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NORMALIZING DIVERGENCE; CONCLUSION; Arbitrage and Pairs Trading; RELATIVE-VALUE AND STATISTICAL ARBITRAGE; THE IMPLIED CONVERGENCE OF MATCHED EQUITY PAIRS; NORMALIZING PAIRS DIVERGENCE; CONCLUSION; Part III: The Technical Analysis Element Chapter 7: Technical Tools and Indicators MARKET STRENGTH INDICATORS; MOVING AVERAGE INDICATORS; VOLUME AS AN INDICATOR; CONCLUSION; Chapter 8: The Technicals of Pairs Trading; PAIRS APPLICATION OF MOVING AVERAGE INDICATORS; PRICE TREND IN PAIRS TRADING; CONCLUSION; Part IV: The Unified Theory; Chapter 9: Reviewing the Elements; THE MARKET-NEUTRAL ELEMENT; THE ARBITRAGE ELEMENT; THE TECHNICAL ANALYSIS ELEMENT; Chapter 10: Trading Pairs Fundamentally; THE FUNDAMENTAL APPROACH; FUNDAMENTALS APPLIED; PORTFOLIO CONSTRUCTION; PROBLEMS WITH THE FUNDAMENTAL APPROACH; THE VERDICT Chapter 11: The Technical Approach THE ELEMENTS COMBINED; GETTING STARTED; UNDERSTANDING PAIRS TECHNICALLY; TECHNICAL CHARTING AND MARKET NEUTRALITY; TECHNICAL CHARTING AND RELATIVE-VALUE ARBITRAGE; APPLYING OTHER TECHNICAL INDICATORS; SELECTING PROFIT OBJECTIVE AND STOP-LOSS LEVELS; UNIFYING THE APPROACH; Chapter 12: The Overlays; THE FUNDAMENTAL OVERLAY; THE TECHNICAL OVERLAY; CONCLUSION; Chapter 13: The Unified Pairs Trading Theory; PUTTING IT ALL TOGETHER; FORMULATE THE SELECTION CRITERIA; DETERMINE THE CANDIDATES; THE OVERLAYS; EXECUTE THE TRADE; MANAGE THE TRADE; CLOSE THE TRADE CONCLUSION Part V: Advanced Strategies and Examples; Chapter 14: Options Basics: Terms and Strategies; BASIC TERMS; BASIC STRATEGIES; CONCLUSION; Chapter 15: Pairs Trading with Options; THE OPTIONS OVERLAY; PAIRS OPTIONS STRATEGIES; CALLS AND PUTS; PAIRS TRADING WITH VERTICAL SPREADS; BACK SPREADS; COMBINING THE STRATEGIES; Chapter 16: Futures and Currencies; EXTRINSIC EVENTS; NATURAL CORRELATION; SPEED; CURRENCIES; OPTIONS ON FUTURES; CONCLUSION; Chapter 17: Trade Examples; THE FUNDAMENTAL TRADE; THE TECHNICAL TRADE; THE BLENDED APPROACH TRADE: APPLICATION OF THE UNIFIED THEORY; USING OPTIONS CONCLUSION

Sommario/riassunto

Learn both the theory and practice of pairs trading, why it is consistently profitable, and how you can apply the strategies in your own trading with this valuable guide. Author Douglas Ehrman covers pairs trading involving stocks, options on stocks, and futures contracts, and explains how this type of trading allows you to profit from the changing price relationship of securities. In addition to a comprehensive discussion of the theories involved, he also includes practical examples that will to help you put what you've learned into practice. Douglas S. Ehrman is a hedge fund manager and a
