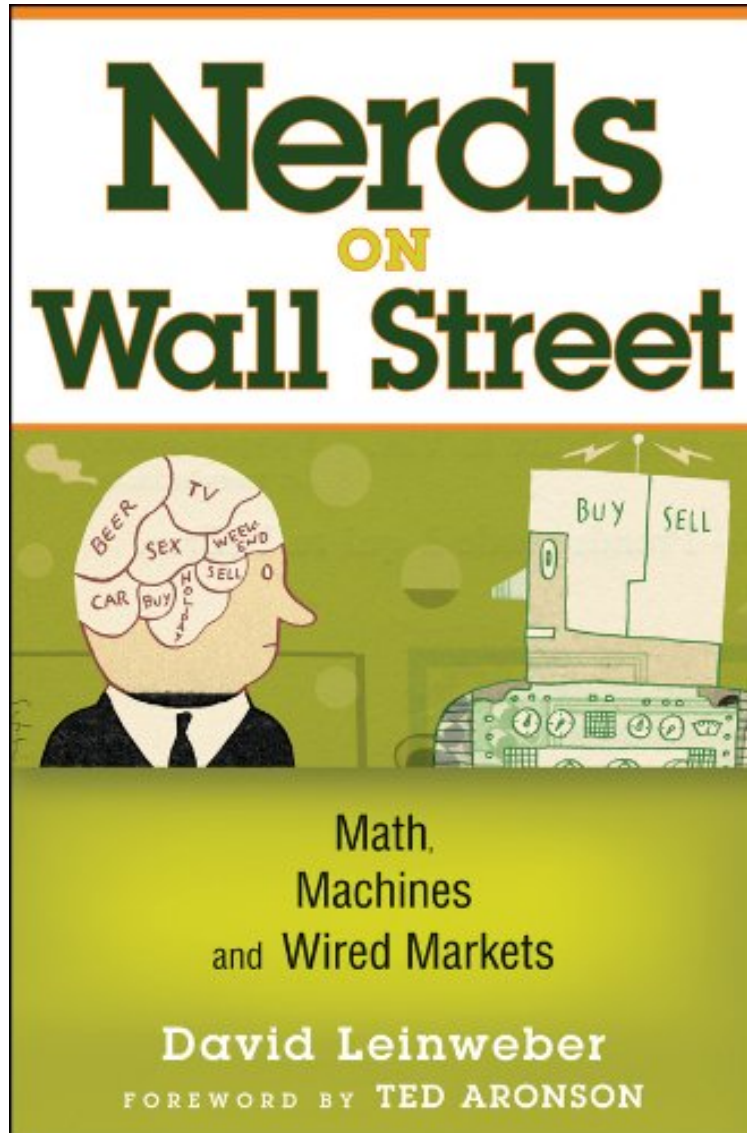


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Nerds on Wall Street: Math, Machines and Wired Markets

David J. Leinweber

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David J. Leinweber : Nerds on Wall Street: Math, Machines and Wired Markets before purchasing it in order to gauge whether or not it would be worth my time, and all praised Nerds on Wall Street: Math, Machines and Wired Markets:

10 of 10 people found the following review helpful. Funny, but not deep!By Lars TackmannThis book is a fun read, but ultimately somewhat disappointing. I had hoped for a book discussing the various computer related trading strategies used on wall street, but instead I found a widely scattered and outdated treatment of everything from internet market manipulation to green technology. Parts of the book are very good, including its treatment of data mining

strategies and the problems with LISP garbage collection, but elsewhere it completely loses the focus. What annoys me the most (and almost compelled me to give it one star) is the extremely bad flow of the text. Readers should be aware that this book is just a collection of prior articles and often these are not elaborated and expanded upon (or even put in context) thus mostly raising more questions than they answer. However when all is said and done, the book is quite funny and the author does point to many other interesting books and articles, so I will give 3 stars and hope that he will write a better nerd quant book next time. 3 of 4 people found the following review helpful. An interesting overview

