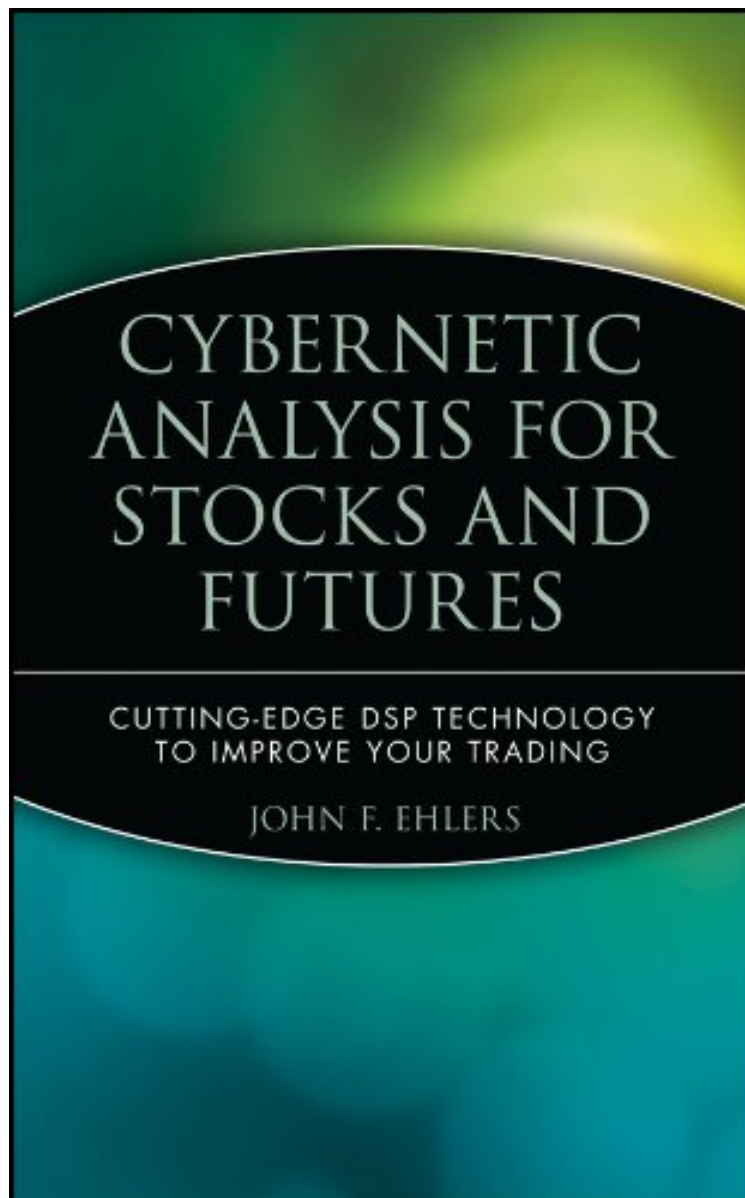


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## **Cybernetic Analysis for Stocks and Futures: Cutting-Edge DSP Technology to Improve Your Trading (Wiley Trading)**

*John F. Ehlers*

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**John F. Ehlers : Cybernetic Analysis for Stocks and Futures: Cutting-Edge DSP Technology to Improve Your Trading (Wiley Trading)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Cybernetic Analysis for Stocks and Futures: Cutting-Edge DSP Technology to Improve Your Trading (Wiley Trading):

6 of 6 people found the following review helpful. Rather disappointing  
By Bowlane  
This is an expensive book which I bought some years ago with quite high expectations. Unfortunately these were only marginally fulfilled. It does not have a great deal of content, and could perhaps have been reduced in length to about 50 or 100 pages by relegating the formula scripts which provide most of its bulk to a CD. The scripts, by the way, are provided only in EasyLanguage and E-signal - why? This could have been included with the book, or made available on line, along with translations of the formulae into other technical analysis languages (most usefully, in my case, Metastock). So the immediate application of the book is restricted to users of those two languages. Removing the programs to an appendix would have abridged the text to the form of a not particularly good introductory account of digital signal processing (DSP), and for the general reader like me study of such a properly prepared introductory text might have proved more rewarding. No references are provided, only a handful of "notes", most of which refer to Ehlers's own writings. The book makes no suggestions as to where to obtain further information on DSP, but even an old text like Marven and Ewers gives useful background. Of much more practical use in the present context would have been suggestions for translating the programs provided into other TA languages. But really lacking is discussion on when one or other of the various techniques should (or should not) properly be applied, and on how a user might tune the procedures to fit their own trading style. In my view we still await a thoroughgoing attempt to apply DSP techniques to trading. This is a pity; DSP is an interesting approach with obvious relevance to trading.

