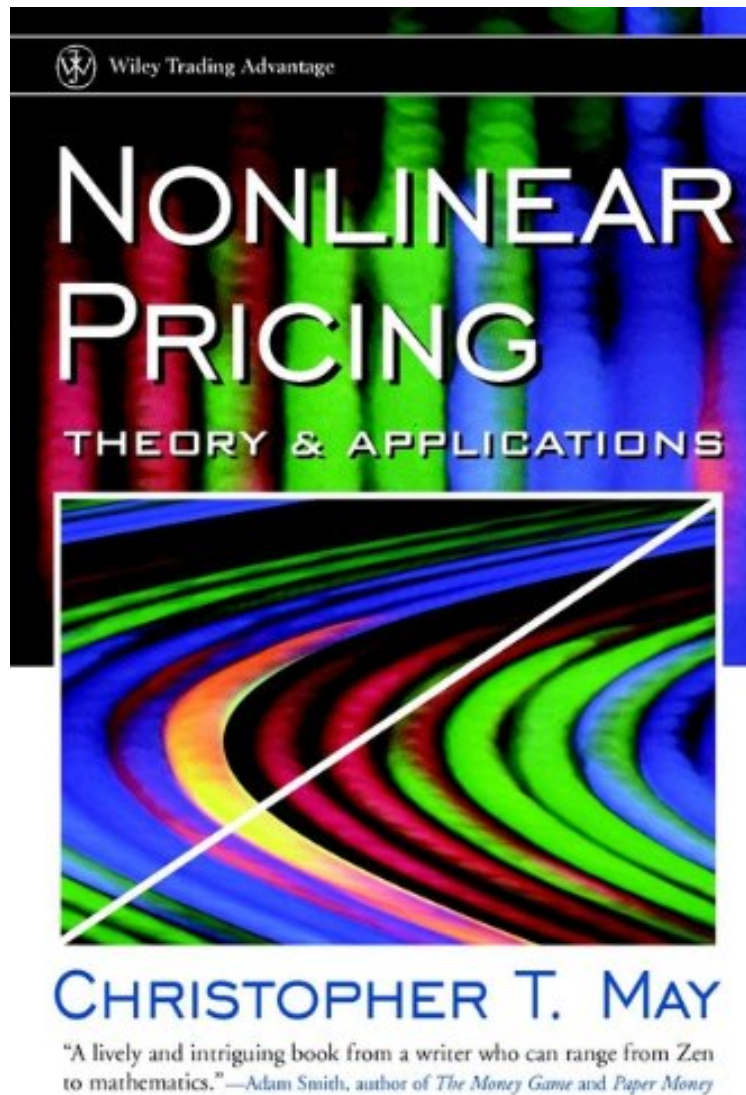


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Nonlinear Pricing: Theory and Applications (Wiley Trading)

Christopher T. May

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Christopher T. May : Nonlinear Pricing: Theory and Applications (Wiley Trading) before purchasing it in order to gage whether or not it would be worth my time, and all praised Nonlinear Pricing: Theory and Applications (Wiley Trading):

30 of 30 people found the following review helpful. Contains no substance or even one concrete ideaBy A CustomerVery poor treatment of the topic. The author doesn't seem to know where the nonlinearity lies in "Nonlinear Pricing". He sees it "everywhere". One wonders whether he even knows the difference between a linear and a nonlinear function, and if so why he seems to think that a Gaussian distribution pertains to "linear", and anything else

