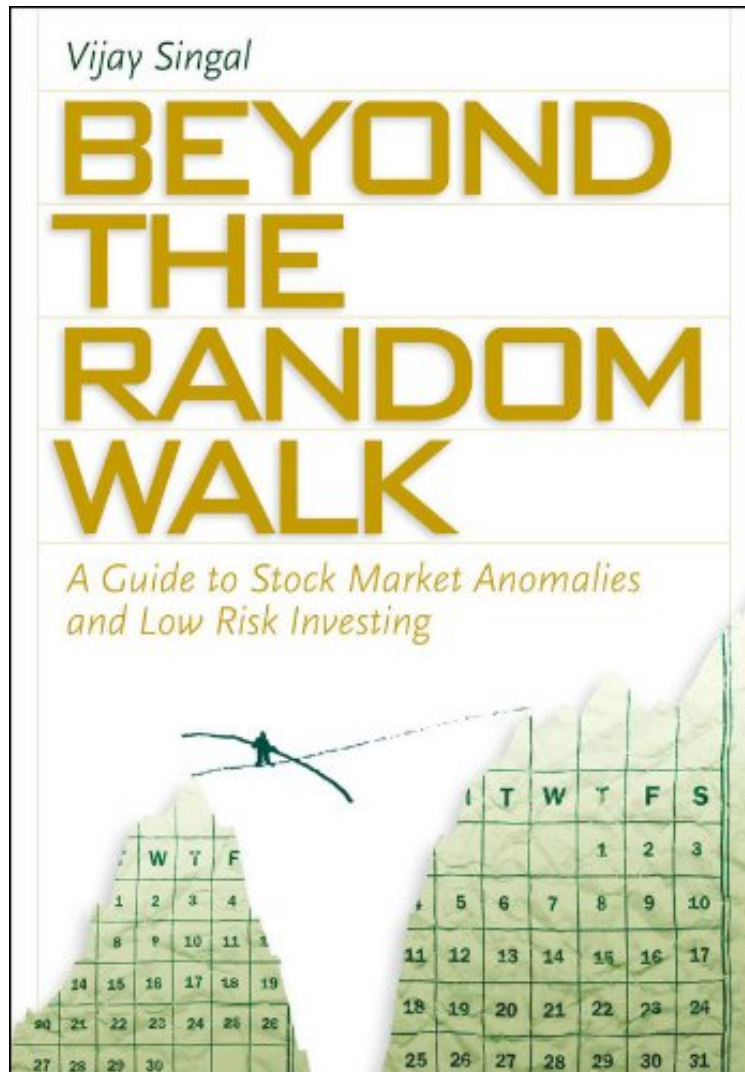


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## **Beyond the Random Walk: A Guide to Stock Market Anomalies and Low-Risk Investing (Financial Management Association Survey and Synthesis Series)**

*Vijay Singal*

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**Vijay Singal : Beyond the Random Walk: A Guide to Stock Market Anomalies and Low-Risk Investing (Financial Management Association Survey and Synthesis Series)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Beyond the Random Walk: A Guide to Stock Market Anomalies and Low-Risk Investing (Financial Management Association Survey and Synthesis Series):

13 of 14 people found the following review helpful. Detailed and Useful Trading Strategies....By dennis wentraubThe