By Dr. Lee D. Carlson There are many creative and dynamic individuals that work on Wall Street that use sophisticated mathematics and artificial intelligence for financial trading and who do not satisfy the "nerd" classification. But despite the title of this book, the author gives a very interesting overview of the use of mathematics and machine intelligence in financial engineering. His approach to history however is purely anecdotal, so readers should not expect a detailed study, but rather a work that targets the "general audience", however vague the latter characterization is. There is a lot in the book that is controversial, and many who work in the financial industry may be insulted by some of the author's commentary, but in general he refrains from the vituperation that characterizes much of the current discussion on financial modeling. The author covers just about all the techniques used to "get an edge" in financial trading, and his coverage of computational linguistics is unusual in that it is typically not discussed at all in books at this level of discourse. Readers will also get more insight into the concept of "alpha" and what it is like to work in the field of financial modeling. Indeed, modelers have been blamed for much of the current "financial crisis", but some have also taken credit for inducing events that they show no evidence for having caused or controlled. The origin of this kind of mental confabulation is not really known, but the author is aware of it when he states that in financial forecasting it is "remarkably easy to fool yourself." It is along these same lines that the author falters in the book when he blames some of the more "exotic" financial instruments for the "financial crisis". He banters about words such as "pointless complexity" and "monstrously complex" to characterize some of these instruments but at no place really defines, even in a loose sense, of what complexity is. Also, he never gives any quantitative evidence that it was mortgage-related financial engineering that contributed primarily to the current financial situation. It would be very difficult to disentangle the effects of mortgage-backed securities from other derivative securities. This part of the book is therefore its worse, and needs considerable revision on the part of the author. In addition, the author has too much faith in governmental regulation, as is apparent by his support of many of the regulatory institutions that have arisen in the last 80 years. He is not alone in his fear of a free market though. One need only view the actions of financial executives and their begging for alms from Washington. They tremble at the notion of a free market. They quake at the idea of no governmental agency to cushion them against their follies. The current schism between "intuitive" and "quantitative" trading is also brought out quite elegantly in this book, and if the author's historical summarization is to be believed, one can expect to see more use of quantitative methods in the future. The author's discussion in this regard is additional proof of the Schumpeterian nature of financial innovation in the twenty-first century. This creative destruction of past trading methods is to be encouraged, and hopefully the day will come soon when the Leo-Malamed-type trading is replaced by full automation, by technology robust enough, reliable enough, and intelligent enough to move capital where it should be moved, and to manage portfolios independently of the weak constraints of human intuition. 1 of 1 people found the following review helpful. Fine Personal History

By Bernie I require my MBA students to read chapters of "Nerds on Wall Street" to gain background for my courses in IT and the financial markets. It is a personal and idiosyncratic history of Dr. Leinweber's experiences during the formative period of our electronic financial markets. It is not academic, but a richly textural view that has more of a firsthand "Liar's Poker" feel. While a number of the chapters are essentially reprints of previously published material, it does offer the reader a firsthand view of thinking at the time and has provided me examples of prior art in patent disputes. It resonates with my students and puts events in context. Having worked on Wall Street and in technology since 1968, our careers are contemporaneous and I can personally relate to his experiences. It's an enjoyable read from a unique perspective.

An intriguing look at how technology is changing financial markets, from an innovator on the frontlines of this revolution Nerds on Wall Street tells the tale of the ongoing technological transformation of the world's financial markets. The impact of technology on investing is profound, and author David Leinweber provides readers with an overview of where we were just a few short years ago, and where we are going. Being a successful investor today and tomorrow--individual or institutional--involves more than stock picking, asset allocation, or market timing: it involves technology. And Leinweber helps readers go beyond the numbers to see exactly how this technology has become more responsible for managing modern markets. In essence, the financial game has changed and will continue to change due entirely to technology. The new "players," human or otherwise, offer investors opportunities and dangers. With this intriguing and entertaining book, Leinweber shows where technology on Wall Street has been, what it has meant, and how it will impact the markets of tomorrow.

Praise for Nerds On Wall Street "Leinweber leads his readers through a largely unexplored forest, turning over

