Editorial

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In writing this editorial, I am pleased to see that three papers address topics broadly in the area of trading. This is not surprising as trading has become a topic of great interest, possibly even concern for asset managers. The reason for this has been the explosive growth in latency arbitrage, the mysterious process, whereby traders are capable of moving so quickly that they can anticipate the intended buys and sells of the asset manager and profit thereby.

Thus, it seems convenient that this issue is exposed to this area, at least broadly. The morality of latency arbitrage does seem to be a contentious topic. Those who approve of it claim that it drives down the cost of trading and it provides liquidity to the market. Those who disapprove claim that the trading costs would have fallen anyway and the liquidity provided is the wrong kind of liquidity; that is, it's there when markets are working but not when times are tough.

In fact, the three papers we are publishing do not focus on this aspect of trading but are much broader in their interest; perhaps the closest to this topic is the one by Christian Dunis *et al*, which focuses on the use of genetic algorithms in forecasting and trading. The second, by Nafis Alam, looks at Islamic

exchange-traded funds while the third, by Tristan Nguyen and Alexander Schuessler, takes a forensic approach to traders' activities; their paper is titled 'Do they trade as they say? Comparing survey data and trading records'.

We also have two other papers in this issue. Randy O'Toole considers the Black–Litterman model through a risk-budgeting prism. This topic has been much favoured by the journal over the years and we are delighted to publish a new contribution in the area. Finally, Enrica Bolognesi *et al* have contributed a paper titled 'A comparison between capitalization-weighted and equally-weighted indexes in the European equity market'. This last paper should be of great interest to practitioners as there has been a resurgence of practitioner research on equally weighted portfolios. My thoughts on equal weighting are that it is a bit hard to see how to sell yourself as a manager of great technical virtuosity, but I am aware that frequently the skill has been in constructing a subset of portfolio inhabitants and then equal weighting becomes risk management.

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