financial markets give investors a chance to make money when they work - and when they don't. When markets work efficiently they uncover the true value of an asset by pegging its fair price for informed buyers and sellers. When for a variety of reasons markets are inefficient they misprice assets. When the specific circumstances of that mispricing are recognized and persistent (viz. predictable) it is an anomaly. The regularity of anomalies offers investors, at least in theory, the opportunity to profit by taking a position that recognizes the temporary nature of the mispricing before it rights itself. These anomalies are the subject of Singal's study which takes its title from the updated 1970's classic exposition of the efficient market hypothesis by Princeton Economics professor Burton Malkiel. This is a detailed look at ten market anomalies. Singal's goal is to move us well beyond descriptions and academic evidence and offer trading strategies intended to achieve an outsized market return. Each chapter summarizes key points and projects potential returns from implementing the outlined strategy. Additional market anomalies are briefly identified in the final chapter. As a bonus of sorts an appendix gives the most detailed explanation of short selling I have read. From a practical standpoint some anomalous situations would appear to be more exploitable than others. Mergers between public companies occur with some frequency, so an understanding of how to play the merger premium paid by acquiring companies for their target is useful. Changes to the composition of the SP 500 Index and their impact on stock prices occur with less frequency, but this is balanced by opportunities from the January and "New December Effect" (mark your calendars). From anecdotal observations, I am not convinced by the author's discussion of the Weekend Effect, and the chapter on International Investing seems like a fair argument for diversification rather than an anomaly. The so-called Value Line Enigma identified in the final chapter is perplexing to this reader, since the supposed outperformance of their recommended stocks runs directly counter to a similar study of mutual funds picked by Morningstar. An apples to oranges comparison to some, perhaps, but it is a sufficiently known study to warrant comment. A chapter dealing with currency forward rates will be beyond most non-professional investors. I would have liked to have heard more about spin-offs, the long-term overperformance of "independent" subsidiaries occasionally distributed to shareholders of a parent company. Singal identifies the simpler, "sharper" corporate mission as the reason. Actually, it may be strong sponsorship and generous, upfront management incentives which spark those returns. The question remains, does this serious academic study offer practical trading strategies to investors bent on gain. The answer is that Singal has so many ideas packed into the book that investors will be influenced in the aggregate in their trading decisions. Not to be aware of these market biases exposes traders to more uncertainty and risk than may be necessary. 1 of 1 people found the following review helpful. An excellent investment By MikeInPDX Vijay has written a very lucid account of different pricing anomalies and how to take advantage of them. His section on momentum-trading strategies was particularly interesting to me. Sector-fund momentum trading strategies have been shown to beat the market averages (Hulbert's Financial Digest has reviewed sector fund newsletters and thinks there's statistical evidence of superiority in their total returns versus an unmanaged index). It's well worth considering as an investor if you're willing to invest a little time. I've based a website on this approach, topsectors.com, so I'm quite convinced it's a strategy that hasn't been fully exploited today and so pricing anomalies exist that the average investor can use to their advantage. 0 of 0 people found the following review helpful. Interesting book well written, temptation to invest again By J. Meyer This is an "easy to read" well written book. It does not immediately bore the reader to death like many other investment and economics books. The logic behind weekly and annual stock trends is logically explained with examples. However very few novice investors can profit playing the stock market with these techniques. All it takes is some unexpected event like the "real estate melt down" to squander your fortunes. I recommend the book, but I don't recommend the stock market for the weak at heart.

In an efficient market, all stocks should be valued at a price that is consistent with available information. But as financial expert Vijay Singal, Ph.D., CFA, points out, there are circumstances under which certain stocks sell at a price higher or lower than the right price. In *Beyond the Random Walk*, Singal discusses ten such anomalous prices and shows how investors might--or might not--be able to exploit these situations for profit. The author distills several decades of academic research into a focused discussion of market anomalies that is both accessible and useful to people with varied backgrounds. Past empirical evidence is supplemented with author's own research using more recent data. Anomalies covered include the "December Effect," "Momentum in Industry Stocks," "SP 500 Index Changes," "Trading by Insiders," and "Merger Arbitrage." In each chapter, the author describes the particular anomaly, explains how it occurs, shows ways to take advantage of the anomaly, and highlights the risks involved. We learn, for example, that shares of stocks that have appreciated in recent months become scarce in late December, because investors wait until January before they sell (to postpone payment of taxes on profits). This scarcity drives the price up--the "December Effect"--and smart buyers can make the equivalent of 75% annual return on a five-day investment. Each chapter includes suggestions for further reading as well as tables and graphs that support the discussion. The book concludes with a preview of many other interesting anomalies and a section on how investor behavior might influence prices. Clearly written and informative, this well-researched volume is a must read for investors, traders,

market specialists, and students of financial markets.