

Antonacci - Dual Mon

- Keep costs low
- Have avg stock up bias

Chap 2: Momentum research

Why momentum works and will continue (many out of sample tests)

Ch. 3: MPT

Does not work in practice

- high $\beta \neq$ high return
- (Black-Scholes ^{big movements?} and portf. insurance similarly tricky)

"A theory is accepted not b/c it is confirmed [...], but b/c researchers persuade one another [...]"

Good challenger: Mandelbrot

Ch. 4 Rational/Irrational case for momentum

- Anchoring bias: We may need serious bear market to give up B&H

Ch 5 Asset selection

- * International correlation rising (esp. during crisis); also EM
- * Roll yield that hedgers used to pay is now mostly born by specs in futures

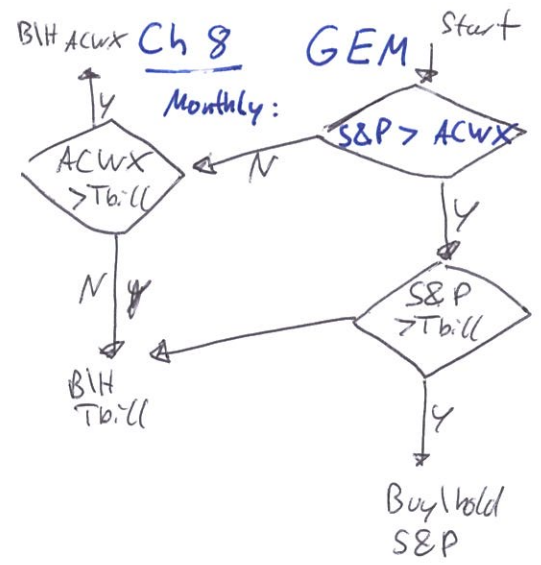
- * CTA perf. bad (+1.6 vs bond only) if adj. for biases
- * VC underperforms on avg
- Only const: high fees = bad

Ch 6 Smart beta

Factor tilt ETFs (towards value and small cap) explain most of smart β performance and are cheaper.

Ch 7 Managing risk

Abs. momentum (vs. rel.) has better defense; exits trades earlier \Rightarrow smaller DD



For me: equivalent to buy highest rel. momentum among S&P, ACWX, Tbill

Performance (74-2013)

@ Return: 17%

DD : 22%

std : 12.6

shape : 0.87

2004-2013:

13.68% w/ 19% DD

Ch 9 Better Momentum

- * Beware tinkering! Even though it is human nature.
Trying 20 things yields one
at $\alpha = 5\%$
- * Hee: little to nothing gained by adding to GEM
- * Follow the models slavishly!
Do whatever it says no matter how smart or dumb
you think it is now.