TURTLE TRADER No. 1 Source for Trend Following Worldwide
Est. 1996 | Clients in 67 Countries

No. 1 Source for Trend Following Worldwide

Original Turtle Trading System & Course

Strategy. Do you have one? Want to see the world for what it truly is? Turtle trading is brutal reality. If you want the chance for big returns (+25 to +100%) in bull & bear markets, Turtle trading is where you want to be. **But this ain't clipping coupons. No risk, no return.**

- Profit in Good & Bad Times // Win Long & Short // No Day Trading
- Manage Risk // Protect Your Downside // Take Control // Play to Win

Trend Following

TurtleTrader™ teaches the original Turtle system. Learn the exact same proven system taught to the original Turtles. The Turtles were created from a bet between two traders as to whether beginners could be taught to trade. The experiment proved beginners could trade better than pros.

- Origin of the Turtles
- Frequency v. Magnitude
- He is Not a Trend Follower.
- Do the Hard Thing.
- Test Your Economic Rationality.
- Capitalist Manifesto.

What's New?

- 01.19.2003 - Click here.
- 01.17.2003 - Click here.
- 01.16.2003 - Click here.
- 01.15.2003 - Click here.
- All recent updates...

Testimonials & Endorsements

- Forbes.com Endorsement.
- Galt Capital Endorsement.
- Mulvaney Capital Endorsement.
- 2nd Generation Interview.
- John Goodman Interview.
- Tom Arnold Interview.
- All Endorsements...
- All Interviews...

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Endorsements
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TurtleTrader Topics
Trend Following

- **The Turtles**
- FAQs
- Markets Changed?
- Why It Works & Skeptics
- Money Management
- How Many Turtles?
- Zero-Sum Trading
- Holy Grails
- True/False Questions
- Losers Average Losers
- No Memory Trading
- Stocks v. Commodities
- Babe Ruth & Accuracy
- What is & What is Not

Market Wizards

- **Hall of Fame**
- Richard Dennis
- John W. Henry
- Ed Seykota
- Bill Dunn
- Richard Donchian
- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

Money Management or Bet Size

- Position Sizing Interview.
- A Tale of Two Traders.
- Bell Labs & Money Management.
- Ph.D.s and Money Management.
- Call It What You Like.
- Risk Parables.
- The Nature of Risk.

Market Proof

- Dunn & Eckhardt: Top Returns.
- Trend Following 2002 Gains.
- Recent Turtle Wins.
- Turtle Wins (Charts 1).
- Turtle Wins (Charts 2).
- 10 Year Return Examples.
- Managed Money and Clients.
- All Examples...

Psychology

- Blame Grubman? Blame Yourself.
- Janitor's Dream from CSFB.
- The Mental Edge.
- Life Value and Paradoxes of Risk.
- Where are the Customer's Yachts?
- Know Yourself.
- Egocentric Tendencies.

More Trend Following

- Day in the Life: Dunn Capital.
- Upstairs v. Downstairs Debate.

No guesses, no scams. The site is backed by proven performance & recommendations from traders at some top Wall Street firms.

Forbes Magazine

Trading Systems

- Trend Following Philosophy.
- Time Horizon Based on Quarters?
- No Prediction. Period.
- Trend Followers Adapt and Adjust.
- Profit Taking? Let Profits Run.
- Recovering from a Drawdown.
- Risk Taking & Systems Trading.

Holy Grails

- Niederhoffer on Trend Following.
- Wall Street Buffoon.
- Buffett Offers Tips.
- Buffett Sells Derivatives.
- Buffett & 10 Year Rule.
- Gartman on the Buffett Bubble.
- How to Fool Wall Street.
- Motley Fool Article Critique.
- Why Does CNBC Exist?
- Feedback, Spin and Fury.
- We Repeat: No Fundamentals.
- Glassman Wrong Again.

Clients

- Web Traffic from 132 Countries.
- Web Traffic from Colleges.
- What Banks & Hedge Funds Visit?

Feedback

- Recent Feedback 1.

Market Proof

- **Performance**
- Correlation 1 | 2 | 3 | 4
- Enron Debacle
- Barings Bank
- Metallgesellschaft

Clients

- **Clients in 67 Countries**
- Individual Clients
- Institutional Clients
- Education Needed
- Starting Capital
- The Right Client
- Pricing Rationale
- Why Teach?
- Upgrades/Discounts
- Customer Service
- Guarantee | **Order**

Trading Systems

- **Trading Systems 1**
- Trading Systems 2
- Trading Systems 3
- Indicator BS 1
- Indicator BS 2
- Trading Software
- No Curve-Fitting
- Risk v. Volatility
- Blackjack

Psychology

- **Life Values & Risk**
- Critical Thinking
- Money is Evil?
- Gen. Patton Speech
- Are You Rational?
- The Bet
- Myers-Briggs Testing
- Quotations

- Think Like Running a Business.
- Trading for a Living.
- Keep Records or Lose.
- Targets of Opportunity.
- Losses: How Do You Handle Them?
- Innovator's Dilemma.
- Placing Orders. A Reminder.
- Monroe Trout and Ayn Rand.

The 'Turtle' nickname was derived from one of the investments that Mr. Dennis considered as an alternative to the trader program in 1985, that is, the purchase of a turtle breeding business in Singapore. In the end, he decided to go with the trader program, but the turtle idea stuck as a nickname.

Original Turtle on the "Name"

...it was possible to boil down trading abilities to a set of rules that you can teach to others...the selected group of 14 original Turtles included a third with at least some trading experience, a third with minimal knowledge and the last third had no market ideas at all...the experiment was unshakable proof of several truths...trading success does not depend on "inborn" abilities, on

- Recent Feedback 2.
- JPMorgan Chase VP Feedback.
- Enron Employee Feedback.
- Feedback from UBS Warburg.
- Client Feedback on Psychology.
- Think! Not Bright Reader.
- Losing is a Great Teacher.

Congratulations on an excellent site.

Caspar Marney

Global Head of Technical Analysis

UBS Warburg

[TurtleTrader] offers no comfort to those who are looking for a quick buck or the Holy Grail, and the proprietors don't seem to suffer fools gladly. The message is open, honest, straightforward and makes no hyped-up promises. It sticks to the facts; it is one of the best system trading sites for...traders I have seen.

Gibbons Burke

Dow Jones Markets

Futures Magazine Review

In the Press

- Barron's is Wrong and Right.
- Australian Dollar Dive. Part I.
- Australian Dollar Dive. Part II.
- Naive Reporter Loses It.
- All Media Reviews...

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
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More Holy Grails

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the contrary, any man with at least decent intellect can learn trading...and the key to success lies in consistent adherence to the trading strategy.

Modern Trading Magazine

The Turtles were originally profiled in the Market Wizards by Jack Schwager.

Resources:

TurtleTrader is Global Clients in 67 Countries

TurtleTrader has earned a worldwide reputation for excellence in teaching. We help our clients achieve their financial aspirations.

Flash Movie: TurtleTrader Client Locations

Multilingual in 11 Languages

Where Are Our Clients?

The majority of TurtleTrader clients are individuals or independent traders. They are in 67 countries and territories. Below are the countries and some cities in which TurtleTrader clients reside. The cities listed are not all cities, it is a sample of cities where clients live.

1. United States

   We have clients in all 50 states.

2. Andorra
3. Australia

   Sample cities: Brisbane, Cairns, Doncaster, Eungella, Frankston, Hobart, Manly, Melbourne, Mosman Bay, Mossman, Newtown, Queensland, Richmond, Ryde, Sydney, Victoria, Wollongong

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- Ed Seykota
- Bill Dunn
- Richard Donchian
- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

4. Austria
5. Belarus
6. Belgium
7. Bermuda
8. Botswana
9. Brazil
10. Brunei
11. Canada
12. China
13. Colombia
14. Croatia
15. Cyprus
16. Czech Republic
17. Egypt
18. El Salvador
19. Estonia
20. Finland
21. France
22. Germany

    Sample cities: Bad Soden, Berlin, Bonn, Cologne, Dusseldorf, Euskirchen, Frankfurt, Grainau, Jena, Leipzig, Niddatal, Stuttgart, Wiesbaden, Wolfersheim
23. Gibraltar
24. Greece
25. Hong Kong
26. Hungary
27. India
28. Indonesia

Market Proof

- **Performance**
- Correlation 1 | 2 | 3 | 4
- Enron Debacle
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- Gen. Patton Speech
- Are You Rational?
- The Bet
- Myers-Briggs Testing
- Quotations

29. Ireland
30. Israel
31. Italy

    Sample cities: Bologna, Chiampo, Volterra
32. Japan

    Sample cities: Atsugi, Nagoya, Tokyo
33. Kazakhstan
34. Kuwait
35. Lebanon
36. Luxembourg
37. Malaysia
38. Malta
39. Mauritius
40. Mexico
41. Monaco
42. Netherlands
43. Nederlands Antilles
44. New Zealand
45. Nigeria
46. Norway
47. Oman
48. Panama
49. Peru
50. Philippines
51. Poland **(New December 2002)**
52. Portugal
53. Russian Federation
54. Singapore

Holy Grails

- **Warren Buffett**
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- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
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- Brokers Do Not Help
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55. Slovak Republic
56. South Africa
57. South Korea

    Sample cities: Inch' on, Koyang, Seoul, Taejon
58. Spain
59. Sweden
60. Switzerland

    Sample cities: Grimisuat, Kusnacht, Lugano, Pully, Zurich
61. Taiwan
62. Thailand
63. Turkey
64. Ukraine
65. United Arab Emirates
66. United Kingdom

    Sample cities: Bristol, Cambridge, Essex, Guildford, Hereford, Kent, Liverpool, London, Loughton, Middlesex, North York, Oakham, Oxford, Seaford, Southampton, Stevenage, Winchester, Wooburn Green, Woodstock
67. Zimbabwe

Standard Time Zone Map | Political Map of World | Physical Map of World

Who Visits TurtleTrader

- Web traffic from 132 countries and territories.
- Web traffic from colleges and universities.
- Web traffic from banks and hedge funds.

Who Can Use Turtle System

All investors or traders across the Americas, Europe, Asia, Africa and the Middle East can use the Turtle trend following system to profit. The majority of TurtleTrader clients are individuals or independent traders. In fact 95% of all clients are trading the Turtle system for their personal account. The Turtle trading system is perfect for the individual trader since so little overhead is needed to use the approach. The Turtle system does not require you to be on Wall Street or have access to millions of dollars of equipment.

TurtleTrader featured on global exchanges:

- France (MATIF)
- Spain (MEFF)
- Australia (SFE)

Performance and Chart Examples

Returns 1 | Returns 2 | Returns 3 | Charts 1 | Charts 2

The Turtle system, along with other trend following approaches, has produced huge returns over the last 30 years. This page outlines 30 years of return examples and charts (real and hypothetical) demonstrating rock solid trend following success. Can there be ups and downs? Sure, but compare what like-minded trend following traders have achieved against buy and hold approaches. Risk Notice/Disclaimers.

Final 2002 Examples

2002 was one fantastic year for trend followers.

2002: Nasdaq v. Trend Following

	1997	1998	1999	2000	2001	1/02-7/02
NASDAQ	21.64	36.18	83.66	(39.29)	(21.05)	(31.89)
Dunn Capital	44.42	13.67	13.39	13.22	1.12	37.55
John W. Henry	15.16	7.28	(18.69)	12.91	7.15	24.23
Saxon	6.56	26.31	24.53	40.18	14.39	18.37
Hawksbill	73.51	43.72	(24.55)	24.76	22.76	30.25

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- 2002 Nasdaq v. Trend Following
- 2002 S&P v. Trend Following

Universal Chart Example

The universal chart example should be read by all.

Performance Examples

- 2002 Example Chart Wins
- 2001 Examples
- 2002 10-Year Return Examples
- 1999-2002 Example Chart Wins
- 1999-2002 Example Chart Wins
- Comparison: Turtles v. Nasdaq
- Comparison: Turtles v. S&P

Incredible Single Month Return Examples

- June/July 02 Single Month Examples
- May 02 Single Month Example
- Dec. 01 Single Month Example
- Oct. 01 Single Month Example
- Aug. 01 Single Month Example
- Dec. 00 Single Month Example
- Nov. 00 Single Month Example
- Aug. 98 Single Month Example
- More 01 Examples

Other Historical Examples

- 100% Return Example by Great Trend Follower
- Turtles Top 7 Year Returns
- More Success Stories

The Turtle system has stood the test of time. Here are historical examples of original Turtle traders. Keep in mind some of these traders no longer trade for clients now. They trade their personal accounts.

	JPD	Rabar Market	EMC Capital	Chesapeake
85	73.3%	70.9%	51.6%	128.89%
86	131.6%	98.2%	134.6%	124.74%
87	96.8%	90.4%	178.1%	38.78%
88	31.3%	62.6%	124.8%	49.1%
89	(6.6%)	10%	(4.2%)	28.3%
90	50.4%	122.5%	188.1	43.12%
91	9.4%	(5.7%)	3.2	12.51%
92	(18.2%)	(4.4%)	(32.5%)	1.81%
93	23.2%	49.6%	65.3	61.82%
94	18.4%	33.6%	(18.6)	15.87%
95	19.9%	12.5%	21.7%	13.8%

risk notice/data sources: click here

Turtles - Top 20 Traders (1989-1994)

1	Hawksbill Capital Management	61.44%
3	Sjo, Inc.	45.12%

Holy Grails

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5	Golden Mountain Trading	30.86%
6	Rabar Market Research	29.86%
12	Chesapeake Capital Corp.	27.27%
19	EMC Capital Management	20.75%
20	Eckhardt Trading Company	20.19%

risk notice/data sources: click here

Turtles - Top 20 Traders (1986-1990)

1	EMC Capital	107.21%
2	Hawksbill Capital Management	97.94%
4	Rabar Market Research	79.68%
7	Golden Mountain Trading	65.71%
8	Sjo, Inc.	59.57%
10	Chesapeake Capital Corp.	55.53%
12	JPD Enterprises, Inc.	50.97%
16	Saxon Investment Corp.	47.82%
20	Pro Trading, Inc.	39.65%

When examining example performance numbers realize annualized numbers are all net of management and incentive fees. What does this mean? Those numbers reflect performance after the individual trader has taken their approximate 20-25% cut. Hypothetically, if one traded the Turtle trend following system alone the numbers would be nearly 25% higher since there are no performance fees to pay.

Why Trade for Yourself?

Read this link. It is critical to understand the examples.

Disclaimer

We can not promise you will earn like returns of the traders, charts or examples (real or hypothetical) mentioned within this site. All past performance is not necessarily an indication of future results. However, we can instruct you with Turtle trend following methods.

Disclaimers

HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER-OR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN.

The Turtles and Trend Following: An Introduction

I know of a few millionaires who started trading with inherited wealth. In each case, they lost it all because they didn't feel the pain when they were losing. In those formative first years of trading, they felt they could afford to lose. You're much better off going into the market on a shoestring, feeling that you can't afford to lose. I'd rather bet on somebody starting out with a few thousand dollars than on somebody who came in with millions....This is one of the few industries where you can still engineer a rags-to-riches story. Richard Dennis started out with only hundreds of dollars and ended up making hundreds of millions in less than two decades - that's quite motivating.

William Eckhardt

Human beings, who are almost unique in having the ability to learn from the experience of others, are also remarkable for their apparent disinclination to do so.

Douglas Adams

Trend following is based on analysis of price behavior in markets traded. It is not concerned with fundamental analysis of supply and demand or economic factors. Trend following was originally developed by an approach called blind testing. Blind testing simply means that the concept of trend following was constructed to trade a few markets at first. Once it proved successful on those markets, it was applied to many more. Over time, it has sustained its strength in changing marketplaces with continued success.

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No Forecasts

Trend following does not forecast markets or price levels. It is **reactive** and **systematic** by nature and demands strong self-discipline to follow the rules. It involves a risk management system utilizing current market price, equity level in an account and current market volatility. Initial risk evaluation determines the position size at the time of entry. Changes in price may lead to a gradual reduction or increase of the initial position. Adverse price movements may lead to an exit for the entire position. Historically, trend following trader's average profit per trade is significantly higher than the average loss per trade.

The Legend: Richard Dennis

It was the most talked about trading seminar in the history of the markets. In 1984, Richard Dennis taught his trading methodology to a group of students (neophyte non-traders) in a two-week seminar. A year later, he repeated the process. Dennis' motivation for conducting the sessions was to settle a dispute with his friend and business partner William Eckhardt over whether trading skills could be taught. Dennis strongly believed that trading abilities could be broken down into a set of rules that could be passed on to others. Eckhardt believed trading abilities had more to do with innate instincts.

Can the skills of a successful trader be learned? Or are they innate, some sort of sixth sense a lucky few are born with? Richard Dennis, the legendary Chicago trader, who turned a grubstake of $400 into $200 million in 18 years, has no doubt. Following an experiment with a group of would-be traders recruited from around the country, he's convinced trading can be learned. Over the past 1 1/2 years, a group of 14 traders he taught earned an average annual compound rate of return of 80%. In contrast, about 70% of all non-professional traders lose money on a yearly basis. Trading was even more teachable than I imagined, he says. In a strange sort of way, it was almost humbling. Mr. Dennis says he debated the learning vs. innate ability question with some of his associates for years. While they argued that his skills are ineffable, mystical, subjective or intuitive, he says his own answer was far simpler. The 40-year-old Mr. Dennis attributes his success to several trading methods he developed, and, perhaps more important, the discipline to follow those methods. To prove his point, Mr. Dennis decided to run a real life experiment. In late 1983 and again in 1984, he placed ads in the Wall Street Journal, Barron's and the New York Times seeking people who wanted to be trained as traders. The job required that they move to Chicago, where they would receive a small salary and a percentage of any profits while Mr. Dennis taught them his methods.

Wall Street Journal Article

The Turtle Name

Richard Dennis won his dispute with Eckhardt. He nicknamed his proteges Turtles after visiting turtle farms in Singapore and deciding to develop traders like farm-grown turtles (there is a full list of Turtle traders in the drop down menu at the bottom of screen). Today, his original system, along with a little legend, has enabled Turtle traders to achieve outstanding returns over time for their customers, with annual returns from 50% to over 100%. Using the Turtle trend following system, some traders have seen returns exceed 100% in a single month. More on performance.

The Turtle Selection Process

What questions did Dennis use to select his original Turtles? Candidates were asked to answer these questions with a single

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sentence:

- Name a book or movie you like and why.
- Name a historical figure you like and why.
- Why would you like to succeed at this job?
- Name a risky thing you have done and why.
- Explain a decision you have made under pressure and why that was your decision.
- Hope, fear and greed are said to be enemies of good traders. Explain a decision you may have made under one of these influences and how you view that decision now.
- What are some good qualities you have that might help in trading?
- What are some bad qualities you have that might hurt in trading?
- In trading would you rather be good or lucky? Why?

Don't be fooled by the simple sounding questions. True-false questions were also used in selection process.

The Chosen Few

They included an actor, a security guard, two professional card players, a low-paid bookkeeper, two quite unlucky traders, a financial consultant, a boy fresh out of school, a financial consultant, a woman who used to be an exchange clerk and even a fantasy game designer. In just two weeks Richard Dennis taught them.

Modern Trading Magazine

Golden Nuggets of Wisdom

Price: *One of the first concepts taught to Turtles is that price is a trader's only concern. If a market is at 60 and goes to 58, 57, 53 - the market is in a down trend. Despite what every technical indicator on Trade station predicts, if the trend is down, stay with the trend. Indicators showing where price will go next or what it should be doing are useless. A trader need only be concerned with what the market is doing, not what the market might do.*

Money Management: *The goal is to capture the majority of price changes or trends. Trend followers don't pick tops or bottoms. If the market is going down, you sell. If the market goes up, you buy. You can never buy a market too high or sell a market too low. The most critical factor of Turtle trend following trading is not the timing of the trade or the indicator, but rather the determination of how much to trade over the course of the trend.*

Rules Rule: *Turtle trend following is nearly 100% systematized in an algorithmic and mechanical manner. Price and time are pivotal at all times. The system is not based on an analysis of fundamental supply or demand factors. Turtle trend following does not involve seasonals, point and figure, Market Profile, triangles or day trading.*

Risk Control: *Turtle trading is grounded in a system of risk control and money management. The math is straightforward and easy to learn. During periods of higher market volatility, trading size is reduced. During losing periods, positions are reduced and trade size is cut back. The main objective is to preserve capital until more favorable price trends reappear. The system determines crucial decisions such as:*

- *How and when to enter the market.*
- *How many contracts or shares to trade at any time.*
- *How much money to risk on each trade.*
- *How to exit the trade if it becomes unprofitable.*
- *How to exit the trade if it becomes profitable.*

Scope: *The Turtle system will just as easily trade Japanese Red Beans as the Australian All Ordinaries Stock Index as IBM and Cisco. No knowledge of what an Italian bond is worth or what companies comprise the FTSE index, or even if Microstrategy has a good business model is required. The key is the price on the chart.*

Bottom Line: *Trading is a zero-sum game. For every winner, there is a loser. What's the difference between winners and losers? Smarts and strategy. For every loser in the NASDAQ implosion there was a winner. Make sense? Does this mean that there are traders with neither strategy nor smarts actively losing, effectively shifting their funds to the winners, armed with strategy and smarts? Yes, absolutely.*

The TurtleTrader Educational Course

TurtleTrader's course teaches you to participate in unforeseen major trends in either rising or declining markets in order to maximize profits to their fullest. Long-term Turtle trend following strategies require exacting self-discipline and emotional disengagement to succeed in generating above average profits. Whether you trade at a large firm, or as an individual investor following your personal account, the course offers the same proven solutions originally taught to the original Turtles.

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The Babe Ruth Effect:

Frequency versus Magnitude

Download the Adobe .pdf report.

Michael Mauboussin of Credit Suisse First Boston offers clarity on frequency versus magnitude. Must reading for all traders. Download the white paper above.

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Leo Melamed: Not a Turtle

Leo Melamed is a sharp guy. He founded currency futures trading at the CME. But, as the excerpt from his book below shows, he is not a trend follower:

The Hunt silver debacle also provided the setting for my worst trade. My company partner George Fawcett and I had become bullish on silver beginning in June 1978, when it was trading around $5.00 an ounce level.

TurtleTrader comment: Trend following rule #1 violation. No pre-defined entry criteria is used. Why was he bullish? What caused the specific entry?

We were right in the market, and silver prices moved higher. On and off over the next two years we each had accumulated sizeable long silver positions and kept rolling them over from contract month to contract month. In September 1979, silver reached the high price of $15.00 an ounce, and the profit we were each carrying was substantial. George and I had never before made that kind of money, it was truly a killing. We both started to get very nervous. How much higher would silver go?

TurtleTrader comment: Trend following rule #2 violation. Never attempt to know how high something will go. It is impossible.

Wasn't it time to take the profit?

TurtleTrader comment: Trend following rule #3 violation. No

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clearly defined exit rationale? You must know how profits will be handled before you ever enter.

Besides, the market seemed to be stuck in the same price range for many weeks. Large profits, as I learned, were even more difficult to handle than large losses.

I had a very good friend who was then a trading manager of a large and prestigious trading firm with special expertise in the precious metals markets.

TurtleTrader comment: Trend following rule #4 violation. Expertise in fundamentals? Not useful. Why would this be useful if price is the most important concern?

By happenstance, he was in Chicago and we were scheduled for lunch at the Metropolitan Club at the Sears Tower. Since he knew I was long silver, I ventured to ask him his opinion. Well, Leo, he responded, you have done very well with your silver position and I really can't predict how much higher silver will go.

TurtleTrader comment: Trend following rule #5 violation. Any talk of prediction is futile.

But I'll tell you this, at $15.00 it is very expensive.

TurtleTrader comment: Trend following rule #6 violation. Buying higher highs is right, not wrong. How would you ever say something is expensive? Compared to what?

On the basis of historical values, silver just doesn't warrant much higher prices.

TurtleTrader comment: Trend following rule #7 violation. Prediction talk is just plain wrong.

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I never doubted that he gave me his honest and best opinion.

I transmitted this information to George and we decided that if nothing happened by the end of the week, we would liquidate our positions and take our profits.

TurtleTrader comment: Trend following rule #8 violation. Profit targets are a huge mistake. He had no pre-defined plan for exit.

That's exactly what we did. This was in late October 1979. So why was this my worst trade when in fact it was the biggest profit I had ever made up to that time? Because, within 30 days after we got out of our position, the Hunt silver corner took hold. Silver went crazy, going up the permissible limit day after day. It did not stop going higher until it hit $50.00 an ounce in January 1980. George and I had been long silver for nearly two years, and had we stayed with our position for just another 30 days, we would have been forced to take a huge profit. We both vowed never to calculate how many millions we left on the table.

TurtleTrader comment: Trend followers such as Bill Dunn, Rich Dennis and Ed Seykota did not make these mistakes. Please don't write us and say, that was 20 years ago. The lessons of proper trading are timeless. We used this example since Melamed presented such a clear story of the wrong way.

Red Paragraphs from Leo Melamed's book Escape to the Futures.

Do the Hard Thing

Trading Systems Insights

The panache of von Mises quotes is impressive, as is the batch of quotes from various other thinkers. I'm especially pleased to see some jazz luminaries up there (Mingus, Davis). As an amateur jazz bassist (former quasi-professional), I can appreciate the appropriateness of quoting jazz musicians to underscore trading principles. In jazz, one has to take chances; one has to be comfortable with uncertainty; but one also has to be prepared (knowing the tunes inside and out); and one has to execute confidently and with as much competence as possible at any moment. You can very easily paraphrase Socrates to describe how to play a jazz solo: follow the music wherever it leads. Of course, the same pattern fits trading.

Web Visitor

There is one important caveat to the notion that we live in a new economy, and that is human psychology...which appears essentially immutable.

Alan Greenspan

Fools say that they learn by experience. I prefer to profit by others' experience.

Bismarck

Q. How can a trading approach 99% accurate not be wise?

A. If you could always pick tops and bottoms money management would not be needed. That is not possible though. Pretend a trading system was 99% accurate. The 1% failure rate could still wipe you out if you use no money management. Your 1% failure rate could be a loss

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that far exceeds the winners that you accumulate with the 99% accuracy ratio.

View example image of hype.

Q. Money management is complicated?
A. No. TurtleTrader is not a fan of complicated money management based on the unknown future. You can't predict the future. Keeping things simple in terms of risk and volatility make more sense for real trading. No academic proofs needed.

Q. One of the things that disturbs me about many money management schemes is that they often neglect protecting open profits. For example they might assume that we should only risk 1% of our equity on a new trade but they will risk 15% or more of the equity from an open position profit down to where the exit stop is. The justification is that they are trying to maximize their profits by going for the big winners. I see many traders giving back bigger profits than they are catching. I think this is a big mistake. I like to protect open profits more than most traders. Just seems logical to me.
A. Why is this logical to you? If you are so concerned about protecting every dollar you happen to make, you will lose. You must be willing to risk new profits to get larger gains. Your thinking is very similar to the guy that thinks he is playing it safe by investing 100% in bonds. Reality shows to not take risk is actually riskier. Think about it.

Test Your Economic Rationality

From a recent Washington Post article:

Recent studies have shown that people don't tend to be rational economic actors; their decisions are based in part on their reactions to the facts at hand. Here's a chance to test yourself.

1. Imagine you are sitting on a hot beach. Your companion offers to go get a couple of bottles of cold beer. He asks you:

A. What's the most you'll pay if the beer can be bought at a local dive?
B. How much if he has to get it at the fancy resort down the street?

When University of Chicago economist Richard Thaler put these questions to two groups several years ago, the average responses were $1.50 for the beer from the dive and $2.65 for the one from the hotel. In economic terms, that makes no sense: If you're willing to pay $2.65 for a beer, why should you care where it is bought or how much profit the seller makes? But most people do care. They don't want to be taken advantage of by the dive owners, whose expenses are minimal. But they're willing to pay more at a resort, where they understand expenses are high.

2. Imagine you are public health director in a poor country where a fatal infectious disease threatens a small village of 600 people. You

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can inoculate every resident with only one of two vaccines. Which vaccine would you choose?

A. The one that will save 200 lives.
B. The one that will result in 400 deaths.

When psychologists Amos Tversky and Daniel Kahneman administered a somewhat more complex version of this test, more than three people chose A for every one who chose B. In fact, the vaccines are exactly equal in their effectiveness, but when facing tough decisions, people feel more comfortable when choices are framed positively (saving lives) rather than negatively (causing deaths).

3. Imagine you are offered a choice of gifts for participating in a survey. Which would you choose?

A. $85 in cash.
B. A gift certificate for an $80 massage at a local spa.

When Stanford University psychologist Itamar Simonson offered a group of women these choices, a third chose the gift certificate. The rational choice is the cash even for someone who wants the massage. The $85 would cover it while still offering flexibility. But Simonson reasons that women who wanted the massage didn't trust themselves to take the cash, knowing that guilt would lead them to spend it on something less indulgent.

4. Imagine you bought a case of fine Bordeaux wine at $20 a bottle a

decade ago. Now the wine sells for $75 a bottle. What will it cost you to now drink a bottle of wine?

A. $0

B. $20

C. $20 plus 10 years' interest

D. $75

E. It's a savings of $55

Thaler found more than half of all respondents answered zero or a $55 saving. Strictly speaking, the right answer is D, reflecting the opportunity cost of not selling the bottle on the open market. Most people however, focus on the amount already shelled out, the sunk cost.

5. Imagine you are given $10 and told you must offer to split it with a stranger. The only hitch is that if the stranger rejects your offer, neither of you get anything. How much should you offer?

A. $9

B. $5

C. $1

D. Zero

The rational (that is, selfish) strategy would be to offer $1, which the stranger would be silly to reject. After all, $1 is better than nothing and $9 is the best outcome for you. But in countless repetitions, of this ultimatum game, the majority of all offers were between $3 and $5, while anything below $2 was usually rejected by the stranger. The results suggest that people's desire for money is tempered by notions of fairness.

The Washington Post

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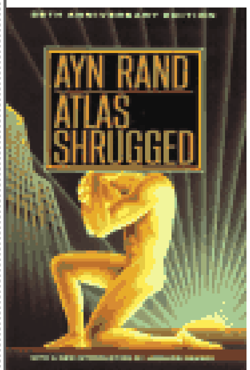
Atlas Shrugged



Atlas Shrugged

Ayn Rand

No long comment here. Atlas Shrugged is considered by many top traders required reading. It is the capitalist manifesto. Read it.

More on Rand.

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2003 Feedback

I am not a client but I am indeed an avid reader of the Market Wizards books, and have been studying technical analysis for quite some time. My current trading methodology relies on SMA's, 1/20 and also 5/20. I note that on your website you do not support the use of RSI or OBV, and I would like to know why. I have found that it enhances my success.

Web Site Visitor

These indicators are all *lagging* and designed to predict. That's not good. Why? Read.

Keep in mind, the indicator is a very SMALL part of an overall system (The Turtle indicator is price). The reader above doesn't even mention money management. That is 90% of trading success!

More Feedback

First of all, I would like to thank you for an outstanding website, a great course and quick responses to [all of my] questions. All these things taken together as well as my own backtesting and portfolio simulations in Excel enabled me to develop trust into the idea of trend-following and profit from a great number of trends last year.

TurtleTrader Client

Thanks for the K.I.S.S. info today on your site--interesting and informative, and it's nice to get that kind of reinforcement...also, I think your *angry reader* must be a damned Yankees fan who's pissed that the Red Sox are getting so much

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attention these days!

TurtleTrader Client

I would like to start by saying, I love you're site...There is something I learned early on in life from the life philosophy of the late martial artist Bruce Lee, he said: *accept what is useful and discard what is useless*. He was referring to the different schools of thought in martial arts. He utilized a scientific approach and shunned [blind] tradition.

TurtleTrader Client

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Why is John W. Henry a Winner?

Simple Heuristics That Make Us Smart

Background: Simple Heuristics That Make Us Smart (intro)

Background: Simple Heuristics That Make Us Smart (abstract)

Background: Simple Minds, Smart Choices

...we often get the recurring question: why is your method successful? This is especially the case when there is so much fundamental information available to use in making decisions. We think that our success has been based on simplicity; nevertheless, there often is a bias by some investors away from the simple manager in favor of those who discuss and try to account for the complexity of markets. To some, simple means unsophisticated; but there is a growing body of research work which suggests that simple methods of decision-making actually outperform their more complex alternatives. This certainly may seem counter-intuitive; but in a complex world where decisions have to be made with limited information and face real world time constraints, there may not be the ability to optimize over all possible alternatives. Under the real life situations faced by a trading firm, there is a premium on "fast and frugal" decision-making or heuristics. Fast decision-making is often based on just a few cues or inputs that may seem relevant. There is actually value in not using too much information. Researchers have found through testing that simple decision rules often can perform as well or better than more sophisticated forms of decision-making – especially when there is a high degree of uncertainty.

JWH Market Commentary

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There is a constant barrage of information; but often this information can be conflicting and, in some cases, does not come out with the frequency that we would like. For example, monetary policy can serve as a simple case. There are only a limited number of Fed meetings a year; however, this is supposed to help us infer the direction of interest rates and help us manage risk on a daily basis. How do you manage risk in markets that move 24 hours a day, when the fundamental inputs do not come frequently? In the grain markets, crop reports are fairly limited, and demand information comes with significant lags, if at all. How can this information be best incorporated in the daily price action? Under these types of conditions, simple approaches, such as following prices, may be better. In reality, our desire for effective decision-making is based on a simpler cue. Is the market going up or down? Has each position lost a predetermined amount of capital on a trade? We do not worry about trying to decipher all of the particulars of the market when action is required. In that case, the trend may be more than sufficient as a cue of what to do. It may actually be preferred to other information. Something to think about the next time you listen to a manager talking about the complexity of his thought processes as the indicator of his expertise as a manager. Signals are built into the market price...

JWH Market Commentary

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Bitter, Angry and Confused Reader

We have a reader that has become bitter, angry and not very well informed. He has offered:

When are u gonna learn that Henry has a [sic] f**ked up last few years...ur full of it my friend. I'm going to show u up.

Web site visitor

The facts don't back up his manic rant. What is John W. Henry's after fee performance for the last 3 years (Financials & Metals program)?

- 2002: +45%
- 2001: +7%
- 2000: +13%

Henry's International Foreign Exchange program?

- 2002: +19%
- 2001: +29%
- 2000: +17%

Would you have rather had your money with John W. Henry the last 3 years or would you have rather been long the NASDAQ losing -30% a year?

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After Fees?

What do we mean *after fee*? Read 1.

What do we mean *after fee*? Read 2.

What do we mean *after fee*? Read 3.

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It may readily be conceived that if men passionately bent upon physical gratifications desire greatly, they are also easily discouraged; as their ultimate object is to enjoy, the means to reach that object must be prompt and easy or the trouble of acquiring the gratification would be greater than the gratification itself. Their prevailing frame of mind, then, is at once ardent and relaxed, violent and enervated. Death is often less dreaded by them than perseverance in continuous efforts to one end.

Alexis de Tocqueville

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1. Flash: TurtleTrader™ Intro

The TurtleTrader™ Flash introduction is an intense view of current Wall Street with a detailed account of the TurtleTrader™ course. Play the presentation with a newer PC or Mac.

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- 01.15.03 - Another John W. Henry Quote [source: Henry Speech]
- 01.12.03 - William J. O'Neil Quote

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- **The Turtles**
- FAQs
- Markets Changed?
- Why It Works & Skeptics
- Money Management
- How Many Turtles?
- Zero-Sum Trading
- Holy Grails
- True/False Questions
- Losers Average Losers
- No Memory Trading
- Stocks v. Commodities
- Babe Ruth & Accuracy
- What is & What is Not

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- **Hall of Fame**
- Richard Dennis
- John W. Henry
- Ed Seykota
- Bill Dunn
- Richard Donchian
- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

- 01.10.03 - John W. Henry Principle 4 [source: Henry Speech]
- 01.07.03 - John W. Henry Principle 3 [source: Henry Speech]
- 01.02.03 - John W. Henry Principle 1 [source: Henry Speech]
- 01.02.03 - John W. Henry Principle 2 [source: Henry Speech]
- 12.29.02 - Great Quotes
- 12.27.02 - End of Year Bliss
- 12.26.02 - Risk Revisited
- 12.26.02 - Indicator Hype
- 12.22.02 - Tom Basso Timing Quote 1
- 12.22.02 - Tom Basso Timing Quote 2
- 12.22.02 - Negative
- 12.20.02 - Turtle View on Volatility
- 12.17.02 - Livermore
- 12.14.02 - Welton Quote 2
- 12.14.02 - Welton Quote 1
- 12.11.02 - Q&A 1
- 12.11.02 - Q&A 2
- 12.10.02 - Henry Book Excerpt
- 12.08.02 - Roundtable Excerpt 4 **
- 12.08.02 - The Bet
- 12.05.02 - Roundtable Excerpt 3 **
- 12.05.02 - Roundtable Excerpt 2 **
- 12.03.02 - Price Moves
- 12.03.02 - More on Education
- 12.01.02 - Babe Ruth and Winning
- 12.01.02 - Roundtable Excerpt 1 **
- 11.29.02 - A Critic
- 11.29.02 - Dunn Employee
- 11.27.02 - Henry Quote 1

- 11.27.02 - Henry Quote 2
- 11.25.02 - System Rules
- 11.22.02 - Jim Roger's Quote
- 11.21.02 - Broad Objectives
- 11.21.02 - More Robustness
- 11.19.02 - PSD Degree [book excerpt]
- 11.19.02 - Schwager & Eckhardt [book excerpt]
- 11.19.02 - Turtle Quotes
- 11.14.02 - More Hype
- 11.14.02 - Out of Market
- 11.14.02 - No Real-Time
- 11.14.02 - Keep Independence
- 11.10.02 - Fool Analysts
- 11.07.02 - Sanford Risk Speech [source]
- 11.07.02 - Money Management
- 11.06.02 - Rationality
- 11.06.02 - John W. Henry
- 11.04.02 - How Many Turtles
- 11.04.02 - Dennis' Wisdom
- 11.01.02 - Focus on Price
- 10.29.02 - Risky?
- 10.29.02 - Robustness
- 10.29.02 - Profit Targets
- 10.27.02 - Treat the Same
- 10.27.02 - Elliott Wave Hype
- 10.27.02 - Adding Positions
- 10.25.02 - Buy and Hold
- 10.25.02 - Skill
- 10.25.02 - Volatility
- 10.23.02 - Education Needed
- 10.23.02 - Long or Short?
- 10.23.02 - Time Needed
- 10.21.02 - Secrets BS
- 10.21.02 - Tom Bozarth

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
- Ken Roberts

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- 10.21.02 - Hype
- 10.15.02 - Too Smart
- 10.13.02 - Equal Traders
- 10.13.02 - Jesse Livermore
- 10.11.02 - Donchian Student
- 10.11.02 - Leo Melamed Wrong
- 10.11.02 - Volatility
- 10.08.02 - Stocks
- 10.04.02 - Capital
- 10.02.02 - Losers Average Losers
- 10.02.02 - Skeptics
- 10.02.02 - Grubman and Blame

3. Flash: Client Locations

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January 2003

- 01.19.2003 - 2003 Feedback.
- 01.17.2003 - Simple Heuristics That Make Us Smart.
- 01.16.2003 - Bitter, Angry and Confused Reader.
- 01.16.2003 - 2002 Returns Update (Craven).
- 01.15.2003 - 1 New Audio .MP3 Added.
- 01.15.2003 - Feedback Sought.
- 01.14.2003 - CIBC Too.
- 01.12.2003 - 1 New Audio .MP3 Added.
- 01.11.2003 - All Time Success Update.
- 01.10.2003 - 1 New Audio .MP3 Added.
- 01.10.2003 - 2002 Returns Update.
- 01.09.2003 - Why Dunn Update.
- 01.07.2003 - 1 New Audio .MP3 Added.
- 01.06.2003 - Trend Following 101 Update.

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- Ed Seykota
- Bill Dunn
- Richard Donchian
- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

- 01.03.2003 - CSFB New Rules Help Turtle Trading.
- 01.02.2003 - Price is the Indicator.
- 01.02.2003 - What is and What is Not.
- 01.02.2003 - 2 New Audio .MP3s Added.

December 2002

- 12.30.2002 - FAQs Update.
- 12.29.2002 - 1 New Audio .MP3 Added.
- 12.29.2002 - Quick Tour Update.
- 12.28.2002 - End of Year Bliss (& Folly).
- 12.28.2002 - The Bull Update.
- 12.27.2002 - Quotations Update.
- 12.26.2002 - 2 New Audio .MP3s Added.
- 12.24.2002 - Jerry Parker Update.
- 12.22.2002 - 3 New Audio .MP3s Added.
- 12.18.2002 - Negative Update.
- 12.18.2002 - Do You Yahoo?
- 12.17.2002 - 1 New Audio .MP3 Added.
- 12.15.2002 - Glassman Strikes Again.
- 12.15.2002 - Buffett Update.
- 12.15.2002 - No Fundamentals!
- 12.14.2002 - Interviews Update.
- 12.14.2002 - 2 New Audio .MP3s Added.
- 12.11.2002 - Volatility, Fundamentals, Drawdowns.
- 12.11.2002 - Endorsements Update.
- 12.08.2002 - 2 New Audio .MP3s Added.
- 12.03.2002 - 2 New Audio .MP3s Added.

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- Barings Bank
- Metallgesellschaft

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- Trading Systems 2
- Trading Systems 3
- Indicator BS 1
- Indicator BS 2
- Trading Software
- No Curve-Fitting
- Risk v. Volatility
- Blackjack

Psychology

- **Life Values & Risk**
- Critical Thinking
- Money is Evil?
- Gen. Patton Speech
- Are You Rational?
- The Bet
- Myers-Briggs Testing
- Quotations

- 12.01.2002 - 2 New Audio .MP3s Added.

November 2002

- 11.30.2002 - 2 New Audio .MP3s Added.
- 11.27.2002 - 2 New Audio .MP3s Added.
- 11.25.2002 - 1 New Audio .MP3 Added.
- 11.22.2002 - Working for Dunn.
- 11.22.2002 - 1 New Audio .MP3 Added.
- 11.21.2002 - 2 New Audio .MP3s Added.
- 11.19.2002 - 3 New Audio .MP3s Added.
- 11.17.2002 - Education, Profit & News Hype.
- 11.16.2002 - Turtle Screen Questions Update.
- 11.14.2002 - 4 New Audio .MP3s Added.
- 11.13.2002 - Baseball and Trading.
- 11.10.2002 - 1 New Audio .MP3 Added.
- 11.10.2002 - What Clients Should Expect Update.
- 11.10.2002 - Henry Barings Comment Update.
- 11.07.2002 - 2 New Audio .MP3s Added.
- 11.06.2002 - 2 New Audio .MP3s Added.
- 11.04.2002 - 2 New Audio .MP3s Added.
- 11.02.2002 - Don't Maximize Losses.
- 11.02.2002 - Holy Grail Update.
- 11.02.2002 - Daniel Dunn Wisdom Update.
- 11.01.2002 - 1 New Audio .MP3 Added.

October 2002

- 10.31.2002 - Skeptics Update.
- 10.31.2002 - Stocks Update.
- 10.30.2002 - Feedback & Quotes.
- 10.29.2002 - 3 New Audio .MP3s Added.
- 10.27.2002 - 3 New Audio .MP3s Added.
- 10.24.2002 - Fountainhead.
- 10.21.2002 - 3 New Audio .MP3s Added.
- 10.19.2002 - Tale of 2 Traders.
- 10.19.2002 - It Goes By Many Names.
- 10.18.2002 - Atlas Shrugged MP3.
- 10.17.2002 - Ph.D.s and Bet Size.
- 10.17.2002 - No News Update.
- 10.15.2002 - 1 New Audio .MP3 Added.
- 10.15.2002 - Ludwig von Mises.
- 10.13.2002 - 2 New Audio .MP3s Added.
- 10.09.2002 - Trading Systems.
- 10.06.2002 - Timeless Wisdom.
- 10.05.2002 - They Whip September Too.
- 10.04.2002 - 1 New Audio .MP3 Added.
- 10.02.2002 - 3 New Audio .MP3s Added.
- 10.01.2002 - Site File 11.0 Available.
- 10.01.2002 - Wow.

September 2002

- 09.30.2002 - Business Week Article.
- 09.30.2002 - Multimedia Section Update.
- 09.26.2002 - T.O.P.S. Update.

- 09.26.2002 - How to Find a Trend?
- 09.24.2002 - Barbara Dixon Wisdom.
- 09.22.2002 - Innovator's Dilemma.
- 09.22.2002 - Investors v. Traders.
- 09.21.2002 - Full House.
- 09.21.2002 - Law of Small Numbers.
- 09.21.2002 - Universal Chart Update.
- 09.20.2002 - Baseball Trend Follower?
- 09.18.2002 - Avoid Like the Plague.
- 09.16.2002 - Glassman Rambles.
- 09.14.2002 - The Change Defense.
- 09.12.2002 - Correlation Defined & Pairs.
- 09.12.2002 - Risk v. Volatility.
- 09.10.2002 - Family Tree Update.
- 09.09.2002 - Summer of Trend Following.
- 09.08.2002 - Leo Melamed Update.
- 09.05.2002 - 2nd Generation Turtle Soars.
- 09.05.2002 - Louis Bacon and Price Action.
- 09.03.2002 - Tiger Cubs.
- 09.02.2002 - Donchian, TrendLogic & Mutual Funds.
- 09.01.2002 - Jesse Livermore's How to Trade in Stocks.
- 09.01.2002 - Site File 10.0 Available.

August 2002

- 08.27.2002 - Dinesh Desai: Trend Pioneer.
- 08.26.2002 - Keith Campbell Update.
- 08.25.2002 - Bill Dunn Student(s).

- 08.25.2002 - Ed Seykota Student(s).
- 08.23.2002 - Technical Indicators Update.
- 08.22.2002 - Wisdom.
- 08.20.2002 - All-Time Update.
- 08.18.2002 - A New Kind of Baseball Owner.
- 08.16.2002 - Elliott Wave Hype.
- 08.16.2002 - Livermore: Original Trend Follower.
- 08.14.2002 - Core Concepts.
- 08.13.2002 - Day Trading.
- 08.13.2002 - Site File 9.0 Available.
- 08.10.2002 - Liz Cheval Turtle Update.
- 08.10.2002 - Tom Shanks Turtle Update.
- 08.09.2002 - 2nd Generation Trend Following.
- 08.07.2002 - Howard Seidler: Turtle Excellence.
- 08.06.2002 - Trend Following July Gains.
- 08.04.2002 - Trend Following Understanding.
- 08.02.2002 - Why is Bill Dunn a Success?
- 08.02.2002 - Patton Speech MP3 (5.6M).
- 08.01.2002 - Equal Traders Trade Equally Update.

July 2002

- 07.30.2002 - Feedback and Young Ones.
- 07.28.2002 - There Must Be a Catch.
- 07.26.2002 - John W. Henry in NY Times (PDF).
- 07.23.2002 - Nasdaq Liffe Markets.
- 07.23.2002 - Recent Feedback.
- 07.22.2002 - Retirement Reality.

- 07.20.2002 - Art Cashin Psychology.
- 07.20.2002 - Markets Changed? Update.
- 07.19.2002 - Merrill Party Invite.
- 07.19.2002 - Morningstar Analysis Wide Left.
- 07.17.2002 - Trend Following Recent Wins.
- 07.15.2002 - Seth Glickenhaus & Fundamentals.
- 07.15.2002 - Flash Intro, Site File & Fact Sheet.
- 07.15.2002 - Performance Update.
- 07.14.2002 - Buy and Hold Bites the Dust.
- 07.14.2002 - Fees Understanding.
- 07.13.2002 - Education Needed Update.
- 07.12.2002 - Memes.
- 07.12.2002 - Babe Ruth Update.
- 07.09.2002 - Mistaken View on Technical Analysis.
- 07.08.2002 - S&P v. Trend Followers' Performance.
- 07.05.2002 - Nasdaq v. Trend Followers' Performance.
- 07.02.2002 - Negative You Say.
- 07.01.2002 - Site File 8.0 Available.

June 2002

- 06.28.2002 - The Price.
- 06.28.2002 - Enron Employee Feedback.
- 06.27.2002 - Recent Wins.
- 06.27.2002 - Wall Street Buffoon.
- 06.25.2002 - Trend Following May 02 Gains.
- 06.23.2002 - New Flash Introduction.
- 06.22.2002 - TurtleTrader Fact Sheet.

- 06.20.2002 - Janitor's Dream from CSFB.
- 06.19.2002 - Recent Feedback.
- 06.19.2002 - Tom Arnold Interview Update.
- 06.18.2002 - He is Not a Trend Follower.
- 06.15.2002 - Trading Truths.
- 06.14.2002 - Stocks Update.
- 06.09.2002 - Think!
- 06.09.2002 - Glassman Wrong Again.
- 06.07.2002 - The News is Trouble.
- 06.07.2002 - Gartman on the Buffett Bubble.
- 06.05.2002 - Know Yourself.
- 06.02.2002 - Gold Returns.
- 06.02.2002 - Fundamental Banter.
- 06.02.2002 - Hype from Gurus.
- 06.01.2002 - Do the Hard Thing.
- 06.01.2002 - Dunn & Eckhardt: Top Returns.

May 2002

- 05.29.2002 - Motley Fool Article Critique..
- 05.28.2002 - Buffett Now Sells Derivatives.
- 05.27.2002 - Fact Sheet.
- 05.26.2002 - Home Page Redesign.
- 05.24.2002 - Technical Indicators Update.
- 05.19.2002 - Feedback, Spin and Fury.
- 05.19.2002 - The Father of Human Action.
- 05.18.2002 - Quotations.
- 05.16.2002 - $1000 Course Rebates.

- 05.16.2002 - Curve-fit Update.
- 05.15.2002 - Why Works & Skeptics.
- 05.13.2002 - The End of the Benign Economy.
- 05.13.2002 - Site File 7.0 Available.
- 05.13.2002 - How Many Trade Like Turtles Update.
- 05.11.2002 - Frequency v. Magnitude.
- 05.10.2002 - Money Management Update.
- 05.07.2002 - Turtle Screen Questions Update.
- 05.07.2002 - Endorsements Update.
- 05.07.2002 - F.A.Q. Update.
- 05.06.2002 - Buffett Offers Tips.
- 05.05.2002 - TV About Nothing Update.
- 05.03.2002 - Niederhoffer Confuses Trend Following.
- 05.02.2002 - Let Profits Run.
- 05.01.2002 - Intelligence: Too Smart?

April 2002

- 04.29.2002 - Change: Heraclitus, Chess & Markets.
- 04.28.2002 - We Want Your Opinion.
- 04.26.2002 - Don't Blame Grubman. Blame Yourself.
- 04.24.2002 - Scale Trading: Not Wise.
- 04.24.2002 - Distractions Update.
- 04.24.2002 - Stop Reading the News.
- 04.22.2002 - Site File 6.0 Available.
- 04.19.2002 - Warren Buffett Stock Tip.
- 04.19.2002 - The Street.com Spins Away.
- 04.18.2002 - Forbes Review of TurtleTrader.

- 04.15.2002 - Babe Ruth and Home Runs.
- 04.15.2002 - No Prediction Period.
- 04.12.2002 - Kernen Explains Why We Need Analysts (Video).
- 04.12.2002 - Panera, Changs and Krispy Kreme.
- 04.11.2002 - Merrill Lynch Emails Outline Cons.
- 04.10.2002 - LEAPS Trader Interview.
- 04.10.2002 - We Repeat - No Fundamentals.
- 04.09.2002 - Why CNBC Exists.
- 04.07.2002 - Trade as a Business Update.
- 04.07.2002 - Dunn Lessons Update.
- 04.04.2002 - Fact Sheet Update.
- 04.04.2002 - Bullet Points Update.
- 04.02.2002 - Interview with New Trader.
- 04.01.2002 - New TurtleTrader Site File.

March 2002

- 03.28.2002 - Naive Reporter Loses It Update.
- 03.26.2002 - Right Client Update.
- 03.25.2002 - Day Trading Nonsense Update.
- 03.25.2002 - Risk Parables.
- 03.24.2002 - Why Method Works Update.
- 03.22.2002 - CNBC and Truck Stops.
- 03.21.2002 - Brokers Uselessness Update (Video).
- 03.20.2002 - The Nature of Risk.
- 03.17.2002 - Buffett is Wrong.
- 03.16.2002 - Critical Thinking.
- 03.16.2002 - Losing is a Great Teacher.

- 03.15.2002 - 2001 Winners.
- 03.15.2002 - Feedback from UBS Warburg.
- 03.14.2002 - Client Feedback on Psychology.
- 03.13.2002 - 10 Year Return Examples.
- 03.12.2002 - LEAPS® Options Examples.
- 03.11.2002 - ABC News Video Clip.
- 03.11.2002 - CBOT Mini Contracts Intro.
- 03.10.2002 - More on John W. Henry.
- 03.10.2002 - Stocks v. Commodities.
- 03.05.2002 - Curve Fit Update.
- 03.05.2002 - Computing Update.
- 03.04.2002 - Performance Update.
- 03.02.2002 - No Memory Update.

February 2002

- 02.28.2002 - Why Cheap Options are Sucker Bait.
- 02.27.2002 - Fact Sheet Update.
- 02.23.2002 - How to Fool Wall Street.
- 02.22.2002 - Education Needed.
- 02.21.2002 - What to Expect as a Client.
- 02.19.2002 - LEAPS® Options for Turtles.
- 02.18.2002 - Turtles Compared Update.
- 02.17.2002 - Glassman Nonsense.
- 02.16.2002 - Curve-fit Update.
- 02.13.2002 - Hall of Shame.
- 02.12.2002 - Original Turtle Mike Carr.
- 02.11.2002 - Why Brokers Can't Help You Trade.

- 02.09.2002 - No CNBC Update.
- 02.08.2002 - Dot-Con Video Excerpt.
- 02.07.2002 - Ford Motor Co. Zero-Sum.
- 02.06.2002 - Market Wizard Bruce Kovner.
- 02.04.2002 - Interview: Diallo Johnson.
- 02.04.2002 - Recent Feedback.
- 02.02.2002 - Position Sizing White Paper.
- 02.01.2002 - Test Your Economic Rationality.
- 02.01.2002 - Top 10 TurtleTrader Flash Movie.

January 2002

- 01.28.2002 - Enron = Barings?
- 01.27.2002 - Strong Thinking from Academics.
- 01.27.2002 - Feedback on Analysts & Glassman.
- 01.24.2002 - Position Sizing Interview.
- 01.23.2002 - John Henry Update.
- 01.23.2002 - Money is Root of Evil?
- 01.22.2002 - Discussion About Curtis Faith.
- 01.21.2002 - John Goodman Interview.
- 01.21.2002 - Enron Employees.
- 01.19.2002 - Stock Cdrom Added to Course.
- 01.18.2002 - New Endorsement.
- 01.18.2002 - John Henry Scores Big.
- 01.18.2002 - Performance Update.
- 01.18.2002 - Turtle Wins (Charts 2).
- 01.17.2002 - Turtle Wins (Charts 1).
- 01.16.2002 - Egocentric Tendencies.

- 01.15.2002 - Compare Numbers.
- 01.14.2002 - Roadmap for 2002.
- 01.14.2002 - TurtleTrader Course Rebate from FXCM.
- 01.11.2002 - Myers-Briggs® Personality Testing.
- 01.08.2002 - On Compounding.
- 01.06.2002 - More Recent Feedback.
- 01.04.2002 - Recent Feedback.
- 01.01.2002 - What is the Difference?

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2000 Updates

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- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
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- Motley Fool(s)
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Galt Capital is a St. Thomas, U.S. Virgin Islands-based investment advisor founded by Bruce Tizes and Ed Seykota.

Galt principals include Curtis Faith and Bruce Tizes.

While engaged in money management for clients, Galt Capital also offers in-person trader training. Galt offers the following endorsement of the TurtleTrader course:

Galt and TurtleTrader have joined forces to offer superior trading education, Galt in the form of in-person seminars, and TurtleTrader through a home study course with email support. Galt requires the TurtleTrader course for our seminar attendees because it provides a valuable, readable, and rational approach to trend following-based trading, including specifics of instrument selection, and coherent money management. The TurtleTrader home study course is a valuable, stand alone, complete course.

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Mulvaney Capital Management Endorsement

Some people think Turtle trend following trading is a system, but it's really much more powerful than that...it's a trading philosophy. The TurtleTrader course gives comprehensive insight to the most accessible active management strategy currently in use. Find revealing explanations of all the critical elements of a successful trend following trading plan. The concepts espoused here are not just opinions...these techniques have been proven to work.

Paul Mulvaney is the Chief Investment Officer of Mulvaney Capital. He has been managing money in the Mulvaney Capital Global Diversified Program since May 1999 and has primary responsibility for all investment decisions. From October 1986 Paul Mulvaney held posts in derivatives and foreign exchange trading at Midland Montagu, Bankers Trust Company and NatWest Markets, before joining Merrill Lynch in September 1993. At Merrill Lynch he managed several of the firm's major options portfolios, including Global Foreign Exchange Options and Exotic Commodity Options and had concurrent responsibility for proprietary trading within each product group. After leaving Merrill Lynch he founded Mulvaney Capital Management in March 1999.

Paul currently trades a proprietary trend following system. He is also a client of TurtleTrader's.

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- Richard Dennis
- John W. Henry
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Our testimonials, endorsements, interviews and feedback come from a wide assortment of individuals. From new and experienced individuals trading their own account to start-up money management firms to more established banks: all of the input about our firm and course is useful.

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2nd Generation Turtle Interview

More from Tom

Tom Rollinger is a second generation Turtle. He trained with original Turtle Curtis Faith. As a new Turtle trader, Tom offers some interesting insights:

Q. Tom what is your background?

A. I grew up near Chicago and remember hearing about the markets and the fortunes both won and lost. The risk always intrigued me. After college in Michigan I was a Marine Officer for four years and then got into trading.

Q. How did you first learn about the Turtles?

A. Market Wizards by Jack Schwager (more on Schwager).

Q. Most people never really follow through in life. What made you HAVE to learn to trade as a trend follower?

A. I was already trading when I read Market Wizards, but not successfully. After reading about the counter-intuitive approach of the Turtles, which experiences lower accuracy but positive expectation, I knew the method was for me. Coming from a disciplined background I was comfortable learning a set system of rules to trade.

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Q. From a psychological standpoint, what makes you secure that you have made the right choice of a trading style?
A. I enjoy going against crowd mentality. I have full faith in the method; I actually feel I gain strength by admitting I have no power over the markets but will flourish long term due to the system.

Q. Talk about Turtle trading from a global perspective. How do you feel about the applicability to world markets?
A. If it trends, we can trade it. And as I have seen, it doesn't take much of a move in either direction to accumulate substantial profits in a position. With regard to the recent events of September 11, I already had my trading rules in place so I could continue trading from a reactive posture. The Turtle methods automatically adjust for volatility.

Q. What was your first taste of risk or money management?
A. Probably reading Market Wizards and hearing top traders say anything more than risking 3-5% per position was 'gunslinging'. I didn't understand at the time how you could make serious money while only risking such small amounts. Now it is clear to me, and I have a great appreciation for capital preservation.

Q. Explain the importance of money management.
A. I could not stress it enough. You have to have a sound money management plan that is tailored to your trading system. Whether or not you have a system that is 'right' often is not what is ultimately important. Keeping bet size small and maximizing winning trades are key.

Q. Thanks for your insights Tom.

A. You are welcome.

Tom Rollinger is a 2nd generation Turtle trained by Curtis Faith.

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John Goodman of Pagnell Capital Q&A

John is a client. He wrote to us from New Zealand to express his thoughts on the benefits of Turtle trend following trading: **Since completing your course earlier this year I have managed my drawdowns with dramatic results.** We decided an interview would be appropriate and useful for others. John agreed.

TurtleTrader: Why did you decide to become a TurtleTrader client?
John: To establish a systematic correlation between portfolio size, bet size and stop loss placement. Having developed various buy/sell signal systems over many years which ranged from moving average to Donchian to Neural Networks I have proved that pure signal strength is not a great indication of suitable bet size and may lead to drawdowns in excess of expectations. Such drawdowns suggest that fund longevity is compromised, therefore by reducing risk longevity is more probable.

TurtleTrader: You make the strong point that not only does money management help your upside, but more importantly it protects your downside. I am sure you would agree that many new and experienced traders neglect the importance of mitigating drawdown?
John: Correct. There is no point in being able to make double/triple digit percentage gains only to give the same plus back to the market.

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To be successful you need to keep a high proportion of your gains.

TurtleTrader: What was your prior knowledge of trend following?
John: All of the systems that I have developed have included to some extent trend following criteria. Even Neural Networks, when considering market entry and exit costs (commission and slippage) tended towards the utilization of trends to make the bulk of their gains. In markets where liquidity is high, trend following is especially appropriate as entering and exiting positions will not materially affect the market price. This however would not be the case in illiquid markets where the entering and exiting of positions can materially affect the market price. In the later situation a fundamentalist approach may be appropriate.

TurtleTrader: While we make no recommendation to fundamental trading. You paint a picture whereby fundamental traders could benefit from a clear understanding of Turtle trend following trading.
John: Certainly, Turtle trading addresses risks which can help all.

TurtleTrader: What about our course enabled you reduce drawdown? the overall money management we provide?
John: The linking of bet size to portfolio size/stop losses and also the growth and shrinkage of the total portfolio size including unrealized gains.

TurtleTrader: Was this a comfortable switch for you? The consideration of total capital for trading decisions? Were you nervous about changing from your current strategy or was it more of a natural and logical evolution for you?

John: This was a logical evolution as I was searching for risk management methods. I was not nervous about the progression as I thoroughly understood the methods practiced by Turtle traders and then created a financial model and performed rigorous testing before adopting the Turtle methods.

TurtleTrader: Had you been using money management prior to our course?

John: The money management previously used was associated with bet success probability rather than portfolio size and thus when calculating monthly percentages against capital invested, undesirable percentages could arise.

TurtleTrader: Thanks for the feedback John.

John: You are welcome.

John Goodman can be reached at Pagnell Capital or john.goodman@pagnellcapital.com.

Our testimonials, endorsements, interviews and feedback come from a wide assortment of individuals. From new and experienced individuals trading their own account to start-up money management firms to more established banks: all of the input about our firm and course is useful.

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Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
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2nd Generation Turtle Interview

Thomas Arnold of Plimsoll Capital

The following interview is with second generation Turtle trader Thomas Arnold. He offers insight to new and established traders considering the Turtle trend following system.

Q. How did you become involved in the markets?

A. I have been interested in trading for as long as I can remember. My first job was working for a very successful stock trader in Los Angeles who was a friend of my father's. Every Saturday I would obtain a copy of the Daily Graphs. I would then look at each and every chart, that is, every stock on both the American and New York Stock Exchanges. I was looking for specific chart patterns accompanied by higher than usual volume. By midday on Saturday, I would bring my analysis to my father's friend, and for my efforts I would receive a crisp $100 bill. I'm not sure if it was the hundred bucks or the market analysis. But somehow, I was irrevocably involved in the markets.

Q. Before you learned the Turtle system why did you feel the Turtle system would help you?

A. I knew enough about the Turtle system to know that it was not just another indicator or analytical approach. I knew there was some real mathematics involved, and by that I mean there was substance which I could prove or disprove objectively. It wasn't a holy grail, it was an

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edge. And for that reason I was interested. Also, I could not ignore the fact that Richard Dennis was spectacularly successful.

Q. When you say some real math was involved you seem to imply you were ready for a more concrete, dispassionate style of trading?
A. Absolutely. I was not interested in an approach that simply re-tooled what I was already doing. At the time, I was an interbank currency trader. I took positions up to a size I felt comfortable, based upon technical analysis and deal flow. There was very little objectivity in that mix. I was interested in building an investment business, one that was scalable and not based upon subjective analysis. If my position size was based upon my comfort level, there was a very real and nearby limit to the business I could build. Secondly, I desired to remove emotions as completely as possible from my trading. Position size should be calculated based upon market volatility and assigned per position risk.

Q. Talk about the use of money management in your trading?
A. Money management is 90% of what we do. At the risk of frightening investors, I'm not sure my performance would suffer tremendously if I flipped a coin to determine our direction. To be fair, we have come a long way in selecting our trades and managing the risk profile of our portfolio. But the real driver of our success is how we size our positions at the beginning of a trade, how we add to our positions when we are right, and where we place our stops when we are wrong. Our goal is that our profits are exponential, and losses are linear.

Q. Why do you think directional accuracy seems to excite many

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beginners and pros alike? Is it the false sense of comfort they enjoy with a high accuracy?

A. I think most novice traders feel that directional accuracy is the key to trading success. It really doesn't bother me if they continue to think so. Having been a trader on several major currency desks, I have heard endless recounts of traders calling the market correctly. It seems traders desire to be right, more so than they desire to be profitable. If this were not the case, they would spend a lot more time focusing on the money management aspect of their trading. Of course this is a personal account as well, in that being right was my focus for over ten years.

Q. How do you explain profits as exponential and losses as linear?

A. We never add to a losing position. We add mechanically to winning positions. And we only add to winning positions when we can do so without substantially adding risk to original capital. Therefore we can be wrong several times and right once, and still perform well. The alternative would be to keep your position size the same on a winning position, which means you have to be right substantially more often, and you would have to allow your position to go much further. We desire that our winning positions be far more dynamic than our losing ones.

Q. You bring up an interesting point traders desire to be right more than they desire to be profitable. You seem to make the case clearly that no matter the level of sophistication, most traders are not even focused on profits in all reality?

A. I think that is an accurate statement. The vast majority of traders fail to view trading as a business. To be successful over the long term you have to build your trading strategy the same as you would build your business. Trading is not about intellectual triumphs. It is about creating a reasonable, objective expectation for success over time.

Thomas Arnold of Plimsoll Capital can be reached:
tarnold@plimsollcapital.com.

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What are people saying about TurtleTrader?

Our testimonials, endorsements, interviews and feedback are diverse. From new and experienced individuals trading their own account to start-up money management firms to more established banks: We are honored to have the respect of our clients, industry heavyweights, and individuals from around the world.

Forbes Magazine

Endorsement of TurtleTrader course: click here.

Futures Magazine

Gibbons Burke is Director of Technical Analysis Products with Dow Jones Markets in New York, N.Y. His review of the TurtleTrader site appears in Futures Magazine.

Read Futures Magazine Review Now

If you would like a **free hard copy** of the Futures Magazine review sent by postal mail, please email your name and address. Free domestic or international delivery.

Barrons Article w/ TurtleTrader

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- Jack Schwager

The January 2001 Barrons article, quoting TurtleTrader about trend following, is a key article. Read comments on Barrons article here.

If you would like a **free hard copy** of the Barrons Article sent by postal mail, please email your name and address. Free domestic or international delivery.

Galt Capital

Endorsement of TurtleTrader course: click here.

Galt was founded by Ed Seykota and Bruce Tizes.

Original Turtle Curtis Faith is also part of Galt.

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Mulvaney Endorsement

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Reviews, Endorsements & Feedback

TurtleTrader is a top site at Yahoo.

That Abraham guy sure takes a good picture. He looks like an honest, hardworking individual. I've talked to his mother and she recently confirmed my suspicions. Regards from Canadian, Texas.

Salem A. Abraham

President

Abraham Trading Company

We enjoy hearing from successful Turtle traders. Salem is a proven winner.

Would your site be willing to provide a link to Campbell & Company in an appropriate area on your site?

Cynthia Knight

Campbell and Company

Campbell is one of the oldest trend followers. We appreciate their interest. Editor, TurtleTrader.

You have a very good site and a nice, honest approach to marketing your products and services. Refreshing. I'm sorry I didn't visit the site sooner...[In his review he adds]...There are no hollow promises. Instead, every statement asserting the power of these methods is backed up with empirical data and coupled with the caveat that the key to trading success is discipline, trading the markets every day and money management (or to 'preserve capital until more favorable price trends reappear'). This site offers no comfort to those who are looking for a quick buck or the Holy Grail, and the proprietors don't seem to suffer fools gladly. The message is open, honest, straightforward and makes no hyped-up promises. It sticks to the facts; it is one of the best system trading sites for futures traders I have seen.

Gibbons Burke - [Futures Magazine Review]
Director of Technical Analysis Products
Dow Jones Markets

Congratulations on an excellent site.

Caspar Marney
Global Head of Technical Analysis, Foreign Exchange
UBS Warburg

Your page is looking great and is a good addition for my users.

Jim Payne
President
Behold! System Testing Software

Effort is looked at by all and judged by few correctly. You are judged as with good intentions and integrity.

Art Simpson
for Phantom of the Pits
Futures Magazine

Fascinating stuff. I work for one of the premier accounting firms in the commodity industry and work with many leaders in the industry (including several listed as examples on your pages). I have read both Wizards books and all of the people in the books share a common theme. Discipline & desire to win are more important than smarts. Kudos to you for an interesting site.

Futures Industry Professional

You have a very interesting trading web [site]. A complete overview about trend following system[s]. Congratulations.

President of IWTC - Italian WWW Traders Club

You may be interested in a study on CTAs that I published. I basically find that there is one dominant trading style in all CTA funds. That style has been called trend following style. He added: It is not surprising that big moves occur in equities, bonds, currencies, and commodities at the same time. They are responding to the same set of economic fundamentals. I think the biggest selling point for trend followers is not so much that they make money, but they make money during down markets in equities. [Also] It is interesting that, when equities move down, there seem to be more and bigger trends in other markets for trend followers to capture. Because the profits captured by trend followers during these times are greater than during other times!

David A. Hsieh
Duke University

David has completed several noteworthy studies on trend following which at their root are based on the Turtles and other long time trend follower's performance numbers. Editor, TurtleTrader.

Looking for hot pix of your favorite hedge fund managers? TurtleTrader sponsors fan pages–à la Tiger Beat–for many prominent traders, including George Soros [and others].

Paul Krugman
Professor of economics at MIT
***Tiger's Tale The Leverage That Moved the World*.**

TurtleTrader Client Feedback

I must say that as anyone with a pulse, I was skeptical of your site. But the more I read, the more I´m convinced that you guys are serious and professional. Your website is like a breath of fresh air in a virtual world filled with get rich quick schemes [and] trading systems. Kudos on a fantastic site, not only is it bursting with info. it is very well crafted for navigating and aesthetically pleasing.

Web Visitor

Thumbs up on the design of the website. I've been in the futures industry for 8 years and found it informative and enjoyable.

Web Visitor

Your website is top notch and really a pleasure to read. It projects a clear & translucent picture of what your system is all about.

Web Visitor

First of all, I find your web sight highly informative and concrete. There is so much garbage out there in terms of vendors' claims and statistically insignificant trading ideas that it's very easy for the unsophisticated trader to get sucked by this crap. It's refreshing to visit yours.

Web Visitor

I am very impressed with your website. I was pleasantly surprised by the way you market your product. You suggest many educational books and studying before ever recommending a client order any of your products. I am in the process of reading a few of your selected titles. It is obvious only people serious about learning how to trade the correct way should think of ordering your product.

Web Visitor

Your web site on Turtle Trading is almost unbelievably extensive and entertaining. I know that myself and a number of other futures traders greatly appreciate its' existence.

Web Visitor

Your web site is great and thankfully doesn't have that crass, money grubbing feel to it. Congratulations!

Web Visitor

Skeptical before [our] purchase. Your web site examples with Barings and the

German firm gave true insight. [Our] extensive testing before trading gave our people confidence in the approach. Thank you for your straight forward service and insight.

Client

[The Turtle] money management algorithms have opened my eyes.

Client

Your patience and speedy replies are rare in the business world today and are greatly appreciated.

Client

I am finding that the rules outlined in the manual do indeed make a lot of sense, e.g. there is no question that the filter rule enhances returns.

Client

I'm really impressed with all the help you've given me, it really has made a big difference. You should know that yours is the only program I've purchased. I'm exceedingly skeptical - 99.9% of the crap peddled as systems or in books is at best incompetent and at worst criminal. So it took about a week (and reading every single page of your web site) to purchase your materials, but they showed consistency and logic and common sense. I am glad I did - I have really learned a lot.

Client

I appreciate the questions/support aspect of this package very much. I have recently decided to go on my own, and make a complete commitment to trading with the intention of forming hedge or futures fund once I gain more experience and a track record with my own account. My point is that I take this seriously, and I appreciate the help.

Client

The difference in your materials is that you stress actually what to do, rather than listing what not to do. Just because I know not to buy IPOs of biotech companies with no assets, no sales and no earnings doesn't mean I have the knowledge to go out and be a value investor. Anyway I'm rambling, but I have found the materials helpful and I appreciate the one-on-one help you've given.

Client

The section on Turtles' money management will save me the purchase price in losses. After two or three reads, the section on risk and expectation clicked. Is was like a light coming on.

Client

Your product and services are the best I've seen since I've been in futures and commodities. I have been looking for a 100% systematic approach to trading that followed trends. Once I read about the Turtles, I knew that's what they were taught, and I wanted to know what they knew. These methods are what I've been looking for ever since I started in this field. I appreciate your patience and information that you have provided. Once again, thanks for the help you have provided.

Client

I'm backtesting the data you sent me [with the full package and it is a] very impressive amount of information.

Client

More Feedback

Dear TurtleTrader, Thank you for building an extremely comprehensive web site that simply calls it the way it is. What can a Turtle convert say in response to your articles on the Australian Dollar [article 1 and 2], and David Faber of CNBC? In a way I almost hope you do not post this on your web site because the more that Turtles preach their basic beliefs, the more, perhaps, that the general populous will start to come our way. But looking back on all the trends of the past few years, I doubt that will [ever] happen. All day I listen to trader's views and crystal ball-gazing at this institution [JP Morgan Chase] and still chuckle to myself in the comfort that people not just here, but in all areas of the markets, still think that they have any idea as to what the future holds, and moreover, are prepared to place not just the company's money at risk of this bunk, but also their own personal income. Keep up the excellent work, I find it totally refreshing each time I peruse your web site.

Mark
Vice President
JP Morgan Chase
http://www.jpmorganchase.com

I have to thank you for your service. I have been involved in the trading arena since 1995 and have at different times been a broker and trader and have been witness to some of the biggest scams ever devised. I have seen droves of unsuspecting people being led to the slaughter by unscrupulous marketers, themselves having only the tiniest bit of trading knowledge or experience, pushing the latest Holy Grail. With this overview I've become very pessimistic of any type of trading program. It took me a long time researching your site before I finally bought the program. It was the greatest investment I have made. Before your program, I have bought and read countless books on trading and never has the information on money management been addressed like you do here. Definitely the most important issue in trading. It took me a while to shake the market entry and timing bug and focus on money management but once I did it created a simplified trading process and makes it much easier to stomach being in the markets. I am still chewing on a couple of the techniques and refer to the manual frequently but believe, in time, they will all become second nature. Thanks again for standing up and putting out a program that is real and keep up the great support.

Regards, Michael L.

I found your site about 10 days ago and was pleasantly surprised by it. The site itself is great, very easy to navigate and access. It is surely a nice contrast to all those glamorous sites about investing. I have read all the articles by now and I have to say that they all make a lot of sense. I am new to investing and have started to take more interest in the subject just about a year ago, but I want to get serious now. All this time I wanted to learn as much as possible before actually starting to trade. I can say that I've gone through many sites and learned a lot from what's been offered. But somehow, all that didn't make me confident. The problem was that all those methods favored by CNBC and the like are trying to predict the market. After reading through all of your site, I have to say that your system gives me confidence. To put it very simply, I never wanted to be a part of the crowd (that's also true for my business). And if everybody (well, most) of the people are doing the same, than there has to be a different way which will make use of opportunities made possible by the crowd.

Best regards, Igor D. (Croatia)

I had never heard of your site before today when I literally stumbled upon it. I love it! You nailed the comments about the Fool. I agree on your assessment of Faberisms as well. Anyway, just wanted to drop you a note and tell you I liked the site. Good job. Easy to navigate. Great attitude.

Holly H.

I'd just like to 'share' a bit here. I'm an ex Goldman employee and worked in the big bad world of banking for six years. Not only do you guys have the confidence to tell it exactly how it is, which to my mind means it's REAL (makes a nice change), it seems you're not too keen on Goldman, which makes me feel so much better. It kind of indicates to me that my hunches and instincts about that firm were right, or at least that I'm not alone in my suspicions about it. Load of hype eh?! I look forward to hearing from you, and indeed to learning your methods and putting them into practice. Keep up the good work!

Best regards, Alex C.

Took a few minutes earlier today to look at your site. WOW! Now that's the power of the Internet! Loved it! It sure is thorough and informative. I plan on going back when time permits. I've always loved the futures markets and trading. I've been a small time speculator, on and off, for years. I haven't been active for several years but it's still in my blood. What do you think? Is it too late for a 45 year old to make a career move as drastic as going into trading full time? I've always had the fever for this industry. Thank you for your time, and for putting forth a GREAT product.

Michael

If you were watching the comedy channel [CNBC] around 8:35 Eastern today you would have seen Norman Minneta [Commerce Secretary] gushing about what an honor it was to ring the opening bell at the NYSE and following up with this whopper, The [equity] trend is still definitely up. What chart is he looking at? Just curious.

Robert, Hong Kong

Editor's note: We hope readers appreciate Robert's sarcasm.

I am an Italian trader and I want to offer you my congratulations. Your site has all the right concepts about trading, not like so many others. People use fundamental analysis, technical analysis (methods like Elliot, Gann, Fibonacci, pattern recognition and other technical indicators that are completely useless) or new technology like neural networks or genetic algorithms because they want to predict markets, control the market and because they do not know the really important things for trading success. We must have rigid money management rules and control volatility. If we do not do this and the market go against us, we will lose.

Congratulations again for your site. DM

Thank you very much for the suggestions! I TRULY appreciate the quick and to the point responses. If any potential customers have questions in regards to client support, I will gladly recommend the site and acknowledge the professionalism of the staff. I will paper trade a few months and then start with stocks and mini contracts as suggested. If you need any references in regards to the follow-up support that you provide, again I would be happy to answer any skeptics!

Thanks - Nathan

Isn't it funny/perverse that according to a long term trend follower's philosophy (and indeed according to a rational assessment of the odds), buying Sep S&Ps at 1040 was the worst possible trade you could have done today (the extreme in an emerging trend) and yet those who did think they are geniuses? I basically finished the main body of my testing a couple of months ago. What I have ended up with is similar to the Turtle 'system'...I regard spending the $1000 on the material as a worthwhile outlay because:

a.) I got confirmation that the approach I was already taking was right.

b.) Ultimately, it propelled me to write the code for all the simulations.

c.) The trend followers' trading results are very valuable as they provide an objective measure of whether a system is worthy of being traded in practice. My simulated results assuming realistic slippage are comparable.

