

# BUSINESS INSIDER

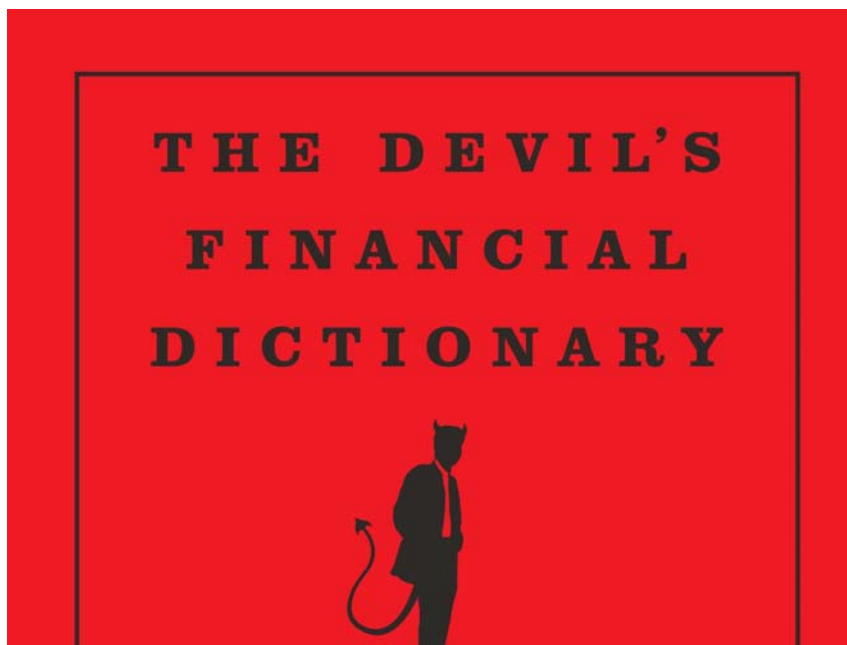
## How 'The Devil's Financial Dictionary' defines 13 Wall Street words



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NOV. 14, 2015, 9:12 AM

Wall Street analysts and economists speak their own language.

Words like "research" and "analysis" mean one thing to regular folks, but something totally different to the folks with a financial interest in how they are perceived.



*Jason Zweig*

To address this, Wall Street Journal columnist [Jason Zweig](#) is out with a new book, "[The Devil's Financial Dictionary](#)," which features satirical, yet insightful definitions that decode the meaning of everyday financial jargon.

Just in time for the holidays, this compendium of Zweig's wit is the perfect stocking stuffer for anyone remotely interested in finance.

We picked 13 terms from 200+ page text and shared them below.

Enjoy.

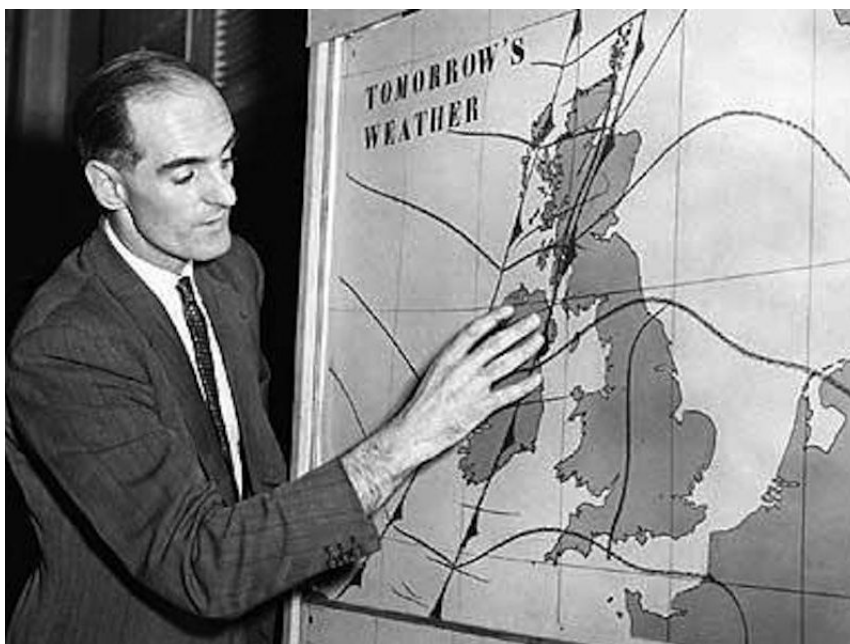
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## Forecasting (n.)

