Efficiently Inefficient: How Smart Money Invests and Market Prices Are Determined

Lasse Heje Pedersen
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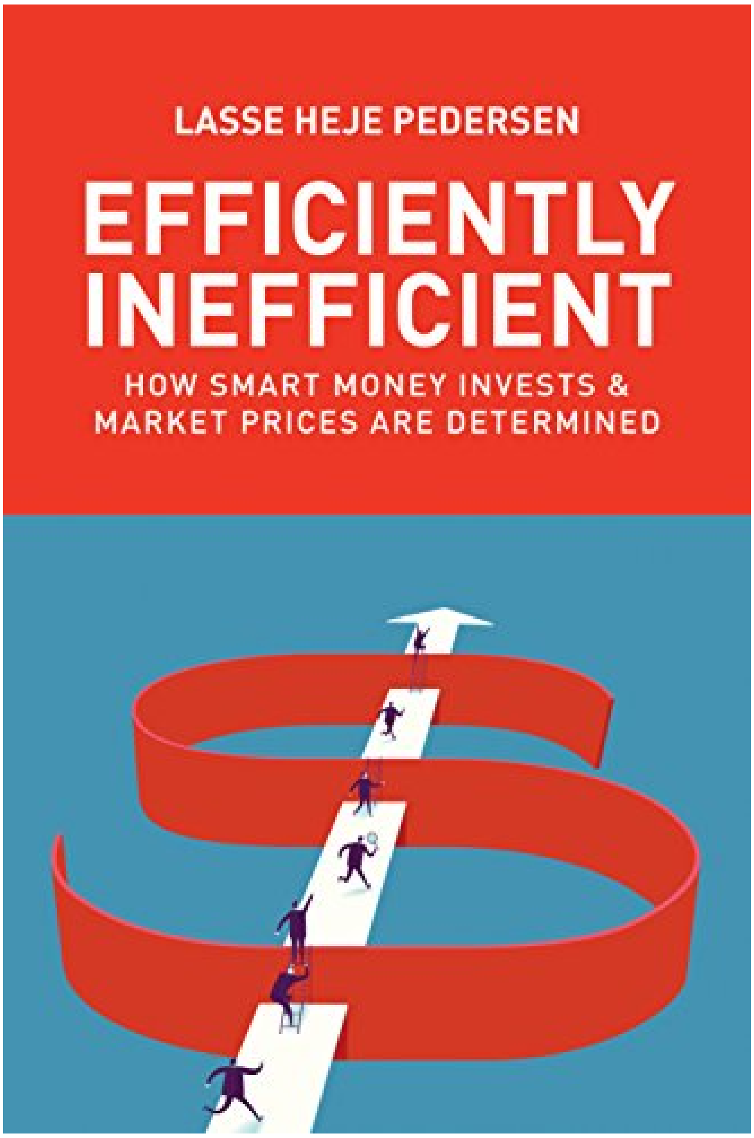

#53288 in eBooks 2015-04-13 2015-04-13File Name: B00QMV6S6G | File size: 70.Mb

Lasse Heje Pedersen : Efficiently Inefficient: How Smart Money Invests and Market Prices Are Determined before purchasing it in order to gage whether or not it would be worth my time, and all praised Efficiently Inefficient: How Smart Money Invests and Market Prices Are Determined:

1 of 1 people found the following review helpful. Get a Better Understanding of Smart Money Built on Both Specialization and ScaleBy Serge J. Van SteenkisteLasse Pedersen elegantly introduces ldquo;Efficiently Inefficientrdquo; to his audience by articulating the three themes of his book in three simple tables.Table I aims to

demonstrates that financial markets are neither efficient nor inefficient, but efficiently inefficient. Financial markets are efficiently inefficient because they allow some money managers to outperform the market on behalf of their investors after fees.Table II subdivides the different trading strategies that smart money, including hedge funds, uses to capitalize on the efficiently inefficient nature of financial markets. These strategies can be subdivided at a high level into equity strategies, macro strategies, and arbitrage strategies.Table III covers the different investment styles and their systematic implementation. The different investment styles can be reduced to some version of value investing and momentum investing.Mr. Pedersen usually strikes the right balance between his prose and the more technical aspects of active investment, equity strategies, asset allocation and macro strategies, and arbitrage strategies. The interviews that the author has conducted with hedge fund gurus such as James Chanos, George Soros, and John Paulson add some additional color to the different levered trading strategies in which they tend to specialize.In summary, ldquo;Efficiently Inefficientrdquo; can be easily ranked among the best books out there that focus on hedge funds and their respective modus operandi used to outperform the other market players.0 of 0 people found the following review helpful. Excellent advanced book on financial marketsBy KrasExcellent book which covers a lot of topics in finance. Could be a little advanced for the casual reader but contains a lot of useful information. I enjoyed it and will probably re-read it sometime in the future.0 of 0 people found the following review helpful. Great book, I purchased both Efficiently Inefficient and Expected ...By Marie Ann TurnerGreat book, I purchased both Efficiently Inefficient and Expected Returns based on the recommendations by Cliff Asness.They compliment each other well. Efficiently Inefficient is more readable than Expected Returns but not as in depth.

