



# Inside the Black Box: The Simple Truth about Quantitative Trading

*Rishi K. Narang*

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Praise for

Inside the Black Box

"In *Inside the Black Box: The Simple Truth About Quantitative Trading*, Rishi Narang demystifies quantitative trading. His explanation and classification of alpha will enlighten even a seasoned veteran."  
?Blair Hull, Founder, Hull Trading & Matlock Trading

"Rishi provides a comprehensive overview of quantitative investing that should prove useful both to those allocating money to quant strategies and those interested in becoming quants themselves. Rishi's experience as a well-respected quant fund of funds manager and his solid relationships with many practitioners provide ample useful material for his work."  
?Peter Muller, Head of Process Driven Trading, Morgan Stanley

"A very readable book bringing much needed insight into a subject matter that is not often covered. Provides a framework and guidance that should be valuable to both existing investors and those looking to invest in this area for the first time. Many quants should also benefit from reading this book."  
?Steve Evans, Managing Director of Quantitative Trading, Tudor Investment Corporation

"Without complex formulae, Narang, himself a leading practitioner, provides an insightful taxonomy of systematic trading strategies in liquid instruments and a framework for considering quantitative strategies within a portfolio. This guide enables an investor to cut through the hype and pretense of secrecy surrounding quantitative strategies."  
?Ross Garon, Managing Director, Quantitative Strategies, S.A.C. Capital Advisors, L.P.

"Inside the Black Box is a comprehensive, yet easy read. Rishi Narang provides a simple framework for understanding quantitative money management and proves that it is not a black box but rather a glass box for those inside."  
?Jean-Pierre Aguilar, former founder and CEO, Capital Fund Management

"This book is great for anyone who wants to understand quant trading, without digging in to the equations. It explains the subject in intuitive, economic terms."  
?Steven Drobny, founder, Drobny Global Asset Management, and author, Inside the House of Money

"Rishi Narang does an excellent job demystifying how quants work, in an accessible and fun read. This book should occupy a key spot on anyone's bookshelf who is interested in understanding how this ever increasing part of the investment universe actually operates."

?Matthew S. Rothman, PhD, Global Head of Quantitative Equity Strategies Barclays Capital

"Inside the Black Box provides a comprehensive and intuitive introduction to "quant" strategies. It succinctly explains the building blocks of such strategies and how they fit together, while conveying the myriad possibilities and design details it takes to build a successful model driven investment strategy."  
?Asriel Levin, PhD, Managing Member, Menta Capital, LLC

## Inside the Black Box: The Simple Truth about Quantitative Trading Details

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## **From Reader Review Inside the Black Box: The Simple Truth about Quantitative Trading for online ebook**

### **Anna Rogovets says**

Nice book for the very beginners, good taxonomy and well described basics. The third part of the book is a bit strange with all these lets-not-blame-quants, evaluate-with-interrogation and evolve-to-survive chapters (oops, spoilers)

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### **John says**

Good book for someone completely new to quant trading, but not much there otherwise. I'd check out chapters 9,10,12 other than that stuff is pretty standard. Good intro if you have no experience though.

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### **Sergiy says**

I found Parts I & II useful in terms of intro and going through all the components of the black box. Part III looked out of place IMO since it targets only a subset of the book audience (investor choosing a quant to invest with). I wasn't interested in Part IV that much either as I read about HFT before, but I do think that the author's coverage of the topic is somewhat biased. Flash Boys my Michael Lewis provides a much less rosy look at HFT.

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### **Alexey Groshev says**

It lacks details.

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### **BLACK CAT says**

Big-data and loopholes of the financial system.  
A little too detailed.

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### **Himanshu Gupta says**

My review: <http://www.enlistq.com/book-review-in...>

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### **Jake Wamala says**

It was a logical description of quantitative trading and strategies.

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### **Tony Poerio says**

Solid, practical overview of the quant trading landscape, its procedures, and what to expect. Mostly high-level, but still valuable info.