The attempt to predict the unknowable by measuring the irrelevant; a task that, in one way or another, employs most people on Wall Street.

Source: *The Devil's Financial Dictionary*



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## Regulator (n.)

A bureaucrat who attempts to stop rampaging elephants by bradishing feather-dusters at them. Also, a future employee of a bank, hedge fund, brokerage, investment-management firm, or financial lobbying organization.

Source: *The Devil's Financial Dictionary*



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## Irrational (adj.)

A word you use to describe any investor other than yourself.

Source: *The Devil's Financial Dictionary*

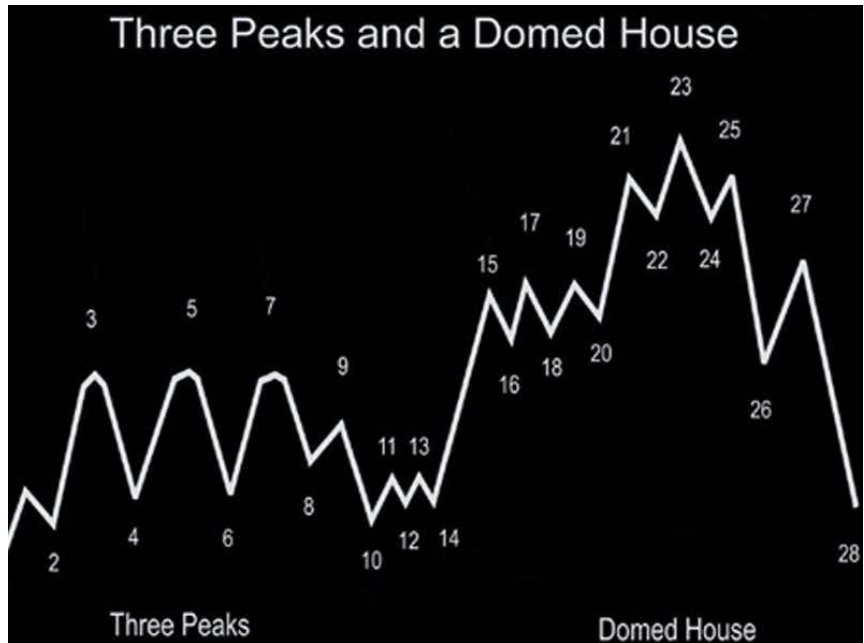


Flickr / The Shifted Librarian

## Technical analysis (n.)

A method by predicting the future prices of a financial asset by looking at its past prices, which is about as reliable as attempting to forecast tomorrow's weather by studying yesterday's. [...]

Because the prices of securities move in an almost infinite range of patterns, no endeavor in the financial world is more encrusted with arcane jargon than technical analysis, including the Hindenburg Omen, Fibonacci retracements, Ichimoku clouds, vortex indicators, stochastic oscillators, triple exponential moving averages, guppy multiple moving averages, saucers, stick sandwiches, double tops, triple bottoms, tweezer bottoms, head and shoulders, the long-legged Doji, bearish catapults, bullish abandoned babies, the death cross, and the "upside gap two crows" pattern.



*Hussman Funds*

It is a good general rule on Wall Street that the more impenetrable the jargon is, the less likely the thing described by it is to be profitable.

Source: *The Devil's Financial Dictionary*

## Stock market (n.)

A chaotic hive of millions of people who overpay for hope and underpay for value.

Source: *The Devil's Financial Dictionary*



REUTERS/Stephane Mahe

## Clearly (adv.)

Unclearly.

Analysts and pundits using the word "clearly" are either (1) pretending, without any valid evidence, that they know what is going to happen, or (2) describing what has already happened and declaring, after the fact, that they knew it would happen when at the time they had no idea.