ordinary-looking rocks to reveal hidden colonies of peculiar creatures that feed on moldering mounds of numbers teeming with trailing zeroes. His book is absorbing, instructive, and very, very funny."ndash;David Shaw, Founder, D. E. Shaw Co."David Leinweber has been a pioneer in developing and applying advanced technologies in the capital markets. This book is a virtual tour de force survey of many of the key innovations over the past two decades, with key insights for the future. It is a highly engaging, insightful, and entertaining book for all investors who want to understand the increasingly important role of technology in the financial markets."ndash;Blake Grossman, CEO, Barclays Global Investors"Leinweber isn't half as crazy as people said! He foresaw the profound change that wired technology would bring to markets (robots trading millions of shares in six milliseconds). Now he nails the Stupid Financial Engineering Tricks that dumped the markets, and offers his patented, sound insights on how the nerds will help bring us back."ndash;Jane Bryant Quinn, Financial columnist, Bloomberg.com and Newsweek"Through the lenses of finance 'nerds,' Dave Leinweber recounts the quantitative and technological revolution in equity trading. The book is humorously written but it is serious and insightful. It makes an important contribution to our understanding of financial innovation and the evolution of the capital markets."ndash;Andre F. Perold, George Gund Professor of Finance and Banking, Harvard Business School"Finally, a book that rightly honors the pocket-protected, RPN-loving, object-oriented, C-compatible, self-similar Wall Street quant! This is a delightfully entertaining romp across the trading floors and through the research departments of major financial ins... Additional Praise for Nerds on Wall Street "Most new technologies are exploited first by "alpha geeks," the folks with the skills to push the envelope. This is as true on Wall Street as it was on the web. David Leinweber was one of those alpha geeks, but is also the first to chronicle the innovation process from early adopter to mainstream acceptance." mdash;Tim O'Reilly, Founder CEO O'Reilly Media "Nerds on Wall Streetnbsp;is a thoughtful, funny, and comprehensive history of the overlooked role geeks have played in our financial markets from the earliest days of telegraph, to risk management systems in the current credit crisis. The book is an irreverent "I Was There" chronicle of how our financial markets were formed from silicon, savvy and software. Highly recommended." mdash;Paul Kedrosky, Infectious Greed, Ten Asset Management and Kauffman Foundation "For decades Dave has not only understood more investment technology than anyone, but with patience and a great sense of humor, he has made the effort to explain it to his less tech savvy friends. Nerds on Wall Streetnbsp;is a home run for us all." mdash;Richard Rosenblatt, CEO, Rosenblatt Securities "Nerds on Wall Streetnbsp;is a wild, funny ride though the technological changes that underpin modern financial markets. You will find yourself laughing out loud at what could otherwise be a dry subject. And, if yoursquo;re not careful, you might even learn something!" mdash;Richard R. Lindsey, Chairman, International Association of Financial Engineers; Principal, Callcott Group LLC "If you're interested in what computers are doing with your money, then this book is for you." mdash;Richard Peterson, MD, Managing Director MarketPsy Capital LLC; Author, Inside the Investor's Brain "In Davidsquo;s words, the stock market is a "victim not a cause" of the great mess of 2008. Itsrsquo;s refreshing to read a book with such insight during these difficult times. I applaud David Leinweber for this timely masterpiece." mdash;Bill Aronin, Co-founder Quantitative Analytics, Inc; Sr. Manager, Thomson Reuters "Clear, light language and wry humor mask David Leinweberrsquo;s exhaustive compendium of technological innovations for and impacts on asset trading. Leinweber brings an entrepreneursquo;s experience and an academicsquo;s perspective to financial technology; and has produced the definitive work, as up-to-date as it is encyclopedic." mdash;David K. Whitcomb, Founder and Chairman Emeritus, Automated Trading Desk and Professor of Finance Emeritus, Rutgers University "Dr. Leinweber continues to be a patron saint of any nerd who stumbles onto Wall Street. Many of his most insightful ideas are here in this book, the utility of which are only matched by the humor of their presentation. As the markets have changed in 2008, the need to collect, process, and understand novel information sources has never been greater." mdash;Jacob Sisk, Infoshock, Yahoo "Thoughtful insights covering trading, investment practice and system design encased in humor by an expert in all four: a good and practical read." mdash;Evan Schulman, Founder, Tykhe, LLC. "David is one of the top practitioners in the fields of textual analysis and sentiment and its application to trading. Leveraging "smart" machines to parse and extract signal from massive quantities of textual data is hard, and Davidsquo;s work has put him at the vanguard of the next wave of alpha generation." mdash;Roger Ehrenberg, Information Arbitrage, and IA Capital PartnersFrom the Inside FlapTechnology has transformed global markets, but this is nothing new. Markets have been shaped by machinery for hundreds of years, and this continues at a rapid pace today. Author David Leinweber-a computer scientist who accidentally stumbled upon Wall Street and became an innovator in the application of modern information technology in trading and investing-is a well-qualified guide to the nerds of greater Wall Street. And now, in this engaging and entertaining new book, he tells the tale of the ongoing technological transformation of the world's financial markets. The impact of technology on investing is profound, and Leinweber provides an intriguing look at where technology on Wall Street has been, what it has meant, and how it will impact the markets of tomorrow, and its role in the multifaceted crises of today. In essence, the financial game has changed and will continue to change due entirely to technology. Throughout these pages, Leinweber takes a detailed look at the new "players," human or otherwise, that offer both unprecedented opportunities and debilitating dangers in this ever-evolving environment. Divided into four parts, this lively exploration of markets and machines: Illustrates the history of technology upheavals in markets and deals with electronic markets and algorithmic trading in Part One:

Wired Markets Explores the use of wired markets, and anything else you can find, to outperform market averages in Part Two: Alpha as Life Examines how humans and machines can work together to extract useful information for investment and trading from textual sources in Part Three: Artificial Intelligence and Intelligence Amplification Considers the roles of technology in contributing to the crisis of 2008, as well as its use to avoid future mishaps in Part Four (Epilogue): Nerds Gone Wild? Wired Markets in Distress Being a successful investor-whether individual or institutional-involves more than stock picking, asset allocation, or market timing: it involves technology. And through this story, Leinweber helps you go beyond the numbers to see exactly how advanced technology has become a bigger part of modern markets. It's getting harder every day to see the difference between financial markets and computer networks. Hopefully, after reading this book, you'll have a better sense of how technology shapes today's markets, and how to best participate in the future of electronic finance.