



The Art of Contrarian Trading: How to Profit from Crowd Behavior in the Financial Markets

By Carl Futia

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Why is it so hard to beat the market? How can you avoid getting caught in bubbles and crashes? You will find the answers in Carl Futia's new book, *The Art of Contrarian Trading*. This book will teach you Futia's novel method of contrarian trading from the ground up.

In 16 chapters filled with facts and many historical examples Futia explains the principles and practice of contrarian trading. Discover the Edge which separates winning speculators from the losers. Find out how to apply the No Free Lunch principle to identify profitable trading methods. Learn about the wisdom and the follies of investment crowds – and how crowds are formed by information cascades that drive stock prices too high or too low relative to fair value. Discover the power of your Media Diary - and how to use it to spot these information cascades, measure the strength of the crowd's beliefs, and decide when the crowd's view is about to be proven wrong.

You will watch Futia apply these principles of contrarian trading to navigate safely and profitably through the last 26 tumultuous years of roller coaster swings in the U.S. stock market – a time during which Futia kept his own media diary and developed his Grand Strategy of Contrarian Trading. See how this Grand Strategy worked during the Great Bull Market of 1982-2000. Watch the Contrarian Rebalancing technique in practice during the dot.com crash of 2000-2002. Find out when the Aggressive Contrarian Trader bought and sold during the bull market of 2002-2007. Read about the causes of the Panic of 2008 and ups and downs of contrarian trading during that dangerous time.

Futia shows you how the market turning points during the 1982-2008 period were foreshadowed by magazine covers and newspaper headlines that astonishingly and consistently encouraged investors to do the wrong thing at the wrong time. By monitoring crowd beliefs revealed by news media headlines – and with the guidance provided by the many historical examples Futia provides – a trader or investor will be well-equipped to anticipate and profit from market turning points.

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Editorial Review

From the Inside Flap

Contrarian theory in investing and trading is based on the idea that markets are driven in large part by crowd behavior. When crowds form around investing themes in the stock market, they push stock prices too high or too low relative to fair value. Contrarians hold that if investment crowds are responsible for the pricing mistakes made by the stock market, it logically follows that you can do better than buy-and-hold if you can detect those situations in which an investment crowd has driven the stock market too high or too low relative to fair value. *The Art of Contrarian Trading* shows how to take advantage of the crowd's periodic bouts of enthusiasm and fear, and make wise investment choices that most others may think are ill-advised.

Veteran trader Carl Futia explains the contrarian trader's principal tool: his media diary. Since major market turning points are almost always foreshadowed by magazine covers and newspaper headlines that turn out to be completely wrong, by monitoring crowd behavior through both quantitative indicators and news media headlines—and with the hindsight of historical examples—a trader or investor will be well equipped to profit from market turning points. Futia shows specifically how the information contained in a media diary can be interpreted and then coordinated with a statistical view of a market's current and past swings. By looking back at the bull market of 1982–2000, the 2000–2002 bear market, the bull market of 2002–2007, and the crash of 2008, he reveals how his own media diary effectively identified the many valuation mistakes the stock market made during those years. In addition, he explains the development of the theory of contrary opinion, highlights the contributions key individuals made to the theory, briefly discusses several books every contrarian should read, and offers a quick primer on value investing for the contrarian trader.

The contrarian trader, says Futia, is not in the business of predicting stock market highs and lows or of making correct forecasts of any kind. Instead, his focus is on a single objective—that of achieving a higher return than that earned by the buy-and-hold strategy. This book will show you how to achieve this elusive goal.

From the Back Cover

Praise For

The Art of Contrarian Trading

A practical guide to profiting from the crowd's investment mistakes

"Most authors totally overlook the ultimate investment problem; which is the fact that our own observations continually alter the outcome. Thankfully, Carl Futia shows us the way out of this analytic cul-de-sac, and the way toward excess returns: If we have the right stuff to follow him."

—**Paul Macrae Montgomery**, Owner and CEO, Montgomery Capital Management

The Art of Contrarian Trading reveals techniques for identifying and exploiting the investment opportunities that arise when crowd-based groupthink causes markets to become overvalued or undervalued.

Written by leading investment blogger Carl Futia, this book explains in detail why markets are driven by crowd behavior and shows how crowd-based groupthink connects with the theory of efficient markets. Futia offers a practical approach to contrarian trading, with specific strategies for both the conservative and the aggressive contrarian trader. He shows how to use technical indicators and quantitative information in

combination with media headlines to determine when market sentiment has gotten far out of hand, providing the tools to measure crowd behavior and spot situations where it's time to take a position against the crowd—while also helping you remain objective.

About the Author

CARL FUTIA is a trader who runs a highly rated investment/trading blog (carlfutia.blogspot.com). He provides very specific price forecasts for the stock, bond, and various commodity markets. Futia's main tools are derived from the theory of contrary opinion and box theory. He holds a BA in economics from Yale University, a master's degree in mathematics from the University of California at Berkeley, and a PhD in mathematical economics from Berkeley as well. Futia has published several papers in theoretical economics in scholarly journals.

Users Review

From reader reviews:

Desmond Gorman:

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