1 of 1 people found the following review helpful. Thought-Provoking Original Ideas That Work  
By Alan Lattanner  
John Ehlers is one of the most innovative trading systems engineers known to the public. This book contains a set of completely novel indicators and elegantly simple trading systems based on those indicators. The author specializes in applying his deep knowledge of signal analysis in the form of digital signal processing (DSP) to stock and futures market data. This book is thought provoking. Few trading or investment books contain truly new ideas for us traders to sink our teeth into. This is an exception. For example, chapter one dives right into an analysis of why the Gaussian distribution (the normal probability curve) is inappropriate for market analysis, despite the fact that it is widely used, for example as the basis for both the Commodity Channel Index indicator and Bollinger Bands indicator. Ehlers uses a unique example of beads on strings to visually illustrate that typical market prices spend most of their time near the extremes rather than near the mean. He introduces a mathematical procedure (the Fisher Transform) and applies it to US Treasury Bond futures to graphically and convincingly demonstrate the point. This is just one of many eye-openers in this book. Ehlers writes in a very clear and direct style. The organization of his material follows a logical progression. The book is rich with meaningful charts and graphics, lean tables of test results, key mathematical formulas and computer code. Mathematical formulas are limited to the necessary but are complete enough for those with an knowledge of basic algebra to understand and, if desired, derive on their own from the material presented in the book. There are some terms and concepts used that require more advanced knowledge if you are going to really understand the material in detail, such as Z-Transform Notation, decibels, logarithms, and multipole filters. There is no explanation of these tools in the book leaving the reader to research them on his or her own if not familiar. The failure to include an appendix or detailed footnotes explaining these tools (rather than the very few footnoted references to other texts) reduces its value somewhat to those in the trading community who are not electrical engineers yet hungry for information on the subject of cycle analysis. Most valuable is Ehler's ability to convey rather complex ideas in simple language that allows the reader to concentrate on why an particular indicator may work, how it works, what information it is supposed to provide, how it may compare to other similar indicators, what are its unique benefits, and how to incorporate it into a trading system. Some reviewers on these pages complain that the book is too short. In my view that is high praise, considering the amount of information contained. Cycle analysis is the orphan of the technical trading world. There is little in the literature, save perhaps Elliott Wave, to help us understand how to address the cyclical nature of markets. This book helps fill that gap with solidly documented research and specific tools to analyze cycles. It will be most useful to those who favor mechanical trading systems and are comfortable with trading systems programming in general. The inclusion of TradeStation EasyLanguage(c) code is helpful as it is very similar to the widely-used Basic programming language and therefore readily understood by many. On the other hand, EFS (eSignal Formula Script) is a verbose specialty script language few will be able to decipher, and its inclusion within chapters seriously interrupts the flow of the book. Overall, the bulky EFS code and lack of a technical appendix are minor complaints. This is an excellent book for technical and mechanical traders. As to a star rating, I deduct one star for the many pages of EFS code in each chapter and the omission of a technical appendix explaining advanced terms. I rate this book 4 stars. PS. Anyone who has read the Tom Swift books, as did I as a boy, will enjoy Ehler's tongue-in-cheek humor at the start of each chapter.

3 of 3 people found the following review helpful. Excellent indicators  
By - Kunde  
When you're looking for new technical analysis ideas, this book is a must. Ehlers comes from an engineering background and does a good job in explaining simple, but effective filter indicators. They give trade signals that really work. On the back side, the book is quite short. Its size is inflated by many lengthy code listings of indicator functions, in two different languages. The listings for the TradeStation would have been enough as they can be easily translated to other platforms. But most of the book is covered by listings in the clumsy eSignal language which are not really needed, or could have been provided on CD.

Cutting-edge insight from the leader in trading technology In *Cybernetic Analysis for Stocks and Futures*, noted technical analyst John Ehlers continues to enlighten readers on the art of predicting the market based on tested systems. With application of his engineering expertise, Ehlers explains the latest, most advanced techniques that help traders predict stock and futures markets with surgical precision. Unique new indicators and automatic trading systems are described in text as well as Easy Language and EFS code. The approaches are universal and robust enough to be applied to a full range of market conditions. John F. Ehlers (Santa Barbara, CA) is President of MESA Software ([www.mesasoftware.com](http://www.mesasoftware.com)) and has also written *Rocket Science for Traders* (0-471-40567-1) as well as numerous articles for *Futures* and *Technical Analysis of Stocks Commodities* magazines.