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### **Aashish Rathi says**

A good book for a higher level view of the field. Don't expect to learn the specifics from this. The later chapters tend to get a bit boring. But definitely a book worth reading for beginners and curious minds.

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### **Jeff Rogers says**

Very good overview of quantitative/algorithmic trading. Doesn't go into implementation details or suggest specific strategies, but gives enough information for the interested reader to figure out where to look for the specific information they're interested in.

One especially strong aspect of this book was its emphasis on approaching trading scientifically, and avoiding errors related to overfitting or otherwise allowing bias to enter into models.

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### **Tim O'Hearn says**

I almost pulled the trigger on reading this book several times. I always held off due to tepid reviews. This was mostly a good thing only because, in the meantime, I've been able to spend my entire adult working life at a trading firm. The semblance of interest I had in the industry four years ago has become daily exposure which has allowed me to consume and critique Inside the Black Box while not coming off as a nimrod.

If there's a reason to be disappointed that it took me so long to read this, it's that I hate knowing that I was swayed by reviews written by people who, in aggregate, misled me regarding the quality of the book. Most negative reviews are nonsensical.

The title promises a *simple* guide and that's what Rishi Narang delivers. There aren't deep dives into market microstructure, regulatory issues, or the nuts and bolts of specific trading strategies. There aren't lectures on Knight Capital or LTCM (though the companies appear somewhat frequently) and the author doesn't stoop to referencing as many books as possible just to show you how smart he is. Though he does provide an elegant distinction between high-frequency trading and ultra-high-frequency trading, a topic I have struggled to explain clearly for some time. If you're a true-to-life quant, this might not be much more than a refresher, but there is something everyone can take away from this book.

For me, the book filled in most of the blanks in my understanding of the industry. Reading about market microstructure is not fun—even when supplemented with related work experience—and the popular novels I've read haven't taught me much at all (while often offering critiques that Narang rebuffs quite well). This book managed to combine the flow and enjoyability of a novel with the lasting value of a more academic work. It should be near the top of the summer reading list for every firm in the industry.

See this review and others on my blog

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### **Gabriel says**

This is a clear if somewhat dry exposition on the mechanics of quantitative trading - using algorithms to make financial trades at a variety of frequencies and with a variety of different strategies. Obviously, with high frequency trading in the news so much there is special attention given to that subject, explaining how HFT works, and why so much of what you have heard about it is false.

Overall the book is very successful and is packed with information. People already knowledgeable of the industry will probably not find much new here, but someone just getting started should invest the time to read this. It is basically a textbook with the math stripped out, making it nice companion reading to more technical work.

In the end, I wish I could rate it higher because the information is useful and clear, but something about the style made reading the book more of a chore than I would like. That said, for what it aims to be, it is worth reading.

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### **Anurag says**

A gentle introduction to quant trading. The writing is not that great - which is often the case when people with technical expertise take up writing but the explanations are clear. The bland writing "automatically" prevents the author from sounding like someone with a hidden agenda. There are points when Narang becomes defensive of the quant trading but he views quant funds as not so different from traditional funds - stressing that quants merely follow successful traders. There is no magic involved - not of kind which Warren Buffet would have you believe in.

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### **Sean Zhang says**

If you are a nerd and you are not shamed of it, I suggest that you read this book. This book is very informative and stimulating in the area of quantitative finance!

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### **Alberto says**

Probably aimed at investors wanting to understand and assess quants. If you're a day trader looking for an edge over HFTs, there's none, and the book will be too detailed and specific. Conversely if your aim is to become a quant, or build an algorithmic strategy, there won't be enough info.

It makes a point that quant trading is not that different from discretionary trading and traditional investing, in face, most considerations, e.g. seeking alpha and portfolio construction, are based on the same theory. Unfortunately there is no mention of less wholesome strategies that exploit maker-taker fee structures, front-running, exotic orders and spoofing.

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