Best Regards, Paul

I guess I am conditioned to be skeptical of any system, but your Turtle site has me intrigued beyond what I usually consider my better judgement. I have been trading stocks and options for 3 years now. I have no formal training, haven't ever been to any kind of investment/trading seminar, and have never purchased any trading system. I have accumulated a library of around 100 books that cover many aspects of the markets, methodologies, and trading in general. My background is unique in that I have a degree in trumpet performance, yet professionally I am a Vice President of a company that makes and sells pickles and condiments. I also have an MBA. I am 31 years old. I first stumbled onto the Turtles while on vacation in 1995 as I was relaxing in my chaise lounge on a small speck of a Caribbean island carefully reading both Market Wizard books and a few others. At that moment in time I hadn't the foggiest idea I'd actually be able to make real money by trading, but I knew I wanted to trade and I knew I could teach myself at least the basics. Since that time I opened an E*Trade account and have turned a $2000 account into around 100x that. Now by any measure of success this would be considered good, if not excellent but I am entirely disappointed because of my mistakes. If I had followed my plans on each trade I'd easily have 1000x my original account. In any event, I think I have lots of room to improve. I managed to escape the bulk of the Nasdaq selloff in April, but I wish I had the courage to play other markets or to play the downside to make money. For some reason I haven't been able to do this. I effectively played call options and some spreads during the speculative runup last fall, but I am having this trader freeze right now where I am scared to do anything after a couple of mistakes. I need some kind of system. I don't trade 50x a day. And I don't trade everyday, but your system seems as though it might broaden my horizons so to speak. If it is true, that anyone can be taught your system of long-term trend following and it isn't just a buy and hold concept, then I am interested. As George Soros once said, it takes courage to be a pig. Is the Turtle method the map to the hogpen?

Kindest Regards, Brian D.

Dear TurtleTrader, This has got to be the most prolonged reading session by computer that I have ever done, thank goodness for the speed reading course I did last year. Having once connected to your website I was glued to it. The information you provide seems to me to be the most realistic representation of profitable trading I've seen anywhere in my search for a successful trading education so far. Thank you your site itself was an education...Presently I am involved in trying very hard to legitimize my previous purchase of a Gann based trading system but find that reading books from the early part of the last century written by a man who would have greatly benefited by the services of a good proof reader and who definitely had a knack for writing in the most obscure fashion extremely arduous. What's more this company sounds similar to the ones mentioned in your website that have an introductory package that encourages you strongly to purchase more highly priced continuation packages. I feel I am destined to failure if I continue down this path as in future packages greater and greater emphasis is placed on calling probable market highs and lows in advance. I guess what I am asking in the above is - Is the Turtle Trading package readily understandable by someone with limited experience in the world of international money markets? I do not have a great amount of free capital that I can commit to trading approx. $15000-$20000. Would I be wasting my time pursuing trading at this stage...or would I be best advised to wait until I have attained more capital? I would be certainly interested in the product you are offering as the more that I read about trading the more I realize how important money management is in trading success and certainly this is one message that comes across loud and clear in the material that you have presented. Thank you very much for taking the time to read this.

Yours sincerely, Peter B.

I would like to compliment you on your web site. I find it educational, informed stimulating and one of the best sites on the internet.

Thank you, Joe L.

Support at TurtleTrader

TurtleTrader Interviews

From time to time TurtleTrader will offer interviews with traders trading as Turtles. If you feel your experience as a trend following Turtle may be informative to others, please send email to arrange for an interview.

- Interview #1
- Interview #2
- Interview #3
- Interview #4
- Interview #5
- Interview #6
- Interview #7
- Endorsement #1
- Endorsement #2

You can trade the Turtle system for your own account or you can trade for clients. The system is appropriate for both uses. The interviews listed above are with individuals who started trading their own account and moved on to trading for clients. Their experiences are useful no matter how you elect to trade.

- More on trading as an individual here
- More endorsements

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- Bill Dunn
- Richard Donchian
- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

Our testimonials, endorsements, interviews and feedback come from a wide assortment of individuals. From new and experienced individuals trading their own account to start-up money management firms to more established banks: all input about our firm and course is useful.

Article Tools:

- Print this article
- Email this article
- **What's New This Week?**

Related Material:

- Turtles in *Market Wizards*
- Free Email Newsletter
- Client Locations | MP3 Audio
- **Order TurtleTrader Course**

Market Proof

- **Performance**
- Correlation 1 | 2 | 3 | 4
- Enron Debacle
- Barings Bank
- Metallgesellschaft

Clients

- **Clients in 67 Countries**
- Individual Clients
- Institutional Clients
- Education Needed
- Starting Capital
- The Right Client
- Pricing Rationale
- Why Teach?
- Upgrades/Discounts
- Customer Service
- Guarantee | **Order**

Trading Systems

- **Trading Systems 1**
- Trading Systems 2
- Trading Systems 3
- Indicator BS 1
- Indicator BS 2
- Trading Software
- No Curve-Fitting
- Risk v. Volatility
- Blackjack

Psychology

- **Life Values & Risk**
- Critical Thinking
- Money is Evil?
- Gen. Patton Speech
- Are You Rational?
- The Bet
- Myers-Briggs Testing
- Quotations

Holy Grails

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- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
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More Holy Grails

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- Larry Williams
- Motley Fool(s)
- Ken Roberts

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TURTLE TRADER

No. 1 Source for Trend Following Worldwide
Est. 1996 | Clients in 67 Countries

Resources:

New Site Visitors Start Here

The system will tell you exactly when to enter the market, which direction to go, long or short, and exactly where to get out of the trade. We provide an objective trading plan. It is straightforward and simple to use. The Turtle system takes the guesswork and the decision making out of trading.

TurtleTrader

Comprehensive, Clear and Brutally Honest

Is there a reason why the TurtleTrader site is so extensive? TurtleTrader's approach to information is to be *extremely* comprehensive and brutally honest. First, before you try to absorb everything please read:

- The **6 drop down menus** on this page.
- All links in the **right hand side margin**.

Then explore the rest of the site. Don't be overwhelmed by the amount of information -- **dig in and start reading**. There are no shortcuts. If there’s anything you don’t understand get in touch for support. We have built our reputation and solid client base on our timely support and communication.

What Are Turtles? How Can this Site Help Me?

How the Turtles were trained to trade is one of the greatest Wall

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Street *experiments* ever conducted. We teach the original Turtle trend following trading system to new traders and professionals in 67 countries. We teach beginners, market makers, brokers, exchange members and anyone else worldwide that desires to learn the system. There are no get-rich-quick schemes at TurtleTrader, but there is the opportunity to learn and win. The fact that our clients stick with us should tell you one basic fact: the TurtleTrader system works.

Once you have mastered the system, you can spend less than an hour a day applying it. But know what to expect before you even consider buying our course.

Learn, Practice and Execute

We recommend you practice trading on paper for a short trial period, so you see for yourself how the system works before you start committing real money. Once you see how you can trade trends in theory, start trading the system in real markets. The key is not necessarily how much capital you start with, but that you start and stick with the system. It's the only way to produce outsized returns.

Are You A Loser?

If you don't want to follow a plan, do not buy ours. It works, but only if you adhere to it. Remember that many of the original Turtles had no experience in trading, the markets or Wall Street. They all had the desire, however, to work hard, learn and win. But if you are a quitter with little patience or discipline, please stay away.

Psychology of Winners

The following links should be read by all:

- Atlas Shrugged
- Patton Speech
- Calculated Risk

Testimonials, Endorsements, Interviews & Feedback

I wanted to find someone who was trading with a system that was purely mechanical and was not at the effect of emotions. Next, I wanted a system that I could truly understand and explain easily to another in a few minutes. And finally I really wanted something that worked! Not fleetingly, but truly worked for the long term.

New TurtleTrader Client

It took me a long time researching your site before I finally bought the program. It was the greatest investment I have made. Before your program, I have bought and read countless books on trading and never has the information on money management been addressed like you do here. Definitely the most important issue in trading. It took me a while to shake the 'market entry and timing' bug and focus on money management, but once I did it created a simplified trading process and makes it much easier to stomach being in the markets.

Experienced TurtleTrader Client

I just wanted to drop a quick line to say thank you for the quick & to-the-point answers in my TurtleTrader education. However, your advertisement of [support] response occurring within 24 to 48 hours is a little off. So far, my experience has been to receive responses within 2 to 4 hours. Client service seems to be top priority at TurtleTrader. Thanks.

TurtleTrader Client

More Feedback

Holy Grails

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- Tip Nonsense
- David Faber Hype
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- Motley Fool(s)
- Ken Roberts

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Competitive Upgrades from *Hype* Products

Dissatisfied Ken Roberts or Larry Williams' client? We offer a special discount for new clients only: $100 off the TurtleTrader course. You must send us the Ken Roberts or Larry Williams materials to receive the discount. We have no association with Roberts or Williams. More discounts for other trading courses.

Summary

There are over 400 pages of explanation and insight at the TurtleTrader site. Take your time and go through the site in detail. Much of the content is not published outside of the TurtleTrader site. Forget looking in *The Wall Street Journal*.

Trend Following Success Stories

Trading is a teachable science, not an innate talent.

TurtleTrader

The following examples show trend following success starting in the 1950's with Richard Donchian:

- Richard Dennis:

  What you're asking about [are] rates of return, what you can reasonably make. And I've found that my trading style with small amounts of money allows around a 300% return.

- William Eckhardt:

  This is one of the few industries where you can still engineer a rags-to-riches story. Richard Dennis started out with only hundreds of dollars and ended up making hundreds of millions in less than two decades - that's quite motivating.

- John W. Henry, owner of the Florida Marlins, legendary trader and a former farmer opened his first managed account with $16,000 USD trading as a trend follower:

  Some commentators have referred to the recession-inflation economic alternatives as a choice between fire and ice. As trend followers, we do not have to choose a forecast; we have to watch price movements. I don't know which scenario is better, but if either extreme becomes reality, there will be some significant dislocations in price that may be good for our programs.

  Henry has earned over $500 million dollars in his career

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trading as a trend follower.

- The most successful Turtle was Curtis Faith. Trading records show that Mr. Faith, who was only 19 when he started the program, made about $31.5 million in profits for Mr. Dennis. Mr. Faith says he was so successful because I went into it with the least fear, probably because of my age.
- Ed Seykota, trading as a trend follower, turned $5,000 into $15,000,000 over 12 years in his model account. That's a 250,000% return. Ed is one of the great teachers alive today, specializing in money management and psychology.
- Michael Marcus, a student of Ed Seykota, turned $30,000 into $80 million trading as a trend follower.
- Jerry Parker was a small town person from Lynchburg, Virginia that went onto become the largest of the original Turtle traders making well over $100 million dollars profit for himself by the age of 40.
- Bill Dunn has traded as a trend follower since the mid 1970's. He has averaged over 25% annual compounded return for 25 years. His net worth exceeds $200 million dollars. All from trend following trading. One of his trend following funds is up 7112% since 1974.
- Richard Donchian is considered the father of trend following. His success started in the 1950's. His students have gone on to earn millions in the marketplace.
- David Druz interest in markets started while he attended the University of Illinois in Champaign, majoring in electrical engineering and computer science. A fraternity brother made a killing in the markets, and Druz was hooked. His buddy got him a job at Stotler & Co. doing fundamental research. Despite this interest, he continued on to medical school. He attended Johns Hopkins University, but still managed to do research for Stotler, where he got into weird scattergrams about previous years' crops

and did a lot of correlation analysis of supply/demand, aiding the firm in its forecasts. The amazing thing to me was this was all baloney, he says. The fundamental analysis was great, but I never saw a correlation between that and trading...the fact I did all this fundamental analysis was instrumental in pushing me away from it. It just didn't work.

All About Knowledge: Dunn Example

Daniel Dunn, son of Chairman William A. Dunn, recently joined Dunn Capital Management as a Senior Associate and also assumed the position of Vice President with Martin Money Management [a Dunn company]. He had first joined Dunn as a programmer and analyst in 1975. In the interim, he earned a doctorate in immunology in 1988 and a medical degree in 1990 from the University of Chicago, conducted postdoctoral research at several institutions and most recently taught at the University of Utah.

The point? Trend following is trend following regardless of background. Immunology has nothing to do with trading, but we are sure Dunn's son will excel even without extensive prior trading experience.

Disclaimer

We can not promise you will earn like returns of the traders, charts or examples (real or hypothetical) mentioned within this site. All past performance is not necessarily an indication of future results. However, we can instruct you with Turtle trend following methods.

Disclaimers

Performance and Charts

Holy Grails

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Holy Grails:

Hype from Trading Gurus

Why does TurtleTrader take the time to address examples of hype from **gurus?** We have found over the years that most people instantly see the hype and avoid it. But we have also seen some very well intentioned people, both novice and experienced traders waste time and money. None of the people or firms on this page have any association with this web site and or TurtleTrader.

You will run out of money before a guru runs out of indicators...

Neal T. Weintraub

We receive numerous emails from people sorting through the **hype**. Questions? Feel free to contact us:

- **Advanced Get** questions: email.
- **David Caplan** questions: email.
- **Elliott Wave** anything questions: click here.
- **Fibonacci** anything questions: email.
- **Futures Truth and John Hill** questions: click here.
- **George Angell** questions: email.
- **George Fontanills** questions: email.
- **INO, MOM and POP** questions: email.
- **Jake Bernstein** questions: click here.
- **John Murphy** questions: email.

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- Soros & Zero-Sum
- Jack Schwager

- **Ken Roberts** questions: click here.
- **Kevin Haggerty** questions: email.
- **Larry Connors** questions: email.
- **Larry Williams** questions: click here.
- **Optionetics** questions: email.
- **Richmonds** (UK traders) questions: email.
- **Russell Sands** questions: email.
- **Tom DeMark** questions: email.
- **TradeWins** questions: email.
- **Walter Bressert** questions: email.
- **W.D. Gann** questions: email.
- **Wade Cook** questions: click here.
- **Carolyn Boroden**: email.
- **Dave Landry**: email.
- **J. Adam Hewison**: email.
- **Michael Parness** questions: click here.
- **TrendFund** questions: click here.

One of the above individuals actually declared trend following to be dead while at the same time selling an assortment of items at prices ranging from $69 to $2500. The hype never ends.

TurtleTrader offers competitive upgrade pricing to our new clients from Ken Roberts, Larry Williams and other courses: click here.

Recent misleading article on Turtle trend following trading.

TradingMarkets.com Hype

TradingMarkets.com offers quite a bit of hype. From their www site we pulled:

- The fact that market can't even mount a decent dead cat bounce is a negative...
- Fibonacci price clusters...
- Trading Connors VIX Reversals 20% Off This Week Only!...
- Predict The S&P's Direction Up To 68% of The Time!...
- Connors VIX Reversals have correctly predicted the direction of the S&Ps approximately 65% of the time within a two- to three-day period. Some of these indicators have correctly predicted the market direction nearly 70% of the time!
- Among the strategies revealed is an intraday news strategy they use to exploit the herd when the 8:30 a.m. economic reports are released.
- These stocks are likely to make explosive surprise moves. Using a proprietary algorithm, we are able to identify companies that will likely exceed or miss analysts' earning estimates.
- These companies are on the fast track to extraordinary business performance. By detecting barely noticeable fine tunings that analysts make to their earnings estimates, we are able to identify companies that are exhibiting concrete evidence of better or worse performance. Think about it: Do you think analysts change their estimates on a whim? No, they positively need hard evidence. We let them do our research for us. Such analyst revisions typically occur before stocks start making their big move [complete BS].
- Using Fibonacci ratios, Carolyn identifies for you high-

Holy Grails

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probabilty price cluster zones, likely support-and-resistence levels plus time projections, to show you throughout the day where and when markets are likely to hold, and likely to turn.

- These are the up-and-coming names that have yet to attract wide notice. You'll miss these opportunities, however, if you focus exclusively on earnings. We use the X-ray vision of quarterly revenue growth and acceleration to spot new-growth companies before the rest of Wall Street.

Holy Grails Q & A

Marketing Hype to Avoid Like Plague

- If a firm declares longer term secrets to shorter term trading...
- If a firm calls a system just a small, no-risk investment...
- If a firm refers to you as friend...
- If a firm promotes secrets to S&P daytrading...
- If a firm declares that an offer may disappear at any moment!...
- If a firm describes everything as simple...
- If a firm refers to a trading method as most valuable ever...
- If a firm refers to anything as secret...
- If a firm tells you to act quickly...
- If a firm says an offer may evaporate at any moment...
- If a firm tells you to please send your order now...
- If a firm calls the trading approach 'exciting'...
- If a firm talks about day trading gold...
- If a firm talks about buy and sell signals primarily...
- If a firm boasts about new break throughs...
- If a firm says something is limited to only a finite number of

people...

- If a firm states it can precisely time the market's next swing...
- If a firm touts the secret of exiting the market with profit every time
- If a firm declares it can pinpoint market turns...
- If a firm raves about the secrets of seasonal influences...
- If a firm talks about the opportunity of a lifetime...
- If a firm says you should buy low and sell high...
- If a firm states that the markets repeat directly or inversely relative to the total interaction of the sun, moon and earth...

Feedback from TurtleTrader Client

...I shorted the Yen about a week later and have to assume that at least some portion of my gain is the result of **snake-oil salesmen**...[we should] all should thank the bucket shops, magic box alchemists, and the like for making it easier to transfer money from gullible people to disciplined trend followers.

Robert L.

Hong Kong

read full email

Frequently Asked Questions

If you were to put all the trend following models side by side, you would probably find that most made profits and incurred losses in the same markets. You are not going to find that EMC [Turtle] made it one market, while Rabar [Turtle] made it in another. They were all looking at the same charts and obtaining the same perception of opportunity.

Kenmar Asset Allocation, Greenwich, CT

Introduction FAQs

Q: How many years has TurtleTrader been teaching the original Turtle trading techniques?

A: We have been online teaching clients since 1996 in 67 countries.

Q: Is this an introductory service?

A: No. We provide all the information from the beginning. The course is complete and applicable for beginners to experts. The Turtles were novices who were willing to learn and willing to work. You need average intelligence to learn the course and self-discipline to follow rules.

Q: Where can I read about the full TurtleTrader course contents? All sections? Pricing?

A: Read.

Q: Is the method systematic with rules?

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Market Wizards

- **Hall of Fame**
- Richard Dennis
- John W. Henry
- Ed Seykota
- Bill Dunn
- Richard Donchian
- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

A: Yes. Absolutely.

Q: What background or education is needed?

A: Read. A comment from the biggest Turtle Jerry Parker reveals:

...we are not really interested in people who are experts at the French stock market or German bond markets [due to the technical nature of the trading]...it does not take a huge monster infrastructure: [neither] Harvard MBAs [nor] people from Goldman Sachs.

Q: Why is the course a $1000?

A: Read.

Q: Do the best traders often reside in obscure locations (with offices more reminiscent of accountants) making only a few trades a week and not following the markets during the day?

A: Yes. More.

Q: Is the Turtle system black box? [Black box is used to describe trading approaches where the rules are not revealed, but only the trading signals].

A: No. All rules are fully disclosed and explained with full support.

Q: Does the Turtle system account for volatility changes?

A: Turtle trading's ability to adopt to different markets and market conditions is based on keeping all trading proportional to market volatility.

Q: What is the average trade length?

A: Winning positions can average three to four months. Losing positions close out within days or weeks.

Q: Should one favor being long or short?

A: No. Have no prejudice about long or short positions. Turtle trading strategies profit from both rising and declining markets. It works in bull and bear markets.

Q: Will the Turtle system work on stocks worldwide?

A: Yes. Read.

Q: How much time is required to trade right?

A: You will not be glued to a computer screen. Richard Donchian, the Father of Trend Following, offers these words of wisdom:

If you trade on a definite trend following loss limiting-method, you can [trade] without taking a great deal of time from your regular business day. Since action is taken only when certain evidence is registered, you can spend a minute or two per [market] in the evening checking up on whether action-taking evidence is apparent, and then in one telephone call in the morning place or change any orders in accord with what is indicated. [Furthermore] a definite method, which at all times includes precise criteria for closing out one's losing trades promptly, avoids...emotionally unnerving indecision.

Q: I don't have time for hours of extra work every day or night. How much time does this system demand?

A: Once you understand the trading strategy and get the process down, you will spend 30 minutes a day, after the market close, preparing your orders for the next day. This process of working out orders in advance is foreign to most new traders (read about Bill Dunn). Turtle trading determines your if then possibilities for each direction the market could move before the trading day begins. All

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
- Ken Roberts

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- Offshore Resources
- White Paper Archive
- Paper Trading/Auditrack

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Subscribe to our FREE newsletter.

possibilities are accounted for in advance of the market opening.

Q: What markets can be traded?

A: All markets. Turtle trading strategies have broad-based market applicability across stock and commodity markets.

Q: Why teach this system to others?

A: We are capitalists. If you want to learn we can teach you. More.

Q: Is there a guarantee?

A: Read.

Trading Systems FAQs

Q: What is a good example of the Turtle philosophy and strategy in action?

A: Read.

Q: What are your thoughts on curve-fitting, system robustness and parameter issues?

A: Read.

Q: Talk about correlation among trend followers?

A: Read. Also read.

Q: Will your system be useful if I trade more than just my account?

A: If one decided to trade more than their account and traded for others to earn profits, the entire course is a natural fit.

Q: Is Turtle trading risky?

A: Trading is risky. You can lose a lot of money, but you can also make a lot of money. People fail to consider the inherent risk of not changing from their current approach. Is your full service broker combined with tips by the minute or your free news and charts from CBS Marketwatch enough for you to win? You may already be taking a bigger risk than you realize.

Q: What are return examples from Turtles?
A: Returns over 50% and even over 100% have resulted from using the system. Some Turtles during large trending periods have had returns exceed 100% in a single month. More.

Q: Are profit targets used?
A: No. Profit targets are not used. How can one know when a trend will end?.

Q: What if everyone trades alike?
A: If all traders were all alike, all expected returns would be zero and no one would benefit from trading. More.

Q: Is it proper to be out of a market completely?
A: Yes. Some firms such as Dunn Capital may be out of the market as much as 50% of the time. Trend following takes advantage of opportunity when presented. It does not force situations or make demands of the market.

Q: Should markets be traded the same?
A: Yes. Markets are traded the same in the long run.

Q: What were the interview questions asked of the original Turtles?

A: Read.

Q: Why is money management so important?

A: Read.

Q: Are markets different now?

A: No. Read.

Q: How do you maintain discipline?

A: You create discipline by having a strategy you believe in. If you don't believe in your strategy because you haven't done your homework properly and haven't made the commitments you can live with when you're faced with difficult periods, then you won't sustain discipline. Successful traders do not allow their emotions to interfere with their trading. If your emotions or ego fluctuates with the ups and downs in your account equity, you will never have the objectivity to win. If you don't get excited about profits, you can work to avoid the uneasiness of losses. Keeping your emotions constant and calm is your goal.

Q. What about psychology?

A. Don’t ever take the market's actions personally. If your trading method is correct, self discipline and patience are what make you money. Detach and disengage your emotions and your ego and adhere to the rules. A trader who trades differently due to swings in confidence is focusing on the past rather than on the present. The current reality of the market today is the only thing that matters. Personalizing your trading has a huge detrimental impact on your performance.

Hardware and Software Issues FAQs

Q: Software and hardware needed?

A: Read.

Q: Don't you need 24-hour news and price screens to trade right?

A: No. You can use the internet to get closing price quotes. You don't need real time news. You don't need news for trading decisions.

Q: Can I use any computer? Could I trade by hand if I wanted to?

A: Everyone on any computer can use the system. Home, office, laptop, Windows 95, 98, NT, Macintosh, UNIX, SGI, Java, Be and LINUX compatible. You can also trade the system by hand if you so desired.

Q: Do some premier traders still rely on antiquated 486s running Lotus 123 and Macs from the mid-1980s?

A: Yes. Long-term trend following does not require the latest technology.

International Traders FAQs

Q: I am an international trader. How can I participate in U.S. markets? Is the Turtle trend following system only for U.S. markets?

A: Participation in U.S. markets is easy with many brokers offering internet execution in a completely secure environment. The Turtle system works on all U.S. and international markets. More.

Q: Do you have information on offshore tax issues?

A: Read.

Miscellaneous FAQs

Q: What has been the reaction to the web site by long-time Turtle trading firms?
A: Most reactions are positive. Many of these firms are pleased with the recognition they derive from the TurtleTrader web site.

Q: What is the reason to trade my own account rather than use a money management firm?
A: Management firms charge fees upwards of 25% on all profits and additional management fees for total assets managed. You can make a lot more money by doing it yourself.

Q: I am involved in hedging, can the Turtle approach benefit me or my firm?
A: Yes. Any good hedging strategy should follow the actions of Turtle trend followers. The risk-management strategies offer hedgers increased flexibility in their own programs.

Q: I have a successful strategy. Why should I consider the Turtle approach?
A: Any successful trend following strategy can benefit from a complete understanding of the Turtle approach. It offers alternative thinking. But if your current approach is day trading, lacks money management, etc, you might need to throw it out entirely.

I regard spending the $1000 on the material as a worthwhile outlay because I got confirmation that the approach I was already taking was right [and] ultimately it was what propelled me to write the code for all the simulations...[Also] the trend followers' trading results are very valuable, they provide an objective measure of whether a system is worthy of being traded in practice. My simulated results assuming realistic slippage are comparable.

A client that used the Turtle trend following system to validate his approach

Q: Is it correct that the original Turtles guarded their system even to the level of refusing interviews, refusing to answer questions, etc.?
A: The TurtleTrader site is **not** mysterious. It is straightforward and blunt, illuminating the Turtle trend following system clearly and honestly. Although Jack Schwager's Market Wizards books provide vague Turtle trader insights, we provide hard facts Schwager did not write about. We too have experienced Turtle traders who refuse to answer questions (Tom Shanks for example), but we also know Turtle traders to be very candid and forthcoming. The Barings Bank story on the site was confirmed directly, face to face, with one of the original and most successful money-managing Turtles.

Q: The books, Market Wizards and New Market Wizards refer to Turtle trading but both books imply that anyone with a successful system would probably not share it with anyone, as it would take away their edge. My concern is whether your strategy is useful anymore, or is it now available to consumers because its principles no longer are as effective in today's market situation?
A: The reason Turtle trend following works is that most people want to get rich over night. That's human greed and fear at work. As long as people only think about getting rich super fast, trend following will continue to flourish. Today's market situation is no different than in

the past. From the beginning the Turtle approach was designed to adapt. As long as there are trends in the marketplace, the system works. Are markets different now? No. Markets are the same because they always change. The key is to trade a system that responds to change. More.

Q: Is futures trading risky?
A: Commodity futures have existed for hundreds of years. Grains were traded in the times of the Romans and Egyptians. The Japanese launched the first futures market in the middle ages by trading receipts for rice in warehouses at a specified date in the future. One common misconception is that the futures markets are extremely volatile, therefore investing in futures is extremely risky. In reality, the futures markets are less volatile than common stocks. It is the degree of leverage employed which creates the perception of high risk.

Q: How far can you look back to find market trends?
A: John W. Henry, for example, has looked back to the 1800's to study market behavior. Markets trended back then too. Trends were the same: random and unpredictable. You can't predict trends, that's why you need a system.

Q: I am a 45 year with $100,000 of investment capital. My goal is to turn $100,000 into $500,000 in 10 years. I want a trading system to achieve this goal of around 17% a year. I consider myself an amateur in the markets, but I am willing to learn. Does your course teach how to achieve such a goal?
A: Yes. But, you will work hard. Trading is risky and you can lose. The

Turtle system gives you a perspective quite different than what the CNBC casino broadcasts daily to millions.

Q: Why is Turtle trading for all markets?
A: If you use a strategy designed to take advantage of overall market psychology, it should be applicable equally to a broad range of markets, from cotton to currencies to stocks. Trend followers don't need expertise in each market they trade. They trade all markets the same way.

Q: Why is first loss the best loss?
A: Your first loss is your best loss. What do we mean? Look at Cisco (CSCO) from 1999 to March 2002. Straight up and straight down. Many investors rode the trend of Cisco up and were very satisfied. Unfortunately, they had no exit plan. So, when Cisco started dropping they held on. It dropped to 60 and they held on. It dropped to 40 and they held on, and so on. There are most likely many people who have held on all the way down to 20. Hopefully they have learned something if this was their first loss. A loss tells you that you are making wrong decisions regarding your trade. A loss is a clue to take action instead of simply avoiding your mistake. When you use a trading system, you know when a loss is too big. There are rules that get you out. Trading systems do not let you ignore losses. Even worse than taking no action when faced with losses is buying more because the lower price seems like a good value. Investors start focusing on the break-even levels. They start worrying about getting back to where they were. Unless you make your first loss your best loss by learning from it, you will continue to lose.

Hype, Spin and Bad Trading Ideas FAQs

Q: Do brokers help to trade?

A: No. Goldman Sachs, Morgan Stanley Dean Witter, Merrill Lynch, etc. are all brokerage firms. No matter how stately or dignified the name, these firms still generate their profits from customer commissions. Their advice is useless. Trading as a trend follower is a slower strategy involving far fewer trades than a day trader could imagine. Consequently, broker selection has far less importance than short-term trading which is hinged to execution and low commissions.

Q: Are the following technical indicators used: Gann, Fibonacci, moving average stochastic, MACD, Bollinger, Williams, RSI or ADX?

A: No. These techniques rely on predictive entry/exit indicators. Predictive techniques are futile. If you learn only one lesson from the TurtleTrader site, stop the focus on only entry/exit indicators. It is a sure way to the poor house.

Q: Does Turtle trading involve prediction, picking tops and bottoms or reading chart patterns?

A: No. Trend following does not predict, it reacts. The method does not seek to predict when the next important move will occur, or when a particular market will enter a choppy phase. More.

Q: Should I believe academics who always talk about markets being random?

A: Highly educated people sometimes know just enough to hesitate pulling the trigger. You must have the techniques, but you must also have the guts to play the game. The markets may be random, but the Turtle system is designed to profit from random unpredictable market trends.

Q: What is your opinion on systems testing firms such as Futures Truth?
A: Read.

Q: I believe in Warren Buffett and the use of buy and hold strategies. What is wrong with that?
A: The Nasdaq market crashed in 1973-74. The Nasdaq reached its high peak in December 1972. It then went straight down by nearly 60% hitting rock bottom in September 1974. We did not see the Nasdaq break free (for good) of the 73-74 bear market until April 1980. What good did buy and hold do you from December 1972 through March 1980? You made no money as a buy and holder. You would have made more money during this period in a 3% savings account than blindly following a buy and hold strategy. More recent evidence.

Q: What about someone who promises 70% accuracy in a system?
A: What if someone promises that 70% of the time you win, but you make little when you win. But, the 30% you lose, you get killed. See the point? The goal of trend following is not necessarily to be right about a market direction. Would a trading strategy that won 80% of the time, but made you only a few pennies for each winner be the best system to follow? What if the 20% of the time you lost, you lost thousands on each trade? Winning percentage has little relevance to profitable trading. The goal is to make the most money, not have a

highest winning percentage.

Q: What do you think of new trading techniques involving artificial intelligence, genetic algorithms, neural nets?

A: These techniques are designed to predict the future which is impossible.

The class of those who have the ability to think their own thoughts is separated by an unbridgeable gulf from the class of those who can not.

Ludwig von Mises on Thinking

Have Markets Changed? No.

If you have a valid basic philosophy, the fact that things change turns out to be a benefit. At least you can survive. At the very least, you will survive over the long term. But if you don't have a valid basic philosophy, you won't be successful because change will eventually kill you. I knew I could not predict anything, and that is why we decided to follow trends, and that is why we've been so successful. We simply follow trends. No matter how ridiculous those trends appear to be at the beginning, and no matter how extended or how irrational they seem at the end, we follow trends.

John W. Henry

The hopes and desires of men and women are manifested in market trends.

TurtleTrader

It's probably the question we get asked the most, and it's definitely simple to answer: Have the markets changed? No. Markets behave the same as they did 300 hundred years ago. They are the same today because they always change. If you have a trading system that's sound, meaning its principles are designed to adapt, you can take advantage of market changes and make money. Changes in markets are no different than changes in the business world, or in life. They will not impact negatively on you if your strategy for handling them is based on reality, flexibility and responsibility for making your own decisions.

Still others are unconvinced and argue that technology erases any

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trading edge, thereby changing the markets. Computers don't erase edge. For every trader with a computer program saying buy, there are nine other traders with computer programs saying sell. No matter what you do, markets go through different stages: accumulation, run up, distribution and run down. But, the belief that markets have changed (and rendered trend following dead) is vacuous thinking.

Extraordinary Popular Delusions and the Madness of Crowds is a good read for those that feel the market today is different than the past.

More on Supposed Changing Markets

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- Money is Evil?
- Gen. Patton Speech
- Are You Rational?
- The Bet
- Myers-Briggs Testing
- Quotations

Why Does The Turtle System Work?

Why Does Trend Following Work?

I don't think trading strategies are as vulnerable to not working if people know about them, as most traders believe. If what you are doing is right, it will work even if people have a general idea about it. I always say that you could publish trading rules in the newspaper and no one would follow them. A key is consistency and discipline.

Richard Dennis

The majority always wants to predict when the next business cycle will be. Trend following profits result from the majority's mistaken belief that they can actually predict the future (said another way: zero-sum).

TurtleTrader

Why has trend following been the greatest style of trading in the past 30 years and continues to be? The answer is that the Turtle system and all other trend following systems highly correlated to the Turtle system have worked in the past, excel today and will perform into the future for the simple reason: **trends exist**.

The world will always face constant change and no one can forecast a trend's beginning or end until it becomes a matter of record, just like the weather. But if you have a basic strategy that's sound, you can take advantage of those changes to make money by capturing the bulk of a trend. Your boat rides the crest of the wave. Trend following is

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just another example of good business principles. If your principles are designed to adapt, the changing world is not going to materially hurt you. Like a ship with precise navigational equipment and good ballast, a trend follower will not only make it through the storm, but arrive at the destination ahead of time. It's the ability to adapt that allows the Turtle system to continually pull profits from the marketplace.

Skeptics

Some people are skeptical. They come to this web site seeking the magic bullet, the Holy Grail, the special sauce, some secret -- they miss the clear point.

What do we hear from some readers?

- The markets have changed right?
- The system has changed right?
- There is a new trend following system now right?
- I know a trader that did not do well. It doesn't work now right?
- You are saying I can earn the returns of example traders right?
- But I want profit targets!
- Adding to positions scares me.
- I want to trade stocks.
- What about short-term technical analysis that predicts?

Our response?

- The markets have not changed.
- The system has not changed. New? Don't believe the hype.
- The fact some trader did poorly has to do with that one trader's

greed/fear profile, not the system.

- Can we promise you will earn like returns of the example traders mentioned? No, we don't make those types of guarantees.
- What is the relationship among example traders mentioned on this site? The correlation evidence is clear. Take a good read of it in the right hand margin.
- You still say that trend followers are all unique birds doing drastically different things in their trading? **You ignore reality**.
- Profit targets are prediction. Set a profit target and you miss trends.
- If you are afraid to have your positions grow (by adding or pyramiding) as your equity grows, you miss the lessons of all great trend followers.
- Stocks? Read.
- Short-term technical analysis and prediction? You are one step from the mother of all draw-downs.

In 1995-1996 one original Turtle decided he would start trading the S&P from a discretionary standpoint. He nearly lost it all. That's right he put aside the system he was taught, that he knew worked, and started trading without the system. Why did he do this? Who knows. But does it say something about the individual trader's greed/fear **OR** the Turtle system? Systems don't make up for poor personal discipline. They are only as good as the individual adhering to the principles.

Holy Grails

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More Holy Grails

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- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
- Ken Roberts

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The wisest man TurtleTrader knows has offered that every 5 years some famous trader blows up and everyone declares trend following to be dead. Then 5 years later some famous trader blows up and everyone declares trend following to be dead. Then 5 years later...well the point should be clear now. The original Turtle above was probably noted in the press as one of those traders every 5 years, but the reality of why he had problems was himself, not the system.

The All-Time Skeptic

We posed the question many months ago: Ed Seykota says, **Everyone gets what they want.** Do you get what you want when it comes to trading? One of the oddest answers we have seen:

I don't care what some guy said in an interview over a decade ago. Once again, trading is a business and there's no place for pretending that everyone gets what they want or there are truths or that any other delusional ultimate view of the markets exists.

Granted this skeptic is not fond of the TurtleTrader site, but doesn't he miss Ed's point entirely? How can a reasonable man argue with the logic?

More on Why Turtle Trend Following Works

- Click here #1
- Click here #2

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Money and Portfolio Management

Being in the markets with rules...is the only way to trade. We have a system in which we do not have to rely on our intellectual capabilities. One of the main reasons why what we do works in the markets is that no one can figure out what is happening [with fundamental analysis and the like].

Original Turtle

It is not a matter of winning every trade that is important. Net profitability after a series of trades is the key to market success.

TurtleTrader.com

More on Position Size

In the twenty-first century it has become fashionable to manage one's own investments, yet few traders implement disciplined, professional money management strategies. During the stock market bubble, limiting risk was an afterthought, but given the recent price action, it’s time to get serious about management of money and risk. Professional risk and money management strategies are the foundation for success in trading in any market. Basically, money management tells you how many shares or contracts to trade. This is the most crucial decision a trader faces. This decision determines both risk and profit.

Money management is a defensive concept. It keeps you in the

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game to play another day. For example, money management tells you whether you have enough new money to trade additional positions. Don't confuse money management with Stop Placement. Stop placement does not address the how much question.

Money management is risk management. Risk management is the difference between success or failure in trading. Trading correctly is 90% money and portfolio management, a fact that most people want to avoid or don't understand.

Money management optimizes capital usage. Few have the ability to view their portfolios as a whole. Even fewer traders and investors make the move from a defensive or reactive view of risk, in which they measure risk to avoid losses, to an offensive or proactive posture in which risks are actively managed for a more efficient use of capital. The Turtle trend following risk management formulas and philosophies are key to increasing profits while controlling risk.

Q. What is money and portfolio management within the context of risk management?
A. The following list of issues is addressed by the Turtle trading system's money and portfolio management strategies to actively manage risk:

- How do you handle capital preservation v. capital appreciation?
- When do you experience expectation of success?
- How much capital do you place on each trade?
- When should you take a loss to avoid larger losses?

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Psychology

- **Life Values & Risk**
- Critical Thinking
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- If you are on a losing streak do you trade the same? What do you do?
- How should you prepare if trading both long and short positions?
- Is trading affected by commodities that move at different times?
- How is correlation handled in practical trading sense?
- Does a portfolio of long and short allow one to trade more positions?
- How is your trading adjusted with accumulated new profits?
- How are stops handled when volatility is a concern?
- Is there a method to limit entry risk with options?
- How does one prepare for unforeseen large scale trends?
- If money must be viewed as a means of keeping score, how do you prepare yourself psychologically?

Q. Does **money management** impact a decision to trade the same number of contracts or shares in all markets?
A. Yes. Money and portfolio management rules dictate the number of contracts or shares. Precise formulas set forth size. A trader who uses a constant trading size gives up an important edge in much the same way a blackjack player does when always betting the same regardless of what cards are on the table. Common single contract/share measures of trading system performance such as win/loss ratio, percent winning trades, etc. are of little value to decision-making when using the Turtle system. Often the best trading approach, when tested on a single contract/share basis, will turn out not to be the best approach when money management strategies are incorporated.

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
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Q. What about **short term trading**? Isn't short term less risky, and therefore you don’t need money management strategies?
A. Short term trading is not, by definition, less risky. Some people may mistakenly apply a cause and effect relationship between using a long term strategy and the potential of incurring large loss. They forget profit and loss are proportional. A short term system will never allow you to be in the trend long enough to achieve large profits. You end up with small losses but also small profits. Added together, numerous small losses equal a big loss. When you trade for the long term, you have a more positive expectation in terms of the size of the move. In the big picture, the larger the move, the larger the validation of the move. If you were trading some short term pattern predictive system you would never be able to participate fully in the big trends. Big trends make the big profits.

Q. How does money management impact drawdowns?
A. All systems have drawdowns. You can't have a profitable methodology, without taking some calculated risks as well as some losses. Turtle trading drawdowns are a function of the risk level desired. Risk level among Turtle traders varies depending upon the size of the profit they seek. For example, if you sought 100%+ a year gains you must be prepared for the possibility of a 30% drawdown. Anyone who promises you can make 100%+ with only the possibility of a 5% drawdown is lying. More on Turtle Volatility.

Q. Can you manage margin issues?
A. Required margin has little to do with money management considerations. For example, if the margin was dropped from $5000

to $2500 on a particular stock or commodity, should you trade twice as many shares or contracts? Of course not. Margin issues are not money management.

Q. Have the money management strategies been optimized or curve-fit?
A. No. The Turtle trend following system is not optimized to particular markets or market conditions. The strategies are not curvefit.

Q. Is **slippage** a concern with Turtle money management?
A. No one wants bad fills. But Turtle trading for the long term places far less emphasis on perfect fills for success. In contrast, short term traders' transaction costs and skids on their fills affect their bottom line to a much greater degree.

Q. What is the **win/loss ratio** of the Turtle management strategy? Can it experience many losses in a row?
A. The Turtle system trades for the outsized large move. Several big trends a year are your key to success. The strategy cuts your losing positions quickly. Consequently, a few big trades will make up the bulk of your profits and many small trades will make up your losses. Winning trades can range from 35-50%, but that percentage reveals little information since we expect more losses (of smaller value) than winners (of much larger value). Win/loss ratio, while a favorite of the novice trader, is useless in terms of Turtle system analysis.

More on Position Size.

How Many Trade Like Turtles?

How are we able to make money by following trends year in and year out? I think it's because markets react to news, but ultimately major change takes place over time. Trends develop because there's an accumulating consensus on future prices, consequently there's an evolution to the believed true price value over time. Since investors are human and they make mistakes, they're never 100% sure of their vision and whether or not their view is correct. So price adjustments take time as they fluctuate and a new consensus is formed in the face of changing market conditions and new facts. For some changes this consensus is easy to reach, but there are other events that take time to formulate a market view. It's those events that take time that form the basis of our profits.

John W. Henry

Traders who take advantage of the opportunity to learn the Turtle trend following system does not guarantee that they will either learn it or use it. Most people are still more comfortable with the status quo. Sustaining the focus, self-discipline and recognition of reality required by Turtle trading is too demanding. They would rather simply watch CNBC or chat at Motley Fool, rather than learn how to trade correctly. They are committed to neither the trading process nor the only real goal of trading – profits.

So, how many people actually do trade the Turtle system? People ask this question because of their concern that there must be so many people trading as Turtles, opportunity to trade profitably no longer exists. This is 100% false.

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For the Turtle trend following system to lose its profitability:

1. **Compare June/July 02:** Buy & Hold v. Trend Following.
2. **People would have to no longer buy and hold:** Traders believing in fundamental analysis (the vast majority of market participants) would have to switch to how they trade the markets. They would need to cease buy and hold approaches based on fundamentals and start trading as Turtles. Won't happen.
3. **People would start trading short and long:** Again, the vast majority of people in the market do not trade short because of fear, ignorance or laziness. They trade long because trading long is all they know. Will this change? No.
4. **People would begin to think for themselves:** Most mutual funds are nothing more than buy and hold index buyers. The mutual fund industry and its mammoth size of combined assets would have to shrink dramatically and change their investing styles. The majority trusts their money to these managers and settles for buy and hold returns. They would have to think for themselves which means taking a risk. Most people aren't risk takers. (There will always be huge opportunity for trend followers to feed off the simplicity of mutual fund managers' actions.)
5. **Sideways markets would exist for eternity:** For Turtle trend following to lose its effectiveness, trends would need to end. Change would no longer occur. Markets would need to go sideways forever. Might as well stop gravity.

6. **People would branch out from what they know:** Most traders are afraid to trade outside of their knowledge area. Since most people only follow fundamental analysis, which requires you to be an expert in a stock or commodity, they lose out on huge opportunities.
7. **Trading based on only price seems too simple:** Turtles don't care if they are trading on a Paris exchange or a New York exchange. All they care about is the price. This is a huge advantage since you are not limited by market or country.
8. **Money management:** Most traders don't think about how much to buy or how much to sell. They only worry about when to buy and rarely think about when to sell. Selling will always require more commitment than most people are willing to give.
9. **Hedging would stop:** Individuals and companies often hedge their portfolios against unforeseen risk. Since the money needed to hedge goes to trend followers (see: zero-sum), hedging would need to stop. Never happen.
10. **People would disengage their emotions and egos from trading:** As long as there are human beings involved in the process, there will be excessive reactions and, in the process, profit opportunities.
11. Still Work?

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Zero-Sum Trading Report

...winning traders can only profit to the extent that other traders are willing to lose. Traders are willing to lose when they obtain external benefits from trading. The most important external benefits are expected returns from holding risky securities that represent deferred consumption. Hedging and gambling provide other external benefits. Markets would not exist without utilitarian traders. Their trading losses fund the winning traders who make prices efficient and provide liquidity.

Lawrence E. Harris (homepage)

Chair in Finance, University of Southern California

In the markets, as in life, greed and fear still motivate. Profit from it.

TurtleTrader

Download the **Adobe .pdf report**. This free report is about zero-sum trading, the single biggest reason traders including Turtles win. In the long run, winners profit from trading because they have some consistent advantages allowing them to win slightly more often and, upon occasion, far larger profits than losers. The Turtle trading system provides those consistent advantages.

Feedback

Shockingly informative! I was relieved to discover I'm not a gambler. I do however, exhibit behaviors of the Inefficient and Pseudo informed trader. Really quite amazing, I've been trading off and on for twenty years, with minor changes here and there repeatedly doing the same things always expecting a different

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outcome. You could argue that's a pretty good definition of insanity. I highly recommend everyone print Mr. Harris' info and read it several times. You need to know what you are in order to begin the process of change.

Sincerely, Phil B.

Greetings TurtleTrader -- I just started back at my Master's of Applied Economics program and I have a few finance classes. I really enjoy listening to my Ph.D. Professors blither on about a company's value and what it's stock price should be worth! I just want to scream, Who cares?. But, I just sit back and remember that their analysis is the reason that I will be taking their money some day.

Thanks for the great site! Larry S.

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Holy Grail? No.

There is no Holy Grail. There is no perfect way to capture [the] move from $100/ounce to $800/ounce in gold...We cannot be profitable every month; we don't try; we're not that smart...but we feel that we can rely upon a philosophy that has worked very well over the last 17 years, and only pay attention to what the markets are saying currently, and don't ask why the dollar is going up or why interest rates are going down. Our philosophy is that if something is going down, we want to be short. Period.

John W. Henry

Holy Grails do not exist. Traders and investors have always dreamed of magical formulas or Holy Grails enabling them to beat the market and reap huge profits. Pursuing non-existent Holy Grails only ends in disaster. For example, among the garbage you will find out there: black boxes or secretive computer systems where the rules are hidden. Black box systems lose in the real world. They are useless.

Magical versus mathematical. The Turtle system is no Holy Grail. It is comprised of easy to understand **mathematical** formulas that improve the odds of making big money. In order to successfully use a formula, it must first be proven valid. This system of trend following trading has been proven valid and credible repeatedly over decades of use. The system applies the same logic gambling pros use to improve their odds at blackjack tables. It eliminates losers and leverages winners. It dictates how much to buy and sell through

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proper bet size and risk management.

No hype on site. You will not find hype words like secret on this site. The Turtle system uses rules, logic, parameters, methods, processes, formulas, data, and research. All of this information is presented in the course in a straightforward, understandable way. You will not find the Holy Grail here. If you want the quick fix, the instant profit landfall or the insider's tip, we can not help you.

Holy Grails Q & A II

Trend Following

Geometric progression. Sounds like a complicated math theorem. It's actually a good term for what happens inside of a big trend. Epidemics are an example of geometric progression. Starting with only a few people, an epidemic can spread through a population as it multiplies again and again. When a virus spreads, it doubles and doubles and doubles.

Market trends are no different. Extreme market trends can appear from out of nowhere moving either up or down. These trends often feed upon themselves and can quickly **progress geometrically** allowing the opportunity for huge profits if you were in the trend early and are set with a trading plan. However, people can have a hard time with this type of progression, because, like an epidemic, the end result often seems out of proportion to the cause.

In order to appreciate why market progressions or trends can be so powerfully rewarding, you must not expect proportionality. You need to prepare for the possibility that sometimes big market changes follow small events, and that sometimes that change can happen very quickly. Ultimately your appreciation of geometric progressions comes from understanding and being prepared for them. Turtle trend following trading is designed to find and exploit those market trends long before they arrive on the radar screen of the masses.

Turtle Selection Process

How were the original Turtles screened in 1984? One part of the process involved answering the following true-false questions. Assume that trend means uptrend, position means a long, and liquidation means selling.

True or False

1. The big money in trading is made when one can get long at lows after a big downtrend.
2. It's good to average down when buying.
3. After a long trend, the market requires more consolidation before another trend starts.
4. It's important to know what to do if trading in commodities doesn't succeed.
5. It is not helpful to watch every quote in the markets one trades.
6. It is a good idea to put on or take off a position all at once.
7. Diversification is better than always being in 1 or 2 markets.
8. If a day's profit or loss makes a significant difference to your net worth, you are overtrading.
9. A trader learns more from his losses than his profits.
10. Except for commission and brokerage fees, execution costs for entering orders are minimal over the course of a year.
11. It's easier to trade well than to trade poorly.

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12. It's important to know what success in trading will do for you later in life.
13. Uptrends end when everyone gets bearish.
14. The more bullish news you hear the less likely a market is to break out on the upside.
15. For an off-floor trader, a long-term trade ought to last 3 or 4 weeks or less.
16. Other's opinions of the market are good to follow.
17. Volume and open interest are as important as price action.
18. Daily strength and weakness is a good guide for liquidating long term positions with big profits.
19. Off-floor traders should spread different markets of different market groups.
20. The more people are going long the less likely an uptrend is to continue in the beginning of a trend.
21. Off-floor traders should not spread different delivery months of the same commodity.
22. Buying dips and selling rallies is a good strategy.
23. It's important to take a profit most of the time.
24. Of 3 types of orders (market, stop, and resting), market orders cost the least skid.
25. The more bullish news you hear and the more people are going long the less likely the uptrend is to continue after a substantial uptrend.
26. The majority of traders are always wrong.
27. Trading bigger is an overall handicap to one's trading performance.
28. Larger traders can muscle markets to their advantage.

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29. Vacations are important for traders to keep the proper perspective.
30. Undertrading is almost never a problem.
31. Ideally, average profits should be about 3 or 4 times average losses.
32. A trader should be willing to let profits turn into losses.
33. A very high percentage of trades should be profits.
34. A trader should like to take losses.
35. It is especially relevant when the market is higher than it's been in 4 and 13 weeks.
36. Needing and wanting money are good motivators to good trading.
37. One's natural inclinations are good guides to decision making in trading.
38. Luck is an ingredient in successful trading over the long run.
39. When you're long, limit up is a good place to take a profit.
40. It takes money to make money.
41. It's good to follow hunches in trading.
42. There are players in each market one should not trade against.
43. All speculators die broke
44. The market can be understood better through social psychology than through economics.
45. Taking a loss should be a difficult decision for traders.
46. After a big profit, the next trend following trade is more likely to be a loss.
47. Trends are not likely to persist.
48. Almost all information about a market is at least a little useful in helping make decisions.

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49. It's better to be an expert in 1-2 markets rather than try to trade 10 or more markets.
50. In a winning streak, total risk should rise dramatically.
51. Trading stocks is similar to trading commodities.
52. It's a good idea to know how much you are ahead or behind during a trading session.
53. A losing month is an indication of doing something wrong.
54. A losing week is an indication of doing something wrong.
55. One should favor being long or being short - whichever one is comfortable with.
56. On initiation one should know precisely at what price to liquidate if a profit occurs.
57. One should trade the same number of contracts in all markets.
58. If one has $10000 to risk, one ought to risk $2500 on every trade.
59. On initiation one should know precisely where to liquidate if a loss occurs.
60. You can never go broke taking profits.
61. It helps to have the fundamentals in your favor before you initiate.
62. A gap up is a good place to initiate if an uptrend has started.
63. If you anticipate buy stops in the market, wait until they are finished and buy a little higher than that.

More on the Turtle selection process (essays).

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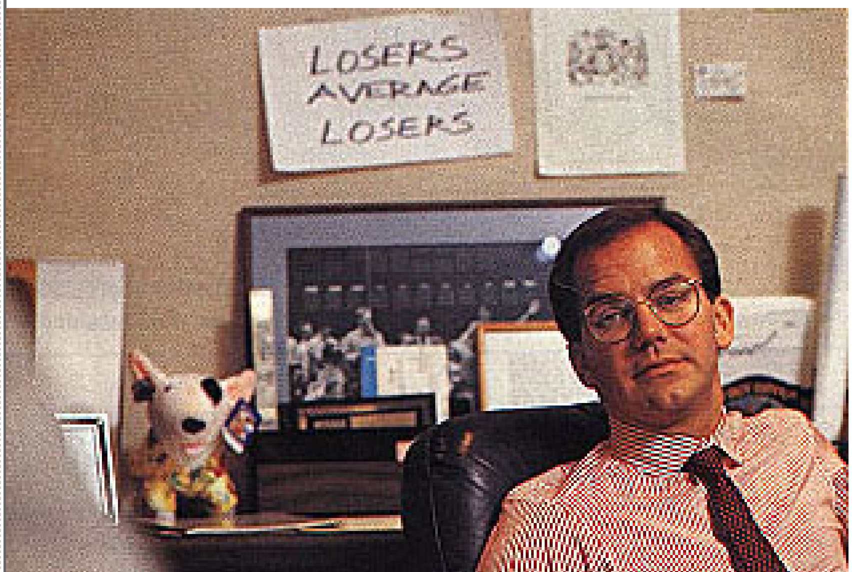
Losers Average Losers

More on Enron



The photo in the background of Paul Tudor Jones' office says it all: **Losers average losers.** Jones' wisdom was obviously lost on James K. Glassman judging from the following excerpt from Glassman's Washington Post column of December 9, 2001:

If you had Enron in your portfolio and didn't sell it at $90 or even at $10, don't feel embarrassed. As Alfred Harrison, a money manager at Alliance Capital Management Holding LP, which owned a ton of Enron, put it, 'On the surface it had always seemed to be a fairly good growth stock. We bought it all the way down.'

Glassman and Harrison are both dead wrong. You should feel humiliated if you average losers, not just embarrassed. Mr. Harrison of Alliance Capital violates a cardinal rule of trading. Even worse, as

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an active money manager for clients, he admits to averaging losers as a strategy. If the trend is down, it's not a buying opportunity. It's a selling opportunity; a time to go short opportunity. The wisdom is on a simple piece of paper hanging right behind Tudor Jones' head: Losers average losers. Think about it.

Starting Capital

The two quotes below provide a contrast on starting capital issues.

Jaromir Jagr does not do moderation. This is a man who doesn't just play the stock market but romps through it; last year, published reports estimated he took a hit [loss] of anywhere from $8 million to $20 million in the dot.com market. He doesn't just have a girlfriend who is pretty and bright; he has a girlfriend who is a former Miss Slovakia and a second-year law student.

Washington Post, *December 9, 2001*

I know of a few millionaires who started trading with inherited wealth. In each case, they lost it all because they didn't feel the pain when they were losing. In those formative first years of trading, they felt they could afford to lose. You're much better off going into the market on a shoestring, feeling that you can't afford to lose. I'd rather bet on somebody starting out with a few thousand dollars than on somebody who came in with millions...

William Eckhardt

Jagr is a great hockey player, but his trading approach will lead him straight to the poor house. Backed by the millions he made playing hockey, Jagr is exactly the type of trader William Eckhardt avoids. We are not only picking on Jaromir; there are many more like him making the same mistakes.

Equal Traders Trade Equally

If you make a bad trade and you have money management you are really not in much trouble. However, if you miss a good trade there is nowhere to turn. If you miss good trades with any regularity you're finished. For example, let's say the market moves rapidly through your buying zone and you miss it, you miss your buy signal and instead wait for a retracement to maybe buy cheaper. But, the market just keeps going higher and higher and never retraces. Now what do you do? There's a great temptation to reason that now it's too high to buy. If you buy it now you'll have an initiation price that's too high? No, the initiation price simply won't have the kind of significance you suppose it will have after the trade is made. You can't miss these trades. Trading systems force discipline to make sure these trades are not missed.

William Eckhardt

There are two traders. They each have:

- The same amount of capital.
- The same tolerance for risk.
- The same trend following system.

What should they do? They should both trade exactly the same. What do we mean? If two traders are essentially equal then there is neither room nor reason to act differently. Successful trading requires precision and discipline. There is no room for ego, personal opinion, subjective interpretations or emotion.

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- Jack Schwager

No Memory

Do not try to recoup your money. Trade for today, not yesterday. Trade what you have now. Since you can't change the past and you can't change the market, don't let your past trades determine what you trade today. Take Cisco. Many people rode Cisco straight up and they made a fortune. Many of those same people rode Cisco right back down and lost most of it. Were there sure signs to sell Cisco after it peaked? Yes. There was the falling share price. However, once people became fixated on Cisco with fond memories of how much they made originally and how good winning felt, they could not stomach accepting a loss, any loss. Instead of following a system and selling Cisco after it peaked, they elected to keep holding on in the hopes that it would come back. As Cisco continued on its death spiral their focus was still on the past as they asked themselves, how do I get my money back in this one stock?

Do not try to take revenge. Why do you have to get even with the market on this one stock? No one cares that you lost money but you. Trying to recoup in the one stock that sank you is not a strategy. It's an emotional attempt at revenge that is doomed to fail. You can't get revenge on the market. You can only do the right thing, the right way. Trade for today, without regret, without wishful thinking, without anger. Trade by following a system.

Entry Is Not the Key

William Eckhardt once offered:

Suppose two traders, A and B, who are alike in most respects except the amount

Market Proof

- **Performance**
- Correlation 1 | 2 | 3 | 4
- Enron Debacle
- Barings Bank
- Metallgesellschaft

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of money they have. Suppose A has 10% less money but he initiates a trade first. He gets in earlier than B. By the time B puts the trade on, the two traders have exactly the same equity. The best course of action has to be the same for both of these traders now. Mind you, these traders have very different entry prices. What this means is that once an initiation is made, it does not matter at all for subsequent decisions what the entry price was. It does not matter. Once you have made an initiation, what your initiation price was has no relevance. The trader should literally trade as though he doesn't know what his initiation price is.

Stocks v. Commodities or Commodities v. Stocks

Turtle trend following is for stocks, commodities, LEAPS® options, currencies and futures.

Commodities and futures use different notation than stocks (i.e. commodities have contract months, contract sizes, etc.). **But markets are markets**. You make a critical mistake if you think Turtle trend following is for stocks and not commodities or commodities and not stocks. Assuming different principles are used to trade one over the other is misguided thinking.

For example, you could trade Microsoft in 3 ways:

1) Microsoft (MSFT) shares outright.
2) Microsoft single-stock futures (http://www.nqlx.com).
3) Microsoft LEAPS® options.

Three ways to trade Microsoft all as a Turtle trend follower. Three different instruments created by Wall Street that all relate to Microsoft. A Turtle could choose one to trade or all.

Stocks Like Commodities

Ron Insana of CNBC:

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Market Wizards

- **Hall of Fame**
- Richard Dennis
- John W. Henry
- Ed Seykota
- Bill Dunn
- Richard Donchian
- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

With all the market's recent ups and downs, we thought we'd get the perspective of one of Wall Street's biggest stars. Leon Cooperman is a founder and principal of Omega Advisors, an investment partnership managing $2 1/2 billion. And, previously--and this goes some years back--Leon headed investment research at Goldman Sachs. Good to see you. Thanks for coming in tonight. First off, tell us a little bit about today. From your perspective, as having managed money for quite a number of years now, does today represent a real turnaround in the market?

Leon Cooperman:

I think it's much too early to tell. I think all we've learned is what we already knew, is that stocks have become like commodities, regrettably, and they go up to limit and they go down to limit. And we've also known over the years that when they go down, they go down faster than they go up.

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Babe Ruth and Home Runs

What Does This Mean for Your Trading?

Winning percentage: Does it really matter?

George Herman Ruth, hero of New York, hero of baseball and arguably one of the greatest sports legends of all time, will always be known for his home runs. But he had another habit that isn't talked about much: striking out a lot. In fact, with a lifetime batting average of .342, the Babe spent almost two thirds of his time trudging back to the dugout. From a pure numbers perspective, he saw more failure at the plate than success. But when he got a piece of one, well...it was enough to give any pitcher nightmares. There's a reason why Ruthian is still a well known adjective in sports writing, conveying the awe and power of a grand slam in the bottom of the ninth.

Ruth understood full well that the hits help a whole lot more than the strikeouts hurt. He gave his philosophy in a nutshell with these words: Every strike brings me closer to the next home run. And when reporters asked him how he dealt with the occasional slump, he replied: I just keep goin' up there and keep swingin' at 'em. I know the old law of averages will hold good for me just the same as it does for everyone else.

The lesson for traders is this: if you have realistic confidence in your method and yourself, then temporary setbacks don't matter, because you will come out ahead in the long run.

To further illustrate the point, consider a modern day example: the blue collar joe v. the entrepreneur. The blue collar joe is paid the same lump sum every two weeks like clockwork (with the occasional miniscule raise paced to keep up with inflation). In terms of winning percentage, blue collar is king: his ratio of hours worked to hours paid is one to one, a perfect 100%. He has a steady job and a steady life. Of course, the security he feels is something of an illusion - his paycheck comes at the whim of his local economy, his industry, and even the foreman of his plant. And the pay isn't exactly impressive. It gives him a solid, livable life- but not much more.

In contrast, consider the entrepreneur. His paydays are wildly irregular. He frequently goes for months, sometimes years, without seeing tangible reward for his sweat and toil. His winning percentage is, in a word, pathetic. For every ten big ideas he has, seven of them wind up in the circular file. Of the remaining three, two of those fizzle out within a year - another big chunk of time, money and effort down the drain. But we can't feel too sorry for the poor entrepreneur who spends so much time losing. He has a passion for life, he controls his own destiny and that last idea paid him off with an eight figure check.

The irrelevance of winning percentage is nicely summed up by another legend named George (Soros, one of the greatest speculators of all time): it doesn't matter how often you are right or wrong - it only matters how much you make when you are right, versus how much you lose when you are wrong.

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- **CNBC Video BS**

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- **Hype from Gurus**
- Avoid Like Plague
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What Turtle Trading Is & What It Is Not

Do not believe in anything simply because you have heard it. Do not believe in anything simply because it is spoken and rumored by many. Do not believe in anything simply because it is found written in your religious books. Do not believe in anything merely on the authority of your teachers and elders. Do not believe in traditions because they have been handed down for many generations. But after observation and analysis, when you find that anything agrees with reason and is conducive to the good and benefit of one and all, then accept it and live up to it.

Buddha

Have an additional idea for this page? Email us.

Yes

- Turtle trading **is** a form of technical analysis.
- Turtle trading **is** objective, not subjective.
- Turtle trading **thrives** on changing conditions.
- Turtle trading **adapts** to all situations.
- Turtle trading **is** built on money management.
- Turtle trading **uses** *price* as the indicator.
- Turtle trading **is** a trading system. More.
- Turtle trading **keeps** an unemotional view on the market.
- Turtle trading **ignores** financial statements.
- Turtle trading **requires** discipline.

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- Jack Schwager

- Turtle trading **allows** anyone to learn.
- Turtle trading **is** logical.

No

- Turtle trading **is not** a Holy Grail.
- Turtle trading **is not** luck.
- Turtle trading **is not** based on prediction ever.
- Turtle trading **is not** day trading.
- Turtle trading **is not** based on support and resistance.
- Turtle trading **is not** guessing. Stock tips are poison
- Turtle trading **is not** based on Fibonacci numbers.
- Turtle trading **is not** related to works of Gann or Elliott.
- Turtle trading **is not** Bollinger bands.
- Turtle trading **is not** RSI.
- Turtle trading **is not** MACD.
- Turtle trading **is not** stochastics.
- Turtle trading **is not** Williams %R.
- Turtle trading **is not** P/E ratio analysis.
- Turtle trading **is not** Advance/decline lines.
- Turtle trading **is not** Japanese candlesticks.
- TurtleTrader **condemns** buy and hold.
- TurtleTrader **condemns** Value Line.
- TurtleTrader **condemns** Motley Fool.
- TurtleTrader **condemns** Ken Roberts.
- TurtleTrader **condemns** David Faber and CNBC.
- TurtleTrader **condemns** Wall Street Analysts.

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Trend Following Hall of Fame

Dennis' program was very successful for the four years he ran it, evidence that he was in fact able to identify attributes of a successful trader. Dennis disbanded the program in the spring of 1988...[and] many of the participants...formed their own trading company...The Turtle nickname was derived from one of the investments that Mr. Dennis considered as an alternative to the trader program in 1985, that is, the purchase of a turtle breeding business in Singapore. In the end, he decided to go with the trader program, but the Turtle idea stuck as a nickname.

News Accounts

Many in the public sector look to managers such as Peter Lynch, formerly of Fidelity, with great admiration. TurtleTrader makes the strong case that the traders below are the 5 best sources of inspiration available:

- John W. Henry
- Bill Dunn
- Ed Seykota
- Richard Dennis
- Richard Donchian

They are firmly in the **Trend Following Hall of Fame**. They might not have careers in the public eye (their choice of course), but their performance and trading styles are works of true discipline, exacting precision and huge profits. You won't see them on CNBC.

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- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

Richard Dennis

The Teacher of the Turtles

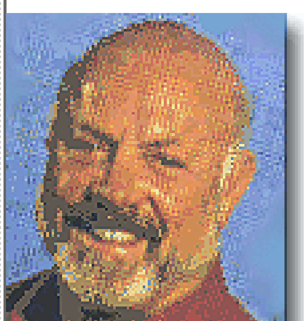
Ed Seykota

Trading Tribe

Galt Capital (formerly)

Former profession: always a trader

Office: Incline Village, NV



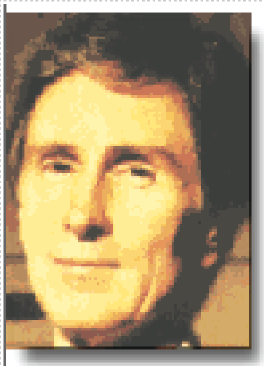
Bill Dunn

A day in the life at Dunn

President, Dunn Capital

Former profession: marine, teacher

Office: Stuart, FL



John W. Henry

President, John Henry and Co.

Former profession: farmer

Starting Money in 1984 - $16,313

Office: Boca Raton, FL

Richard Donchian (deceased)

The Father of All Trend Followers

Other Top Trend Followers

Jerry Parker

President, Chesapeake Capital (Turtle)

Former profession: accountant

Office: Richmond, VA

Holy Grails

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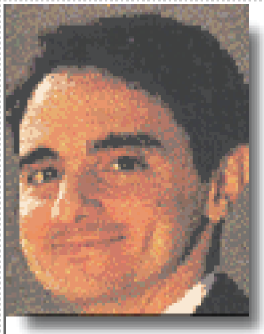


Paul Rabar

President: Rabar Market Research (Turtle)

Former profession: musician

Office: White Plains, NY

Keith Campbell

Chairman: Campbell and Company

Office: Baltimore, MD

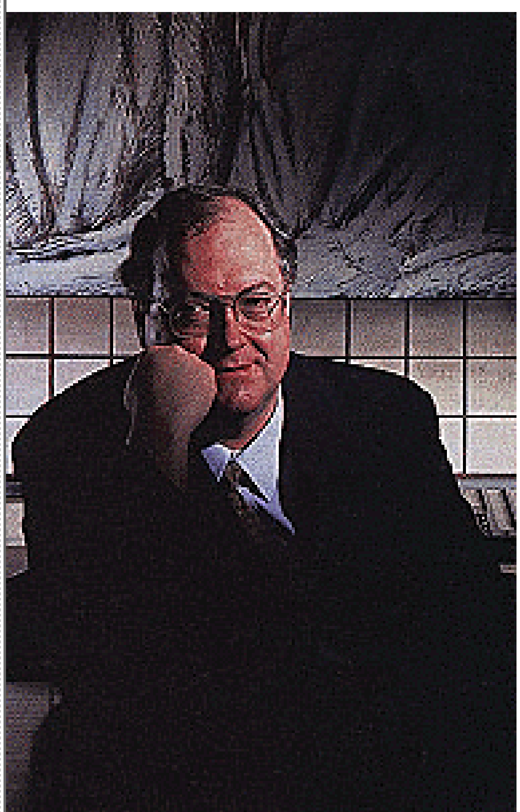
Trend following is always shooting for the big long-term trend. Once you are in a position, either short or long, the rules keep you in that direction until time, price and money management rules dictate otherwise. How low or high could the Deutschmark or Swiss Franc go? The answer is unknown, but as a trend follower you always put yourself in position to go with the trend as far as it can move. You do not need to live in New York, Chicago, London or Tokyo to trade the Turtle system. There is no need to stare at a quote screen all day either, these firms surely don't. Trading big trends is not day trading.

Market Wizards:

Richard Dennis

Richard Dennis had an office tucked away on the antiquated twenty-third floor of the Chicago Board of Trade building. The outside hallway had dingy brown paneling. Etched in small lettering in his office door was 'C&D Commodities, Richard J. Dennis and Company.' No marble. No glass. Immediately next door was a grimy looking men’s room. The office entrance disguised the performance of an individual who, in his own estimate, made between $100 million and $200 million.

Magazine Excerpt



Richard Dennis

Q. How did you first get involved in commodity trading?

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A. After graduating high school, I got a summer job as a runner on the floor and dabbled in trading a little bit. With my minimum-wage salary, I was making $40 a week, and losing $40 an hour trading. I didn't know what I was doing. The advantage was that at least I got to do it with small amounts of money. I like to say the tuition was small for what I learned.

Dennis and the Turtles: As a trader and teacher, Dennis is without peer. How did the Turtle selection process work? During the selection process Mr. Dennis asked applicants to describe the riskiest thing they had ever done. He wanted to see if they took calculated risks or risk for its own sake. The answers he got ranged from one applicant who drove an hour to a basketball game without having a ticket to get in, to another applicant who drove around Saudi Arabia for several months with whiskey in his car trunk, a serious offense. The first applicant was admitted to the program. The second applicant wasn't.

Quotes

I don't think trading strategies are as vulnerable to not working if people know about them, as most traders believe. If what you are doing is right, it will work even if people have a general idea about it. I always say you could publish rules in a newspaper and no one would follow them. The key is consistency and discipline.

Richard Dennis

...he placed classified ads proclaiming 'trader wanted,' he got some 1,000 responses from people eager to learn his methods. He settled on fewer than two dozen novices--among them two professional gamblers and a fantasy-game designer--and after a two-week training program, he gave them money to trade under his firm's auspices. Several went on to become top commodity-fund

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managers, including Jerry Parker of Chesapeake Capital Corp., who now manages more than US$1 billion. 'It was sink or swim. Sort of an experiment,' recalls Parker, a former accountant. Dennis ran the training, Parker says, 'because he wanted to have a certain chunk of money traded using systematic rules' while he went on and tried out new techniques.

Business Week

Unlike Eckhardt (and most other savants) Dennis believed that trading could be taught and learned. Eckhardt belonged to the you're born with it or you're not camp. [which proved very wrong]

Barclays Report

Richard Dennis

Richard Dennis should be saluted for his skills as a trader and teacher. His instruction given to the Turtles was one of the great financial stories of all time. The Turtles' success as trend followers is unquestioned. The Turtle method and philosophy have stood the test of time. Trend following Turtles will mint money as long as there are markets to be traded.

Dennis himself has made hundreds of millions of dollars over the years. But while his students have had successful money management careers, Dennis seems to not mesh well with clients. If Dennis just traded for himself he would be fine (and much richer). His problems begin when he trades for impatient clients. His most recent stab at managing money (which ended in fall 2000) for others resulted in a compound annual return of 26.9% (after fees), including two years when performance exceeded 100%. But, he recently stopped trading **due to client impatience plain and simple**. His clients pulled their money right before his trading would have gone straight up.

Holy Grails

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Doubt us? Use Dunn Capital as a proxy and you will see what happened in the fall of 2000.

One of the biggest lessons traders should learn is that trading for your own account and trading for customers are two different things. John W. Henry has said on many occasions that it never gets easy losing money for clients. Traders that just concentrate on expanding their own capital often have a great advantage over money managers. Money managers always deal with the pressure and expectations of customers (rightly or wrongly).

November 2000 Performances

Rich Dennis & Drexel

Disclaimers

Back in the late 1980's Drexel Burnham Lambert, the junk bond giant, induced Dennis to manage two funds offered and managed by Drexel. The Drexel episode is often mentioned as a dark period in Dennis's career. The fact was, most investors in these funds had already exited, many with profits before Drexel panicked due to a drawdown.

1987

It is true that due to risky options trades (not part of the Turtle rules) Dennis had drawdowns in 1987. He lost because he deviated from his system and made discretionary options bets in the soybean market. But his students (the Turtles) who adhered to the original Turtle trend following rules produced great returns in 1987:

Chesapeake: +38.78%

EMC: +178.00%

JPD: +96.80%

Rabar: +78.20%

Other Trend Followers' performance in 1987

John W. Henry: +251.00%

Campbell and Company: +64.38%

Millburn Ridgefield: +32.68%

Dunn Capital: +72.15%

View the correlation of traders in the British Pound move during the fall of 1996, Dennis reaped huge profits right along with his former pupils the Turtles.

Disclaimer

Market Wizards:

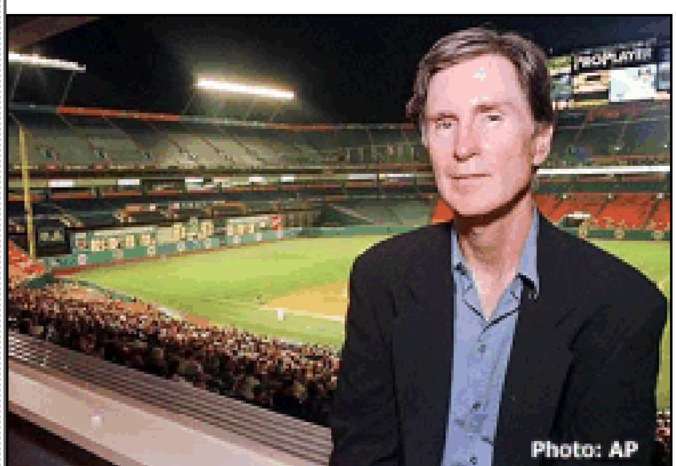
John W. Henry

I don't believe that I am the only person who cannot predict future prices. No one consistently can predict anything, especially investors. Prices, not investors, predict the future. Despite this, investors hope or believe that they can predict the future, or someone else can. A lot of them look to you to predict what the next macroeconomic cycle will be. We rely on the fact that other investors are convinced that they can predict the future, and I believe that's where our profits come from. I believe it's that simple.

John W. Henry

...when I was designing what turned out to be a trend following system...[that] approach – a mechanical and mathematical system - has not really changed at all. Yet the system continues to be successful today, even though there has been virtually no change to it over the last 18 years.

John W. Henry



John W. Henry

If one theme summarizes Henry's philosophy, it is the knowledge that one cannot

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- FAQs
- Markets Changed?
- Why It Works & Skeptics
- Money Management
- How Many Turtles?
- Zero-Sum Trading
- Holy Grails
- True/False Questions
- Losers Average Losers
- No Memory Trading
- Stocks v. Commodities
- Babe Ruth & Accuracy
- What is & What is Not

Market Wizards

- **Hall of Fame**
- Richard Dennis
- John W. Henry
- Ed Seykota
- Bill Dunn
- Richard Donchian
- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

predict anything. Henry is a long-term follower. His philosophy is based on the premise that market prices, rather than market fundamentals, are the key aggregation of information needed to make investment decisions. He says, The markets are people's expectations, and these expectations manifest themselves as price trends. We live in an uncertain world. One cannot predict the future of anything. In an uncertain world, identifying and following trends may be the only reasonable investment approach over the long term. Henry feels that a mechanical approach has more value since no scientific approach or solid testing can be applied to discretionary trading. Henry says that when he first researched the markets in the 1970s, he was looking for a methodology that would work through many market conditions. His research showed that long-term approaches work best over decades. There is an overwhelming desire to act in the face of adverse market moves. Usually it is termed 'avoiding volatility' with the assumption that volatility is bad. However, I found avoiding volatility really inhibits the ability to stay with the long-term trend. The desire to have close stops to preserve open trade equity has tremendous costs over decades. Long-term systems do not avoid volatility, they patiently sit through it. This reduces the occurrence of being forced out of a position that is in the middle of a long-term major move.

The New Investment Superstars

Q. How did you get started in money management, and what advice could you give to someone who would be interested in following in your footsteps?

A. How did I get started? I was hedging crops for farmland that I owned in a couple of states. I just seemed to do fairly well trading by the seat of my pants. It was a broker at Reynolds Securities in those days that asked me if I would manage money for farmers, because I seemed to do so well in the grain markets. That is sort of how it all started. I said no to hedging for farmers. I spent five years working on some ideas I had for trading, and one thing led to another. I came up with a [trend following] philosophy.

Market Proof

- **Performance**
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- Barings #1
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- 11.2000 Performance
- More Biography on Henry

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Market Wizards:

Ed Seykota

The aha! process lies at the heart of price change. For instance, consider the series: OTTFFSSE. What is the next letter? This puzzle creates tension - until you see the first letters of the ordinal numbers - one, two. Aha! you say. A lot happens during an aha. The puzzle dies and the tension dissipates. A societal aha! drives price. Read the newspapers and the news magazines during a major move. At first, no one gets why the move is happening. There's a lot of confusion. Part of the move's way up, some people get it. At the end, everybody gets it. The tension is resolved and the move ends.

Ed Seykota

Mr. Seykota himself has put together a money management track record with returns of roughly +60% net of fees over the three-decade span of his trading career...