From the Inside Flap "While much of what is covered in this book breaks new ground, it is not simply innovation for innovations sake. Rather, it is intended to challenge conventional wisdom and illuminate the shortcomings of many prevailing approaches to systems development." From Chapter 1 John Ehlers's contributions to the art and science of trading have been nothing short of extraordinary. From his pioneering work applying maximum entropy spectral analysis (MESA) software to trading markets, to his definitive tour de force *Rocket Science for Traders*, Ehlers's innovative and market-proven approach to cycle analysis and market forecasting has earned him a reputation that is unmatched among technicians and technical traders worldwide. In *Cybernetic Analysis for Stocks and Futures*, Ehlers takes the next step, developing and demonstrating profoundly effective new trading tools through the application of modern digital signal processing techniques. Obtaining accurate cycle measurements within five samples with virtually zero lag, these tools have proven in real-time use to consistently provide traders with razor-sharp buy and sell signals in virtually any market meeting or exceeding the performance of commercial systems which cost hundreds or even thousands of dollars. To increase the book's functionality and ease of use, each new technique, indicator, and automatic trading system is defined in both EasyLanguage code (for use in TradeStation trade;) and eSignal Formula Script (EFS) code. DLLs to work with NeuroShell Trader are also available. Modernizing popular trading procedures to take advantage of the incredible computing speed and power available to today's trader, Ehlers introduces: The Fisher Transform measure that the density function of any indicator is Gaussian, creating sharper trading signals The Relative Vigor Index a responsive oscillator in which movement is normalized to the trading range of each bar Improved Hilbert Transform a more responsive method to accurately measure market cycles The Sinewave Indicator a non-causal filter that gives entry and exit signals 1/16 of a cycle period in advance of the turning point The Laguerre Transform a new tool to address the smoothing versus lag problem more effectively and create better smoothing filters Super Smoothing Filters provide more smoothing with less lag Simple Moving Average Computation two new ways to compute the simple moving average with unprecedented ease Advances made in computer technology in the past two decades have clearly outpaced advances in trading software and practice. *Cybernetic Analysis for Stocks and Futures* seeks to restore the balance between computational power and user proficiency. Combining new indicators with tested systems for forecasting stock and futures markets with surgical precision, it will drive your systems to new levels of predictive accuracy, trading effectiveness, and overall profitability.

From the Back Cover Praise for *Cybernetic Analysis for Stocks and Futures* "If John Ehlers writes it, I read it. Hersquo;s that brilliant." ndash;ndash; Larry Williams trader and author of *Commodity Timing* "Cybernetic Analysis is a treasure of new and innovative ideas. John Ehlers has put aside the traditional mathematics of cycles and written a totally readable, thought-provoking, and user-friendly book on new indicators and trading methods. I particularly liked his work on the Fisher Transform, probability distributions, and true lag, which are a great contribution. This is a must for all analysts." ndash;ndash; Perry Kaufman author of *Trading Systems and Methods* and *A Short Course in Technical Trading* "John Ehlers ranks with Art Merrill as the best quantitative technical analyst of the twentieth and, probably, the twenty-first century. The success of his insightndash;employing digital signal analysisndash;is fully demonstrated in this volume, a worthy addition to his earlier, *Rocket Science for Traders*. For substantive, fully disclosed techniques you can use every day, this material is the best there is." ndash;ndash; John Sweeney former editor of *Technical Analysis of Stocks Commodities* magazine *Breakthrough Trading Tools*ndash;and *Updated Applications*ndash;for Dramatically Increased Forecasting Accuracy in Every Market Over the past two decades, John Ehlers has built a worldwide following with his unprecedented ability to combine the scientific knowledge of an engineer with the instincts of a top trader. In *Cybernetic Analysis for Stocks and Futures*, Ehlersndash;author of the groundbreaking *Rocket Science for Traders*ndash;introduces serious traders to all-new methods for applying digital signal processing techniques to market forecasting. Let Ehlersrsquo;s latest book show you how to: Obtain accurate cycle measurement within five samples Make indicators adaptive to market conditions using the measured cycle period Sharpen market turning points by manipulating the Probability Distribution Function using the Fisher Transform Discern the onset of trend modes and cycle modes Generate dependable buy and sell signals in any market *Cybernetic Analysis for Stocks and Futures* combines all-new indicators with innovative uses of proven indicators to give you that rare edge that makes trading more pleasurable and profitable, in virtually every market and environment.

About the Author John F. Ehlers received his BSEE and MSEE from the University of Missouri and did his doctoral work at the George Washington University, majoring in fields and waves and minoring in information theory. A private trader since 1976, he is currently President

of MESA Software ([www.mesasoftware.com](http://www.mesasoftware.com)) and author of *Rocket Science for Traders* (Wiley) as well as numerous articles for *Futures* and *Technical Analysis of Stocks Commodities* magazines. He has now expanded the scope of his contributions to technical analysis through the application of scientific digital signal processing techniques.