Source: *The Devil's Financial Dictionary*



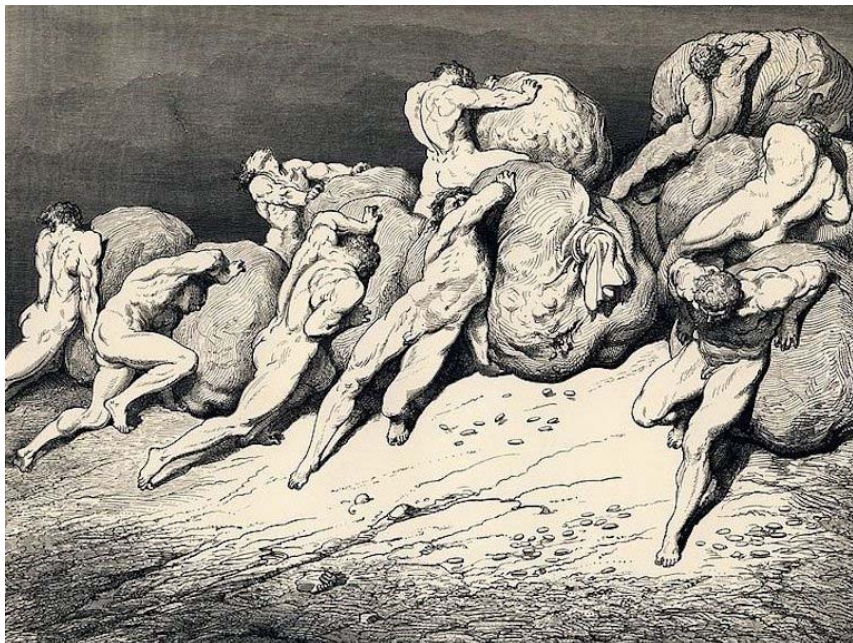
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Nostradamus.

## Thrift (n.)

The obsolete practice of spending less money than you earn; once believed to be a virtue, now regarded as a disturbing form of deviant behavior.

Source: *The Devil's Financial Dictionary*



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Gustave Doré's illustrations of Dante's fourth circle of Hell, featuring greed.

## Central bank (n.)

A group of economists who believe that their current forecasts will turn out to be accurate even though their past forecasts have been unreliable, that their present policies will succeed even though their past policies have failed, that they can prevent inflation from occurring next time even though they didn't prevent it last time, that they can foster lower unemployment in the future even though their practices worsened it in the past, and so forth.



Reuters/Ralph Orlowski

You should be able to answer this riddle: What's the difference between a central banker and a weather vane? They both turn in the wind, but only the central banker thinks he or she determines which way the wind blows.

Source: *The Devil's Financial Dictionary*

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## Hindsight bias (n.)

Only perhaps a half-dozen market pundits saw the financial crisis coming before 2008, but you can't swing an Hermès necktie on Wall Street without hitting someone who claims to have predicted it.

