

STOCK MARKET DIAGNOSIS*

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Many times during my trading and investment career I was looking for a single source of comprehensive technical and fundamental stock analysis to recommend to clients and junior colleagues who were asking me what to study in order to gain more rapidly the knowledge needed to better navigate the market's turmoil.

Latter, when I started to offer training programs to investors and people looking to become brokers or investment advisers, I needed to build my theoretical presentations on books and literature that have clear and concise description on various fundamental and technical indicators across all types – trend analysis, price patterns, candles, oscillators, etc.

Mrs. Professor Anca Gheorghiu's book not only answers all these needs very well, but her work provides enough information that I do not see the need for another book on basic principles of stock market diagnose on the bookshelf of a young student or small portfolio investor, even though I know that other very good books are available but unfortunately available only in English language.

The book is well organized and indexed so that an investor can rapidly look up something while he is setting up trades, and get the basic info that he needs to understand before actually doing the trade. Being written by an experienced, accurate and meticulous researcher, the books references prime quality sources of knowledge, information and data for the practical studies. All these external sources are clearly mentioned so that all the readers interested to further continue the study can access them easily.

One pleasant surprise for a Romanian language book about stock market investments was how well written it was and how much I enjoyed reading it. I expected a dry reference book but instead found an excellent and engaging read.

* Review on the book: Anca Gheorghiu, *Stock Market Diagnosis*, in Romanian *Diagnostic Bursier*, Victor Publishing House, Bucharest, 2011.

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The book has both a fundamental and a technical approach to deciding what and when to buy or to sell in the stock market and this is very rare among the investment or trading books which usually treat only one of those two necessary types of analysis.

Mrs. Professor Anca Gheorghiu starts the book with an overall view over the instruments and techniques of chart analysis, offering students a necessary introductory atmosphere of technical analysis and its main purposes for a stock investor. This way, the reader of the first chapter of the book can have an overall understanding of the methods, objectives and fundamental types of charts used in technical analysis which will make him or her better prepared to approach the more detailed and complex information contained further inside the pages of the book.

The following two chapters represent a very valuable and useful review of the most popular and effective instruments of fundamental analysis of the stock markets. As I have mentioned before, after many years of practical experience and I can certainly say that when we speak about stock market diagnosis we cannot and should not overlook any of the two approaches: the fundamental and the technical, because they both offer important clues about the future probable direction of the price of exchange traded assets. As such, during the second chapter of the book Mrs. Professor Anca Gheorghiu refers to the main concepts and tools of corporate finance while in the third chapter she presents at a good level of detail the most important financial indicators of a company, the main methods of company and stock price valuation and the estimation of market price ratios.

During the 4th, 5th, 6th and 7th chapters of the book professor Anca Gheorghiu presents in great detail and with very useful notes and comments all the main types of technical analysis: trend analyses and indicators, price formations and candlestick formations, oscillators and volume indicators, price bands. Also the book contains important and valuable references to Gann, Elliott wave and Fibonacci analysis.

This very consistent part of the book which is dedicated to teach students and potential investors about chart analysis has the great value of being an “all in one” presentation. Mrs. Professor Anca Gheorghiu manages to emphasize all the popular methods of chart analysis and many of the important types of technical indicators, presenting them in an easy to understand, clear and unequivocal manner and with great amount of details about who to employ these tools when making real life (and real money) decisions in the market.

It is also important to mention that Mrs. Professor Anca Gheorghiu, as an experienced teacher and researcher is not a proponent or zealot about any one

indicator or analysis type, which I appreciate. She does a very good job of describing each indicator within the context of its value without trying to convert anyone to any specific technique or approach. As I do not believe in magic bullets in trading and investment, I very much appreciated her straightforward, balanced and unbiased approach.

Both students and investors will also find inside this book a modern approach to identifying and measuring risks and there is no doubt that now more than ever we cannot discuss about stock market investments without a consistent investigation and quantification of the risks involved.

Thus, chapters 8 and 9 of the book offer the reader the possibility to understand the types of risks involved in stock trading and to evaluate the impact of those risks on any particular stock market portfolio. At the same time, the reader can find inside those two chapters the tools needed for a proper risk management of the portfolio, both for direct investments and for financial investments.

Especially chapter 9 of the book Mrs. Professor Anca Gheorghiu brings a new, original and very valuable scientific contribution to the concepts of financial and risk management by using her expertise in the field of applied physics to shed a new light on the notions and measurement of simple and normalized volatility.

So, in summary, I highly recommend this book for what it is intended to be – a reference book on technical and fundamental analysis of stock market investments and a valuable source of knowledge for students and investors. I also think that the work of Mrs. Professor Anca Gheorghiu in the field of econophysics which is presented inside this book opens new ways of measuring and assessing financial risks for individual assets and portfolios, thus representing a valuable source of information for the scientific community.