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Ed Seykota

Trading as a trend follower, Ed Seykota turned $5,000 into $15,000,000 over a 12 year time period in his model account - an actual client account. Ed was self-taught, but influenced early on in his career by Richard Donchian's writings. He has served as a teacher and mentor to some great traders including Michael Marcus, David Druz and Jim Hamer. Ed was also a founder at Galt Capital. Galt Capital has endorsed the TurtleTrader course.

What makes Ed especially unique is his continual self-examination and commitment to studying the psychological components of trading while also helping other traders achieve their potential.

Background

In the early 1970s, Seykota was hired as an analyst by a major brokerage firm. He conceived and developed the first commercial computerized trading system for managing clients' money in the futures markets.

Q. How did you first get involved in trading?

A. In the late 1960s, I decided that silver had to rise when the U.S. Treasury stopped selling it. I opened a commodity margin account to take full advantage of my insight. While I was waiting, my broker convinced me to short some copper. I soon got stopped out and lost some money and my trading virginity. So I went back to waiting for the start of the big, inevitable bull market in silver. Finally, the day arrived. I bought. Much to my amazement and financial detriment, the price started falling! At first it seemed impossible to me that silver could fall on such a bullish deal. Yet the price was falling and that was a fact. Soon my stop got hit. This was a very stunning education about the way markets discount news. I became more and more fascinated with how markets work. About that time, I saw a letter published by Richard Donchian, which implied that a purely mechanical trend following system could beat the markets. This too seemed impossible to me. So I wrote computer programs (on punch cards in those days) to test the theories. Amazingly, his [Donchian] theories tested true. To this day, I'm not sure I understand why or whether I really need to. Anyhow, studying the markets, and backing up my opinions with money, was so fascinating compared to my other career opportunities at the time, that I began trading full time for a living.

The Market Wizards by Jack Schwager

Ed Seykota was originally profiled in the Market Wizards.

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
- Ken Roberts

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Market Wizards:

Bill Dunn

Dunn Capital

Bill Dunn (right)

A Day in the Life at Dunn Capital

2002 Performance

12.2000 Performance

11.2000 Performance

The goal of the trend follower is to take what is given. If you want to trade right you can't say to yourself, OK, I want 15% a year. The market

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can't be ordered to give you a steady 15% a year. You must expect volatility. For example, what would you rather have: three years of +15%, +15%, and +15% or three years of -5%, +50%, and +20%? At the end of three years the first investment opportunity would be worth $1520 (if starting with a $1000), the second investment would be worth $1710. See how big gains can make up for small losses? This is the world of Bill Dunn.

Dunn Capital and 95 Japanese Yen

Dunn Capital Management in 1995: + 96.7%

	2-95	3-95	4-95	5-95	6-95	7-95	8-95
Dunn Capital	13.7	24.4	3.8	(2.6)	(3.6)	0.6	18.5

Yen Chart - Click Here

Dunn Capital [Bill Dunn] is a long term reversal trend follower that exploited the Japanese Yen to extreme levels in 1995. They made money going up that huge mountain in February of 1995 and made money going down that huge mountain in August of 1995.

Look at the monthly returns and look at the chart of the Yen. Do you see the correlation between gains/losses and ups/downs in the chart pattern? Dunn initiated the position in 1/95 and rode it until the top. He reversed the position on the downside of the first peak. The reversal was short lived as you can see by the spike back upward. Then there is the rather protracted steep downside reversal followed by Dunn.

Dunn initiated a short position in the Yen after the first peak and did not get out of the position even when it when badly against him. He stayed in the position with mounting losses. However, the losses never approached his entry position on the short side. Consequently he sat there with great discipline and waited. The 4/95-6/95 flat/loss period in his returns corresponds directly to the same flat period in the chart.

The huge downside move rewarded his patience. This example was not seat of the pants trading. There were precise rules. Dunn's system is 100% mechanical. And by and large Dunn's past returns are highly correlated to other trend followers including...Turtles.

Disclaimer

Jim Cypher works with Dunn. He is formerly of the Turtle Sjo.

Market Wizards:

Richard Donchian

Dick Donchian

Richard Donchian is known as the father of trend following. His original trend following ideas form the basis for all trend following success that has followed, including Richard Dennis and the Turtles. Donchian's original methods involved the use of a moving average for the entry/exit indicator portion of his system. Richard Dennis, however, did not use a moving average for entry/exit and concentrated much more heavily on money management than Donchian. Money management accounts for 90% of the Turtle success story.

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Donchian and his Students

Richard Donchian, though now deceased, left many students that still trade or run money management firms. A sampling of his students include:

Nelson Chang

- Worked for Donchian
- Started Chang-Crowell Corp.

Robert Crowell

- Worked for Donchian
- Started Chang-Crowell Corp.

Barbara Dixon

- Worked for Donchian
- Started Spackenkill Trading

Bruce Terry

- Worked for Chang-Crowell Corp.

Paul Dean and Brent Elam of TrendLogic

What's the point? Trading as a trend follower is a learned behavior. Not everyone is going to trade this way. Most people want no more complexity in their life than to buy and hold. Most people don't want to think or learn about new methods. It takes discipline.

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But, if the students of Richard Dennis or the students of Richard Donchian don't provide inspiration as to how important learning the right method is toward achieving success...well buy a mutual fund and shoot for 12% a year.

Disclaimer

Full Donchian strategy included with TurtleTrader course.

Ludwig von Mises

Human Action

Ludwig von Mises on Thinking:

Reason's biological function is to preserve and promote life and to postpone its extinction as long as possible. Thinking and acting are not contrary to nature; they are, rather, the foremost features of man's nature. The most appropriate description of man as differentiated from nonhuman beings is: a being purposively struggling against the forces adverse to his life.

Human Action
by Ludwig von Mises

More Mises:

1. The meaning of economic freedom is this: that the individual is in a position to choose the way in which he wants to integrate himself into the totality of society.

2. The philosophy called individualism is a philosophy of social cooperation and the progressive intensification of the social nexus.

3. One can become a leader only if one is supported by an ideology which makes other people tractable and accommodating.

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4. He who disdains the fall in infant mortality and the gradual disappearance of famines and plagues may cast the first stone upon the materialism of the economists.

5. Reason's biological function is to preserve and promote life and to postpone its extinction as long as possible. Thinking and acting are not contrary to nature; they are, rather, the foremost features of man's nature. The most appropriate description of man as differentiated from nonhuman beings is: a being purposively struggling against the forces adverse to his life.

6. Economics is not about things and tangible material objects; it is about men, their meanings and actions.

7. Facts per se can neither prove nor refute anything. Everything is decided by the interpretation and explanation of the facts, by the ideas and the theories.

8. For the sake of domestic peace, liberalism aims at democratic government. Democracy is therefore not a revolutionary institution. On the contrary it is the very means of preventing revolution and civil wars. It provides a method for the peaceful adjustment of government to the will of the majority.

9. ...the only means to well-being is to increase the quantity of products. This is what business aims at.

10. Progress cannot be organized.

11. Against nature and within nature there is no freedom.

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12. People do not cooperate under the division of labor because they love or should love one another. They cooperate because this best serves their own interests. Neither love nor charity nor any other sympathetic sentiments but rightly understood selfishness is what originally impelled man to adjust himself to the requirements of society, to respect the rights and freedoms of his fellow men and to substitute peaceful collaboration for enmity and conflict.

13. Society is joint action and cooperation in which each participant sees the other partner's success as a means for the attainment of his own.

14. The rich adopt novelties and become accustomed to their use. This sets a fashion which others imitate. Once the richer classes have adopted a certain way of living, producers have an incentive to improve the methods of manufacture so that soon it is possible for the poorer classes to follow suit. Thus luxury furthers progress. Innovation is the whim of an elite before it becomes a need of the public. The luxury today is the necessity of tomorrow. Luxury is the roadmaker of progress: it develops latent needs and makes people discontented. In so far as they think consistently, moralists who condemn luxury must recommend the comparatively desireless existence of the wild life roaming in the woods as the ultimate ideal of civilized life.

15. The class of those who have the ability to think their own thoughts is separated by an unbridgeable gulf from the class of those who cannot.

16. What matters is not the allocation of portions out of a fund

Holy Grails

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- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
- Ken Roberts

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presented to man by nature. The problem is rather to further those social institutions which enable people to continue and to enlarge the production of all those things which they need.

17. The aim of all struggles for liberty is to keep in bounds the armed defenders of peace, the governors and their constables. The political concept of the individual's freedom means: freedom from arbitrary action on the part of the police power.

18. The avowed aim of all utopian movements is to put an end to history and to establish a final and permanent calm.

19. The first thing a genius needs is to breath free air.

20. The prevailing legal and moral views of a time are held not only by those whom they benefit but by those, too, who appear to suffer from them. Their domination is expressed in that fact- that the people from whom they claim sacrifice accept them.

21. The essence of democracy is not that everyone makes and administers laws but that lawgivers and rulers should be dependent on the people's will in such a way that they may be peaceably changed if conflict occurs.

22. Each epoch has found in the Gospels what it sought to find there, and has overlooked what it wished to overlook.

23. Scientific criticism has no nobler task than to shatter false beliefs.

24. To complain of lack of leadership is, in the field of political affairs, the characteristic attitude of all harbingers of dictatorship.

25. Society is only possible on these terms, that the individual finds therein a strengthening of his own ego and his own will.

26. Society cannot contribute anything to the breeding and growing of ingenious men. A creative genius cannot be trained. There are no schools for creativeness. A genius is precisely a man who defies all schools and rules, who deviates from the traditional roads of routine and opens up new paths through land inaccessible before. A genius is always a teacher, never a pupil; he is always self-made.

27. Progress is precisely that which the rules and regulations did not foresee.

28. Action based on reason, action therefore which is only to be understood by reason, knows only one end, the greatest pleasure of the acting individual.

29. A nation's policy form an integral whole. Foreign policy and domestic policy are closely linked together; they are but one system; they condition each other.

30. Historical knowledge is indispensable for those who want to build a better world.

31. The worst evils which mankind has ever had to endure were inflicted by bad governments. The state can be and has often been in the course of history the main source of mischief and disaster.

32. If history could teach us anything, it would be that private property is inextricably linked with civilization.

33. Reason is the main resource of man in his struggle for survival.

34. Human civilization is not something achieved against nature; it is rather the outcome of the working of the innate qualities of man.

35. In the world of reality, life, and human action there is no such thing as interests independent of ideas, preceding them temporarily and logically. What a man considers his interest is the result of his ideas.

36. ...it is solely bigness in business which makes it possible to supply the masses with all those products the present-day American common man does not want to do without. Luxury goods for the few can be produced in small shops. Luxury goods for the many require big business.

37. To illustrate the difference between the innovator and the dull crowd of routinists who cannot even imagine that any improvement is possible, we need only refer to a passage in Engel's most famous book. Here, in 1878, Engels apodictically announced that military weapons are now so perfected that no further progress of any revolutionizing influence is any longer possible. Henceforth all further [technological] progress is by and large indifferent for land warfare. The age of evolution is in this regard essentially closed. This complacent conclusion shows in what the achievement of the innovator consists: he accomplishes what other people believe to be unthinkable and unfeasible.

38. Education rears disciples, imitators, and routinists, not pioneers of new ideas and creative geniuses. The schools are not nurseries of progress and improvement, but conservatories of tradition and

unvarying modes of thought.

39. Science does not give us absolute and final certainty. It only gives us assurance within the limits of our mental abilities and the prevailing state of scientific thought.

40. ...economic history is a long record of government policies that failed because they were designed with a bold disregard for the laws of economics.

41. It is impossible to understand the history of economic thought if one does not pay attention to the fact that economics as such is a challenge to the conceit of those in power.

42. Economics is a theoretical science and as such abstains from any judgement of value. It is not its task to tell people what ends they should aim at. It is a science of the means to be applied for attainment of ends chosen, not, to be sure, a science of the choosing of ends. Ultimate decisions, the valuations and the choosing of ends, are beyond the scope of any science. Science never tells a man how he should act; it merely shows how a man must act if he wants to attain definite ends.

43. Those fighting for free enterprise and free competition do not defend the interests of those rich today. They want a free hand left to unknown men who will be the entrepreneurs of tomorrow...

44. It is not conclusive proof of a doctrine's correctness that its adversaries use the police, the hangman, and violent mobs to fight it. But it is a proof of the fact that those taking recourse to violent oppression are in their subconsciousness convinced of the

untenability of their own doctrines.

45. Value is not intrinsic; it is not in things. It is within us; it is the way in which man reacts to the conditions of his environment.

46. There is in the universe something for the description and analysis of which the natural sciences cannot contribute anything. There are events beyond the range of those events that the procedures of the natural sciences are fit to observe and describe. There is human action.

47. As the science of economics...exploded the fallacies of every brand of utopianism, it was outlawed and stigmatized as unscientific.

48. It is the worst of all superstitions to assume that the epistemological characteristics of one branch of knowledge must necessarily be applicable to any other branch.

49. The methods of the natural sciences cannot be applied to human behavior because this behavior...lacks the peculiarity that characterizes events in the field of the natural sciences, viz., regularity.

50. It is impossible to describe any human action if one does not refer to the meaning the actor sees in the stimulus as well as in the end his response is aiming at.

51. Reason and action are congeneric and homogenous, two aspects of the same phenomenon.

52. Scientific research sooner or later, but inevitably, encounters something ultimately given that it cannot trace back to something

else of which it would appear as the regular or necessary derivative. Scientific progress consists in pushing further back this ultimately given.

53. Competition on the market aims at assigning to every individual that function in the social system in which he can render to all his fellow men the most valuable of the services he is able to perform.

54. Business is a means- the only means- to increase the quantity of goods available for preserving life and rendering it more agreeable.

55. The first condition for the establishment of perpetual peace is the general adoption of the principles of laissez-faire capitalism.

56. If the small minority of enlightened citizens who are able to conceive sound principles of political management do not succeed in winning the support of their fellow citizens and converting them to the endorsement of policies that bring and preserve prosperity, the cause of mankind and civilization is hopeless. There is no other means to safeguard a propitious development of human affairs than to make the masses of inferior people adopt the ideas of the elite. This has to be achieved by convincing them. It cannot be accomplished by a despotic regime that instead of enlightening the masses beats them into submission. In the long run the ideas of the majority, however detrimental they may be, will carry on. The future of mankind depends on the ability of the elite to influence public opinion in the right direction.

57. The criterion of truth is that it works even if nobody is prepared to acknowledge it.

58. Government and state can never be perfect because they owe their raison d'etre to the imperfection of man and can attain their end, the elimination of man's innate impulse to violence, only by recourse to violence, the very thing they are called upon to prevent.

59. The main political problem is how to prevent the police power from becoming tyrannical. This is the meaning of all the struggles for liberty.

60. The essential characteristic of Western civilization that distinguishes it from the arrested and petrified civilizations of the East was and is its concern for freedom from the state. The history of the West, from the age of the Greek polis down to the present-day resistance to socialism, is essentially the history of the fight for liberty against the encroachments of the officeholders.

61. Government is beating into submission, imprisoning, and killing...The authority of man-made law is entirely due to weapons of the constables who enforce obedience to its provisions.

62. All people, however fanatical they may be in their zeal to disparage and to fight capitalism, implicitly pay homage to it by passionately clamoring for the products it turns out.

63. What pays under capitalism is satisfying the common man, the customer. The more people you satisfy, the better for you.

Human Action

by Ludwig von Mises

George Soros v. Ted Koppel

TurtleTrader comment: George Soros, the legendary and enormously successful trader, recently appeared on ABC News Nightline program. The following excerpt of an exchange between George Soros and host Ted Koppel proves illuminating:

...as you describe it, it [the market] is, of course, a game in which there are real consequences. When you bet and you win, that's good for you, it's bad for those against whom you have bet. There are always losers in this kind of a game.

Ted Koppel

No. See, it's not a zero-sum game. It's very important to realize...

George Soros

Well, it's not zero - sum in terms of investors. But, for example, when you bet against the British pound, that was not good for the British economy.

Ted Koppel

Well, it happened to be quite good for the British economy. It was not, let's say, good for the British treasury because they were on the other side of the trade...It's not - your gain is not necessarily somebody else's loss.

George Soros

Because - I mean put it in easily understandable terms. I mean if you could have profited by destroying Malaysia's currency, would you have shrunk from that?

Ted Koppel

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Not necessarily because that would have been an unintended consequence of my action. And it's not my job as a participant to calculate the consequences. This is what a market is. That's the nature of a market. So I'm a participant in the market.

George Soros

TurtleTrader comment: Why would Soros say trading and speculating are not zero-sum games? Soros is to be saluted for his tremendous success, but he is indeed a speculator participating in a zero-sum game. Perhaps he is reluctant to be as brutally honest with Koppel's audience as he is with himself. Trading is a zero-sum game when measured relative to underlying fundamental values. No trader can profit without another trader losing.

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Market Wizards Books

Rather know nothing than half-know much.

Nietzsche

Jack Schwager is best known for his popular best sellers:

- The Market Wizards
- The New Market Wizards

Both of these books alerted many to the Turtles for the first time. While Schwager writes of the Turtles, he offers little detail of their methods. Readers of Schwager's books will quickly find that the TurtleTrader web site offers detail left out about the Turtle system. We teach and explain the system.

At the time of Schwager's interviews (the two books were published in 1989 and 1992), one could have known that Richard Dennis, Bill Eckhardt, the Turtles, plus numerous other trend followers such as John W. Henry, Dunn Capital, Campbell and Co., Millburn Ridgefield, etc. all had extremely high monthly correlation in performance (meaning their techniques were very similar). This area was not pursued in the Wizards books.

You can buy the books here: The Market Wizards & The New Market Wizards. But, keep in mind these books (while they are very good)

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don't offer more than an introduction to the Turtles.

Secret?

Q. The Turtles were very secretive and unresponsive to Schwager's questions in the Wizards books. Please explain.

A. The Turtle mystery portrayed in the two Wizards books helped create a buzz. The Turtle story is a fantastic trading story and writing about it from the Holy Grail or secret perspective created a legend around the original Turtles.

However, if the original Market Wizards books were a simple introduction, the TurtleTrader site is an investigative report by comparison. Given that this web site first exposed the correlation studies evidence (all in the right hand margin), the Barings bank fiasco and the Metallgesellschaft implosion, we expect Schwager's readers can now truly see behind the scenes of the Turtle system. The key to Turtle trading is not a secret. The key is to learn the entire system both properly & completely. Our comment regarding Holy Grails (and secrets) is here.

Jack Schwager's Trading

Jack Schwager has also been a money manager managing nearly US$80 million for his firm Wizard Trading. We provide the following description of Schwager's firm from his promotional literature:

Wizard trading employs computer assisted trading strategies based principally on technical analysis to make trading decisions. Trading signals will be generated

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solely on the basis of trading Systems developed by Jack Schwager and Louis Lukac. One key feature of the Wizard Trading methodology is that it encompasses a wide spectrum of strategies including trend following, countertrend, and pattern recognition approaches. Another key element of the program is that it incorporates a sophisticated, multilayered money management strategy that dynamically adjusts market positions to changing volatility conditions on a daily basis. The trading approach was designed to be fully mechanical. This structure reflects the Advisors belief that emotional trading decisions can be detrimental to performance. To date, the trading model has never been overridden.

An interesting note about Wizard Trading's success is the correlation of their results with the Turtles and other trend followers. Take a look at the correlation page again and keep in mind these performance numbers from Wizard Trading:

- 08/96 -- (3.0)
- 09/96 -- 13.2
- 10/96 -- 5.5
- 11/96 -- 1.0
- 12/96 -- (0.7)

Do you think Wizard Trading caught the British Pound move too?

Intelligence Needed for Turtles

Jack Schwager: As I understand it, the catalyst for the Turtle training program was a disagreement between you and Richard Dennis as to whether successful trading could be taught?

Bill Eckhardt: Yes. I took the point of view that it simply could not be taught. I argued that just because we could do it didn't necessarily mean that we could teach it. I assumed that a trader added something

Holy Grails

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that could not be encapsulated in a mechanical program. I was proven wrong. The Turtles program proved to be an outstanding success. By and large, they learned to trade exceedingly well. The answer to the question has to be an unqualified yes.

Schwager: If trading can be taught, can it be taught to anyone with reasonable intelligence?

Eckhardt: Anyone with average intelligence can learn to trade. This is not rocket science. However, it's much easier to learn what you should do in trading than to do it.

Johan Ginyard Interview re: Position Sizing

TurtleTrader: How did you end up at TurtleTrader?

Johan: I don't really remember how I first got in contact with the site. It feels like it was ages ago I first visited TurtleTrader. Perhaps I was searching for information about money management on the net and just ended up at TurtleTrader or maybe it was an interest in the Turtle philosophy itself. I can't remember, but I'm coming back again and again. I like the site mostly for the vast amount of good information and interviews and I think it is extraordinary refreshing to read the cutting comments, especially those about all the publicly, knowing-it-all tipsters whose expert advice we so often read and hear about.

TurtleTrader: Can you talk about your study on position sizing? Can you give our readers some background? While we understand you had theories going into the experiment, were there new insights learned in the actual process?

Johan: It all began three years ago, when I realized that there was no information available in Sweden about money management. I'm sure there were professionals, who knew the game, but they were not giving away anything. I knew I had to search elsewhere so I went to the US. I was now convinced of the importance of money

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management, or more specifically, the importance of position size. Last year when I was planning the study in behavioral finance, which was the basis of my masters' thesis, I found there was almost no research made on the effect of position size. Of course, you just had to run a couple of iterations with the same probabilities of winning/losing to see that there is a significant effect of position size on return, but then you have not included the human factor in the process. What I wanted to do was to find scientific evidence of the importance for a trader to have knowledge about the effect of position size and being able to use it. I didn't want the effect of the traders trading methodology to come in play, but wanted to isolate the effect of position size. Therefore, I had to set up a situation where all the participants got the same conditions. By letting the participants trade through a series of trades, with a certain probability of winning and different return (wins as well as losses), they were to decide how much of their fictitious capital they wanted to put at risk in each and every trade. They did not need to time the trades or analyze the markets. The only factor they could affect was position size. In addition to the results presented in the study, I realized how difficult it is to decide what the proper bet size should be and how to vary your bet size over losing and winning streaks. By running Monte Carlo simulations, you can get idea of what bet size would give the best return, but would that fit you? In this study it was not possible to vary bet size during the trade, i.e scaling in or scaling out, which I believe is a good strategy, given some conditions. The results I saw from participants varying bet size during streaks supported the danger of increasing your bet after a series of losses, but it also showed there is risk in increasing your bet size after a series of winners, too.

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Eventually, your winning streak ends and then you have your ever largest bet on. Further, as I cited in the paper, you won't win if you don't bet. Many participants didn't take advantage of the opportunities they got; they were too scared to risk their money, and therefore ended up with very small profits (Small in my view, regarding the expectancy of the systems they traded). It was mostly my fault since I, during the lectures, really emphasized the importance of protecting their capital and not how to get good return. This is not new, revolutionary insights. Seasoned traders have known this for decades, centuries even. For me personally, it has been extraordinary important, though. It is a great source and very useful now in the project I'm currently involved in. The project is developing software for testing and simulating position sizing strategies, based upon your true historical trades or back-tested trades. It really opens your eyes for what works and what doesn't. The beta's so far are really promising.

TurtleTrader: Our readers look forward to seeing your study again.

Johan: It is available again.

TurtleTrader: Thanks for your time Johan.

Johan: You are welcome.

Johan Ginyard, M.Sc., Psychologist

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752 29 Uppsala, Sweden

Position-sizing Effects on Trader Performance: An Experimental Analysis

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Johan Ginyard

Our testimonials, endorsements, interviews and feedback come from a wide assortment of individuals. From new and experienced individuals trading their own account to start-up money management firms to more established banks: all of the input about our firm and course is useful.

If you would like to be interviewed by TurtleTrader: click here.

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Tale of Two Traders

Suppose you have two traders each following the same trading system. The system produces a signal to buy Microsoft stock. The first trader initiates right when he should, based on the system, but for some reason, the second trader misses the signal. The market now goes up in the desired direction boosting the value of Microsoft stock. The second trader finally initiates and buys Microsoft stock, but obviously later than the first trader. Two questions: Should the second trader make the trade since he missed the signal the first time around? And if the second trader does, isn't he still missing out on potential profit since he got in later than the first trader?

Now let's say that, instead of using the same system, the two traders have the same amount of money. Two more questions: Doesn't this scenario imply that the first trader who got in at the right time is risking more money since the second trader still got in the trade but did not have to do so as early as the first trader? Doesn't the second trader have an advantage since he is risking less?

The answer to each of these questions is the same**. Both traders are in the same position**. Both have the same advantage. Successful traders do not fall prey to their own individual circumstances because personalizing their trading blinds them to the reality of what is actually happening in the market. The market is the market whether

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you participate or not, so personal circumstances don't matter. Both traders are in the same situation, in the same market with the same position, with the same money and the same attitude. Why should these two traders act differently just because one has a slightly different past in terms of when he entered the trade?

Followup

This article has caused some confusion among readers.

Their responses include:

- But, timing is crucial.
- Stops are money management.

Timing of entry is not the critical issue in overall trading success. Additionally, money management (which is widely misunderstood) is much more than stop placement.

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Money Management and Data Transmission?

Lucent Technologies
Bell Labs Innovations

What do money management and data transmission over long distance lines have in common? More than you think:

The problems associated with communications problems are very similar to the issues a gambler or trader faces in determining the optimal amount of money to bet or trade at any given time. Believe it or not, the concept of how much money you should trade is related to work of some Bell engineers in our distant past. Back in 1956 J. L. Kelly published a paper while working at Bell Labs. The paper was designed to solve issues engineers were facing with noise on the phone lines, noise that was random and unpredictable.

The formula developed by the Bell Engineers has long been known as the Kelly formula. The formula can get quite complex and involved, but for years traders and gamblers have attempted to use it to determine their optimal trading and betting positions. Except at its most basic philosophical underpinnings, the Kelly formula (and other takeoffs such as Optimal f popularized by Ralph Vince) is far too

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complex for practical application to trading. However, where the Kelly formula did have impact trading was through inspiration. Traders such as Richard Dennis were inspired to fully understand and develop the advantages of position sizing or money management.

Kelly and Math Students

There are many people who believe the Kelly formula and Optimal f are of great benefit to their trading. In fact, if you do some internet searches, you will find all sorts of math proofs involving the benefits of these formulas. These formulas are not practical for real trading.

However, thanks to traders like Dennis, the Turtletrading system is straight forward and accessible. Anyone can understand the formulas unlike Kelly and Optimal f. Use the Kelly formula for what it is: Inspirational proof that position sizing or money management is critical to trading success.

Kelly, J. L., Jr., A New Interpretation of Information Rate, Bell System Technical Journal, pp.917-926, July, 1956.

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Ph.D.s & Money Management

A recent experiment was conducted involving forty people with Doctorate Degrees. Their Ph.D.s were not in mathematics, but all were in traditional areas of academic endeavor. The doctorates were given a computer game to trade. They started with $10,000 and were given 100 trials playing a game in which they would win 60% of the time. When they won, they won the amount of money they risked in that trial. When they lost, they lost the amount of money they risked in that trial.

How many Ph.D.s made money at the end of the experiment? Two. The other 38 lost money. 95% of these very academically smart people lost money playing a game in which the odds of winning were better than any odds in Las Vegas. Why did they lose?

They lost because of poor money management. For example, if you start out risking $1,000 and lose 4 times in a row, you are now down to $6000. You might be thinking, I am due for a win now. But that's nonsense since your chances of winning are and will always be 60%!

Even though your chances of winning are still 60%, let's say you decide to double your bet size since you are due now. You lose again and you're down 60% now. If you keep thinking you're due for a win you will soon be broke with any potential recovery vanished.

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Good money management is fundamental to avoiding disasters like this one.

Recovering from a draw-down.

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Money Management or
Position Sizing or
Bet Size...
No Matter What We Call It,
You Better Know It

For 5 years at least, American business has been in the grip of an apocalyptic, holy-rolling exaltation over the unparalleled prosperity of the 'new era' upon which we have entered.

Business Week - Sept 7, 1929

There seems to be a consensus that the present is something of a 'new era'...A number of 'conservative' economists and businessmen now accept the idea that business expansion can go on indefinitely.

U.S. News & World Report - Nov 15, 1965

That there are no new investment eras, only old eras that go to new extremes. What history teaches us is that all extremes are eventually corrected, and that every extreme was thoroughly justified and rationalized at the time it was being created.

Robert Farrell, Chief Market Technician, Merrill Lynch

Money Management is called many things: asset allocation, position sizing, bet size, portfolio heat, portfolio allocation or even risk control.

Q. Why is money management so important?

A. We hear people talk of money management all the time. Pick up any

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industry magazine or go to a trade show and they all talk about money management, but they have no idea what money management actually is.

Q. What do you mean?

A. Most traders believe that money management is where you place your stop. This is a very small percentage of the fix. You can buy any number of programmed systems for Tradestation that all tell you they have money management built in, but all they really do is give you a stop. The key question of money management always should focus on the how much question, not the timing of when you enter or exit. Worry about the optimal amount to trade or how much to buy or sell -- those are the key questions for all traders. While they are so key, few pay attention.

Q. Money management yeah whatever - I want to know about the percent accuracy. What is it?

A. You are on the road to the poor house. Percent accuracy in trading is fools gold. System one below looks more impressive than system two by your focus. 85% accurate, you can't go wrong right? Wrong:

System One	System Two
Percent Win: 85%	Percent Win: 45%
Percent Loss: 15%	Percent Loss: 55%
Avg Profit: $500	Avg Profit: $1,500
Avg Loss: $1,500	Avg Loss: $500
Expectation per trade: **$200**	Expectation per trade: **$400**

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- No Curve-Fitting
- Risk v. Volatility
- Blackjack

Psychology

- **Life Values & Risk**
- Critical Thinking
- Money is Evil?
- Gen. Patton Speech
- Are You Rational?
- The Bet
- Myers-Briggs Testing
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The examples above show how and why the desire to be right kills most traders. They focus on % winning trades and % losing trades instead of the size of the profitable trades. System two is the better system. It makes more money. System one is all about ego. System two is all about math.

More on Accuracy Grails.

Q. Is there a prerequisite market condition for the Turtle trading system to work?

A. Turtle trading makes the most money in trending markets, but that is not something you can predict. It is a false notion that you can pick the trading approach for any one period of time. You would end up jumping around looking for the Holy Grail going from system to system. The idea of Turtle trading is to make big money on big trends, but preserve capital and avoid losses in non-trending periods. Jump around and you are destined to only lose.

Q. How would you apply the Turtle trading system to a less developed stock market in the Far East where dissemination of price-sensitive information tends to be less efficient leading to irrational price movement?

A. People make this same argument here in the States. Who cares what a market does? Trend followers just follow along. And let me ask what is 'irrational' defined mathematically? Saying a market is 'irrational' hints at lack of an ability to predict it. No prediction is used with Turtle trading.

Risk Parables

Profitability in trading is not so much a function of frequency of getting it 'right', but rather a matter of discipline and weight when getting it 'wrong'. In my most profitable periods, I was generally 'right' about 40% of the time or less, but the super-strategy of stop-losses, halving-out profitably, averaging down, and many other techniques, as well as good old-fashioned cutting the position quickly when it no longer smelled 'right', made the difference. Again, I suggest that money management...is much more important than the naive reliance upon a system [of so called high accuracy picks].

Philip Halperin

The Balloonist & the Man on the Ground (anonymous)

A Balloonist was flying in a hot air balloon and realized he was lost. He reduced altitude and spotted a man on the ground below. Lowering the balloon yet further, he shouted:

Excuse me, can you tell me where I am?

The man on the ground explained, You are in a hot air balloon, hovering 10 meters above this field.

I can discern that you are a risk manager, bid the balloonist.

Indeed I am... replied the man on the ground. How did you know?

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Well, offered the balloonist, everything you have told me is technically correct, but it's of absolutely no use to anyone.

The man on the ground postulated, And you must must be a trader.

And indeed I am... confirmed the balloonist, but how did you know?

Well, deduced the man on the ground, you don't know where you are, or where you're going, but you expect me to be able to help. You're in the same position you were before we met, but now it's my fault.

The Flagpole (anonymous)

A group of traders took it upon themselves independently to measure the height of a flagpole. Accordingly, they equipped themselves with ladders and technical tape measures, and eagerly sought out the flagpole. Yet the flagpole would not admit easy measuration: They kept dropping the tapes and falling off of the ladders. Confusion reigned, and it appeared that failure was imminent.

A quantitative analyst and modeller happened upon the scene and immediately discerned what they were attempting to accomplish. He walked over, pulled the flagpole out of the ground, laid it flat, measured it from end to end, gave the measurement to one of the traders and walked away.

After the quantitative modeller had left, one of the traders turned to another and laughed, is that not just like a quant? We're looking for the **height** and he gives us the **length**.

Market Proof

- **Performance**
- Correlation 1 | 2 | 3 | 4
- Enron Debacle
- Barings Bank
- Metallgesellschaft

Clients

- **Clients in 67 Countries**
- Individual Clients
- Institutional Clients
- Education Needed
- Starting Capital
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- Why Teach?
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The Nature of Risk

Life is fraught with risk: Drinking coffee is risky business, and walking out your front door holds hidden dangers. This was demonstrated a few weeks ago when, according to the Washington Post, a man was killed by his coffee mug. Apparently he had stepped out for the morning paper, then tripped and fell. The mug shattered under the weight of his fall, piercing him with a fatal shard. The point of this anecdote is not to raise your safety awareness of the deadly coffee mug, or to highlight the dangers of walking with a beverage. Rather, it is a comically sad illustration of the fact that life is fraught with risk. There is no getting away from it. Life is a game of chance. We take our lives into our hands every day, whether we travel the breadth of oceans or never leave our homes.

Money is no different: Our money is at constant risk as well. For the thousands of years that government and money have co-existed, governments have been stealing from their citizens in the form of inflation. By steadily increasing the supply of money without also increasing the value, all currencies are slowly but surely being debased over time. If you had deposited a large sum into your bank account twenty years ago, then come back and found a large chunk of it gone, you would scream bloody murder. In reality, this is exactly what is happening.

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No place risk-free? Money in a mattress is no good; bank accounts are not much better. There is no way to conserve against erosion without making choices, and those choices create risk. Buy a house? The house could burn down, or the real estate market could tank. Invest in your company? If the company fails, you lose your employment and your nest egg at the same time. Buy mutual funds? Pray that the empty mantra of long term works for you, and that you do not face a bear market at the age of 65.

The good news is that **risk can be turned into profit**. This is why the Chinese character for crisis combines the symbols of danger and opportunity. Capitalism does not work on a first come / first serve basis. It rewards those with the brains, guts and determination to find opportunity where others have overlooked it; to press on and succeed where others have fallen short and failed. Every business person is ultimately involved in the business of assessing risk. In the sense of putting capital to work in the hopes of making it grow, all businesses are the same. The right decisions lead to wealth and success; the wrong ones lead to bankruptcy and a redistribution of resources from weak hands to strong as capitalism rolls on.

Got to risk to achieve: It has been said that the amount of risk we take in life is in direct proportion to how much we want to achieve. If you want to live boldly, then you must make bold moves. If your goals are meager and few, they can be reached easily and with less risk of failure, but with greater risk of dissatisfaction once you have achieved them. One of the saddest figures is the person who burns with desire to live, but, to avoid risk, chooses to embrace fear and lives a half life instead. This person is worse off than someone who tries and fails or someone who never had any desire in the first place. Mediocrity condemns itself. The refrain what if is a funeral durge.

Blind versus calculated: If you study risk, you find there are two kinds, blind risk and calculated risk. The first, blind risk, is useless and a waste of time. Blind risk is the calling card of laziness, the irrational hope, something for nothing, the cold twist of fate. Blind risk is the pointless gamble, the emotional decision, the sucker play. The man who embraces blind risk demonstrates all the wisdom and intelligence of a drunk stepping into traffic. However, **calculated risk** has built fortunes, nations and empires. Calculated risk and bold vision go hand in hand. To use your mind, to see the possibilities, to work things out logically, and then to move forward in strength and confidence is what places man above the animals. Calculated risk lies at the heart of every great achievement and achiever since the dawn of time.

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
- Ken Roberts

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Bill Dunn/Bill Echardt

Great Returns Over Time

One of the biggest mistakes most investors make is believing they've always got to be doing something...the trick is not lose money. That's the most important thing. The losses will kill you. They ruin your compounding rate, and **compounding** is the magic of investing.

Jim Rogers

Dunn and Eckhardt (one of the Turtle teachers) know what Rogers means about compounding and the long term.

These long time traders with highly correlated returns never fall prey to the conventional wisdom. They stick to their plan and follow their system.

Dunn WMA Trend Following Fund: 60 Month Time Window

Best 60 Months: **+527%**

Worst 60 Months: **+46%**

Eckhardt Trend Following Fund: 60 Month Time Window

Best 60 Months: **+412%**

Worst 60 Months: **+66%**

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Note: if fees were not removed these returns the actual returns would be much higher. What do we mean? See here.

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The above return windows are examples of Turtle traders, examples of trend followers with high correlation to Turtles and examples of popular market measures. This example is the best 60 month return window from the example manager's trading history. It's a snapshot and not meant to reflect their entire trading history. Why show these returns? It's proof of what Turtle trading and or trend following can do in terms of returns over time.

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Turtles and Trend Followers Win (again) May 2002

Returns 1 | **Returns 2** | **Returns 3** | **Charts 1** | **Charts 2**

May 2002 was a tremendous month for trend followers. Some sample returns **for the month** of May 2002:

- KMJ Capital Management +16.70% (2nd Generation Turtle)
- Saxon Investment Corp. +14.38% (Turtle)
- Millburn Ridgefield +14.13%
- John W. Henry & Company +12.88%
- Tactical Investment Mgmt. +9.74%
- Hawksbill Capital Mgmt. +9.36% (Turtle)

What markets were they winning from? Some examples:

- Example 1
- Example 2
- Example 3
- Example 4

When examining example performance numbers realize annualized numbers are all net of management and incentive fees. What does this mean? Those numbers reflect performance after the individual

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trader has taken their approximate 20-25% cut. Hypothetically, if one traded the Turtle trend following system alone the numbers would be nearly 25% higher since there are no performance fees to pay.

More on fees and performance.

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- Quotations

Recent Trend Following Wins

Nothing is unknown, just temporarily not understood.

Captain James T. Kirk

- AOL
- CIEN
- BRCM
- GOLD
- SWISS FRANC
- EMC

The 6 charts above are examples trend followers rode to profit. Buy and holding would not have worked.

Stocks for the long run is the familiar slogan that beats at the heart of a thousand mutual fund campaigns. It is the mantra that has been repeated time and again to ward off the demons of your doubt (and to keep the funds loaded up). Multiple studies continue to tout the efficacy of stocks as a buy and hold investment. The risks are waved away with some variation of the theme yes, but there is no valid alternative.

Up periods in stocks are often interrupted by periods of sideways to lower movement, sometimes lasting a decade or more. If your

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retirement coincides with a bear market, which may be the case for many baby boomers, then the statistical likelihood of an upswing after you are gone is not especially comforting. This is the foundation of buy and hold. Are you ready? Or are you toast?

The good news is that there is a valid alternative, despite what talking heads may imply.

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Compounding Reminder

Gains on top of gains can lead to exponentially powerful results. Consider the net results of $10,000 compounded at various rates over 20 years:

3% -> $18,061

5% -> $26,533

Market Proof

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10% -> $67,275

20% -> $383,375

30% -> $1,900,496

40% -> $8,366,826

The difference is dramatic, and the numbers do the talking. Compounding is a universal principle. Whether it is General Electric and IBM or soybeans and Japanese Yen, the vehicle doesn't matter. Money is money, compounding is compounding. Take matters into your own hands, be intelligent in your decisions and calculating in your risk, and you will have the potential for returns that buy and hold investors can only dream about.

2001-2002 Turtle Commodity Wins

Returns 1 | Returns 2 | Returns 3 | Charts 1 | Charts 2

Disclaimers

- Yen
- S&P
- Cocoa
- Dow
- Cotton
- Oats
- Nasdaq

These are fixed in time examples. Not necessarily ongoing.

2001-2002 Turtle Stock Wins

Disclaimers

- INTC
- ORCL
- YHOO
- AMAT
- MSFT
- SYMC

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- XLNX
- BRCM
- KLAC
- SEBL
- EBAY
- AXP
- ENE (great Turtle short!)
- **2001 Stock Examples**

These are fixed in time examples. Not necessarily ongoing.

More

- **2001 Futures Examples**
- Crude Oil
- Pork Bellies
- British Pound
- Swiss Franc
- Heating Oil
- Natural Gas
- Soybeans
- Gold 1999
- Yen 1999
- Sugar move of 1998

  March Contract

  July Contract
- Cotton move of 1998

  March Contract

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July Contract

- Deutschmark move of 1997

  March Contract

  June Contract

  September Contract

Historical Turtles Wins

Disclaimers

- Beans 1973
- Coffee 1985
- Coffee 1984
- Copper 1994
- Corn 1996
- Cotton 1994
- DMark 1981
- Dollar 1995
- Gold 1979
- Nikkei 1995
- Oats 1995
- Oil 1986
- OJ 1993
- Platinum 1986
- Pork Bellies 1996
- Silver 1979
- Sugar 1990
- Swiss Francs 1991
- T-Bonds 1994

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Hypothetical or simulated performance results have certain inherent limitations. Unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not actually been executed, the results may have under or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve the profits or losses similar to those shown.

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Est. 1996 | Clients in 67 Countries

2002 Turtle Stock Wins

Returns 1 | Returns 2 | Returns 3 | Charts 1 | Charts 2

Turtles make money going both long and short. It makes no difference what a company actually does. Trade the price up or down with a mechanical system.

- QLGC
- VRTS
- NVDA
- AMD
- CSC
- MERQ
- CA
- TEK
- **2001 Stock Examples**

Were these stocks 20/20 hindsight? Email and we will explain why it was not 20/20 hindsight. Keep in mind tech stocks trade today very much like commodities, up and down. Is this just our opinion? No, Leon Cooperman (famed leader of the hedge fund Omega Advisors) points out that tech stocks trade like commodities.

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	Sector: S&P 500 Information Technology		
			Performance Since 9/11
1	QLGC	QLogic Corp.	85.8%
2	VRTS	Veritas software	74.4%
3	NTAP	Network Appliance	71.3%
4	NVDA	NVIDIA Corp.	65.8%
5	SEBL	Siebel Systems Inc	64.4%
6	BRCM	Broadcom Corporation	53.8%
7	YHOO	Yahoo Inc.	52.2%
8	AMD	Advanced Micro Devices	51.1%
9	PALM	Palm Inc.	47.9%
10	ORCL	Oracle Corp.	44.7%
11	ADCT	ADC Telecommunications	42.9%
12	TLAB	Tellabs, Inc.	41.4%
13	CSC	Computer Sciences Corp.	36.7%
14	SFA	Scientific-Atlanta	36.0%
15	NT	Nortel Networks Corp Hldg Co.	35.5%
16	MERQ	Mercury Interactive	35.4%
17	CA	Computer Associates Intl.	32.5%
18	CSCO	Cisco Systems	30.9%
19	JDSU	JDS Uniphase Corp	30.6%
20	NOVL	Novell Inc.	30.6%
21	BMC	BMC Software	30.3%
22	TEK	Tektronix Inc.	30.2%
23	INTC	Intel Corp.	29.3%
24	MXIM	Maxim Integrated Prod	28.9%
25	JBL	Jabil Circuit	25.6%
26	HWP	Hewlett-Packard	25.3%
27	A	Agilent Technologies	24.9%
28	CPWR	Compuware Corp.	23.5%
29	SANM	Sanmina-SCI Corp.	23.5%
30	CNXT	Conexant Systems Electronics	23.0%

Backtest

This section is a detailed look at backtesting of the Turtle methods. You can see how the Turtle methods performed without the use of money management. By looking at the method without money management you can get a better idea of why money management is so critical.

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Trend Following Winners

Returns 1 | **Returns 2** | **Returns 3** | **Charts 1** | **Charts 2**

The following chart tells a story, but there is **only** so much information you can draw from a money manager's performance. Why? The traders below are at the whims of risk adverse clients. Clients often demand certain risk controls. However, the great trend followers often keep an even lower public profile making much more money -- by staying TRUE to their systems.

Keep in mind, the returns below are net of fees. It means the trading method employed was actually much more profitable, but the final percents reflect the manager's cut already removed. **More**.

These are **10 year total numbers**, not annual numbers. Trend following over the last 10 years has been wise.

Manager	Comp. ROR
Eckhardt Trading Co. (Higher Leverage)	1539.95%
Eckhardt Trading Co. (Standard)	653.30%
DUNN Capital Mgmt. (WMA)	717.33%
Campbell & Company (Fin. Met. & Energy - Large)	211.70%
Millburn Ridgefield (Diversified)	209.99%
Saxon Investment Corp. (Diversified)	439.43%

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John W. Henry & Company (Foreign Exchange)	244.61%
DUNN Capital Mgmt. (Financial TOPS)	371.80%
Hawksbill Capital Mgmt. (Global Diversified)	561.98%
John W. Henry & Company (Financial & Metals)	227.01%

Disclaimer

We can not promise you will earn like returns of the traders, charts or examples (real or hypothetical) mentioned within this site. All past performance is not necessarily an indication of future results. However, we can instruct you with Turtle trend following methods. Disclaimers

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Trading for Clients v. Trading for Yourself

Understand Differences in Returns

Another key factor behind the divergence in returns among the Turtles is the amount of leverage used by each trader. Some Turtles, such as Shanks, use a lot, while others, such as Chesapeake's Parker, use relatively little in an effort to appeal to traditional institutional investors. 'The bigger the trade, the greater the returns and the greater the drawdowns,' Parker says. 'It's a double-edged sword.'

News Reports

Why Do Some Turtle Traders Stop Managing Money for Clients?

The TurtleTrader web site mentions numerous traders, most of whom trade a trend following system. Many are either original or second generation Turtles. However, trading the Turtle system to make money for yourself is different from trading the Turtle system to make money off fees from clients. This is a critical to understand. If the only thing you do is trade the Turtle system as originally intended – which was to make the most money possible -- then you align yourself with the original Turtles and what they learned.

The original Turtles were turned loose and told to make the most money possible. They had no restrictions. However, later on, when many of them went out to manage money for clients they changed

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some aspects of how they traded. They still continued to make a lot of money, but they also began listening to their clients. Why? Because managing money for others often puts you at their whims, and clients are always risk averse. By requesting less risky actions of the manager, the client puts a straight jacket on the manager from properly implementing the trading system.

Why do some managers handle client money if they know they will not be able to implement their system properly? Greed. Management fees from clients can be huge. If you manage $100 million you can get a 2-6% management fee even if there is no positive performance. That's $2-6 million profit for being no more than a caretaker of assets. If you go this direction you no longer are focused on the system, you're focused on the fee.

The Gold Standard

Dunn Capital is the ultimate measuring stick for trend followers. Dunn trades it one way. He has never focused on fees. He has focused on making the most money possible. He doesn't cater to clients. If clients try to change or adjust how Dunn trades, he lets them go or doesn't take them on in the first place. It is helpful to look at the success of the money managers on the TurtleTrader site, but not everyone is like Dunn Capital, so keep in mind that:

1. **Clients seldom understand**. Managing money for clients is hard. Clients usually don't understand the system and will often panic and pull out just before a big move that could make them a lot of money.

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2. **Clients are impatient**. They often put money with a manager at the wrong time and just as often take it away at the wrong time.
3. **Clients may request an initial system adjustment**. They want the system changed in order for them to invest their money in the first place. The manager is then faced with a difficult decision: take the client money and make money through management fees (which can be very lucrative) or trade the system as originally designed. Obviously, trading a trend following system as originally designed is the optimal path in the long run.
4. **More Client money doesn't mean more success**. Trying to trade millions upon millions of dollars for clients is hard to do. The Turtles always had their best returns managing less money.

You can see why looking at publicly tracked money managers for clues to the Turtle system reveals only half the story. If you let those statistics influence your assessment of the system, you make a big mistake. The next time a money manager retires, look closely to see why. Usually difficult clients were the main reason.

What does all this mean for the individual trader?

Opportunity. The opportunity to make big money (30-100%), while trading as a Turtle trend follower, has never been greater as long as you:

1. Trade a trend following system.

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
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2. Trade it the right way as intended.
3. If you ever get to the point where you want to trade for others -- never ever listen to their advice on how to trade the system.

Compare the Numbers

When studying trading systems it helps to understand the nature of a particular trading style by analyzing professional money managers or hedge funds. We show many examples of trend following success throughout the TurtleTrader site.

However, in order to properly make true comparisons between trading styles, consider the management fee that a manager applies to his customers' accounts.

Example #1

A hedge fund manager has a 25% return for clients for 2001. The 25% return (to the client) is after the hedge fund manager has taken a 25% performance fee from 33.3%.

The real return of the trading system is actually 33.3%.

Example #2

A hedge fund manager has a 100% return for clients for 2001. The 100% return (to the client) is after the hedge fund manager has taken a 25% performance fee from 133.3%.

The real return of the trading system is actually 133.3%.

When evaluating money managers to determine if they had a good year or if their approach is still valid, never overlook management fees. The managers and many examples TurtleTrader discusss are all after fees. To not take into account the fees a manager receives, distorts the true nature of the trading system.

A commodity trading advisor (CTA) is a money manager.

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Holy Grails:

Don't Blame Jack Grubman Blame Yourself

The following article recently appeared. Our comments are included:

Who is to blame when a stock drops? Or an entire sector implodes?
By Amy Feldman and Joan Caplin, MONEY Magazine

It wouldn't be fair to blame a single individual for such complicated events. But there are situations when one person's contribution is impossible to overlook.

TurtleTrader comment: If you have your life tied up in the opinion of some one man you are in trouble.

And Jack Grubman is such a person.

TurtleTrader comment: BS. If you bought or sold something it's your responsibility. Blame yourself and take responsibility.

You may recall that in the late 1990s, telecommunications stocks enjoyed a terrific run: New companies went public, old companies were recharged, growth was explosive. Demand for telecom capacity soared. No one -- no one -- warned that this demand was a mirage.

TurtleTrader comment: Who is supposed to warn you? Maybe we create a new branch of government to protect you from yourself?

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When the boom turned to bust, the investment dollars lost were extreme: Telecom companies large and small shed more than half a trillion dollars in market value in less than two years. Even if you hadn't bought telecom stocks directly, you were likely affected. Fidelity's domestic equity funds, for instance, had $25 billion riding on telecom at the end of 1999, according to Morningstar.

TurtleTrader comment: So Fidelity is not to blame for their dumb investments? They get a free ride from criticism?

Even investors in S&P 500 index funds

TurtleTrader comment: So investing in the S&P is some form of safety net? Does the author mean it is a risk free move?

indirectly owned Global Crossing, Qwest, WorldCom and 10 other telecom high fliers.

What's more, telecom's overexpansion and abrupt contraction had a ripple effect across the economy.

TurtleTrader comment: Brilliant statement. Thanks.

Sure, there were plenty of other catalysts for the business-led recession that followed -- from interest rates to world events. Nonetheless, we can't ignore the impact of the telecom blowup on the slowdown.

Now for Jack Grubman. As Salomon Smith Barney's telecom analyst, he was at the heart of the telecom debacle. At about $20 million a year, Grubman is Wall Street's highest-paid analyst ever -- and, until his recent fall from grace, he was the ultimate power broker in the telecom industry.

In the years leading up to the telecom boom, he forged a reputation for straight-shooting, penetrating analysis. He developed relationships with all the key players in the sector and had access to the best information. He had influence over companies and money managers and came to be seen as the validator of all that was going on in telecom.

If Jack said it was good, it had to be good.

Of course, it's impossible to lay the creation of the telecom bubble, its disastrous bursting and the billions of dollars in investment losses at the feet of any one man. As Grubman responds in a series of e-mails to MONEY, I don't recall any other telecom analyst standing up in the last year or two declaring the demise of the sector. But Grubman wasn't just any analyst. And given his distinctive role in the industry's rise and fall, it seems reasonable to ask: Is he the worst analyst ever?

Telecom madness

Salomon Smith Barney was in hog heaven as telecom dealmaking exploded, hitting a peak of $223 billion in 1999. Companies were able to raise seemingly limitless funds, often with scant concern for whether their businesses were actually viable. Telecom equity underwritings peaked in 2000 at $74 billion, while debt issuance topped out in 2001 at $116 billion. Grubman's firm raked in $1.8 billion in telecom fees in just four years.

In his e-mails, Grubman contends that he and his firm acted responsibly, rejecting many IPO deals they considered dubious. Our best calls were the things we turned down, he says. We never did Covad, Northpoint and a bunch of other names....We could have done the 360networks IPO, but I, and only I, turned it down.

Still, Grubman continued to champion the sector even after it began to plummet. In March 2001 he issued a 28-page report titled Grubman's State of the Union: Does He Ever Stop Talking? that proclaimed, Over the next 12 to 18 months, investors will look back at current prices of the leading players and wish that they had bought stock at these prices. Of the 10 companies he picked, five now trade below $1 a share. Three of those -- Global Crossing, McLeodUSA and Winstar Communications -- have filed for bankruptcy.

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The State of the Union last year sans stocks was actually quite insightful, Grubman argues. Look, we said over a year ago that there would be no mergers, there would be bankruptcies and that capital spending would plummet.

Yet you can't ignore the track record. An analysis done by MarketPerform.com for MONEY shows just how disastrously his picks fared: If you had acted on each of Grubman's buy recommendations since February 1999 and sold when he downgraded the stock, you would have suffered a 74.5 percent loss.

TurtleTrader comment: No one was forced to listen to this guy!

Global meltdown

No telecom company exemplifies the industry's dashed dreams -- and Grubman's role in them -- better than Global Crossing. Founded in 1997, it had grandiose plans to lay the fiber-optic pipes over which data would be sent worldwide. In 1998 Salomon Smith Barney helped take the firm public, jointly raising $397 million. Grubman's ties to the firm were tight. He advised it on a successful bid for Frontier Communications and an unsuccessful one for US West. From September 1998 through June 2001, Grubman issued at least 16 buy recommendations on the stock.

TurtleTrader comment: Grubman is no better or worse than any other analyst.

At first the stock soared, hitting a high of $61.38 in 1999. It traded at a sky-high 33 times sales, but Grubman wasn't worried. In early 2000, when the stock began to slip, he continued to tout it. In April 2001 he recommended it again, this time in a report titled Don't Panic: Emerging Telecom Model Is Still Valid. A month later, he reiterated his buy rating, calling Global Crossing one of the new breed and well funded.

Not quite. Last October, when the stock had collapsed to around $1 and the firm was on its fifth CEO in four years, Grubman finally cut his rating from buy to neutral. On Jan. 28, Global Crossing filed for bankruptcy, the fourth-largest Chapter 11 filing ever. In all, more than $55 billion in paper wealth had evaporated. The day after the bankruptcy filing, Grubman issued a terse note saying he had discontinued coverage of the stock. It was the Wall Street equivalent of a hit-and-run.

TurtleTrader comment: Anyone that held Global Crossing all the way down has no one to blame except themselves.

Grubman says that his record must be viewed in context: If you took the emerging telecom names in total from their peaks in March 2000 to today, there was a total of $230 billion or so of market cap loss. Do you know during that time Cisco lost almost $450 billion of market cap by itself? My point is, obviously we wish the stocks had done better. But fact is, twice as much money was lost by far more investors in one stock than in the totality of our emerging telecom universe. And our universe was appropriately labeled as being speculative. Did he learn anything from the experience? You learn that even good management teams and macro industry trends being favorable does not always translate into equity returns being positive.

TurtleTrader comment: There you have it: fundamental analysis is useless.

And what of the investors who poured money into the sector? Hopefully, investors learned that stocks have risk, especially start-ups in capital-intensive industries.

TurtleTrader comment: All stocks have risks. And from the beginning you must know how to handle that risk.

Paying the price

Every time my broker mentions Grubman, I shudder, Mike Thomas wrote on the Silicon Investor Web site last November. Thomas, a retired engineer and longtime client of Salomon Smith Barney, explains, Every time I'd call them, for the past two or three years, they'd say, 'Grubman likes WorldCom' or 'Grubman really likes Global Crossing.' As a result, he now owns a total of 600 shares of these duds.

TurtleTrader comment: Mike Thomas is to blame for his own purchases. No one held a gun to his head. He thought he could get rich without thinking. Now he can get poor without thinking.

On the Internet, investors are seething. A post on Yahoo! reads, Come on Jack, time to raise another trillion dollars for the telcos so that too can go to hell...the first trillion is just about gone. Tracy Pride Stoneman, an attorney who represents disgruntled investors, snipes that Grubman is the epitome of greed and conflict. He made millions while investors who relied on his opinions lost millions as a consequence of that reliance.

TurtleTrader comment: All of these investors would have kept their silence if the bubble had not burst? We don't defend Grubman, but where is the responsibility for one's own actions?

In February, two ex-Salomon Smith Barney brokers, who used to handle stock options for many WorldCom employees, filed an arbitration case against him and the firm. They insist it's not their fault that their disgruntled WorldCom clients lost a fortune when the stock plunged, but Grubman's, because of his bullish reports.

TurtleTrader comment: WorldCom employees are trying to blame someone else for their inept market knowledge?

A Salomon Smith Barney spokeswoman dismisses the claim as absurd.

Of course, investors must also accept their share of the blame. When we watch a television commercial for razor blades, we know they are putting the most positive spin on it they can, says Kent Womack, a professor of finance at Dartmouth, who studies analysts' conflicts of interest. When it comes to investment research, we need to be equally skeptical.

TurtleTrader comment: Read Ken's study here.

Still, we expect top-rate advice and stock picks from someone earning $20 million a year.

TurtleTrader comment: We do? Maybe brain dead authors at Money magazine do?

Surely, Grubman -- once famed as the industry's great seer -- should have warned that this epochal bubble was doomed to burst.

TurtleTrader comment: These authors' most ignorant statement yet.

In October, Grubman lost his crown as Institutional Investor's No. 1 wireline services analyst.

TurtleTrader comment: If Institutional Investor has a ranking system that once had Grubman #1, what does that say about their analysis? Notice how we are to assume Institutional Investor is supposedly something special?

The tone of his research reports -- once so cocky -- has grown more hesitant. And he no longer receives top billing on his firm's 7:30 a.m. conference calls. His voice volume is down, says a Salomon Smith Barney broker who has listened to these calls for years. You can hear it. His confidence has been shaken. So has ours.

TurtleTrader comment: We have the feeling these authors were kissing Grubman's ass two years ago and now that the wind has shifted, so have they. We don't defend Grubman, but take some responsibility for your own stupidity, greed and fear.

The Janitor’s Dream

In the existing sciences much of the emphasis over the past century or so has been on breaking systems down to find their underlying parts, then trying to analyze these parts in as much detail as possible . . . But just how these components act together to produce even some of the most obvious features of the overall behavior we see has in the past remained an almost complete mystery.

Stephen Wolfram

Download the Adobe .pdf report The Janitor's Dream: Why Listening to Individuals Can be Hazardous to Your Wealth.

Many of science’s triumphs over the past few centuries are rooted in Isaac Newton's principles. Newton's world is a mechanical one, where cause and effect are clear and systems follow universal laws. With sufficient understanding of a system's underlying components, we can predict precisely how the system will behave. Reductionism is the cornerstone of discovery in the Newtonian world, the basis for much of science's breathtaking advance in the 17th-19th centuries. As scientist John Holland explains, The idea is that you could understand the world, all of nature, by examining smaller and smaller pieces of it. When assembled, the small pieces would explain the whole. In many systems, reductionism works brilliantly. **But reductionism has its limits**. In systems that rely on complex interaction of many components, the whole system often has properties and characteristics that are distinct from the aggregation of the underlying components. Since the whole of the system emerges from the interaction of the components, we cannot understand the whole simply by looking at the parts. Reductionism fails.

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His point? It's all reflected in the **price**.

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The Mental Edge - Confidence

Originally all of our testing was done mechanically with pencil and graphs that [we] turned into Lotus spreadsheets. ...[still today] we use [this] extensively in a lot of our day to day work.

Tom Bozarth of John W. Henry

Most people are conditioned with a series of responses which they repeat over and over again, behaving in the same way to the same experiences. They choose to repeat both the experiences and their responses because then life becomes familiar and comfortable. They don't need to maintain a mental edge. On the contrary, they cruise through life on automatic pilot repeating their patterns. Many traders believe that markets behave the same way, repeating movements over and over again. These traders look for patterns, and fortunately for them, there are numerous tools they can use to take market data and massage it into various patterns mechanically, statistically or mathematically. If they are able to discern these patterns, does that make them successful traders? Most of them would probably say yes. However, your analysis of the market and its patterns of behavior is not your key to trading success.

Instead of looking for commonalities in the market, look for what every successful trader has in common. Every trader who has broken through to sustained success in the market has a common

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characteristic. **Confidence**. In other words, no matter how good you are at analyzing the market, if you don't have confidence, all you're really doing is repeatedly creating experiences for yourself to which you will respond with extreme frustration and anxiety.

How do you achieve confidence? You gather knowledge and practice discipline. The more you learn about the markets combined with your use of what you have learned, the more effective you become as a trader. Unlike most other people, you have a mental edge.The more effective you become, the less fearful you are. Confidence can be defined as a lack of fear. That's it. Lack of fear. When you are confident, you step out into the market win, fearlessly.

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Psychology:

Life Value and the Paradoxes of Risk

In an effort to remind traders of the hard work needed to trade right, we include the address below from **Charles Sanford**. It was given when he was Chairman of Bankers Trust:

From an early age, we are all conditioned by our families, our schools, and virtually every other shaping force in our society to avoid risk. To take risks is inadvisable; to play it safe is the counsel we are accustomed both to receiving and to passing on. In the conventional wisdom, risk is asymmetrical: It has only one side, the bad side. In my experience -- and all I presume to offer you today is the observations drawn on my own experience, which is hardly the wisdom of the ages -- in my experience, this conventional view of risk is shortsighted and often simply mistaken.

My first observation is that successful people understand that risk, properly conceived, is often highly productive rather than something to avoid. They appreciate that risk is an advantage to be used rather than a pitfall to be skirted. Such people understand that taking calculated risks is quite different from being rash.

This view of risk is not only unorthodox, it is paradoxical -- the first of several paradoxes that I'm going to present to you today. This one might be encapsulated as follows: Playing it safe is dangerous. Far more often than you would realize, the real risk in life turns out to be the refusal to take a risk. In other words, the truly most threatening dangers usually arise when you shrink from confronting what only appear to be the most threatening dangers. What is widely regarded as playing it safe turns out not to be safe at all.

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What I'm offering here is not a surefire, guaranteed formula for success. No such formula exists. It never will. If anyone ever tries to sell you one, keep your money in your pocket. For life, above all else, is a risk. I'm not trying to dispel that risk with a bottle of Charlie Sanford's Magic Elixir. I can only arm you with a little food for thought. I do have a few suggestions. You may not wish to follow them. But if you'll think about them, I'll consider our time together most productively spent.

We all know that modern civilization owes much to the ancient Greeks. As the 20th century draws to a close, it's difficult to single out a Greek thinker who speaks more directly to us than Heraclitus. All is flux, nothing stays still, said Heraclitus some 2,500 years ago. Nothing endures but change.

Most of us have come to believe that nothing endures but change, but its consequences still deserve some reflection. Obviously, if change is the fundamental rule of life, then resistance to change is folly -- doomed to defeat. Just as obviously, if change is our constant, then uncertainty is an inescapable part of our lives. Uncertainty is unavoidable. Life is unpredictable. The very essence of life is the unexpected and the unintended, the unanticipated turns that we may metaphorically ascribe to Fate or Destiny or Providence.

Therefore, unless we wish to be tossed about like so much flotsam on the waves of inescapable change, we must place ourselves squarely in the midst of change. We must learn to ride the current of change rather than to swim against it -- although people who haven't taken the trouble to learn how the world really works will think we're doing exactly the opposite.

In other words, risk is commonly thought of as going against the current, taking the hard way against high odds. In a world of constant change, however, a world where Heraclitus said we can never step into the same river twice, taking risks is accepting the flow of change and aligning ourselves with it. Remember the first paradox: Risk only looks like reckless endangerment. For those who understand reality, risk is actually the safest way to cope with a changing, uncertain world.

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To take a risk is indeed to plunge into circumstances we cannot absolutely control. But the fact is that the only circumstances in this life that we can absolutely control are so relatively few and so utterly trivial as hardly to be worth the effort. Besides, the absence of absolute control -- which is impossible in any case -- does not entail the absence of any control, or even significant control.

There, again, is the paradox: In a world of constant change, risk is actually a form of safety, because it accepts that world for what it is. Conventional safety is where the danger really lies, because it denies and resists the world.

I trust you understand that when I say risk is actually safety, I'm talking about a certain sort of risk. I'm not advising that you leap off tall buildings in the hope that the operation of constant change will reverse the law of gravity in mid-flight. I'm speaking rather of a sort of risk that actually aligns you with the direction of change.

To be more specific, I believe firmly that the sort of risks that put one in a position to control one's lot in a world of incessant change are the risks that attempt to add something of value to that world. To create value, to focus one's efforts on increasing the fund of that which is worthwhile, involves (as we shall see) a sort of risk. And yet, paradoxically, it provides you with the greatest control over a changing world and maximizes your chances to achieve a truly meaningful personal satisfaction.

Where Are the Customer's Yachts?

One of the reasons so few people actually trade their own accounts successfully has to do with the **wonderment principle**. The wonderment principle is simple. It happens the moment you think that David Faber on CNBC or your high priced broker in the $2000 suit actually knows more than you do. The moment you raise other people up and endow them with above average trading ability is the moment you are acting on wonderment principle. The wonderment principle guarantees that you will lose money because, instead of empowering yourself to learn about trading and then make your own decisions, you give the power of handling your own hard earned money to somebody else.

Considering how important money and having more of it is to most people, it’s interesting how pervasive the wonderment principle is. Its strength comes from people’s tendency to be lazy and to have low self esteem. Most people couldn’t conceive of offering their children over to someone else to raise 100% of the time, or their home over to someone else to design and decorate from top to bottom, or their purchase of a car to a mechanic. But when the wonderment principle kicks in, they are content to allow an expert to tell them what to do with their money.

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An Excerpt from Fred Schwed's Classic

What to Do when the Dam Bursts

If you are a customer receiving margin calls there are a number of things you can do, but none of them is good. Probably the best thing to do is to use the Natural-Instinctive method. This consists of picking up a telephone and telling the broker to go climb up a rope, or do anything else with a rope that his fancy dictates, but you won't send him any more money. This has some definite advantages, not the least of them being that it helps relieve the feelings. The broker will sell you out and will then mail you some odd change that is left over. Since this amount is too small to put back in the bank, you will probably do something really useful with it like putting linoleum on the kitchen floor. If the stocks that were sold out immediately start booming upwards again you can meet that difficulty by ceasing to read the financial page.

The second method is to get hold of some more money (Lord knows how but you always can), and send it in. This is known as the Finger-in-the-Dike method. It is a curious and terrible thing, but for some reason it is easier for a man to raise a thousand dollars for a margin call than it is for him to raise the price of supper if he is starving. This method often works, but it is also the method used by suicides.

The third method is surprisingly popular. This is the Head-in-the Sand method and is used by those many customers who have in them a strong dash of ostrich. As soon as they read in the paper that their stocks are down, they arrange not to hear about it officially. They refuse to answer telephones or accept telegrams, and in some cases actually make for the Maine woods. Just what they hope to gain by this procedure is problematic. What always happens is that the brokers sell them out as they do with those using method number one. However, the sell-out may come a little later, which means that instead of some small change remaining for the customer, the customer owes the broker the small change.

Sometimes, long afterwards, the ostrich type of customer sues the broker in court, claiming that he never received proper notice of the margin call. If at that time the customer was deeply enough hidden in the Maine woods he probably didn't get proper notice, at that. The customer can do all right in the lower courts, before a jury, because the only thing the average jury comprehends entirely in these cases is that they don't like brokers. But if any real amount of money is involved, the broker appeals the verdict, and a higher court, without a jury, tosses the customer out.

I once knew a professor of English literature who used to receive margin call telegrams which were sent collect. Not only would he put up the required margin but he would pay for the telegrams as well. While I have in general no useful advice on what to do about margin calls, I definitely feel that you ought not to pay telegram charges on them.

Where Are the Customer's Yachts?, Or, a Good Hard Look at Wall Street (Wiley Investment Classics) by Fred Schwed (originally published in 1940).

Know Yourself

Knowing yourself means understanding how you're likely to behave under various circumstances. A lot of people go through the world thinking they're somebody else. A. Alvarez, author of Poker: Bets, Bluffs, and Bad Beats, continues, Making friends with yourself means being able to recognize your own weaknesses–impulsiveness, impatience, greed, fear. But the greatest enemy of all is ego.

Over the past couple of decades, behavioral finance researchers have developed a clearer understanding of the psychological traps investors fall in. The best way for you to avoid these traps is to become aware of them, the forms they take, and which you are most likely to fall into.

Here are five common pitfalls:

- **Over-confidence.** Researchers have found that people consistently overrate their abilities, knowledge, and skill–especially in areas outside of their expertise. Investors must seek and weigh qualityfeedback and stay within their circle of competence.
- **Anchoring and adjusting.** In considering a decision, we often give disproportionate weight to the first information we receive, hence anchoring our subsequent thoughts. You can

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mitigate this risk by seeking information from a variety of sources and viewing various perspectives.

- **Improper framing.** The decisions of investors are affected by how a problem, or set of circumstances, is presented. Even the same problem framed in different, and objectively equal, ways can cause people to make different choices. Framing, too, plays a central role in assessing probabilities.
- **Irrational escalation of a commitment.** Investors tend to make choices that justify past decisions, even when circumstances change. To avoid this trap, investors should only consider future costs and benefits.
- **Confirmation trap.** Investors tend to seek out information that supports their existing point of view while avoiding information that contradicts their opinion. Psychologist Thane Pittman's slip of tongue sums it up: "I'll see it when I believe it."

You should also understand how you tend to react under stress. People with different personality profiles behave in dissimilar ways when stressed. Here again, self-awareness and some basic techniques to offset suboptimal behavior go a long way. Pearson declares, "A gambler's ace is his ability to think clearly under stress. That's very important, because, you see, fear is the basis of all mankind....That's life. Everything's mental in life."

Michael J. Mauboussin of Credit Suisse First Boston

Egocentric Tendencies for Traders to Avoid

The ego is a particularly strong component of the human mind so we are naturally prone to egocentric tendencies. All traders and investors should keep this weakness in mind since it can manifest itself in the following behaviors:

egocentric memory - the natural tendency to forget evidence and information which does not support our thinking and to remember evidence and information which does.

egocentric myopia - the natural tendency to think in absolute terms within an overly narrow point of view.

egocentric infallibility - the natural tendency to think that our beliefs are true because we believe them.

egocentric righteousness - the natural tendency to feel superior in the light of our confidence that we are in the possession of THE TRUTH.

egocentric hypocrisy - the natural tendency to ignore flagrant inconsistencies between what we profess to believe and the actual beliefs our behavior imply, or inconsistencies between the standards to which we hold ourselves and those to which we expect others to

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adhere.

egocentric oversimplification - the natural tendency to ignore real and important complexities in the world in favor of simplistic notions when consideration of those complexities would require us to modify our beliefs or values.

egocentric blindness - the natural tendency not to notice facts or evidence which contradict our favored beliefs or values.

egocentric immediacy - the natural tendency to over-generalize immediate feelings and experiences--so that when one event in our life is highly favorable or unfavorable, all of life seems favorable or unfavorable as well.

egocentric absurdity - the natural tendency to fail to notice thinking which has absurd consequences, when noticing them would force us to rethink our position.

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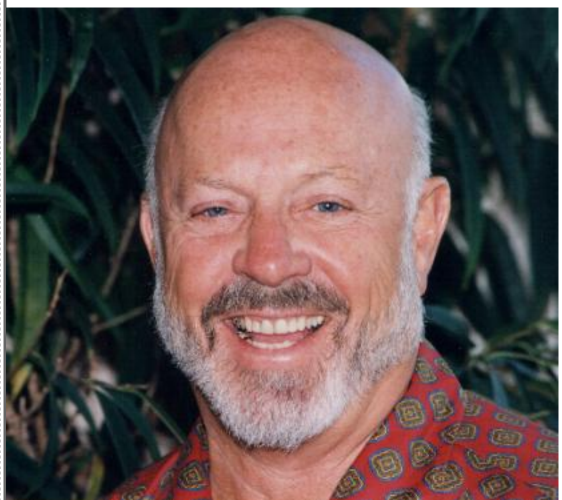
A Day in the Life at Dunn Capital



What's it like to work at Dunn Capital, one of the most successful money managers of all time? You'd be surprised. How many of you have been to the sleepy retirement community of Stuart, Florida? You mean Dunn Capital doesn't operate on Wall Street? Not even close. **Lesson? Location has little to do with success.**

Dunn's office is on a quiet street, located off a waterway, in the heart of a retirement village. You are 30 miles by highway from West Palm beach in a two story white building that is shared by an assortment of doctors and other small business owners. There is no receptionist to greet you when you enter Dunn's office. Your only recourse is to walk down a hallway to see if anyone is in. To say the least the atmosphere is casual and laid back. **Lesson? Pretentious environments and intense activity has little to do with success.**

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We decided that a backgrounder covering a day in the life at Dunn Capital would offer even more insight as to why people can be trained to trade correctly. Sometimes when you peel back all the hype and success it's easier to see that Bill Dunn is just another guy**. Lesson? Bill Dunn might be a very successful man, but success is a learned behavior.**

Background

Dunn Capital is run by a team that over the years has not exceeded a dozen people while at times managing over a $ billion dollars of capital. The firm launched in the mid 1970s still maintains only a handful of clients.

Bill Dunn, an ex-military academic, started trend following in the 1970's. While he developed his model with no input from others, his trading and style neatly match that of other well known trend followers such as John W. Henry and Rich Dennis (the father of the Turtles).

Dunn is most likely the truest trend follower in existence for a key reason. He trades the system full throttle. Dunn shoots for 100%+ returns. He is always geared for the home run. By shooting for big returns Dunn knows he can have drawdowns, so it's not surprising to see Dunn down 20% every 3 or 4 years. **Lesson? Trade your system. Period.**

Reinvest Profits

Bill Dunn has less than ten core clients. If you look back you will

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notice a curious situation at Dunn. Most hedge funds have additions and withdrawals of capital. These ins and outs of money flow are often not related to the trading itself. It's common for money managers to invest in hedge funds by adding and subtracting their investments at various times.

Dunn is different because he **compounds.** By maintaining few clients Dunn has developed a compounder's dream fund. He leaves his money on the table by reinvesting in the fund. As a result, Dunn's trading capital is not made up of recently added money, but rather his trading capital is the result of systematically reinvesting profits over a long time period. Instead of looking for a quick hit, Dunn keeps a good portion of their profits in the market.

By focusing on profits, Dunn only makes money when the fund makes money. He doesn't charge a management fee. With no management fee, there is no incentive to raise capital. The only incentive is to make money. If Dunn makes money he gets a portion of the profits. Lesson? **Compounding makes sense if you're serious about making money.**

Employees at Dunn?

There are only a dozen employees at Dunn. It doesn't take many people to run a billion dollar fund. In fact, most of the employees at Dunn Capital are accountants. Why accountants? The hardest thing to deal with in running a hedge fund is not the trading. The accounting issues and regulatory concerns occupy most employees. Trading is the easy part. For example, in Dunn's office, trades are

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entered only after an alarm goes off indicating a buy or sell signal. You will not find employees tied to screens watching the market at Dunn Capital. It's more like a sleepy law office, than a high powered trading firm.

Lesson? Trading success takes steely discipline. By starting off small Dunn and his people developed no bad habits and now many years later they control their destiny. Goals all traders should strive for.

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Upstairs/Downstairs

The following excerpt is from a live interchange between Tom Baldwin (written about in Jack Schwager's Market Wizards) and Peter Borish (former number 2 man for Paul Tudor Jones).

P=Peter Borish, T=Tom Baldwin, M=Moderator

Peter Borish: Price makes news, not the other way around. A market is going to go where a market is going to go. The floor can not exist without the people upstairs, the upstairs can't exist without the people downstairs. I must say that, in truth in advertising, I am Chairman of the Futures Industry Institute, but any day I would much rather trade through the floor, through an exchange. Forget clearing, forget settlement for a moment, in terms of simple execution, knowing that the price I'm going to get is going to be the best price. To this day, I'm still trying to figure out why it is so easy for me to buy the high and sell the low and not the other way around, but that is part of the business and I complain too. Don't get me wrong, maybe I complain louder than some other people, but I accept the wounds that take place with that. That happens, but the floor gives you the better price, you know where you are getting filled and you get it back. Those not trading large size for example, if you want to go through the foreign exchange market or the interbank market you will know what I am talking about. So, I am a big fan of the way

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things are structured on the floor, and the more size that I want to trade, yes it is going to cost me a little bit more in terms of slippage, but that is a part of doing business, right? I can trade one lot and then play the bid v. the offer, but I want to trade a 1000 lots then obviously why should I ask the person on the other side to give me the same risk when I want to trade a 1000 times larger, so I know what the cost of doing business is, but business is cheapest, most efficient and the best on the floor. The one other thing I should say is that Tom has all these business so he must have been pretty successful, so if I can be on the same side of his trade, rather than the other side, I'm probably in good shape.

Tom Baldwin: It's nice to hear some one like Peter be so conciliatory to someone who trades on the floor of the CBOT. I wish most people had the perspective he has, which I agree with. A lot of people don't understand floor trading. It is really a job of making a market. That job is to facilitate orders for managed futures and for people not speculating. But remember, the real basic reason for the business is hedging. That applies to people who don't really care where price goes, they are just interested in transferring their risk. A need to make a market for those people, that is the core of the business. As a trader on the floor, what happens when you start to trade bigger size you have to develop some sort of speculative strategy otherwise you would not be able to trade the size Peter trades. You need to change your style, you can not be blind to every order that comes in the pit. That's what I try to do and so I end up with a reputation of Baldwin is selling or Baldwin is buying. Making a market for T-bonds is my job. Everyday is different and you have to

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adapt your style.

Peter Borish: Tom, when you are down on the floor and you see all sorts of price activity taking place, for example tomorrow we know unemployment figures are coming out and the only thing we know for certain is there is going to be volatility after the number. Compare how you step up and provide that liquidity in the marketplace, somebody like me vs. what happens for the downstairs. Who makes the first more after a number comes out? Is it locals or somebody upstairs putting in an order to trade?

