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Veteran Trader and Wall Street Insider Explains the New Rules of Investing

New Book Puts the Final Nail in the Coffin of The Efficient Market Theory

While individual investors have been understandably dumbstruck and dismayed by the spate of corporate, hedge fund and mutual fund scandals in recent years, they have likely missed more fundamental and far-reaching forces that are changing the very nature of investing. In his new book, *The New Laws of the Stock Market Jungle: An Insider's Guide to Successful Investing in A Changing World* (Financial Times Prentice Hall, ISBN: 032124785X, \$24.95, August 2004) veteran trader and Wall Street insider Michael J. Panzner helps investors understand the new players, new technologies, new information flows and new macroeconomic conditions that are revolutionizing the stock market—and shows them how they can profit from this knowledge.

“‘This time is different’ may be the most dangerous phrase in the investment lexicon, but sometimes things really are different,” says Mark Hulbert, editor of the Hulbert Financial Digest, in his endorsement of the book. “In this valuable book, Michael Panzner applies his encyclopedic knowledge of the markets over the last three decades to analyzing the many crucial ways in which investing today is, indeed, different than ever before”

In the book, praised by Wall Street icon and long-time *Barron's* Roundtable member Barton Biggs as “a sophisticated trip through the ever-changing jungle,” Panzner highlights 10 key developments in the modern share-trading environment, devoting a chapter to each. He begins by identifying each “new law”—e.g., seasonal and cyclical patterns are becoming less predictable—and explains what has triggered the change. He then offers insights and an action plan designed to help investors adjust their strategies to the new realities.

Throughout each chapter, Panzner includes action points that investors can use to improve their performance and avoid costly pitfalls. He also identifies valuable resources to tap in to, tough questions to ask, and signs to look—and watch out—for when contemplating an investment decision. In the chapter on increasing intraday share-price volatility, for example, he notes that because liquidity is decreasing, average quotes sizes are getting smaller, and institutional activities are becoming less visible, it can make sense for individual investors to rethink their execution strategies and trade smaller amounts of stock.

Other new laws that Panzner explores are:

- Derivatives are exerting a growing influence on share prices
- Aggressive approaches and tactics are leading to more unstable short-term imbalances
- Many traditional market indicators are becoming less reliable

- Stocks are increasingly being bought and sold like commodities
- Investing and reason are frequently giving way to speculation and emotion
- Global factors and foreign investors are wielding more influence on share prices
- Substance and reality are increasingly giving way to form and fantasy
- More information and faster communications often have unexpected consequences

“Panzner’s book reveals many of the tools and tricks we professionals use every day to make money,” says Robert Jafek, principal at Torrey Pines Capital and a former partner at mutual fund giant Nicholas-Applegate Capital Management, in his endorsement. “If you wonder why the ‘little guys’ are always at a disadvantage, and why many commentators and academics can’t seem to explain these markets, it is because they are unaware of these factors. Honestly, I wish he had not said a thing.”

Up until now, notes Panzner, institutions that manage large sums of money have been better able to take advantage of the recent developments, including enhanced communications, faster trading systems, refined analytical methods and phenomenal gains in computing power. But the institutions’ disadvantage of size will increasingly open up opportunities for savvy individual investors. With portfolios that often are measured in billions, institutions will be forced to remain focused on large capitalization issues. In contrast, individual investors who turn their attention to small cap shares could realize substantial rewards, especially if they apply the modern tactics and finely tuned methods Panzner describes in his book.

More information about the book and the author are available at www.stockmarketjungle.com.

About the author

A vice president in the equity division of a major international investment bank, Michael J. Panzner is a 20-year veteran of the global stock, bond and currency markets. During his career, he has worked in New York and London as a trader and salesman for leading companies such as HBSC, Soros Funds, ABN Amro, Dresdner Bank and J. P. Morgan Chase.

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About the book:

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