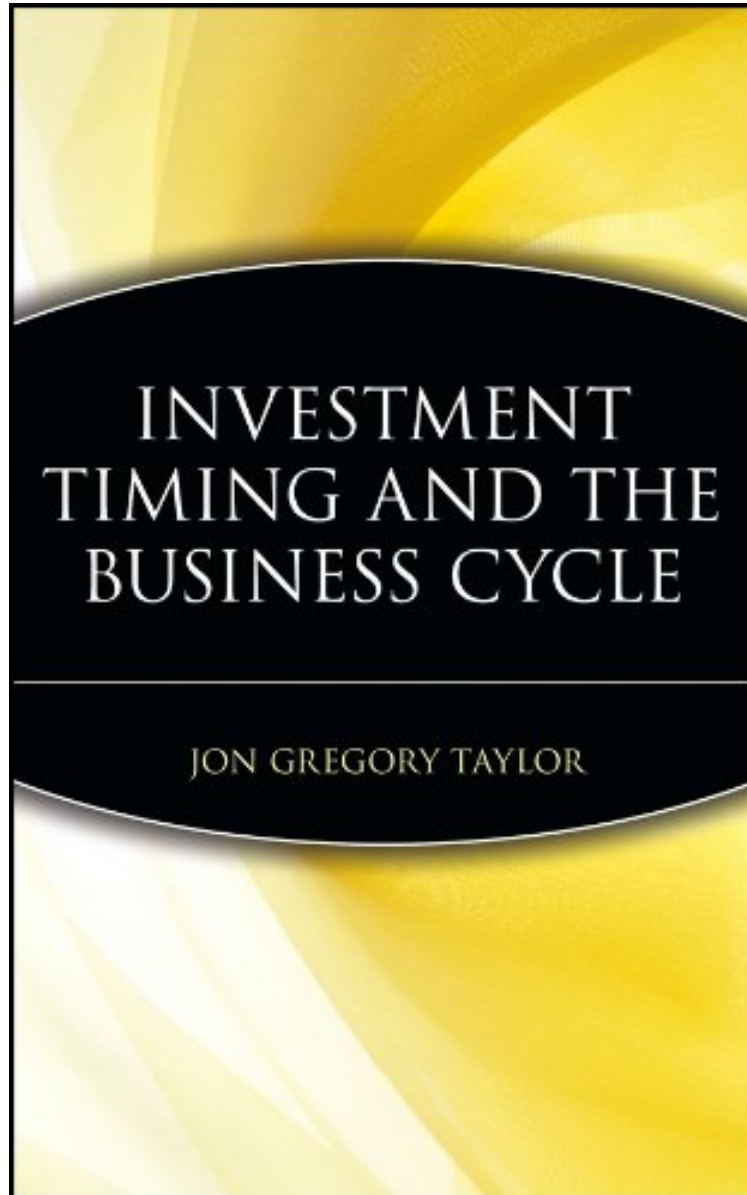


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Investment Timing and the Business Cycle (Frontiers in Finance Series)

Jon Gregory Taylor

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Jon Gregory Taylor : Investment Timing and the Business Cycle (Frontiers in Finance Series) before purchasing it in order to gage whether or not it would be worth my time, and all praised Investment Timing and the Business Cycle (Frontiers in Finance Series):

14 of 18 people found the following review helpful. A superficial survey of US investment returns since 1975By M.

Mcfarland This book isn't worth the money. The only Frontier in Finance that I went through was my sense of value for money. I can't believe I paid US\$53 inc. postage for something so superficial. Anyone who works in the dismal science or financial markets will learn nothing from this book. It's little more than a survey of US investment returns from the mid-1970s. Non-US markets get scant attention and the chapters on bonds are wearisome. In any case, anyone running a portfolio should know by day two that commodities, cash, bonds and equities perform differently at different stages of the business cycle - and, more often than not, in ways that most people don't expect. Often, but not by any means always, it's the information that isn't publicly available that drives relative asset prices. Investors caught up in any of the recent Emerging Markets crises now know this only too well. Taylor's main audience seems to be the small time investor who punts US stocks - i.e. the type who thinks that equities actually make you richer without upping the stakes. But that type of investor is normally into momentum trading and that has nothing to do with business cycles. Sadly, it is rather hard to see how the information in this book would be of any value to ordinary people. Explaining economics and the meaning of economic statistics to small time punters is often like trying to teach Americans the rules of cricket.