Tom Baldwin: With your example where the number is so important, it is usually a combination of both. Everybody knows what the effect of the number is going to be. So if it is way out of line, the people in the pit understand the market is going to go is the direction that it is out of line. The upstairs orders also come in at the same time. The object is to move the market as far as you can to a point where you buy or sell at that level, so there can be a two way trade. Nobody want's to be the face plate on the train. There is no point in it.

Peter Borish: (Sarcastically) But, it opens @ 97. It says in the daily range that it's from 97 to 98, how come after the number came out @ 97.04, I can't filled @ 97.06? I want to buy a lot there!

Tom Baldwin: The reason you can't is that is really not the market. At 7:29 am before the number comes out the market is at 'x' and then when the number comes out and its out of line, the actual market has a gap between where it eventually goes to and where it starts. And in between there is really nothing there because the market is now here. And most people are not accustomed to that jump and they are not

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aware that there is really nothing to trade there, unless it is by luck. i.e. there was resting order that happened to be there, doesn't happen often. So you would never get filled at those prices. It would be very easy if when the number came out and you said gee that's way out of line and it's really bullish and I want to be long 1000 bonds, well the rest of the world is not stupid either and they see its out of line so they decide not to sell now. When it rallies a point then I'm going to sell it. Because that is where the market should go to based on that number. It's like saying I wish I could buy 1000 bonds a point below market, but it's not the market.

Peter Borish: If I had a stop in the pit and it gets filled far away it's not like every single local in the pit happened to get a piece of that on the way up and as soon as I get filled it comes off 10 ticks?

Tom Baldwin: The nature of the game...

Peter Borish: ...is to win.

Tom Baldwin: That's right. What goes up must come down. Generally, as a market maker you trade with skepticism. Every body is tested on every order. Otherwise it would be too easy. No matter who it is, nobody is bigger than the market. Whatever they are going to do, you have to test a little bit. 10 ticks may not be too bad!

Peter Borish: Well...(both laughing) that's easy for you to say. If you know a period is going to be volatile, should I use straight stops because I might never get filled if I use a stop and a limit or should I use a limit order. Should I do the panicking or should I let my broker do the panicking? Myself, I like to panic!

Tom Baldwin: That is the key thing, it's emotional. The bond market, because of the liquidity and way it trades, if you are unemotional and you pick your right spots with timing you'll be able to execute your trades at better prices than if you are emotional about it. You would then save the kind of money you are talking about. I've always found that when I'm in a losing trade, I would like to get out but I know the liquidity isn't there, it's not offered, nobody want's to take the other side of the trade to let me out. So I need to pick my spot where I'm going to get out of my trade rather than just throw up my hands, I can't take it anymore and bid 4,5,6,7,8 and then throw up my hands and take my loss Every time I ever done that the market went my way then immediately went down the other way. I often found that by staying calm and getting out with resolve, continually buying it with patience, which is hard to do when you are losing money. Its not that this is easy.

Moderator: I'd like to quote Tom from an article, dealing with pain thresholds are very difficult, that's why the world developed systems. You try to develop a computerized system that doesn't have feelings and you don't have to deal with emotion. You can blame the system and make adjustments.' Peter, how do you feel about that?

Peter Borish: As a systems developer...(laughter, Peter's forte is system developing) and as a systems trader I think that works fine while you are developing a system, but the minute you put your own money into a system and you suffer a draw down. The fact of the matter is, you try to develop systems, but the real world is not a computer. i.e. your system may assume that if I had a stop at a certain price that I could have or I can get filled tomorrow on the unemployment date. You have to build into your system development those type of real world contingencies that take place because when you look back historically, you'll see a long large bar on that day and it will have a high and a low. Any system software out there will make the assumption you could have gotten filled there in the course of the day in that range. The technology is not there whereby you can replicate and build a perfect system. But it goes a long way toward eliminating emotion. I gave a talk last week, where I used the quote, I'm an economist, I'm trained not to have any emotion and most of the people at my office will remind me of that quote if I get a little emotional over a position. No, you can't eliminate emotion totally even from systems development. It may be more emotional to be a systems trader because Tom can actually do something about it. He can say, 'I don't like this, I am getting out of my position'. If you are a systems trader you have to sit there and take it.

Moderator: Are you saying a discretionary trader upstairs has an advantage?

Peter Borish: Compared to?

Moderator: A systematic trader upstairs.

Peter Borish: When things are going well, nothing beats a system because a discretionary trader will beat himself because he'll think it can't go this far, it can't go any further. A system forces you to make the hard trade and keeps you in the trade. What happen is of course when it ends, and its not a hard trade anymore, but the wrong trade. That's when the discretionary trader comes in. That's what makes a market. Sometimes a discretionary trader has an advantage, sometimes a local, and sometimes the systems trader has the advantage. And then there are those days when we all get killed.

Moderator: If you take two successful traders, as you both are, how would both distinguish between your skills and risk taking aptitude?

Peter Borish: Tom mentioned something earlier about luck. I think its much better to be lucky than good. And your best combination is to be both good and lucky. A lot of our skill sets are really much the same. A discipline to your approach, whether systematic, discretionary, or local approach and sticking with that approach. A discretionary trader gets in trouble when he tries to be a system because he got out of a trade too early, he says, 'I'm just going to hang on and follow this moving average'. And the system trader gets in trouble when he says, 'That's it, I know it is the top I'm going to get out here and override my system'. 'I know I shouldn't do it, but this time is right. And I'm sure the local trader will go through the same type of problem when he says, 'You know what the market is not really going up, its just running these stops that I sold into and I'm going to hold onto my short position,' and then all of a sudden you no longer are following your discipline.

Tom Baldwin: Systems trading is saying I can't control myself so I have to have a system. My emotional makeup is going to fall apart when it gets pushed to the x point. Therefore, if I have a system I'll be able to break through that barrier. I'm saying, you have to take responsibility and go through that barrier yourself. It is true that when you get to the wall it is all about yourself and it is an emotional thing, difficult for people to overcome, so they use systems as support. There are people, like me on the floor, who don't necessarily do that.

Moderator: But, your upstairs business is systematic right?

Tom Baldwin: Right, because it is easier.

Moderator: Expand on that?

Tom Baldwin: Remember upstairs, your job is to make money. Downstairs, your job is not to lose money. The job downstairs is to be a market maker. Trading not to lose from the floor point of view you are going to do what you have to do to not lose money. That's the goal. In doing that you end up making money because you are getting in positions that are the right way. If the initial trade is wrong and I lose money I don't, like a CTA, go well OK I'm short 900 and its 5 ticks against me, I'm going to buy my 900, count up my losses and start over. What I do from a floor point of view is trade the position. That might be buying 3000 @ what ever price I can get out, carry the market with me and sell it higher. You have a lot of gunpowder when you are wrong. You are going to make the market move, people who are wrong generally move markets. You don't have that kind of liquidity with that size. So, what's the point of me just getting out of my position. I might as well, if I'm going to buy 900, I might as well buy all I can, it's only going to be probably 1500 and in the process its going to move the market and then I'll make money on what I end up being long and then if I get reinforced by the rest of the world and they continue to buy it, well then I'll continue to buy it. And then it will keep going. So, what started out being a losing proposition, short

900 and 5 ticks against me, turns out to be a big winner. From the floor point of view, its what you do with the trade when you get it, how you make money. Versus being upstairs where you tend to be more analytical with money management principles and systems because its more difficult to move the market in ways that I do. Unless of course you are someone like Peter or another major CTA who has a big position and then they decide to get out and go the other way. There exists that opportunity, but they need to trade and trade fast if they are going to move the market. Generally though they are not that type of CTA. They are more long term with set goals and their own way of doing it. Their method works for them. My way is to take advantage of everything all the time.

Peter Borish: Being upstairs, it is a helluva lot easier to lose money than to make it. So, maybe I should go downstairs!

Tom Baldwin: I would say that it is just different really. What I'm talking about is a job, consistency, everyday. The same thing over and over again. 9 out of 10 days I'm going to have a consistent track record. I don't know how much money I'm going to make. I do not have goals for how much I want to make. I just take what the opportunity is there. Which is really dependent on the volume more than anything else.

Peter Borish: So you have to let me win every once in a while otherwise there would not be any volume, is that what keeps getting me to come back! You got to throw the dog a bone! (joking)

Tom Baldwin: Like you said before, the market is going to go where it is going to go. The market is never wrong. When you make the right trade its just a matter of timing. When you get in and when you get out will determine whether you make money. That's where your responsible for your trade and your price execution. All I'm doing is facilitating that opportunity for you.

Moderator: Can you effectively combine systematic and discretionary trading?

Peter Borish: That would be nirvana I suppose. In systems development most people concentrate on getting into the market. Entry is easy and exit is a whole lot harder. To combine the two would be combining the entry capabilities of system with the exit capabilities of good discretionary trader. That's really hard. It's very hard to hold onto a position when it goes against you. You hope when you have a loss that it will come back for you, but when you have a gain, you are scared to death that gain will turn into a loss. Exit is hard. If you could figure out a way to combine the two, then you would have the best of both worlds.

Moderator: Do people on the floor really look at numbers in depth like GDP, unemployment?

Tom Baldwin: You look at the number and get the perspective. You have your opinion too. But, if Goldman Sachs is coming at you with 5000 bonds and they want to sell them and in your opinion it is going to go up, why fight it? It does not pay to fight it. Timing is critical.

Moderator: How aware are each of you of the big players in the market?

Peter Borish: I never know who is on the other side. If Tom has a big position or not a big position, who knows? I trade because I believe a market is going to go somewhere or I'm in trouble. In general, if I knew he had been very successful I would not want to be on the other side. I have no clue on the day to day who is on the other side of a particular trade.

Tom Baldwin: I would take trade based on liquidity of the market right at that moment. That kind of size, you have to understand is not that frequent. Somebody coming in with a block order to sell a 1000 contracts is not that frequent. These are not many who will take the other side. However, collectively there could be liquidity there to take it. You don't ever know when you are in the pit [what's behind a large order]. The president of the United States could have been shot, you don't know. There could be a lot behind that first 1000 lot.

Peter Borish: (laughing) That's Hillary!

Moderator: Tom, talk about the floor's view of managed futures.

Tom Baldwin: I would say a lot of traders are still scared of managed futures. The power a major fund could have in a market such as soybeans is great. In the past, their type of trading in less liquid markets has been more about retail business where it was small orders generally, watch out for commercials, but they just wanted to make a market, buy sell and they did not have to employ any trading philosophies or techniques. The reason memberships were so expensive was because they made money just making a market without markets moving and having to really trade with the kind of technique we are talking about. So when managed futures came along those types of traders could not handle it. They were not able to.

There has been a lag time for floor traders to develop the ability to handle the larger traders and provide that kind of liquidity. The bond market is one of the first to do it. In other markets that is not the case.

Moderator: How do you see differences of OTC vs. floor in for example currencies.

Peter Borish: Separating the currencies for a moment. The general rule of thumb is that I want to trade in the market that is most liquid that provides me the best size for the lowest bid/offer spread. Most of the time in the world that will be futures markets. In addition, the fact that one is going in and out, you are much more invisible in futures markets versus cash markets, unless you have delivery lines in the cash markets, you are often forced to get in and out with the same person. I'll ask Tom, if you know that I bought 1000 contracts at 9711 and all of sudden its trading 9616 and I call you up on the phone what do you think I'm going to be doing?

Tom Baldwin: Liquidating.

Peter Borish: And, wouldn't you love to know that?

Tom Baldwin: I already do! (laughter)

Peter Borish: I know you do (laughing). But the average person on the floor doesn't [and there is that increased invisibility compared to cash]. The currency market is a matter of what came first, the chicken or the egg. In every other market the futures markets have developed and with that development of the futures markets has enabled the underlying growth of the cash market, narrow bid/offer spreads, and everything else. One thing I can say for certain, there are not that many kinds of soybeans, cows or what ever, but governments throughout the world are going to continue to issue debt and there will be the development of more debt futures markets and I believe any government that wants to see its capital structure grow needs to develop a full fledged futures market. The currencies are different because they came first. The banks were there and transactions were related. It is the only true 24 hour market. I would take the currencies and put them in a little different area. But, there is no question I'd rather be doing something in the futures markets because of it protection and its invisibility and liquidity in the pit.

Peter Borish: Tom, let me ask a silly question. The bond market can't balance the laws of supply and demand because we know there is always going to be additional supply in the bond market, right? Does anybody believe we will ever have a balanced budget in the US? Never mind Italy or some of the other countries. Should not bonds continue to go down forever?

Tom Baldwin: Well, I think its only based on the fact that somebody believes the United States government is going to pay it off. That is the integrity of the whole system. But, philosophically, I think you are accurate. And, if you look at it in a big scale, a global scale when you look at China, I think I read a statistic that we are going to have to provide 3 times the world's GNP in debt to develop just China. You would have to say interest rates should go up a lot higher. They are going to have to borrow a lot of money and then trust that somebody is going to pay it back. That is what scares me from a personal level.

Tom Baldwin: Floor traders, in the bond market specifically, a bear market in bond market is equivalent to a bull market in any other market. When the bond market declines, the volume increases dramatically, with the increase in volume, the opportunity is much greater. From the bid/ask point of view, to the market movement point of view, when you combine these two like we've had this year in the bond market for a floor trader, trading with the philosophy of making a market trade not to lose, you have phenomenal opportunity. From the CTA/CPO point of view, the major shortage in this business is qualified CTAs, CTAs that are traders. You have to look at it, we had a 26 point move in the bond market. How did you lose money? They all have systems. At what point why did you not sell it? What do you need?

Peter Borish: I had a long term system that was long since October 1987, OK! (laughing)

Tom Baldwin: That's a great point. Because the major short coming I see for CTAs and systems traders is an exit strategy. Everybody has initiation strategies but very few CTAs have developed strategies of exiting, trading around and out of their position, that I have seen. It's an obvious place to concentrate your efforts! My observations of this year in particular, more CTAs have been investors rather than pure traders, at least in the bond market.

Moderator: Tom, could you do what you did upstairs?

Tom Baldwin: It is difficult. I think so. I have developed a system with discretion. Where I concentrated has been on exit strategies. The industry is much more business like. You have to mange it like a business, with money management and risk management principles and trading techniques, otherwise people don't give you their money. The people that are going to give money to manage have different criteria as they are not, I have found, interested in 100% performance. They are interested in low volatility and steady consistent trading. I think that provides a lot more opportunity. It isn't like that the industry that is supplying the money is looking for the best performing CTA, because he is too scary, his volatility and risk look too high, where as the low volatility CTA who makes 15% a year they are in love with.

Moderator: If Tudor was looking to expand its traders, where would you look for talent? Would they come from dealing desks of banks floor?

Peter Borish: I'll beg to history, Paul Jones came from the floor. It depends on what type of trader you want to have. I believe that there are really very few traders out there. Most people are in the business because they like the reward of the business, which is money, but they do not want to do everything they need to do to become successful traders and be that system developers or discretionary traders and most people who think that if they are sitting on a desk and they are a market maker for a bank or they are a broker filing paper on the floor doesn't make them a trader. So, I think you have to scour the entire universe. The people I think who can make consistent amounts of money are the people that worry about protecting themselves, the upside will take care of itself, you have to play good defense. This is Chicago football under Mike Ditka. No turnovers, 3 yards, and a cloud of dust. That's the type of trader we want to have, not the trader who will have 1500 points in the S&P's and risk it all. If you want to that in my opinion, you are better off going to a casino.

Moderator: There is no one common characteristic to traders?

Peter Borish: No, we all look for that. We work really hard because we want to look for the Holy Grail of system that will enable us to go to beach everyday and make money, that's everybody's dream. Or you want to look for the perfect discretionary trader to give money to so you can go to the beach and make money. But, I don't think either one exists.

Peter Borish: As an economist, what makes this business so appealing for someone who is starting out, is that most businesses where there is a lot of money, the barrier to entry is high. In this business, the barrier to entry is relatively low and it is a very level playing field in the sense that if you have some creativity, imagination, discipline, or approach, you can enter and try that in the market and then there is no limit to your success and that is one of the beauties of this business.

Moderator: Tom, you have said you love to trade and would do this for a lot less money, do you really believe that?

Tom Baldwin: Yes I do. I never anticipated or dreamed or even knew it was possible to accomplish trading wise what I have accomplished. For me it was the love of trading that has taken me to where I am today. That was made possible by the US government and their debt, managed futures and the increase of volume. I could not have done it without all the other components being there. In the process of that happening, I've been able to make a lot of money. But the trading business is what I love, not the rewards. I could not tell you during the day whether I had made 200 or 300 hundred thousand or lost it. I could tell you that I thought I was up or down, but not specifics.

Moderator: Is that attitude the same for upstairs, Peter?

Peter Borish: (laughing) I know at 4:16 (NY time), the minute S&P's close and the settlement price clicks up, I have a pretty good idea. That's going to affect decisions because I am upstairs, I need to make portfolio decisions, I need to manage my risk and my volatility. I need to be aware of that. That's one of the big differences from trading for yourself, whether upstairs or downstairs, and customers. What Tom has basically said, is that customers suffer from money illusion. If I end 15% on the year, that's great, but the issue is if I was up 25% at one point, and ended up around 15%, it is a lot different that if I make 1% a month compounded. It is a different ball game.

Tom Baldwin: If you have the philosophy that I do, it enables you to do things you might not otherwise do. The bond market for example, provides a lot of opportunities, it does things that nobody would have dreamed it would do, with freedom you are able to take advantage of it because you are not stuck in the money part of it, you are into the trading of it and the enjoyment of trading versus the fear of the money.

Turtle Trend Following Works

Q. Is trend following obsolete because markets are different now?

A. Trends in financial markets have been strong for the last hundred years. But are markets different now? After researching the question at the National Agriculture Research Library in Maryland, TurtleTrader discovered that the number of trends in currencies, bonds, grains and stocks in the 1800's were approximately the same as the number today. Moreover, the trends have always been random and unpredictable. That's why the key to trend following will always be reaction to market movement not prediction.

Q. Why is Turtle trend following successful?

A. Trend following is a measure of market psychology. Trends, like epidemics, build in geometric progressions. Some people jump on the bandwagon; some get in early either by chance or luck; others get inside information about the fundamentals. Finally there is a critical mass that makes it possible for even more people to simply hear about the trend and get on board. If you design a strategy to take advantage of this basic human behavior, you can apply the psychology to a broad range of markets from cotton to currencies to stocks, and win. This is a key to Turtle trading.

To be successful in the trading game, find a sound strategy and then learn and understand the rules of your strategy. Most investors don't

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want to work that hard. They don't want to know how Turtle trading turns their mindless approach to trading upside down. It can be hard to change old ways or learn new methods, but it's worse to continue losing money with no strategy at all. However, if you learn how to Turtle trade, you will wonder why you ever listened to a broker's tip or watched Jim Cramer on CNBC.

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Is Your Time Horizon Based on Quarters? Big Mistake.

Jim DiMaria learned an important trading principle in the less lucrative arena of baseball statistics: The players who score the most runs are home run hitters, not those with consistent batting records. It's the same with trading, DiMaria says. Consistency is something to strive for, but it's not always optimal. Trading is a waiting game. You sit and wait and make a lot of money all at once. The profits tend to come in bunches. The secret is to go sideways between the home runs, not lose too much between them.

Jim DiMaria

Why is basing your time horizon on quarters such a big mistake? The preoccupation that so many people have with twelve month returns is not smart trading. Top traders could not care less about twelve month returns, so why should you? The prime objective of top traders worldwide is to make money.

Quarters do not predict: Top traders know that focusing on quarterly objectives has nothing to do with success since that would assume you can control how much you make. Does anyone believe they can control how much they make? Quarterly performance reporting is nothing more than another way to mislead yourself pretending you can predict the market or shoot for profit targets.

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Quarters are not real: They are artificial start and stop points. You are bombarded by references to quarterly performance numbers from almost every media outlet right? Most people focus on their portfolios from a quarterly perspective only. Why? Because the perspective may not be real, but it is easy, and most people prefer to go through life mindlessly. However, to properly evaluate any trading style a rolling 36 month window should be employed at a minimum. For example, say your trading system had little performance gain for the last 3 months of the year, but since the system is long term in nature, it explodes with profit in the first month of the new year. With quarterly reporting you would look at this system as having a bad fourth quarter and a good first quarter. How does this interpretation help you? It does not.

Ponder what Jim DiMaria said above. Home runs may not feel easy or safe, but what is your alternative? You can either trade aggressively putting yourself in position to get rich or you can give your money to a mutual fund and *buy and hope*. DiMaria is really talking about being trapped in the quarterly performance cycle spin. You can worry about meeting some artificial time objective or you can be a home run hitter and take what the market gives no matter when it arrives.

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No Predictions. Period.

We're not in the business of forecasting business cycles. Predicting trends is impossible. What we do is react to certain market signals and profit from following those trends.

TurtleTrader

After six years, we continue to be visited by confused traders who desire to predict the market. Here is a typical example of a confused individual:

How can one tell how the market is going to move? Fundamentals often turn out to be media hype or stale data. Prices fluctuate due to underlying economic activities that we only learn about in hindsight. I have lost all faith in buy-and-hold strategies, Gann lines, Stochastics, and the rest of the nonsense pontificated by the pundits. I know you guys talk about money management, and I agree it's vital. In short, what are there about trends that is even remotely predictable? There are so many variables, most of them hidden. Brokers who spend all day staring at computer screens, talking to companies, researching technical and fundamental data appear to have talent only in separating you from your money and building up their personal portfolio with commissions. If the Turtle program works, it's because it can predict the trend. Sure, the trend is your friend until the end, but how do you find a good trend to ride?

Our Answers

Q. How can one tell how the market is going to move?

A. One can't. Trend followers use technical indicators that are

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reactive. They respond to market moves. They do not predict them.

Q. I know you guys talk about money management, and I agree it's vital. But I still have no clue what I'll be getting if I buy the Turtle program.

A. Review all of the course components here and then you won't be clueless.

Q. In short, what is there about trends that is even remotely predictable?

A. Nothing. Turtles react, they don't predict. Turtle trading is an entirely different way to view the market.

Q. If the Turtle program works, it's because it can predict the trend?

A. Again, there is absolutely no prediction involved. None.

Q. Sure, the trend is your friend until the end, but how do you find a good trend to ride?

A. Finding a trend is all part of the system. But, even more important than finding a trend is having strong money management strategies in place.

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Volatility: Adapt and Adjust

Turtle trading adapts to different markets and different market conditions. The system is based on keeping things proportional to the market's volatility. This ability to adapt to changing volatility (the market's ups and downs) is built into the core of any successful trend follower's system.

During a volatile period, a good trend following system will dictate that you trade less contracts or shares. During periods of lower volatility, the system allows you to trade more contracts or shares. In other words, commitments are increased during favorable risk/reward periods and decreased during less favorable periods.

The main reason for volatility controls is for the psychological benefit. If you have too much volatility in any one position it attracts your attention. Your focus shifts to one particular position and you can lose sight of the big picture. By controlling volatility you always adjust risk exposure and keep yourself psychologically balanced.

Stock Tips & Volatility

Consider the volatility insight that accompanies a stock tip from a friend, CNBC, or your broker. Have you ever heard a stock tip that includes anything about the stock's volatility? Have you ever heard a market commentator tell you how much of a stock to actually buy? If

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you do not consider volatility daily you are one step closer to the blowout of all blowouts.

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Let Your Profits Run

You can't make money if you are not willing to lose. It's like breathing in, but not being willing to breathe out.

Anonymous

Trend followers know the trick of letting their profits run, an idea many people cannot grasp. Once you learn the basic fact that to maximize your profits you must be willing to give up some part of your accumulated profits, you are on your way to successful trading. For example, you start with $50,000. The market takes off and your account swells to $80,000. Many people would quickly pull their $30,000 profit off the table. Their misconception is that if they don't take those profits immediately, they will be gone. Refusing to give up a part of that accumulated income is their big mistake.

Trend followers understand the nature of the market. They realize that a $50,000 account may go to $80,000, back to $55,000, back up to $90,000, and from there, perhaps, all the way up to $200,000. See the mistake of taking accumulated income? Those people who took profits at $80,000 were not around to take the ride up to a $200,000 account. Let's say you're one of those people with a $30,000 gain in your account. You must be willing to let some of those profits go back to your original starting sum of $50,000. Instead of protecting your entire $30,000, you are more aggressive, knowing that if you take

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your entire profit, you will be forever in the back of the pack with average returns.

Letting your profits run is tough psychologically. It's counter-intuitive for most people. It feels risky. But, once you understand that in trying to protect every penny of your profit, you actually prevent yourself from making bigger profits, you have learned an important reason why Turtle traders are so successful.

Drawdown Recovery

Consider the following table:

Loss of capital (%)	Gain to recover (%)
5	5.3
10	11.1
15	17.6
20	25.0
25	33.3
30	42.9
35	53.8
40	66.7
45	81.8
50	100.0
55	122.0
60	150.0

Bear in mind that consecutive runs of losses are not merely possible, but will ultimately occur over time, given enough trades. However, when they do happen, this is the point when it is crucial to have a strong money management plan to keep you in the game.

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Risk Taking

When most people first start trading they often start small. As they get better at it, they trade more. They might start with one contract and then move to ten contracts. As time progresses, they reach a certain comfort level with their trading, but are still afraid to take risks beyond that level. As a result, they never trade at levels of 100 contracts or 1,000, so they never experience large profits.

There is a better way in which the object is to try to keep things in constant leverage terms. In other words, you trade the same as your equity increases. By using a Turtle trading approach to money management, you are never afraid of getting big. You are prepared, so you know what you will do in advance as your account grows. This is a key to the Turtle money management.

Mechanical Systems

Risk taking is essential to successful trading, as long as it is calculated risk. When you take a risk it is useful to have a mechanical trading system for several reasons: You **increase your diversification**, **reduce your work load** and **make your trading life easier**. Mechanical trading systems enable you to take a risk without getting personally involved. Although you might not be happy when you are going through a drawdown or taking a loss, at least you're not

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agonizing over your trading decisions on a day-to-day basis. It's the rare individual who can sit in front of a quote screen and make consistently good trading decisions day after day. Other components of your life will always impact your thinking generally and your trading decisions specifically, unless you rely on a mechanical system.

Turtle trend following trading is predicated on the fact that human beings are not psychologically equipped to interact profitably with markets. When money is involved, psychological pulls interfere with objectivity. As a result, human beings who have money on the line tend to take their losses too late and their profits too soon. The problem of taking profits too soon particularly affects traders. They often feel a strong desire to close out a profitable position when it starts to move against them. Mechanical systems overcome these psychological and emotional reactions.

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Niederhoffer Confuses Trend Following

[Victor Niederhoffer] looked at markets as a casino where people act as gamblers and where their behavior can be understood by studying gamblers. He regularly made small amounts of money trading on that theory. There was a flaw in his approach, however. If there is a...tide...he can be seriously hurt because he doesn't have a proper fail-safe mechanism.

George Soros

In statistical terms, I figure I have traded about 2 million contracts...with an average profit of $70 per contract. This average profit is approximately 700 standard deviations away from randomness, a departure that that would occur by chance alone about as frequently as the spare parts in an automotive salvage lot might spontaneously assemble themselves into a McDonald's restaurant.

Victor Niederhoffer

On Wednesday Niederhoffer told investors in three hedge funds he runs that their stakes had been 'wiped out' Monday by losses that culminated from three days of falling stock prices and big hits earlier this year in Thailand.

David Henry USA Today (October 30, 1997)

Sometime back we outlined insight into Vic Niederhoffer. Today he offers at MSN Money a critique of trend following:

http://moneycentral.msn.com/content/P22198.asp

Our Critique of Niederhoffer

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Why the Trend is Not Your Friend By Victor Niederhoffer and Laurel Kenner

TurtleTrader comment: Sure trends turn. The point is? Do you think trend following doesn't account for such? Trend followers don't follow crowds. They take advantage of crowds. And profit.

The stock market has been a trend-follower's dream for the last few weeks.

TurtleTrader comment: The last few weeks? Is that the time horizon one should have? A few weeks? Would that be a similar time horizon to the one used when you blew out and lost all?

On March 22, a close below 1,150 in the SP 500 futures set all the bearish indicators in motion. Confirmations of a downward trend through regression lines, moving averages, pivots, Bollinger bands, you name it, were triggered. Over the next 24 trading days, the market closed 10 times at 20-day lows.

Rule No. 1, carved in stone for all technical analysts, is that the trend is your friend. If ever there were a time that we could, along with the Cabot Market Letter, report the beauty of using a simple trend-following indicator that makes it virtually impossible to miss a major market move, this would surely be that time.

TurtleTrader comment: So now is different? This time is different? Why is that?

No wonder that 830 aspiring chart-readers, the most ever, registered for the Market Technicians Association's annual competency exams on April 26 in Jupiter Beach, Fla.

Granted that some users of trend following have achieved success. Doubtless their intelligence and insights are quite superior to our own. But it's at times like this,

TurtleTrader comment: What is unique about this time? Have markets now changed?

when everything seems to be coming up roses for the trend followers' theories and reputations, that it's worthwhile to step back and consider some fundamental questions:

- Is their central rule, The trend is your friend, valid?
- Might their reported results, good or bad, be best explained as due to chance?

But first, a warning: We do not believe in trend-following.

TurtleTrader comment: The existence of Ed Seykota and Bill Dunn are optical illusions? Better yet their 30 years of trend following results are **chance**?

We are not members of the Market Technicians Association, or the International Federation of Technical Analysts or the TurtleTrader Trend Followers Hall of Fame. In fact, we are on the enemies list of such organizations.

TurtleTrader comment: We are not your enemy. But your comments are off the wall.

These posts on the TurtleTrader site, which describes itself as the world's No. 1 source for trend-following, referring to an April 2001 interview with Vic in Technical Analysis of Stocks and Commodities are typical:

Niederhoffer says that trend following doesn't work, and is doomed to failure. Here's a guy who blew up his own trading account in a spectacular fashion, and he's knocking systematic trend following

Niederhoffer, like so many, ignores the bottom line success of trend following. To

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accept any of what Niederhoffer says is to ignore the existence of Bill Dunn, Jerry Parker, Richard Dennis, John W. Henry and all of the many Turtles.

But trends always turn

TurtleTrader comment: It's why trend followers make money. How could trend following win if it did not account for a trend turning?

Normally, after showing that all the evidence is against a theory, we would be content to end with a snappy conclusion to the effect of the trend is not your friend. Yet no fixed rule can be expected to last forever.

TurtleTrader comment: Trend following wins for it is flexible. It adapts to change.

Too many smart people are around to anticipate and dissipate the effect. Thus, the cycles are always changing,

TurtleTrader comment: A brick wall of understanding it appears!

as racetrack expert Robert Bacon first documented in his classic, Secrets of Professional Turf Betting.

Given that the evidence over the last 60 or 70 years is antithetical to the trend-followers on individual stocks -- and that recent evidence on trends in the averages is equally unfavorable -- is there any evidence that things are about to change?

TurtleTrader comment: We should expect the market to change into something that no one has ever seen before?

Looking at the performance of these stocks over the subsequent 16 months, through April 29, 2002, we found that the 20 best stocks of 2000 returned an average of -11%. Calpine (CPN, news, msgs), down 76%, PerkinElmer (PKI, news, msgs), down 76%, and Allergan (AGN, news, msgs), down 32%, were among the bests that stumbled. (The situation would have been even worse if such stocks as Enron, a stalwart member and top performer of the SP in 2000, had been included. Enron was delisted in November 2001, so we had to drop its bad results, which would have taken an additional 5 percentage points from the 20 best.)

TurtleTrader comment: It's sound like Victor is a long only guy? Enron was a great short. Those were great trading results.

Putting one consideration with another, however, there is no recent evidence of a regime shift.

TurtleTrader comment: Regime shift?

The weight of academic findings and practical results indicates that the tendency to mean reversion is intact. We conclude that evidence for all periods, all individual stocks, all averages and all new indexes that we might reasonably think of is against the trend-followers.

Our market shrink, Dr. Brett Steenbarger, whose work is often featured on MSN Money, frames the issue this way: Technical analysis is like an X-ray; it generates pictures of market conditions. Accurate diagnosis, however, must determine exactly how far conditions deviate from the norm and perform tests that cannot be conducted by radiology. For a trader to limit himself to technical analysis is like a physician limiting diagnosis and treatment to X-ray findings, he concludes. A picture may be worth a thousand words, but a positive finding on a blood test will never show up on the picture.

TurtleTrader comment: How can you take the above paragraph and determine what to buy along with when and how much? And then when do you sell?

The beginning of a month is always a good time for a trend to change, and that's when we like to buy individual stocks.

TurtleTrader comment: If this the tip of the day, how much of what do we buy? Will you call when it's time to sell?

In view of the recent negative trends,

TurtleTrader comment: What is a negative trend?

this seems like a particularly salutary time to participate in the 1.5 million percent-a-century juggernaut. We are very bullish for this year and the next, and we have been purchasing shares of companies that announce buybacks and biotech stocks with a preponderance of recent insider buying. Our buys in both groups are based on statistical studies that we have reported on in detail here over the past few months.

We will be pleased to send you our workout of the 20 companies in the SP 500 that were the worst in 2000, adjusted for survivorship bias. Please be free with your critiques and encomia, especially the latter, as we anticipate a deluge of vitriol from the trend-followers on this one.

TurtleTrader comment: No vitriol Vic. You just make no sense. We welcome feedback from readers on this beauty.

Feedback from Readers

All I can say is how many times has Niederhoffer gone belly up and had to beg his friends to pony up some cash for him to start trading again? I'm guessing you read his book...a lot of pseudo-intellectualism clouded with enough inane logic to make the less secure think they're reading something really deep because they can't seem to understand it...whereas the more intelligent in the crowd realize it's just drivel that can't be understood [for useful trading].

By the way, the last time I checked Vic Niederhoffer was not the lead investor in the Boston Red Sox new ownership group [John Henry is].

I was very interested in reading your reply to Vic Niederhoffer's article. Unfortunately you did not respond to any of the statistical support that he gave in his column. Have you tested his claims and found them to be untrue? Why did you not put the full article on your site? I am very interested in buying your course, but am somewhat concerned by his arguments. They seem to be well tested.

TurtleTrader comment: The full article is not on our site since the link is right there at the top of this page. The statistical work you heap praise on is hogwash. Niederhoffer doesn't have a clue as to what trend following is. He defines trend following as technical analysis. That's it. With that limited (and wrong) definition in hand he pulls out academic studies that refute what? The existence of Ed Seykota, Rich Dennis and Bill Dunn? We forgot. They were all just an offshoot of **chance**.

Feedback on Feedback Above

Statistical support? What statistical support? He statistically supported that 'prices tend to revert to the mean'. SO WHAT? That means trend following doesn't work? It's like saying 'you shouldn't buy a car because you'll have to keep refilling the tank with gasoline.' It has nothing to do with anything but it sounds good if you don't know better.

Holy Grails:

What The Wall St. Buffoons Are Saying

When we come back we will talk with the money managers. Those people that have to invest in this market whether they want to or not.

Bill Griffith, CNBC

Statement made day WCOM restates earnings (June 26, 2002).

Think about the nature of the above statement. Why would ANYONE invest when they don't want to? To have a mandate of being fully invested at all times is so entirely ridiculous your head can spin! And that leads us to a **wisdom-filled educational parody** that came across our desk today:

Vic the Shoeless Wonder?

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www.sovereignstrategist.com

Who says bear markets can't be fun? Not to mention educational. In keeping with our commitment to provide valuable investment information and our unspoken commitment to providing good wholesome entertainment, we thought we'd combine the two with a new series of articles highlighting some of the drivel found in the mainstream financial press.

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There's much to be learned by observing the habits of those who, shall we say, are less than ideally prone toward profitable investments. That's not to say that the folks in this week's installment fit that category. We'll leave it to the reader to draw his/her own conclusions from the data provided.

We used to gape in amazement at the incessant outpouring of bullish reports amid a major bear market, but now we find it just plain funny. Surely it must all be a joke because no one could seriously be bullish in a bear market. Well, except of course for Abby Joseph Cohen...

The following is an interview that never happened, but had it happened, we'd like to think it would have gone something like this. In fact, this is a parody, although the comments in italics are actual and true statements, taken from a 6/13 MSN Money column written by Victor Niederhoffer* and some lady whose name we don't quite remember. Rather than embarrass ourselves by misnaming or misspelling, we've generously provided you with the URL of the original article where you can read the full text for yourself: http://moneycentral.msn.com/content/p24708.asp.

Please note that we are guilty of taking 100% of Mr. Niederhoffer's comments totally out of context although we have altered none of them (save one or two words changed to keep things grammatically proper). In a bizarre twist of the time/space continuum, Mr. Niederhoffer's answers were given on the 13th of June while our questions were asked on the 26th of June. Indeed, this is one crazy market.

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TSS: Tell us Victor, what are some of your latest recommendations?

Vic: I bought **WorldCom, Charter Communications, Vitesse Semiconductor, i2 Technology, Citrix System, Sanmina-SCI**, and **Nvidia** on Monday for reasons that have less than usual to do with the scientific testing we like to do.

See Chart of Vic's Picks

TSS: And what, pray tell, might these reasons be? Sheer ignorance of basic trading principles? Masochism? Perhaps you just thought the names were really cool? We can't help but notice that these stocks are down an average of 32% in the less than two weeks since you first recommended them. What gives, Mr. Educated Speculator? It seems to us that any intelligent investor, upon simple perusal of a daily bar chart, would note the exceedingly obvious: these stocks are in vicious, unabated downtrends. We don't see any reason to buy them.

Vic: True, they're all Nasdaq 100 companies down 50% or more on the year with recent insider buying. We've found in the past that such companies perform slightly better than the 3- or 5-percentage-point advantage that insider buys show over insider sells.

TSS: In other words, you're saying that they're all losing stocks in sharp downtrends and in the universe of intelligent trading principles, you've decided to single out 'insider buying' as a good enough reason to take a position even though a simple perusal of the evidence will quickly demonstrate that insider buying is NOT a reliable indicator of future strength and it is DEFINITELY not a

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whole, complete nor viable trading strategy in and of itself. Is that right?

Vic: If you like everything tied up with string, with measures of uncertainty and full spreadsheet workouts, you're going to be disappointed.

TSS: In other words if we don't want to do the hard work of coming up with a viable investing methodology, if we want to trade on opinions, emotions, on vague and vapid concepts that have borne no fruit in the world of real-time investing and trading, if we want to lose a lot of money and blow out of the market in a very short time, if we want to follow the time-tested and proven road to bankruptcy that is bottom-picking, we should go ahead and buy these stocks cuz Uncle Vic says so?

Vic: No, what made me pull the trigger was the complete absence of hope about the market.

TSS: So in a world where people believe that stocks are not currently a good investment, where the market is skidding precipitously downward, you believe that it's time to step in and buy because somehow, mysteriously, all that selling is going to make your stocks go up? Sorry - we interrupted. Please proceed.

Vic: People everywhere saying that no stock is safe. That they're ready to throw in the towel, that investors have been betrayed, that executives can't be trusted, that they're greedy and shameful, that corporate financials can't be trusted, that U.S. stocks are in freefall, that foreigners are just beginning to sell U.S. stocks because the dollar is weaker.

TSS: Pardon us. We mistakenly assumed that your strategy was based only on insider buying. Your actual strategy runs a bit deeper. It sounds like what you're saying is that stocks are a buy when we're in a nasty bear market, when corporate data is being falsified and every other week another executive is indicted for what amounts to fraud, when foreign capital is pouring out of the country and the dollar, the unit of exchange upon which our markets and economy hinge, is in a vicious downtrend. This begs a more personal question: Do you also think it's a good idea to wait for the mayonnaise to go bad before eating it?

Vic: ...there (is) something even worse than that. For a long time, there has been one person, a friend of great competence and stature, a Rukeyser elf, an adviser to major foreign banks, who I relied on to buck me up when I was blue. He's always been a beacon of hope amid the shadows of fear and anxiety.

TSS: So then you're not really into this game to make money. What you're looking for is hope? Someone to buck you up when you're blue? I guess that explains why you chose to lose 32% in two weeks. All that getting blue should, I suppose, entitle you to some beaucoup bucking up. (At this point, Mr. Niederhoffer went off on a very long tangent about one of his favorite films. Much like in his book where he often went off on irrelevant tangents that had about as much to do with educated speculation as cantaloupe rinds have to do with riveting a tin roof to a wooden shack.) Enough about pod people Vic.

How about clueing us in on some of your other strategies?

Vic: Hitting a 40-day low point in the markets has led to an average rise of 1.5% the next day, over the past six years. Market pessimism provides the very basis for market optimism.

TSS: From where we're sitting, a quick glance of the S&P 500 charts shows that a 40-day low point leads to a helluva lot lower lows. In fact it looks like the last 40-day low has led to something on the order of a new 190-day low and losses in the double digits. Helluva lot to risk for a mere 1.5% gain, wouldn't you say? You say market pessimism provides the basis for market optimism. Hopefully, market losses provide the basis for market gains because if not, you're in a very deep pile of financial doo-doo.

Vic: The stocks I bought were an expression of my own refusal to give up, an expression of a spirit of hope and belief in the growth and resilience and goodness of business. But also a statement partly based on counting and tested stock market and insider behavior patterns. Even now, as I write, I'm not sure that these stocks will go up. But this much I know: I'll hold them until they go up or I need to pay the bills.

TSS: That's all very interesting, but what has it to do with making money in the stock market? What sense does it make to hold losing stocks? What sense does it make to buck a firmly entrenched downtrend? Why buy stocks in a bear market when the money in bear markets is made by selling? Are you in the market to express your hope and faith or to make money? Isn't church or synagogue the place to be expressing your faith and hope? How about the fellow who took the opposite side of your trades and is now 32% wealthier? I'd HOPE to be him and I have FAITH that fading your trades might very well turn out to be a profitable and tested stock market strategy. Oh and one more thing. Will you still be holding Worldcom when it goes completely bankrupt? And how will you pay your bills with worthless stock? And thus concluded our interview which never actually happened. Despite the fact that the interview never happened, there are nonetheless plenty of lessons to be gleaned from it:

1. We're a long way from the bottom as long as the financial commentators are still looking for the bottom. Especially financial commentators who by their own admission have lost fortunes.
2. Buying into a downtrend is like trying to catch a falling knife. Never buck the trend, unless of course you're planning to get a job as a commentator who wows his readers with stories of foolhardy disregard of basic trading principles. That job will come in handy if you plan to make a habit of tossing away 32% of your investment capital every two weeks.
3. The market doesn't care much about your hope, your principles or your tenacity. Only a fool or someone committed to financing the college tuition of the children of professional traders buys stocks as an expression of his emotional state. Professionals, consistent money-makers buy stocks when they are going up and sell them when they are going down. They trade for one reason and one reason ONLY: to make money. If you're trading stocks for ANY other reason, I assure you, you will have your head handed to you on a plate by REAL traders

who are eager to position themselves on the opposite side of your ignorance.

4. If you want to express your hope and belief, do it the American way: make yourself a fortune in the markets and drive your luxurious new Hope-mobile and live in a mansion on Belief Street.
5. NEVER make the mistake of thinking that insiders are any better at picking stocks than you are. Stocks are not companies and companies are not stocks. Just because someone knows his company intimately doesn't mean he knows jack squat about when to buy and sell stocks. Corporate executives corporately execute. Traders trade.

* On October 27, 1997, Victor Niederhoffer and his partners were unable to meet a $50 million margin call. Bankrupt. The event foreseen by a friend reading his forthcoming book, The Education of a Speculator, had come to pass. 'It's obvious that it's only a question of time until you go under,' Niederhoffer quoted with pride, scorn and false humility. -- From a review of Niederhoffer's Education of a Speculator, reviewed by R.A. Swan, Chief Investment Strategist, CT Investment Management Group.

Note: The TurtleTrader site will continue to offer a well-rounded slate of positive reinforcement articles along with critique articles. The combination of the two styles helps the learning process.

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Holy Grails:

Buffett Offers Tips

Warren Buffett is now offering stock tips:

OMAHA, Neb. (Reuters) - Warren Buffett, the billionaire investor, tipped two stocks he has been buying recently, and indicated that he would be interested in buying firms overseas if the chance came up. Buffett praised rating firm Moody's Corp. and tax preparer H&R Block at a media conference in Omaha, Nebraska, on Sunday, the day after the annual meeting of his insurance and investment firm Berkshire Hathaway Inc.. They are both very good franchises, said Buffett, who bought sizable minority stakes in both firms over the past year or so. They require little or no capital and earn good returns on capital employed. He added that both had good competitive advantages and little threat to their business, meeting some of the legendary investors' key criteria in buying stocks or companies. The stock recommendation is a rarity for Buffett, as he is currently pessimistic about good investing opportunities in the stock market.

Questions for Buffett:

1. How much of Moody's and H&R Block do we buy?
2. Do we hold it until we die?
3. When would we ever sell it?
4. Why now do you offer tips? A few months ago you stated: You

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> probably know that I don't make stock recommendations. However, I have three thoughts regarding your personal expenditures that can save you real money. I'm suggesting that you call on the services of three subsidiaries of Berkshire: GEICO, Borsheim's and Berkshire Hathaway Life Insurance Company of Nebraska (BHLN).

Our point? Tips are useless. Where is the money management? There is none. Buffett's tip is no different than any other talking head at CNBC.

Reality

Confronting reality – a prerequisite for trend following – requires you to know yourself. You must know what you really stand for.

Q. I have heard that Turtle trading results in many small losing trades and fewer big winning trades. The process is therefore very taxing psychologically. Is this true?

A. How is Turtle trading more taxing psychologically than being in the middle of a buy and hold strategy (which is essentially no plan) and down 60% (like the Nasdaq)? Turtle trading gives one a **plan** and an **understanding** where profits come from. It's not just built on 'hope', 'fear' and 'greed' or as we like the to say the three words that define investing for most market losers.

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Holy Grails:

Buffett Now Sells Derivatives

TurtleTrader comment: Buffett can be no clearer below. He thinks derivatives are junk:

Things are less lucrative in the stock market, Buffett said, sounding a familiar refrain. We have more money than ideas, he said, adding that 6% to 7% was a fair rate of return in the current environment. The company has more than $37 billion in cash to invest. One place the money certainly won't go is derivatives. There's no place with as much potential for phony numbers as derivatives, he said. Buffett's 78-year-old billionaire vice chairman, Charlie Munger, couldn't resist chiming in. To say that derivative accounting is a sewer is an insult to sewage.

Forbes, Davide Dukcevich

May 6, 2002

Berkshire Hathaway issues first ever-negative coupon security

TurtleTrader comment: Sixteen days later Buffett is quietly singing another tune. His press release:

Omaha, Nebraska May 22, 2002 Berkshire Hathaway Inc. (NYSE: BRK.A and BRK.B), announced today that it has sold $400 million of a new type of security, named SQUARZ, in a private placement to qualified institutional investors. The initial purchasers will have an option to purchase an additional $100 million of securities to cover over-allotment. The issuance was upsized from $250 million due to strong market demand. The SQUARZ security, which was created by sole

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underwriter Goldman, Sachs & Co., is a unit consisting primarily of a Berkshire senior note due in 2007 and a warrant to purchase Berkshire common stock at a premium. The new security is believed to be the first security to carry a negative coupon. The warrants will give the holder the right to purchase either shares of the Company's class A or class B common stock at the holder's option. The initial exercise price represents a 15% premium over the closing price of the class A shares on the NYSE on May 21, 2002. The Notes will pay holders a 3.0% interest rate per annum and holders will pay 3.75% installment payments per annum on the warrants. The warrant payments due from holders will be greater than the coupon on the senior notes, effectively making SQUARZ the first negative coupon security. Berkshire Hathaway will use the net proceeds from the issuance for general corporate purposes, including possible acquisitions, none of which are pending. Despite the lack of precedent, a negative coupon security seemed possible in the present interest rate environment, said Warren E. Buffett, Chairman of Berkshire Hathaway. Mr. Buffett added, I asked Goldman Sachs to create such an instrument and they responded promptly with the innovative security being announced today.

BERKSHIRE HATHAWAY INC. NEWS RELEASE

May 22, 2002

TurtleTrader comment: Buffett can create derivatives, but no one else? To the larger point though, Buffett seems to have been untruthful back on May 6, 2002. More from the Washington Post:

Wall Street shelled out upward of a half-billion dollars last week after Buffett came up with one of the craziest-sounding deals ever: If you will pay me for the privilege, he said, I will let you lend me money. The deal produced a lot of head-scratching on the business television networks, much mindless chatter on the Internet and a spate of stories about what a strange deal it was, especially for Buffett, who is legendary for his K.I.S.S. investment strategy, as in Keep It Simple, Stupid. Buying good companies whose business you understand and that are available at reasonable prices has long been the Buffett rule. Following that strategy, Buffett bought the Geico Corp. insurance company when its stock was a bargain and has long been the biggest outside shareholder in The Washington

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Post Co. There is nothing simple about these bonds, known by the name SQUARZ, which is protected by a trademark that Goldman, Sachs registered so no one else could use it. Goldman, never as talkative as most other Wall Street firms, is being so closemouthed about this deal that it has not even explained what the acronym means. Buffett didn't return calls seeking comment. Exactly what Buffett is up to is difficult to determine because the prospectus spelling out details of the deal has not been made public and few people on Wall Street have read it. A spokesman for a firm that manages $175 billion in assets said nobody there could explain it. Nor could two prominent specialists in convertible securities -- bonds that can be converted into stocks. But Wall Streeters say there are certain kinds of investors for whom the Buffett bonds could be an attractive investment -- even if they have to pay him money.

Jerry Knight

Washington Post

May 27, 2002

TurtleTrader comment: Quite clearly one of Wall Street's kings of keeping things simple has decided to go complex. We have been pointing out the hypocrisy of Buffett for years, maybe now that he is in the derivatives business some of his followers will at least pause in their hero worship -- we doubt it.

Note: The TurtleTrader site will continue to offer a well-rounded slate of positive reinforcement articles along with critique articles. The combination of the two styles helps the learning process.

Holy Grails:

Buffett is Dead Wrong

If you are not willing to own a stock for 10 years, do not even think about owning it for 10 minutes.

Warren Buffett

Buffett is dead wrong.

If you followed Buffett's wisdom, you never traded:

- Microsoft
- Oracle
- Sun
- Cisco
- AOL
- Any telco stock.
- Any bio-tech stock.

These stocks have been some of the biggest up and down trends in history. Huge profits have been made. Is Buffet's quote a rationalization of why he sat on the sidelines?

His comment speaks directly to the inability to use fundamentals effectively to trade in the unchartered territory of new companies. So while Microsoft soars to the moon, Buffett declares it's too new and

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he doesn't understand it. Trading Microsoft effectively did NOT require an understanding of their balance sheet or business model.

Buffett may have had tremendous successes, but don't let him delude you. More.

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Gartman on the Buffett Bubble

We have commented on Buffett's new bond issue. The Gartman Letter offers an even more blunt critique:

The more we ponder the circumstances surrounding the incredible less-than-zero interest rate convertible bond that Berkshire Hathaway is selling to institutional clients, we need to consider what sort of environment hatches such a preposterous entity. Clearly it is not a bearish environment; that is, clearly the psychology of those who are buying such a contraption must be overtly, long term bullish of equities for such an entity to be sold [in other words, Berkshire has sold debt with an annual negative interest rate of .75%...retaining the right to sell shares at a substantive premium to today's price!]. The enormous leap-of-faith required by buyers of this debt issue is stunning...more stunning even than the leap of hubris needed to sell it! We do not blame Mr. Buffett for trying (and apparently succeeding) in selling this thing to investors... even to institutional investors. It is his duty under capitalism's rules to try to gain every advantage that he can. However, while there is demand for this sort of blind man's bluff issuance, there is not an end in sight to the bear market. As long as optimism reigns, share prices will fall. Only when Buffet's Bubble Breaks Badly can we say with some sense of certitude that the bear market has ended. This, we fear, is some very long while away. CAVEAT EMPTOR, AD ABSURDEM!

The Gartman Letter

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Can Wall Street Analysts be Fooled?

I performed my analysis objectively and never felt pressure from any investment banker, Enron or any other employee at my firm. Inaccuracies in Enron's financial reporting affected my conclusions and recommendations.

Curtis Launer, Enron analyst for Credit Suisse

If you are going to testify as you testify today, you are asking us to intercede.

Senator Jim Bunning

Can Wall Street Analysts be Fooled? **You bet!**

Unfortunately, people tune in every day to watch CNBC players Mark Haines, David Faber, Maria Bartiromo and Joe Kernen. These reporters give Wall Street analysts prime TV coverage to air their predictions.

Why does CNBC give analysts airtime? Good question.

By now it's common knowledge that Enron used a fake trading floor to fool those same analysts who appear on CNBC:

According to former Enron employees, on the sixth floor of the company's downtown headquarters was a set, designed to trick analysts into believing business was booming. It was an elaborate Hollywood production that we went through every year when the analysts were going to be there to be impress them to make our stock go up, former employee Carol Elkin said. Elkin said that the phony trading room was staffed by her and other employees to resemble a real

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trading operation. They would build out the sixth floor of 1000 Smith in what I called a Hollywood set, Elkin said. They would build out a set with a big, 36-inch flat panel screens and the teleconference conference rooms. Elkin said that it was all an act, and that no trades were actually made there. The people on the phones were talking to each other. They would ask us to go alternately, in like hour shifts down to the sixth floor, Elkin said. And sit and pretend that we lived and worked there...it was absurd that we were doing this, Elkin said. But to me the most absurd part was that it worked.

Click2Houston.com

How can a media organization, such as CNBC purporting to deliver legitimate news, allow analysts airtime for any reason? If you listen to Wall Street advice from analysts, there's a good chance you'll end up looking as foolish as the analysts who visited Enron do.

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Motley Fool Article Critique

TurtleTrader comment: The following critique is a gentle reminder of the important role that actual thinking has in life.

As I promised in last week's column, today I'll share with you one of my less-than-finer moments in investing. I hope you'll find, as I do, that postmortem examinations of investing decisions often lead to new insights that are useful in making future decisions.

TurtleTrader comment: True statement.

As I noted last week, investors in small companies must be prepared to review company performance on at least a quarterly basis, and while we always buy with an intention of holding as long as the business is performing well, we need to be ready to sell if the situation dictates selling.

TurtleTrader comment: Got that? Buy and hold, but be ready to sell.

On to my first episode in small-cap investing: the story of how the perfect sell presented itself to me and how I ignored it. The stock market, patient though it sometimes can be, is not merciful forever. Eventually, it took back the money that it had let me think was mine.

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The perfect sell started with the perfect buy.

TurtleTrader comment: ?

Plantronics (NYSE: PLT), a fine little company that makes lightweight communication headsets, first appeared on the Foolish 8 list on August 24, 1998, at $18 per share (all historical share prices are adjusted for splits.)

Finally, the company had a large insider ownership, with more than 50% of the shares insider-owned, and Plantronics had been a consistent repurchaser of its own shares. In short, everything looked good. I watched the company for a while before making my first purchase in February of 1999 at $23 a share. At the time, I noticed that most of my colleagues had begun using headphones in order to carry on business conversations while simultaneously using their computers.

TurtleTrader comment: If your colleagues were eating Krispy Kreme donuts instead of wearing Platronics headphones...would that be a sell for Platronics and Krispy Kreme buy?

The perfect buy came towards the end of September 1999, when Plantronics announced that it wouldn't meet analyst projections for the quarter, and the stock sold off to the mid-teens on a split adjusted basis. After carefully analyzing the situation, I came to the conclusion that the problems were likely temporary, and that the stock, now selling at about 13 times earnings, was a bargain. I doubled down at $16 a share.

TurtleTrader comment: Can anyone replicate the process taken to make this entry? How much should be bought? It all sounds great though.

The next month, the company announced that earnings for the September quarter were up only 13.5%, but that it was accelerating its share buyback program. The balance sheet looked good, with inventories and accounts receivable under control, and still lots of cash. The December quarter brought another double-digit increase in earnings along with strong improvement on the balance sheet as measured by an improving Flow Ratio of 1.69. By the March quarter of 2000, Plantronics was hitting on all cylinders again. Sales were up 26% and earnings up 33% over the year before, and the Flow Ratio had improved to 1.57. By that time, the stock price -- at $20 -- had begun to improve.

TurtleTrader comment: Fundamental blather. What does all this have to do with the share price and when you buy or sell and how much you buy or sell?

It got better. On June 29, the company announced a three-for-one stock split, followed by strong earnings on July 18. The price raced up to over $100 before the split, and sold for $42 on the day of the earnings release (or $126 pre-split.) At that point, I had more than doubled my money.

TurtleTrader comment: At one point the Nasdaq was at 5100.

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- Tip Nonsense
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- Larry Williams
- Motley Fool(s)
- Ken Roberts

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The stock continued to blaze through August and September at around $50, helped by the buzz of Bluetooth. On September 15, amid rumors

TurtleTrader comment: To trade this way does one need a steady supply of rumors? Can you subscribe to that?

that Plantronics wasn't going to make its quarterly estimates, the company's press release deemed the September quarter to be on track.

TurtleTrader comment: How is press release reading quantified?

Sure enough, Plantronics announced outstanding earnings on October 17 -- or that's what it looked like on the surface, anyway. Sales were up 44% and EPS grew 39% from the previous year. The stock was now selling at $38 a share. In retrospect, the date of October 17 marks the first day of what would be about a 100-day window of opportunity

TurtleTrader comment: How do you determine this window?

that Mr. Market was giving me to take my winnings off the table. But, naturally, I paid Mr. Market no mind.

TurtleTrader comment: Stock goes from 50 to 38. The price was definitely telling you something.

As you can see, sales went up slightly, while both receivables and inventories grew big-time. The Flow Ratio, which I could have calculated with the balance sheet provided on the press release, had ballooned from 1.57 to 2.25. Preferring to bask in the glory of the income statement, I decided to hold on.

TurtleTrader comment: ...bask in glory of the income statement. We say often that the market is for one thing -- winning. You just revealed that you were not concerned about winning. You wanted to be smart. Everybody gets what they want...

On November 14, with the stock trading at $40 per share, Plantronics released its quarterly 10-Q filing. It would have been a five-minute exercise to print out the cash flow statement and take a little gander. I surely would have noticed that while the reported net income for the quarter was $20.7 million, cash flow from operations was only $6.5 million. And, even worse, of that $6.5 million, $5.8 million came from tax benefits from employee stock options. In other words, only $0.7 million of the operating cash flow was attributable to the business.

TurtleTrader comment: So all this talk was the sell signal? You forgot to read your sell signal in the 10-Q? This makes no sense.

At this point, I had benefited from the double dip of 1) increasing earnings and 2) an increasing multiple. The stock had almost tripled from my average purchase price. Clearly, Plantronics would have to keep executing perfectly to justify the stock price. The company had reached not only fair valuation but a significant over-valuation. Whereas the Price/Earnings ratio was about 14 when I last purchased the stock, and the historical multiple had been in the high teens, the stock was now changing hands at above 35 times earnings -- a very rich valuation.

TurtleTrader comment: So a P/E doubling is the missed sell signal?

This alone would have been reason enough to consider selling off at least some of the position.

TurtleTrader comment: You considered a sell? How do you do this exactly? What is your definition of some?

The combination of an overvalued stock and the ticking bomb that was evident from the balance sheet and cash flow statements should have had me running for the exits.

TurtleTrader comment: What if you exited here, but the stock kept going up? Your exit has nothing to do with the share price?

Mr. Market continued to give me every opportunity to do just that.

On January 16, Plantronics announced quarterly earnings for the December quarter, and once again reported record sales and income. The Flow Ratio was still at 2.13. The stock price stayed above $50, 250% above my cost, for most of January and February. A Plantronics investor would have had another three weeks to react. On February 12, the bad news came: The company issued an earnings warning for the upcoming quarter. Still, the stock price slowly drifted from $30 on down to the low 20s, where it remained until the next earnings warning on March 19, which knocked the stock for another loop down into the teens.

TurtleTrader comment: Down from 50 into the teens. Losers average losers?

In retrospect, the market gave me the perfect sell, and waved it in front of my face for almost four months. From October 17 until February 11, I could have sold my shares for anywhere from $38.75 to $54.50 each, which would have meant my investment would have doubled or tripled with an average holding period of a little over 18 months.

TurtleTrader comment: A 4-month long sell signal.

Unfortunately, I didn't sell, despite the presence of three classic warning signs:

1) excessive valuation of the business
2) inventories and receivables increasing much faster than sales
3) sudden drop off in operating cash flow

TurtleTrader comment: Bottom line: you did not sell because you had no plan. You had a plan (or hunch) to buy, but that was it. All of your balance sheet/income statement, etc. talk clearly shows the lack of connection between fundamentals and the share price.

That's it for today's episode from my small-cap investing X-files. I hope you'll come back for more next week.

TurtleTrader comment: Please don't stop your thinking, winners need a constant supply of losers in the great zero sum game of the markets.

Note: The TurtleTrader site will continue to offer a well-rounded slate of positive reinforcement articles along with critique articles. The combination of the two styles helps the learning process.

Why CNBC Exists

Scientists funded by Phillip Morris announce health benefits of smoking outweigh cancer risk...Hostess Corporation releases study showing regular cupcake intake speeds weight loss...American Dairy Association finds link between calcium deficiency and impotence.

Random Headlines

If you read any of those headlines in tomorrow's paper, would you believe them at first glance? Probably not. And why not? Because the sponsors providing the information are clearly biased. It's common sense: information should be taken with a grain of salt, especially if the source is selling something. So why do so many investors put blind faith in CNBC? Shouldn't there be consideration of a possibly tainted source here? The truth isn't hard to find - all you have to do is connect the dots.

Like most media and entertainment businesses, CNBC's bread and butter is advertising revenue. And when it comes to advertising, ratings are the engine that makes the choo-choo go. The larger the audience, the more valuable each minute of commercial airtime becomes. But who is the audience supposed to watch? They don't tune in for the commercials. **They want to see smart people saying smart things about the market.** They want to be stroked, informed and entertained by attractive hosts and guests. And since no one works for free, CNBC has to find these people and pay them some

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way or another (and not always in the form of money - free promotion works just as well). With this simple logic chain in place, we can see that CNBC is beholden to three groups (in descending order of importance): the advertisers, the audience, and the entertainment. Let's inspect each group for possible bias, and see where we end up.

To begin with, consider the advertisers. 95% of television advertisers will be trying to reach a general audience; television is simply not an efficient way to reach high net worth investors (or any other semi-exclusive group). The typical CNBC viewer is perhaps more sophisticated than, say, the typical viewer for WWF Smackdown on Fox, but the principle remains the same. CNBC's advertisers are aiming for that broad swath of the economy that has money but not much sense of what to do with it: the middle to upper-middle class. This cross section of Wall Street that deals with Joe Sixpack is mainly represented in four forms: brokerage firms, mutual funds, insurance companies, and financial planning firms.

What is the obvious connection among these four groups, besides their target market in suburbia? They all have a terminal case of LOD: Long Only Disease. These guys never go short. When stocks start going down instead of up, they don't switch their stance and ride the downtrend, they morph into value players instead. Their response to bear markets is to stick their fingers in their ears and chant long term as loudly as possible, as if the phrase itself were a form of cheap novocaine. Bear markets are no good for stockbrokers, because 95% of the investing public is not comfortable with shorting stocks. When stocks are down, customer activity is down, and when activity is down commissions are down.

Bear markets are no good for mutual funds either, because if you know stocks are dropping then it makes sense to pull out for a while, and mutual funds NEVER want you to pull out, ever. Because mutual funds are paid a fee based on assets under management, they don't care if they are making money for you or not, as long as they can keep your dollars 'til you die (is it any wonder 'buy and hold' is the one phrase every investor knows?). Insurance brokers and financial planners are not much more than stockbrokers and mutual funds in drag, so they are tarred with the same brush. Basic observation shows us that not only are the bulk of CNBC's advertisers financially averse to bear markets, their main strategy for dealing with bear markets is pretending that they don't exist! Or, if forced to admit the engine isn't firing right, they immediately start looking under every rock for signs of recovery and trumpet whatever they find, no matter how small. For CNBC's advertisers, 'bear' is not just a four letter word, it is one of the most profane words imaginable.

Now let's take a look at the audience. If someone is easily and consistently swayed by relentless optimism day in and day out, no matter how unfounded or downright idiotic the reasoning may be, then chances are good that they want to be swayed. The audience wants to be bullish because buying is all they know. Why be a party pooper when another party is coming just around the corner? An old Wall Street cliché says that if you are bullish and get it wrong, people will forgive you, but if you are bearish and get it wrong, they'll hate your guts. The saying has lasted because there is real truth in it. This skewed view of reality results in many optimists and very few pessimists, and why not? It's much safer to be an optimist. Pessimists are usually ridden out of town on a rail, and even when they get it right they are resented. This natural bias on the part of the audience, to punish pessimists but consistently let optimists off the hook, plays a significant role in the shaping of CNBC's commentary. Conveniently, the advertisers and the general audience are in perfect synch, allowing Joe Sixpack to always get what he wants, to hear about how things are looking up, even when they are not.

Last but not least, let us look at the entertainment: the attractive hosts and their well informed guests. A large portion of these guests are promoters connected to stock brokerages or mutual funds. The rest of them are mostly analysts, executives and other towers of the party line (with the occasional oddball thrown in for a token contrarian opinion, just to keep up appearances). The key point to understand is that they all have a free pass. If the CEO of XYZ Tech is going to come on television and give an informed (and super optimistic) opinion, he expects to be treated like royalty, and he expects to be guaranteed positive press exposure. And why not? Would you go on TV to have rotten tomatoes thrown at you? Neither would we. With stock brokerage commentators and mutual fund pundits, it's about keeping the advertising dollars flowing through soft promotion. With analysts and executives, it's about maintaining access for the sake of showmanship. If stupid comments were highlighted, bad predictions called to account, and poor performance called on the carpet, the word would get out very quickly and CNBC would become a ghost town overnight. Ron Insana and Maria Bartiromo would have to interview each other, because the game only works if everyone plays nice.

Ultimately, we have a recipe that virtually guarantees hope and hype on all sides: advertisers demanding a bullish slant, a stream of agenda laden talking heads to provide it, and an intentionally gullible audience rubber stamping it all. In the spirit of fair disclosure, perhaps CNBC should adopt Shiny Happy People as its theme song and change its name to TSSNBGNN: The Smiley Sunshine Nothing But Good News Network.

Feedback re: Buffett Article

In Patton my favorite scene is when U.S. General George S. Patton has just spent weeks studying the writing of his German adversary Field Marshall Erwin Rommel and is crushing him in an epic tank battle in Tunisia. Patton, sensing victory as he peers onto the battle field from his command post, growls, 'Rommel, you magnificent bastard. I read your book!'.

The Alchemy of Finance

Our recent Warren Buffett article caused one man to lose it (and not understand). He is a great example of a follower and ultimately a market loser:

Why not get some men back into your organization? Today's comments on Buffett are typical. Farmer: Gee whiskers and willikers, the sun certainly is good for crops, you may want to look into it. Little girls at Turtle: Oh, so HOW much sun should we use? What TIME of day should we use it? Get a f**king life, girls. Or do your own research. You want WB to tell you everything? What a bunch of a**holes. And, why would you even want to ask ANYone else how much you should buy, how long you should hold it, and when you should sell? What a crying bunch of investment newbies you girls are. Start thinking for yourself for a change.

Web Visitor

Here is the article that caused his ramblings. The writer above misses the point. Buffett is acting no different than any other stock tipster.

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Positive Feedback

I thought I would take the opportunity to say thanks for the course, the support and the site. Everything I have read (and continue reading), makes absolute sense to me. I am a dentist, who decided a few years back that there is more to life than dentistry. I started reading and studying about investment and speculation until I became completely absorbed by the whole field, to the extent that I hardly think about anything else. I was looking for a methodology of trading when I stumbled upon...the site. The moment I started reading, I knew that I had found my method. I have gone through the course...and I hope to start paper trading within the next couple of weeks. Thanks very much again.

Dr Alek M.

Retirement Plan Wake Up Call

I am currently an employee with the State of California and have the ability to start setting aside trading capital in a 457 plan with Charles Schwab at the rate of $1000 per month. I am considering purchasing the Turtle Trader course. My concern is that although the tax benefit is huge, I will not be able to do any short selling or trade anything that is not on a cash up front basis. For options trading I am restricted to writing covered calls and buying puts against long positions. Since the putting $1000 a month into a self directed retirement plan cuts my taxable income almost in half, it seems pretty great, but if the restrictions force me into a long-term buy and hold investment strategy...My basic question is this: Can I effectively trade the Turtle system with these restriction and if so, how much will I be hampered by not being able to short sell on a margin account. Would I be better off just paying the taxes and putting the money into a margin account with a discount broker?

Web Visitor

A tax benefit that severely restricts the way one can trade or make money is no benefit. This gentleman is right. The government, with their great benefit, is forcing a buy and hold strategy. He would be better off without this retirement plan.

Cramer's Troubles Could Get Worse

This excerpt of manipulation should not surprise. It is another reason to never trust fundamental analysis:

The transcript includes some eyebrow-raising anecdotes relating to Cramer's cozy relationship with CNBC television personalities Maria Bartiromo, David Faber and Mark Haines. Since leaving his hedge fund, Cramer has joined the network as co-host of the nightly CNBC yakfest, America Now. He also frequently cavorts with Haines and Faber on its morning show, Squawk Box. In some instances, according to the taped interview, Cramer would call the anchors with a possible news lead on a company after he had already established a position in that firm. Says the trader in the taped interview: Before he'd call Maria maybe we'd buy five or ten thousand shares of something. You know, the name that he was about to mention. He would position the firm so that when it did come out, it would be the positive or negative short or long, depending on, you know, what information he gave. The CNBC relationship allegedly worked both ways, with Cramer making trades based on information he gleaned from the on-air talent. One tale that came up during the trader's interview with assistant U.S. attorneys involved profit made on Salomon Inc. just before an announcement that the investment bank was being bought by Travelers Group in September 1997. The trader recalls Cramer saying, That's one for Faber. A CNBC spokeswoman denies any wrongdoing and says the network has not been contacted by any legal authorities and has no knowledge of any investigation into the network or its anchors' actions. CNBC has the highest journalistic standards in the business. David Faber, Maria Bartiromo and Mark Haines have the utmost integrity and any allegations otherwise are completely without merit, says Amy Zelvin.

Forbes

Kernen and Faber

Analysts are useless. But what choice does CNBC have? If they don't promote analysts, the house of cards they have built implodes. So

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
- Ken Roberts

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- White Paper Archive
- Paper Trading/Auditrack

they continue the charade:

Kernen: I haven't read a lot of it, but every company releases these. You can't read them all, right? You need to be pointed to something by someone who... That's why analysts...

Faber: It is hard.

Kernen: As much as we disparage analysts...

Faber: We need em.

Kernen: ...they need to cover their area. And they may not be good at buy and sell and they may hold stocks too long, which, believe me is easy to do... Like a whirl com, you got it at 40, at 20. Do you put the sell at 15 when it looks like it can't go over (unint.)? Is that when you pull the plug. Then it finally gets to six. In hindsight, it's easy to look back and say, What an idiot these analysts are!.

Faber: That's true.

Kernen: But it's... Try it some time.

Faber: And we do a lot. [More]

No Fundamentals. We Repeat.

The following individual is a good guy. He wants to help TurtleTrader better organize content and create new content. But his email exchanges prove he doesn't exactly get what Turtle trend following is:

I'm ready to execute. I'd like to get moving on a sector view. I think entertainment would be a good one because of the problems at Disney and the inconsistencies at Viacom, AOL/Time Warner and Newscorp. [Also] a stock to watch [feature].

Keep in mind, this a technical strategy. Fundamentals are poison. Inconsistencies at Disney or Viacom are not relevant. The only thing that matters is the 'price'. There is no prediction. There is no outlining ahead of time what will happen. Turtles never know a trend magnitude until it's over. In terms of stocks to watch, unless those watching know exactly the strategy to use, telling them to watch is akin to David Faber offering a pick. Telling them to watch without them knowing when to sell or how much to buy or sell is problem filled. Trend following is the absolute antithesis of all Wall Street represents.

After we countered his first response, he offered:

A perspective piece on a sector: for example, within media stocks the focus seems to be on Disney. But take a closer look and the price of other media stocks are rising. Example, Clear Channel is up five percent over the past week. This article

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could look at stocks that have moved significantly and analyze only pricing history, current conditions in its market sector and management issues. This would provide meaningful information to experienced Turtles without feeding them Wall Street bullshit. It would attract potential Turtles by introducing a new way to look at stock pricing, not performance...Stock to Watch: Example: Nortel is still in a down pricing trend. Bad news from competitors like Lucent could continue to affect adversely.

Even when we explain no fundamentals, for some, it just doesn't register.

Note: The TurtleTrader™ site will continue to offer a well-rounded slate of positive reinforcement articles along with critique articles. The combination of the two styles helps the learning process (Negative?).

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- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
- Ken Roberts

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Holy Grails:

Glassman Wrong Again

We have continually commented on James Glassman of The Washington Post. He is famous for his Dow 36000 book bomb:

Read link #1

Read link #2

TurtleTrader comments below are in red.

Watch Profits Repeat Themselves

By James K. Glassman

Sunday, June 9, 2002

When you own a stock, you become a partner in a business. And the most important characteristic of a business -- a good one, anyway -- is that it grows. Over time its revenue and profits rise, and your stock becomes worth a lot more.

TurtleTrader comment: Your only objective is to win and make money. You should care about the price alone. Price is the measure of whether you have success, not some partner nonsense.

The prospect of strong growth isn't the only reason to buy a stock, but it's way ahead of whatever is in second place. The reason is simple math: the exponential power of compounding profits on profits.

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TurtleTrader comment: Did you see that he assumes stocks go up only? What's the technique? Buy and hold!

How can investors know today that a company will grow at a double-digit rate far into the future? They can't, but they can make a guess based on the most powerful resource at hand: history.

TurtleTrader comment: So how did this history plan work in the bubble?

As a result, investors are willing and eager to pay a premium for a stock whose past is informed by growth -- especially by what I call the Beautiful Line, which displays consistent, powerful increases in profits. Here's an example of such a line: $.03, .04, .06, .08, .11, .15, .21, .28, .37, .51, .68.

That progression shows the earnings per share of stock in Paychex Inc. from 1991 to 2001. Like clockwork, Paychex, a fabulous company that provides payroll-accounting services to 350,000 small-to-mid-size businesses, has boosted its profits -- to the delight of shareholders.

Now, look at this Beautiful Line: $.09, .22, .40, .52, .69, .78, .87, .93, .87, 1.01, 1.18, 1.47.

The company? Enron Corp., 1989-2000. You'll notice a slight imperfection in 1997 but a quick recovery. It's a gorgeous piece of earnings growth (average annual rate: 29 percent!), but, unfortunately, it wasn't a truthful picture of the company's condition. From a $1.47 profit per share, Enron went straight to bankruptcy.

TurtleTrader comment: It works for Paychex, but not Enron. He tells the reader what his strategy is, but then admits a few paragraphs later it doesn't work all the time.

Here's the problem with the Beautiful Line. In real life, most companies don't produce earnings that rise, year after year, by 10 percent or 20 percent. There are good years and bad years. Recently, I asked a successful entrepreneur if his companies' profits increased consistently. He looked at me as if I were nuts. Of course not! he said. The economy slows. Bad decisions are made. Products fail. Competition pops up. The nature of business is trial and error, uncertainty, risk-taking.

TurtleTrader comment: This appears to be an admission of fundamentals not connecting directly to share prices.

The Beautiful Line can't continue forever. But investors believe in it, and managers, like those at Enron, often nurture the fantasy. In their new book, The Value Reporting Revolution, Robert G. Eccles and three colleagues at PricewaterhouseCoopers write that the first rule of what they call the Earnings Game is: Deliver a track record of consistent earnings growth. In most cases in real life that simply can't be done, so earnings are managed to look beautiful.

Now, as a result of the Enron collapse, the Beautiful Line has become suspect. In a fascinating article, Dodging Bullets, in a newsletter for clients, T. Rowe Price Associates Inc. described why, unlike many large mutual firms, it resisted investing in Enron stock. Charles Ober, Price's veteran energy analyst, who followed Enron for 20 years, did not like what he was seeing: the line was too beautiful. One of the things that always strikes me when I look at a company is if there is a 'too good to be true' aspect to it, he said. And there were a lot of red flags with Enron. Earnings just grew and grew -- a strange phenomenon in the energy industry, where supply and demand imbalances are common.

Now look at this earnings progression: $.42, .51, .58, .65, .73, .83, .93, 1.07, 1.29, 1.41.

That is General Electric Co., 1992 to 2001, and some skeptics say that this line, as well, is just too beautiful. In March, Bill Gross of Pimco, who is widely regarded as the best bond-portfolio manager in the business, announced that his firm would no longer hold GE's short-term commercial paper (that is, debt).

Nor do I think [former chief executive] Jack Welch and his successor, Jeffrey Immelt, have been totally forthcoming in the explanation for why GE has been able to grow earnings at nearly 15 percent per year for the last several decades, he said. GE grows earnings not so much by the brilliance of management or the diversity of their operations . . . but through the acquisition of companies using high-powered, high P/E multiple GE stock or cheap...commercial paper.

This gets a bit technical, but Gross's point is that GE maintains its Beautiful Line not through the normal course of business but by buying other companies -- more than 100 in each of the past five years -- using methods that may not be stable in the future. Partly as a result of these accusations, GE stock fell by one-fourth between March and May, and its P/E dropped to 21, compared with more than 40 in 2000. Similar charges, but with more forceful evidence, were leveled against another conglomerate with a Beautiful Line, Tyco International Ltd., whose stock promptly dropped by two-thirds, with its P/E falling from 20 to 8.

TurtleTrader comment: GE seems to be a good example of the Beautiful Line theory falling apart. So now what?

So, good advice in these times of intense scrutiny of accounting policies is: Beware the Beautiful Line. Keep searching, but when you see one, look closely to be sure it's justified. I continue to own GE, whose earnings and dividends have risen for 26 years in a row, but I admit that it is such a complicated and vast corporation that it is nearly impossible for me to tell whether shenanigans are going on. My belief, based on the conduct of management, is that GE is trustworthy, but the brutal truth is that outsiders can never be absolutely sure companies aren't managing and manipulating their financial statements.

TurtleTrader comment: Glassman's investing theory appears to be based on how he feels.