to nonlinear. It is clear that his understanding of mathematics is at best vague; unfortunately not even his concepts bear much merit. "Genetic", "Fuzzy", "Non-equilibrium" are simply used as buzzwords to create the air of being mathematically-sophisticated (the mathematical community knows that "genetic algorithms" are essentially a characterization of "stabbing in the dark" in the absence of a better search procedure, or often, of knowledge). He even dares to toy with concepts from physics which he can't even start to fathom. I see some readers fairly impressed with the book. If you don't have much understanding of math and the fundamental sciences, you might be. But you'll also be left with no understanding at the end of the day (you might attribute the lack of understanding to your background in "humanities", but it will really be because the book has no substance). With his writing style, the author could perhaps have given Deepak Chopra a run for his money had he concentrated more on the religious part and had he sounded less cocky. Only religion/metaphysics would marvel at the unsubstantiated rhetoric one finds in this book. However, this is scientific ground he is attempting to tread on. Just read Mandelbrot's original book ...7 of 7 people found the following review helpful. Interesting Read, but Needs More Focus on Implementation By A Customer I found this book to be an interesting read but was ultimately left disappointed because the book does not provide much useful information about implementing non-linear pricing models, particularly for use pricing securities, options, or derivatives. The author is absolutely on the mark in his discussions of the flaws underlying the majority of financial economics theory. He also clearly has applied these approaches because the book includes numerous insightful comments and observations. I recognize that nonlinear math can be very difficult and that many valuable insights can be obtained without a detailed understanding of the math. However, the author could (and should) have provided greater coverage of the math. I would have liked to have seen coverage of the math necessary to implement fractal brownian motion into simulations or pricing models. 10 of 10 people found the following review helpful. Ego trip with virtually no useful baggage By A Customer If you're looking for a good primer in fractal economics, do not waste your money, or worse, time with this book. You can get more information and less noise from E. Peters's "Chaos and Order in the Capital Markets". The most useful information you'll get from this book is a description of the Hurst exponent; the rest is, well... I don't mind random musings with an articulate friend after dinner, but please don't do it in a pedagogical-sounding, inflated tome. Let the quotes describe themselves: "... this chapter will present a challenge because it exists at a rarified level of understanding." "I maintain, as any good scientist does, that the theory must fit the facts". "The mathematics in this chapter may be complex to the financial economics professional" (I found the series summation as the most complex math in that chapter.) Errors and carelessness are so prevalent, this book really brings down my opinion of the JW editors. Concepts of dependent and independent variables are mixed up, atrocious-looking graphs of normal and Levy distributions are shown, notations like "m²" are printed instead of "m^{(superscript)2}" to mean m-squared, etc. Most of the time is spent waxing philosophical connections among shallowly described concepts like Fourier transform, superstrings, the scriptures, Brownian motion, Socratic logic, etc. To be fair, if this sort of shooting-the-breeze provides a relaxing read for you, this book might fit the bill. The author breathlessly describes "original concepts" like fixing risk for varying returns in security portfolios: this is already done with instruments like mortgage securities. Perhaps the author's own quotation of Occam's Razor should have been heeded, "That which is not needed should not be included". I did find the Bloomberg KAOS screen description on page 128 useful. If you use Bloomberg, you can also get that from the manuals.

One of the many striking applications of nonlinear technology in recent years, nonlinear pricing uses cutting-edge technology to identify and exploit patterns hidden within the seemingly helter-skelter rise and fall of daily stock prices. Nonlinear Pricing sheds much needed light on the principles behind this innovative view of reality and provides clear explanations of how it is employed to predict-at least partially-the unpredictable. Beginning with an incisive introduction to the topic, May presents the roots of nonlinearity through the examples of calendrics, geometry, and music. He then illustrated the application and integration of various nonlinear technologies, including genetic algorithms, fuzzy logic, fractal imaging, and nonlinear dynamics, to such essentials as trading strategies, asset allocation, risk management, and derivative pricing and hedging. Along with practical methodologies and a wealth of real-world examples, this comprehensive resource contains a glossary of terms, a bibliography and in-depth information on: * Fractal analysis-power law distributions, fractional Brownian motion, and their relationships * The Hurst Exponent-the KAOS screen and its practical implementation * Resonance-time domain versus frequency domain, Brownian motion, and the Gaussian distribution * Advanced concepts-Soros's Reflexivity, non-equilibrium economics, kernel of theoretical nonlinear pricing, May's Law, resolution and resonance Written by one of the few practitioners using this breakthrough methodology to trade the markets successfully, Nonlinear Pricing fills an important niche in investment literature. It is a must read for anyone seeking to understand-and capitalize on-twenty-first century financial economics. CHRISTOPHER MAY (New York, NY) runs TLB Partners, LP, an onshore hedge fund and May Nonlinear US Equity Fund, an offshore fund.

