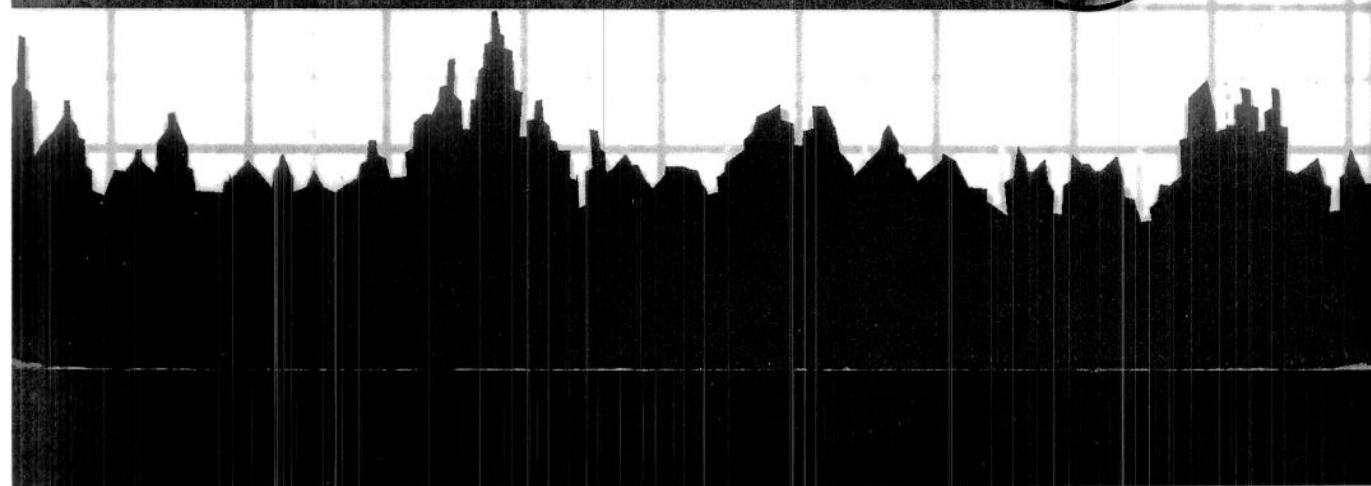


**Capturing Profits  
and Hedging Risk with  
Statistical Arbitrage Strategies**

# TRADING PAIRS

**MARK WHISTLER**

**Includes CD-ROM  
with Excel spreadsheets to track your trades!**



# TRADING PAIRS

Pairs trading is an effective trading style that has traditionally been utilized by institutional investors such as hedge funds and savvy individuals who trade for a living. But today, this style has been adopted by a broad range of traders—from the novice to the veteran. With the help of technology and some commonsense guidance, you too can begin using this technique to boost the profits of your portfolio.

Written by Mark Whistler, a licensed securities trader and broker and leading arbitrage expert, *Trading Pairs* clearly illustrates this profitable technique, and allows you to gain a new perspective on the markets as well as a new approach to investing. In addition, if you have access to the Internet and Microsoft Excel, the companion CD-ROM can help you put everything in this book to practice, as well as track your pairs.

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“Mark Whistler has produced the ultimate guide to pairs trading that is a must read for any technical or fundamental market trader. Better yet, he’s done so with a sense of humor that makes for an even better read!”