At the end of the day, said Laurie Bertner, one of the T. Rowe Price analysts who looked at Enron, it comes down to trust in management, and I thought the [Enron] management was arrogant, rude and unwilling to explain their business.

TurtleTrader comment: Bill Gates is arrogant, but does quite well. We don't follow how arrogant management means the company will soon fall apart. Why not just watch the price of the stock instead?

Also remember that many companies deserve their Beautiful Lines. One example is AutoZone Inc., the nation's largest auto-parts retailer, which for the past decade has increased profits year after year at an average of 26 percent. Others are Johnson & Johnson, the diversified health-care company, and SunGard Data Systems Inc., which provides software to investment firms, including Nasdaq. But these stocks aren't cheap: AutoZone has a P/E of 38; J&J, 32; SunGard, 31.

More reasonably priced are Beautiful Line financial stocks such as Fannie Mae, the mortgage-finance giant, with a P/E of just 13, and BB&T Corp., a North Carolina-based bank, with a P/E of 17.

Some investors worry that, because profits now seem more difficult to earn, the days of the Beautiful Line may be over. It's true that many such lines have lately been interrupted, including those of Emerson Electric Co., Genuine Parts Co. and Tootsie Roll Industries Inc. In a recent issue, Dow Theory Forecasts admitted that growth stocks in short supply. Still, about 600 of the 1,500 largest U.S. companies boosted their profits by more than 10 percent in the most recent quarter, and the newsletter lists nine stocks that have increased earnings at double-digit rates for each of the past three years and are expected to continue that pace for 2002. Among them: Anheuser-Busch Cos., beer; Lincare Holdings Inc., respiratory therapy; Biomet Orthopedics Inc.; Electronic Data Systems Corp., tech services; and Cardinal Health Inc., pharmaceutical distribution.

Never heard of Cardinal? Look at this: $.10, .15, .19, .24, .30, .36, .47, .60, .73, .90, 1.13, 1.37, 1.71, 2.07. Fourteen straight years of earnings growth of at least 20 percent annually.

The Beautiful Line lives. Just beware of being blinded by the pulchritude.

TurtleTrader comment: As long as major papers read by millions give space to writers such as Glassman we will continue to point out the sheer lunacy of the ramblings no matter how redundant we sound.

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Multilingual in 11 Languages

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6. .au (Australia)
7. .at (Austria)
8. .az (Azerbaidjan)
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12. .by (Belarus)
13. .be (Belgium)
14. .bm (Bermuda)
15. .bo (Bolivia)
16. .ba (Bosnia and Herzegovina)
17. .bw (Botswana)
18. .br (Brazil)
19. .bn (Brunei)
20. .bg (Bulgaria)
21. .ca (Canada)
22. .ky (Cayman Islands)
23. .cl (Chile)
24. .cn (China)
25. .co (Colombia)
26. .cr (Costa Rica)
27. .hr (Croatia)
28. .cu (Cuba)
29. .cy (Cyprus)
30. .cz (Czech Republic)
31. .dk (Denmark)
32. .dm (Dominica)
33. .do (Dominican Republic)
34. .ec (Ecuador)
35. .eg (Egypt)
36. .sv (El Salvador)
37. .ee (Estonia)
38. .et (Ethiopia)
39. .fo (Faroe Islands)

40. .fj (Fiji)
41. .fi (Finland)
42. .su (Former USSR)
43. .fr (France)
44. .ge (Georgia)
45. .de (Germany)
46. .gh (Ghana)
47. .gi (Gibraltar)
48. .gr (Greece)
49. .gu (Guam)
50. .gt (Guatemala)
51. .hn (Honduras)
52. .hk (Hong Kong)
53. .hu (Hungary)
54. .is (Iceland)
55. .in (India)
56. .id (Indonesia)
57. .ir (Iran)
58. .ie (Ireland)
59. .il (Israel)
60. .it (Italy)
61. .jm (Jamaica)
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66. .kw (Kuwait)
67. .lv (Latvia)

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- Breakout Hype
- Tip Nonsense
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69. .li (Liechtenstein)
70. .lt (Lithuania)
71. .lu (Luxembourg)
72. .mo (Macau)
73. .mk (Macedonia)
74. .my (Malaysia)
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81. .mn (Mongolia)
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83. .mz (Mozambique)
84. .na (Namibia)
85. .np (Nepal)
86. .nl (Netherlands)
87. .nc (New Caledonia)
88. .nz (New Zealand)
89. .ni (Nicaragua)
90. .ng (Nigeria)
91. .nu (Niue)
92. .no (Norway)
93. .om (Oman)
94. .pk (Pakistan)
95. .pa (Panama)

96. .pg (Papua New Guinea)
97. .pe (Peru)
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101. .pt (Portugal)
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106. .sm (San Marino)
107. .sg (Singapore)
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109. .si (Slovenia)
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113. .lk (Sri Lanka)
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115. .ch (Switzerland)
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117. .th (Thailand)
118. .tt (Trinidad and Tobago)
119. .tn (Tunisia)
120. .tr (Turkey)
121. .tc (Turks and Caicos Islands)
122. .ua (Ukraine)
123. .ae (United Arab Emirates)

124. .uk (United Kingdom)
125. .uy (Uruguay)
126. .vu (Vanuatu)
127. .ve (Venezuela)
128. .vi (Virgin Islands)
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130. .yu (Yugoslavia)
131. .zm (Zambia)
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Here is a sample of educational domain names that visit TurtleTrader. Below each school name you will find a .edu name that TurtleTrader servers pulled from log files. You can double check these domains at Network Solutions' WHOIS domain name lookup query.

US Universities:

- The Wharton School of the University of Pennsylvania
  wharton.upenn.edu
- Yale School of Management
  som.yale.edu
- Emory University
  emory.com
- Oregon University System
  ous.edu
- New York University
  nyu.edu
- Massachusetts Institute of Technology
  mit.edu
- California State University, Fullerton
  fullerton.edu
- Virginia Commonwealth University
  vcu.edu

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- Bill Dunn
- Richard Donchian
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- Soros & Zero-Sum
- Jack Schwager

- Northwestern University

  nwu.edu
- Amherst College

  amherst.edu
- University of Massachusetts Amherst

  umass.edu
- Boston University

  bu.edu
- Pace University

  pace.edu
- California Institute of Technology

  caltech.edu
- Dartmouth College

  dartmouth.edu
- University of Hawaii

  hawaii.edu
- Harvard University

  harvard.edu
- Fairleigh Dickinson University

  fdu.edu
- Duke University

  duke.edu

Australian Universities

- The University of Melbourne

  unimelb.edu.au
- Murdoch University

murdoch.edu.au

- Monash University

  monash.edu.au
- Australian Catholic University

  acu.edu.au
- University of Canberra

  canberra.edu.au
- University of Sydney

  usyd.edu.au
- Queensland University of Technology

  qut.edu.au
- University of Adelaide

  adelaide.edu.au
- Griffith University

  gu.edu.au
- The University of New South Wales - Sydney

  unsw.edu.au
- Australian National University

  anu.edu.au
- University of South Australia

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Visitors originating at the domain names below have surfed the TurtleTrader web site. Below each firm name you will find a .com name that TurtleTrader servers pulled from log files. **This page is not an endorsment**.

Hedge funds that surf TurtleTrader:

- **Campbell & Co.** (run by Keith Campbell)
  campbell.com
- **Chesapeake Capital Corporation** (run by Jerry Parker)
  chesapke.com
- **Citadel Investment Group** (run by Kenneth Griffin)
  citinv.com
  Disclaimer for Kenneth Griffin
- **Computer Trading Corp.** (run by Peter Borish)
  ctc-fund.com
- **Rabar Market Research, Inc.** (run by Paul Rabar)
  rabar.com
- **Trout Trading Management Co.** (run by Monroe Trout)
  ttmc.com
- **Tudor Investment Corporation** (run by Paul Tudor Jones)
  tudorinv.com

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- Jack Schwager

Many of these firms would rather not have their employees visit TurtleTrader. **UBS Painewebber** for one has declared this page to be a violation for the mere mention of their name. We think UBS would be best served by asking why their employees are at the TurtleTrader site to begin with.

Banks that surf TurtleTrader:

- **AQR Capital Management, LLC**
  aqrcapital.com
- **Barclays Global Investors**
  barclaysglobal.com
- **Chase Manhattan Bank**
  chase.com
- **CIBC World Markets Research**
  cibcwg.com
- **Commonwealth Bank of Australia**
  commbank.com.au
- **Credit Suisse First Boston**
  csfb.com
- **Credit Suisse Group**
  credit-suisse.com
- **Deutsche Bank AB**
  deuba.com
- **D.E. Shaw & Co.**
  deshaw.com
- **Die Beraterbank**
  dresdnerbank.de

- **Dresdner Kleiwort Benson**

  dresdnerkb.com
- **Goldman Sachs**

  gs.com
- **Greenwich Capital Markets**

  gcm.com
- **ING Capital Holdings**

  ing-americas.com
- **J.J.B. Hilliard, W.L. Lyons, Inc.**

  hilliard.com
- **J.P. Morgan & Co., Inc.**

  jpmorgan.com
- **KPMG LLP**

  kpmg.com
- **Lehman Brothers**

  lehman.com
- **Merrill Lynch Australia**

  merrill-lynch.com.au
- **Morgan Stanley Dean Witter**

  ms.com
- **Nomura**

  nomura.co.uk
- **PaineWebber**

  painewebber.com
- **PNC Bank**

  pncbank.com
- **Prudential Securities**

  prusec.com
- **Putnam Investments**

putnaminv.com

- **Rabobank, Inc.**

  rabobankna.com

- **RBC Dominion Securities Inc.**

  rbcds.com

- **Riggs National Corporation**

  riggsbankna.com

- **Salomon Smith Barney**

  sbi.com

- **TD Bank**

  tdbank.ca

- **UBS**

  ubs.com

Recent Feedback

To trade successfully you have to deal with information, probabilities, and decision-making under uncertainty. The Turtle trend following trading system addresses all issues--always in the face of uncertainty.

TurtleTrader

Ever since I started trading [the Turtle system], I have been long oats & short most of the other softs. Why? I don't know, except that I am following with exact discipline, the rules of the system. Chances are if I was so clever, I would have looked at the news and [sold], including oats, but I didn't. I don't care what the fundamentals say. It simply doesn't matter. That one position just so happens to be a big winner...maintaining me at +27% since I started trading.

Client of TurtleTrader in Australia

Since completing your course earlier this year I have managed my drawdowns with dramatic results [and with great profit].

Client of TurtleTrader in Gibraltar, UK

TurtleTrader comment: One of the most important considerations with a profitable system is drawdowns. Drawdowns represent the risk and the price you pay when trying to make profits.

I want to start off by saying how much I've enjoyed your website over the years. As a former executive within the Commodities Risk Department at a major commodities firm and currently as a finance professor, I must say your website provides invaluable knowledge.

Web Visitor of TurtleTrader

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Understand the Turtle Methods

Correlation is (1) mutual relationship or connection (2) degree of relative correspondence, as between 2 sets of data.

[I] follow the same basic principles [as originally taught].

M.C. Futures, Mike Carr

Correlation Matrix Example #1

Correlation Matrix Example #2

Correlation is a key. No matter how much the press and Turtles themselves attempt to skew the hard data of the Turtles interlinked performance, it can not be done.

What is a trend follower? The following 17 firms are trend followers. They trade any market that trends. One can quickly observe that these firms are using similar techniques as they make and lose money at the same time. They trade everything from stocks to futures.

Correlation Example

Firm		08-96	09-96	10-96	11-96	12-96
Abraham	T	(3.3)	6.0	16.8	2.2	(6.6)

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Campbell		1.8	1.6	11.7	10.8	(4.3)
Chesapeake	T	0.6	6.3	5.9	6.6	(4.3)
Dean Witter		(1.4)	6.1	9.9	5.8	(9.6)
Dennis Trading	T	9.5	19.4	18.9	1.1	(3.8)
Dunn Capital		(5.2)	12.6	20.3	26.9	(7.1)
Eckhardt	T	(1.2)	17.6	16.2	11.4	(5.8)
EMC	T	(2.8)	3.0	18.8	10.0	(8.5)
John W. Henry		(0.8)	3.2	14.3	10.9	(3.4)
JPD	T	(0.5)	4.0	6.6	5.4	(2.4)
Martin Money		2.4	11.7	21.5	26.6	(5.2)
Millburn		(1.9)	2.7	10.6	4.0	1.2
Rabar	T	(1.3)	3.8	10.9	5.9	(5.1)
Saxon	T	1.5	18.8	23.4	6.7	(11)
Simmons		(11)	3.6	28.6	15.1	(4.8)
Sjo	T	1.6	11.2	7.6	11.3	(6.6)
Mark Walsh	T	(1.1)	10.2	18.6	13.3	(11)

(A T signifies an original Turtle, a second generation Turtle or the original teachers of the Turtles: Richard Dennis and William Eckhardt.)

What market did these traders pull profits from in the fall of 1996? One of the markets they cleaned up in was the British Pound which trended steadily up over the last quarter of 1996. The objective is to take what's given and not attempt to predict what market will be successful. That's how they all caught the British Pound move.

The Big 5

These 17 firms are derivatives of the following 5 original traders. These 5 are responsible for the success of the firms listed on this

Market Proof

- **Performance**
- Correlation 1 | 2 | 3 | 4
- Enron Debacle
- Barings Bank
- Metallgesellschaft

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- Gen. Patton Speech
- Are You Rational?
- The Bet
- Myers-Briggs Testing
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page:

- Dennis Trading Group (formerly C&D) (trained the turtles)
- Campbell and Co.
- Dunn Capital
- John W. Henry
- Millburn Ridgefield

The most famous of these 5 traders during the 1980's was Richard Dennis. He earned millions of dollars trading long term systematic approaches. However, Dennis' most renowned accomplishment was his successful training of the Turtles. The 5 trading firms above have an average 20+ years experience in long term trend following success. As evidenced by the above table they have trained numerous others to trade with great success.

2nd Generation Turtles

There are now 2nd generation Turtles trained by the original Turtles, i.e. Abraham Trading, Mark Walsh and Co., Ken Jakubzak of KMJ Capital Management and Brian Byrnes of Meridian Futures Fund (trained by Chesapeake Capital). What do we mean by 2nd generation? These traders were not originally trained by Richard Dennis. They were passed along the techniques by other Turtles.

Opportunity

Can large traders move markets to their advantage? No. John W. Henry started his most successful account with US$16,000 and he often earned his largest returns while trading less money. However,

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now it becomes very difficult for Chesapeake Capital or John W. Henry to trade lumber, corn, wheat, etc. They are so big that they are often relegated to trading currencies and financials. This spells big opportunity for other traders.

Jack Schwager and Correlation

Jack Schwager's most recent book (Schwager on Futures: Managed Trading Myths and Truths) offers solid background on the topic of correlation among commodity trading advisors. This title may help those unfamiliar with the topic.

Schwager performs correlation studies among traders in Managed Trading (similar to what the TurtleTrader site presents). He even compares Turtle to Turtle. But unless you knew Rabar, JPD, Hawksbill, etc. were Turtles, Schwager does not alert the reader to that fact.

More on Correlations.

Correlation Defined

Just what is correlation, and how do we derive the correlation coefficient? Correlation is a statistical term giving the strength of linear relationship between two random variables. More simply defined, it is the historical tendency of one thing to move in tandem with another. The correlation coefficient can be a number from -1 to +1, with -1 being the perfectly opposite behavior of two investments (e.g., up 5% every time the other is down 5%), and +1 reflecting identical investment results (up or down the same amount each period). The further away from +1 you get (and thus closer to -1), the better a diversifier one investment is for the other. Correlation coefficient is found by taking the covariance between two variables and dividing by the square root of the product of each of the two variances (trust us on this part). No wonder the eyes of so many glaze over when discussing the topic of correlation. However, it has some very tangible uses, if they can be explained to the novice. The most simplistic description of correlation is the tendency for one investment to "zig" while others are "zagging".

John W. Henry Marketing Materials

Correlation Pairs

Example Correlation Matrix (99)

Example Correlation Matrix (00)

The following table details correlation coefficients between Turtles and Turtles & Turtles and other trend followers (non-Turtles, but similar techniques). These traders make and lose money at the same

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time in the same markets. What does that say about their trading styles?

Trading Pair	07/91-06/95	01/95-01/98
Abraham Trading / Campbell	0.65	0.73
Abraham Trading / Chesapeake	0.71	0.83
Abraham Trading / EMC	0.71	0.78
Abraham Trading / Eckhardt	0.65	0.74
Abraham Trading / Rabar	0.68	0.77
Abraham Trading / Saxon	0.52	0.74
Rabar / Saxon	0.58	0.66
Rabar / JPD	0.94	0.94
Rabar / EMC	0.80	0.89
Rabar / Hawksbill	0.75	0.70
Rabar / Eckhardt	0.76	0.76
Rabar / Chesapeake	0.72	0.70
Chesapeake / Eckhardt	0.61	0.74
Chesapeake / EMC	0.71	0.67
Chesapeake / Hawksbill	0.62	0.66
Chesapeake / JPD	0.71	0.79
Chesapeake / Campbell	0.65	0.67
Chesapeake / John W. Henry	0.71	0.62
Mark Walsh / Chesapeake	0.54	0.80
Mark Walsh / EMC	0.75	0.82
Mark Walsh / Eckhardt	0.73	0.80
Mark Walsh / Saxon	0.44	0.74
Mark Walsh / Hawksbill	0.62	0.75
Mark Walsh / MC Futures	0.67	0.66
Eckhardt / Hawksbill	0.75	0.64

Eckhardt / Saxon	0.29	0.71
Saxon / Hawksbill	0.41	0.68
JPD / MC Futures	0.72	0.62
JPD / Eckhardt	0.70	0.79
JPD / EMC	0.83	0.87
JPD / Hawksbill	0.71	0.68
JPD / Saxon	0.62	0.72
Millburn Ridgefield / EMC	0.66	0.69
Millburn Ridgefield / Chesapeake	0.61	0.65
Millburn Ridgefield / Campbell	0.75	0.76
Millburn Ridgefield / Dunn Capital	0.76	0.71
Dunn / Chesapeake	0.62	0.62

Campbell, Dunn, John W. Henry and Millburn Ridgefield are not Turtles trained by Dennis. However, their tight correlations with Turtles offer unprecedented insight. Abraham and Mark Walsh are second generation Turtles trained in the 1980's and 1990's.

Correlation coefficients gauge how closely an advisor's performance resembles another advisor. Values exceeding 0.66 may be viewed as having significant positive performance correlation. And consequently, values exceeding -0.66 may be viewed as having significant negative performance correlation.

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Turtle Balks at Correlation

An interesting quote is provided below from a Turtle firm named Hawksbill. In an effort to explain away correlation of Turtle returns this firm offers the following thoughts:

There no longer really is a 'turtle trading style' in my mind'. We have all evolved and developed systems that are very different from those that we were taught, and that independent evolution suggests that the dissimilarities between Turtles are always increasing.

But Hawksbill (run by Tom Shanks) earlier had this to offer also:

...[my system] is 95% Dennis' system and the rest is my own flair.

More on Hawksbill

More Correlation Charts

The tables below do a good job of refuting attempts (such as the first quote above) to hide Turtles and other trend followers solid correlation of returns. The relationship among traders mentioned on this page is obvious: Turtle style trend following is their game.

Table #1

If you have any questions about the correlated returns of Turtles and

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other trend followers please send email and we will further explain the positive relationship.

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Correlation? The Facts Are Clear.

Correlation data best portrays the continued close relationship between Turtles and other trend followers. Doubt us? Click here for more on the relationship.

More Correlation Charts

These are all sample snap shots. They are meant to illustrate the concept of correlation:

Correlation Chart #1

The above chart shows the correlation between a teacher of the Turtles (Eckhardt), Turtles (Chesapeake, EMC and Rabar) and a 2nd generation Turtle (Abraham). One can readily see that techniques used are similar if not the same.

Correlation Chart #2

Dunn Capital, Millburn Ridgefield, Campbell and Company are trend followers that have been around each for over 20 years. The facts don't lie.

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Enron Articles

We continue to post stinging commentary about Enron:

- **06.27.2002** - Enron Employee Feedback.
- **03.11.2002** - ABC News Video.
- **02.22.2002** - How to Fool Wall Street.
- **02.13.2002** - Hall of Shame.
- **01.28.2002** - Enron = Barings?
- **01.21.2002** - Enron Employees.
- **01.14.2002** - 2002 Roadmap.
- **12.09.2001** - Losers Average Losers: Enron.

Enron is one of the greatest examples of the benefits of trend following in a generation.

Enron is Nothing New

The article below paints a bleak picture of what is left of Enron, once a global trading giant. To make it even more instructive, we've included some editorial comments:

By Robert J. Samuelson

Wednesday, December 19, 2001; Page A39

The collapse of the energy company Enron has inevitably become a

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metaphor for many of the sins of modern capitalism. It may be, but the story is more complicated than a simple tale of victims and villains. Capitalism derives its strength from the power of self-interest and the ingenuity of the human spirit. But its weaknesses also stem from human nature, which can convert the quest for riches into self-deception and dishonesty. The dangers mount in periods of economic and financial exhilaration when -- as we've just experienced -- the stock market seems the fastest path to instant wealth. People yearn for their pot of gold and, to get it, stretch rules and lapse into wishful thinking.

TurtleTrader comment: This description of how wishful thinking contributed to Enrons' collapse is accurate and insightful.

The cult of share prices seduced managerial elites, ordinary investors and workers alike, with often disastrous consequences. Among top corporate managers, it led to widespread embellishing and doctoring of financial reports. Accounting rules were twisted or evaded to enhance reported profits, because higher profits would (presumably) mean higher share prices. Creative obscurity became commonplace. The same spirit gripped many investors and workers. People suspended skepticism and counted their paper profits. The dot-com and telecom debacles are well-documented results. Now Enron joins the list.

TurtleTrader comment: We agree. No one should be let off the hook for willingly suspending their disbelief, not to mention their moral code, to go after illegal profits.

To work well, capitalism needs accurate information. Even with ideal information, markets make mistakes. Miscalculation is inevitable, because risk implies failure as well as success. But false or misleading information compounds the dangers, and the booming stock market inspired a boom in misleading information. For example, there's EBITA -- earnings (profits) before interest, taxes and amortization (debt repayments). Companies emphasized earnings on this limited basis in their news releases and played down the more complete reports. The justification was that investors wanted to see a company's raw operating profits without the clutter of debts or taxes. The trouble, of course, is that companies have to pay debts and taxes.

TurtleTrader comment: These comments are accurate, but needlessly complex. There was only one key piece of data needed to judge Enron as an investment: the share price. See the chart.

The Securities and Exchange Commission and the Financial Accounting Standards Board, an accountants' self-policing organization, did little to check these abuses. By and large, people wanted to believe the best, and the temptation to present the glossiest face was Enron's undoing. At its peak, the company's stock traded at $90 a share; now it's selling for about 50 cents.

TurtleTrader comment: Why would anyone hold onto a stock that goes from $90 to 50¢? Even if Enron was the biggest scam ever should we not also take to task the mindless investors who held on down to 50¢ a share? Are they not guilty of something more than simply being lazy?

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Lawsuits may uncover wrongdoing, but outwardly, Enron's 401(k) program seems fairly typical, says Jack VanDerhei, a pension expert at Temple University. According to company spokesman Mark Palmer, Enron matched employee investments with a 50 percent stock contribution: If I invested $5,000, Enron would put up $2,500 in stock. The stock contributed by the company could not be sold until a worker reached 50; but there were 20 investment choices -- including buying Enron stock -- for personal contributions. True, there was a total trading ban from Oct. 29 through Nov. 12, because the plan's outside administrator was being changed. But, says Palmer, investors were informed of a ban in late September and early October. They could have sold then or anytime earlier. Enron's stock had dropped all year, from $68.50 in February to $49.10 in June to $27.23 in September. Obviously, many didn't.

TurtleTrader comment: Of course not because Enron’s collapse is a classic case of fear and greed at work. From upper management manipulators of the facts to those employees who ignored the facts, everyone is accountable. For Turtle traders, the lesson of Enron is that the Turtle system will always continue to excel.

Enron's downfall stemmed mainly from its own mistakes. Whether some corporate officials crossed the line between creative obscurity and illegal concealment is an open question. But in a larger sense, the collapse reflected the financial fever of the past decade. The profit motive -- the promise of reward for risk and effort -- is a great incubator of invention and wealth. But those who glorify capitalism's triumphs often forget that it's also vulnerable to the frailties of human nature. There was a mass merchandising of dreams and delusions that was indiscriminate in its effects. Candor was corroded, judgment clouded. Pursuing self-enrichment, people often follow the path of least resistance. It sometimes leads to a cliff.

TurtleTrader comment: The cliff is the end of a journey many investors take. They start out with no map, no compass, and no plan, so it's no wonder they end up at a point of no return. There is nothing new in the revelation that many traders have no system for handling the Enrons of the marketplace, but if you are prepared from the beginning for these dramatic trends, up or down, you can profit.

The full Washington Post article.

Who is John W. Henry and Why Does Barings Loss Matter to My Portfolio?

If you want to make more money than the average mutual fund holder, John W. Henry and Barings Bank should mean much more to you than any day trading hype. Included below are a few quotes from John W. Henry. These quotes offer perspective from a brilliantly successful trend following trader. Remember, John W. Henry's past returns are highly correlated with the Turtles. They all make money at the same time in the same markets.

John W. Henry Correlations

I know that when the Fed first raises interest rates after months of lowering them, you do not see them the next day lowering interest rates. And they don't raise rates and then a few days later or a few weeks later lower them. They raise, raise, raise, raise,... (PAUSE)...raise, raise, raise. And then once they lower, they don't raise, lower, raise, lower. Rather they lower, lower, lower, lower. There are trends that tend to exist, whether they are capital flows or interest rates. So you

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can call trend following a blackbox, I guess, because some people refer to disciplined, mechanical-type trading as blackbox. But if you have enough discipline, or you only trade a few markets, you don't need a computer to trade this way. It just makes it much, much more convenient for us.

Our philosophy is that there is an inherent return in trend following. I know CTAs that have been around a lot longer than I have, who have been trading trends: Bill Dunn, Millburn, and others, who have done rather well over the last 20 to 30 years. I don't think it is luck year after year after year.

John W. Henry, *Futures Industry Association*

Henry and Dunn

Dunn Capital and John W. Henry are two of the most successful money managers in the business. Both have been around for 15 plus years. Between the two of them they manage over US$2 billion in customer funds with a passionate commitment to long term trend following.

Dunn Capital and John W. Henry trade relatively very few roundturns per year. They don't trade much during the course of a year, but when they do, they achieve spectacular returns. Shouldn't individual investors trade like this? Why pay money gearing up brokerage machines for short term trading noise when the best in the business don't trade often?

The only way to crack the code of the trading network is to learn how to trade for yourself. John Henry started trading an account of US$16,000. That account is now over US$1 billion dollars. Armed with discipline and commitment to a system, the individual investor or trader has tremendous opportunity to crack the code and trade

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successfully.

Correlation 101

Why mention John W. Henry and Dunn Capital in the same breath as Turtles traders? There is a distinct similarity in their trading. For trend followers, Henry and Turtle traders alike, money is made at the same times. The correlation is strikingly obvious if you compare individual months in disclosure documents. Trend followers all make money in the same years in the same months in the same markets. The correlation is beyond a shadow of doubt. We are not stating that long term trend following is the only way to trade, but the system does make the most money. If your goal is not to make the most money you can, then adopt another system of trading.

An Opportunistic Trio

The first three months of 1995 should go down as one of the most successful periods in the history of speculative trading. This brief period should be a graduate program studied at institutes of higher learning. The market events of those months could, by themselves, be the subject of a graduate course in finance at Harvard Business School. Even more relevant to individual investors, is that those events revealed the success of long term trend following in stark relief. Yet only a few years later, despite the significance of what happened, those three months have been forgotten.

The basic plot outline goes like this: Rogue trader, Nick Leeson overextended Barings Bank on the Nikkei 225, the Japanese equivalent to the American Dow. He bankrupted the world's oldest

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bank in a few months by speculating the Nikkei 225 would move higher. It tanked, and Barings, the Queen’s bank, one of the oldest, most established banks in England collapsed, losing $2.2 billion.

Who won the Barings Bank and Yen sweepstakes? That question was never asked by anyone, not the Wall Street Journal or Investor's Business Daily. Why? Did the world only care that Nick Leeson had lost money resulting in Barings' demise?

Was the world only interested in a story about failure, and not in the slightest bit curious about where that $2.2 billion went? If they had been curious, they would have learned a valuable lesson about trading.

They would have learned about zero-sum. Trend followers were sitting at the table devouring Leeson's mistakes. Because their philosophy is fundamentally opportunistic, they saw, in Barings, an opportunity to win.

This is not a common thought process among novice or short term traders and investors which explains why so few people understood the market significance of that 1995 time period. Most traders do not have the discipline to plan ahead three, six and twelve months for unforeseen changes in markets. But planning ahead is exactly what trend following is all about. Big moves are always on the horizon. The idea is to capture the majority of any trend revealed on radar.

Because reacting is what makes trend followers winners, Barings provided the perfect opportunity to make profits. Moreover, since timing is not significant, trend followers could relax after making their winnings off of the Barings fiasco knowing that exaggerated moves are often followed by trendless periods, the perfect opportunity to prepare for the next big ride.

Barings Bank: A Very Big Ride

...[C]umulative losses continued to mount through 1994. By 31 December 1994, they stood at ¥25.5 billion (S$373.9 million) and after the collapse of the Baring Group, amounted to ¥135.5 billion (S$2.2 billion). In retrospect, it seems probable that until February 1995, the Baring Group could have averted collapse by timely action. Report of the Inspectors of Barings Futures (Singapore) PTE LTD.

The single most important lesson in the Barings blowout was who won. We all know the Queen's bank lost. After all, do you think Nick Leeson and Barings were interested in long term strategies? Observe the Nikkei 225 chart from September 1994 until June of 1995. Long term trend followers rode the Queen's bank all the way home. It's a zero-sum game. Barings assets padded the pockets of some very disciplined trend following traders.

Prepared for Large Moves?

Our company, JWH, boasts returns that are as compelling as anyone's in the financial industry. Our profits have been remarkable; about a billion dollars net to the investor over the last decade. [a 1/2 billion in 1995 alone] John W. Henry, April 20, 1995, New York City.

We know Barings got slaughtered in February.

John W. Henry programs:

	01-95	02-95	03-95
Financials and Metals	$648	$733	$827
	(3.8)	15.7	15.3
Global Diversified	$107	$120	$128
	(6.9)	13.5	8.5
Original	$54	$64	$73
	2.1	17.9	16.6
Global Financial	$7	$9	$14
	(4.1)	25.6	44.4

[John Henry's largest program has shown a 49% annualized return over ten years, but if you removed the 5 most successful months the annualized return was only 28%. Miss 5 months in 10 years and your returns drop by over 20% a year! This is the world of a trend follower. The discipline to wait for and ride the big move is richly rewarded.]

Dean Witter: John W. Henry's Broker

I have over $250 million with John Henry....I have been pleased to see how well the Original [John W. Henry] Program has done so far in 1995: up over 50 percent through April 18th [1995].

Mark Hawley, Dean Witter Managed Futures, April 20, 1995, New York City.

50% in 4 months? Does one recall outsized trends during the first quarter of 1995? Dean Witter has remarkable correlation with the Turtles - click here for correlation chart.

Dean Witter Futures and Currency Management

	01-95	02-95	03-95
Currency	$27	$31	$40

	(13.8)	19.4	35.8
Diversified	$132	$180	$193
	(9.7)	6.9	8.8

On average these two firms lost in January 1995 and made double digit returns in February 1995 and March 1995.

What About Turtles?

Turtles and other trend followers brought home huge gains in February and March of 1995 as well. However, their winnings were more the result of the fantastic Yen surge.

	01-95	02-95	03-95
Turtles			
Chesapeake	$549	$515	$836
	(3.2)	(4.4)	8.6
EMC	$126	$134	$159
	(7.9)	7.7	21.3
Rabar	$148	$189	$223
	(9.4)	14.0	15.2
2nd Generation			
KMJ Capital	$5	$6	$8
	9.6	25.9	31.0
Mark J. Walsh	$20	$22	$29
	(16.4)	17.0	32.3
Abraham	$78	$93	$97
	(7.9)	1.2	6.6
Other Trend Followers			

Dunn (WMA)	$178	$202	$250
	0.5	13.7	24.4
Dunn (FTOPS)	$63	$69	$81
	(7.6)	9.9	22.7
Millburn Ridgefield	$183	$192	$233
	(6.5)	8.7	19.4

The correlation among trend followers is solid. Correlation 101, the classic case history of zero-sum. Sure there may be slight differences in leverage usage and execution, but even from a cursory analysis the relationship is clear.

Summary

Trends persist over time. Expectations of society continually manifest themselves in longer term trends. Why then do so many people ignore trends in search of the short term Holy Grail?

Disclaimer

2001 Update to Story

Turtles, Metallgesellschaft and the Big Moves

A primer on trend following and crude oil futures.

The Facts: Do you think a systematic trading approach would have brought one of Germany's largest company to its knees? Unfortunately for Metallgesellschaft (MG), a German metals and oils conglomerate, it happened. MG was long crude oil futures on New York Mercantile Exchange (NYMEX) most of 1993. They lost, depending on the estimate or source, $1.3 to $2.1 billion dollars. Those traders in short crude oil futures made the money MG lost. It's a zero-sum game. If you trade like the mindless majority you lose. MG traded like the majority.

Chart A

The Losers: During the course of 1993 crude oil futures had a steady slow decline from May through December (see chart A). A move such as the crude decline is not necessarily that significant. Trends occur all the time in commodities markets. But this time was different. There is always someone on both sides of a futures position. The difficulty lies in determining who is on the opposite side of a position if one side is known. We know MG lost, but who won and how? More important, can the individual investor or trader benefit from an

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understanding of who won and how? In the aftermath of MG losses a variety of explanations developed. People were treated to academic mumbo jumbo from MBA programs as to why MG lost money and numerous articles condemning futures and their speculative nature. The actual explanation is simply that they were not good traders. However, this case is a primer not because MG lost but because someone else won.

The Winners: The Turtles played the hand in MG's defeat. Richard Dennis' hand picked group of trainees, now on their own, left a performance trail of their activities over the course of 1993. The job of explaining this is made easy by the near 100% correlated performance (see chart B).

Chart B	6-93	7-93	8-93	9-93	10-93	11-93	12-93
Abraham	-1.2	6.6	-5.3	1.2	-6.6	3.5	12.5
Chesapeake	1.0	9.5	5.8	-2.7	-0.1	1.1	5.8
EMC Capital	-1.5	22.0	9.3	-2.9	-2.0	-2.4	8.2
JPD	-6.9	10.2	-2.1	-4.1	-2.0	2.7	8.6
Rabar Market	-1.3	14.8	-3.9	-4.1	-6.0	5.6	10.1
Saxon	-2.7	20.5	-14.3	-2.1	-1.1	6.6	17.1
Sjo	8.0	4.3	12.6	-11.4	-1.3	-0.9	6.0

There is slight variation in performance data due to differing levels of leverage employed by the Turtles, but the key to the explanation lies in the months of July 93, December 93 and January 94. Those the months don't require much more than glance at the correlation to confirm the similarity in the strategies employed. They all made money in July and December and all lost in January. How did the

Turtles position themselves to benefit from a completely unforeseen event? Here are some insights as to why:

Turtles don't predict market movement, they react to it. May and June showed downward crude pressure and Turtles followed the trend. They have limits on market sectors and risk limits on the total portfolio as well. Position sizes are based on the amount of money under management.

Every day Turtles know how many contracts should be on based on total capital. The key to the strategy is to place good profits at risk to participate fully in the trend. For example, after the Turtles initiated positions and were rewarded with strong profits in July, they were willing to risk those profits again, which is what they did with MG.

Turtles will risk 100% of the profit in a trade. For example, in August with nice profits in hand, they would have been willing to risk all of their profits and still lose a fixed % based on the original stop.

Turtles are willing to let profits on the table turn into losses. Turtles let the market tell them when the trend is over (i.e. Jan-94)

Turtles don't favor liquidation. They want to capture 60-70% of a trend, not just 15%. Big money is made in the big moves. For example, Turtles want to hold silver as it moves from $6 to $30, not just hold it from $6 to $9.

Turtle Primer One - The July Entry

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Examine the crude oil chart and the performance chart. Turtles all entered in the May and June 93 period and then, in July, the market nose dived. The Turtles were now in for the long haul with a fantastic and very profitable short position firmly established. What's the lesson? If the Turtles had not been profitable, but had lost their maximum % instead, they would have taken their losses and exited.

Turtle Primer Two - After July....the Waiting Game

In August the Turtles are firmly established short in crude oil futures. Obviously, MG is long at this point. MG is desperately trying to correct errors while the Turtles wait patiently. Turtle traders are actually patient predators. Their waiting game continues through the summer with no real movement up or down (see chart A). MG has met margin calls and stayed in the game in hopes of an upward crude push. They do not realize the discipline of their opponent. Turtle traders are not exiting anytime soon just because the market has told them the trend is down. An exit would violate their most fundamental rules.

The Turtles are not just short, they were aggressively short with profits reinvested back into additional short crude oil positions. On the other hand, MG has no apparent strategy. They refuse to take a loss early on. The whole MG affair would have been a footnote in trading history if they had simply exited after the July debacle.

Turtle Primer Three – The Late November and December Rout

Moving through October and November, the situation culminates in MG's near destruction. Crude oil begins its final descent in late November and into December. At this time MG management orders out of all positions that fueled the November and December crash. The Turtles are still short from the May, June and July period and raking in the cash at the expense of one ill-fated firm.

Ultimately all good trend following must come to an end. The Turtle traders would eventually need to begin their crude oil futures exit. The exit came sooner than later as January 1994 proved to be the month of the Turtle liquidation. Look at the performance of January 94. All the Turtle traderslost for the month as they extricated themselves from their history making profits of 1993 (see chart C).

Chart C	Returns % 1993
Abraham Trading (Turtle 2nd gen)	33.6
Chesapeake Capital (Turtle)	61.8
EMC Capital (Turtle)	64.2
JPD (Turtle)	23.3
Rabar Market Research (Turtle)	49.7
Saxon (Turtle)	52.6
Sjo (Turtle)	8.9

Conclusions

Trend following is a proven technique for participation in big moves. Turtle traders reacted to crude oil movements with a steady plan of systematic trading. They played short to MG's long.

The MG example is not 20/20 hindsight. Turtle performance is nearly 100% correlated over the last 20 years. They make money in the same months in the same stocks, commodities and currencies. For instance, look at the British Pound move in the fall of 1996. The

Turtles were there as usual collecting large profits. Scandals and rogue traders in the trading game come and go, but Turtle trading continues to produce great profits.

Who Can Use Turtle System

Trading profits are a function of knowledge.

TurtleTrader

All investors or traders across the Americas, Europe, Asia, Africa and the Middle East can use the Turtle system to gain financial success. The majority of TurtleTrader clients are individuals or independent traders. 95% of TurtleTrader clients are trading the Turtle system for their personal account. The Turtle trading system is perfect for the individual trader since almost no overhead is required. You don’t need to be on Wall Street or have access to Wall Street's buzz.

Long time trend followers reside all over the map:

- Manakin-Sabot, Virginia (Jerry Parker)
- Stuart, Florida (Bill Dunn)
- St. Thomas, USVI (Ed Seykota)
- Towson, Maryland (Keith Campbell)
- Boca Raton, Florida (John W. Henry)
- Stamford, CT (Mark Rosenberg of RXR Capital)

Clients in 67 Countries

Who Trades the System Now?

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Who trades as a trend follower? Who has traded as a trend follower for big profits over the last 20 years? First these people have **knowledge.** People who know Turtle Trading exists trade the system. Top traders do not get to the top by luck. They get to the top with hard work and the best system for their trading style. For years these people have benefited from trend following systems by either trading for their own account or placing their money with Turtle-style hedge funds.

Second, these people have **commitment.** Most traders don't bother to find a strategy beyond their fundamental-based buy and hold notions. They don't want to know that George Soros, Bill Dunn, Stanley Druckenmiller or Richard Dennis have routinely made 25%+ compounded profits. Too bad. Because the commitment to making sure you understand the difference between these top traders' returns and a typical 15% mutual fund return held by everyone else is profound.

Imagine the last 25 years and 2 investments of $1000 each. Investment one generated 25% for 25 years and investment two generated 15% for 25 years.

- $1000 compounded at 25% for 25 years = **$264,000**.
- $1000 compounded at 15% for 25 years = **$32,000**.
- $1000 compounded at 07% for 25 years = **$5,400**.

The difference between a great trading strategy and simple buy and hold is clear when compounded over many years.

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Individual Clients

If you think education is expensive, try ignorance.

Derek Bok

The Turtles were simply ordinary people trained correctly.

TurtleTrader

All investors or traders across the Americas, Europe, Asia, Africa and the Middle East can use the Turtle trading trend following system.

TurtleTrader clients are professionals, beginners and ordinary people that trade among stocks, bonds, currencies, commodities and futures. **The majority of TurtleTrader clients are individuals or independent traders trading the Turtle system for their personal account**.

The Turtle trading system is ideal for the individual trader since little overhead is needed to use the system. The Turtle system does not require you to be on Wall Street or have access to Wall Street's buzz. In fact, most long time trend followers reside in locations all over (everywhere except Wall Street):

- Manakin-Sabot, Virginia (Jerry Parker)
- Stuart, Florida (Bill Dunn)
- St. Thomas, USVI (Ed Seykota)

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Our course is the single best trend following education available worldwide. If you are new, first read the story of the original Turtles and then explore this site thoroughly.

New Trader's Guide: A First Step

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Institutional Clients

Congratulations on an excellent site.

Caspar Marney

Global Head of Technical Analysis, Foreign Exchange

UBS Warburg

We have clients in the banking and hedge fund community worldwide.

While some of the investment firms below are critiqued in the TurtleTrader site for their use of fundamental analysis, their employees continue to sign on as our clients to trade their own accounts or start funds.

- Merrill Lynch
- Goldman Sachs
- Credit Suisse First Boston
- Morgan Stanley Dean Witter

Selected Site Sections:

- Interviews w/ Industry Pros
- True-False Questions Posed to Original Turtles
- Course Contents
- Introduction to the Turtles

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Harvard MBA Critical? Not at All.

Enron and Barings are timeless trades...the scandals of the future will change...but how to win the mistakes (zero-sum) of others while others are hopelessly searching for bargains (losers average losers) will never change...Turtle trend following is built for change.

TurtleTrader

Having an education is one thing, being educated is another.

Lee Kuan Yew

A top CEO recently spoke before a Harvard MBA class. After his presentation the students asked questions. One of the questions was, What should we do? The CEO replied, Take the rest of the money you have not spent on tuition and do something else. The point was clear: formal education means less and less in today's world.

Trading is no different. The best traders are usually not the products of formal education. Even if some top traders have advanced degrees they seldom credit school with their success. Does this mean people with advanced degrees should not trade trend following methods? Of course not, but reliance on a higher degree for success is not a wise strategy.

Think about formal education for a moment. Most academic institutions teach you to become an employee, not to make money.

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And since so many professions don't pay well, you can't always count on your profession to be your best source of making money..

Bottom line: you don't have to be a Ph.D. or MBA to trade. You only need to have the desire to work hard and learn.

Quotes from Turtles

...we are not really interested in people who are experts at the French stock market or German bond markets [due to the technical nature of the trading]...it does not take a huge monster infrastructure: [neither] Harvard MBAs [nor] people from Goldman Sachs...I would hate it if the success of Chesapeake was based on my being some great genius. It's the system that wins. Fundamental economics are nice but useless in trading. True fundamentals are always unknown. Our system allows for no intellectual capability.

Jerry Parker

I haven't seen much correlation between good trading and intelligence. Some outstanding traders are quite intelligent, but a few are not. Many outstandingly intelligent people are horrible traders. Average intelligence is enough. Beyond that, emotional makeup is more important.

William Eckhardt

As it turned out, of the thirteen people selected, one-third had no experience, one-third had significant experience, and the remaining one-third had a little bit of experience...

Michael Carr

We were looking for smarts and for people who had odd ideas. Among those selected were several blackjack players, an actor, a security guard and a designer of the fantasy game Dungeons and Dragons. Dennis aimed to make money and prove the power of the training and the method. There was some experimental part to it.

Dale Dellutri

Executive at Dennis' C&D Commodities; Managed the Turtle Group

Schwager & Eckhardt on Education

Schwager:

As I understand it, the catalyst for the Turtle training program was a disagreement between you and Richard Dennis as to whether successful trading could be taught?

Eckhardt:

Yes. I took the point of view that it simply could not be taught. I argued that just because we could do it didn't necessarily mean that we could teach it. I assumed that a trader added something that could not be encapsulated in a mechanical program. I was proven wrong. The Turtles program proved to be an outstanding success. By and large, they learned to trade exceedingly well. The answer to the question has to be an unqualified yes.

Schwager:

If trading can be taught, can it be taught to anyone with reasonable intelligence?

Eckhardt:

Anyone with average intelligence can learn to trade. This is not rocket science.

Points to Consider on Capital

There is no stated minimum capital to trading as a Turtle. **There is no magic number.** There are many factors related to starting capital not the least of which is your own personal discipline and ability to stick with a system. Immediately question anyone that promises you a magic number of how much you need to win. No one can guarantee you profits. Rather than focusing on starting capital, decide how you are going to trade since you can trade a wide variety of instruments from stocks to currencies to commodities across exchanges in nearly every major city in the world.

A top trader was asked how much money should one have before starting to trade. He responded:

I'd ask a trader who thinks he needs a certain amount before he can trade exactly what amount he would need to **stop** trading.

His point? There is no dollar amount too little nor dollar amount too much.

More quotes, anecdotes and thoughts on capital:

- What you're asking about [are] rates of return, what you can reasonably make. And I've found that my trading style with small amounts of money allows around a 300% return.

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Richard Dennis

- I know of a few millionaires who started trading with inherited wealth. In each case, they lost it all because they didn't feel the pain when they were losing. In those formative first years of trading, they felt they could afford to lose. You're much better off going into the market on a shoestring, feeling that you can't afford to lose. I'd rather bet on somebody starting out with a few thousand dollars than on somebody who came in with millions....This is one of the few industries where you can still engineer a rags-to-riches story. Richard Dennis started out with only hundreds of dollars and ended up making hundreds of millions in less than two decades - that's quite motivating.

  William Eckhardt *(original partner of Richard Dennis)*

- Ed Seykota, profiled in Jack Schwager's Market Wizards, is a trend follower very simlar to the Turtles. He traded $5,000 into $15,000,000 in 12 years in his model account.
- John W. Henry, owner of the Florida Marlins, legendary trader and a former farmer opened his first managed account with $16,000 USD trading as a trend follower. Even though Henry was not a Turtle, his trend following success has been closely related to the Turtles. TurtleTrader explains this correlation among trend followers throughout the web site.
- Trading equities (through the Nasdaq market) and commodities (through CBOT mini-contracts) are viable options for trading the Turtle trend following system. Obviously, tech stocks have provided some of the greatest trends (up & down / long & short) of all time.
- FX or currency markets allow traders to use up to 50:1 leverage. You can execute trades up to $100,000 with an initial margin of $2000. However, while leverage allows traders to

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maximize their profit potential, potential for loss is just as great. A more conservative margin trade would be 5:1 or 10:1, but ultimately it is based on your tolerance for risk.

- Trading commodities can involve high leverage, giving high profit potential (and risk potential). A $1,350 security deposit will control a Silver futures contract which contains 5,000 ounces of silver. So when the price of Silver is at $5/oz. the contract is valued at $25,000. A change in the price of Silver by 1 cent results in a $50 change in the value of your futures contract either for or against you. A Silver price move of 10 cents in your favor makes you $500 in profit.
- **Common Sense:** If you don't have enough confidence or capital to start trading, learn how to trade successfully by spending some time each day performing paper trade analysis. Armed with paper instead of your hard earned money, teach yourself the rules and hold off actually trading until your bankroll is sufficient. You might want to use a service like Auditrack to practice trading the Turtle system so you gain confidence in your abilities to apply our rules before committing any of your money. This is a sensible alternative to wasting money on sub-par trading systems or worse, trading with no system at all. Before you can make money trading, you need to learn how to trade. Go to school.
- Read the bios of the many famous traders listed at the bottom of each page. Most got started with very little capital. Ultimately, it's your passion to win and your self-discipline to follow the system that makes a difference. Starting capital has very little impact on your success.

Summary

We don't pretend trading isn't risky. It is risky. You win and you lose. But, trading is a zero-sum game. That means the winners take from the losers. A solid plan is the first step toward winning from the mistakes of the losers.

Are You The Right Client?

Of a certain restaurant in the Chicago Loop (I can't recall the name), it was said, in the Dining Out section, that they had brusque waiters. Your web site has brusque writers! I love the no-bull**** tone, the hard-nosed attitude. Yet, it is not closed-minded or intolerant. But like those Chicago waiters, they waste no time in telling you what you should do!

John T.

Not all clients are right for our course or our firm. We don’t have the time to indulge certain types of people because we know they won’t be able to meet the requirements of Turtle trading. We enjoy the teaching process, but only with levelheaded clients who understand trading is not a get rich quick game.

Clients who understand the following are good fits for TurtleTrader:

- The Basics
- Holy Grails
- Our Guarantee

Clients who are not good fits include people who are:

- Lazy.
- Quitters.
- Greedy and unrealistic.

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- Impatient.
- Degree braggarts. Trading success has little to do with your formal education and lots to do with your ambition and self discipline (more).

The TurtleTrader course requires a mutual commitment. We make a commitment to support our clients, and our clients make the commitment to learn the system and then apply it with discipline and detachment. If you want honest, straightforward training to learn how to trade successfully, we can help. If you want any other type of training that offers short cuts and hype, do yourself a favor and move on. This site and course are not for you.

Ask yourself whether the dream of heaven and greatness should be waiting for us in our graves--or whether it should be ours here and now and on this earth.

Ayn Rand

Example Client Not for TurtleTrader

Dear TurtleTrader: I have limited time and the only thing I want to know is how to buy commodity futures in crude. What is the minimum figure--how much up front--how rapid is the transaction in relation to breaking news and my decision. I want to be prepared ahead to buy below $10 and then hold it for however many months or years until it's in the $30-40 range, where it will undoubtedly go sooner or later. Can I proceed with you? How? Please simplify since I have a very short fuse on circular websites. I'm an art historian and I'm not interested in spending time learning about Wall Street.

This writer thought he was clever. He figured TurtleTrader was like other sites offering quick tips and short cuts to profit making. He figured wrong and we told him to move on. Eventually he'll locate

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another firm or site that will tell him what he wants to hear. Then he will go broke. That is a promise. If this writer sounds like you, click here and start burning your money.

What more can you expect?

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Pricing Rationale

Why is your course $1000?

We teach the complete Turtle trend following trading system with full support. There is one price and that price has remained the same since 1996. Comparison? One year of tuition at Duke University is $35,000. That means one class of freshman English will cost $3500. An English class at Duke will not make you **one dime** in the market.

Taking our course gives you the ongoing opportunity to interact with support staff at TurtleTrader. The value of an ongoing trend following education, not to mention your personal questions answered via email, is no small benefit. If you are really that concerned about price, remember you are learning something designed to help you make money. You can apply lessons from the TurtleTrader course to your next winning trade and quickly reimburse the course price.

People come to our firm to learn. They don't come here for *easy riches*, *secrets*, *gimmicks*, *hype* or *silly promises*. What do you want?

More on education in today's world.

Other Sections in Course

TurtleTrader teaches the original Turtle system (with full support)

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- John W. Henry
- Ed Seykota
- Bill Dunn
- Richard Donchian
- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

plus additional trend following lessons not included anywhere else. The additional material, ranging from the Donchian system to the money management section, is designed to augment the original Turtle system. We feel strongly that for you to learn the Turtle system, it is helpful to know how it evolved.

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- Analyst Hype
- CNBC News BS
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Why Teach A Winning System To Others?

The fishermen know the sea is dangerous and the storm is terrible, but they have never found these dangers sufficient reason for remaining ashore

Vincent Van Gogh

Why does TurtleTrader teach the Turtle system of trend following to others? **We are capitalists**. Teaching clients worldwide allows us to stay in contact with an immense cross-section of traders and investors. We have assisted top traders in their search for new traders and trainees. Our client feedback helps us, not only improve this site and the course, but also develop new products and services to enhance learning the Turtle system. The TurtleTrader global feedback loop has been crucial to our success since 1996, so why stop now?

Q. The books, Market Wizards and New Market Wizards refer to Turtle trading but both books imply that anyone with a successful system probably would not share it with anyone, as it would take away their edge. Is this sytem still useful? Or is it now being made available to consumers because its principles are no longer are as effective in today's market situation?

A. Turtle trend following is as effective today as when it was first developed. Why? Because most people trade in order to get rich, over night if at all possible. But when market changes affect their money,

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then two core emotions come into play - greed and fear. As long as change, greed and fear are components of markets, the Turtle trading system will succeed. There will always be trends in the marketplace, and there will always be only a few trend followers with the knowledge and self-discipline to capitalize on them. There are no old paradigms or new paradigm that outdate Turtle trading. There's only one paradigm: Markets change.

More on the Holy Grail and changing markets.

How many trade the system? Has this altered performance?

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Competitive Upgrades from Other Products

Dissatisfied Ken Roberts, Larry Williams or another trading system client? We offer a special discount for new clients only: $100 off the TurtleTrader course. You must send us the Ken Roberts or Larry Williams materials to receive the discount. We have no association with Roberts or Williams, nor will you need the material any longer once you trade as a Turtle trend follower.

TurtleTrader also provides competitive upgrades/discounts for Futures Truth type systems such as Aberration, Catscan, etc. We have no association with Futures Truth or these trading approaches. Many of these programs are incomplete by nature and are in no way recommended by TurtleTrader.

Discounts are offered to new clients only at the time of purchase of the TurtleTrader trend following trading course.

If you have questions about the discount program please send email: info@turtletrader.com.

Broker Rebates for Complete Course

Some brokers offer $1000 rebates on our course: click here.

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Customer Service at TurtleTrader

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Our mission is simple -- to provide a level of service unsurpassed in integrity and quality. Our dedication to client support has earned us the confidence of our constituents and the market at large.

Ongoing Course Support

Most web sites don't even return client emails. We pride ourselves on our speed of response. At TurtleTrader we strive to keep clients engaged over a long period of time. We understand their ongoing need for continuous learning. Once they’ve taken our course, we continue to share insights and application suggestions. Because TurtleTrader's teaching track record online goes back to 1996, we anticipate what clients need before they do.

Teamwork is at the core of our ability to serve clients effectively. When we bring the combined resources of TurtleTrader offices to bear on a clients' needs, we deliver an unusual degree of specialized expertise and experience. We provide clear, comprehensive answers and effective solutions.

The TurtleTrader course:

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- Let's you learn at your own pace.
- Recommends resources to enhance your learning.
- Teaches how to gain control over emotions to follow a system.
- Allows you to ask questions and get answers -- FAST.

TurtleTrader will assist in making sure all clients understand the Turtle trend following system. How is this accomplished? Email support and mentoring. These two support tools are the quickest most precise method to respond to all clients, domestic and international. Novice to expert, email allows the client to ask questions that are typically answered within 24 hours with 95% of all email answered that day.

If you are serious about learning and want straightforward, honest strategies and support, TurtleTrader offers you the solution. The Turtle trend following system is presented without the hype of many of today's so called trading educations. We concentrate solely on substance.

We do accept orders on Sunday, but we typically do not provide support on Sundays.

Support is for 1 year from date of purchase. If in the event additional support is needed (at the end of a year) please contact us for options.

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Guarantee / Non-Disclosure

1. Print this page off your screen and fax back or ...

2. Download an Adobe .pdf file of the agreement here or ...

3. Request a copy to be faxed to your fax machine by email.

Fax signed guarantee back to one of the fax numbers below:

+ 1.703.995.0634 - Reston, VA

+ 44.20.7691.7672 - London

+ 61.2.9475.0104 - Sydney

The 1 year guarantee is designed to get people to focus on the long term. If you were dissatisfied at the end of a month, you obviously had not given the time and patience necessary to win with the method. The guarantee primarily filters out those trying to make instant quick bucks.

TurtleTrader Guarantee

If you decide to take advantage of the Turtle methodologies and other strategies enclosed in the TurtleTrader package, take the next 12 months to trade and learn the techniques. We ask you to agree to maintain a trading log of all trades taken via Turtle and other methodologies. Write down every trade over the course of the first year as prescribed by rules. This will require discipline on your part.

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If you are not satisfied at the end of 12 months that we have delivered the Turtle methods as promised, send the package back, with your trading log and brokerage statements of all trades placed over the course of the year, for a refund.

Customer Non-Disclosure Agreement for TurtleTrader

In consideration of receiving the Turtle trading course and all corresponding documents from TurtleTrader, the undersigned purchaser hereby agrees and acknowledges:

That the purchased package may disclose to me proprietary information of the Company; said proprietary information consisting of:

- Technical information related to trading / markets: systems, trading rules, logic, or parameters.
- Other technical information: methods, processes, formulas, compositions, system, techniques, inventions, machines, computer programs, data, and research projects.
- Business information: pricing data, sources of supply, financial data and marketing, production processes, or merchandising systems or plans.

I agree that I shall not disclose or divulge to others including future employers, any confidential information, or any other proprietary data of TurtleTrader in violation of this agreement. I understand any potential returns may not take place within the first 12 months of signing this document. All returns are subject to provisions of guarantee clearly outlined above. Additionally, I understand the importance of the trading basics listed here.

TurtleTrader may notify any third party of the existence of this agreement in the event of a breach, and shall be entitled to full injunctive relief for any breach. If using a credit card (Master Card, Visa, JCB or Diners Club), this agreement and my signature will serve as my official credit card authorization binding me to this agreement. I attest to having read the TurtleTrader web site including all disclosures. This agreement shall be binding upon me and shall inure to the benefit of TurtleTrader, its successors and assignors.

Signed ________________ 20___

____________________________ Customer Signature

____________________________ Customer Name

____________________________ Customer Email address

Include a **valid email address** with your order. It is critical for communication. What to Expect as a Client

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$999.00 USD + shipping

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For Stocks, Commodities, Futures, FX & Currencies

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Course Sections: 1, 2, 3, 4, 5, 6, 7, 8, 9

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- The Right Client?

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- Seeking to trade as a trend following Turtle for high returns.
- Requiring superior risk-management protection.
- Searching for a complete trend-following education.
- Wishing to trade all markets consistently.
- Wanting to trade their own account and/or those of clients.
- Looking to make money in up and down markets.
- Demanding more control and peace of mind within the markets.
- Interested in understanding why trend following continues to work.
- Eager to trade the markets using a non-emotional system.
- Needing to know daily when and how much to buy and/or sell.
- Requiring credible, strong endorsements.
- Curious to learn how the best traders really trade.
- Burned by buy-and-hold strategies.
- Skeptical of stock-picking pros who only advise buys, not sells.
- Disappointed by "Holy-Grail" technical indicators.
- Paralyzed by inability to properly exit profitable positions.
- Disillusioned by Wall Street analysts' fundamental advice.
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Discounts/Upgrades/Rebates

TurtleTrader offers an assortment of course rebates, student discounts and competitive upgrades:

- $1000 rebate: Forex Capital, E*TRADE.
- Discounts: Ken Roberts and others.
- Student discounts (10% w/ student ID/max $100 off).

Course Updates for Clients Since 1996

All clients prior to April 2002 can order manual update. The cost is $149 + shipping. Please contact TurtleTrader to order.

CSI Data Offer

A special data discount for all TurtleTrader clients. Save up to 25% on CSI's advertised prices.

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Applause for TurtleTrader

Congratulations on an excellent site.

Caspar Marney

Global Head of Technical Analysis

UBS Warburg

This site offers no comfort to those who are looking for a quick buck or the Holy Grail, and the proprietors don't seem to suffer fools gladly. The message is open, honest, straightforward and makes no hyped-up promises. It sticks to the facts; it is one of the best system trading sites for...traders I have seen.

Gibbons Burke

Dow Jones Markets

Futures Magazine Review

No guesses, no scams. The site is backed by proven performance & recommendations from traders at some top Wall Street firms.

Forbes.com

From a review of TurtleTrader

Read more of what people are saying about TurtleTrader...

Trading Systems

We don't care what we believe and think. We let the market tell us what we are going to do...we don't pay attention to what we read in the paper....because all is reflected in the market.

Dunn Capital

Offices of Chesapeake Capital (Turtle) & James River Capital

The System Overview: The Turtle trading system and other long term trend following methods incorporate an integration of money and portfolio management. This integration is so crucial that it decreases the importance of your choice of system parameter over the long run.

Robust Yet Flexible: A robust trading system will trade Yen (JY) as easily as corn (C) as crude oil (CL) or Microsoft (MSFT). A robust system works across many market types and conditions with proven stability. The key to any Turtle trader’s success is a disciplined methodical adherence to proper money and portfolio management at all times.

Accommodates Volatility: Great trading systems are not

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optimized, but they do incorporate volatility. You cannot have a profitable methodology, without taking some calculated risk and experiencing some losses. Drawdowns are part of the game. To the educated trader a drawdown is not to be feared or avoided, but rather is understood to be simply another component of a successful trading system.

A Trio Of Perspectives: The following discussion is between three successful trend followers, systems traders, and market technicians. Barbara is a former pupil of Richard Donchian, Bill is a former partner of Richard Dennis, and Stig is a former Turtle now working for Sjo. All three are to this day trend followers with systematic and technical approaches.

Discipline

Barbara: If you read Market Wizards and talk with successful traders, you will find that one common trait among survivors and winners is discipline. Adherence to a trading plan is an easy way to insure disciplined trading.

Stig: We believe a trading plan should represent codified common sense, experience, research, and as an absolute last resort, optimization. Of these, common sense is the most important, since it can transcend the limited time horizons of our experience and historical research.

System Trading Design

Barbara: When designing a system, I believe it's important to construct a set of rules which fit more like a mitten than like a glove. On the one hand, markets move in trends, but on the other hand, past results are not necessarily indicative of future performance. If you design a set of rules which fit the curve of your test data too perfectly, you run an enormous risk that it will fizzle under different future conditions.

Bill: It is much more important to verify that your system is in a well-behaved region of its parameter space or to develop new macro-concepts, than to squeeze the last few drops of theoretical expectation out of your system through micro-adjustments.

Novice System Traders

Barbara: Contemporary databases, software, and hardware allow system developers to test thousands of ideas almost instantaneously. I caution these people about the perils of curve fitting. I urge them to remember that one of their primary goals is to achieve discipline which will enable them to earn profits. With so many great tools it's easy to change or modify a system and to develop indicators rather than rules, but is it always wise? I suggest they plan their research and conduct their studies in a systematic fashion. I remind them that systems and trading involve compromise - perfection is not achievable. Finally, I suggest they move slowly, that they look at trades on charts and not simply study printouts of hypothetical profits and losses.

Stig: At Sjo we believe that for a signal to be meaningful, it should be eminently understandable. We should be able to explain - preferably

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a priori - why something works in a few simple, logical sentences.

Trading and Compounding

There is only one way to make profits in the markets. You apply a systematic approach over time, **compounding as you go.** Don't be so naive to expect you will get rich overnight. Remind yourself that **patience is a virtue** when it comes to trend following. Because, if you have the discipline to work within the structure of your system, you can count on making money trading in any market at any time. If you can manage to make 50% a year in your trading, you can grow an initial $20,000 account to over $616,000 in just seven years. Trust that time and the power of compounding will take over if you stick with your system. You think 50% is too high? Then do the math again using 25% and relish the similar large capital increases. In other words, compounding is essential.

Hypothetical investment of $20,000 (annual rates of return compounded)

	30%	40%	50%
Year 1	$26,897	$29,642	$32,641
Year 2	$36,174	$43,933	$53,274
Year 3	$48,650	$65,115	$86,949
Year 4	$65,429	$96,509	$141,909
Year 5	$87,995	$143,039	$231,609
Year 6	$118,344	$212,002	$378,008
Year 7	$159,160	$314,214	$616,944

Successful traders and investors are psychologically prepared to stick with their system through good times and bad. You will never reach your goal as a trader if you can not maintain the self discipline to trust the system you have chosen to make the profits you deserve.

General Rules for Trading Systems

- **Understand** why you are trading in the markets. Are you seeking a gambling thrill or are you serious about making money?
- **Use a system** and don't deviate from it.
- **Use money management** at all times.
- **Establish your trading plan** before the markets open.
- **Detailed your plan** for each trade.
- **Establish entry and exit points** and understand risk reward rations.
- **Accept small losses** as part of the game if you want to win.
- **Trade markets** from the short side.
- **Stand aside from a position,** knowing you have taken a position.
- **Maintain a strong and honest relationship** with your broker.
- **Develop a business plan.** Speculation is a business.
- **Stay the course** so you are around for the big moves.
- **Don't blame the market** for your losses. You are the reason for your losses.
- **Develop a trading plan** for each potential situation you may face.
- **Do not look at quotes** during the day.
- **Do not concentrate on break-even levels** when you are

losing.

- **Remember that break-even levels do not impact** on the future success of a position.
- **Don't liquidate a winner** to keep a loser.
- **Develop and maintain an exit plan.** Follow this plan with rigid discipline.
- **Remember that greed kills.**
- **Never add to a losing position.** A losing position means you were wrong.
- **Sustain your patience.** Big movements take time to develop.
- **Remind yourself there is nothing new** in the markets.
- **Don't predetermine your profits.**
- **Avoid techniques you don't understand.**
- **Don't be overly curious about the rationale behind a move.** The key to wealth in trading is simplicity.
- **Trade money** not markets.
- **Bulls and bears make money,** but pigs get slaughtered.

The classic text **Reminiscences of a Stock Operator** published in 1923 offers timeless wisdom for all investors and traders:

Men who can both be right and sit tight are uncommon. I found it one of the hardest things to learn. But it is only after an investor has firmly grasped this that he can make big money. It is literally true that millions come easier to a trader after he knows how to trade than hundreds did in the days of his ignorance.

Trading Systems Tips

Trends always go further than rational people expect, or even imagine. Most investors don't have the stomach for extended rallies or declines. The philosophy of not having a predetermined profit objective allows us to continue with a trend for its full duration and then some. We try very hard to avoid the pitfalls of liquidating a trade too early, even at the cost of giving back large profits...Trends exist and they endure for a specified time, longer than most imagine. In a very uncertain world, perhaps nothing makes more sense than simply following trends.

John W. Henry

An approach that does not forecast is crucial.

TurtleTrader

Tips on Trading the Turtle System:

1. **Turtle trading is not anticipatory:** Does the 60% drop in NASDAQ stocks mean the bull market has finally run its course? Who knows? Don't worry about what the markets are going to do, worry about what you are going to do in response to the markets today. You can't undo the past and you can't predict the future. No one can consistently predict anything. Prices, not investors, predict the future.
2. **Meticulous risk management strategies are absolutely crucial:** Everyone makes money in a bull, but if you don't have a money management plan and an exit plan, you are in trouble

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- **Hall of Fame**
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- Bill Dunn
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- Jack Schwager

when the bull is replaced by the bear and your day of reckoning arrives. Trend following Turtles plan when they will get out before they ever get in. They are interested in one variable: price. They forget forecasts, fundamental factors, and technological break throughs. Turtle traders follow price.

3. **Successful trading systems adapt to change:** Inefficiencies existing in a variety of financial markets around the world lead to sustained trends. Mechanical trading systems exploit these dynamic trends for big profits. With global markets in various stages of expansion, retraction and equilibrium, your trading strategy adapts.
4. **Know every day what your portfolio is worth:** Calculate what your risks are on any given day for all positions.
5. **Don't leave stop losses in the market:** Mental stops are key.
6. **Controlling risk is not the same thing as avoiding risk:** If managing risk is an integral part of your philosophy, when your risk level goes up or down, you simply adjust.
7. **Manage you risk:** Position liquidations are triggered by significant adverse price action and are never pre-determined objectives. Concentrate on managing the risk. The returns will take care of themselves.
8. **Large profits engender larger size – thin profits engender cutting back:** If you are flush with profits, you trade in larger size. If you are thinly capitalized, you have to cut back. Control your risk. If your stop is very tight, you can put on more contracts at the same level of dollar risk than if your stop is very wide.

9. **Equalize risk:** Allocate the fixed dollar amount of risk to each new position. For example a corn position will have the same initial dollar risk as a T-Bond position. By trading a system with the same parameters for all markets you protect yourself if and when a system works well on historical data, but fails in real time.
10. **Enter and exist gracefully:** You cannot expect to enter a market at the precise moment a bottom is hit, nor will you exit a market at the exact top.
11. **Seek profit opportunities in trending markets**: whether those markets are moving up or down.
12. **Obtain profits from long-term volatility:** View volatility when manifested in major price dislocations as the cornerstone of good trading systems.
13. **Do not attempt to buy lows and sell highs:** buy market strength and sell market weakness.

Trading Insights

Richard Dennis had an office tucked away on the antiquated twenty-third floor of the Chicago Board of Trade building. The outside hallway had dingy brown paneling. Etched in small lettering in his office door was 'C&D Commodities, Richard J. Dennis and Company.' No marble. No glass. Immediately next door was a grimy looking men's room. The office entrance disguised the performance of an individual who, in his own estimate, made between $100 million and $200 million.

Q. Can you offer us an insight about adding to positions?

A. Richard Dennis offers:

When you have a position with a profit. Anytime the market goes up a reasonable amount – say a strong day's work – after you've put on a position, it's probably worth adding to that position. I wouldn't want to wait for a retracement. That is everyone's favorite technique – to buy something strong that retraces. I don't see any justification in the statistics for that. When beans are at $8.00 and go to $9.00, if the choice is to buy them at $9.00 or buy them if they retrace to $8.80, I'd rather buy them at $9.00. They may never retrace to $8.80. Statistics would show that you make more money buying them and not waiting for a retracement.

Q. Are real time quotes needed to trade?

A. Richard Donchian offers:

If you trade on a definite trend following loss limiting-method, you can [trade] without taking a great deal of time from your regular business day. Since action is taken only when certain evidence is registered, you can spend a minute or two per [market] in the evening checking up on whether action-taking evidence is

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apparent, and then in one telephone call in the morning place or change any orders in accord with what is indicated. [Furthermore] a definite method, which at all times includes precise criteria for closing out one's losing trades promptly, avoids...emotionally unnerving indecision. In other words, you do not need real time quotes to trade successfully. You can use end of day quotes.

Q. Isn’t the accuracy of trade entry important?

A. No. You want to buy when the market is moving up. Period. You never question the accuracy, direction or how long the move will last. What if you have an entry that is 80% accurate, but loses money? Entry accuracy is no Holy Grail. If you find yourself staring at quote monitors all day and watching CNBC to figure out when and what to enter – stop trading.

Q. Why not day trade?

A. How can you compete with floor traders while sitting at a quote monitor far removed from the action? Consider the amount of random movement within any 24 hour time period. With maximum profit limited to only one day and the risk relatively large in relation to realizable profit, how can you possibly win in day trading over the long run?

Q. Is there no way to day trade profitably?

A. Jerry Parker , an original Turtle offers: Probably my best technique is not picking up the phone to close out a winning trade. What is left to be said about the futility of day trading? Turtles were taught that trading decisions need to be looked at over the very long term. The results of one trade are almost meaningless.

Q. Why is the price so important? Why is it the key factor?

A. The emotional reactions to trading - hope, fear, guilt, over-confidence, panic, etc. are avoided with trading systems. The personal burden is lifted and trading becomes totally objective because price is the only variable. The price already reflects all the other variables and filters out the subjective nuances of whomever is offering the information. Focusing on price, to the exclusion of fundamental data such as earnings, crop reports, consumer confidence and market news, allows for a scientific approach to trading.

Q. How do people overuse stats?

A. Many traders have developed subtle techniques that squeeze information from small amounts of data, but this is useless. If trading results don't hit you in the head, they are most likely not real. You need robust trading schemes not curve fit academic studies.

Q. Why do you call the Turtle system a robust system?

A. David Druz offers:

- Robustness is the ability to survive.
- Robust trading systems are designed to remain valid for years.
- They rarely exactly fit to any specific market situation.
- Robust trading systems should ideally trade successfully at all times, in all markets, in all conditions.
- A robust system is difficult to kill even in bad markets.
- Short term volatility is inconsequential to trading success.

Q. Is picking the right market is crucial?

A. No. Picking the right stock is not the absolute key to success. Success has to do with money management. Money management determines whether you make any money.

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
- Ken Roberts

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Technical Indicators

Behold the turtle - he never makes progress until he sticks his neck out.

James Bryant Conant

We are repeatedly asked: **Which is better: MACD or Bollinger Bands? Which is more profitable: ADX or Williams %R?**

And we repeatedly answer: **None of them.** Technical indicators are simply small components of an overall trading system and not systems in and of themselves. They are like a couple of tools in a tool kit, not the kit itself. A technical indicator accounts for typically 10% of the overall trading success of a trend following system. Comments such as: **I tried Indicator X and found it was worthless or I tried Indicator Y and found it useful**, make no sense. These statements imply that an indicator is the actual trading system. Nothing could be farther from the truth.

Many popular financial web sites (i.e. CBS MarketWatch, etc.) and many trading books have popularized the idea of technical indicators as Holy Grails. Keep in mind, when you hear the hype about indicators, that money management actually makes up the bulk of a winning trading system.

No Predictions

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Turtle trading is not based on support and resistance lines or areas of congestion. Turtle trading is not based on Fibonacci numbers, the golden mean, nor is it related to the works of Gann or Elliott. The following predictive indicators are **not** used in Turtle trading:

- No Bollinger bands
- No RSI
- No MACD
- No OBV
- No stochastics
- No ROC
- No Williams %R
- No P/E ratios
- No momentum
- No Advance/Decline lines, etc.
- **More** ...

These indicators are all designed to predict what a market will do. You can discount all indicators designed to predict a market move. They are not, by themselves, a predictive trading system. Technical indicators are only useful as part of a complete reactive trading system. The Turtle trading system uses a straightforward reactive, technical indicator as part of an overall-trading plan. The only true method for trading is a long term trend following system that reacts to the market.

Don't fixate on the technical indicator used in any trend following system. It's important, but it is not the key. It’s the tool, but not the kit. Moreover, by itself, a technical indicator is meaningless.

- More on indicator issues.
- Here are examples of useless Technical Analysis.
- Breakouts.

Entry and Exit Straight Talk

Q. My understanding of trend following is that if you want to make money, buy low and sell high. Sounds simple. The trick is to identify entry and exit positions and there is a host of guys out there promising that their particular system will solve all your needs. Right?

A. Why do you feel entry and exit is the crucial issue in trading? What if you have an entry that wins 80% of the time but wins you very little money? And what if you only lose 20% of the time, but when you lose, your losses far exceed your wins the other 80% of the time? Additionally, you don't buy low and sell high. Good traders buy higher and sell lower all along, focusing on how much money they are making or losing (not just winning percentages). Buying higher means that as a trend moves up you buy more as the price increases. For example, let's say a trend begins at a price of 5 and goes up a 100. Would you only want to buy at a price of 5 or 6 or 7? Of course not. Depending on your system, you might buy at 20 or 30 or even higher. Not sure what we mean? Email and ask!.

Q. If the trend goes to 100, how do you know it in advance?

A. You don't know. Let's say looking back into the past we knew a market went from 5 to 100. The point is to ask yourself, when do you buy? At price levels of 5, 6 or 7? At 20 or 30? Buying more as the

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trend progresses is what we mean by buying higher highs. Trying to buy low is nonsense. You can't ever know that it is going to go to 100, but you are fully prepared with a precise well thought out strategy so it doesn't matter that you don't know. Whether it's from 5 to 6 or 5 to 100, you are ready to act.

Q. Are you promoting an alternative way of identifying the trend plus a money management system?
A. Realize that identifying a potential trend is maybe 10% of the overall success of a trend following trading system. The key is not where you enter and whether you have a profit or loss on a position. The key is how big should you be trading based on market volatility. That should be your concern. You're not interested in the level of the market is; you're concerned with the market's volatility. For example, if it's the day of a crash or the day after a crash, the volatility is a lot bigger. So you should be trading smaller. Lose the concept that where you enter is critical. What is relevant? your current position, your equity and where the market is now.

Editor's Note: Of course, there is an entry/exit method involved in Turtle trend following. But, focus on where real trading success comes from: money management.

How High Will It Go?

The other day we were speaking with a successful broker and he revealed that one of his strategies was to ride a stock up for 30% gains and then exit. That was his strategy. Let it go up 30% and get out. Sounds reasonable. But as Turtle traders know, this type of strategy is prone to problems. The biggest problem is that it goes against the math of getting rich. He is not letting his profits run!

Tom Basso tells the story of the new trader who approaches an old trend follower and asks, Where's your objective on this trade? The old trend follower replies that his objective is for the position to go to the moon. He says, I have not had one get there yet, but maybe someday.

When you trade as a trend follower, your objective is to stay in a position forever. You don't want to think about exiting. Of course, you have a plan for exiting long before you enter the trade, but the idea is to follow the trend as far as it will go up. For example, would you have ever really wanted to exit all of your position in Cisco if you entered in 1991? It's never really gone down!

Trend following is similar in basic philosophy to buy and hold approaches, except for one monumental difference. Trend following has an exit strategy. While buy and hold approaches obviously do not take into account going short (a huge mistake), they do ride a trend up forever. However, markets change. If and when the trend reverses and starts heading south, there is no exit method to escape the carnage (see Microstrategy example).

Support, Resistance and Entry

Many people use the jargon terms support and resistance. You have probably heard brokers talk of their importance or CNBC's continuous babble of predictions, meaningless advice and analysis. The words are used to describe perceived tops and bottoms in a market.

Unfortunately, support and resistance is a waste of time. Whether the market is going to penetrate support or resistance has nothing to do with your entry price. Your entry price has only personal significance. It has no objective significance in the market. The market is not going to go through a support point or go through a resistance point just because of what your entry price is. The concept is not a relevant factor. It's hype.

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Technical Indicator Nonsense

CBS MarketWatch [symbol: MKTW] offers daily news and analysis. During the straight up bull market CBS MarketWatch went public and raised enough capital to make a name for itself. As a sidebar, you can see by their share price the company was a great stock to trade short, but we're here to talk about not CBS MarketWatch as an investment, but as a source of information for investors.

