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**The  
Fibonacci  
Dictated  
Trading Script**

**by Avinash Khilnani**

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*Do I contradict myself? Very well then, I contradict myself. (I am large, I contain multitudes).*

-Walt Whitman, 'Song of Myself'

## Chapter 1

### Introduction: of Exuberance and Apathy.

The 2013 Nobel Prize in Economic Sciences was shared between Robert J. Shiller, Eugene F. Fama and Lars Peter Hansen, for apparently contradictory theories. After all, they are all economists, and economic scientists have fundamentally opposing views of the world they share, because when it comes to economics, people have emotions. So, economic science is not just plain chemistry or physics of the human brain and its workings, it is also behavioral psychology.

Shiller and Fama, besides sharing the Nobel Prize, also share their views on the value investing approach – a policy of buying assets which The Fibonacci Dictated Trading Script are low

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priced. Their differences arise on how rational investors are and how well can they foretell The Fibonacci Dictated Trading Script market movements.

The debate has so far lasted over 21 years, with Fama putting down the expected rate of return on a stock to rational variation and the reward of bearing risk, while Shiller as a behavioral economist claiming it is market mispricing that eventually get corrected.

Fama had The Fibonacci Dictated Trading Script earlier proposed theories about stock price movements being unpredictable and following a “random walk”, suggesting that it is therefore impossible for an investor or a professional institution to gain any advantage over the other or even among them. His later works also showed that it is extremely difficult to predict share price movements The Fibonacci Dictated Trading Script over the short term and rejected the idea of market often producing bubbles that burst. Such conclusions formed the basis of the theory of efficient markets.

The efficient market hypothesis is about viewing the markets as millions of investors processing information from billions of sources of economic parameters, and thus leading The Fibonacci Dictated Trading Script to highly efficient value investing decisions than what the cleverest individual genius could The Fibonacci Dictated Trading Script come up with.

Give it up, folks. Nobody can beat the markets nor predict price movements, and according to the efficient market hypothesis, there is no point delving into complex share analysis or paying a huge fee to investment gurus for their often glamorized and sophisticated fundamental or technical analysis.

Shiller, on the other hand, took exception to the argument that the market players are rational and came up with the phrase “irrational exuberance”. His works showed that people can be driven by prejudiced bias, The Fibonacci Dictated Trading Script greed, fear and irrational onslaughts of optimism, pessimism and manias. All assets, including housing and stocks can morph into bubbles that have an innate tendency to eventually burst. In fact, he did correctly predict the dotcom bubble and then the housing bubble within two versions of his book titled [\*Irrational Exuberance\*](#).

Hansen, known for developing a statistical technique called the generalized method of

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moments, worked on dynamic economic models where decision makers face unpredictable environments. His econometric techniques provided the necessary tools The Fibonacci Dictated Trading Script for economists The Fibonacci Dictated Trading Script to test various The Fibonacci Dictated Trading Script theories of what is driving the financial markets, as well as on many other subjects. The techniques have been instrumental in providing impetus to a lot of further productive research. While Fama and Shiller have been eager to bring their work to the public, little is known about Hansen's work because he appears to enjoy sitting in his office doing some very dense math which is anathema to most people.

#### The Fibonacci Dictated Trading Script

As a reviewer of one of my earlier books remarked, mathematics is a waste of time and money for investors or traders. Sorry, what?! A life without mathematics for a trader might be nothing but a scene of horrors.

And so, to encourage dense math as a means to prevent horrific economic scenarios, the Nobel committee decided to honor Hansen and The Fibonacci Dictated Trading Script his dense math work which enabled other economists to assess the economic implications of their core theoretical models relative to empirical data. The choice of Hansen also worked to balance the two extremes of efficient markets and irrational markets.

The Royal Swedish Academy of Sciences, which selects the winners, stated in Stockholm that "the three economists laid the foundation for current understanding of asset prices, which relies in part on fluctuations in risk and risk attitudes, and in part on behavioral biases and market frictions". The Nobel committee, to its credit showed a refreshing willingness to admit mutually contradictory views.

While Professor Fama with his efficient markets implies that we cannot predict future market prices because prices reflect all available information at any particular time, Professor Shiller has evidence that shows prices conform to psychological issues in human behavior. Their disagreement is, of course about the ability to predict the future. As for The Fibonacci Dictated Trading Script the successful predictions of Shiller, Fama might say that markets are driven by boom and bust, and so to predict that at the height of a boom, a bust will follow is not exactly genius. Every boom contains within it a seed of bust, and likewise The Fibonacci Dictated Trading Script every bust has the seed of a boom in it.

The financial market can be equally efficient and irrational, with both exuberance and apathy as its implicit driving qualities.

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The difficulty of predicting future price movements led to the development of a broad based group of shares huddled together as an index, which investors could ride without the need to pick winners. The Fibonacci Dictated Trading Script using complex analysis or paying high fees to professionals and/or The Fibonacci Dictated Trading Script institutions to do the job for them. It is much more advisable to invest in a broadly composed portfolio of shares represented as an entity called a market index, like the Dow Jones Industrials Average 30, the S&P 500, NASDAQ 100, the Russell 2000, FTSE 100, ASX 200, CAC, DAX, the Hang Seng, Nikkei 225, SENSEX 30, NIFTY 50 and many others.

While it is advisable to trade market indices, it would do well to remember that a market index is not a real entity in its own right, but is subject to the weighted average composition of the stocks comprising it which can be replaced at The Fibonacci Dictated Trading Script times, have their relative weights altered and come with their particular idiosyncrasies. Moreover, indices are not traded directly but through their derivatives which could be index futures, index CFDs (Contracts for Differences), index futures based CFDs and options. In a way, trading market indices is similar to studying abstract Mathematics, perhaps even more so.

As Bertrand Russell pointed out in "[\*Mysticism and Logic\*](#)" (1917): "Mathematics may be defined as the subject in which we never know what we are talking about, nor whether what we are saying is true."

The randomness and unpredictability inherent in trading markets indices makes it an activity in which we can never hope to understand what we are. The Fibonacci Dictated Trading Script involved in nor whether what we are doing is likely to be a truly profitable venture at all. It is a world of a strange mixture of efficient apathy and irrational The Fibonacci Dictated Trading Script exuberance. Even though the market may be an efficient mechanism processing zillions of bits of information, the individual trader is handicapped by imperfect and incomplete information, prone to errors and uncertainty.

Nonetheless, we have survived and continue to survive by creating financial instruments to navigate uncharted territories. The Fibonacci Dictated Trading Script in a world beyond rational comprehension and I will outline in this book the exact steps to play out a trading script that you will soon be writing yourself.

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Navigating uncharted lands and waters involves risks that The Fibonacci Dictated Trading Script may be as yet unfathomed of. There are also rewards, but this The Fibonacci Dictated Trading Script book is for educational and informational purposes only. You must be willing to take risks and accept loss or profit by trading through ideas suggested herein. No representation is being made that you will achieve profits or losses similar to those explained here. Past instances of trading methodologies are never indicative of future results. You should use the suggested strategy as per your own discretion and are solely responsible for your actions resulting in profits or losses. You are buying this book on the understanding that neither the author nor the publisher is engaged in any professional service or advice by publishing this book. You should seek the services of a certified finance professional to make sure The Fibonacci Dictated Trading Script that a situation is evaluated properly. You also understand that the author and publisher disclaim any liability, loss The Fibonacci Dictated Trading Script or risk resulting directly or indirectly from the application of any content in this book.

## **The Fibonacci Dictated Trading Script**

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