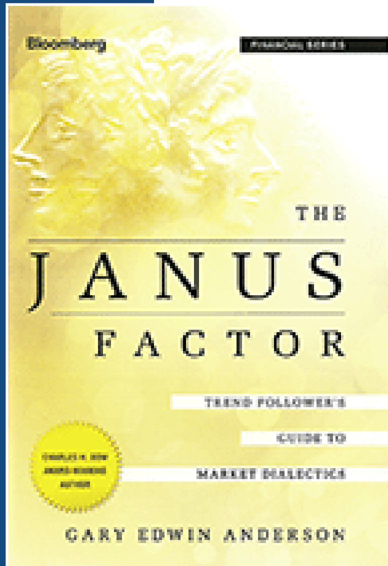
Book Review

Title:	The Janus Factor
Subtitle:	Trend Follower's Guide to Market Dialectics
Author:	Gary Edwin Anderson
Publisher and date:	John Wiley & Sons – NJ – Bloomberg Press – Financial Series - Dec 2012

The author, Gary Edwin Anderson, is a well-known technical analyst who won the 2003 Charles H. Dow Award from the Market Technicians Association for his paper on feedback loops in the stock market. His work has been featured in *Barron's* and he has been published in the monthly magazine *Technical Analysis of Stock & Commodities*. In addition, he publishes a weekly commentary, Equity Portfolio Manager.

The title refers to Janus, who was the Roman god of gates and doors and is represented by two opposing faces, suggesting the double sided nature of things. Anderson uses the metaphor of Janus to explain the dual nature of the markets which sometimes are dominated by trend followers and other times by contrarian bargain hunters.



About his structure, the book is a deepening and an analytic path of Mr. Anderson's paper that won in 2003 the Charles H. Dow Award.

The work is both theoretic and pragmatic. It presents a systematic view of the market as a struggle for dominance by traders that alternate two modes. At times traders exhibit trend-following behavior. Relatively strong stocks are favored, while laggards are sold or ignored. At other times it happens in the reverse. Traders-in-the-aggregate turn contrarian. Profits are taken in stocks that have been strong, and proceeds are redirected into relative-strength laggards.

In the first chapters the author presents the market as a system of capital flows reducible to the effects of traders' Janus-like behavior. This behavior leads traders to respond to market events with positive or negative feedback loops. The course of capital is determined by these feedbacks and presented with many examples using new original indicators.

In the following chapters new measures of risk, relative strength analysis, and momentum techniques are offered to the reader; and a new method is built and applied to historical records (both equities and sectors), in order to detail new strategic indicators to use in day-to-day trading decisions.

The last chapters are dedicated to the use of these new indicators and their performance in terms of risk and profit on a model portfolio and algorithmic strategies.

Every chapter is introduced by anecdotes and metaphors taken from the real world and then applied to the markets. Particularly interesting is the chapter about the famous trader Jesse Livermore and his strategic choices compared with the model proposed by Anderson.

This book is interesting both for offering a new insight into market behavior and new methods for capturing stock market trends, thanks to market timing techniques with new momentum and relative strength indicators. ■

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