Take a look at CBS MarketWatch's use of predictive technical studies. Anyone can go to CBS MarketWatch, chart a stock and quickly apply a study to it. If you want to look at Microsoft with an RSI study -- no problem. If you want to apply an exponential moving average to Oracle it takes just seconds. While CBS MarketWatch never states this, these studies are designed to give you predictive buy and sell signals. Here is a screen shot from CBS MarketWatch so you can see what we're describing in terms of the layout and the multitude of studies available at your fingertips:

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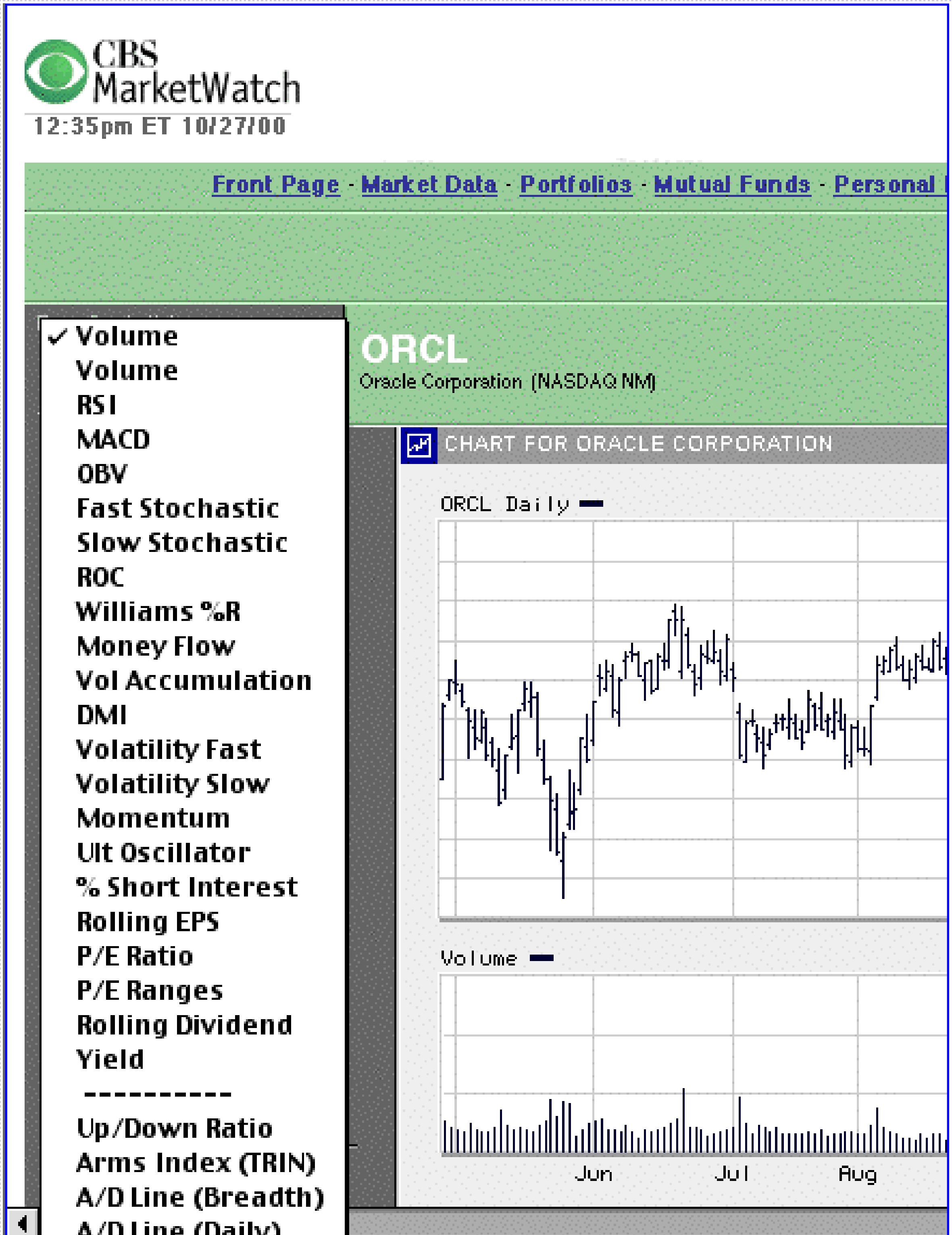

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- Blackjack

Psychology

- **Life Values & Risk**
- Critical Thinking
- Money is Evil?
- Gen. Patton Speech
- Are You Rational?
- The Bet
- Myers-Briggs Testing
- Quotations

Avid readers of the TurtleTrader site will instantly see there is no use of money management. What CBS MarketWatch offers its readers is a slew of studies to choose from in an effort to provide buy and sell signals. However, at no time does it judge the studies as to whether they are good or bad or even if they have any limitations. No money management is discussed. Since money management is 90% of the trading game, what good can these studies possibly be as indicators of buy and sell? Not much.

Our point? Most people will never take the time or energy to learn how to trade properly since it is so much easier to be seduced by the ease and comfort of a free charting service that appears to be credible. But trading is zero-sum. For every winner there is a loser. At TurtleTrader we expect, we even hope that many people will continue to stay fixated on the likes of a CBS MarketWatch (and others). That is fine with us since it makes it that much easier to win their losses.

Here are more examples of useless Technical Analysis.

Trading Software Issues

It's Not About Technology: Successful trading doesn't rely on state-of-the-art technology. Hard to believe, but true. Visit the office of a successful trend follower and you are in for a surprise. Their computer technology is often lagging. It is not uncommon to see ten year old PCs and Macs running software long since abandoned by their short term trading counterparts. Trend following Turtles don't need speedy SPARC stations or top of the line Pentium machines. Why would you need a top of the line processor if your trade lengths exceed 3 to 6 months?

It's Not About 24/7: Interestingly, the best trend followers do not physically watch their computer screens 24 hours a day. They often program the rules into older languages such as FORTRAN and BASIC. When buy or sell signals are generated, a bell sounds indicating it's time to place a trade. Many people are reluctant to face the truth that maximizing profits demands patience and is often boring. People want to believe that big money comes from big excitement. If you watch CNBC you have probably noticed the level of excitement on the various exchange floors and in the CNBC studio itself. However, the best trend followers trade in office environments reminiscent of stately law or accounting firms.

It's Not About Being On The Floor: The flooris only interested in

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short term profits. They typically don't hold positions over night. They trade to make a profit everyday then get out of their positions at the end of the each market day. What would a typical noisy day on the floor of the CBOT have to do with a trend follower looking at time horizons exceeding 3 to 6 months? Absolutely nothing, so there is no reason to be there.

Inside story of a day in the life at Dunn Capital.

Technology and Trading

I'm very uncomfortable with black box trading where I'm dealing with algorithms I don't understand. Everything we do we could do on the back of an envelope with a pencil.

Campbell and Co.

Trading successfully does not require expensive technology for success. Computing solutions assist in the automation of Turtle rules, but those same rules could be worked through with paper and pencil. Automation of rules and backtesting are the prime benefits of today's computing technologies. Computers allow for the leverage of your time and assist in making routine tasks systematic. But the rules themselves are always the key.

New traders and investors are often unaware of the Turtle's and other long term trend follower's continued reliance on various programming languages developed many years ago:

- System Writer (the forerunner to TradeStation. Omega's first product).

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- BASIC programming language (used by Dunn Capital).
- FORTRAN programming language (used by Hill Financial).
- Lotus 123 (used by John W. Henry). Lotus 123 has long since lost out to EXCEL.

Top traders still translate their trading rules into these programming languages. There are literally dozens of ways you can automate the Turtle rules or not. You can also simply trade the system by hand.

Omega TradeStation

TradeStation is a good product. If you own it you can program the Turtle rules and save some time. Is it absolutely needed? No. The bottom line is that you have many choices in the tools you use to trade our system. But don’t kid yourself. Fancy charts, bells, whistles won't help you to make money. The reason why so many older methods of trading automation work well with the Turtle system is because as a trend follower you have a longer time frame for decisions. The issue of purchasing the latest and greatest hardware and software becomes a moot point. If you are trading tick by tick day trading or arbitrage, you might need super computing horsepower, but trading correctly does not require an IBM S/390 number cruncher.

Software programs for use as a trend follower:

- Behold
- Trading Recipes
- Logical Information Machines

- Metastock
- Trendsetter

These programs can be used to help automate trading the Turtle trend following system. **You need the rules first though**. These software ideas alone without a system are useless.

Options for Daily Trading

You can trade through:

- Pencil and paper by hand with written records. See more here.
- EXCEL spreadsheets.
- Various trading programs we recommend in the TurtleTrader course. These programs (Windows and Mac programs), like EXCEL, allow you to automate trading processes if you desire.

Keep in mind TurtleTrader is not a software firm -- we teach and train.

Curve Fitting & Other System Issues

When evaluating any trading system, hold it to these standards:

1. It is profitable in a wide variety of market groups
2. It is not curve-fit or over optimized.
3. It is profitable across a range of parameters.
4. Its logic and rules should be fully disclosed with no black box aspects.

More on Curve Fitting

- The Turtle trading system is not a curve fit system. Curve fit systems customize the trading rules differently for each market you trade, producing unrealistic results. The Turtle rules are the same for each market.
- Computer technology can be easily used to over-optimize a trading system and produce something that looks good (see Futures Truth). By testing thousands of possibilities, you could create a system that works. However, trying to produce a magical or perfect system falls apart in the real world.
- **Turtle system parameters or rules work across a range of values. System parameters that work over a range of values are robust. If the parameters of a system are slightly changed and the performance**

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adjusts drastically, beware. For example, if a system works great at 20, but does not work at 19 or 21 you have a system with poor robustness. On the other hand, if your system parameter is 50 and it also works at 40 or 60, your system is much more robust (and reliable).

- Traders often only focus on future profits when looking at a system. The key, however, is risk control (or money management). If you control your risk and let your profits run, you position yourself to make bigger money throughout the long term.
- A good system with robust and adaptive parameters should not require re-optimization. The Turtle system uses indicators and parameters that adapt to changing market conditions.

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Risk v. Volatility

Would you tell me please which way I have to go from here?

That depends a good deal on where you want to go,' said the cat.

***Lewis Carroll**, Alice's Adventures in Wonderland*

Risk and volatility are not the same.

Volatility is the up and down nature of markets. If your trading strategy expects the markets to move up and down, as markets often do, then you must be ready to deal with volatility specifically each and every day.

- More on Volatility
- Risk and Life Values

If you **risk** 2% of your original capital on a particular trade, that is a real risk of capital. Controlling risk is an absolute foundation of money management.

Turtle Trading is Volatile?

Nicole Meaden of TASS compared monthly standard deviations (volatility as measured from the mean) and semi-standard deviations (volatility measured on the downside only) and found that while Turtles experience a lot of volatility, it is concentrated on the upside,

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not the downside.

Turtles cut their losses and let their profits run. I think the Turtles are a classic case of a group of managers whose overall performance is unduly penalized by people looking too closely at the Sharpe Ratio, Meaden says. The Sharpe ratio does not reveal whether volatility is on the plus or the minus side. Most Turtles' volatility is on the plus side or they would not be in business. The difference between the standard deviation and the semi-standard deviation is what counts. The actual formula for calculating them is identical, with one exception: **the semi-standard deviation looks only at observations below the mean.**

Meaden argues that if the semi-standard deviation is lower than the standard deviation, the historical pull away from the mean has to be on the plus side. If it is higher, it means the pull away from the mean is on the minus side. Comparing monthly standard and semi-standard deviation for Turtle traders we find the comparison showing 12.51 for the former, and 5.79 for the latter. Meaden says this is a **huge difference that puts most of the Turtle volatility on the upside.**

Sources include Managed Derivatives Magazine

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Blackjack and Trading — It's Just Business

When you are invested properly, money management is relatively simple. [We] adjust trading size for profits and losses using Richard Dennis' model for volatility. No trader can control volatility completely, but you can improve your odds. Certainly the primary reasons for my success are the brilliance and generosity of Richard J. Dennis. Beyond that, I think it is my even-tempered nature that has contributed most to my success. It allows me the discipline to apply what I know is right, even when it feels wrong. In general, I think the key to becoming successful is to love the game more than the result.

An Original Turtle

What Do Gambling and Trading Have In Common? More than you think.

Blackjack is the only gambling game that is not determined by chance alone. The shrewd player can influence the outcome by counting the cards. The fact that most casino visitors unconsciously aim at losing (the gambling addicts) or play for the thrill creates chances for the rational gambler, the one who sits down at the blackjack table well-prepared and poised to win.

They are in Business: Successful gamblers and traders pursue their goals as a business, not as a leisurely pursuit. For gamblers from blackjack to horse racing as well as all traders, making serious money demands they get serious. As a result, they take a completely different approach towards betting from people who enter these endeavors for

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the action, the excitement and, of course, the dream of winning big.

They keep records: People who are successful at either trading or gambling, keep detailed records. Keeping records builds confidence and discipline. Basically you are keeping a journal of your decision-making that records when, where, why and how much you bet on each trade or wager. The idea is to reach a comfort zone for yourself and stay within that zone whenever you are tempted to leave it, which will happen, we assure you. Keeping records is a part of managing your money, and if you are not disciplined in your money management, you are going to lose your entire bankroll.

They are calm, cool and collected: To become even-tempered about money takes practice. You must force yourself to detach your emotions and ego from what you are doing. You want to create an abstract money world where profits and losses are viewed in terms of abstract dollars. In this abstract world you don't get excited about profits and you don't get down about losses. You don't want your emotions to go up and down with your account equity. If you can't control greed, fear and hope -- trading might not be for you.

They are running a marathon: Successful gambling, like long term trend following is a marathon. If you try to sprint, you’re going to lose the race. It’s just business.

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Psychology:

Critical Thinking

In the book **Critical Thinking** the essential thought processes of a TurtleTrader trend follower are outlined:

Dispositions: Critical thinkers have dispositions that are skeptical and open-minded. They value fair-mindedness, respect evidence and reasoning, respect clarity and precision, look at different points of view, and will change positions when reason leads them to do so.

Criteria: To think critically, you must apply criteria. This means you need to set conditions that must be met for you to judge something as believable.

Argument: Is a statement or proposition with supporting evidence. Critical thinking involves identifying, evaluating, and constructing arguments.

Reasoning: You have the ability to infer a conclusion from one or multiple premises. To do so requires examining logical relationships among statements or data.

Point of View: POV is the way you view the world, which shapes your construction of meaning. In a search for understanding, critical thinkers view phenomena from many different points of view.

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Procedures for Applying Criteria: Other types of thinking use a general procedure. Critical thinking makes use of many procedures. These procedures include asking questions, making judgments, and identifying assumptions.

Force Feeding the Students

Mindless memorization: Like fattening a goose before slaughter, force feeding students endless content in the form of declarative sentences and then asking them to remember the content is mindless teaching at its best, and mental torture at its worst.

The art of the question: We need questions to jumpstart our intellectual engines. Questions generate more questions until the student takes ownership of the material and focuses thinking on a process to gain the answer. The questions we ask determine where our thinking goes. When learners are asked to memorize facts, it's as if they were told to repeatedly step on the brakes in a vehicle that is parked. Their mind goes nowhere.

Go below the surface: Deep questions drive our thoughts below the surface of things and force us to deal with the complexity of what is real.

Define the task: Purposeful questions force us to define our task. We must begin to evaluate information instead of mindlessly accepting it as truth. We begin to look at our sources of information as well as the quality.

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Find Meaning: Questions of interpretation force us to examine how we are organizing or giving meaning to information.

Discover the facts: Questions of assumption force us to examine what we are taking for granted.

Show Direction: Questions of implication force us to follow through on where our thinking is going.

Find Context: Questions of point of view force us to examine our point of view and to consider other relevant points of view.

Focus: Questions of relevance force us to discriminate what does and what does not bear on a question.

Look for truth: Questions of accuracy force us to evaluate and test for truth and correctness.

Look for detail: Questions of precision force us to define details and be precise.

Self examine: Questions of consistency force us to examine our thinking for contradictions.

Put it all together: Questions of logic force us to consider how we are putting the whole of our thought together, to make sure that it all adds up and makes sense within a reasonable system.

http://www.criticalthinking.org

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Deadening Questions Create Dead Minds

Unfortunately, most students ask virtually none of these types of questions. Instead they ask deadening questions like, Is this going to be on the test?. Their questions imply they have no desire to think. Or they ask no questions, sitting in silence; their minds on both pause and mute. As a result the questions they do have tend to be superficial and ill-informed because they have not taken ownership of the content.

At the same time, most teachers are not generators of enlivening and energetic questions. Most are not seriously engaged in thinking through or rethinking through their own subjects. It is easier for them to teach as purveyors of the questions and answers of other teachers, usually the authors of a textbook.

We must continually remind ourselves that critical thinking about any type of content whatsoever, whether it is trading, history, biology or how to sail a boat only begins when questions are generated by both teachers and students. No questions equals no understanding. Superficial questions equals superficial understanding.

If we want to think critically, we must stimulate our intellect with questions that lead us to even further questions. We must overcome what our previous schooling has done to our way of learning. We must resuscitate minds that are dead when we interact with them either as teachers or fellow students. We must give ourselves and our students what could be called artificial cogitation, the intellectual equivalent of artificial respiration to make dead minds come to life again.

http://www.criticalthinking.org

Critical Thinking Quotes

Critical thinking is deciding rationally what to or what not to believe.

Norris, Stephen P. Synthesis of Research on Critical Thinking.

Critical thinking is the use of those cognitive skills or strategies that increase the probability of a desirable outcome. It is used to describe thinking that is purposeful, reasoned and goal directed - the kind of thinking involved in solving problems, formulating inferences, calculating likelihoods, and making decisions when the thinker is using skills that are thoughtful and effective for the particular context and type of thinking task. Critical thinking also involves evaluating the thinking process - the reasoning that went into the conclusion we've arrived at the kinds of factors considered in making a decision. Critical thinking is sometimes called directed thinking because it focuses on a desired outcome.

Halpern, Diane F. Thought and Knowledge.

The purpose of critical thinking is, therefore, to achieve understanding, evaluate view points, and solve problems. Since all three areas involve the asking of questions, we can say that critical thinking is the questioning or inquiry we engage in when we seek to understand, evaluate, or resolve.

Maiorana, Victor P. Critical Thinking Across the Curriculum.

Broadly speaking, critical thinking is concerned with reason, intellectual honesty, and open-mindedness, as opposed too emotionalism, intellectual laziness, and closed-mindedness. Thus, critical thinking involves: following evidence where it leads; considering all possibilities; relying on reason rather than emotion; being precise; considering a variety of possible viewpoints and explanations; weighing the effects of motives and biases; being concerned more with finding the truth than with being right; not rejecting unpopular views out of hand; being aware of one's own prejudices and biases, and not allowing them to sway one's judgment.

Kurland, Daniel J. I Know What It Says . . . What does it Mean?

Critical thinking is a process which stresses an attitude of suspended judgment, incorporates logical inquiry and problem solving, and leads to an evaluative decision or action.

NCTE Committee on Critical Thinking and the Language Arts.

Critical thinking includes the ability to respond to material by distinguishing between facts and opinions or personal feelings, judgments and inferences, inductive and deductive arguments, and the objective and subjective. It also includes the ability to generate questions, construct, and recognize the structure of arguments, and adequately support arguments; define, analyze, and devise solutions for problems and issues; sort, organize, classify, correlate, and analyze materials and data; integrate information and see relationships; evaluate information, materials, and data by drawing inferences, arriving at reasonable and informed conclusions, applying understanding and knowledge to new and different problems, developing rational and reasonable interpretations, suspending beliefs and remaining open to new information, methods, cultural systems, values and beliefs and by assimilating information.

MCC General Education Initiatives Uses of critical thinking:

- underlies reading, writing, speaking, and listening . . . the basic elements of communication
- plays an important part in social change . . . institutions in any society - courts, governments, schools, businesses - are the products of a certain way of thinking.
- helps us uncover bias and prejudice.
- is a path to freedom form half-truths and deceptions.
- the willingness to change one point of view as we continue to examine and re-examine ideas that may seem obvious. Such thinking takes time and the willingness to say three subversive words: I don't know.

Critical thinkers: distinguish between fact and opinion; ask questions; make detailed observations; uncover assumptions and define their terms; and make assertions based on sound logic and solid evidence.

Ellis, D. Becoming a Master Student

Critical Readers Are:

- willing to spend time reflecting on the ideas presented in their reading assignments
- able to evaluate and solve problems while reading rather than merely compile a set of facts to be memorized
- logical thinkers
- diligent in seeking out the truth
- eager to express their thoughts on a topic
- seekers of alternative views on a topic
- open to new ideas that may not necessarily agree with their previous thought on a topic
- able to base their judgments on ideas and evidence
- able to recognize errors in thought and persuasion as well as to recognize good arguments
- willing to take a critical stance on issues
- able to ask penetrating and thought-provoking questions to evaluate ideas
- in touch with their personal thoughts and ideas about a topic
- willing to reassess their views when new or discordant evidence is introduced and evaluated
- able to identify arguments and issues
- able to see connections between topics and use knowledge from other disciplines to enhance their reading and learning experiences

Schumm, J. S. and Post, S. A. Executive Learning

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Psychology:

Money is the Root of All Evil?

Atlas Shrugged

Audio version of speech (16:37 / 9.5 MG)

Standing unnoticed on the edge of the group, Rearden heard a woman, who had large diamond earrings and a flabby, nervous face, ask tensely, Senor d'Anconia, what do you think is going to happen to the world?

Just Exactly what it deserves.

Oh, how cruel!

Don't you believe in the operation of the moral law, madame? Francisco asked Gravely. I do.

Rearden heard Bertram Scudder, outside the group, say to a girl who made some sound of indignation, Don't let him disturb you. You know, money is the root of all evil – and he's the typical product of money.

Rearden did not think that Francisco could have heard it, but he saw Francisco turning to them with a gravely courteous smile.

So you think that money is the root of all evil? said Francisco d'Anconia. Have you ever asked what is the root of money? Money is a tool of exchange, which can't exist unless there are goods produced and men able to produce them. Money is the material shape of the principle that men who wish to deal with one another must deal by trade and give value for value. Money is not the tool of the moochers, who claim your product by tears, or of the looters, who take it from

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you by force. Money is made possible only by the men who produce. Is this what you consider evil?

When you accept money as payment for our effort, you do so only on the conviction that you will exchange it for the product of the effort of others. It is not the moochers or the looters who give value to money. Not an ocean of tears nor all the guns in the world can transform those pieces of paper in your wallet into the bread you will need to survive tomorrow. Those pieces of paper, which should have been gold, are a token of honor – your claim upon the energy of the men who produce. Your wallet is your statement of hope that somewhere in the world around you there are men who will not default on that moral principle which is the root of money. Is this what you consider evil?

Have you ever looked for the root of production? Take a look at an electric generator and dare tell yourself that it was created by the muscular effort of unthinking brutes. Try to grow a seed of wheat without the knowledge left to you by men who had to discover it for the first time. Try to obtain your food by means of nothing but physical motions – and you'll learn that man's mind is the root of all the goods produced and of all the wealth that has ever existed on earth.

But you say that money is made by the strong at the expense of the weak? What strength do you mean? It is not the strength of guns or muscles. Wealth is the product of man's capacity to think. Then is money made by the man who invents a motor at the expense of those who did not invent it? Is money made by the intelligent at the expense of the fools? By the able at the expense of the incompetent? By the ambitious at the expense of the lazy? Money is made – before it can be looted or mooched – made by the effort of every honest man, each to the extent of his ability. An honest man is one who knows that he can't consume more than he has produce.

To trade by means of money is the code of the men of good will. Money rests on the axiom that every man is the owner of his mind and his effort. Money allows no power to prescribe the value of your effort except the voluntary choice of the man who is willing to trade you his effort in return. Money permits you to obtain for your goods and your labor that which they are worth to the men who buy them, but no more. Money permits no deals except those to mutual benefit by the unforced judgment of the traders. Money demands of you the recognition that men must work for their own benefit, not for their own injury, for their gain, not their loss – the recognition that they are not beasts of burden, born to carry the weight of your misery – that you must offer them values, not wounds – that the common bond among men is not the exchange of suffering, but the exchange of goods. Money demands that you sell, not your weakness to men's stupidity, but your talent to their reason; it demands that you buy, not the shoddiest they offer, but the best that your money can find. And when men live by trade – with reason, not force, as their final arbiter – it is the best product that wins, the best performance, the man of best judgment and highest ability – and the degree of a man's productiveness is the degree of his reward. This is the code of existence whose tool and symbol is money. Is this what you consider evil?

But money is only a tool. It will take you wherever you wish, but it will not replace you as the driver. It will give you the means for the satisfaction of your desires, but it will not provide you with desires. Money is the scourge of the men who attempt to reverse the law of causality – the men who seek to replace the mind by seizing the products of the mind.

Money will not purchase happiness for the man who has no concept of what he wants: money will not give him a code of values, if he's evaded the knowledge of what to value, and it will not provide him with a purpose, if he's evaded the choice of what to seek. Money will not buy intelligence for the fool, or admiration for the coward, or respect for the incompetent. The man who attempts to purchase the brains of his superiors to serve him, with his money replacing his judgment, ends up becoming the victim of his inferiors. The men of intelligence desert him, but the cheats and the frauds come flocking to him, drawn by a law which he has not discovered: that no man may be smaller than his money. Is this the reason why you call it evil?

Only the man who does not need it, is fit to inherit wealth – the man who would make his own fortune no matter where he started. If an heir is equal to his money, it serves him; if not, it destroys him. But you look on and you cry that money corrupted him. Did it? Or did he corrupt his money? Do not envy a worthless heir: his wealth is not yours and you would have done no better with it. Do not think that it should have been distributed among you; loading the world with fifty parasites instead of one, would not bring back the dead virtue which was the fortune. Money is a living power that dies without its root. Money will not serve the mind that cannot match it. Is this the reason why you call it evil?

Money is your means of survival. The verdict you pronounce upon the source of your livelihood is the verdict you pronounce upon your life. If the source is corrupt, you have damned your own existence. Did you get your money by fraud? By pandering to men's vices or men's stupidity? By catering to fools, in the hope of getting more than your ability deserves? By lowering your standards? By doing work you despise for purchasers you scorn? If so, then your money will not give you a moment's or a penny's worth of joy. Then all the things you buy will become, not a tribute to you, but a reproach; not an achievement, but a reminder of shame. Then you'll scream that money is evil. Evil, because it would not pinch-hit for your self-respect? Evil, because it would not let you enjoy your depravity? Is this the root of your hatred of money?

Money will always remain an effect and refuse to replace you as the cause. Money is the product of virtue, but it will not give you virtue and it will not redeem your vices. Money will not give you the unearned, neither in matter nor in spirit. Is this the root of your hatred of money?

Or did you say it's the love or money that's the root of all evil? To love a thing is to know and love its nature. To love money is to know and love the fact that money is the creation of the best power within you, and your passkey to trade your effort for the effort of the best among men. It's the person who would sell his soul for a nickel, who is loudest in proclaiming his hatred of money – and he has good reason to hate it. The lovers of money are willing to work for it. They know they are able to deserve it.

Let me give you a tip on a clue to men's characters: the man who damns money has obtained it dishonorably; the man who respects it has earned it.

Run for your life from any man who tells you that money is evil. That sentence is the leper's bell of an approaching looter. So long as men live together on earth and need means to deal with one another – their only substitute, if they abandon money, is the muzzle of a gun.

But money demands of you the highest virtues, if you wish to make it or to keep it. Men who have no courage, pride or self-esteem, men who have no moral sense of their right to their money and are not willing to defend it as they defend their life, men who apologize for being rich – will not remain rich for long. They are the natural bait for the swarms of looters that stay under rocks for centuries, but come crawling out at the first smell of a man who begs to be forgiven for the guilt of owning wealth. They will hasten to relieve him of the guilt – and of his life, as he deserves.

Then you will see the rise of the men f the double standard – the men who live by force, yet count on those who live by trade to create the value of their looted money – the men who are the hitchhikers of virtue. In a moral society, these are the criminals, and the statues are written to protect you against them. But when a society establishes criminals-by-right and looters-by-law – men who use force to seize the wealth of disarmed victims – then money becomes its creators' avenger. Such looters believe it safe to rob defenseless men, once they've passed a law to disarm them. But their loot becomes the magnet for other looters, who get it from them as they got it. Then the race goes, not to the ablest at production, but to those most ruthless at brutality. When force is the standard, the murderer wins over the pickpocket. And then that society vanishes, in a spread of ruins and slaughter.

Do you wish to know whether that day is coming? Watch money. Money is the barometer of a society's virtue. When you see that trading is done, not by consent, but by compulsion – when you see that in order to produce, you need to obtain permission from men who produce nothing – when you see that money is flowing to those who deal, not in goods, but in favors – when you see that men get richer by graft and by pull than by work, and your laws don't protect you against them, but protect them against you – when you see corruption being rewarded and honesty becoming a self-sacrifice – you may know that your society is doomed. Money is so noble a medium that it does not compete with guns and it does not make terms with brutality. It will not permit a country to survive as half-property, half-loot.

Whenever destroyers appear among men, they start by destroying money, for money is men's protection and the base of a moral existence. Destroyers seize gold and leave to its owners a counterfeit pile of paper. This kills all objective standards and delivers men into the arbitrary power of an arbitrary setter of values. Gold was an objective value, an equivalent of wealth produced. Paper is a mortgage on wealth that does not exist, backed by a gun aimed at those who are expected to produce it. Paper is a check drawn by legal looters upon an account which is not theirs: upon the virtue of the victims. Watch for the day when it bounces, marked: 'Account overdrawn.'

When you have made evil the means of survival, do not expect men to remain good. Do not expect them to stay moral and lose their lives for the purpose of becoming the fodder of the immoral. Do not expect them to produce, when production is punished and looting rewarded. Do not ask, 'Who is destroying the world?' You are.

You stand in the midst of the greatest achievements of the greatest productive civilization and you wonder why it's crumbling around you, while you're damning its life-blood – money. You look upon money as the savages did before you, and you wonder why the jungle is creeping back to the edge of your cities. Throughout men's history, money was always seized by looters of one brand or another, whose names changed, but whose method remained the same: to seize wealth by force and to keep the producers bound, demeaned, defamed, deprived of honor. That phrase about the evil of money, which you mouth with such righteous recklessness, comes from a time when wealth was produced by the labor of slaves – slaves who repeated the motions once discovered by somebody's mind and left unimproved for centuries. So long as production was ruled by force, and wealth was obtained by conquest, there was little to conquer. Yet through all the centuries of stagnation and starvation, men exalted the looters, as aristocrats of the sword, as aristocrats of birth, as aristocrats of the bureau, and despised the producers, as slaves, as traders, as shopkeepers – as industrialists.

To the glory of mankind, there was, for the first and only time in history, a country of money – and I have no higher, more reverent tribute to pay to America, for this means: a country of reason, justice, freedom, production, achievement. For the first time, man's mind and money were set free, and there were no fortunes-by-conqust, but only fortunes-by-work, and instead of swordsmen and slaves, there appeared the real maker of wealth, the greatest worker, the highest type of human being – the self-made man – the American industrialist.

If you ask me to name the proudest distinction of Americans, I would choose – because it contains all the others – the fact that they were the people who created the phrase 'to make money.' No other language or nation had ever used these words before; men had always thought of wealth as a static quantity – to be seized, begged, inherited, shared, looted or obtained as a favor. Americans were the first to understand that wealth has to be created. The words ' to make money' hold the essence of human morality.

Yet these were the words for which Americans were denounced by the rotted cultures of the looters' continents. Now the looters' credo has brought you to regard your proudest achievements as a hallmark of shame, your prosperity as guilt, your greatest men, the industrialists, as blackguards, and your magnificent factories as the product and property of muscular labor, the labor of whip-driven slaves, like the pyramids of Egypt. The rotter who simpers that he sees no difference between the power of the dollar and the power of the whip, ought to lean the difference on his own hide – as, I think, he will.

Until and unless you discover that money is the root of all good, you ask for your own destruction. When money ceases to be the tool by which men deal with one another, then men become the tools of men. Blood, whips and guns – or dollars. Take your choice – there is no other – and your time is running out.

Francisco had not glanced at Rearden once while speaking; but the moment he finished, his eyes went straight to Rearden's face. Rearden stood motionless, seeing nothing but Francisco d'Anconia across the moving figures and angry voices between them.

There were people who had listened, but now hurried away, and people who said, It’s horrible! – It’s not true! – How vicious and selfish! – saying it loudly and guardedly at once, as if wishing that their neighbors would hear them, but hoping that Francisco would not.

Senor d’Anconia, declared the woman with the earrings, I don’t agree with you!

If you can refute a single sentence I uttered, madame, I shall hear it gratefully.

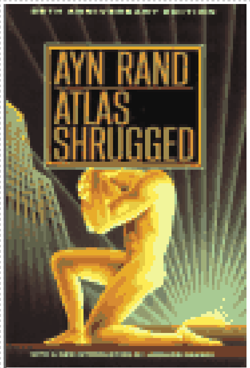
Oh, I can’t answer you. I don’t have any answers, my mind doesn’t work that way, but I don’t feel that you’re right, so I know that you’re wrong.

How do you know it?

I feel it. I don’t go by my head, but by my heart. You might be good at logic, but you’re heartless.

Madame, when we’ll see men dying of starvation around us, your heart won't be of any earthly use to save them. And I’m heartless enough to say that when you’ll scream, ‘But I didn’t know it!’ – you will not be forgiven.

The woman turned away, a shudder running through the flesh of her cheeks and through the angry tremor of her voice: Well, it’s certainly a funny way to talk at party!



Atlas Shrugged

Ayn Rand

More on Fountainhead by Ayn Rand

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Psychology:

General George S. Patton, Jr.

3rd Army Speech - England.

31 MAY 1944 - 6th Armored Division

Audio MP3 of Patton Speech (5 MB)

Audio MP3 of Patton Movie Theme (360 KB)

Now I want you to remember that no bastard ever won a war by dying for his country. You won it by making the other poor dumb bastard die for his country. Men, all this stuff you've heard about America not wanting to fight, wanting to stay out of the war, is a lot of horse dung. Americans traditionally love to fight. All real Americans, love the sting of battle. When you were kids, you all admired the champion marble shooter, the fastest runner, the big league ball players, the toughest boxers ... Americans love a winner and will not tolerate a loser. Americans play to win all the time. I wouldn't give a hoot in Hell for a man who lost and laughed. That's why Americans have never lost and will never lose a war. Because the very thought of losing is hateful to Americans. Now, an army is a team. It lives, eats, sleeps, fights as a team. This individuality stuff is a bunch of crap. The biggest bastards who wrote that stuff about individuality for the Saturday Evening Post, don't know anything more about real battle than they do about fornicating. Now we have the finest food and equipment, the best spirit, and the best men in the world. You know ... My God, I actually pity those poor bastards we're going up against. My God, I do. We're not just going to shoot the bastards, we're going to cut out their living guts and use them to grease the treads of our tanks. We're going to murder those lousy Hun bastards by the bushel. Now some of you boys, I know, are wondering whether or not you'll chicken out under fire. Don't worry about it. I can assure you that you'll all do your duty. The Nazis

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are the enemy. Wade into them. Spill their blood, shoot them in the belly. When you put your hand into a bunch of goo, that a moment before was your best friends face, you'll know what to do. Now there's another thing I want you to remember. I don't want to get any messages saying that we are holding our position. We're not holding anything, we'll let the Hun do that. We are advancing constantly, and we're not interested in holding onto anything except the enemy. We're going to hold onto him by the nose, and we're going to kick him in the ass. We're going to kick the hell out of him all the time, and we're going to go through him like crap through a goose. Now, there's one thing that you men will be able to say when you get back home, and you may thank God for it. Thirty years from now when you're sitting around your fireside with your grandson on your knee, and he asks you, What did you do in the great World War Two? You won't have to say, Well, I shoveled shit in Louisiana. Alright now, you sons of bitches, you know how I feel. I will be proud to lead you wonderful guys into battle anytime, anywhere. That's all.

General George S. Patton, Jr.

This speech is for everyone in all countries. Patton's must win attitude is timeless. That must win attitude is an absolute prerequisite for trading success or any life success for that matter.

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Psychology:

Irrational Exuberance

When it comes to markets, there appears to be a human tendency towards irrational exuberance that is pervasive. It comes in several forms:

Overconfidence: Instead of reacting to market rumors, anecdotes or advice with a healthy dose of skepticism, many people not only believe, but also act on what they hear, supremely confident that they are able to discern fact from fiction. Thinking that they know more than they do, they express their opinion as fact on subjects they actually know little about. Because admitting you don't know something is considered a sign of ignorance, people would rather pretend to be confident and live with the consequences of being wrong. Instead of listening, they talk. Instead of learning, they lecture. Instead of waiting patiently, they act speculatively.

Magical thinking: Magical thinking describes subjective speculation about how markets will act. It is difficult to know for sure how significant a role intuition about the likelihood that investments will do well or poorly plays in peoples' decisions to invest. We are trying to assess innermost thoughts about money and self worth which most people feel they do not have to explain or justify to anyone. However, we can label these patterns of thought as magical thinking. Most investors have occasional 'feelings or intuitions that certain trading actions will bring them luck even if they know logically the actions can have no effect on their fortunes. Playing a hunch just because it feels right seldom makes traders rich. Yet proof that it's human nature to indulge in magical thinking abounds:

It has been shown that people will place larger bets on a coin that has not yet been tossed than on a coin that has already been tossed, but the outcome of the toss has yet to be revealed.

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If asked how much money they would demand to part with a lottery ticket they already hold, most ticket holders give a figure over four times greater than if they themselves chose the lottery number on the ticket. Apparently, at some magical level people think that they can influence a coin that has not yet been tossed and influence the likelihood of winning the lottery by choosing the number.

People are capable of thinking, at least on some intuitive level, If I buy a stock, then it will go up afterwards or If I buy a stock, then others will probably want to buy the stock, too, because they are like me or I have a hot hand lately; my luck is with me. Such magical thinking is likely, in a subtle way, to contribute to the overconfidence that may help the propagation of speculative bubbles.

Excerpts from: Irrational Exuberance by Robert J. Shiller

Why include this brief mention from 'Irrational Exuberance'? The book outlines nothing new in the world of market psychology, but it does serve as a reminder. Perhaps, recent market downturns will force investors to refrain from being over confident or indulging in magical thinking and re-think the idea of not having a plan. Maybe they will even re-think the idea that they actually know something about the market!

Once an investor realizes that news, personal opinions, tips, etc. have no relevance to market decisions, they can start to win. Turtle trend following trading is based precisely on the psychological weaknesses most people possess. The same weaknesses Shiller describes in his book. Turtle trend following trading takes advantage of magical thinking by investors by applying trading strategies designed to capitalize on the overconfident investor’s lack of a plan, and ultimately win the investor’s losses!

Psychology:

Excerpt from The Market Wizards

Picture an oak-paneled English drawing room. Two obviously wealthy gentlemen sit in their armchairs facing a roaring fire, puffing on their pipes and discussing their philosophy of trading. It is my proposition, Colin, that anyone can be taught to be a superior trader. There is nothing magical about it. There is no rare talent involved. It is simply a matter of being taught the appropriate rules and following those rules. There is no question in my mind that I could train virtually anyone to make a fortune trading.

That is nonsense, Duncan. You just think your trading success is due to your system. What you do not realize is that you have a special talent. You could print out your rules in twelve-inch-high letters and have people read them every day for a year, and they still would not be able to do what you do in the markets. Your success is a function of your talent. It cannot be taught!

Well, Colin, this must be the hundredth time we've had this discussion. Let's settle it once and for all. Why don't we just pick ten people, teach them my system, give them each 1 million to trade and see what happens.

That's an excellent idea, Duncan. Pick your ten people, train them, and if by the end of one year they are not ahead, on average, by at least 25 percent--a modest figure considering that you normally make two to three times that per year--you pay me 1 million. If they are up by more than 25 percent, I will pay you the same amount.

Duncan and Colin then proceed to the window, watching the passersby for potential candidates for their experiment. Each time they agree on an individual, they send their butler out to summon the person.

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-- The above may sound like a fanciful plot for a story or movie. (Actually, it is a very loose adaptation inspired by the delightful Mark Twain story, The 1,000,000 Bank-Note.) However, change the setting from London to Chicago, eliminate the monetary element of the bet, and substitute a more sophisticated method for screening candidates, and you actually have a true story. The legendary trader Richard Dennis, who reputedly transformed an initial stake of several thousand dollars into a fortune estimated at $200 million, essentially had the same argument with his partner, William Eckhardt. It was Dennis's contention that trading success could be taught, while Eckhardt scoffed at the idea.

The Market Wizards

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Psychology:

Myers-Briggs® Personality Testing at KnowYourType.com

So it is said that if you know others and know yourself, you will not be imperiled in a hundred battles; if you do not know others but know yourself, you win one and lose one; if you do not know others and do not know yourself, you will be imperiled in every single battle.

Sun Tzu, Art of War

The Myers-Briggs® type indicator is wise for all traders. You must know yourself to excel and the MBTI® instrument is a quick and efficient online tool for determining your unique type.

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We welcome your ideas for appropriate quotes: send email.

Rommel, you magnificent bastard. I read your book!

Patton (The Movie)

It's not personal, Sonny. It's strictly business.

Michael Corleone in the Godfather

Every valuable creative idea must always be logical in hindsight. If it were not, we would never be able to see its value.

Edward de Bono

Analysis is simplifying, breaking down things into parts, picking out strands and elements. Analysis is comparing unknown things with things that are known. Analysis also involves picking out relationships and putting them back together as a whole.

Edward de Bono

The vertical thinker says: 'I know what I am looking for.' The lateral thinker says: 'I am looking but I won't know what I am looking for until I have found it.'

Edward de Bono

A weak mind is like a microscope, which magnifies trifling things but cannot receive great ones.

G.K. Chesterton

The first step toward success is taken when you refuse to be a captive of the environment in which you first find yourself.

Mark Caine

Man can learn nothing unless he proceeds from the known to the unknown.

Claude Bernard

New opinions are always suspected, and usually opposed, without any other reason but because they are not common.

John Locke

Those who give too much attention to trifling things become generally incapable of great ones.

François duc de la Rochefoucauld

The obvious is always least understood.

Prince Metternich

The only joy in the world is to begin.

Cesare Pavese

Few people think more than two or three times a year. I've made an international reputation for myself by thinking once or twice a week.

George Bernard Shaw

People are always blaming their circumstances for what they are. I don't believe in circumstances. The people who get on in the world are the people who get up and look for the circumstances they want, and if they can't find them, make them.

George Bernard Shaw

Whatever a man does he must do first in his mind.

Albert Szent-Gyorgyi

Future shock [is] the shattering stress and disorientation that we induce in individuals by subjecting them to too much change in too short a time.

Alvin Toffler

The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.

Alvin Toffler

Change is not merely necessary to life - it is life.

Alvin Toffler

Profits, like sausages... are esteemed most by those who know least about what goes into them.

Alvin Toffler

It is better to err on the side of daring than the side of caution.

Alvin Toffler

The illiterate of the future will not be the person who cannot read. It will be the person who does not know how to learn.

Alvin Toffler

You've got to think about big things while you're doing small things, so that all the small things go in the right direction.

Alvin Toffler

Every major horror of history was committed in the name of an altruistic motive.

Ayn Rand

Great men can't be ruled.

Ayn Rand

If I were to speak your kind of language, I would say that man's only moral commandment is: Thou shalt think. But a 'moral commandment' is a contradiction in terms. The moral is the chosen, not the forced; the understood, not the obeyed. The moral is the rational, and reason accepts no commandments.

Ayn Rand

If you fear failure, you shall never suceed.

Evan Guay

Never stop. One stops as soon as something is about to happen.

Peter Brock

I don't know the key to success, but the key to failure is trying to please everybody.

Bill Cosby

The happiness of your life depends upon the quality of your thoughts: therefore, guard accordingly, and take care that you entertain no notions unsuitable to virtue and reasonable nature.

Marcus Aurelius

I have often wondered how it is that every man loves himself more than all the rest of men, but yet sets less value on his own opinion of himself than on the opinion of others

Marcus Aurelius

Discovery consists in seeing what everyone else has seen and thinking what no one else has thought.

Albert Szent-Gyorgi

The aim of education should be to teach us rather how to think, than what to think -- rather to improve our minds, so as to enable us to think for ourselves, than to load the memory with thoughts of other men.

Bill Beattie

All the problems of the world could be settled easily if men were only willing to think. The trouble is that men very often resort to all sorts of devices in order not to think, because thinking is such hard work.

Thomas J. Watson

Thinking is the hardest work there is, which is probably the reason so few engage in it.

Henry Ford

What we are actually experiencing is not an information explosion. It is an explosion of data. Data provide neither enlightenment nor knowledge. What we are really experiencing may be access to excess. The mere fact that there is more data available does not mean that people either want it or can use it meaningfully.

Patricia Glass Schuman

In today's economy there are no experts, no 'best and brighest' with all the answers. It's up to each one of us. The only way to screw up is to not try anything.

Tom Peters

Success isn't something you chase. It's something you have to put forth the effort for constantly. Then maybe it'll come when you least expect it. Most people don't understand that.

Michael Jordan

Habit may lead us to belief and expectation but not to the knowledge, and still less to the understanding, of lawful relations.

David Hume

Keep away from people who try to belittle your ambitions. Small people always do that, but the really great make you feel that you, too, can become great.

Mark Twain

Whenever you find that you are on the side of the majority, it is time to reform.

Mark Twain

A man sits with a pretty girl for an hour and it seems shorter than a minute. But tell that same man to sit on a hot stove for a minute, it is longer than any hour. That's relativity.

Albert Einstein

Only two things are infinite, the universe and human stupidity, and I'm not sure about the former.

Albert Einstein

I always get what I want because I always want what I get.

Tim Bischoff

The inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries.

Winston Churchill

Never, never, never give up.

Winston Churchill

Man will occasionally stumble over the truth, but most of the time he will pick himself up and continue on.

Winston Churchill

A fanatic is someone who can’t change his mind and won’t change the subject.

Winston Churchill

It's kind of fun to do the impossible.

Walt Disney

An invasion of armies can be resisted, but not an idea whose time has come.

Victor Hugo

Understanding is a kind of ecstasy.

Carl Sagan

You have to do your own growing no matter how tall your grandfather was.

Abraham Lincoln

In short, the habits we form from childhood make no small difference, but rather they make all the difference.

Aristotle

We are what we repeatedly do. Excellence, then, is not an act, but a habit.

Aristotle

I don't fear failure. I only fear the slowing up of the engine inside of me which is pounding, saying, Keep going, someone must be on top, why not you?

General George S. Patton

I am a soldier, I fight where I am told, and I win where I fight.

General George S. Patton

Most battles are won before they are ever fought.

General George S. Patton

Impossible is a word to be found only in the dictionary of fools.

Napoleon Bonaparte

Everything flows.

Heraclitus

Many people would sooner die than think; in fact, they do so.

Bertrand Russell

The biggest cause of trouble in the world today is that the stupid people are so sure about things and the intelligent folks are so full of doubts.

Bertrand Russell

Fear is the main source of superstition, and one of the main sources of cruelty. To conquer fear is the beginning of wisdom.

Bertrand Russell

A great many people think they are thinking when they are merely rearranging their prejudices.

William James

Human beings, who are almost unique in having the ability to learn from the experience of others, are also remarkable for their apparent disinclination to do so.

Douglas Adams

Experience is that marvelous thing that enables you recognize a mistake when you make it again.

F. P. Jones

Anyone can make the simple complicated. Creativity is making the complicated simple.

Charles Mingus

Do not believe in anything simply because you have heard it. Do not believe in anything simply because it is spoken and rumored by many. Do not believe in anything simply because it is found written in your religious books. Do not believe in anything merely on the authority of your teachers and elders. Do not believe in traditions because they have been handed down for many generations. But after observation and analysis, when you find that anything agrees with reason and is conducive to the good and benefit of one and all, then accept it and live up to it.

Buddha

What would you attempt to do if you knew you would not fail?

Dr. Robert Schuller

Nothing in life is to be feared. It is only to be understood.

Marie Curie

Expedients are for the hour; principles for the ages.

Henry Ward Beecher

Truth never hurts the teller.

Robert Browning

The beginning is the most important part of the work.

Plato

Too clever is dumb.

Ogden Nash

We don't see things as they are. We see things as we are.

Anais Nin

SAT tests are designed by huge panels of experts in education and psychology who work for years to design tests in which not one single question measures any bit of knowledge that anyone might actually need in the real world. We should applaud kids for getting lower scores.

Dave Barry

There is never a better measure of what a person is than what he does when he's absolutely free to choose.

William M. Bulger

When the speed of rushing water reaches the point where it can move boulders, this is the force of momentum. When the speed of a hawk is such that it can strike and kill, this is precision. So it is with skillful warriors – their force is swift, their precision is close. Their force is like drawing a catapult, their precision is like releasing the trigger.

Art of War

Those who are first on the battlefield and await the opponents are at ease; those who are last on the battlefield and head into battle get worn out.

Art of War

So in the case of those who are skilled in attack, their opponents do not know where to defend. In the case of those skilled in defense, their opponents do not know where to attack.

Art of War

Prohibit omens to get rid of doubt, and soldiers will never leave you. If your soldiers have no extra goods, it is not that they dislike material goods. If they have no more life, it is not that they do not want to live long. On the day the order to march goes out, the soldiers weep.

Art of War

Once you learn to quit, it becomes a habit.

Vince Lombardi

Success demands singleness of purpose.

Vince Lombardi

Winning is not a sometime thing: it's an all the time thing. You don't win once in a while; you don't do the right thing once in a while; you do them right all the time. Winning is a habit. Unfortunately, so is losing.

Vince Lombardi

I firmly believe that any man's finest hour, the greatest fulfillment of all that he holds dear, is the moment when he has worked his heart out in a good cause and lies exhausted on the field of battle-victorious.

Vince Lombardi

The difference between a successful person and others is not a lack of strength, not a lack of knowledge, but rather in a lack of will.

Vince Lombardi

A man can be as great as he wants to be. If you believe in yourself and have the courage, the determination, the dedication, the competitive drive and if you are willing to sacrifice the little things in life and pay the price for the things that are worthwhile, it can be done.

Vince Lombardi

If you'll not settle for anything less than your best, you will be amazed at what you can accomplish in your lives.

Vince Lombardi

It's not whether you get knocked down, it's whether you get up.

Vince Lombardi

The difference between a successful person and others is not a lack of strength, not a lack of knowledge, but rather a lack of will.

Vince Lombardi

It is the knowledge of the genuine conditions of our life, of reality, that we must draw our strength to live and our reasons for living.

Simone de Beauvoir

It always comes back to the same necessity: go deep enough and there is a bedrock of truth and reality however hard.

Mary Sarton

A mind too active is no mind at all.

Theodore Roethke

Undoubtedly we become what we envision.

Claude M. Bristol

Take life into your own hands and what happens? A terrible thing. No one to blame.

Erica Jong

Often people attempt to live their lives backwards: They try to have more things, or more money, in order to have more of what they want so that they will be happier. The way it actually works is the reverse. You must first be who you are, then do what you need to do, in order to get what you want.

Margaret Young

Money will come when you are doing the right thing.

Mike Phillips

Taking a new step, uttering a new word is what people fear most.

Fyodor Dostoyevski

No trumpets sound when the important decisions of your life are made. They are made silently.

Agnes de Mille

Life shrinks or expands in proportion to one's courage.

Anais Nin

Real learning comes about when the competitive spirit is ceased.

J. Krishnamurti

Do not fear mistakes. There are none.

Miles Davis

One does not discover new lands without consenting to lose sight of the shore for a very long time.

Andre Gide

Inspiration comes slowly and quietly.

Brenda Ueland

Skepticism's bad rap arises from the impression that, however necessary the activity, it can only be regarded as a negative removal of false claims. Not so... Proper debunking is done in the interest of an alternate model of explanation, not as a nihilistic exercise. The alternate model is rationality itself, tied to moral decency--the most powerful joint instrument for good that our planet has ever known.

Stephen Jay Gould

The most erroneous stories are those we think we know best--and therefore never scrutinize or question.

Stephen Jay Gould

Losing an illusion makes you wiser than finding a truth.

Ludwig Borne

An observant person sees things overlooked by others. A scientist sees things going on and then asks how these goings-on array themselves into patterns, patterns that are reliable and predictable. A really good scientist--or a really good artist for that matter, anyone whose mind and soul are capable of some extension--sees what is going on, sees the patterns, and asks, 'Why?' What underlying forces are at work? How are those forces exerting themselves? How may we understand? Once pried from the universe by a great mind or a discerning heart, the hard-won understanding may then be conveyed and conferred upon humanity at large. A painting is nothing more than light reflected from the surface of a pigment-covered canvas. But a great painter can make you see the depth, make you feel the underlying emotion, make you sense the larger world. That, too, is the power of science: to sense and convey the depth and dimensionality of nature, to glance at the surface and to divine the shape of the universe around us.

Carl Safina

Human beings never think for themselves, they find it too uncomfortable. For the most part, members of our species simply repeat what they are told--and become upset if they are exposed to any different view. The characteristic human trait is not awareness but conformity, and the characteristic result is religious warfare. Other animals fight for territory or food; but, uniquely in the animal kingdom, human beings fight for their 'beliefs.' The reason is that beliefs guide behavior, which has evolutionary importance among human beings. But at a time when our behavior may well lead us to extinction, I see no reason to assume we have any awareness at all. We are stubborn, self-destructive conformists. Any other view of our species is just a self-congratulatory delusion.

Michael Crichton in The Lost World

If you think education is expensive, try ignorance.

Derek Bok

We welcome your ideas for appropriate quotes: send email.

Trade Like a Business

As it turned out, of the thirteen people selected, one-third had no experience, one-third had significant experience, and the remaining one-third had a little bit of experience...[and] one nugget of advice that I believe is valuable to anyone trading the market is: Don't worry about what the markets are going to do, worry about what you are going to do in response to the markets.

Michael Carr, *an original Turtle on the Turtle selection process*

How does anyone approach business if they are serious about becoming successful? They do their research; they learn; they make a plan: they work their plan; they take responsibility for their own decisions and actions. Whether you trade as a Turtle or use another system, the key to success is to run your trading like a business:

Your Business Plan is Your System: Follow it. Create a trading plan and set goals for your trading. Keep statistics on your progress. Measure results. Don't make excuses.

No Gambling Mentality: You think a lawyer or systems manager starts each day with a throw of the dice? Your business is not about short-term gains over a few months. If you are going to trade, then trade for the long term. Write down your trades. Keep a log of your actions. Note why you took certain steps in trades. Learn from your mistakes.

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Act like an Accountant: Keep track of every last detail of your trading. This alone will create tremendous discipline and ultimately confidence.

Create a Professional Environment: You don't need a formal office, but you do need organization. If you trade like a business, you know where trading information is and how to access it. You keep a set schedule and adhere to it.

Take It Seriously: Doctors, lawyers, etc. spend time and money to learn their craft. They are not wondering on a daily basis about what to do next. They know what to do next. They have a plan of attack each day and they work their plan. Could you imagine a lawyer tuning into a CNBC like show listening to some Jim Cramer like character shout advice about what to do in trial?! Of course not, but we all know millions of people interested in trading do this on a regular basis

Be a contrarian. Think and act differently. If you want to win you will need to put time in to learn the cardinal rule of trading: Run your trading like a business. Unless you adopt a business like approach to trading, profitability will be difficult.

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Trading for a Living

People are always blaming their circumstances for what they are. I don't believe in circumstances. The people who get on in the world are the people who get up and look for the circumstances they want, and if they can't find them, make them.

George Bernard Shaw

Most of our clients maintain their jobs and trade in their off time. However, in today's connected network society, why don't they trade fulltime for a living? Why would they want such a reachable goal? Well, they can:

- **Work** from anywhere without employees (like many top traders).
- **Use** a long term approach (like Turtles) that requires far less time than day trading with no hype and stress.
- **Trade** worldwide across all markets since the breakdown of international borders has enabled huge new opportunities.
- **Live** and trade from anywhere, since unless they yearn to be floor traders, geography is completely irrelevant.
- **Make** money in rising or falling markets. Bull or bear profits.
- **Manage Risk** by following a system that acts to protect capital, the central starting point for any trader.

Can I Make a Living Trading?

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Everyone who is trading, but not for a living has probably asked themselves this question. When they ask us, we ask, What is a living? For one person, it is $50,000 a year, for another it is $500,000 a year. We don't know how much money you have or how much you want to make. A good trader can make 100% on his money, but another trader might make 30% a year. Some traders may have a losing year. The real crux of the matter amounts to what is a living for you, and whether you are able to follow a system to make your goals happen. The answer ultimately depends on your self-discipline to follow a system.

How Much Time is Needed?

Not much if you follow a system. Trading signals can be generated manually via a simple PC spreadsheet. Just keep careful records and a trading log. You can also automate trading signals with products such as TradeStation or even Microsoft EXCEL. The Turtle trading course includes recommendations for both PC and Mac software packages.

Orders can be placed before the market opens and do not need hourly monitoring. Most top traders don't actually spend all day trading. They manage their trades in 10 to 60 minutes per day. Richard Donchian offered:

If you trade on a definite trend following loss limiting-method, you can [trade] without taking a great deal of time from your regular business day. Since action is taken only when certain evidence is registered, you can spend a minute or two per [market] in the evening checking up on whether action-taking evidence is apparent, and then in one telephone call in the morning place or change any orders in accord with what is indicated. [Furthermore] a definite method, which at all times includes precise criteria for closing out one's losing trades promptly,

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avoids...emotionally unnerving indecision.

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Keep Records or Lose

Nearly every profitable traders keeps continuous and detailed records of their trading decisions, thoughts and observations. Recording in written form forces them to function in a disciplined manner. Details on paper structure the decision making process. Anxiety, greed and fear are replaced with confidence and determination.

A constant review of the decision-making process that goes into each trade is not enjoyable. But, the process of self-examination is crucial to successful trading. Unfortunately, only a small percentage of traders are willing to look inward and record what they find. Can you?

First, develop and maintain a record-keeping system that works for you. **Second**, critique your performance in writing each day. **Third**, write down your personality characteristics (Maybe even take a personality test). Those parts of your personality that make you a successful trader, and those parts you must constantly guard against. These three actions alone impose discipline. **Fourth**, write down your trading rules and educate yourself as much as possible about them. **Fifth,** if you find yourself falling for hype, don’t. Just because most people are looking for Vegas and excitement, doesn’t mean you should.

Learn Trends and Win

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Geometric Progression. Sounds like a complicated math theorem. It's actually a good term for what happens inside of a big trend. Epidemics are an example of geometric progression. Starting with only a few people, an infectious disease like TB or measles can spread through a population infecting more and more as it multiplies again and again.

Market trends are no different. Extreme market trends can appear from out of nowhere moving either up or down. These trends often feed upon themselves and can quickly **progress geometrically** allowing an opportunity for huge profits if a trader got into the trend early with a plan.

However, to appreciate why market trends, or epidemics, can be so powerfully rewarding there can be no expectation of proportionality. People may be afraid to work with this type of progression, because the end result so often seems out of all proportion to the cause. The progression takes on a life of its own that may seem out of control and irrational. With trend following, there is always the possibility that big market changes may follow extremely small events, or that a change can happen very quickly. The appreciation of geometric progressions comes from understanding and being prepared for them. Turtle trend following trading is designed to find and exploit those market trends long before they arrive on the radar screen of the masses.

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Targets of Opportunity

Trend followers accept the limitations in one's ability to understand all of the structural linkages between supply and demand. The world is complex and hard to understand, and there are different levels and types of uncertainty. There is certainty that markets will move but the direction may not be predictable nor is the level of change discernable. Trend followers use directional signals because price adjustments may indicate movement to a new equilibrium. In an uncertain world, a market trend may be a rational strategy.

Web Post

Locating targets of opportunity is the goal of any trader. Bill Dunn, a great trend follower for over 25+ years, nicknamed many of his funds T.O.P.S. to reference targets of opportunity systems. Trend following is a classic targeting of an opportunity. Take what is given and ride the crest of a trend up or down. **No prediction**.

The Trend Follower’s View of the World

Unlike many traders, who typically employ a passive buy and hold strategy, and only depend on rising markets for profit, trend followers use dynamic strategies designed to take long positions (in a rising market) or short positions (in a declining market), to profit from both.

Trend Follower View of World:

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- Unstable world.
- World is uncertain and dynamic.
- Market players form rational beliefs but make mistakes.
- Learning takes time; slower adjustment to information happens.
- Fundamental changes are often unanticipated.

Non-Trend Follower View of World

- Stable world.
- World is knowable and static.
- Market players generally form rational expectations.
- Markets adjust quickly to new information.
- Fundamentals do not change dramatically in the short run.

Excerpts Adapted from John W. Henry Speech

Given the world market turmoil which view makes sense to you? Which view is **real**?

Trend Following In A Nut Shell

A basic trading strategy for many trend followers is to hold positions (either long or short) with the major price trend of each stock or future in a portfolio. This approach is designed to capture a substantial fraction of the total profit potential from important changes in an instrument's price. Trend followers do not try to predict when the next important move will occur. They do not try to forecast when a particular market will enter a choppy and unprofitable trading phase. Trend following will contain the inevitable series of small losses and whipsaws within tolerable limits, but position the trader to benefit from major price trends whenever they develop. **The decisions necessary to implement trend following strategies are derived from the price**.

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Losses

Face it: You are going to have losses when you trade. If you don't have losses, you are not taking risk. If you don't risk, you won't win. Losses aren't the problem. They are part of the game. It's how you deal with losses that is crucial. Because if you ignore losses they will come back to bite you:

Losses tell you something is wrong. If you don't know how to determine when you are wrong, you are headed for disaster. For example, in 2000 Tech stocks went straight down. When Priceline was down 50% wasn't that loss a signal of something going wrong? When faced with losses most people just hold on and hope for a bounce back up. The same people held onto Priceline as it sank from being down only 50% to drop to 95% down.

Losses tell you what to do right. What is a good example of responding to the Priceline losses properly so you don't get stuck at the bottom? Take a look at General Atlantic Partners (GAP) in Reston, Virginia, a venture capital firm that was a 10% owner in Priceline. Who owns GAP? Ted Leonsis (owner of the Washington Capitals hockey team and largest AOL shareholder), Mario Morino (founder of Morino Institute) and Raul Fernandez (founder of Proxicom) are some of the players. On Feb 8, 2000 GAP sold 4,946,029 shares of Priceline for $278,510,893 ($56.31/share). Not a

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bad day's work? Obviously, GAP had a system for deciding that the time was right to exit a substantial portion of their Priceline position. They made a killing and now Priceline is all but worthless, currently down from its 52 week high by 95%.

Turtle traders handle loss by limiting all positions to a set percent of equity. You always know that if your equity is going down due to losses, you decrease trading size. On the other hand when you are going up, you automatically compound profits and add more. This is the sensible way to not stick your neck out. You can come back and play the game again tomorrow.

The Impact Of Lifestyle

Maintaining a balanced lifestyle is critical for profitable trading. Some of the best traders alive are very frugal. They don't trade in order to obtain the lifestyle they've always wanted to lead, the house they want to live in, or the next sports car they want to buy. They understand that trading is only about process. It's about motivation. Unlike the majority, they don't expect the market to do what they want exactly at the time they want it. They don't make demands on the market. Because they know that if you don't have a passion for the process of successful trading, not the material goal, you wind up losing more. They know that you can't get more out of a market than is there. If you're going to be flat because the market is going sideways, there's nothing to do for a period of time. So that's what you do. Nothing. But if you have a lavish lifestyle to support, it may be difficult to do nothing. Lifestyle cannot be your goal. Profits are the goal. If you trade correctly you will make fantastic profits when the greatest targets of opportunity are present. Your lifestyle will unfold as part of that process, but it doesn't drive the process.

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Innovator's Dilemma & Trend Following

The Innovator's Dilemma by Clayton M. Christensen is a great read for trend followers. Christensen recently offered in an interview:

They were looking at the book [Innovator's Dilemma] for answers rather than for understanding. They were saying 'tell me what to do' as opposed to 'help me understand so I can decide what to do.'...[Wall Street analysts] are theory-free investors. All they can do is react to the numbers. But the numbers they react to are measures of past performance, not future performance. That's why they go in big herds. Wall Street professionals and business consultants have enshrined as a virtue the notion that you should be data-driven. That's at the root of the inability of companies to take action in a timely way. If you wait until the data is clear the game is over.

Christensen clearly outlines a key tenet of trend following. Trend following is not based on having all data. It's based on odds and reaction. Think about it. If you look at a tech stock such as Yahoo and witness its great rise and decline you can say 'you should have bought here and sold there'. But how did you ever have a plan before the great rise up and great fall down?

What Christensen is driving at is the notion that: **you must be able to make decisions** in the face of not knowing how the trend will look when it's all over. **You must have a plan** to act early before trend direction is obvious to the masses. **You must be set and ready to go long** before the people who mindlessly watch CNBC get

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- **Hall of Fame**
- Richard Dennis
- John W. Henry
- Ed Seykota
- Bill Dunn
- Richard Donchian
- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

the idea that the trend is now underway. Those people are always a day late and a dollar short. Those people are the herds Christensen alludes to. Those people don't make money, they lose it. And given that trading is a zero-sum game, the money that those people lose goes directly to other people with the plan of attack designed to win those loses.

Buy Order Concepts

A systematic process of placing orders is often ignored by traders -- to their detriment. Order placements that are governed by a broker's call or "gut feelings" offer little hope for profit. All good trading systems are based on rules and view the market in terms of the following long and short options. Here are some key components of Turtle trend following order concepts:

- BUY - Buy to open a long position. Specify quantity & price.
- SELL STOP - Sell to exit a long position. Specify price.
- BUY MORE - Buy more to add to a long position. Specify quantity & price.
- REVERSE - Exit long position (SELL) and open a short position (SELL SHORT). Specify quantity & price.

Sell Order Concepts

- SELL SHORT - Sell to open a short position. Specify quantity & price.
- BUY STOP - Buy to exit a short position. Specify price.
- SELL MORE - Sell more to add to a short position. Specify quantity & price.
- REVERSE - Exit short position (COVERSHORT) and open a long position (BUY). Specify quantity & price.

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Ideally, you wake up knowing exactly what your if-then-contingencies are for each of the order situations above. Of course you still need to have a successful trading system in place so you have a context and structure for placing your orders, but these order concepts are crucial for any successful trading style.

Monroe Trout and Ayn Rand

The Wall Street Journal ran a tabloid-like article about Monroe Trout. The article spoke of a lawsuit between Trout and his brother. Why mention this article? The piece that ran in the Journal also poked fun at Trout for following the philosophical tenets of Ayn Rand.

Rand's teachings and writings rooted in laissez-faire capitalism are the ground upon which successful traders should stand:

Man's mind, states John Galt, the protagonist of Atlas Shrugged, is his basic tool of survival. Life is given to him, survival is not. His body is given to him, its sustenance is not. His mind is given to him, its content is not. To remain alive, he must act, and before he can act he must know the nature and purpose of his action. He cannot obtain his food without a knowledge of food and of the way to obtain it. He cannot dig a ditch – or build a cyclotron – without a knowledge of his aim and of the means to achieve it. To remain alive, he must think.

Thinking is not an automatic process. A man can choose to think or to let his mind stagnate, or he can choose actively to turn against his intelligence, to evade his knowledge, to subvert his reason. If he refuses to think, he courts disaster: he cannot with impunity reject his means of perceiving reality.

Rand is more than relevant. Think about this excerpt from Rand's writing within the context of trading. Are not blindly following your broker's opinions, listening to David Faber, chatting at Motley Fool, griping at RagingBull.com, trading RSI or watching

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support/resistance levels all actions demonstrating your **choice not to think?** Aren't you allowing your mind to stagnate by evading the **pure reality** by relying on others to think for you and distort it? Following the hollow messages of other so called experts of trading courts disaster. We are sure all readers know at least one person who went bankrupt in the market by refusing to think for himself.

Trading is a zero-sum game. It's you against the world. It's not you and your friend or you and your broker fighting together. You are left to objectively use your mind to determine the best course of action in order pull a profit from the other traders in the world who are competing with you at the game. You must dig deep to understand why one course of action is better than another and avoid decision making based on fear. Pure fear is why the Nasdaq rose so far and plunged so low. And those who controlled their fear with confidence in themselves and their decision-making made a killing.

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
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Recent Feedback

Much of the real world is controlled as much by the 'tails' of distributions as by means or averages: by the exceptional, not the mean; by the catastrophe, not the steady drip; by the very rich, not the 'middle class.' We need to free ourselves from 'average' thinking.

Philip Anderson, Nobel Prize Recipient, Physics

Think about the above quote. It's the foundation of Turtle trading.

Greetings. Thanks for the informative newsletters - when I was first looking into trading I subscribed to just about every damn letter on the web purporting to offer wisdom on the market - the Fool, Microsoft investor to name but a few. Your site is the only one whose subscription database I'm still on...didn't take long to sort the wheat from the chaff.

Web Visitor

I'm glad someone is finally shading some light on Warren Buffett. There is not doubt, he is good at what he does. But the average investors will go broke trying to imitate his style of investing. What Investors need to know is that in his early days Mr. Buffett quite rarely practiced what he now preaches; his funds were mostly arbitrage funds. Hold your investments forever?? What's that about? Who lives forever? Furthermore, When do I sell? How much do I sell? These are the very questions that helped arrive at trend following. He advocates charity not investment. Had I discovered trend following or TurtleTrader in '98 '99 I would have saved the over $200,000 dollars I used to pad the pockets of trend followers. You are providing an invaluable service to all investors. Wishing you, many more years of success.

Web Visitor

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I am a new client - and a very impressed one at that. I have studied this website and information for nearly two years now having first read of the Turtles many years ago when Jack Schwager's book first came out. I still read and re-read the Eckhardt interview regularly. Having convinced myself of the impeccable logic of what you are doing, saying and discussing and fitting it to my 20 or so years of corporate finance and investing I became convinced of the desirability of saving up and buying your material (as expected 15 years in corporate finance does NOT produce excess returns!). I am working my way, deliberately slowly and methodically through the manual. It is very good - clear, concise, not full of hype and all the other things said about it. The sections on money management are both fascinating and very logical. [Nothing I have read] comes near to developing it to the workable level you have.

C. W., New Zealand

I believe the [TurtleTrader] site is the best system trading source I have ever seen. Congratulations!...found an article (1996) from the CTCN (Club 3000) site which is amazing accurate today! It has been a very interesting and informative year of getting CTCN. Being a system trader I have noticed a pattern that has developed in the letters written by members that is quite interesting. The greater majority of us are seeking the HOLY GRAIL system that will give consistent winners and big profits. We hungrily send for the latest and newest system offered even though all the ones we purchased in the past have not lived up to expectations or are complete failures. On the Omega Web site there is a big battle going on between Dowling & Chalek. Each declaring they have perfected the same system that is the best ever. They are taking each other to court over the rights to see who can market it. Who even knows if the system is a viable one and can make the profits they proclaim. Those who have written in to say that they do have the perfect system end up with a caveat. They say they have taken many ideas from other systems and more important than that claimed they have infused their own personality, philosophy, and psychology when they make a trade. It is not a pure system that everyone doing it will come up with the same answer. I checked the listings of the top-ten systems of a year ago by Futures Truth. Not one that was listed then is in the top-ten today. Once again.

Congratulations for your excellent site!

N. D. N., GR-Thessaloniki

Visitor / Client Feedback 3

(1) (2) (3) (4) (5)

Visitors make the site. The feedback below from a professional employed at one of the premier banking institutions in the world is sobering.

Dear TurtleTrader, Thank you for building an extremely comprehensive web site that simply calls it the way it is. What can a Turtle convert say in response to your articles on the Australian Dollar [article 1 and 2], and David Faber of CNBC? In a way I almost hope you do not post this on your web site because the more that Turtles preach their basic beliefs, the more, perhaps, that the general populous will start to come our way. But looking back on all the trends of the past few years, I doubt that will [ever] happen. All day I listen to trader's views and crystal ball-gazing at this institution [JP Morgan Chase] and still chuckle to myself in the comfort that people not just here, but in all areas of the markets, still think that they have any idea as to what the future holds, and moreover, are prepared to place not just the company's money at risk of this bunk, but also their own personal income. Keep up the excellent work, I find it totally refreshing each time I peruse your web site.

Mark, Vice President, JP Morgan Chase

Editor's note: Mark is quite right in his view that this will never happen. Most people don't want to change.

Greetings, If you were watching the comedy channel [CNBC] around 8:35 Eastern today you would have seen Norman Minneta [Commerce Secretary] gushing about what an honor it was to ring the opening bell at the NYSE and

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following up with this whopper, The [equity] trend is still definitely up. What chart is he looking at? Just curious.

Robert, Hong Kong

Editor's note: We hope readers appreciate Robert's sarcasm.

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- Avoid Like Plague
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Enron Employee Feedback

Greetings, I have examined and re-examined your website for over a year now, reading, studying and enjoying the straight-forward, no nonsense, a fact is a fact message that your site conveys; i.e. price alone is the sole determinant for initiating a trading decision. I wish I had learned of your site years ago. I would probably be a wealthier person. Being a former Enron employee, I totally agree with your statements regarding Enron's stock price since early 2001. My fellow (former) colleagues have no one to blame other than themselves for allowing such disastrous losses to occur in their retirement accounts. An abdication of personal responsibility should not be rewarded. It is a sad consequence but it is reality. And now with all the hysterics over Worldcom, it proves, in my opinion, a couple of absolute truths regarding trading:

1. Corporate stock prices respect neither opinion nor fundamentals.
2. As long as people get sucked in by analysts' rhetoric they will be forever playing a negative-sum game.
3. The typical investor wants to be shielded from his bad decision-making (or lack thereof).
4. Prediction is for...losers.

A trend follower probably saw the short signals at the beginning of 2002 for Worldcom, well before accounting irregularities surfaced. It is for these realizations that I wish to thank TurtleTrader. Your site is a breath of fresh air. You have convinced me that the mechanical, non-emotional, disciplined and systematic approach is the only way to trade. I refuse to be a lamb to the slaughter and will not trade until I learn this approach. I wish your site continued success.

Sincerely, M. R.

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[More Enron Articles]

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Feedback from UBS Warburg

One of our favorite contributors is with UBS Warburg. While he knows his bank may offer analyst advice not worthy for consumption, he personally continues to revolt against the system. He sent us the following brief news bit today:

LONDON, March 14 (Reuters) - **A five-year old girl has beaten a financial analyst** and an astrologer in an experiment to find the most accurate stock market predictions over a year, organisers said on Thursday. Tia Lavern Roberts not only outperformed her fellow participants in the National Science Week challenge but defied a 16 percent drop in Britain's FTSE 100 index of leading shares with her selection of issues. Her fantasy 5,000-pound ($7,052) portfolio rose 5.8 percent, while the one selected by analyst Mark Goodson lost 46.2 percent over the year. Astrologer Christeen Skinner's portfolio dropped 6.2 percent. Goodson used his years of expertise and computer analysis, and Skinner based her selection on planetary movements. During an unstable year for the stock market...Tia's random selection has still managed to outperformed the others, Richard Wiseman, a psychologist from the University of Hertfordshire who devised the experiment, said in statement. Tia thought it was wicked that she'd beaten the market, the statement said. Her tips for this year's investors were Cadbury Schweppes <CBRY.L>, Northern Rock <NRK.L>, Prudential <PRU.L>, Pearson <PSON.L> and Shell Transport.

Download the Adobe .pdf report on analyst bias.

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New Client Feedback on Psychology

Going through the TurtleTrader manual [as a new client] I was really struck by the insight. It's something I've always known, but I understood it on an even deeper level this time. The Turtle trading methodology, pardon my French, is boring as sh** and it works.

It always amazes me how few people make any money at this game even though successful methods are available. The reason is that MOST PEOPLE AREN'T TRADING TO MAKE MONEY. They think they are, but the fact is they're trying to fulfill some other needs: for excitement, gambling, feeding their egos, being right, being clever, outsmarting somebody, sharing their score at the next cocktail party. Meanwhile, Turtle traders (and others) are sitting around, ignoring all the chit chat, all the arguments pro and con, discussions of the Fed, etc., just plugging in their numbers, managing their money, with discipline, and watching the cash pile up over time.

There is what you must do to make money trading. There is a plan, a methodology that works and if you DO it, if you WORK the plan, you make money. That's just how it is, but most people are more interested in trading some method that feeds their other needs: they want to pick tops and bottoms, they want riches overnight, etc.

It's like Dennis said, you can publish the rules in the paper and people still won't make money. Someone said you can publish tomorrow's closing prices in today's paper and people STILL won't make money because they'll put their own garbage in the way.

It's really a wake-up call when you realize that successful trading has nothing to do with forecasting the market. Something I fortunately learned early on is that it

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is a numbers game: knowing the risk, knowing the odds, and placing your bets accordingly. And it's NOT glamorous. It's NOT exciting. It's NOT cruising in your Ferrari down Wall Street and flashing your Rolex.

It's just playing the numbers with discipline and doing the hard thing - the uncomfortable stuff that no one else wants to do. That's what makes money and it's why most people don't. They're not interested in making money. They're not interested in being successful traders. That's not their real motivation. If they really wanted to be successful traders, they would be because the information is there, the opportunities are there. But it doesn't work the way most people would like to THINK it works and so you can show them what works, you can give them the methodology, and they don't care. They don't want it. It doesn't fulfill their needs.

Trading is for one thing -- taking money [profits] out of the market. Any other needs you have, you better get them fulfilled elsewhere. But people bring their needs to the market and want the market to fulfill them. That's why they get killed over and over again.

Mark M. Rostenko, info@sovereignstrategist.com

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Think!

Ah, what a nice web site! Lots of impressive words...Simple logic defeats you. If all take your advice on trending, all will equally loose, due to no trending when all think they see the same trend...Warren Buffett has always been right: buy undervalued stocks in excellent companies and hold the stock until it returns a nice profit. Making decisions to buy or sell based on lines on a chart is shear idiocy.

J Mason

The above email arrived at TurtleTrader. Let's address his issues:

1. If everyone trades as a trend follower there will be no opportunity is his whine. The facts show otherwise:

- Read link #1
- Read link #2

In reality it works since so many people mistakenly view and trade the market just as you do. Your losses fuel trend following winners.