"A lively and intriguing book from a writer who can range from Zen to mathematics."-Adam Smith, author of The Money Game and Paper Money "Nonlinear Pricing is an eminently readable book which I found satisfied both the

theorist and the practitioner in me. For the theorist, there are new insights into the relationship between complexity and the markets. For the practitioner, there are practical ideas on how to fashion investment strategies. I highly recommend Nonlinear Pricing to all students of the markets."-Edgar E. Peters, Chief Investment Strategist, PanAgora Asset Management; author, Chaos and Order in the Capital Markets "Nonlinear Pricing goes further than any book I am aware of in drawing a connection between the real world of economics and the new ideas about economics coming from the science of self-organized systems. Written in a lively, informal style, this is a wonderful read for those of us who have been wondering whether anyone understands anything at all about how markets work."-Lee Smolin, PhD, Department of Physics, Pennsylvania State University "Required reading for the enlightened financial professional. Enjoyable for the intelligent investor. A dash of physics, bite-sized pieces of nonlinear concepts, and a broth of hands-on experience make this a cookbook for the modern trader."-Richard E. Morley, Potts Medal recipient and founder of the Breakfast Club "A real eye-opener-Nonlinear Pricing explains a complex subject in easy terms and makes the reader aware of the many opportunities offered by this new technology." -Richard Olsen, founder, Olsen and Associates, Zurich "I, of course, think highly of this book as it credits Dance of the Money Bees with inventing 'swarm theory', now a discipline in computer science. There are many other splendid insights." -John Train, author and President of the Montrose Fund "An extraordinary tour d'horizon, this book challenges conventional thinking about finance, investing, and much else besides. Brimming with ideas and eye-opening connections, it makes a powerful case for our need to understand the extent to which nonlinearity shapes our lives." -Andrew Freeman, Managing Editor, Financial Services, The Economist Intelligence Unit; co-author, Seeing Tomorrow: Rewriting the Rules of Risk "Nonlinear Pricing: Theory Application by Christopher T. May makes nice reading even for people like me who are not economists. This is an ambitious book as it presents economics starting from fundamental physics. It deserves a large readership." -Ilya Prigogine, 1977 Nobel Laureate, Chemistry; author, The End of Certainty; and the world's foremost non-equilibrium scientist

From the Inside FlapIn a totally new way of looking at financial economics, Nonlinear Pricing abandons the traditional assumptions of equilibrium in economics and randomness in a time-series. These shortcomings are becoming increasingly awkward given a superior technological infrastructure and advances in mathematics and the sciences. Despite these advances and their empirical proof, much remains confused or muddled. In this groundbreaking new book, leading hedge fund manager Christopher T. May explores the nature and role of nonlinearity, an inherent part of everyday reality, and illustrates a profit-making strategy. One of the many striking applications of nonlinear technology in recent years, nonlinear pricing uses cutting-edge technology to identify and exploit patterns hidden within the seemingly helter-skelter rise and fall of daily stock prices. Nonlinear Pricing sheds much needed light on the principles behind this innovative view of reality and provides clear explanations of how it is employed to predict-at least partially-the unpredictable. Beginning with an incisive introduction to the topic, May presents the roots of nonlinearity through the examples of calendrics, geometry, and music. He then illustrates the application and integration of various nonlinear technologies, including genetic algorithms, fuzzy logic, fractal imaging, and nonlinear dynamics, to such essentials as trading strategies, asset allocation, risk management, and derivative pricing and hedging. Along with practical methodologies and a wealth of real-world examples, this comprehensive resource contains a glossary of terms, a bibliography, and in-depth information on: * Fractal analysis-power law distributions, fractional Brownian motion, and their relationships * The Hurst Exponent-the KAOS screen and its practical implementation * Resonance-time domain versus frequency domain, Brownian motion, and the Gaussian distribution * Advanced concepts-Soros's Reflexivity, nonequilibrium economics, kernel of theoretical nonlinear pricing, May's Law, resolution and resonance

