

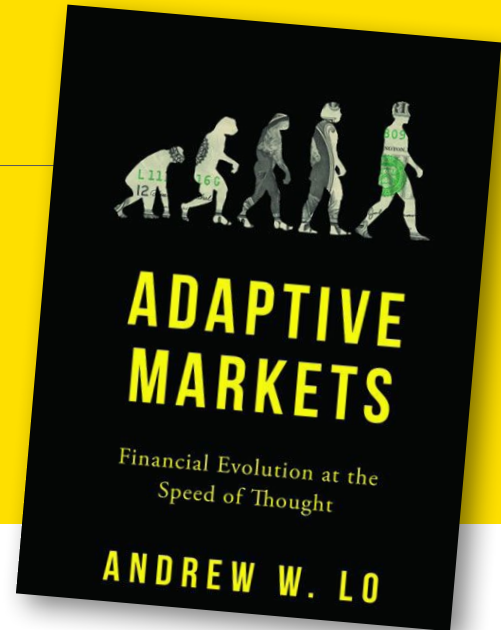


**CO/INVESTOR CLUB**

# BOOK REVIEW

## Adaptive Markets

Andrew W. Lo



*Review by Cory L. Welborn, Co/Investor Club*

This is a brief overview of the book “Adaptive Markets” authored by the well-known professor at MIT Sloan School of Management, Andrew W. Lo. Mr. Lo has contributed significantly to the academic world of finance, and this book is no exception. The discoveries found throughout the book will have the reader thinking about markets differently and honestly enlighten them by giving what Lo thinks as a hybrid approach to viewing the changing dynamics of financial markets. The book is about how financial markets have adapted, evolved, and continue to do so if the title is any indication. Over the time that humans have studied markets, much has happened that economists and finance professionals struggle to explain and reason with.

There seems to be a vast disagreement amongst them as to whether markets are either efficient or not. Lo does an excellent job at taking the reader on a journey through various fields to arrive at his Adaptive Markets Hypothesis or AMH. The disciplines researched and covered range from psychology, artificial intelligence, evolutionary biology, neuroscience, and more. They all help build out the AMH and reveal the tendencies and characteristics of why markets and people do what they do. With over 400 pages of content, this is no short work of literature; the book took Lo many years to complete, but the final copy contains significant insight and research-backed by science. It looks under the hood of financial markets and the human experience to unveil the real forces at work.

Markets are highly competitive, and this book will help readers see the market at a higher level staying away from the noise. As an undergraduate finance student, I find this book very insightful and very much entertaining. There are many things that all finance majors are exposed to while attending college, with one certainly being the efficient market hypothesis or EMH. Lo seems to have discovered an approach to markets that can bridge the two sides of the EMH debate. He sees there is some middle ground that both worlds can live in simultaneously.

This is a great and entertaining book that everyone should read if they are interested in the financial markets. Day traders, microcap investors, indexers, or any other investing style can all find value in this book, as I think it has something to offer everyone.

[\(1\) Adaptive Markets: Financial Evolution at the Speed of Thought - YouTube](#)