8 of 18 people found the following review helpful. Founded on a misconception

By Oliver Kamm The purpose of the book is to set rules for successful market timing according to the stage of the business cycle. The attempt is misconceived and the result is likely to damage the economic well-being of anyone who puts it into practice. It is one thing to say, uncontroversially, that financial asset returns are affected by business conditions. It is even plausible to say that, in certain limited respects, financial asset returns follow predictable patterns (such as return to size, or price-to-book ratio) that are not encapsulated in the standard framework of the semi-strong form of the Efficient Market Hypothesis. But the suggestion that one can derive accurate forecasts of financial asset returns from a knowledge of the business cycle (even supposing, *mirabile dictu*, that it is possible to forecast the business cycle) is plain wrong. Financial theory, which is largely borne out in statistical tests, stipulates that expected returns on particular assets are equal at any stage of the business cycle once you have adjusted for risk. It is shifts in **expectations** for business conditions, and hence for the net present value of future earnings, that determine asset returns, not shifts in the conditions themselves. There is such a thing as the business cycle, and there is such a thing as the interest rate cycle, but there is no such thing as an equity market cycle. Equity prices don't go in cycles. The entire premise of the book is thus a mistake. Basing your investment decisions on a mistake is never a good idea, and basing market timing decisions (in which, because you have to time your investment behaviour correctly on two decisions - when to get out of an asset **and** when to get into an alternative asset) is an exceptionally risky strategy to found on a mistake. I give this book two stars, because the discussion of the economic indicators themselves is well-presented and informative - but as an investment book, this fails. Much better to follow the advice of Burton Malkiel, in *A Random Walk Down Wall Street*, or Charles Ellis, in *Investment Policy*.

2 of 10 people found the following review helpful. Links the economy with financial markets

By Financial Writer The book does a good job linking the the real economy with the key factors that drive financial markets.

Until now, market timing as it applies to successful investment decision-making has been an elusive, at times vague instrument. This book provides a clear, relevant model for using the business cycle as a tool for timing investments. At last, here is a clear framework for assessing returns at different stages of the business cycle, and for determining the timing relevance as it relates to stocks, bonds, mutual funds, other specific investments and general asset allocation. A solid and dynamic approach.

From the Publisher Until now, market timing as it applies to successful investment decision-making has been an elusive, at times vague instrument. This book provides a clear, relevant model for using the business cycle as a tool for timing investments. At last, here is a clear framework for assessing returns at different stages of the business cycle, and for determining the timing relevance as it relates to stocks, bonds, mutual funds, other specific investments and general asset allocation. A solid and dynamic approach.

From the Back Cover A concise, authoritative guide on using the business cycle to improve investment timing and maximize returns. "The business cycle--which articulates the evolution of the economy through time--provides the fundamental backdrop for investment returns. . . . Various classes of assets perform very differently under different economic conditions, and to exploit the opportunities presented by these disparate conditions, the investor must understand the dynamics of the economy and how changes in the economy impact different categories of investments. This primer offers a framework for assessing and understanding the business cycle and its impact on different types of financial assets." --from the Introduction.

Successful market timing depends on understanding the impact of the business cycle on different types of assets at different stages of the cycle. Surprisingly, there is little practical information currently available on business cycle-based timing. In this authoritative new book, an expert on investment timing gives you the framework for understanding both how the business cycle works and how it affects market timing. Ten concise, sharply focused chapters provide the tools you need for making the right investment decisions -- at the right time. *Investment Timing and the Business Cycle* definitively sets out the cycle of economic forces that affect asset class returns, and describes the nature, power, and interaction of these forces on the full range of investment vehicles. Investment expert Jon

Gregory Taylor explains the different phases of the business and growth cycles, and the effect each phase has on investment returns in equities, bonds, and cash. He examines key U.S. economic indicators and gives suggestions for interpreting them in light of the business/growth cycle and the financial markets. Taylor's insights into the effects of the business/growth cycle on the stock market cover such crucial issues as negative and positive output gaps, corporate earnings and profits, inventories, monetary policy, and interest rates. His detailed analysis of sector rotation will help you take advantage of changes in the relative performance of specific market sectors over time. Taylor describes how global equity markets, each with their own cycle and seasonality, influence each other and in the process, present yet another level of risk and opportunity for investors. In a thorough examination of the bond market, Taylor emphasizes the dynamics of the business cycle as it relates to monetary policy and short-term interest rates. Supported by an abundance of helpful charts, tables, and references, *Investment Timing and the Business Cycle* will give investment professionals at all levels a deeper understanding of the cyclical forces that shape the investment environment, as well as a sounder, more informed basis for expertly timed investment decisions.

About the Author
JON GREGORY TAYLOR is the Chief Investment Officer at Commonwealth Funds Management (CFM), an international investment firm based in Melbourne, Australia. He has held principal positions at First Chicago Investment Advisors, Brinson Partners, Continental Bank, and Manufacturers Hanover. In addition, he has served as an international economist in the offices of the U.S. Treasury Department.