Source: *The Devil's Financial Dictionary*

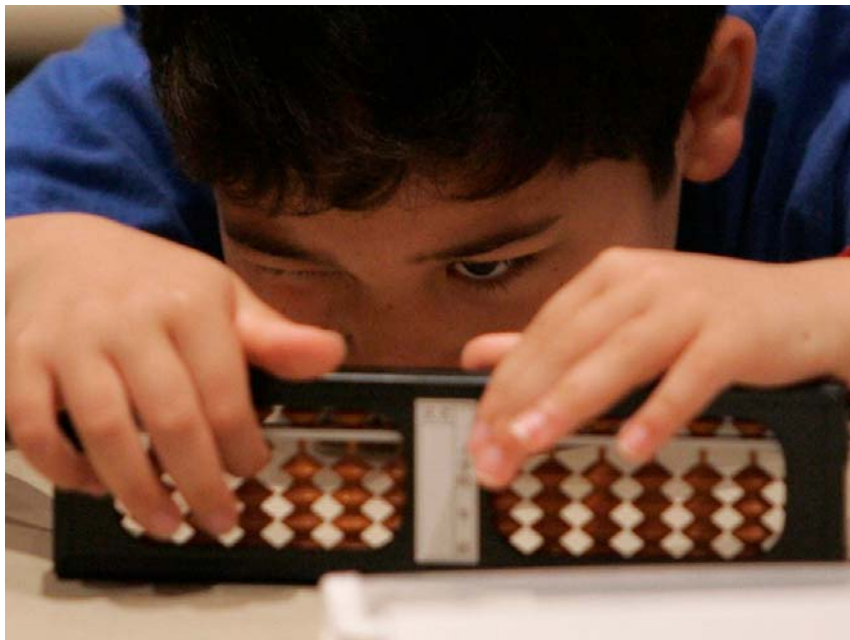


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## Research (n.)

The art of making financial guesswork seem like a science — at a cost to investors of approximately 1% of their total assets annually.

"Fundamental research" consists of pretending to study the underlying forces of supply and demand that should determine the long-term futility profitability of an asset while, instead, spending most of your time fixating on short-term fluctuations in market price. "Technical research" consists of looking at squiggly lines all day long.



AP Images

Source: *The Devil's Financial Dictionary*

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## Economist (n.)

A professor who studies the real world from a perch in the ivory tower and concludes that the chaotic interactions of people, goods, and money conform to his or her theories.

Source: *The Devil's Financial Dictionary*



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Adam Smith

## Proprietary algorithms (n.)

Mathematical formulas ostensibly used to manage money that instead etherize the minds of prospective and current clients. The formulas often resemble something like this:

$$[[[e \cdot R^2] / \sum_{i=n}^0)^2] * P/b = e(R)$$

When such algorithms are algebraically reduced, they result in the simpler equation:

$$A * f = p$$

where A represents the assets of the firm's clients, f equals the fees they pay, and p is the gross profitability of the money management firm (although not its clients.) The other terms in the original algorithms are extraneous, although attempting to solve them does give the firm's employees something to do all day while they watch the fees piling up.



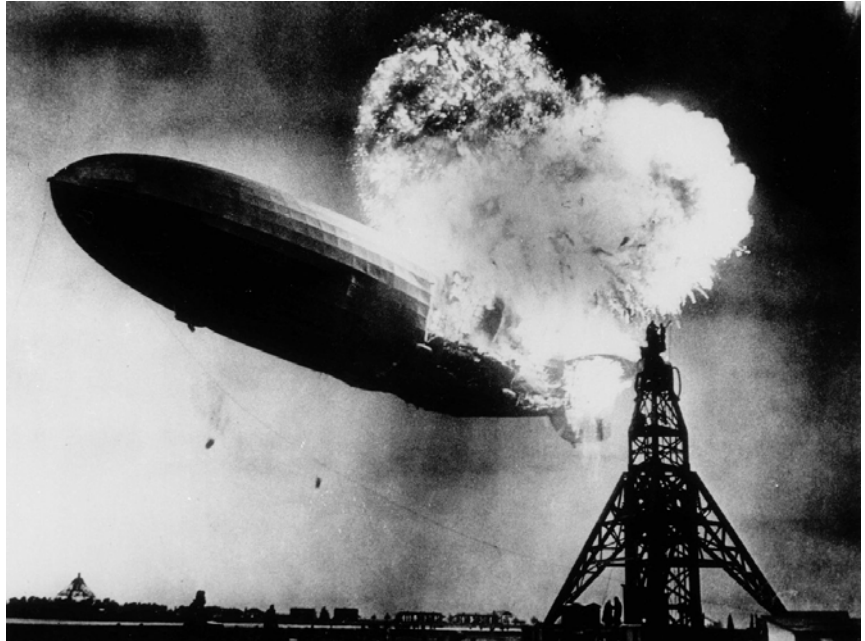
REUTERS/Brendan McDermid

Source: *The Devil's Financial Dictionary*

## Hindenburg Omen (n.)

An indicator in technical analysis that has predicted approximately 548 of the past three market crashes.

Source: *The Devil's Financial Dictionary*



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Jacques-Louis David

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