



## Trading on Sentiment: The Power of Minds Over Markets (Wiley Finance)

By Richard L. Peterson



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In his debut book on trading psychology, *Inside the Investor's Brain*, Richard Peterson demonstrated how managing emotions helps top investors outperform. Now, in *Trading on Sentiment*, he takes you inside the science of crowd psychology and demonstrates that not only do price patterns exist, but the most predictable ones are rooted in our shared human nature.

Peterson's team developed text analysis engines to mine data - topics, beliefs, and emotions - from social media. Based on that data, they put together a market-neutral social media-based hedge fund that beat the S&P 500 by more than twenty-four percent—through the 2008 financial crisis. In this groundbreaking guide, he shows you how they did it and why it worked. Applying algorithms to social media data opened up an unprecedented world of insight into the elusive patterns of investor sentiment driving repeating market moves. Inside, you gain a privileged look at the media content that moves investors, along with time-tested techniques to make the smart moves—even when *it doesn't feel right*. This book digs underneath technicals and fundamentals to explain the primary mover of market prices - the global information flow and how investors react to it. It provides the expert guidance you need to develop a competitive edge, manage risk, and overcome our sometimes-flawed human nature. Learn how traders are using sentiment analysis and statistical tools to extract value from media data in order to:

- Foresee important price moves using an understanding of how investors process news.
- Make more profitable investment decisions by identifying when prices are trending, when trends are turning, and when sharp market moves are likely to reverse.
- Use media sentiment to improve value and momentum investing returns.
- Avoid the pitfalls of unique price patterns found in commodities, currencies, and during speculative bubbles

*Trading on Sentiment* deepens your understanding of markets and supplies you with the tools and techniques to beat global markets— whether they're going up, down, or sideways.

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### Editorial Review

From the Inside Flap

In his debut book on trading psychology, *Inside the Investor's Brain*, Richard Peterson demonstrated how managing emotions helps top investors outperform. Now, in *Trading on Sentiment*, he takes you inside the science of crowd psychology and demonstrates that not only do price patterns exist, but the most predictable ones are rooted in our shared human nature.

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- Foresee how market prices will be influenced by news, rumor, and social media
- Identify when prices are trending, when trends are turning, and when sharp market moves are likely to reverse
- Improve value and momentum-based investment returns
- Take advantage of unique price patterns found in commodities, currencies, and during speculative bubbles
- Forecast changes in global economic activity
- Overcome the most common mistakes of the investing herd

*Trading on Sentiment* deepens your understanding of markets and supplies you with the tools and techniques to profit—whether prices are moving up, down, or sideways.

From the Back Cover

### Praise for *Trading on Sentiment*

"*Trading on Sentiment* will undoubtedly be seen in time as a seminal work."

—**Brenda Jubin**, Investing.com

"In markets, as in poker, if you don't have an edge, you shouldn't play. There are 3 sources of edge in markets: information, analysis, and human behavior. The first two are hard to obtain and harder to maintain as the world is constantly changing. Human nature, the cycles of fear and greed, are unchanging and are the most fertile ground of sustainable competitive advantage. Until now, there has been no comprehensive guide to this almost inexhaustible source of potential profits. Dr. Richard Peterson is one of the world's experts on human behavior in capital markets and he has written by far the best book to appear on the subject. This marvelous book should be read by every serious investor. It will pay dividends for years to come."

—**Bill Miller**, Chairman and Chief Investment Officer of LMM LLC

"Finally a book on behavioral finance by a market practitioner who can also be your professor. Peterson's *Trading on Sentiment* is a pioneering work that will help you not only contextualize your emotions, but also profit from them."

—**Keith R. McCullough**, Chief Executive Officer, Hedgeye Risk Management

"*Trading on Sentiment* is more than a book about trading and more than a book about sentiment. It is a book that informs us about how to gauge changes in the emotional temperatures of financial market participants. Richard Peterson is a true visionary who early on developed techniques that would convert big financial data into information and trading heuristics upon which active investors can, well, act. As always, the usual caveat applies that financial markets are risky, complex, nonlinear neighborhoods to visit, especially when the academic literature has yet to converge on a consensus view of how to measure the risk associated with expected return."

—**Hersh Shefrin**, Mario Belotti Professor, Santa Clara University, and author of *Behavioral Risk Management*

### **Praise for *Inside the Investor's Brain* (Wiley, 2007)**

"Richard Peterson has distilled his own first-hand experience as a psychiatrist in Silicon Valley and has used his knowledge of behavioral finance to describe the emotional qualities necessary to be a good investor. Not only is this a fascinating book for everyone, it may also be the most profitable book you ever read."

—**George Akerlof**, Nobel Laureate in Economics, 2001

"Exceptionally well-written, it will likely prove to be a seminal text on the influence of the human brain on investment behavior. And neurofinance, as that field is known, may provide the next great edge for savvy investors. *Inside the Investor's Brain*, written by an experienced but surprisingly young author (he's 35), is outstanding. Peterson and his first book have much to offer investors and the institutions in which they work."

—**Dr. David L. Nathan**, *Barron's*, September 2007

"Highly recommended."

—**Kiplinger's Best Investing Reads of 2007**

### About the Author

RICHARD L. PETERSON is CEO of MarketPsych and a behavioral finance expert, investment adviser, psychiatrist, and consultant to the financial industry. His two previous books, *Inside the Investor's Brain* and *MarketPsych*, were named top financial books of the year by *Kiplinger*.

### Users Review

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#### Frank Miller:

The book *Trading on Sentiment: The Power of Minds Over Markets* (Wiley Finance) can give more knowledge and also the precise product information about everything you want. Why must we leave the best thing like a book *Trading on Sentiment: The Power of Minds Over Markets* (Wiley Finance)? Some of you have a different opinion about publication. But one aim that will book can give many facts for us. It is absolutely suitable. Right now, try to closer using your book. Knowledge or info that you take for that, you

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**Olga Harrington:**

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