2. Our view on Buffett that he doesn't like:

- Read link #1
- Read link #2
- Read link #3
- Read link #4

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3. Trend following does not involve chart reading or lines on a chart.

4. His real issues are related more to his own psychology. Two quotes he should ponder:

Perhaps the most important revelation coming out of current research on the biology of the mind is this: that the left cerebral hemisphere of humans is prone to fabricating verbal narratives that do not necessarily accord with the truth. We call this part of the brain the interpreter and it is the sources of familiar internal narratives that give us our sense of self.

Antonio Damasio

The left brain weaves its story in order to convince itself and you that it is in full control. What is so adaptive about having what amounts to a spin-doctor in the left brain? The interpreter is really trying to keep our personal story together. To do that we must lie to ourselves. Often when we think we're being rational, we're being spun by our own thinking. We believe our own press releases. This explains how we get ourselves into painful positions.

Michael Gazzaniga

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A Losing Experience

A new client recently wrote to explain why he signed on. Sarcastic wisdom at its best:

This is the story of how I have predicted every single move in the stock markets over the last 2 years. Don't believe it?

In spring 2000, with no formal training in any of business, finance or trading, I opened an online account. I started with a bankroll of $3000 which bought a few shares of Microsoft, the stock of the decade. 10% fluctuations in my net worth were soon eating me alive (I am a student, remember?). It was then that I met the wonderful keep your eggs in different baskets benefit. The problem was choosing the appropriate baskets. Market gurus and advisors had soon furnished me with a long list, so I diversified into a bunch of stocks, again going long.

The only trouble was that I had the itchy fingers of a day or swing trader, but the attitude of an avid follower of LTBH. That works for Warren Buffett because he buys entire businesses and takes them private for their cash flow, but little did I know then that for me, H stands for Hope in LTBH.

In the summer of 2000, I interned at a huge telecom behemoth and was simultaneously introduced to the principle of buy what you know. I also learned about margin and leverage. By Thanksgiving, my over-the-mail gurus had me fully convinced that the next boom was just around the corner and I was margined to the hilt in telecom and semis. After all the younger you are the more of your asset allocation should be in equities, say 150%, right?

The ensuing NASDAQ bust, especially telecom, was a bloodbath. I regularly met

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my new friend Mr. M. Call. How could I sell? Make my paper losses concrete? I awaited the V or the U-shaped turnaround and shuddered when told it might be Nike logo or L-shaped.

Come 2001, and I filed my first ever Schedule D, swathed in red ink. But now, the rationalization went that the markets are a tough teacher: You always lose at first to win BIG later. So I decided to educate myself. I learned the jargon. Heck, enough jargon to edit a financial magazine! I now knew the names of technical measures and indicators, I now straddled the world of complex derivatives. Snake oil salesmen held an unbeatable charm. I checked far and low for the answer.

Larry Williams had me convinced that the tracking of elephantine footprints (CoT reports) in commodities trading was the Holy Grail to finding the Money Tree. In retrospect, it WOULD have been better if I had become a bond trader. I would have at least accelerated the drama about to play out.

Never borrow to invest was the maxim next broken as my stock trading account was recapitalized. My newfound financial literacy was a guaranteed recipe for success! I could now short stocks and trade options, what more did I need? Never mind that I still could read neither a cash flow statement nor a price chart!

Needless to say, I lost my shirt! That is putting it mildly.

Over the year 2001, I broke every rule in the book:

- No stops the market maker will get you
- No exit strategy LT Buy Hope
- No money management or position sizing
- Scale trading on a 20k account average your cost basis down
- Option trading you only lose a fraction of what you could in shares
- Scalping on market noise without hedging
- Playing the contrarian dead cat bounces
- Buy high sell low eh?
- Event trading buy the rumor sell the news
- Sell the winner let the losers run portfolio rebalancing

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- Hoping to break even falling in love with a stock
- Anonymous advice message board
- Portfolio turnover often exceeding 100% a month

I could go on and on. I have them written down in my log against each trade. Every time, I found a new mistake to make. Fear and Greed. And hope. With a good measure of cocky overconfidence.

In two years, I had predicted every major move in the market with a perfect negative correlation of -1. Anyone who took the diametrically opposite position to mine would have doubled his money. Everytime. Well not really, there was this one time I sold RiteAid for a small profit in Feb 01 and it quadrupled in a few weeks. No one went broke taking a profit, right? Then there were occasional 10-day 10%-returns: successes of the expert trend follower and top-bottom caller. Until of course I ran out of tealeaves to read the direction from!

Riding a 150% gain all the way down to a 90% loss (Global Crossing) over the last 3 months was the straw that broke the camel's back. Enough was enough. Time to quit and learn the basics.

I am in fact glad that I began this when still in school. Yes the tuition has been expensive, $25k, but sense has been knocked into my head. I might as well have walked over to a hedge fund and handed over my money for free. It would have been easier to file the tax returns!

Two years have been enough. I no longer aspire to trade myself into a millionaire by year end. I know a hundred different things not to do. I wish to learn one thing [Turtle trend following].

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
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Barrons About Face

Barrons recently ran two contrasting articles on trend following traders. The two titles say it all:

[12.04.00 article] -- John Henry's Managed Futures Funds are Striking Out

[01.15.01 article] -- Commodity Trading Advisers Post Sharp Gains

Note the dates. In the space of six weeks Barrons wrote two articles about trend following CTAs. The first article includes some incorrect statements. The second article (**which quotes TurtleTrader**) is to be applauded for its corrections.

Barrons Article 1 - 12.04.00

Capital markets have also changed radically. Long-term trends were foreshortened, maturing in days and even hours, instead of weeks or months.

TurtleTrader comment: Incorrect. Are markets different now? No. Markets are the same because they always change. The key is to trade a system that responds and adapts to change. If you have a sound system you can take advantage of those changes to make money by capturing the bulk of a trend. Trading is no different from business in that if you use sound and adaptable business principles.

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This is precisely why Turtle trend following trading has continued to succeed for all these years.

There are a few theories as to why a gifted trader like Henry didn't tinker with his trading program when it was striking out.

TurtleTrader comment: Theories aren't required to second guess Henry. The key was discipline. Barrons corrected this statement in their January story. John W. Henry did quite well in the 4th quarter of 2000.

It's unclear whether John Henry will make changes to his trading program, one he cooked up decades ago while on a vacation to Norway.

TurtleTrader comment: Poking fun at John W. Henry is shortsighted. This brilliant long term trend follower, will often prove people wrong.

Barrons Article 2 - 01.15.01

Wall Street's biggest commodity-trading advisers posted a dramatic turnaround in the fourth quarter, turning last year's heart-stopping losses into gains for the year.

TurtleTrader comment: It should not come as a surprise. Trend following has been around for a long time. Success is nothing new. This second article in Barrons corrected the article from December and can be found at the Barrons web site now.

Barrons Article Reprint

If you would like a free copy of the Barrons January 2001 article quoting TurtleTrader about trend following, please email your name

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and address.

The Returns

- 11.2000 Performance
- 12.2000 Performance

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Australian Dollar Dive

We recently spoke with a top reporter for one of Australia's largest daily newspapers (Sun-Herald). After reading this exchange you will come away with a clearer understand of the **wrong way** to view to the market. The reporter is asking the questions.

Q. I want to ask what's wrong with our dollar and why it continues to fall when our economy is sound?

A. There are two problems with your dollar. First, better investments elsewhere are causing your dollar to sink as currency leaves your country. To some degree this is caused by Australians who want better returns in other markets outside of Australia. Second, the Aussie dollar has become a great currency to short. Traders make money as it sinks downward.

Q. Besides after we put on a great Olympics, why don't the money men want our currency?

A. The money men don't want your currency because its value against other currencies is sinking. Trend is straight down. No one wants to own a financial instrument that is trending down, including the Aussie dollar. Think about it. How can you make money by owning the Aussie dollar when it is dropping like a rock. One of the ways that the money men are making money off the Aussie dollar is by shorting it and making money as the price goes steadily downward.

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Q. Can you give me some idea of how the US sees our dollar going from now on?

A. Who knows? Seriously, I am not being flippant. No one knows. Technical traders analyze price action, and the price is down. They will ride the Aussie dollar down as long as it will go.

Q. Will it continue falling through 50c? When might it climb back? Or is this sort of level around for good?

A. Who knows? Trend followers just follow the trend till it ends. They don't predict. All they do is look at what is, not what might be.

Q. Are the traders considering how sound the Australian economy is to decide whether to sell it down or not?

A. No. Not at all. Who cares if the economy is supposedly sound? What measure are you using? The only fact about the economy that is truly known is that the value of the currency is down. So traders short the currency.

Q. The Australian Treasurer Peter Costello is flying to the US this weekend to try and talk up our dollar emphasizing how strong and stable our economy is. Will this have any effect?

A. No. Technical traders are not interested in hearing what he has to say. In the press US traders will pay lip service to the significance of his visit. However, since the models they use say the trend is down, they will continue trading short.

See the dramatic chart drop here.

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This reporter did end up spinning a story in which currency speculators are characterized as evil and bad people. As usual, the currency speculators are the ones to blame. Keep in mind that the Australian Dollar has been diving for four years, as the chart shows. That is not the fault of traders. For anyone interested, the story was in the 10.22.00 Sunday edition of the Australian Sun-Herald.

Australian Dollar Dive (part 2)

Yesterday we posted an article about the Australian dollar dive down. Today, we post excerpts from the article mentioned in the Sun-Herald along with our editorial comments.

Dennis [Richard Dennis' trading firm] did not see good news in a stable Australian economy. He saw an opportunity to make a quick buck. If Australia did not put up its interest rates there was not going to be a rise in the Aussie dollar and he saw no sense keeping the hundreds of millions of dollars he had tied up in our currency.

TurtleTrader comment: Trend followers don't trade to make quick bucks. They follow trends. The Aussie dollar has been going down for four years. This downward trend has been a great trading opportunity. Since when did traders, who take risks with their own money, have an obligation to prop up a currency?

Selling short means betting how low the Aussie dollar will go over the next hour or day. When traders all over the world do this it drives the dollar down regardless of what its true value should be.

TurtleTrader comment: True value? The true value of a currency or anything else for that matter is what someone is willing to pay for it. Unless this reporter has some special group who decides true value, our definition stands.

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The effect has been that record lows are now being broken almost daily. Financial experts declared the fall was not justified, that the Aussie dollar was worth far more on the international market, and still it fell.

TurtleTrader comment: What effect? The traders caused the currency to go down? Who are these financial experts? This is just nonsense.

Australia now has to spend two dollars to buy one US dollar and the likelihood of this unfair and uneven level staying for years is very real. The continued fall in the Aussie dollar was not due to bad economic news, a natural catastrophe or political instability. Nothing has changed in the fundamentals of the sound Australian economy since that first disastrous January plunge.

TurtleTrader comment: Untrue and unfair. The Australian currency has been dropping for many years. One of the primary reasons is that Australians themselves are converting to other currencies in order to invest in other countries with better rates of return.

To put it bluntly, Australia has done everything the global economic rationalists wanted us to do, and yet these same global commodity traders now treat us like dirt.

TurtleTrader comment: Trend followers are simply trading to make money. They put their money at risk every day. They are neither biased nor judgmental about the markets they trade. They are certainly not trading in order to treat anyone like dirt. This reporter is demonstrating her ignorance regarding basic market operations.

But the people who set the dollar rate, global traders sitting in front of glowing computer screens around the world, didn't exactly analyze complex graphs and reports on the sound state of the Australian economy and solid prospects for the future.

TurtleTrader comment: The trend is down. Staying short for now is the plan most traders are following.

See the Aussie dollar chart drop here.

TurtleTrader conclusion: TurtleTrader has nothing against Australia. We are commenting on an article by an inept reporter to make a point about how many people hold misconceptions about trading. We could find the same mindless financial reporting to annotate in any country on the globe, including ours.

Naive Reporter Loses It

Life is unfair: No one can read the TurtleTrader site for long before the statement, Trading is a zero-sum game starts to sound familiar. It's a fact that that some people win in the market and some people lose, and as our readers know, we like facts. The market is unfair just as life is unfair. Not everyone is equal nor is everyone going to get their fair share. To approach trading as a battle for survival makes it easier to accept another fact which is that those people who work the hardest at trading will win. Now that is fair.

Buy and hold – the lazy approach: Enter a reporter for a major financial web site. This reporter contacted TurtleTrader seeking an opinion about the downsides of buy and hold approaches given the dramatic NASDAQ moves of 1999 and 2000. Obviously, if you bought and held the NASDAQ for the last few years, you lost money. We told our new friend that investors and traders must have a strategy. If the last few years of watching the NASDAQ tank taught investors anything, it is that buy and hold is not the greatest of strategies. We even went so far to opine that buy and hold is not a strategy at all, but rather an excuse to be lazy with your thinking and your money in the market. You can always say I buy and hold. Sounds nice and comforting, maybe even slightly sophisticated.

What do I do if life's unfair?: The reporter wanted to know what

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should investors do now? She wanted to know what we are advising investors to do who bought technology stocks, got slaughtered and are now burdened with mega losses. She asked us for specific advice for the investor who has been killed and now doesn't know what to do (gamblers anonymous). She wanted forecasts about what would happen next year.

You accept reality and move on: We replied there are no forecasts for next year. No one can forecast the future. You can only react to the present. Furthermore, people need to have a strategy that has an exit point before they ever enter the market. Know when you are going to exit before you enter. Become smart. Lose your Las Vegas quick riches mind set. Stop day trading. We pointed out that there are clear strategies you can use to exit markets at proper times that enhance profitability. We added that buy and hold approaches should be rejected as irrational, except, of course, for people expecting to live forever.

Reality is hard to accept: Our new friend, who contacted us for an opinion, went ballistic. She proceeded to begin a wide ranging debate that is a common response and offers interesting clues as to why people lose in the market. Some of her more strident observations:

- **She asked if we were calling her stupid.** She accused TurtleTrader of not worrying about all traders. She seemed to imply that investing should be a socialist exercise. We advised that people need a strategy.
- **She wanted to know why day trading was bad.** She knew plenty of people who day traded and it was a viable strategy.

She berated us for not giving day trading a fair shake.

- **She wanted to know what the single mother with three kids who worked all the time was supposed to do.** (We wondered if TurtleTrader was a candidate for political office.) We calmly replied that the market doesn't care who you are, so you need a strategy. She was literally screaming that this was not fair.
- **She retorted that people no longer listen to brokers in this new age of investing.** We told her that tips from brokers were still a problem. Once we stated that broker's tips were still a problem she asked us to cite a study. If we could cite her a study that broker's tips were still a problem, our response would be front page news in her opinion.

At this point we politely ended the interview. Why pass this story along? Because for those who truly want to win at trading, it is always nice to be reminded that in the zero-sum game people like this reporter exist in droves. She presents a case study of all of the emotional and psychological roadblocks losing investors possess. We wish her the best, but she is destined to keep losing.

Holy Grails

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Holy Grails:

Warren Buffett & Charles Munger; Buy & Hold is Wrong

I thought you could add a comment to your Buffett page about the total irrelevance of his method to ordinary investors. Buffett does not make his money on the markets. He takes control of companies and sets performance targets. He then uses their cash reserves for more acquisitions. This is why he buys insurance firms (which have free cash) & ignores tech stocks (which only have burn rates). Obviously this has nothing to do with trading. Masses of people have been misled by all the hype claiming they can use his methods.

Paul B.

Warren Buffett is one trader who can make the buy and hold illusion look smart. But, let's take a look at why this strategy is dangerous to your portfolio despite Buffet's success. Below are excerpts from Warren Buffett and Charles Munger's remarks at their annual shareholder meeting for Berkshire Hathaway. TurtleTrader editorial comments about their remarks follow each quote:

The Debate

We understand technology products and what they do for people. But we don't understand the economics ten years out -- the predictability of it. Is it comprehensible? We do think about it, but we don't get anyplace. We would be skeptical of anyone who says they can. Even my friend Bill Gates would agree.

Warren Buffett

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TurtleTrader comment: How can the trends (up and down) of Microsoft, Cisco and Sun be ignored? Buffett bought Dairy Queen, Gillette and Coke 30 years ago. That alone should not warrant blind following. If you trade from a trend following perspective you don't need to know anything about tech companies' fundamentals to trade them long or short.

If you buy something because it's undervalued, then you have to think about selling it when it approaches your calculation of its intrinsic value. That's hard. But if you buy a few great companies, then you can sit on your $%@. That's a good thing. Buffett added, We want to buy stocks to hold forever.

Charlie Munger

TurtleTrader comment: Nothing is forever. The best companies go belly up. Trading is not about buying into companies. Trading is about making money. You must rethink your central objective if all you do is buy and hold.

Think about a company with a market cap of $500 billion. To justify paying this price, you would have to earn $50 billion every year until perpetuity, assuming a 10% discount rate. And if the business doesn't begin this payout for a year, the figure rises to $55 billion annually, and if you wait three years, $66.5 billion. Think about how many businesses today earn $50 billion, or $40 billion, or $30 billion. It would require a rather extraordinary change in profitability to justify that price.

Warren Buffett

TurtleTrader comment: If your trading technique is designed to ride a trend then firm earnings are not important, nor is any other fundamental data point for that matter. You don't have to be a financial analyst or accountant to make money in the market. See

Microstrategy (MSTR) example.

We've seen companies with market caps of tens of billions of dollars that are worthless, and seen other companies that trade at 20-25% of their true value. It eventually gets sorted out. But the speculative mania in one area is not creating equivalent discounts elsewhere. We're not finding businesses at half their real value today. Forty-five years ago, I had lots of ideas and no money. Today, I have a lot of money but no ideas.

Warren Buffett

TurtleTrader comment: There have been and will continue to be trends everywhere, where you can make money long and short.

Reader Feedback

This page makes Buffett followers angry. Here are some comments:

Why not look at the trend of Buffett's stocks and see why no one comes close to the discipline he possesses in holding onto a trending situation.

Web Visitor

The fact that he didn't buy Intel or Microsoft is just nitpicking.

Web Visitor

The fallacy of the Buffett legend is the buy and hold mantra he helped promote (which is not exactly what he did to get rich). Buy and hold is not the panacea Wall Street and Buffett proclaim.

More Feedback

The Buffett page continues to provoke feedback from some readers:

Whilst I recognize and can appreciate your different trading philosophy to Mr.

Holy Grails

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- No Day Trading
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Buffett I am appalled at your presumption to criticize a man that has become reputably the second richest man by employing his techniques. Maybe in 40 years time when you have achieved the same success you will have earned the right to offer such sharp criticism. No I am not an investor in his company/s nor have I followed his lead but I do respect and admire the man for what he has achieved, through his philosophy of investment and maybe if the corporate raiders followed his example the market place would be healthier. By the way IT stocks are not doing too well are they?

Web Visitor

We consider the last sentence to be the only comment worth responding to. The reader does not understand the nature of trend following. We hope it is clear to you that Turtle trading garners profits in both up and down markets. Trend followers don't fall in love with any one market or sector. They take opportunity as it comes and simply make money. Up or down, it doesn't matter whether it's a tech stock or not.

More on Buffett

Note: The TurtleTrader™ site will continue to offer a well-rounded slate of positive reinforcement articles along with critique articles. The combination of the two styles helps the learning process (Negative?).

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Greed Overcomes Fear:

Mary Meeker and Henry Blodget

In 2000 there were 28,000 recommendations by brokerage-house analysts. As of the start of October, 99.1% of those recommendations on US companies were either strong buy, buy, or hold. Just 0.9% of the time, analysts said sell.

First Call

I just started back at my Master's of Applied Economics program and I have a few finance classes. I really enjoy listening to my Ph.D. Professors blither on about a company's value and what it's stock price should be worth! I just want to scream, Who cares?. But, I just sit back and remember that their analysis is the reason that I will be taking their money some day. Thanks for the great site!

Web Visitor

Download the Adobe .pdf report on analyst bias.

Wall Street analysts are so biased that their advice is fundamentally worthless. Is there any evidence that Morgan Stanley's Mary Meeker

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or Merrill Lynch's Henry Blodget can provide you with any truly helpful information about trading? Listening to them for guidance is your conscious decision not to think for yourself.

The study from Dartmouth College titled Conflict of Interest and the Credibility of Underwriter Analyst Recommendations that makes the point clear:

Brokerage analysts frequently comment on and sometimes recommend companies that their firms have recently taken public. We show that stocks that underwriter analysts recommend perform more poorly than "buy" recommendations by unaffiliated brokers prior to, at the time of, and subsequent to the recommendation date. We conclude that the recommendations by underwriter analysts show significant evidence of bias. We show also that the market does not recognize the full extent of this bias. The results suggest a potential conflict of interest inherent in the different functions that investment bankers perform.

Download the Adobe .pdf report on analyst bias.

About the Author:

Kent L. Womack

The Amos Tuck School

Dartmouth College

More from CBS MarketWatch April 02

But the most damning e-mail of all comes from Merrill analyst Kirsten Campbell, in the middle of another dispute about GoTo.com, regarding how to initiate coverage of the company in the autumn of 2000. GoTo's chief financial officer, Todd Tappin, was pushing for a

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higher rating as the company was weighing its options on its public offering.

Campbell wrote to Blodget:

If (an accumulate rating) means that we are putting half of Merrill retail (investors) into this stock because they are out accumulating it then I don't think that's the right thing to do, she wrote. We are losing people money and I don't like it. John and Mary Smith are losing their retirement because we don't want Todd (Tappin) to be mad at us.

Holy Grails:

No CNBC/Market News Needed

Human beings never think for themselves, they find it too uncomfortable. For the most part, members of our species simply repeat what they are told--and become upset if they are exposed to any different view. The characteristic human trait is not awareness but conformity...Other animals fight for territory or food; but, uniquely in the animal kingdom, human beings fight for their 'beliefs'...The reason is that beliefs guide behavior, which has evolutionary importance among human beings. But at a time when our behavior may well lead us to extinction, I see no reason to assume we have any awareness at all. We are stubborn, self-destructive conformists. Any other view of our species is just a self-congratulatory delusion.

***Michael Crichton**, The Lost World*

Q. Do Turtles use CNBC or other market news sources?

A. Never. Market news does not help a mechanical system trader or, for that matter, any trader. Price action is the only reliable source of information on what will happen in the market. All fundamental or external data that may impact a specific market is already reflected in the current price. In turn, trend following models apply quantitative

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analysis to the daily price data of the market being traded. However, most people persist in looking to other so-called experts for predictions and forecasts because, A fervently believed idea, even if wrong, dies hard,

Think about it. How can CNBC be useful when you are using a mechanical system that incorporates trading rules and money management? If you have a 100% mechanical trading system that tells you when to enter, when to liquidate, how much to buy and how much to sell -- listening to any news story for trading insight violates the entire concept of a trading system. Traders who are serious and successful at making money ignore the news.

David Faber of CNBC

News-worthy or News-worthless

If you're checking trading news on the web, on CNBC, in investment magazines, you're wasting your time. Instead, save some time and check the price of your trades once a day. If you trust your system and have self-discipline, trading becomes more effective and efficient. An old Wall Street adage goes: Never sell on one day's news. If you're a trend follower, you'd change that to: Never move on news, move on price.

Ever ask yourself what forms the basis for this financial news?

Subjective Data: Economic and earnings information generally consists of highly suspect and outdated numbers kept by parties who have an interest in skewing data, no matter what they promise to the contrary. Even if the data isn't already skewed, it's constantly updated and changed with the next report. Moreover, as new administrations and managers take over, the agencies responsible for compiling and releasing these statistics are forced to overhaul the already meaningless numbers to reflect whatever the current administration/management wants to show about its own record versus its predecessor's record.

Meaningless Comparisons: Quarters comparisons? The economic reports in the news are always based on an arbitrary comparison of one quarter to another, whether consecutive quarters or year-over-year. Why the artificial stop/start points?

Fear of Volatility: People who can't tolerate the volatility of a single day of market activity, let alone of a single hour or minute, must consider whether they should be trading at all. The volatility of an hour, a day, a month or a year is what makes money. Up or down, volatility is the engine behind price movement.

If you want to keep your money and your sanity, you need to know what to focus on and what to ignore and all the information you need is in the price.

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Misleading Article on Trend Following No Day Trading

Turtle Trend Following is NOT Day Trading. Period.

In the August 2001 issue of **Technical Analysis of Stocks and Commodities Magazine** there is a misleading article on Turtle trend following trading. The article, entitled Trading the Turtle System on Currencies is an attempt to justify Turtle trend following trading from a day trading perspective. Let's take a look at where the article goes wrong:

The Premise – False: Turtle trading is not day trading. The article assumes that it is. However, this system does not work over short-term time frames such as 5 minute or 1 hour chart bars. How can 5 minute bars help you to trade a trend that may last 3 months or more?

The two simple Rules phrase – False: The article says that the Turtle system consists of two simple rules for entry and exit. However, this system is a complete trading system, not a simple entry/exit routine. Within the system 90% of the success is derived from the use of money management or betting strategy. 10% of the system success is derived from the use of entry and exit. The complete Turtle trend following trading system must have both components.

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Misleading Hype: If the article in question was an attempt to use the Turtle name to garner attention, the writer's objective was met. The writer does have a day trading strategy he would like to promote, but attaching the name Turtle is plain misleading. Simple marketing hype doesn't help anyone.

Bottom line: you can not be a day trading Turtle trend follower.

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Breakouts and Holy Grails

There are many, many financial sites on the Web that let you track a portfolio of stocks on a glorified watch list. You enter in your open positions and you get a snapshot, or better yet a live, real-time update, of the status of your stocks based on the site's most recently avail-able prices. Some sites, like Fidelity's, provide tools that tell you how your portfolio is allocated among various asset classes such as stocks, mutual funds, bonds and cash. While such sites get at the idea of money or portfolio management, the overwhelming majority fail to provide the tools required to answer the central question of money management: "When I make a trade, how much do I trade?" (Try and find the topic of money management on the Motley Fool site.)

Gibbons Burke

It is far better to grasp the Universe as it really is than to persist in delusion, however satisfying and reassuring.

Carl Sagan

If you believe the Turtle trend following system is **simply buying or selling a 20 day breakout**, you are dead wrong. If you focus on breakouts as a Holy Grail, you've missed the point and are probably already on your way to losing your capital and, ultimately, your shirt. A trader who focuses only on market entry is only accounting for 10% of a trading system's success. Trading is 90% money management which has nothing to do with entry and exit whatsoever. It's as if you were trying to become a championship runner by only concentrating on how you push off at the start of each race.

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What are some core concerns of the Turtle trend following system?

- How to exit the market.
- How much to buy or sell at any given time for any market position.
- How to adjust portfolio during a winning streak.
- How to adjust portfolio during a losing streak.
- How to take profits.
- How to use risk management to ensure you don't blow out.
- How to take a loss to avoid larger losses.
- How to trade both long and short positions.
- How to balance long and short positions.
- How to handle liquidation and exit strategies.
- How to handle accumulated new profits.
- How to handle stops.
- How to adjust stops.
- How to account for volatility.
- How to prepare for unforeseen large scale trends.
- How to handle or not handle profit targets.
- How to view risk of ruin.
- How to handle entry and exit filters.
- How to handle psychological and discipline adjustments.
- How to trade all markets the same.
- How to handle money management.
- How to handle bet size for each trade.
- How to determine the exact amount for each trade.

After six years we still hear from people who believe a trend following system is simply another indicator and that's it. We're here to teach them why they're wrong, but only if they want to learn.

Yahoo Finance and CBS MarketWatch

Go to Yahoo or MarketWatch. Check out the quick technical studies you can apply for free. What good are these free services? No good at all. None. If you try to use these services with their abundance of Holy Grail indicators, you will lose your money.

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Stock Tips

In the last few years we have seen the rise and fall of online stock chat rooms. Some of the over hyped chat boards and news services include:

- CBS MarketWatch
- The Street
- Motley Fool
- Raging Bull
- Silicon Investor

The implosion of the NASDAQ market in 2000 & 2001 proved the uselessness of these chat boards as well as the misguided futility of the concept in the first place. Chat boards as a source of sound credible trading data? Come on. These chats could not predict the NASDAQ crash. All the fundamental banter on the web combined doesn't help in a crash. In a crash, who cares about the opinion of some anonymous message poster?

Turtle trend following trading does not attempt to predict the market. We couldn't care less what a company does or what its new economy

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potential might be. To trend followers, it does not matter what a company's business plan is or even whether they have a potential to make money. When you trade properly, your only concern is price. If the price is going up you buy. If it's going down you sell. Don't waste your time trying to determine the potential of a company, and don't waste your time looking for clues about the market on chat boards. You won't find any.

- View the Microstrategy example.
- Read a recent email from a reader asking about 20/20 hindsight.

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David Faber and CNBC

The Faber Report

You see, Dr. Stadler, people don't want to think. And the deeper they get into trouble, the less they want to think. But by some sort of instinct, they feel that they ought to and it makes them feel guilty. So they'll bless and follow anyone who gives them a justification for not thinking.

Ayn Rand, *Atlas Shrugged*

Joe Kernen and David Faber Video Clip. In this clip you can watch David and Joe of CNBC debate nothing. Yes, very similar to a Seinfeld episode, they talk about nothing. Why is this relevant? People watch this and make market decisions off what they say. It is hard not to smile watching the clip.

Stock Tips and Faber

We should all know by now how worthless stock tips are, but the

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general public still hungers for the likes of David Faber and his Faber Report delivered to millions on CNBC. Why would anyone think, for even a millisecond, that when David shares a stock tip with his guest, only three people are now in the know: David Faber, the guest, and the person watching. What about the millions of other people glued to their sets? Most of whom also believe David is giving them the stock tip. Ah, the intimacy of television combined with our ability to suspend our disbelief. Don't laugh. This nonsense has been going on every day since the mid-1990s equity market explosion.

We can only assume that everyone gets this great tip, calls their broker and buys? Actually this does happen. The market moves regularly when Faber speaks. However, the movement is always short term because Faber has no long term ability to move the market. Watching CNBC news in order to get the information needed to market decisions is useless. But since trading is a zero-sum game, we selfishly hope millions continue to watch David Faber. Their trading losses from useless tips go directly to the winners who trade systems. David is not alone, but he does happen to be one television commentator who visits our site:

Faber Responds

I recently stumbled on your site and have just read your characterization of me. I appreciate the fact that you assume I'm a nice guy, I like to think I am. But I am deeply puzzled by your contentions about my reporting. I go out of my way not to do exactly what you seem to accuse me of. It's as though you aren't really watching or reading my reports. I am no tipster or tout. I've been a hard working financial journalist for fourteen years and the sources you derisively refer to are usually in the top ranks of management in the industries I report on, or the bankers or lawyers who may have been working on a particular deal. I may not

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always attribute by name, but I can assure you that I always speak to as many people as necessary to confirm the story in question. But that's only when I actually do break a story, which I'm afraid is not as often as I would like. More often, I confine myself to offering analysis based on speaking to money managers, bankers or CEO's that can shed new light on a particular story in the news. I do occasionally report on rumors that are moving stocks, but only to explain why those stocks may be up or down and always with an eye toward providing the context of why the rumor might make sense or does not seem to. And if you've ever watched in the morning, during Squawk Box, I would assume you know that I do exactly what your tag line suggests...taking a good hard look at the industry that is Wall Street and exposing it for what it is. In the spirit of fair and accurate reporting, if you do have any examples of Faber Report's that have been inaccurate or unfair in your opinion, feel free to let me know.

David Faber

Editor's Note

We appreciate the feedback and spin from David. We will leave it to our readers to judge the CNBC hype machine and their *on air experts*. We stand behind our firm belief, as stated here and throughout the site, that stock tips are utter nonsense.

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Holy Grails:

Buy and Hold?

Outdated and Irrational

Not all stocks are Lazarus rising from the dead. Among the older generation of powerhouse stocks, some of them have risen to live again (General Electric and Intel) while others have died (Zenith, Pan Am). Hold for the long term, as an answer to every investment question, is mass delusion today.

The Buy and hold approach should be rejected as outdated and irrational, except for people who intend to live forever. There are clear effective strategies that you can use to exit markets at proper times that enhance profitability.

Q. But I believe in Warren Buffett and the use of buy and hold strategies. What is wrong with that?

A. Here's an example of what's wrong with buy and hold: Remember the Nasdaq market crash of 1973-74? The Nasdaq reached its high peak in December 1972. It then went straight down by nearly 60% hitting rock bottom in September 1974. We did not see the Nasdaq break permanently free of the 73-74 bear market until April 1980. What good did buy and hold do you from December 1972 through March 1980? No good at all. You made no money as a buy and holder. You would have made more money during this period in a 3% savings

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account than mindlessly following a buy and hold strategy.

Need more recent evidence? Look at Nasdaq chart below:

Sep-97	6.20%	15571
Oct-97	-5.46%	14721
Nov-97	0.44%	14786
Dec-97	-1.89%	14506
Jan-98	3.12%	14959
Feb-98	9.33%	16355
Mar-98	3.68%	16957
Apr-98	1.78%	17258
May-98	-4.79%	16432
Jun-98	6.51%	17501
Jul-98	-0.01%	17500
Aug-98	-19.92%	14014
Sep-98	11.40%	15611
Oct-98	4.37%	16294
Nov-98	9.15%	17784
Dec-98	11.08%	19755
Jan-99	14.75%	22669
Feb-99	-9.60%	20493
Mar-99	8.61%	22257
Apr-99	1.39%	22566
May-99	-2.19%	22072
Jun-99	9.01%	24061
Jul-99	-1.11%	23794
Aug-99	5.25%	25043
Sep-99	0.00%	25043
Oct-99	8.70%	27222
Nov-99	11.09%	30241
Dec-99	19.98%	36283
Jan-00	-3.17%	35132
Feb-00	19.19%	41874
Mar-00	-2.64%	40769
Apr-00	-15.58%	34417
May-00	-11.91%	31203
Jun-00	16.62%	35649
Jul-00	-5.02%	33859
Aug-00	11.66%	37394
Sep-00	-12.68%	32653
Oct-00	-8.25%	29959
Nov-00	-22.90%	23095
Dec-00	-4.90%	21579
1-Jan	12.23%	24218
1-Feb	-22.39%	18795

The first column is the date. The second column is the monthly rate of return. The third column is the net asset value (NAV) or the

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hypothetical value of $1000 invested in the Nasdaq since its inception. The third column is very useful. The closing NAV for Feb 2001 was 18795. That is the lowest NAV since Dec 1998. Take a look at the NAV for Sep 1997. Not too far to go to start erasing 1997 gains? Buy and hold still looking good? A strategy that makes money going in either direction (bullish or bearish) is the best way to make money. Buy and hold in the Nasdaq killed you in 1973-1974 and it killed you again in 2000-2001.

On top of not making money during an extended drop in the market (assuming all you do is buy and hold), the recovery back to break-even is very difficult (if near impossible). This table says that if you lose 50%, you will have to win 100% back just to break even. Are you now seeing why, if you just buy and hold, the Nasdaq could be dead for quite awhile?

Loss of capital (%)	Gain to recover (%)
5	5.3
10	11.1
15	17.6
20	25.0
25	33.3
30	42.9
35	53.8
40	66.7
45	81.8
50	100.0
55	122.0
60	150.0

Time to Get a Strategy

By Jane Bryant Quinn

Will stock prices come back? If you're holding some of the Internet and high-tech stocks that crashed, that's what you're hoping for today. You know that markets always rise again, eventually. So you're trusting that your stocks will recover the price you originally paid. But many of them won't. The stock market bubble burst March 10. You're not likely to see another such bubble in your lifetime...

...What should you do now? First, don't look back. Yesterday is already ancient history. What your stock is worth today bears no relation to what it was sold for on March 10. All that matters is its prospect, going forward.

A company with no earnings, or low earnings relative to its stock price, has a poor chance of rising to its previous peak. I'm not saying it won't rise at all. But is it your best opportunity, compared with other stocks you might own?

Many investors have no idea if the company they own has earnings, who competes with it and what the industry outlook is. Enthusiasts have been buying on tips--from their friends, the Web, CNBC--without doing any real research.

Every day you hold a stock is like a new decision to buy. So if you didn't do your research before, do it now.

The Washington Post Company

The Fed and Alan Greenspan

John W. Henry has offered the following quote:

I know that when the **Fed first raises** interest rates after months of lowering them, you do not see them the next day lowering interest rates. And they don't raise rates and then a few days later or a few weeks later lower them. They raise, raise, raise, raise...(PAUSE)...raise, raise, raise. And then once they lower, they don't raise, lower, raise, lower, raise, lower. Rather they lower, lower, lower, lower. There are trends that tend to exist, whether they are capital flows or interest rates....if you have enough discipline, or if you only trade a few markets, you don't need a computer to trade this way [trend following].

Why worry about what the Fed is going to do? **Setup your trading strategy from the beginning to adjust to trends.** The Turtle trend following strategy, as well as John W. Henry or Dunn Capital's trend trading strategies, is predicated on markets always changing. A changing marketplace has no impact on you whatsoever if your trading style has been developed from the ground up to respond to change.

Then you're prepared for anything. Trend following Turtles are always prepared for Fed actions, wars, rumors of war, elections, scandals, embargoes, treaties, droughts, floods and market crashes. Trend followers tend to smile at the nervousness most market participants exhibit before any Fed action. They're ready to profit from whatever comes along.

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Why Brokers Can't Help You Trade

Trading Places Movie Clip on Brokers (2.6 M)

Is your broker your friend or foe (or just a bookie like in movie clip above)? If you have had a one on one relationship with a stock or commodity broker, then we're guessing you've had the unpleasant experience of losing money. You may think your broker would make a great neighbor, worthy of a Sunday barbecue invitation, or has the potential to become a good friend. However beware of pay-as-you-go friendships with your broker because they may fragment right before your eyes, leaving you friendless, and penniless. **When loyalty doesn't count:** Our deepest friendships are based, in part, on loyalty. But when the bottom line is a business decision or financial transaction, your loyalty can lead to clouded judgment and costly mistakes. It is uncanny how steadily brokers drain cash from the pockets of would be traders who do not understand basic truths about the industry. Hopefully the next few paragraphs will open your eyes.

Bait and Switch: We confess to being a little cynical about the credibility of brokers because so many of them engage in a well rehearsed game of bait and switch. They promise new clients profits beyond their wildest dreams, then switch to damage control when losses start eating away at the account. Once the client/broker

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relationship has soured, the broker keeps the game going, and the commission dollars flowing in, as long as possible before the client quits in disgust.

Who Is Your Broker?

There are many different types of brokers, but they all have one thing in common: **They are eager to drain your account.** You may have already met one of the following four types of brokers: the pusher, the yes man, the true believer, and the rationalizer.

The pusher - is by far the most aggressive. The pusher is in your face, on your back urging you to take X trade right NOW. He will not take no for an answer. The pusher is not above belittling or even mildly insulting you if you do not do exactly as directed. The pusher is in control and when he says jump, you're expected to ask, how high? The pusher gravitates towards na ï ve or weak-willed individuals who are susceptible to a dominant personality. If that might be you, beware.

The yes man - has precious few of his own ideas. Instead, he prefers to rubber stamp everything by always saying what he thinks you want to hear. His strategy is to troll for your opinions. The moment he detects what you think about a stock, he immediately reinforces that opinion in the hopes of getting you to place a trade. He is the ultimate sympathizer, always commiserating, forever testing the wind. The yes man is usually a passive aggressive person on the lookout for confident, opinionated clientele who like having their egos stroked.

The true believer - is often an old timer who is beating a tired drum for the same tired market that had a big move years ago. Always a fundamentalist at heart, the true believer tends to lean on his one sided analysis like a crutch, seeking any tidbit or rumor he can find for reinforcement. It is his mission in life to find and recruit other true believers, clients for whom hope springs eternal.

The rationalizer - is an amazingly consistent loser who always has an excuse for why his recommendations go bad. The rationalizer can cheerfully explain away every wrong decision and misguided belief except for one: his pathetic track record, which is never discussed. Like the true believer, next time is the rationalizer's eternal refrain.

Who's the most dangerous? These styles are not set in concrete. You'll meet some brokers who are obviously pushers while others may display a combination of styles. Of these four types, the true believer and the rationalizer are probably the most dangerous. If they have your business, they do the most damage by hanging you on hope for long periods of time while they leech the lifeblood from your account. They will eat away at your capital, your confidence and your desire to trade.

Is there a catch? The problem with the brokerage industry is not the calibre of individuals it attracts. Honest, intelligent, hardworking people are drawn to trading every day, and brokerage firms are a natural gateway into the financial world. Many successful CTA's and fund managers got their start as stock or commodity brokers. But that is exactly the catch: those people who evolve into successful traders inevitably move on to bigger and better things over time. So it is no coincidence that the vast majority of experienced brokers cannot trade. If they could trade, they would not have stayed brokers. Another large portion leave the industry because they are fed up with the internal conflict and sense of moral compromise. They are tired of seeing clients lose money day in and day out without fail. So who does this leave to be your friendly broker? You know who.

Am I detecting a conflict of interest here? Yes. The brokerage industry has a gross conflict of interest built in to the payment structure. CTA's and fund managers have interests in direct alignment with their clients, because they are paid as a percentage of trading profits. They only make money if the client makes money. In contrast, brokers have no such alignment. Brokers take their commission cut whether their advice is good, bad, or just plain useless. So it shouldn’t come as a big surprise to you that, when it comes to measuring broker performance within the industry, the entire emphasis is on commission revenues generated -- as in: he generated a million two in gross commish last year - he must be a great broker. **What about the profitability of his clients?** Who are you kidding? The broker collects whether you win or lose. The broker expects you to lose, sooner or later, partly due to his high costs. Therefore, it is his job to get you to trade as much as possible, regardless of your best interests, so he can get his commissions before you burn out.

Is there any broker with integrity? We hope so, but what percentage of recommendations would you guess are actually based on solid analysis and firm conviction, rather than simply baiting a hook to draw in commission dollars? Zero would be a cynical answer, but sadly close to the truth.

Is there anything I can do? Absolutely, but, again, you'll wonder if all your work is paying off. Let's say you found the rare broker who is competent, knowledgeable, has a passion for the markets, and actually has your best interests at heart. He is probably new to the business, five years or less, and will not be staying much longer. Even with all this going for the relationship, there is one final obstacle to be overcome: You. In order to make effective use of your broker's skill to place your trades, you must have the emotional temperament and discipline to ride out your inevitable losing trades of your system. Your strong commitment to the process of taking each valid trade of your system and learning from it while without remaining diligent is crucial. In other words, to make good use of a broker, you have to be knowledgeable and skilled enough to not need him in the first place.

So are you saying I can do it myself: The final lesson is that if you are going to trade, you can never substitute someone else's experience for your own, or expect someone else to make up for your shortcomings. You must play your own hand, and ultimately dictate your own success or failure. This in itself ultimately makes the broker irrelevant.

Microstrategy (MSTR)

In the fall of 1999 a relatively unknown company, located in Vienna, Virginia, called Microstrategy (MSTR) saw its share price move up rapidly. It went all the way up to a high of $333 in March of 2000. The company, along with its energetic leader, Michael Saylor, generated buzz nationwide with advanced software used for data mining. With such a great concept, Saylor, their 35-year-old billionaire CEO was seen everywhere including 60 Minutes, CNBC, etc. Microstrategy was hot, hot, hot.

What happened next? Microstrategy's stock tanked. Some people made and more people lost huge amounts of money on this stock. How would a Turtle trader have handled trading Microstrategy? To begin with anyone trading as a Turtle would have cared less who the CEO was or even what Microstrategy did or if it had earnings.

To this day no one knows if Microstrategy is ever going to make a dime. The Nasdaq tech correction of 2000, 2001 has made that clear. However whether or not a company will generate a profit should have nothing to do trading the stock for your individual profit. If you had traded Microstrategy as a Turtle, you would have made money up the great climb of Microstrategy and you would have made money coming down the great fall of Microstrategy. You would have traded this stock the same as any other stock. Trading as a Turtle is only

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centered on the price. The price of the stock or commodity is the only variable that matters.

What's the bottom line? You don't even need to know the name of a stock to trade it. You don't need to know what it does. If it's going up you buy. If it's going down you sell. Of course, the entire Turtle trend following system involves systematic rules within a complete trading system, but ultimately it's about reacting to the share price not predicting it (more on prediction dangers). Was this example 20/20 hindsight? No. Email and we will explain why it was not 20/20 hindsight.

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Goldman Sachs Research

Here's the bad news: Not all TurtleTrader readers receive Goldman Sach's daily research. Now here's the good news: The ones who don't aren't missing anything. TurtleTrader is not a client of Goldman's nor do we endorse them in any way. We just happen to be on the mailing list. Okay. So now we've dispensed with the disclaimers.

Goldman daily research is extremely detailed. Projections abound. Discounted cash flow valuations, balance sheets and income statements overwhelm. It's all there -- the market performers, trading buy recommended lists, etc. as well as Goldman analysis. Tons of information right? Yes, indeed, but mostly useless.

For example, let's take a look at PlanetRX, the online drugstore. Goldman has been promoting this baby as a great buy since shares sunk from the mid-teens to its most recent value of $2 a share. All of Goldman's promotional analysis is based on its research minutia involving fundamental factors. None of the analysis is based on what the stock is actually doing, which is tanking. If the analysis was based on what the shares of PlanetRX were actually doing, any successful trader would know you would sell, not buy.

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Why do large, respected brokerages go through the time and effort to produce such useless drivel by large salaried fat cat analysts? When you are a broker who earns monster fees and big commissions off pushing stocks and underwriting IPOs, you better make the package pretty don't you think? How does this packaged information help someone who actually trades or invests? It doesn't.

We would like to know how much of Goldman Sachs' proprietary trading capital is actually invested as Goldman's research suggests. It would be difficult, even for a Goldman Sachs investor, since the research never gives the reader solid advice regarding price levels at which to buy or sell. If the truth be told, we believe that Goldman's trading capital is well positioned with hedge funds and trading firms worldwide that, as you might guess, trade trend following models such as the Turtles.

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Holy Grails:

Video Clips: Hype & Blunt Talk

David Faber & Joe Kernen Hall of Shame

This page serves the simple purpose of exposing nonsense. The following clips are generally self-explanatory.

- **Clip 1** - Joe Kernen rambles on about analysts and how we need them. Further questions how one can know how low a stock can go.
- **Clip 2** - Joe Kernen and David Faber Video Clip. Watch David and Joe of CNBC talk about staying at truck stops. We thank readers for alerting us to these ramblings.
- **Clip 3** - Joe Kernen and David Faber Video Clip. Watch David and Joe of CNBC debate nothing. Similar to a Seinfeld TV episode they talk about nothing. Why is this clip relevant? It is an example of fundamental banter serving no useful purpose. Millions watch. Millions stay misguided.

All clips are QuickTime Video.

Q. Where can I download the free QuickTime Player installer?

A. Download FREE Windows 95, 98 and NT Version QuickTime Player. Download FREE Macintosh Version QuickTime Player.

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Q. Is there an instruction sheet for installing the player?

A. Yes. Click here for Windows 95, 98 and NT instructions.

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Holy Grails:

Trading Techniques to Avoid

In any case, thanks for a great site and a lot of useful information. I just like to read the sarcastic pages on how uninformed people have no clue that highly paid professionals have no clue either. It is worth publishing a book. Merci beaucoup.

Edmond (web visitor)

There are literally thousands of trading approaches promoted online and offline. Below are examples of trading approaches that the world's best trend followers avoid within their trading systems:

- %R Oscillator
- Astrology
- Candlesticks
- Cycle Prediction
- Delta Moon Prediction Techniques
- Elliott Wave
- Fibonacci
- Fuzzy Logic
- Gann
- Genetic Algorithm
- Geometric Angles
- Golden Spiral
- Granville's On-Balance Volume
- Island Reversals

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- Moon Phases
- Neural Networks
- Planetary Motion
- Point and Figure Charts
- Relative Strength Index
- Seasonality
- Support/Resistance
- Weather
- Proper thinking about entry/exit...

It is guaranteed, for example, legendary trader John W. Henry is not using Planetary Motion to determine when to buy or sell and more importantly how much to buy or sell.

Pattern Trading

These patterns are the world of CNBC analysts. Top trend following traders do not use these patterns in trading:

- Reversal Patterns
- Continuation Patterns
- Head and Shoulders
- Symmetrical Triangles
- Inverse Head and Shoulders
- Ascending Triangles
- Triple Tops
- Descending Triangles
- Triple Bottoms
- Double Tops

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- Double Bottoms

Support and Resistance

Profit using support, resistance, and trendline breakouts. Support, resistance, and trendlines are at the very heart of technical analysis. That's because they're based on the basic economic principles of supply and demand. The tools you'll receive in this package give you a consistent and objective method of determining where these lines should be drawn on your charts. Implement the principles of supply and demand in your chart analysis and develop a consistent and objective method of placing lines on your charts.

Support and resistance is the heart of technical analysis? Learn how to draw trendlines? This activity simply will not help you earn profits.

Holy Grails:

Larry Williams Trading

Money Tree & British American

Larry Williams promotes many trading strategies. However, he does not teach the complete Turtle trading method. No one comes close to providing the Turtle trend following course that TurtleTrader offers.

Larry Williams primarily promotes long-term secrets to short-term trading through his Money Tree trading course. TurtleTrader strongly disagrees with short-term or day trading strategies.

Some of Larry William's promotional language reveals:

- How to tell when the market super-powers are expecting a major price shift. How to see in two seconds what they are doing in their own accounts.
- How to catch a ride on seasonal indicators. A few of them have a 20-year accuracy record of nearly 100%.
- How you can usually tell in advance which way a sideways market is going to break.
- Four indicators & techniques that will bring you automatic winnings over 80% of the time.
- The two distinct types of bull markets, and how you should play them differently for the highest profits.
- How you can easily avoid the expensive mistakes made by even the most skilled traders.
- How one of my pet formulas will often show you several days in advance

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- True/False Questions
- Losers Average Losers
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- Stocks v. Commodities
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which way a market will go.

- Why you shouldn't waste a lot of time trying to analyze the many cycles supposedly hidden in roller-coaster price charts and why you should learn about the two cycles that really matter.
- What crucial fact you must know about Fridays and Mondays.
- How to make money even when you're wrong.
- 5 free trade secrets of the day.
- Have you ever been so desperate to learn how to make money that you would sell your own blood?
- If you can follow the tracks of an elephant in mud, you can get rich.

Go here to Larry William's British American web site and compare his Money Tree course to the TurtleTrader web site and course.

Upgrades from Larry Williams

TurtleTrader now offers competitive upgrade pricing to our new clients from Ken Roberts and Larry Williams courses. TurtleTrader has no association with Roberts or Williams nor do we recommend their methods. This offer is available only at the time of the TurtleTrader course purchase. Please contact TurtleTrader for competitive upgrade pricing.

A Losing Experience

A new client recently wrote to explain why he signed on. Sarcastic wisdom at its best!

This is the story of how I have predicted every single move in the stock markets over the last 2 years. Don't believe it?

In spring 2000, with no formal training in any of business, finance or trading, I opened an online account. I started with a bankroll of $3000 which bought a few shares of Microsoft, the stock of the decade. 10% fluctuations in my net worth were soon eating me alive (I am a student, remember?). It was then that I met the wonderful keep your eggs in different baskets benefit. The problem was choosing the appropriate baskets. Market gurus and advisors had soon furnished me with a long list, so I diversified into a bunch of stocks, again going long.

The only trouble was that I had the itchy fingers of a day or swing trader, but the attitude of an avid follower of LTBH. That works for Warren Buffett because he buys entire businesses and takes them private for their cash flow, but little did I know then that for me, H stands for Hope in LTBH.

In the summer of 2000, I interned at a huge telecom behemoth and was simultaneously introduced to the principle of buy what you know. I also learned about margin and leverage. By Thanksgiving, my over-the-mail gurus had me fully convinced that the next boom was just around the corner and I was margined to the hilt in telecom and semis. After all the younger you are the more of your asset allocation should be in equities, say 150%, right?

The ensuing NASDAQ bust, especially telecom, was a bloodbath. I regularly met my new friend Mr. M. Call. How could I sell? Make my paper losses concrete? I awaited the V or the U-shaped turnaround and shuddered when told it might be Nike logo or L-shaped.

Come 2001, and I filed my first ever Schedule D, swathed in red ink.

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
- Ken Roberts

Resources

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- Offshore Resources
- White Paper Archive
- Paper Trading/Auditrack

But now, the rationalization went that the markets are a tough teacher: You always lose at first to win BIG later. So I decided to educate myself. I learned the jargon. Heck, enough jargon to edit a financial magazine! I now knew the names of technical measures and indicators, I now straddled the world of complex derivatives. Snake oil salesmen held an unbeatable charm. I checked far and low for the answer.

Larry Williams had me convinced that the tracking of elephantine footprints (CoT reports) in commodities trading was the Holy Grail to finding the Money Tree. In retrospect, it WOULD have been better if I had become a bond trader. I would have at least accelerated the drama about to play out.

Never borrow to invest was the maxim next broken as my stock trading account was recapitalized. My newfound financial literacy was a guaranteed recipe for success! I could now short stocks and trade options, what more did I need? Never mind that I still could read neither a cash flow statement nor a price chart!

Needless to say, I lost my shirt! That is putting it mildly.

Over the year 2001, I broke every rule in the book:

- No stops the market maker will get you
- No exit strategy LT Buy Hope
- No money management or position sizing
- Scale trading on a 20k account average your cost basis down
- Option trading you only lose a fraction of what you could in

shares

- Scalping on market noise without hedging
- Playing the contrarian dead cat bounces
- Buy high sell low eh?
- Event trading buy the rumor sell the news
- Sell the winner let the losers run portfolio rebalancing
- Hoping to break even falling in love with a stock
- Anonymous advice message board
- Portfolio turnover often exceeding 100% a month

I could go on and on. I have them written down in my log against each trade. Every time, I found a new mistake to make. Fear and Greed. And hope. With a good measure of cocky overconfidence.

In two years, I had predicted every major move in the market with a perfect negative correlation of -1. Anyone who took the diametrically opposite position to mine would have doubled his money. Everytime. Well not really, there was this one time I sold RiteAid for a small profit in Feb 01 and it quadrupled in a few weeks. No one went broke taking a profit, right? Then there were occasional 10-day 10%-returns: successes of the expert trend follower and top-bottom caller. Until of course I ran out of tealeaves to read the direction from!

Riding a 150% gain all the way down to a 90% loss (Global Crossing) over the last 3 months was the straw that broke the camel's back. Enough was enough. Time to quit and learn the basics.

I am in fact glad that I began this when still in school. Yes the tuition has been expensive, $25k, but sense has been knocked into my head. I might as well have walked over to a hedge fund and handed over my money for free. It would have been easier to file the tax returns!

Two years have been enough. I no longer aspire to trade myself into a millionaire by year end. I know a hundred different things not to do. I wish to learn one thing.

Hype from Trading Gurus

We receive emails regularly from people trying to sort through trading opportunities.

If you have questions about the following feel free to contact us:

- **Advanced Get** questions: email.
- **David L. Caplan** questions: email.
- **Edward D. Dobson** questions: email.
- **Elliott Wave** anything questions: email.
- **Fibonacci** anything questions: email.
- **Futures Truth and John Hill** questions: click here.
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- **INO, MOM and POP** questions: email.
- **Jake Bernstein** questions: email.
- **John Murphy** questions: email.
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- **Larry Williams** questions: click here.

- **Richmonds** (UK traders) questions: email.
- **Russell Sands** questions: email.
- **Tom DeMark** questions: email.
- **TradeWins** questions: email.
- **Walter Bressert** questions: email.
- **W.D. Gann** questions: email.
- J. Adam Hewison: click here.

One of the above individuals actually declared trend following to be dead while at the same time selling an assortment of items at prices ranging from $69 to $2500. The hype never ends.

Holy Grails:

Motley Foolish

I interviewed as a technical recruiter [at Motley Fool]. The guy interviewing me was barefoot and spent the whole time playing some video game on his Palm V. They were paying him to do this. As a recruiter, I came to one inescapable conclusion: these people were hired from Barnum and Bailey. The investment advice was coming from people who were lucky to have 2-3 years in owning stock themselves. Funny. I knew then that they were cooked.

Web Poster

They almost originated the internet bubble. They'd post recommendations and millions of idiots would run the stock up to impossible levels. They did this with Iomega. Iomega makes zip drives, an extrememly low margin and low volume business, but they managed to run the stock up over 3000% before it dropped to a few dollars per share.

Web Poster

I've got a killer angle on my foosball shot, says Mike Cannon, who was also laid off. Then, more seriously, he says: There wasn't a day that went by that I didn't want to go into work.

Fired Motley Fool Employee

Motley Fool—ish. The Motley Foolers are cute marketers -- of themselves. They sell lots of books and they wear funny hats. But how

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can Motley Fool make a difference in your trading decisions? It can't. There is no substance to Motley Fool, no matter how the Fool packages its information. Motley Fool's web site, books, live appearances, and newsletters all have one thing in common. There's no there there. The public perception was that the Fool provided useful information about how to make money in the stock market. Motley Fool allows anyone to post messages to chat boards. The theory being (we assume) that people might gain insight on whether to buy or sell a stock from other people's tips. Here is where the real nonsense begins. Stock tips don't work. Anyone who promotes stock tips (and Motley Fool would have a hard time saying they don't promote tips) is misleading their audience. Why? Because all a tip tells you is that you should buy something. Period. It's a tip; not a fact; not even an insight. Ultimately the Foolers missed their IPO opportunity and now, since the party is over, they are laying off employees like Mike Cannon.

TurtleTrader has constantly pointed out the utter nonsense of these web sites and other stock tipsters. Anything crucial you might need to know that they're leaving out? Well, let's take a look at just a few unanswered questions:

- How much capital do you place on each trade given your account?
- When should you take a loss to avoid larger losses?
- If you begin a losing streak do you trade the same?
- What formula do you use?
- How should you prepare if trading both long and short

positions?

- Is trading affected by markets that move at different times?
- How is correlation handled in practical trading sense?
- Should you have profit targets? Yes or No?
- Does a portfolio of long and short allow one to trade more positions?
- How is your trading adjusted with accumulated new profits?
- How are stops handled when volatility is a concern?
- Is there a method to limit entry risk with options?
- How does one prepare for unforeseen large scale trends?

Technical versus fundamental: What's the difference between stock tipsters and Turtle trading? The TurtleTrader focus is on technical analysis. The key is the price. It's the only variable a trader should be watching to make decisions. Motley Fool encourages its audience to believe that P/E ratios, earnings reports, news and balance sheets are keys to successful trading. This is called fundamental analysis. We disagree with this approach. You could have the greatest balance sheet in the world, but if the price is dropping like a rock, you should be selling, not buying.

Technical v. Fundamental Analysis

Technical analysis operates on the theory that market **prices** at any given point in time reflect all known factors affecting supply and demand for a particular market. Consequently, technical analysis focuses, not on evaluating those factors directly, but on an analysis of market prices themselves. This approach theorize that a detailed analysis of, among other things, actual daily, weekly and monthly

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price fluctuations is the most effective means of attempting to capitalize on the future course of price movements. Technical strategies generally utilize a series of mathematical measurements and calculations designed to monitor market activity. Trading decisions are based on signals generated by charts, manual calculations, computers or their combinations.

Fundamental analysis is based on the study of **factors external** to the trading markets which affect the supply and demand of a particular market. It is in stark contrast to technical analysis since it focuses, not on price but on factors like weather, government policies, domestic and foreign political and economic events and changing trade prospects. Fundamental analysis theorizes that by monitoring relevant supply and demand factors for a particular market, a state of current or potential disequilibrium of market conditions may be identified before the state has been reflected in the price level of that market. Fundamental analysis assumes that markets are imperfect, that information is not instantaneously assimilated or disseminated and that econometric models can be constructed to generate equilibrium prices, which may indicate that current prices are inconsistent with underlying economic conditions, and will, accordingly, change in the future.

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Related Material:

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Holy Grails:

Ken Roberts and Commodity Trading

The following 2 links offer a snapshot of Ken Roberts trading method hype:

- http://www.kenroberts.net/commonsense/twmpmm/
- http://www.mainstreettrading.com/sales/

Ken Roberts offers an introductory strategy. Ken Roberts seduces people into trading, but then does not provide them with the indepth instruction they need to trade. Successful trading demands much more than an introduction and hype in the form of an infomercial.

Ken Roberts and Main Street Trading do not cover detailed money and portfolio management. Traders can not make consistent profits over the long run without concrete money and portfolio management instruction.

Read this article covering Ken Roberts and Main Street Trading:

- Ken Roberts reviewed by Forbes Magazine

We recommend exploring the **downsides of reliance** on a strategy that does not include portfolio or money management. Ask yourself how valid the strategy is if it **does not address** the following money and

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portfolio management issues:

- How much capital do you place on each trade? Is this precise?
- When should you take a loss to avoid larger losses?
- If you begin a losing streak do you trade the same? What formula do you use?
- How should you prepare if trading both long and short positions?
- Is trading affected by commodities that move at different times?
- How is correlation handled in practical trading sense?
- Should you have profit targets? Yes or No?
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Client Feedback

With the year nearly at an end, I can honestly say, good riddance! In retrospect, it was a costly (monetarily) year for me. But from a learning experience, it was

Market Proof

- **Performance**
- Correlation 1 | 2 | 3 | 4
- Enron Debacle
- Barings Bank
- Metallgesellschaft

Clients

- **Clients in 67 Countries**
- Individual Clients
- Institutional Clients
- Education Needed
- Starting Capital
- The Right Client
- Pricing Rationale
- Why Teach?
- Upgrades/Discounts
- Customer Service
- Guarantee | **Order**

Trading Systems

- **Trading Systems 1**
- Trading Systems 2
- Trading Systems 3
- Indicator BS 1
- Indicator BS 2
- Trading Software
- No Curve-Fitting
- Risk v. Volatility
- Blackjack

Psychology

- **Life Values & Risk**
- Critical Thinking
- Money is Evil?
- Gen. Patton Speech
- Are You Rational?
- The Bet
- Myers-Briggs Testing
- Quotations

priceless. Most of my big losses occurred prior to August while trading according to Ken Roberts' so called methods. I'm sure that doesn't come as a surprise to you. I'm not one to quit easily, but I also knew that if I was going to be a successful trader, it would have to be done without Ken and his brokerage company. As fate would have it, I found a broker who actually cared about his clients. Upon his recommendation, I researched your Web site and immediately purchase your course. By trying to put into practice the TT principals I've learned many lessons which, I'm confident will prove to be invaluable in the future. I say trying, because it took getting my nose bloodied in the markets a few times when I didn't follow the TT rules before finally catching on. The most valuable lessons learned were cut your losses short (I got plenty of practice on this one) and let your profits run. Thanks for all your patience, thought provoking advice and newsletter this past year. Have a great and prosperous New Year!

Hype from Trading Gurus

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Resources:

TurtleTrader Recommended Reading

Each book can be ordered direct from Amazon by clicking on the title. TurtleTrader editorial comments are in red.

The Market Wizards

Jack Schwager

The New Market Wizards

Jack Schwager

If the original Market Wizards books by Jack Schwager were an introduction, the TurtleTrader site is an investigative report by comparison. But please read these 2 books -- the sections on Seykota are great.

Against the Gods: The Remarkable Story of Risk

Peter L. Bernstein

Single best book on risk available.

Atlas Shrugged

Ayn Rand

Atlas Shrugged is considered by many top traders required reading. It is the capitalist manifesto.

Human Action

Ludwig von Mises

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- Bill Dunn
- Richard Donchian
- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

A fantastic read on human psychology and free markets. If you are liberal prepare to be angry.

Escape to the Futures

Leo Melamed

The discussion on p. 363 is worth the price of book. October 1987 in stark terms.

Investment Biker

Jim Rogers

A very good read. Mixes trading with international relations. His ambition is infectious.

Reminiscences of a Stock Operator

Edwin Lefevre

Read it. Period.

Where Are the Customer's Yachts?

Fred Schwed

The Predators Ball: The Inside Story of Drexel Burnham

Connie Bruck

Michael Milken and junk bond financing.

Full House: The Spread of Excellence from Plato to Darwin

Stephen Jay Gould

Gould could break the nasty details of statistics down to anyone through colorful stories and hard math.

The Vandal's Crown

Gregory J. Millman

Covering the insides of currency trading in the early 90's. Hard to find.

The Merchants of Debt: KKR

George Ander

If you want to learn about leveraged buyouts read this book. KKR is American capitalism in the 1980's.

A Complete Guide to the Futures Markets

Jack D. Schwager

A very good primer on the futures market.

Option Volatility and Pricing

Sheldon Natenberg

If you trade options or want to learn this is the bible of options terminology.

Memos from the Chairman

Alan C. Greenburg

A good read from the CEO of Bear Stearns. Logic to live by.

The 48 Laws of Power

Robert Greene

Extraordinary Popular Delusions and the Madness of Crowds

Charles MacKay

Crowd psychology 101.

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Resources:

Offshore Resources

Turtle Trading Trend Following Course

- Offshore Introduction
- Offshore 10 Commandments
- Rupert Murdoch Wins Offshore

Offshore Glossary

Adverse trustee. One who has a substantial, beneficial interest in the trust assets as well as the income or benefits derived from the trust. A trustee that is related to the creator by birth, marriage or in an employer/employee relationship.

Annuitant. The beneficiary or beneficiaries (in a last-to-die arrangement) of an annuity who receives a stream of payments pursuant to the terms of the annuity contract.

Annuity. A tax sheltering vehicle. An unsecured contract between the company and the annuitant(s) that grows deferred-free and is used to provide for one's later years. All income taxes are deferred until maturing of the annuity. Capital gains and income accumulate tax deferred. Results in a stream of payments made to the annuitant during his or her lifetime under the annuity agreement. Taxes are

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paid on the income, interest earned and the capital gains but only to the extent as and when they are received. Currently, there is no annual limit on purchases, but there is no tax credit for purchases. An annuity is not an insurance policy.

Asset manager. A person appointed by a written contract between the IBC (or the exempt company) or the APT and that person to direct the investment program. It can be a fully discretionary account or limitations can be imposed by the contract under the terms of the APT or by the officers of the IBC. Fees to the asset manager can be based on performance achieved, trading commissions or a percentage of the valuation of the estate under his or her management.

Asset Protection Trust (APT). A special form of irrevocable trust, usually created (settled) offshore for the principal purposes of preserving and protecting part of one's wealth offshore against creditors. Title to the asset is transferred to a person named the trustee. Generally used for asset protection and usually tax neutral. Its ultimate function is to provide for the beneficiaries of the APT.

Badges of Fraud. Conduct that raises a strong presumption that it was undertaken with the intent to delay, hinder or defraud a creditor.

Bank of International Settlements (BIS). Structured like America's Federal Reserve Bank, controlled by the Basel Committee of the G-10 nations' Central Banks, it sets standards for capital adequacy among the member central banks.

Beneficiary. The person(s), company, trust or estate named by the grantor, settlor or creator to receive the benefits of a trust in due course upon conditions which the grantor established by way of a trust deed. An exception would be the fully discretionary trust. The beneficiary could be a charity, foundation and/or person(s) which or who are characterized by classes in terms of their order of entitlement or their hierarchy.

Board of Trustees. A board acting as a trustee of a trust or as advisors to the trustee depending upon the language of the trust indenture. Also see Committee of Advisors.

British West Indies (BWI). In the Caribbean, including the UK-dependent territories of Anguilla, the British Virgin Islands (BVI), the Cayman Islands, Montserrat and the Turks and Caicos Islands.

Business trust. A trust created for the primary purpose of operating or engaging in a business. It is a person under the Internal Revenue Code (IRC). It must have a business purpose and actually function as a business.

CARICOM. Caribbean Common Market. Consists of 14 sister-member countries of the Caribbean community. Members include: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent, Surinam, Trinidad and Tobago. They have set as a goal that in 1997 there will be a single market allowing for the free movement of labor. Conspicuous by their absence are the Cayman Islands and the British Virgin Islands, two major players in international banking and finance.

Committee of Advisors. Provides nonbinding advice to the trustee and trust protector. Friendly towards settlor but must still maintain independence.

Committee of trust protectors. An alternative to utilizing merely one trust protector. Friendly towards settlor, but must remain independent.

Companies Act or Ordinance. Legislation enacted by a tax haven to provide for the incorporation, registration and operation of international business companies (IBCs). More commonly found in the Caribbean tax havens. For a typical example, read the Bahamas' International Business Company Act of 1989.

Controlled Foreign Corporation (CFC). An offshore company which, because of ownership or voting control of U.S. persons, is treated by the IRS as a U.S. tax reporting entity. IRC 951 and 957 collectively define the CFC as one in which a U.S. person owns 10 percent or more of a foreign corporation or in which 50 percent or more of the total voting stock is owned by U.S. shareholders collectively or 10 percent or more of the voting control is owned by U.S. persons.

Creator. A person who creates a trust. Also see settlor and grantor.

Current Account. An offshore, personal savings or checking account.

Custodian. A bank, financial institution or other entity that has the responsibility to manage or administer the custody or other safekeeping of assets for other persons or institutions.

Custodian trustee. A trustee that holds the trust assets in his or her name.

Declaration of trust. A document creating a trust; a trust deed.

Discretionary trust. A grantor trust in which the trustee has complete discretion as to who among the class of beneficiaries receives income and/or principal distributions. There are no limits upon the trustee or it would cease to be a discretionary trust. The letter of wishes could provide some guidance to the trustee without having any legal and binding effects. Provides flexibility to the trustee and the utmost privacy.

Donor. A transferor. One who transfers title to an asset by gifting.

EC. The European Commission of the European Union (EU).

ECU. European Currency Unit.

EEC. European Economic Community.

Estate. Interests in real and/or personal property.

Family holding trust. A trust that is created specifically to hold the family's assets consisting of real and/or personal property.

Family limited partnership (FLP). A limited partnership created for family estate planning and some asset protection. It is family controlled by the general partners. A highly appreciated asset is transferred into the FLP to achieve a capital gains tax reduction. Usually, the parents are the general partners holding a 1 to 2 percent interest. The other family members are the limited partners holding the balance of the interest in the partnership.

Flight capital. Money that flows offshore and likely never returns. Flight is exacerbated by a lack of confidence as government grows without bounds.

Foreign. May be utilized in a geographic, legal or tax sense. When used geographically, it is that which is situated outside of the U.S. or is characteristic of a country other than the U.S.

Foreign Investor in Real Property Tax Act of 1980 (FIRPTA). Under FIRPTA and the Economic Recovery Act of 1981, unless an exemption is granted by the IRS, upon the sale of real property owned by offshore (foreign) persons, the agency, attorney or escrow officer handling the transaction is required to withhold capital gains taxes at the closing of the sale transaction. Unless withheld and submitted to the IRS, the party handling the sale transaction is personally liable for the taxes.

Foreign Person. Any person, including a U.S. citizen, who resides outside the U.S. or is subject to the jurisdiction and laws of a country other than the U.S.

Foreign Personal Holding Company (FPHC). Different than a controlled foreign corporation. Discuss with your CPA.

Fraudulent Conveyance. A transfer of an asset that violates the fraudulent conveyance statutes of the affected jurisdictions.

GmbH. A German form of a limited liability corporation.

Grantor. A person who creates a trust or transfers real property to another entity. In a U.S. grantor trust, the person responsible for U.S. income taxes on the trust. May have a reversionary interest in a trust.

Grantor trust. A trust created by a grantor and taxed to that grantor (settlor).

High net worth (HNW) Person. An individual with more than $1,000,000 in liquid assets to manage.

Homestead Exemption. State or federal bankruptcy laws that protect one's residence from confiscation by a judgment creditor or loss in a personal bankruptcy.

IBC. A corporation. See international business company or exempt company.

Inbound. Coming into the U.S.; onshore; such as funds being paid to a U.S. person from an offshore entity.

Incomplete gift. Where the settlor has reserved the right to add or delete beneficiaries to the trust, it is construed as an incomplete gift.

Independent trustee. A trustee who is independent of the settlor. Independence is generally defined as not being related to the settlor by blood, through marriage, by adoption or in an employer/employee relationship.

INTERFIPOL. International Fiscal Police. The tax crime counterpart to INTERPOL.

International business company (IBC). A corporation formed (incorporated) under a Company Act of a tax haven, but not authorized to do business within that country of incorporation; intended to be used for global operations. Owned by member(s)/shareholder(s). Has the usual corporate attributes.

International financial and banking centre (IFC). A country identified as being a tax haven.

International trust. A Cook Islands term for a special type of an Asset Protection Trust (APT). Governed by the laws of the Cook Islands.

INTERPOL. International Criminal Police Organization. The network of multinational law enforcement authorities established to exchange information regarding money laundering and other criminal activities. More than 125 member nations.

Layered trusts. Trusts placed in series where the beneficiary of the first trust is the second trust; used for privacy.

Layering. May be achieved with numerous combinations of entities. For example, 100 percent of the shares of an IBC being owned by the first trust, which has as its sole beneficiary a second trust.

Letter of wishes. Guidance and a request to the trustee having no binding powers over the trustee. There may be multiple letters. They must be carefully drafted to avoid creating problems with the settlor or true settlor in the case of a grantor trust becoming a co-trustee. The trustee cannot be a pawn of the settlor or there is basis for the argument that there never was a complete renouncement of the assets. Sometimes referred to as a side letter.

Limited company. Not an international business company. May be a resident of the tax haven and is set up under a special company act with a simpler body of administrative laws.

Limited liability company (LLC). Consists of member owners and a manager, at a minimum. Similar to a corporation that is taxed as a partnership or as an S-corporation. More specifically, it combines the more favorable characteristics of a corporation and a partnership. The LLC structure permits the complete pass-through of tax advantages and operational flexibility found in a partnership, operating in a corporate-style structure, with limited liability as provided by the state's laws.

Living trust. Revocable trust, for reduction of probate costs and to expedite sale of assets upon death of grantor. Provides no asset protection.

LLP. Limited liability partnership. A form of the LLC favored and used for professional associations, such as accountants and attorneys.

LLLP. Limited liability limited partnership. Intended to protect the general partners from liability. Previously, the general partner was a corporation to protect the principals from personal liability. Under the LLLP, an individual could be a general partner and have limited personal liability.

Mavera injunction. A court injunction preventing the trustee for a trust from transferring trust assets pending the outcome of a law suit.

Member. An equity owner of a limited liability company ((LLC), limited liability partnership (LLP), limited liability limited partnership (LLLP) or a shareholder in an IBC.

Memorandum. The Memorandum of Association of an IBC, equivalent to articles of incorporation.

Mutual Legal Assistance Treaty (MLAT). An agreement among the U.S. and many Caribbean countries for the exchange of information for the enforcement of criminal laws. U.S. tax evasion is excluded as not being a crime to the offshore countries. The British Virgin Islands have not executed the Treaty.

Non-grantor trust. Usually an APT created by a NRA person on behalf of the U.S. beneficiaries.

NRA. Nonresident (of the U.S.) alien. Not a U.S. person as defined under the Internal Revenue Code (IRC).

Offshore (OS). Offshore is an international term meaning not only out of your country (jurisdiction) but out of the tax reach of your country of residence or citizenship; synonymous with foreign, transnational, global, international, transworld and multi-national, though foreign is used more in reference to the IRS.

Ownership. Ownership constitutes the holding or possession of limited liability company legal claim or title to an offshore asset.

PLC. A UK public limited company .

Preferential transfer. A disposition of an asset that is unfair to other creditors of the transferor.

Pre-filing notice. Mailed by the IRS to parties (tax payers) who are believed to be participating in fraudulent trust programs. The notice requests that the receiver seek professional counsel before filing their next tax return.

Probate. The legal process for the distribution of the estate of a decedent.

Pure equity trust. A special type of irrevocable trust marketed by promoters. The trust assets are obtained by an exchange of a certificate of beneficial interest in return for the assets, as opposed to traditional means, such as by gifting.

Pure trust. A contractual trust as opposed to a statutory trust, created under the Common Law. A pure trust is one in which there must be a minimum of three parties(the creator or settlor (never grantor), the trustee and the beneficiary(and each is a separate entity. A pure trust is claimed to be a lawful, irrevocable, separate legal entity.

Register. The register of international business companies (IBCs) and exempt companies maintained by the Registrar of a tax haven.

Registrar. The Registrar of Companies, a governmental body controlling the formation and renewal of companies created under their company act.

Revenue Reconciliation Act of 1995. Proposed changes to the Internal Revenue Code affecting foreign trust reporting, among other changes.

Securities. Shares and debt obligations of every kind, including options, warrants, and rights to acquire shares and debt obligations.

Settle. To create or establish an offshore trust. Done by the settlor (offshore term) or the grantor (U.S. and IRS term).

Settlor. One (the entity) who (which) creates or settles an offshore trust.

SIPC. The Securities Industry Protection Corporation. Provides up to $500,000 insurance protection for your U.S. stock brokerage account.

Situs or site. The situs is the domicile or dominating or controlling jurisdiction of the trust. It may be changed to another jurisdiction, to be sited in another country or U.S. state.

Societe Anonyme (SA). A limited liability corporation established under French Law. Requires a minimum of seven shareholders. In Spanish speaking countries, it is known as the Sociedad Anonima. Important characteristic of both is that the liability of the shareholder is limited up to the amount of their capital contribution.

Sparbuch. An Austrian numbered savings account.

Special custodian. An appointee of the trustee in an APT.

Special investment advisor. An appointee of the trustee in an APT.

Statute of Limitations. The deadline after which a party claiming to be injured by the settlor may (should) no longer file an action to recover his or her damages.

Statutory. That which is fixed by statutes, as opposed to Common Law.

Stiftung. A Liechtenstein form of private foundation.

Tax haven. An international banking and financial centre providing privacy and tax benefits.

Tax regimen. The local tax treatment of income tax, foreign source income, nonresident treatment and special tax concessions which, when combined, form complex issues.

TCI. Turks and Caicos Islands.

Tranch. A bond series issued for sale in a foreign country.

Transmogrifying. Conversion of nonexempt assets to exempt assets.

True Settlor. The true grantor is not the true settlor, and his or her identity is kept quite private by the trustee. See grantor trust.

Trust. An entity created for the purpose of protecting and conserving assets for the benefit of a third party, the beneficiary. A contract affecting three parties, the settlor, the trustee and the beneficiary. A trust protector is optional but recommended, as well. In the trust, the settlor transfers asset ownership to the trustee on behalf of the beneficiaries.

Trust Deed. An asset protection trust document or instrument.

Trust Indenture. A trust instrument such as a trust deed creating an offshore trust.

