. The offered measures of competence seem designed for accountants. The messy comments on assessing one's emotional IQ are hard to package in terms of competence. The juxtaposition of brave 'warrior trader' and 'suicidal trader' illusions speak to the difficulty of the subject. I suspect the author recommends we meditate on these issues.

In *Financial Risk Taking*, trader and psychologist Mike Elvin explores the complex relationship between human behaviour patterns and the markets, offering the reader a context in which to assess their own strengths and weaknesses as investors. The book offers an apposite and uncomplicated system of skills development in the form of competences and competencies that can be applied anywhere along the continuum from casual investor to full-time day trader. Elvin presents a Comprehensive Model of Trading Competence (the MOT) as well as the concepts of analysis and refutation, the paramuncy principle, and self-sabotaging behaviours such as the Santa Claus syndrome and Bohica effect. Areas covered include:

- Emotions - are they functional or disabling? How do the mechanisms of fear, greed and panic work?
- Motivation and perception - how do belief paradigms affect perception and performance?
- What perceptual errors influence decisions to the trader's detriment?
- Information processing and risk

assessment - how does information overload affect Stress How does stress affect investment decisions? Technological and mathematical anxiety - why do we avoid learning the skills we most need? What levels of ability are required? Can psychological and biological theories assist in our understanding of investors' performance? nbsp;

From the Back CoverFinancial Risk Taking explores the complex relationship between human behaviour and the markets, offering the reader a context in which to assess their own strengths and weaknesses.nbsp; It is essential reading for anyone wishing to invest in stocks and trade futures as part of a Self-Investment Pension or day trading business.nbsp; Following years of trading and careful research the author has developed the comprehensive Model of Trading Competence that depicts the competences and competencies required to succeed. The book embraces some controversial issues and introduces the concepts of: Perceptual Errors - how these negatively influence the trading process and how to overcome them through applying techniques such as analysis and refutation.