—**Scott Cortelyou**

cohost, *Business for Breakfast*, 760 AM, The Zone, KKZN

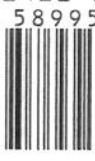


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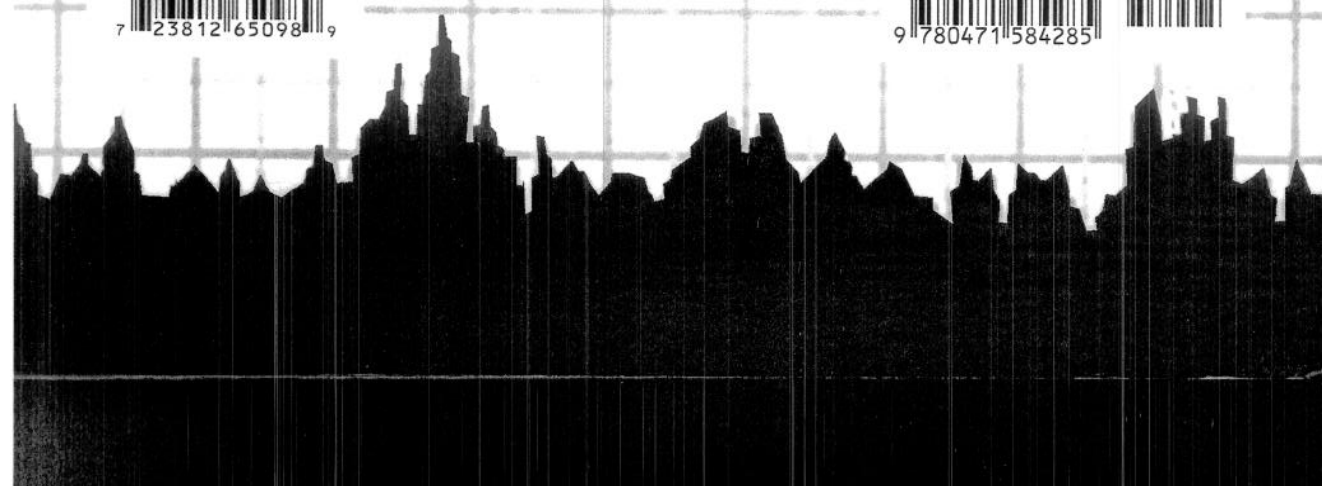
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**T**raditionally, when you either buy or sell a stock, you hope that it moves in the one direction that results in a profit. However, at times, this strategy leaves you with a “naked” position that is simply at the mercy of the markets. Thus, pairs trading offers a unique alternative and allows you, the individual investor, a way to “hedge” positions. The goal is to protect your portfolio from dramatic market upswings or downturns, while finding stock relationship inequalities—all in an effort to make money.

Written by Mark Whistler, a licensed securities trader and broker and leading arbitrage expert, *Trading Pairs: Capturing Profits and Hedging Risk with Statistical Arbitrage Strategies* clearly illustrates this profitable technique, and allows you to gain a new perspective on the markets as well as a new approach to investing. In addition, if you have access to the Internet and Microsoft Excel, the companion CD-ROM can help you put everything in this book to practice, as well as track your pairs.

This informative, yet easy-to-read guide begins by laying a small foundation that will help you form a solid understanding of pairs trading. You'll be introduced to market basics such as liquidity ratios and shares outstanding. You'll also receive a briefing on how both fundamental and technical analyses tie into pairs trading. Once the basics are covered and you're familiar with pairs terminology, you'll learn how to put this profitable technique to use in your trading endeavors.

In straightforward and easy-to-understand language, *Trading Pairs* explores the fundamental, technical, and emotional cycles of the market's rotational relationships, and illustrates how to capitalize on discrepancies when disharmony appears.

— continued on back flap —



— continued from front flap —

**It will discuss, in-depth, the importance of:**

- Understanding correlations, including stock correlations in relation to indices
- Using statistics to: identify relationships, assist in determining the direction of the relationship, and ascertain how to execute your trades based on the data presented
- Differential versus ratio
- Moving averages and NSD
- Money management
- Using Excel to trade pairs
- And much more

Pairs trading is by no means the “holy grail” of trading, but with the proper base of applicable knowledge and impeccable money management skills, you’ll find yourself with an effective trading strategy for any market environment. Filled with in-depth insights and practical advice, this book will help those who don’t have access to expensive trading software create live spreadsheets, track pairs like a “pro,” and increase the bottom line of their portfolios.

**MARK WHISTLER** is a licensed securities trader and broker and leading arbitrage expert. Mark recently worked as the Editor in Chief for a respected financial newsletter and was a guest analyst on a nationally syndicated radio show. He holds a bachelor’s degree in finance and art history. He is the key developer of pairstrader.com and can be seen around the country giving seminars on trading techniques, technical analysis, pairs trading, and deciphering economic news. He has contributed to a market show on 760 AM (in the Denver area), and writes a newsletter, *The Pairs Trader* (pairstrader.com).

*Jacket Design: Paul McCarthy*

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