# Contents

The Janus Factor vii
Introduction xiii
Acknowledgments xv

CHAPTER 1
Foundations 1
Serendipity 2
The Data Set 5
Reasons and Causes 6
Befuddled 7
Which Way Is Up? 9

CHAPTER 2
The Assignment 13
Measuring Risk: Offense and Defense 14
Picturing Offense and Defense 17
The Benchmark Equivalence Line (BEL) 19
The Trend of Relative Performance 22

CHAPTER 3
Feedback and Capital Flow 27
Feedback 28
Feedback and Capital Flow 31
Calculating Relative Strength 37
The Relative Strength Spread 39
Trend Followers and Contrarians 41
## Contents

### CHAPTER 4
- The Janus Factor 45
- Structure and Entropy 46
- Confidence 47
- Is the Market Predictable? 48
- Balancing Acts and Paradigm Shifts 54

### CHAPTER 5
- Seasons of Success 57
- The Venturi Effect 58
- The Relative Strength Spread and the Performance Spread 61
- Group Studies 68

### CHAPTER 6
- Why Jesse Went Broke 71
- The Cotton King 74
- 1911–1914 75
- The Final Years 80

### CHAPTER 7
- Sheep Dogs and Other Contrarians 83
- The Sheep Dog Effect 85
- A Contrarian Hedge? 87
- The Contrarian Rebound 88
- The Contrarian Collapse 92

### CHAPTER 8
- Situational Awareness 99
- Bielema’s Choice 101
- The Bet 106
- Let Us Calculate! 109

### CHAPTER 9
- The Direction of Momentum 115
- Relative Momentum 117
- Relative Momentum versus Relative Strength 123
## Contents

### CHAPTER 10

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Strategies</td>
<td>127</td>
</tr>
<tr>
<td>The Critical Moving Average</td>
<td>127</td>
</tr>
<tr>
<td>The DOM Strategy</td>
<td>129</td>
</tr>
<tr>
<td>Contrarian Threats</td>
<td>130</td>
</tr>
<tr>
<td>A Defensive Long Strategy</td>
<td>133</td>
</tr>
<tr>
<td>It's a Bull Market, You Know</td>
<td>135</td>
</tr>
</tbody>
</table>

### CHAPTER 11

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Complete Strategy</td>
<td>137</td>
</tr>
<tr>
<td>Combined Long and Short Strategies</td>
<td>139</td>
</tr>
<tr>
<td>The Model Portfolio</td>
<td>141</td>
</tr>
<tr>
<td>Execution</td>
<td>143</td>
</tr>
</tbody>
</table>

### Appendix

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix</td>
<td>149</td>
</tr>
</tbody>
</table>

### About the Author

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>About the Author</td>
<td>163</td>
</tr>
</tbody>
</table>

### Index

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index</td>
<td>165</td>
</tr>
</tbody>
</table>