Written by one of the few practitioners using this breakthrough methodology to trade the markets successfully, Nonlinear Pricing fills an important niche in investment literature. It is a must read for anyone seeking to understand-and capitalize on-twenty-first century financial economics.

From the Back CoverIn a totally new way of looking at financial economics, Nonlinear Pricing abandons the traditional assumptions of equilibrium in economics and randomness in a time-series. These shortcomings are becoming increasingly awkward given a superior technological infrastructure and advances in mathematics and the sciences. Despite these advances and their empirical proof, much remains confused or muddled. In this groundbreaking new book, leading hedge fund manager Christopher T. May explores the nature and role of nonlinearity, an inherent part of everyday reality, and illustrates a profit-making strategy. One of the many striking applications of nonlinear technology in recent years, nonlinear pricing uses cutting-edge technology to identify and exploit patterns hidden within the seemingly helter-skelter rise and fall of daily stock prices. Nonlinear Pricing sheds much needed light on the principles behind this innovative view of reality and provides clear explanations of how it is employed to predict-at least partially-the unpredictable. Beginning with an incisive introduction to the topic, May presents the roots of nonlinearity through the examples of calendrics, geometry, and music. He then illustrates the application and integration of various nonlinear technologies, including genetic algorithms, fuzzy logic, fractal imaging, and nonlinear dynamics, to such essentials as trading strategies, asset allocation, risk management, and derivative pricing and hedging. Along with practical methodologies and a wealth of real-world examples, this comprehensive resource contains a glossary of terms, a bibliography, and in-depth information on: * Fractal analysis-power law distributions, fractional Brownian motion, and their relationships * The Hurst Exponent-the KAOS screen

and its practical implementation * Resonance-time domain versus frequency domain, Brownian motion, and the Gaussian distribution * Advanced concepts-Soros's Reflexivity, nonequilibrium economics, kernel of theoretical nonlinear pricing, May's Law, resolution and resonance. "Nonlinear Pricing is an eminently readable book which I found satisfied both the theorist and the practitioner in me. For the theorist, there are new insights into the relationship between complexity and the markets. For the practitioner, there are practical ideas on how to fashion investment strategies. I highly recommend Nonlinear Pricing to all students of the markets."-Edgar E. Peters, Chief Investment Strategist, PanAgora Asset Management; author, Chaos and Order in the Capital Markets. "Nonlinear Pricing goes further than any book I am aware of in drawing a connection between the real world of economics and the new ideas about economics coming from the science of self-organized systems. Written in a lively, informal style, this is a wonderful read for those of us who have been wondering whether anyone understands anything at all about how markets work."-Lee Smolin, PhD, Department of Physics, Pennsylvania State University. "Required reading for the enlightened financial professional. Enjoyable for the intelligent investor. A dash of physics, bite-sized pieces of nonlinear concepts, and a broth of hands-on experience make this a cookbook for the modern trader."-Richard E. Morley, Potts Medal recipient and founder of the Breakfast Club. "A real eye-opener-Nonlinear Pricing explains a complex subject in easy terms and makes the reader aware of the many opportunities offered by this new technology."-Richard Olsen, founder, Olsen and Associates, Zurich. "I, of course, think highly of this book as it credits Dance of the Money Bees with inventing 'swarm theory,' now a discipline in computer science. There are many other splendid insights."-John Train, author and President of the Montrose Fund Written by one of the few practitioners using this breakthrough methodology to trade the markets successfully, Nonlinear Pricing fills an important niche in investment literature. It is a must read for anyone seeking to understand-and capitalize on-twenty-first century financial economics.