Efficiently Inefficient describes the key trading strategies used by hedge funds and demystifies the secret world of active investing. Leading financial economist Lasse Heje Pedersen combines the latest research with real-world examples and interviews with top hedge fund managers to show how certain trading strategies make moneymdash;and why they sometimes don't.Pedersen views markets as neither perfectly efficient nor completely inefficient. Rather, they are inefficient enough that money managers can be compensated for their costs through the profits of their trading strategies and efficient enough that the profits after costs do not encourage additional active investing. Understanding how to trade in this efficiently inefficient market provides a new, engaging way to learn finance. Pedersen analyzes how the market price of stocks and bonds can differ from the model price, leading to new perspectives on the relationship between trading results and finance theory. He explores several different areas in depthmdash;fundamental tools for investment management, equity strategies, macro strategies, and arbitrage strategiesmdash;and he looks at such diverse topics as portfolio choice, risk management, equity valuation, and yield curve logic. The bookrsquo;s strategies are illuminated further by interviews with leading hedge fund managers: Lee Ainslie, Cliff Asness, Jim Chanos, Ken Griffin, David Harding, John Paulson, Myron Scholes, and George Soros.Efficiently Inefficient effectively demonstrates how financial markets really work.Free problem sets are available online at http://www.lhpedersen.com

"Pedersen's book can be recommended to a wide spectrum of readers interested in financial markets in general and hedge funds in particular."--Jacek Klich, Central Banking"Encyclopedic in its cataloguing of active management strategies and authoritative in its analysis of the practical issues of their implementation. Pedersen grounds his exposition in landmark scholarly articles and, where quantitative analysis is required to elucidate a concept, conveys his message without resorting to arcane mathematics."--Martin S. Fridson, Financial Analysts Journal"This is an interesting and stimulating book for finance scholars combining the skills of an active funds manager and educator at some of the worldrsquo;s premier business schools."--Kevin Daly, Economic Record"Despite the author's high level of understanding he manages to deliver a high quality but also easily understandable guide to the strategies."--Mats Larsson, Investing by the BooksFrom the Back Cover"This valuable and intriguing book provides a contemporary survey of investments across a wide spectrum of asset classes and strategies. Combining a wonderful narrative with a rigorous analytical structure, Efficiently Inefficient serves the needs of students, serious investors, and professionals. It is an important contribution to the investment literature."--Gary P. Brinson, CFA, GP Brinson Investments"For a book on investments, Efficiently Inefficient sets a completely different and higher standard. Pedersen blends the best and latest research, accessible to both MBA students and professionals, with the insights of some of the world's leading hedge fund managers. It works beautifully."--Darrell Duffie, Stanford University"Efficiently Inefficient is a truly modern and masterful introduction to how finance will be studied and practiced in the twenty-first century."--Andrei Shleifer, Harvard University"How are markets efficient enough to stump most investors, yet inefficient enough to allow hedge fund managers to earn huge profits? Lasse Pedersen, who has contributed greatly to the 'new finance' of liquidity and financial frictions, answers this question with a tour-de-force combination of original research and provocative interviews with hedge fund managers."--Laurence B. Siegel, CFA Institute Research Foundation"Lasse Pedersen is a gifted financial market theorist who understands that theory is most satisfying when it is combined with a deep practical understanding of institutional detail and market frictions. This terrific book showcases his strengths in all of these dimensions."--Jeremy Stein, Harvard University"This accessible book explains hedge fund strategies and how to design, construct, evaluate, implement, and risk manage them. The section on securities lending and borrowing is interesting and novel, and Pedersen's discussion of macro and central bank strategies is one of the best I have seen in any book on hedge funds. His account of portfolio construction is superior."--Robert Kosowski, Imperial College Business School"Efficiently Inefficient bridges academic finance and the practice of finance. Students will appreciate the insights of top investment managers and the sections on transactions costs and liquidity are especially valuable. I will use the book in my graduate course on investment and I highly recommend it to all those working in the investment management industry."--Campbell R. Harvey, editor of the Journal of Finance (2006ndash;2012)About the AuthorLasse Heje Pedersen is a finance professor at Copenhagen Business School and New York University's Stern School of Business, and a principal at AQR Capital Management. A distinguished financial economist, he has won a number of awards, notably the Bernaacute;cer Prize, awarded to European economists under forty who have made outstanding contributions in macroeconomics and finance.