Trust Protector. A person appointed by the settlor to oversee the trust on behalf of the beneficiaries. In many jurisdictions, local trust laws define the concept of the trust protector. Has veto power over the trustee with respect to discretionary matters but no say with respect to issues unequivocally covered in the trust deed. Trust decisions are the trustee's alone. Has the power to remove the trustee and appoint trustees. Consults with the settlor, but the final decisions must be the protector's.

Trustee. A person totally independent of the settlor who has the fiduciary responsibility to the beneficiaries to manage the assets of the trust as a reasonable prudent business person would do in the same circumstances. Shall defer to the trust protector when required in the best interest of the trust. The trustee reporting requirements shall be defined at the onset and should include how often, to whom, how to respond to instructions or inquiries, global investment strategies, fees (flat and/or percentage of the valuation of the trust estate), anticipated future increases in fees, hourly rates for consulting services, seminars and client educational materials, etc. The trustee may have full discretionary powers of distributions to beneficiaries.

Uniform Partnership Act (UPA). One of the uniform type of laws adopted by some states or used as a baseline for other states.

Vetting. It is the process used by the offshore consultant for qualifying the prospective client to determine if he or she is a good candidate for offshore asset protection; as in to vet the prospective client.

World Bank. Formed to be the bank lender and technical advisor to the developing countries, utilizing funds and technical resources from the member nations.

Resources:

Free Trading White Papers

These papers are applicable to stock, commodity and currency traders:

- TurtleTrader Fact Sheet
- Position Sizing
- Zero-Sum Trading Paper
- Analysts' Bias
- David Hsieh and William Fung: Trend Following
- What Motivates Traders

Free White Papers: Commodities

- The Basics of Commodity Markets
- Single Stock Futures Paper
- Mini Contracts Intro

Managed Funds White Papers

Managed Futures Trading and Futures Price Volatility

Scott Irwin and Satoko Yoshimaru, Ohio State University, completed in May 1996.

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Fernando Diz, Syracuse University, completed in November 1996. You may now view this paper on the web site.

- How Do CTAs' Return Characteristics Affect Their Likelihood of Survival?

Managed Futures, Hedge Fund and Mutual Fund Return Estimation: A Multi-Factor Approach
Thomas Schneeweis and Richard Spurgin, University of Massachusetts, completed in May 1997.

- Download Word Report
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Performance Persistence for Managed Futures
B. Wade Brorsen, Oklahoma State University, completed in September 1997 and updated April 1998.

- Download Word 7.0 Executive Summary
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Survivorship Bias and Investment Style in the Returns of CTAs: The Information Content of Performance Track Records, David A. Hsieh with William Fung, Journal of Portfolio Management, 24 (1997), 30-41.

- PDF file

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Informational Content in Historical CTA Performance, (Thomas Schneeweis, Richard Spurgin, D. McCarthy) Journal of Futures Markets (May, 1997).

Comparisons of Commodity and Managed Futures Benchmark Indices, (Thomas Schneeweis, Richard Spurgin) Journal of Derivatives (Summer, 1997).

Return Interval Selection and CTA Performance Analysis, (Co-authors: D. McCarthy, G. Martin), Derivatives Quarterly (Summer, 1997).

Multi-Factor Models in CTA/Hedge Fund Return Estimation, (T. Schneeweis, R. Spurgin) Working Paper (CISDM/SOM, University of Massachusetts, 1996).

Information Arrival and Real Investment, (Kapadia, N) Working Paper (CISDM/SOM, University of Massachusetts, 1996).

Managed Futures and Hedge Fund Investment for Downside Equity Risk Management, (Thomas Schneeweis, Richard Spurgin, M. Potter) Derivatives Quarterly, Vol. 3, No. 1 (Fall, 1996).

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Paper trades are trades tracked on paper only. No capital is actually invested when you make paper trades, so they become a great learning tool. Simulations like paper trading force you to make decisions and then show you the consequences of those decisions again, without risking your capital. Paper trades are powerful because they teach through suspense and surprise. They demonstrate rather than tell. Instead of simply reading about trading, you experience it, making decisions about potential trades, and then watching those decisions play out.

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- CNBC News BS
- No Day Trading
- Breakout Hype
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- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
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"Ich kenne einige Million ä re, die mit einem geerbten Vermögen angefangen haben zu handeln. Alle haben das gesamte Vermögen verloren, da ihnen Verluste zun ä chst keine Schmerzen bereiteten. In den pr ä genden ersten Jahren im Handel waren sie davon überzeugt, sich Verluste leisten zu können. Es ist besser, Sie fangen nur mit ein paar Groschen an zu spekulieren, ganz in dem Bewusstsein, sich eben keine Verluste leisten können. Ich würde eher auf jemanden wetten, der mit ein paar tausend Dollar anf ä ngt, als auf jemanden, der mit mehreren Millionen einsteigt. In dieser Branche kann man sich immer noch den Traum erfüllen, vom Tellerw ä scher zum Million ä r aufzusteigen. Richard Dennis hat mit ein paar hundert Dollar angefangen und mit mehreren hundert Millionen aufgehört. Und das in weniger als zwei Jahrzehnten – eine bemerkenswerte Geschichte." William Eckhardt

Trend Following – eine Einführung

Trend Following, also die Verfolgung globaler Tendenzen, basiert auf der Analyse des Preisverhaltens auf den gehandelten M ä rkten. Es geht dabei nicht um eine Besch ä ftigung mit der grundlegenden Analyse von Angebot und Nachfrage oder anderen wirtschaftlichen Faktoren. Ursprünglich wurde Trend Following auf Grundlage eines Ansatzes namens Blind Testing entwickelt. Dabei wurden zun ä chst nur einige wenige M ä rkte gehandelt. Als sich bei diesen ersten M ä rkten abzeichnete, dass die Strategien erfolgreich waren, wurden sie auch auf die meisten anderen M ä rkte angewendet. Im Laufe der Zeit hat sich gezeigt, dass Trend Following sich auf dem fluktuierenden Markt mit nachhaltigem Erfolg durchgesetzt hat.

Beim Trend Following werden weder Markt- noch Preisentwicklungen vorhergesagt. Es handelt sich um einen von Natur aus reaktiven und systematischen Ansatz, dessen Regeln mit konsequenter Disziplin befolgt werden müssen. Dazu gehört eine Risikomanagement-Methodik, die sich nach aktuellen Marktpreisen, dem vorhandenen Kapital sowie der aktuellen Volatilit ä t des Marktes richtet. Durch vorherige Risikobewertung wird die Positionsgröße bei Markteintritt bestimmt. Preis ä nderungen können zu einer schrittweisen Verringerung oder Erhöhung der Erstposition führen. Ungünstige Preisver ä nderungen können zur Aufgabe der gesamten Position führen. Auf lange Sicht ist der Gewinn, den ein Trend Following-Trader pro get ä tigtes Börsengesch ä ft durchschnittlich erzielt, höher als der durchschnittliche Verlust pro Börsengesch ä ft.

Turtle-Trader

"Kann man lernen, ein erfolgreicher Trader zu sein? Oder gehören die Erfolgreichen zu den wenigen Glücklichen mit einem angeborenen sechsten Sinn? Für Richard Dennis, der legend ä re Trader aus Chicago, der in 18 Jahren aus lumpigen 400 Dollar 200 Millionen gemacht hat, ist die Sache klar. Nach einem Experiment mit einer Gruppe von Nachwuchs-Tradern aus ganz Amerika weiß er, dass jeder den Handel an der Börse erlernen kann. In den vergangenen 18 Monaten hat eine Gruppe von 14 Tradern unter seiner Anleitung eine durchschnittliche Jahresrendite von insgesamt 80 % erwirtschaftet. Im Gegensatz dazu machen ca. 70 % aller nicht professionellen Trader über’s Jahr gesehen Verluste. "Trading zu lehren war sogar

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einfacher, als ich zunächst dachte," so Dennis. "In bestimmter Hinsicht hat mich diese Erfahrung Bescheidenheit gelehrt." Dennis diskutiert bereits seit Jahren mit seinen Partnern über die Frage, welche Fähigkeiten erlernt und welche angeboren seien. Während letztere behaupteten, seine Fähigkeiten seien "unbeschreiblich", "mystisch", "subjektiv" oder "intuitiv", hat er selbst eine weit einfachere Antwort auf diese Frage. Der 40jährige Dennis führt seinen Erfolg auf mehrere, von ihm entwickelte Trading-Methoden zurück und, was vielleicht noch wichtiger ist, auf die Disziplin, mit der er diese Methoden angewandt hat. Zur Untermauerung seiner Behauptung führte Dennis ein Experiment im richtigen Leben durch. Gegen Ende des Jahres 1983 und erneut im Jahr 1984 gab er im Wall Street Journal, der Zeitschrift Barron’s und der New York Times Anzeigen auf und suchte nach Menschen, die zum Trader ausgebildet werden wollten. Zu diesem Zweck mussten sie nach Chicago umziehen, erhielten ein bescheidenes Gehalt sowie einen gewissen Prozentsatz des Gewinns, während Dennis sie in der Anwendung seiner Methoden schulte.

Artikel aus dem Wall Street Journal

Es ist vielleicht das bekannteste aller Trading-Seminare in der Geschichte des Marktes. Im Jahr 1984 lehrte Richard Dennis in einem zweiwöchigen Seminar eine Gruppe von Studenten (Trading-Neulinge) seine Trading-Methoden. Ein Jahr später hielt er erneut ein Seminar ab. Den Anlass für diese Seminare (zur Turtle-Methode) hatte eine Debatte mit seinem Freund und Geschäftspartner William Eckhardt zu der Frage gegeben, ob Trading erlernbar sei. Dennis glaubte fest daran, dass die Fertigkeiten für erfolgreiches

Trading in einige Regeln gefasst und so an andere weitergegeben werden können. Eckhardt war dagegen überzeugt, dass für erfolgreiches Trading angeborenes Talent vonnöten ist und dass diese Fähigkeiten eben nicht erlernt werden können.

Richard Dennis ist aus dieser Debatte mit seinem Partner Bill Eckhardt als Sieger hervorgegangen. Der Name für seine Schützlinge fiel ihm nach dem Besuch einer Schildkrötenfarm in Singapur ein. Ganz so, wie auf der Farm Schildkröten (Turtles) gezüchtet wurden, wollte er Trader "heranziehen". Also nannte er sie Turtles (eine vollständige Liste der Turtle-Trader finden Sie im Dropdown-Menü unten auf dem Bildschirm). Heute sind die Turtle-Trader dank eines leistungsfähigen Systems sowie aufgrund ihres legendären Rufs mit großem Erfolg für ihre Kunden tätig. Mit den Turtle-Methoden wurden schon jährliche Renditen von über 50 % oder sogar über 100 % erzielt. Einige Turtle-Trader haben in nur einem Monat schon Renditen von über 100 % erwirtschaftet. Hier finden Sie weitere Informationen zur Performance.

Auswahl von Turtle-Tradern

Aufgrund welcher Kriterien wurden die Turtle-Trader ausgewählt? Die Turtle-Trader mussten folgende Fragen in je einem Satz beantworten:

- Nennen Sie ein Buch oder einen Film, der Ihnen gefällt, und nennen Sie die Gründe dafür.
- Nennen Sie eine historische Figur und warum sie Ihnen gefällt.

- Warum möchten Sie in diesem Beruf erfolgreich sein?
- Geben Sie an, welches Risiko Sie einmal eingegangen sind und warum.
- Berichten Sie über eine Entscheidung, die Sie einmal unter Druck treffen mussten, und erläutern Sie die Gründe für Ihre Entscheidung.
- Hoffnung, Furcht und Habgier sollen die Feinde von guten Tradern sein. Erläutern Sie eine Entscheidung, die Sie unter dem Einfluss einer dieser Faktoren getroffen haben, sowie Ihre heutige Sichtweise dieser Entscheidung.
- Welche positiven Charaktereigenschaften könnten Ihnen beim Trading behilflich sein?
- Welche Ihrer negativen Charaktereigenschaften könnten einen ungünstigen Einfluss auf das Trading haben?
- Möchten Sie im Trading eher gut sein oder Glück haben? Warum?

Lassen Sie sich von den einfach formulierten Fragen nicht täuschen. Ja-Nein-Fragen wurden ebenfalls im Auswahlverfahren verwendet.

Das Turtle-Trading-System

Eines der ersten Prinzipien, das die Turtle-Trader lernen, ist, dass für einen Trader allein der Preis zählt. Wenn sich ein Markt bei 60 befindet und auf 58, 57, 53 sinkt, befindet er sich in einem Abwärtstrend. Sie können sich mit TradeStation über technische Indikatoren "voraussagen" lassen, wie sich der Preis in nächster Zeit entwickeln wird oder sollte. Allerdings sind diese Indikatoren nutzlos. Geht der Trend nach unten, gehen Sie mit ihm. Ein Trader sollte sich nur darum kümmern, wie sich der Markt tatsächlich verhält, nicht, wie er sich seiner Meinung nach verhalten wird.

Unser Ziel ist es, den größten Teil der Preisänderungen oder Trends zu verfolgen und analysieren. Turtle-Methoden sind nicht darauf ausgelegt, mit Höchst- oder Tiefstpreisen zu spekulieren. Befindet sich der Markt im Abwärtstrend, verkaufen Sie. Befindet er sich im Aufwärtstrend, kaufen Sie. Sie können niemals etwas zu teuer kaufen oder zu billig verkaufen. Das wichtigste Prinzip beim Turtle-Trading sind weder Zeitpunkt des Handels oder der Indikator, sondern die Festlegung, wie viel während der Dauer des Trends gehandelt werden muss. Der kritische Faktor ist das Geldmanagement.

Das Prinzip des Turtle-Trading beruht auf mathematischen bzw. mechanischen Grundlagen. Das System basiert nicht auf der Analyse von grundlegenden Faktoren wie Angebot und Nachfrage. Preis und Zeitpunkt sind stets der Dreh- und Angelpunkt für Entscheidungen. Die Methode ist fast zu 100 % systematisch. Turtle-Trading berücksichtigt weder jahreszeitlich bedingte Schwankungen, Point & Figure-Charts, Marktpofile, Dreiecke noch Day-Trading.

Turtle-Trading stützt sich auf ein System aus Risikokontrolle und Geldmanagement. Alle notwendigen mathematischen Kenntnisse sind einfach und schnell zu erlernen. Ist die Volatilität eines Marktes hoch, wird das Trading-Volumen verringert. Wenn Verluste notiert werden, werden die Positionen und das Handelsvolumen reduziert. Dabei ist das wichtigste Ziel, stets Kapital zu sichern, bis sich wieder bessere Preistrends entwickeln. Das System bestimmt:

- Wie und wann der Markteintritt erfolgt
- Wie viele Verträge/Aktien zu jeder Zeit gehandelt werden
- Welcher Betrag bei jedem Handel riskiert wird
- Wie ein nicht gewinnträchtiger Handel beendet wird
- Wie ein gewinnträchtiger Handel beendet wird
- Gesamter Kursinhalt
- KEIN Day-Trading
- Für alle Trader in allen Ländern geeignet. Handel auf jedem Markt und an allen Börsen
- Indossamente

Mit dem Turtle-System können problemlos sowohl japanische rote Bohnen, der Australian All Ordinaries Stock Index als auch IBM und Cisco gehandelt werden. Sie müssen weder den Wert einer italienischen Anleihe kennen, noch müssen Sie wissen, welche Unternehmen zum FTSE-Index gehören oder ob das Geschäftsmodell von Microstrategy gut ist. Der zentrale Faktor ist der Preis auf dem Chart.

Zusammenfassung

Das Turtle-System ist für alle Trader in allen Ländern geeignet. Seit 1996 hat TurtleTrader Kunden in 58 Ländern betreut. Dank unseres globalen Ansatzes können Sie die Turtle-Methode ganz einfach erlernen.

Im TurtleTrader-Kurs lernen Sie, wie Sie an unvorhergesehenen Trends auf steigenden oder fallenden Märkten teilnehmen und maximale Gewinne erzielen. Bei der Verfolgung langfristiger Trend Following-Strategien müssen Sie eine genaue Disziplin einhalten und Ihre Emotionen kontrollieren. Nur dann werden Sie überdurchschnittliche Gewinne erzielen. Ganz gleich, ob Sie als Trader bei einem großen Unternehmen arbeiten, ein privater Investor sind oder als Trader in eigener Sache arbeiten, TurtleTrader bietet die gleichen bew ä hrten Lösungen, die auch die ersten Turtle-Trader erlernt haben.

TurtleTrader-Kurs bestellen: Klicken Sie hier.

Unsere Website, der Kurs sowie der gesamte Support stehen derzeit nur in Englisch zur Verfügung.

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Introducción en español a TurtleTrader

Hemos preparado esta introducción a nuestro sitio Web de 1 página en su idioma nativo para ayudarle a comprender la importancia del sistema de inversión de Turtle desde una perspectiva global. El sistema de inversión basado en el seguimiento de las tendencias de inversión de Turtle está dirigido a todos los corredores e inversores de todos los países. TurtleTrader tiene clientes en 67 países. Hemos estado impartiendo el curso de TurtleTrader desde 1996.

Actualmente, nuestro sitio Web, nuestro curso y nuestros servicios de soporte están sólo en inglés. No obstante, estamos completamente convencidos de nuestro alcance internacional, y esta introducción de 1 página debería servirle de ayuda para comprender mejor las ventajas de utilizar el sistema de inversión de Turtle para ganar dinero tanto en mercados alcistas como bajistas.

Entre nuestros clientes se incluyen inversores particulares habituales, gestores de bolsa, especialistas, operadores, miembros de comisiones de cambio y muchos otros, de toda la comunidad inversora global. También ayudamos a los nuevos inversores y a aquellos con menos experiencia a aprender las lecciones de los profesionales.

Si desea formular alguna pregunta, hágalo por correo electrónico a la dirección: info@turtletrader.com.

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"Conozco algunos millonarios que comenzaron a invertir con capital heredado. En todos los casos, lo perdieron todo porque no les importó cuando estaban perdiendo. En esos primeros años de formación como inversores, pensaron que podían permitirse perder. Sería mucho mejor que accediera a los mercados con muy poco dinero, con la idea de que no puede permitirse perder. Preferiría apostar por alguien que comenzara con algunos miles de dólares, antes que hacerlo por alguien que invierta millones... Ésta es una de las pocas industrias en las que aún se puede transformar a alguien de pobre en rico. Richard Dennis comenzó con tan sólo unos cientos de dólares y consiguió ganar cientos de millones en menos de dos décadas; y eso es una gran motivación."

William Eckhardt

Introducción al seguimiento de tendencias

El seguimiento de tendencias se basa en el análisis del comportamiento de los precios en los mercados en los que se opere. No se interesa por el análisis fundamental de la oferta y la demanda ni por factores económicos. El análisis de tendencias se desarrolló inicialmente según un enfoque llamado prueba a ciegas. Esto significa que se construyó para invertir primero en unos pocos mercados. Una vez que se comprobó su éxito en los primeros mercados, se aplicó a la mayoría de los mercados restantes. Con el tiempo, ha mantenido su fuerza en los mercados cambiantes con un éxito continuado.

El seguimiento de tendencias no realiza previsiones sobre los mercados ni los niveles de precios. Es reactivo y sistemático por naturaleza, y requiere una disciplina constante para obedecer las reglas. Implica una metodología de gestión de riesgo que utiliza el precio de mercado actual, el nivel de participación de una cuenta y la volatilidad del mercado actual. La evaluación inicial del riesgo determina el tamaño de la posición en el momento de realizar la inversión. Los cambios en el precio pueden llevar a un incremento o una reducción gradual de la posición inicial. Los movimientos de precios adversos pueden llevar al abandono de toda la posición. Históricamente, el beneficio medio por acción del inversor que utiliza el seguimiento de tendencias es considerablemente mayor que la media de pérdidas por operación.

Las "Tortugas"

"¿Es posible aprender las técnicas de los inversores de éxito? ¿O son por el contrario innatas, algún tipo de sexto sentido con el que nacen unos pocos afortunados? Richard Dennis, el legendario inversor de Chicago que transformó una inversión de $400 en $200 millones al cabo de 18 años, no tiene ninguna duda. Tras realizar un experimento con un grupo de inversores potenciales reclutados por todo el país, está convencido de que es posible aprender a invertir. Durante el último año y medio, un grupo de 14 inversores que recibieron formación de él consiguió un beneficio medios anuales compuesto del 80%. Por el contrario, aproximadamente el 70% de todos los inversores no profesionales pierden dinero anualmente. "Nunca había imaginado que se pudiera enseñar tanto cómo invertir", declara. "En cierto modo, era casi humillante." El Sr. Dennis dice que debatió la cuestión del aprendizaje frente a la capacidad innata con algunos de sus asociados durante años. Mientras que ellos

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argumentaban que sus técnicas eran "inefables, místicas, subjetivas o intuitivas", su propia respuesta era mucho más sencilla. El Sr. Dennis, a sus 40 años, atribuye su éxito a varios métodos de inversión que él mismo desarrolló y, quizá lo que es aún más importante, a la disciplina para seguir dichos métodos. Para demostrarlo, el Sr. Dennis decidió realizar un experimento en la vida real. A finales de 1983 y de nuevo en 1984, puso anuncios en el Wall Street Journal, en Barron's y en el New York Times buscando personas que quisieran recibir formación para ser inversores. Para realizar el trabajo debían trasladarse a Chicago, donde recibirían un pequeño salario y un porcentaje de todos los beneficios mientras el Sr. Dennis les enseñaba sus métodos".
Artículo del Wall Street Journal

Probablemente sea el seminario sobre inversión del que más se ha hablado en la historia de los mercados. En 1984, Richard Dennis enseñó su metodología de inversión a un grupo de estudiantes (neófitos no inversores) en un seminario de dos semanas de duración. Un año más tarde, repitió el proceso. La motivación de Dennis para dirigir las sesiones [de Turtle] era dirimir una disputa con su amigo y colaborador comercial William Eckhardt sobre si era posible enseñar técnicas de inversión. Dennis creía firmemente que las habilidades de inversor se podían descomponer en un conjunto de reglas que se podían transmitir a los demás. Eckhardt creía que las capacidades de inversión estaban más relacionadas con instintos innatos que no se podían enseñar.

Richard Dennis ganó la disputa a su compañero Bill Eckhardt. Eligió el nombre para sus protegidos tras visitar granjas de tortugas en Singapur, y decidió formar inversores al igual que las granjas criaban tortugas, de ahí el nombre: Turtles, en inglés "Tortugas" (encontrará una lista completa de "Tortugas" en el menú desplegable de la parte inferior de la pantalla). Hoy en día, un sistema sólido, junto con un poco de leyenda, ha permitido a las "Tortugas" realizar excelentes inversiones a través del tiempo para sus clientes. Mediante la utilización de las técnicas de Turtle se han conseguido beneficios anuales superiores al 50% e incluso superiores al 100%. Algunas "Tortugas" han obtenido beneficios superiores al 100% en tan sólo un mes. Más información sobre el rendimiento.

Selección de "Tortugas"

¿Qué tipo de preguntas de selección de han utilizado para seleccionar a las "Tortugas"? Las "Tortugas" tuvieron que responder a cada una de las preguntas siguientes con una frase:

- Nombre un libro o película que le guste e indique por qué.
- Nombre un personaje histórico que le guste e indique por qué.
- ¿Por qué desea tener éxito en este trabajo?
- Nombre algo arriesgado que haya hecho y por qué.
- Indique una decisión que haya tomado bajo presión y el porqué de su decisión.
- Se dice que la esperanza, el miedo y la avaricia son los enemigos de los buenos inversores. Indique una decisión que haya tomado por influencia de uno de los sentimientos anteriores y cómo ve ahora esa decisión.
- ¿Cuáles son algunas de sus buenas cualidades que pueden

servirle para invertir?

- ¿Cuáles son algunas de sus malas cualidades que pueden perjudicarle para invertir?
- ¿Como inversor, prefiere ser bueno o tener suerte? ¿Por qué?

No se deje engañar por las preguntas aparentemente fáciles. En el proceso de selección también se utilizaron preguntas de tipo verdadero-falso.

El sistema de inversión de Turtle

Uno de los primeros conceptos que se enseña a las "Tortugas" es que el "precio" es la única preocupación que debe tener un inversor. Si un mercado está en 60 y pasa a 58, 57, 53, el mercado está en una tendencia bajista. Es posible que todos los indicadores técnicos de TradeStation "predigan" cuál va a ser el precio siguiente o que debería hacer, pero esos indicadores son inútiles. Si la tendencia es bajista, siga la tendencia. La única preocupación que debería tener un inversor es lo que hace el mercado en realidad, no lo que él crea que el mercado va a hacer.

El objetivo es capturar la mayoría de los cambios de precios o tendencias. La técnicas de Turtle no pretenden alcanzar máximos o mínimos. Si el mercado baja, usted vende. Si el mercado sube, usted compra. Nunca se compra un valor a un precio demasiado elevado ni demasiado bajo. De hecho, el aspecto más importante de la inversión de Turtle no es el tiempo de la operación ni el indicador, sino la determinación de cuántas operaciones se deben realizar en el transcurso de la tendencia. El factor crítico se denomina gestión del dinero.

El concepto de inversión de Turtle se establece con anticipación de forma algorítmica o mecánica. El sistema no se basa en el análisis de los factores de la oferta o la demanda fundamentales. El precio y el tiempo son esenciales en todo momento. El sistema es casi 100% sistemático. La inversión Turtle no contempla inversiones de estacionalidad, gráficos de puntos, perfil de mercado, triángulos ni a muy corto plazo.

La inversión Turtle se basa en un sistema de control de riesgo y gestión de dinero. Todos los cálculos matemáticos necesarios se aprenden de forma directa y fácil. En períodos de gran volatilidad de los mercados, se reduce la cuantía de la inversión. En períodos de pérdidas, se reducen las posiciones y se recorta la cuantía de la inversión. El objetivo central es siempre conservar el capital hasta que vuelvan a aparecer tendencias de precios más favorables. El sistema determina:

- Cómo y cuándo entrar en el mercado.
- Cuántas operaciones con contratos y acciones realizar en cada momento.
- Cuánto dinero arriesgar en cada operación.
- Cómo abandonar la operación si no produce beneficios.
- Cómo abandonar la operación si produce beneficios.
- Contenido completo del curso.
- NO se realizan inversiones a muy corto plazo.
- Para todos los inversores de todos los países. Inversiones en cualquier mercado. Todos los valores.

- Endosos

Mediante el sistema de Turtle se invierte con la misma facilidad en alubias rojas japonesas que en el índice bursátil general australiano, en IBM y en Cisco. No es necesario saber el valor de un bono italiano ni qué empresas constituyen el índice FTSE, ni tan siquiera si el modelo empresarial de Microstrategy es correcto. La clave está en el precio de lista.

Resumen

El sistema Turtle es válido para todos los inversores de todos los países. TurtleTrader ha tenido clientes en 58 países desde 1996. Trabajamos de forma global para ayudarle a aprender a invertir mediante el sistema Turtle.

La formación de TurtleTrader le enseña a participar en las principales tendencias imprevistas tanto en mercados alcistas como bajistas, para maximizar todo lo posible los beneficios. Las estrategias de seguimiento de tendencias a largo plazo de Turtle exigen mantener una disciplina rigurosa y el control sobre las emociones para tener éxito y obtener beneficios por encima de la media. Tanto si es usted un corredor de una gran empresa como un inversor privado, o un inversor que sigue sus cuentas personales, TurtleTrader le ofrece las mismas soluciones comprobadas enseñadas originalmente a las primeras "Tortugas".

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Présentation de TurtleTrader en français

Nous avons conçu cette page d'introduction de notre site Internet en français pour vous expliquer l'importance que revêt le système de commerce de Turtle d'un point de vue international. Le système du suivi de tendances de Turtle s'adresse aux opérateurs et aux investisseurs du monde entier. TurtleTrader compte des clients dans plus de 67 pays. Depuis 1996, nous proposons les formations TurtleTrader.

Notre site Internet, nos formations et notre assistance ne sont actuellement disponibles qu'en anglais. Néanmoins, nous souhaitons atteindre un public international. Cette page de présentation vous aidera à mieux comprendre les avantages qu'offre le système Turtle pour réaliser des bénéfices, que le marché soit à la hausse ou à la baisse.

Parmi nos clients, nous comptons des opérateurs individuels, des teneurs de marchés, des experts, des courtiers, des agents à l'échange et de nombreux autres membres du commerce international. Nous aidons aussi les opérateurs débutants ou ayant moins d'expérience à apprendre les astuces des professionnels.

Si vous avez des questions, vous pouvez envoyer un courrier électronique à : info@turtletrader.com.

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"J'ai connu plusieurs millionnaires qui se sont lancés dans les investissements en bourse avec la fortune dont ils avaient hérité. Ils ont tous entièrement dilapidé leur héritage car les pertes qu'ils réalisaient ne les affectaient pas. Durant les cinq premières années très formatrices, ils avaient le sentiment de pouvoir se permettre de perdre de l'argent. Vous avez un net avantage si vous démarrez en bourse avec trois fois rien, en vous disant que vous n'avez pas le droit à l'erreur. Je parierai plus facilement sur quelqu'un qui démarre avec quelques milliers de dollars que sur quelqu'un qui arrive avec des millions... Ce secteur est l'un des rares où l'on peut encore faire une carrière de chercheur d'or. Richard Dennis a démarré avec uniquement quelques centaines de dollars. En moins de deux décennies, il les a fait fructifier et dispose maintenant de plusieurs centaines de millions. Voilà un exemple motivant."

William Eckhardt

Présentation du suivi de tendances

Le suivi de tendances est fondé sur l'analyse de comportement des prix sur les marchés visés. Il ne s'agit pas d'une analyse fondamentale de l'offre et de la demande ou de facteurs économiques. Le suivi de tendances est initialement une méthode empirique. C'est-à-dire que tout le système reposait à l'origine sur quelques marchés. Lorsque les premiers marchés ont fait leurs preuves, cette méthode a été appliquée à la plupart des autres marchés. Avec le temps, ce système est resté efficace malgré des marchés instables.

Le suivi de tendances ne prédit pas les marchés ou le niveau des prix. C'est un procédé qui réagit et qui est systématique par définition. Il exige une discipline sans relâche pour suivre rigoureusement les règles. Il implique une méthode de gestion du risque qui utilise le niveau des actions dans un compte, les prix sur le marché actuel et la volatilité de ce dernier. L'évaluation du risque initial détermine l'importance de la position au moment de l'entrée. Des changements au niveau des prix peuvent mener à une réduction ou une augmentation de la position initiale. Des mouvements de prix défavorables peuvent conduire à la suppression de toute la position. L'expérience a montré que la moyenne des bénéfices (par transaction) réalisés par les opérateurs suivant les tendances était plus importante que la moyenne des pertes par transaction.

Les observateurs

"Peut-on acquérir les connaissances d'un opérateur chevronné ? Ou s'agit-il de dons innés, une sorte de sixième sens des affaires réservé à quelques élus ? L'opérateur légendaire de Chicago, Richard Dennis, qui a transformé une avance de 400 US$ en 200 millions de US$ en 18 ans ne croit pas au hasard. Il a fait l'expérience avec un groupe d'opérateurs débutants recrutés dans tous les États-Unis. Il est désormais convaincu que l'on peut apprendre le commerce. Au cours des 18 derniers mois, un groupe de 14 opérateurs, qu'il a lui-même formé, a obtenu un taux composé annuel moyen de revenus de 80 %. Habituellement, près de 70 % de tous les opérateurs néophytes perdent de l'argent sur la base d'une année. Il déclare : "Le commerce s'est avéré même plus facile à enseigner que je ne le pensais". "Bizarrement, cela vous enseigne l'humilité aussi." M.

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Dennis ajoute qu'il débat depuis des années avec ses associés du sujet de l'apprentissage ou du don inné. Alors qu'ils lui disent que ses dons sont "extraordinaires, mystiques, subjectifs ou intuitifs", il affirme que sa solution est bien plus simple. M. Dennis, âgé de 40 ans, attribue son succès à plusieurs méthodes de commerce qu'il a élaborées et, avant tout, à leur respect rigoureux. Et pour prouver ses dires, M. Dennis a décidé de faire une expérience en temps réel. Fin 1983 et de nouveau en 1984, il met des annonces dans le Wall Street Journal, Barron's et le New York Times pour rechercher des personnes souhaitant être formées en tant qu'opérateurs. La nature du travail les oblige à déménager à Chicago, où ils perçoivent un petit salaire et une commission sur leurs bénéfices pendant que M. Dennis les forme à ses méthodes.
Article du Wall Street Journal

Il s'agit probablement du cours de commerce le plus cité de l'histoire des marchés. En 1984, Richard Dennis a enseigné sa méthode de commerce à un groupe d'étudiants (des opérateurs néophytes) lors d'un séminaire de deux semaines. Un an plus tard, il a répété l'opération. En organisant ce séminaire [Turtle], M. Dennis souhaitait prouver à son ami et partenaire en affaires, William Eckhardt, que l'on pouvait apprendre à bien opérer en bourse. M. Dennis croyait fermement qu'il était possible d'analyser les facultés nécessaires au commerce et de les formuler sous forme de règles pouvant être transmises à d'autres personnes. M. Eckhardt pensait que ces facultés relevaient bien plus de l'instinct et ne pouvaient donc pas être enseignées.

Richard Dennis a gagné le pari qu'il avait fait avec son partenaire Bill Eckhardt. Après avoir visité des fermes de tortues à Singapour il a décidé de former des opérateurs à l'image de ces tortues élevées en ferme ; d'où leur surnom Turtles. Vous trouverez une liste complète des Turtles dans le menu déroulant situé au bas de l'écran. Aujourd'hui, un système ayant fait ses preuves et dont la notoriété est grandissante a permis aux anciens étudiants d'offrir des performances extraordinaires à leurs clients. Des revenus annuels de plus 50 % (et même de plus de 100 %) sont le résultat des techniques Turtles. Certains Turtles ont eu des revenus dépassant 100 % en un mois. Pour en savoir plus sur les performances, cliquez ici.

Sélection des collaborateurs

Quel est le type de questions posées lors de la sélection des nouveaux collaborateurs ? Voici les questions auxquelles les postulants ont dû répondre en une phrase.

- Citez un livre ou un film qui vous a plu et dites pourquoi.
- Citez un personnage historique que vous aimez et dites pourquoi.
- Pourquoi souhaitez-vous réussir dans ce métier ?
- Citez une action risquée que vous avez faite et expliquez pourquoi.
- Expliquez une décision que vous avez prise alors que vous étiez sous pression et expliquez votre décision.
- L'espoir, la peur et l'avidité sont les ennemis des bons opérateurs. Expliquez une décision que vous avez prise dans les trois situations énoncées ci-avant et expliquez votre

décision de votre point de vue actuel.

- Quels sont les qualités qui peuvent vous aider en tant qu'opérateur ?
- Quels sont les défauts qui peuvent affecter votre travail ?
- En matière de commerce, seriez-vous plutôt du genre compétent ou chanceux ? Pourquoi ?

Ne soyez pas étonné par la simplicité de certaines questions. Lors du processus de sélection, nous avons aussi posé des questions dont la réponse est vrai ou faux.

Le système de commerce Turtle

La première idée enseignée aux nouveaux opérateurs est que le "prix" est la seule chose qui importe. Si un marché est à 60 points et passe à 58, 57, 53, alors sa tendance est à la baisse. Tous les indices techniques de Tradestation "prédisent" l'évolution du prix ou ce que cette évolution devrait être, mais ces indices sont inutiles. Si la tendance est à la baisse, suivez-la. La seule chose que l'opérateur doit avoir en tête est la situation actuelle du marché et non pas son éventuelle évolution à venir.

L'objectif est d'évaluer la majorité des changements de prix ou de tendances. Les techniques de Turtle ne visent pas les sommets ou les creux de la vague. Si la tendance est à la baisse, vendez. Si la tendance est à la hausse, achetez. N'achetez jamais lorsque le marché est trop haut ou trop bas. En fait, l'idée de base de la technique de Turtle n'est pas le moment de l'opération ou l'indicateur, mais plutôt l'objectif visé par l'opération lors de cette tendance. Ce facteur fondamental est la gestion financière.

La stratégie de commerce de Turtle est de développer une approche algorithmique ou mécanique. Ce système ne se fonde pas sur analyse de facteurs fondamentaux comme l'offre et de la demande. Le prix et le moment sont toujours décisifs. Le système est systématique à presque 100 %. Cette technique exclut les facteurs saisonniers, statistiques, le profil du marché, les opérations triangulaires ou journalières.

La base des opérations de Turtle est un système de contrôle du risque et de gestion financière. Tous les calculs utilisés sont basiques et faciles à apprendre. Lorsque le marché est fortement volatile, le volume des opérations est réduit. En période de baisse, les positions ainsi que le volume des opérations sont réduits. L'objectif principal est de toujours protéger le capital en attendant une évolution plus favorable des prix. Le système permet de déterminer :

- comment et à quel moment entrer sur le marché.
- le nombre de contrats/d'actions à négocier à tout moment.
- le montant maximum à engager sur chaque opération.
- comment mettre fin à l'opération si la situation est défavorable.
- comment mettre fin à l'opération si la situation est favorable.
- le contenu complet de la formation.
- de ne jamais exécuter d'opérations journalières.
- pour les opérateurs du monde entier. S'attaquer à tous les marchés. Toutes les opérations.
- les endos

Le système élaboré par Turtle permet à la fois de faire le commerce des haricots rouges du Japon et d'agir à la bourse de Sydney avec des valeurs comme IBM ou Cisco. Vous n'avez pas besoin de savoir ce que vaut une action italienne ou quelles entreprises apparaissent dans l'indice FTSE ou encore si Microstrategy a un bon processus d'entreprise. La clé est le prix indiqué sur le graphique.

Sommaire

Le système Turtle s'adresse aux opérateurs du monde entier. Depuis 1996, TurtleTrader compte des clients dans plus de 58 pays. Nous travaillons à l'échelon international pour vous aider à apprendre le commerce grâce au système Turtle.

La formation commerciale de TurtleTrader vous apprend à prendre part à des tendances majeures imprévues sur des marchés à la hausse comme à la baisse afin d'optimiser pleinement vos revenus. Les stratégies de suivi de tendances à long terme exigeront de vous de la discipline et le contrôle de vos émotions si vous souhaitez réussir à générer des revenus supérieurs à la moyenne. Que vous soyez opérateur pour une grande entreprise, investisseur individuel ou que vous suiviez votre propre compte, TurtleTrader vous offre les solutions ayant fait leurs preuves lors de la formation des premiers 'Turtles'.

Commandez la formation TurtleTrader : Cliquez ici.

Notre site Internet, nos cours et notre assistance ne sont actuellement disponibles qu'en anglais.

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Introduzione italiana agli operatori Turtle

Abbiamo preparato questa pagina introduttiva al sito Web in italiano per consentirvi di comprendere l'importanza del sistema di contrattazioni Turtle in una prospettiva globale. Il sistema di osservazione dei trend Turtle è destinato agli operatori e agli investitori di tutto il mondo. TurtleTrader ha clienti in 67 paesi. Stiamo utilizzando il corso Turtle Trader dal 1996.

Il nostro sito Web, il corso e il materiale di supporto sono al momento disponibili solo in inglese. Riteniamo, tuttavia, di essere in grado di suscitare interesse nella comunità internazionale e che questa pagina introduttiva vi consentirà di comprendere meglio i vantaggi offerti dal sistema di contrattazioni Turtle per trarre profitti dai mercati delle speculazioni al rialzo e al ribasso.

Tra i nostri clienti possiamo annoverare operatori finanziari, operatori di borsa, specialisti, broker, agenti di cambio e molti altri professionisti del mercato globale. Ci occupiamo inoltre della formazione di nuovi operatori con minore esperienza.

Per eventuali domande, inviate un messaggio al seguente indirizzo: info@turtletrader.com.

"Conosco dei miliardari che hanno iniziato l'attività di operatori

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finanziari grazie alle ricchezze ereditate. Hanno finito per perdere tutto perché non si preoccupavano delle perdite. Nei primi anni di attività ritenevano infatti di poterle sostenere. È molto meglio cominciare a operare sul mercato senza disporre di grossi capitali e sapendo di non potersi permettere di perdere. Scommetterei più volentieri su qualcuno che inizia con poche migliaia di dollari che su qualcuno che, al contrario, dispone di miliardi...È ancora uno dei pochi settori in cui è possibile crearsi una ricchezza dal nulla. Un esempio da citare è sicuramente Richard Dennis che iniziò con poche centinaia di dollari riuscendo a guadagnare in meno di vent'anni centinaia di miliardi".

William Eckhardt

Introduzione all'osservazione dei trend

L'osservazione dei trend si basa sull'analisi dell'andamento dei prezzi nei mercati in cui si opera. Non tratta l'analisi della domanda e dell'offerta o dei fattori economici. L'osservazione dei trend è nata originariamente come un approccio denominato test anonimo, poiché era stata creata inizialmente per operare su pochi mercati. Una volta verificata l'efficacia su un numero limitato di mercati è stata applicata alla maggior parte di essi. Nel corso degli anni si è inoltre rilevata valida garantendo continui successi, nonostante i cambiamenti di mercato.

L'osservazione dei trend non cerca di prevedere l'andamento dei mercati o dei prezzi. È un atteggiamento reattivo e sistematico che richiede una notevole disciplina per seguire le regole. Si tratta di una metodologia di gestione dei rischi che utilizza il prezzo di mercato corrente, il valore dei titoli di un conto e le fluttuazioni del mercato valutario. La valutazione del rischio iniziale consente di stabilire la posizione dell'operatore all'inizio delle operazioni. L'andamento dei prezzi può determinare un miglioramento o un peggioramento graduale della posizione iniziale. Un andamento negativo dei prezzi può condurre a una perdita dell'intera posizione. I profitti per operazione degli osservatori di trend sono in media notevolmente superiori alle perdite.

I Turtle

"È possibile acquisire le competenze di un operatore finanziario di successo? Oppure si tratta di doti innate di cui sono dotati solo pochi fortunati? Richard Dennis, il leggendario operatore di Chicago, che è riuscito a trasformare in 18 anni 400 dollari in 200 milioni di dollari, non ha dubbi. In seguito a un esperimento condotto con un gruppo di aspiranti operatori finanziari statunitensi, è convinto che si possa imparare a diventare un trader. Nell'arco di 1 anno e mezzo un gruppo di 14 operatori finanziari, suoi allievi, è riuscito a guadagnare un utile composto dell'80%. Al contrario, il 70% circa degli operatori non professionisti subisce delle perdite annualmente. "La contrattazione si prestava a essere insegnata molto di più di quanto io immaginassi" afferma Richard Dennis. "In un certo senso è stata una grande lezione di umiltà". Dennis sostiene di aver discusso per anni con alcuni dei suoi soci la questione dell'apprendimento e delle capacità innate. Mentre gli altri sostenevano che le sue competenze erano "ineffabili, mistiche, soggettive o intuitive", la sua risposta al contrario era molto più semplice. Il quarantenne Dennis attribuiva il suo successo ai vari metodi di contrattazione da lui sviluppati e, forse

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soprattutto, alla disciplina con cui seguiva tali metodi. Per dimostrare tale teoria Dennis decise di dar vita a un vero e proprio esperimento. Alla fine del 1983 e nel 1984 pubblicò delle inserzioni sul Wall Street Journal, sul Barron's e sul New Your Times alla ricerca di candidati da addestrare come operatori finanziari. Il lavoro richiedeva il trasferimento a Chicago, prevedeva un piccolo stipendio e una percentuale dei profitti ottenuti durante il periodo di tirocinio".
Wall Street Journal

Si tratta probabilmente del seminario per operatori finanziari più discusso della storia della Borsa. Nel 1984 Richard Dennis insegnò i suoi metodi per operare in borsa a un gruppo di studenti (neofiti non professionisti) nel corso di un seminario di due settimane. A distanza di un anno ripeté l'esperimento. La motivazione che spinse Dennis a tenere queste sessioni [Turtle] era quella di risolvere una disputa con l'amico e collega William Eckhardt sulla possibilità di insegnare il mestiere di operatore di borsa. Dennis riteneva che tali abilità potevano essere rielaborate in una serie di regole da insegnare agli altri. Eckhardt sosteneva, al contrario, che tali abilità erano legate all'istinto innato e non potevano essere insegnate.

Richard Dennis vinse la disputa con il collega Bill Eckhardt. Chiamò "tartarughe" i suoi allievi dopo aver visitato un allevamento di tartarughe a Singapore. Decise infatti di allevare "operatori" come gli allevatori facevano con le tartarughe. Nel menu a discesa nella parte inferiore della schermata è disponibile un elenco completo di Turtle. Oggi, grazie a un sistema affidabile e a un po' di leggenda i Turtle hanno acquisito un ruolo rilevante per i clienti. Le tecniche Turtle hanno consentito di ottenere profitti annui di oltre il 50% e perfino superiori al 100%. Alcuni Turtle hanno ottenuto profitti superiori al 100% in un solo mese. Ulteriori informazioni sulle performance.

Selezione dei Turtle

Quali domande furono poste per selezionare i Turtle? Ai Turtle fu chiesto di rispondere alle seguenti domande con una sola frase:

- Indichi un suo libro o film preferito e spieghi perché.
- Indichi un personaggio storico preferito e spieghi perché.
- Perché desidera avere successo in questo lavoro?
- Indichi un'azione rischiosa che ha intrapreso e perché.
- Descriva una decisione presa sotto pressione e spieghi il perché.
- Speranza, paura e avidità sono considerate caratteristiche negative per un buon operatore finanziario. Descriva una decisione presa sotto l'influsso di una di queste emozioni e indichi come considera attualmente tale decisione.
- Quali sono le qualità positive che possono aiutarla in questa attività?
- Quali sono le qualità negative che possono ostacolarla in questa attività?
- In questa attività conta di più la bravura o la fortuna? Perché?

Non lasciatevi trarre in inganno dalle domande apparentemente semplici. Per la selezione sono state utilizzate anche .

Sistema di contrattazione Turtle

Uno dei primi concetti che vengono insegnati ai Turtle è che il "prezzo" è l'unico problema che un operatore si deve porre. Se un mercato è a 60 e scende a 58, 57, 53, si dice che quel mercato è in un trend discendente. Anche se si dispone di tutti gli indicatori tecnici di "previsione" sull'andamento futuro del prezzo, tali indicatori sono inutili Se il trend è discendente, seguire il trend. L'unica preoccupazione che un operatore finanziario dovrebbe avere, è la situazione attuale del mercato, non l'andamento futuro.

L'obiettivo è acquisire la maggior parte dei trend o dei cambiamenti di prezzo. Le tecniche Turtle non cercano di raggiungere livelli più elevati o più bassi. Se il mercato scende, l'operatore vende. Se il mercato sale, l'operatore compra. Non c'è un limite massimo per vendere o minimo per comprare. L'aspetto più importante del sistema Turtle non è la durata dell'operazione o l'indicatore, bensì quanto scambiare nel corso del trend. Questo fattore critico è denominato Sistema di gestione del denaro.

L'approccio Turtle è impostato secondo un criterio algoritmico e meccanico. Tale sistema non si basa sull'analisi dei fattori della domanda e dell'offerta. Il prezzo e il tempo sono i due elementi fondamentali. Questo sistema è preciso quasi al 100%. Non tiene conto delle fluttuazioni stagionali, del profilo del mercato, delle operazioni triangolari o delle operazioni giornaliere.

Si basa inoltre su un sistema di controllo dei rischi e di gestione del denaro. Le regole matematiche utilizzate sono semplici da apprendere. Nelle fasi di elevata fluttuazione del mercato, il volume delle operazioni è notevolmente ridotto. Nei periodi di perdita, le posizioni sono ridotte e il volume delle operazioni è limitato. L'obiettivo principale è conservare sempre il capitale fino al momento in cui si verificano trend di prezzo più favorevoli. Il sistema determina:

- Come e quando entrare nel mercato.
- Il numero di contratti/azioni da negoziare per volta.
- Quanto denaro rischiare per ogni operazione.
- Come uscire da un'operazione se non è redditizia.
- Come uscire da un'operazione se è redditizia.
- Contenuto completo del corso.
- NESSUNA operazione giornaliera.
- Per tutti gli operatori di tutti i paesi. Operare in qualsiasi mercato. Tutti i cambi.
- Approvazioni

Il sistema Turtle consente di operare con facilità sia con le Red Beans giapponesi che con le azioni ordinarie australiane IBM r Cisco. Non è necessario conoscere il valore di un'obbligazione italiana o quali società comprendono l'indice FTSE o se Microstrategy è caratterizzata da un buon modello di gestione del business. La chiave è il prezzo riportato nel grafico.

Riepilogo

Il sistema Turtle è destinato a tutti gli operatori di tutti i paesi. Dal 1996 Turtle Trader ha clienti in 58 paesi. Lavoriamo in tutto il mondo per consentirvi di imparare a operare con il sistema Turtle.

Le istruzioni Turtle Trader consentono di partecipare ai principali trend imprevisti sia nei mercati in rialzo che in quelli in ribasso, per ottimizzare al massimo i profitti. Le strategie Turtle di osservazione dei trend a lungo termine richiedono di mantenere una disciplina precisa e di controllare le emozioni per ottenere profitti superiori alla media. TurtleTrader offre le stesse soluzioni insegnate ai primi Turtle agli operatori di una società di trading, ai singoli investitori e agli operatori finanziari impegnati in proprio.

Per ordinare il corso TurtleTrader: Fare clic qui.

Il nostro sito Web, il corso e il materiale di supporto sono al momento disponibili solo in inglese.

TurtleTrader Nederlandse inleiding

Wij hebben deze inleiding van 1 pagina tot onze website in uw geboortetaal opgesteld om u het belang van het Turtle handelssysteem vanuit een wereldwijd oogpunt te laten begrijpen. Het Turtle handelstrendvolgsysteem is voor alle handelaars of beleggers in alle landen. TurtleTrader heeft cliënten in 67 landen. Wij geven de TurtleTrader-cursus al sinds 1996.

Onze website, onze cursus en onze ondersteuning zijn op dit moment alleen in het Engels. Wij geloven echter sterk in het aansluiting zoeken bij de internationale gemeenschap en deze inleiding van 1 pagina hoort u te helpen beter de voordelen te begrijpen van het gebruik van het Turtle handelssysteem om geld te verdienen bij oplopende en dalende markten.

Onder onze cliënten bevinden zich gewone individuele handelaren, marktmakers, specialisten, makelaars, beursleden en vele anderen in de hele wereldwijde handelsgemeenschap. Wij helpen ook minder ervaren of nieuwe handelaars de lessen van beroepsmensen leren.

Mocht u vragen hebben, stuur dan een e-mail naar: info@turtletrader.com.

"Ik weet van een paar miljonairs die begonnen te handelen met geërfd

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geld. In alle gevallen verloren ze alles omdat het ze geen pijn deed wanneer ze verloren. In die vormende beginjaren van handelen, hadden ze het gevoel dat ze het zich veroorloven konden om te verliezen. Het is veel beter om de markt op te gaan met weinig geld, met het gevoel dat je het je niet veroorloven kunt om te verliezen. Ik wed liever op iemand die begint met een paar duizend dollar dan op iemand die met miljoenen op komt dagen... Dit is een van de weinige industrieën waar je nog steeds een van niets tot iets verhaal kunt maken. Richard Dennis is begonnen met een paar honderd dollar en had aan het eind in minder dan twintig jaar miljoenen verdiend - dat is een goede motivatie."

William Eckhardt

Inleiding tot Trendvolgen

Trendvolgen is gebaseerd op analyse van prijsgedrag in verhandelde markten. Het betreft niet fundamentele analyse van vraag en aanbod of economische factoren. Trendvolgen werd oorspronkelijk ontwikkeld met een benadering die blind testen werd genoemd. Dit betekent dat het zodanig was geconstrueerd om eerst op een paar markten te handelen. Nadat het succesvol bij de eerste paar markten was gebleken, werd het op praktisch alle andere markten toegepast. Door de jaren heen heeft het sterk gestaan t.o.v. de veranderende marktplaats met doorlopend succes.

Trendvolgen doet geen voorspelling over markten of prijsniveaus. Het is reactief en systematisch van aard en vereist een consequente discipline om de regels te volgen. Er is risicobeheermethodologie bij betrokken die gebruik maakt van de huidige marktprijs, het huidige

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vermogensniveau in een rekening en de wispelturigheid van de huidige markt. Een eerste risicobeoordeling bepaalt de positiegrootte ten tijde van het ingaan. Veranderingen in prijs kunnen leiden tot een geleidelijke afname of toename van de eerste positie. Nadelige prijsbewegingen kunnen leiden tot een afgang voor de hele positie. Historisch gezien is de gemiddelde winst per transactie van een trendvolgende handelaar aanzienlijk hoger dan het gemiddelde verlies per transactie.

De Turtles (schildpadden)

"Kunnen de vaardigheden van een succesvolle handelaar worden geleerd? Of zijn ze aangeboren, een soort zesde zintuig waar een paar gelukkigen mee geboren worden? Voor Richard Dennis, de legendarische effectenhandelaar in Chicago, die een kapitaal van USD 400,00 in 18 jaar in USD 200 miljoen heeft omgezet, bestaat er geen twijfel. Na een experiment met een groep van uit het hele land aangeworven effectenhandelaren in de dop, is hij ervan overtuigd dat handelen geleerd kan worden. Over de afgelopen 1 1/2 jaar heeft een door hem onderwezen groep van 14 effectenhandelaren een gemiddelde jaarlijkse samengestelde opbrengst van 80 % verdiend. In tegenstelling daarmee verliest ongeveer 70 % van alle niet-beroepshandelaren op een jaarlijkse basis geld. "Handelen was zelfs meer onderwijsbaar dan ik mij had voorgesteld," zegt hij. "Op een vreemde manier was het bijna deemoedigend". De heer Dennis zegt dat hij al jarenlang met een aantal van zijn medewerkers over de vraag m.b.t. leren tegenover aangeboren vermogen heeft gedebatteerd. Terwijl zij aanvoerden dat zijn vaardigheden "onverwoordbaar, esoterisch, subjectief of intuitief" zijn, zegt hij dat

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zijn eigen antwoord veel eenvoudiger was. De 40 jarige heer Dennis schrijft zijn succes toe aan een aantal verschillende handelsmethoden die hij heeft ontwikkeld en, misschien nog belangrijker, de discipline om die methoden te volgen. Om zijn argument te bevestigen, besloot de heer Dennis een experiment in de echte wereld uit te voeren. Eind 1983 en opnieuw in 1984 zette hij advertenties in de Wall Street Journal, Barron's en de New York Times, waarin hij mensen zocht die getraind wilden worden als effectenhandelaars. De baan vereiste dat zij naar Chicago zouden verhuizen, waar ze een klein salaris en een percentage van eventuele winst zouden ontvangen terwijl de heer Dennis hen in zijn methoden onderwees."
Artikel in de Wall Street Journal

Het is waarschijnlijk het meest besproken handelsseminar in de geschiedenis van de markten. In 1984 onderwees Richard Dennis zijn handelsmethodologie aan een groep studenten (beginnende niet-handelaren) in een seminar van twee weken. Een jaar later herhaalde hij het proces. De motivering van Dennis voor het houden van de [Turtle] sessies was om een eind te maken aan een dispuut met zijn vriend en partner William Eckhardt over het idee of handelsvaardigheden onderwezen konden worden. Dennis was er sterk van overtuigd dat handelsvaardigheden konden worden uitgesplitst in een reeks regels die aan anderen zouden kunnen worden overgedragen. Eckhardt meende dat handelsvaardigheden meer te maken hadden met aangeboren intuitie, die niet onderwezen kon worden.

Richard Dennis heeft het dispuut met zijn partner Bill

Eckhardtgewonnen. Hij gaf zijn protégés een naam nadat hij schildpadkwekerijen in Singapore had bezocht en besloot handelaren te kweken zoals de kwekerijen schildpadden kweekten, vandaar de naam: Turtles (schildpadden) (er is een volledige lijst met Schildpadden in het uitvouwmenu onderaan het scherm). Vandaag de dag heeft een goed systeem, samen met een klein beetje legende, Turtles in staat gesteld door de loop der tijd met uitstekende resultaten voor klanten te handelen. Jaarlijkse rendementen van meer dan 50 % en zelfs meer dan 100 % zijn het resultaat geweest van het gebruik van de Turtle technieken. Sommige Turtles hebben resultaten van meer dan 100 % in een enkele maand gehad. Meer over prestatie.

Turtle selectie

Wat soort screeningsvragen worden gesteld om de Turtles te selecteren? De Turtles werd gevraagd deze vragen elk in één zin te beangwoorden:

- Noem een boek of film waar u genoegen aan beleefd hebt en waarom.
- Noem een figuur in de geschiedenis die u mag en waarom.
- Waarom wilt u succes hebben in deze baan?
- Noem iets riskants dat u gedaan hebt en waarom.
- Leg een beslissing uit die u onder druk hebt gemaakt en waarom dat uw beslissing was.
- Er wordt gezegd dat hoop, vrees en hebzucht vijanden van goede handelaars zijn. Leg een beslissing uit die u onder een van deze invloeden hebt gemaakt en hoe u nu over die

beslissing denkt.

- Wat zijn een aantal goede kwaliteiten die u hebt die bij handelen zouden kunnen helpen?
- Wat zijn een aantal slechte kwaliteiten die u hebt die handelen zouden kunnen schaden?
- Wilt u bij handelen liever goed of gelukkig zijn? Waarom?

Laat u niet bedotten door de eenvoudig klinkende vragen. Er werden ook waar-niet waar-vragen gebruikt in het selectieproces.

Het Turtle-handelsysteem

Een van de eerste begrippen die aan Turtles wordt geleerd is dat "prijs" de enige zorg is die een handelaar dient te hebben. Als een markt op 60 is en naar 58, 57, 53 gaat - is de trend van de markt dalend. Alle technische indicatoren op Tradestation zouden kunnen "voorspellen" waar de prijs naar toe gaat of wat die zou horen te doen, maar die indicatoren zijn waardeloos. Als de trend dalend is, blijf dan bij de trend. De enige zorg die een handelaar dient te hebben is wat de markt werkelijk doet, niet wat hij denkt dat de markt zal doen.

Het vangen van de meerderheid van de prijsveranderingen of trends is het doel. Turtle technieken streven er niet naar hoog of laag te kiezen. Als de markt daalt, verkoopt u. Als de markt stijgt, koopt u. Je kunt een markt nooit te hoog kopen of te laag verkopen. Het is zelfs zo dat het belangrijkste aspect van Turtle-handelen niet het tijdstip van de transactie of de indicator is, maar liever de vaststelling van hoeveel te verhandelen tijdens de loop van de trend. Deze kritieke factor wordt geldelijk beheer genoemd.

De Turtle handelsbenadering is uiteengezet op een algorithmische of mechanische manier. Het systeem is niet gebaseerd op de analyse van fundamentele vraag- of aanbodfactoren. Prijs en tijd zijn te allen tijde van groot belang. Het systeem is bijna 100 % systematisch. Bij Turtle handelen zijn geen seizoenschommelingen, punten en cijfers, marktprofielen, driehoeken of daghandelen betrokken.

Turtle handelen is geworteld in een systeem van risicobeheer en geldelijk beheer. Alle rekenkunde die er bij betrokken is, is recht toe recht aan en kan gemakkelijk geleerd worden. In tijden van hogere marktwispelturigheid worden de transacties kleiner. In tijden van verlies worden posities verminderd en de grootte van de transacties besnoeid. Het centrale doel is altijd kapitaal te conserveren totdat de gunstigere prijstrends weer verschijnen. Het systeem bepaald:

- Hoe en wanneer de markt wordt binnengegaan.
- Hoeveel contracten/aandelen op elk willekeurig moment te verhandelen.
- Hoe veel geld te riskeren bij elke transactie.
- Hoe de markt te verlaten als de transactie niet winstgevend is.
- Hoe de markt te verlaten als de transactie winstgevend is.
- Inhoud van de complete cursus.
- GEEN daghandelen.
- Voor alle effectenhandelaren in alle landen. Verhandel op alle willekeurige markten. Alle beurzen.
- Endossementen

Met het Turtle systeem kunt u net zo gemakkelijk Japanse bonen verhandelen als aandelen in de Australische All Ordinaries Stock Index als IBM en Cisco. U hoeft niet te weten wat een Italiaanse obligatie waard is of welke bedrijven er in de FTSE index zijn opgenomen of zelfs of Microstrategy een goed bedrijfsmodel heeft. De sleutel is de prijs in de tabel.

Overzicht

Het Turtle systeem is voor alle handelaars in alle landen. TurtleTrader heeft sedert 1996 cliënten in 58 landen. Wij werken wereldwijd om u te helpen bij het leren van het Turtle systeem.

De handelsaanwijzingen van TurtleTrader leren u deel te nemen aan onvoorziene belangrijke trends op hetzij stijgende of dalende markten, om de winst ten volle te maximaliseren. Langetermijn Turtle trendvolgstrategieën vereisen dat u veeleisende discipline hebt en uw emoties in bedwang houdt om met succes meer dan gemiddelde winsten te behalen. Of u nu een handelaar bij een groot bedrijf bent, een individuele belegger of een handelaar die uw eigen persoonlijke rekening volgt, TurtleTrader biedt dezelfde bewezen oplossingen die oorspronkelijk aan de oorspronkelijke Turtles werden onderwezen.

De TurtleTrader cursus bestellen: Hier klikken.

Onze website, onze cursus en onze ondersteuning zijn op dit moment alleen in het Engels.

Introdução ao TurtleTrader em português

Nós preparamos esta página de introdução para nosso site da web, em seu idioma nativo, para que você compreenda a importância do sistema de negociação Turtle, partindo de uma perspectiva global. O sistema de acompanhamento de tendências de mercado Turtle destina-se a todos os operadores ou investidores de todos os países. A TurtleTrader possui clientes em 67 países. Temos oferecido o curso da TurtleTrader desde 1996.

Nosso site da web, o curso e o suporte encontram-se, atualmente, apenas em inglês. Entretanto, acreditamos firmemente que alcançaremos a comunidade internacional. Esta página de introdução deverá ajudá-lo a compreender melhor as vantagens de se utilizar o sistema de negociação Turtle para ganhar dinheiro, em mercados em alta e em baixa.

Entre nossos clientes, encontram-se operadores individuais regulares, desenvolvedores de mercado, especialistas, corretores, agentes de câmbio e muitos outros, em toda a comunidade de negociação global. Também ajudamos os investidores novos ou menos experientes a absorver as lições ensinadas pelos profissionais.

Se tiver qualquer dúvida, escreva para o seguinte endereço de e-mail:

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"Eu conheço casos de milionários que começaram a investir com herança de família. Invariavelmente, todo o dinheiro foi perdido, uma vez que não existia a dor da perda. Nesses primeiros anos de experiência como investidores na bolsa, eles sentiram que poderiam se dar ao luxo de perder. A melhor forma de entrar no mercado é com pouquíssimo capital, com a sensação de que você não pode se dar ao luxo de perder. Eu prefiro apostar em alguém que esteja começando com poucos milhares de dólares que em alguém que comece com milhões....Esta é uma das raras indústrias onde um mendigo pode se tornar um rei. Richard Dennis começou com poucas centenas de dólares, e acabou por ganhar centenas de milhões em menos de vinte anos – é uma experiência motivadora."
William Eckhardt

Introdução ao acompanhamento de tendências

O acompanhamento de tendências baseia-se na análise do comportamento dos preços nos mercados negociados. Sua preocupação não é a análise fundamental de oferta e demanda, tampouco de fatores econômicos. O acompanhamento de tendências foi originalmente desenvolvido com uma abordagem denominada teste cego, ou "blind-testing". Isso significa que foi construído para investimento inicial em alguns mercados. Uma vez comprovado seu sucesso nos primeiros mercados, foi aplicado à maioria dos outros. Com o tempo, permaneceu sólido diante das mudanças de mercado, apresentando sucesso contínuo.

O acompanhamento de tendências não prevê níveis de preços nem mercados. É um método sistemático por natureza, baseado em reações, exigindo disciplina contínua no cumprimento de suas regras. Envolve uma metodologia de gerenciamento de riscos, que utiliza o preço atual do mercado, o nível de capital social de uma conta e a volatilidade do mercado atual. A avaliação inicial de risco determina a dimensão da posição no momento da entrada. Mudanças de preço podem causar uma redução ou aumento gradual da posição inicial. Movimentos negativos dos preços podem causar a retirada de toda a posição. Historicamente, a média de lucros por negociação efetuada com o acompanhamento de tendências é significativamente mais alta que a média de perdas.

Os Turtles

"É possível aprender a ser um investidor de sucesso? Ou as qualidades desse tipo de investidor são inatas, como um sexto sentido em algumas pessoas privilegiadas?" Richard Dennis, o lendário investidor de Chicago, que transformou um modesto capital inicial de USD 400 em UDS 200 milhões no período de 18 anos, não tem dúvidas. De acordo com uma experiência realizada com um grupo de supostos investidores recrutados em todo o país, ele ficou convencido de que é possível aprender a investir. No último ano e meio, um grupo de 14 investidores por ele instruídos obteve uma taxa de retorno composta anual média de 80%. Em comparação, cerca de 70% de todos os investidores não profissionais perdem dinheiro a cada ano. "Ensinar a investir na bolsa foi muito mais fácil que eu imaginava," afirma. "De uma certa forma, foi quase humilhante." Dennis relata ter discutido a questão de aprendizado versus

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capacidade inata com alguns de seus sócios, durante anos. Enquanto estes argumentavam que as habilidades de Dennis eram "inexplicáveis, místicas, subjetivas ou intuitivas," a resposta do privilegiado investidor era bem mais simples. Dennis, 40 anos de idade, atribui seu sucesso a diversos métodos de investimento por ele desenvolvidos e, talvez o mais importante, à disciplina exigida na execução desses métodos. Para provar seu raciocínio, Dennis decidiu realizar uma experiência na vida real. No final de 1983, e novamente em 1984, ele publicou anúncios no Wall Street Journal, na Barron's e no New York Times, recrutando pessoas que desejassem ser treinadas como investidores da bolsa. O estudo exigia que essas pessoas se mudassem para Chicago, onde receberiam um pequeno salário e uma comissão sobre todos os lucros realizados, enquanto Dennis lhes ensinaria seus métodos."
Artigo do Wall Street Journal

Este é provavelmente o seminário de investimento na bolsa mais famoso da história dos mercados. Em 1984, Richard Dennis ensinou sua metodologia de investimento na bolsa para um grupo de estudantes (não investidores, novatos) em um seminário de duas semanas. Um ano depois, repetiu o procedimento. O que mais motivava Dennis a realizar as sessões de [Turtle] era vencer a discussão que mantinha com seu amigo e parceiro de negócios, William Eckhardt, sobre a possibilidade de se ensinar as habilidades exigidas para investimento na bolsa. Dennis acreditava firmemente que essas habilidades poderiam ser divididas em um conjunto de regras, que poderiam ser transmitidas a outras pessoas. Eckhardt acreditava que essas habilidades estavam mais relacionadas a instintos inatos, que não poderiam ser ensinados.

Richard Dennis venceu a discussão com seu sócio Bill Eckhardt. O nome dado a seus grupos de estudos veio de uma visita a uma criação de tartarugas na Singapura, quando ele decidiu criar investidores, da mesmo forma como as tartarugas eram criadas: nasciam os Turtles, ou *tartarugas* (o menu suspenso na parte inferior da tela contém uma lista completa de Turtles). Hoje em dia, um sistema sólido, juntamente com uma dose de lenda, possibilita que os Turtles efetuem investimentos na bolsa para clientes a prazo, obtendo incrível sucesso. Retornos anuais acima de 50% e até mesmo superiores a 100% foram os resultados obtidos pelo uso das técnicas Turtle. Alguns Turtles tiveram retornos acima de 100% em um único mês. Mais sobre desempenho.

Seleção dos Turtles

Que tipos de perguntas foram utilizadas para a seleção dos Turtles? Os Turtles deveriam responder às seguintes perguntas com uma única frase cada:

- Cite um livro ou filme de que você gostou e explique por quê.
- Cite uma figura histórica que você admira e explique por quê.
- Por que você gostaria de ter sucesso nessa função?
- Cite algo arriscado que você tenha feito e explique por quê.
- Cite uma decisão que você tenha tomado sob pressão e explique por que a tomou.
- Diz-se que a esperança, o medo e a ganância são inimigos dos bons investidores. Cite uma decisão que você possivelmente

tenha tomado sob uma dessas influências e descreva como a vê atualmente.

- Cite boas qualidades suas que poderiam ajudar nas negociações na bolsa.
- Cite más qualidades suas que poderiam prejudicar as negociações na bolsa.
- Nas negociações na bolsa, você prefere ser bom ou ter sorte? Por quê?

Não se deixe enganar pelas perguntas que parecem simples. Perguntas do tipo verdadeiro-falso também foram utilizadas no processo de seleção.

O sistema de negociações dos Turtles

Um dos primeiros conceitos ensinados aos Turtles é que o "preço" é o único fator com que o investidor deve se preocupar. Se o mercado estiver em 60 e passar a 58, 57, 53 – esta é uma tendência de baixa. Você poderia se valer de todos os indicadores técnicos da Bolsa para "prever" o que acontecerá com os preços a seguir, ou o que deveria ocorrer com o mercado, mas esses indicadores não têm utilidade alguma. Se a tendência é de baixa, esse deve ser o seu indicador. A única preocupação do investidor deveria ser o que está realmente acontecendo no mercado, e não o que ele acha que acontecerá.

O objetivo é capturar a maioria das mudanças ou tendências dos preços. As técnicas dos Turtles não se esforçam para aproveitar picos de alta ou baixa. Se o mercado estiver em baixa, venda. Se o mercado estiver em alta, compre. Você nunca conseguirá comprar em um mercado extremamente alto, nem vender em um mercado extremamente baixo. Na verdade, o aspecto mais importante dos investimentos dos Turtles não é o momento da negociação ou o indicador, mas sim a determinação do quanto se deve vender ou comprar enquanto aquela tendência se mantiver. Esse fator crítico é denominado gerenciamento do dinheiro.

A abordagem das negociações dos Turtles é apresentada de forma algorítmica ou mecânica. O sistema não se baseia na análise de fatores fundamentais de oferta ou demanda. Os fatores chave são sempre o preço e o tempo. Trata-se de um modelo quase 100% sistemático. As negociações dos Turtles não envolvem séries sazonais, pontos e figuras, Perfil do Mercado, triângulos ou negociações diárias.

Elas estão fundamentadas em um sistema de gerenciamento de dinheiro e controle de riscos. Toda a matemática envolvida é objetiva, podendo ser facilmente aprendida. Em momentos de maior volatilidade do mercado, a dimensão das negociações deve ser reduzida. Em períodos de perda, as posições são reduzidas e a dimensão das negociações é cortada. O objetivo central é sempre conservar o capital, até que voltem a aparecer tendências de preços mais favoráveis. O sistema determina:

- Como e quando entrar no mercado.
- Quantos contratos/ações negociar a qualquer momento.
- Quanto dinheiro arriscar em cada negociação.
- Como sair da negociação, caso esta não seja lucrativa.
- Como sair da negociação, caso esta seja lucrativa.
- Conteúdo completo do curso.

- SEM negociações de um só dia.
- Para todos os investidores de todos os países. Invista em qualquer mercado. Todos os câmbios.
- Endossos

O sistema Turtle é capaz de efetuar negociações com o feijão vermelho do Japão de forma tão simples quanto com o Índice da Bolsa de Valores da Austrália, com a IBM e a Cisco. Você não precisa saber quanto vale um título italiano ou quais as empresas que compõem o índice FTSE, nem mesmo se a Microstrategy possui um bom modelo empresarial. A chave de tudo é o preço apresentado no gráfico.

Resumo

O sistema Turtle destina-se a todos os investidores de todos os países. A TurtleTrader possui clientes em 58 países, desde 1996. Atuamos globalmente para ajudá-lo a aprender a investir usando o sistema Turtle.

As instruções de investimentos da TurtleTrader ensinam-lhe a fazer parte das principais tendências não previstas, em mercados em alta ou baixa, a fim de maximizar seus lucros. As estratégias Turtle de acompanhamento de tendências a longo prazo exigem uma rigorosa disciplina e o controle das emoções, para se obter lucros acima da média. Quer você seja um investidor de uma grande empresa, um investidor individual ou um comerciante acompanhando sua conta pessoal, a TurtleTrader oferece as mesmas comprovadas soluções, originalmente ensinadas aos primeiros Turtles.

Solicite o curso da TurtleTrader: Clique aqui.

Nosso site da web, o curso e o suporte encontram-se, atualmente, apenas em inglês.

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TurtleTrader - Ââåäåíèå íà ðóññêîì ÿçûêå

Ìû ïîäãîòîâèëè ýòó ïåðâóþ ñòðàíèöó ñàéòà íà Âàøåì ðîäíîì ÿçûêå, ÷òîáû ïîìî÷ü Âàì â ïîíèìàíèè âàæíîñòè òðåéäèíãîâîé ñèñòåìû Turtle è åå ïåðñïåêòèâ ñ òî÷êè çðåíèÿ ãëîáàëüíîãî ðàçâèòèÿ. Òðåéäèíãîâàÿ ñèñòåìà Turtle ñ ìåõàíèçìîì îòñëåæèâàíèÿ òðåíäîâ â òîðãîâëå ïðåäíàçíà÷åíà äëÿ âñåõ òðåéäåðîâ èëè èíâåñòîðîâ âñåõ ñòðàí. Ó TurtleTrader èìåþòñÿ êëèåíòû â 67 ñòðàíàõ. Îáó÷åíèå â ðàìêàõ êóðñà TurtleTrader îñóùåñòâëÿåòñÿ ñ 1996 ã.

Â íàñòîÿùèé ìîìåíò íàø ñàéò, êóðñ îáó÷åíèÿ è ïîääåðæêà äîñòóïíû òîëüêî íà àíãëèéñêîì ÿçûêå. Îäíàêî ó íàñ åñòü òâåðäûå íàìåðåíèÿ ïî ðàçâèòèþ êîíòàêòîâ ñ ìèðîâûì ñîîáùåñòâîì, è èìåííî ýòà îäíà ñòðàíèöà äîëæíà ïîìî÷ü Âàì ëó÷øå ðàçîáðàòüñÿ â ïðåèìóùåñòâàõ èñïîëüçîâàíèÿ òðåéäèíãîâîé ñèñòåìû Turtle â îòíîøåíèè òîãî, êàê çàðàáîòàòü äåíüãè íà ðûíêàõ, õàðàêòåðèçóþùèõñÿ ïîâûøåíèåì öåí/êóðñîâ, è íà ðûíêàõ ñ îáðàòíûìè òðåíäàìè.

Íàøèìè êëèåíòàìè ÿâëÿþòñÿ îáû÷íûå ñàìîñòîÿòåëüíûå òðåéäåðû, ó÷àñòíèêè ôèíàíñîâîãî ðûíêà, ñïåöèàëèñòû, áðîêåðû, ÷ëåíû áèðæ, à òàêæå ìíîãèå äðóãèå ó÷àñòíèêè

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Trend Following

- The Turtles
- FAQs
- Markets Changed?
- Why It Works & Skeptics
- Money Management
- How Many Turtles?
- Zero-Sum Trading
- Holy Grails
- True/False Questions
- Losers Average Losers
- No Memory Trading
- Stocks v. Commodities
- Babe Ruth & Accuracy
- What is & What is Not

Market Wizards

- Hall of Fame
- Richard Dennis
- John W. Henry
- Ed Seykota
- Bill Dunn
- Richard Donchian
- Ludwig von Mises
- Soros & Zero-Sum
- Jack Schwager

ìè ð îâîãî ñ î îáùåñòâà ò ð å é ä å ð îâ. Ìû òàêæå ï î ì î ãàåì ìåíåå î ïûòíûì èëè íà÷èíàþùèì ò ð å é ä å ð àì íàó÷èòüñÿ ìíîãîìó ó ï ð è ç íàííûõ ï ð î ô å ñ ñ è î íàëîâ.

Å ñëè ó Âàñ âî çíèêíó ò êàêèå-ëèáî âî ï ð î ñû, íà ï ð àâëÿé ò å èõ ï î ýëåêò ð î í í î é ï î ÷ò å ï î à ä ð å ñ ó: info@turtletrader.com.

"ß çíàþ íå ñêîëüêèõ ìèëëèî íå ð îâ, êî ò î ð ûå íà÷àëè çàíèìàòüñÿ ò ð å é ä èíãîì, èìåÿ â ðàñ ï î ð ÿæåíèè óíàñëå ä îâàííî å ñ î ñ ò î ÿíèå. Èêàæ ä ûé èç íèõ ò å ð ÿë ñâî å ñ î ñ ò î ÿíèå ï î ëíî ñ òüþ, ï î ñêîëüêó â ï ð îöåññå ï î ò å ð ü î íè íå ÷óâñòâîâàëè íè áîëè, íè ñ ò ð à ä àíèÿ. Â ñàì î ì íà÷àëå ô î ð ìè ð îâàíèÿ ò ð å é ä èíãîâî é ñèñ ò åìû ó íèõ áûëî î ùóùåíèå, ÷ò î íè ì îãëè ï î çâîëèòü ñåáå òàêèå ï î ò å ð è. Í î Âàøå ìàò å ð èàëüí î å áëàãî ï îëó÷èå áó ä å ò ãî ð àç ä î âûøå, å ñëè íà÷àòü ä åéñòâîâàòü íà ð ûíêå ñ íåáîëüøî é ñóììî é ä åíåã è ñ ÷óâñòâîì, ÷ò î Âû íå ìîæåòå ñåáå ï î çâîëèòü ï î ò å ð ÿòü èõ. Ëè÷íî ÿ ñêî ð åå ï î ñòàâèë áû íà ò îãî, êò î íà÷èíàåò ñ íåñêîëüêèõ òûñÿ÷ ä îëëà ð îâ, ÷åì íà ò îãî, êò î ï ð èøåë ñ ìèëëèîíàìè... Ýò î î ä íî èç íåìíîãèõ íà ï ð àâëåíèé áèçíåñà, â êî ò î ð îì åùå âî çìîæíû èñ ò î ð èè áûñò ð îãî îáîãàùåíèÿ. Ðè÷à ð ä Äåííèñ íà÷èíàë ñ íåñêîëüêèõ ñî òåí ä îëëà ð îâ è ìåíåå, ÷åì çà ä âà ä öàòü ëåò, ñòàë çà ð àáàòûâàòü ñîòíè ìèëëèîíîâ-âï å÷àòëÿåò, íå ï ð àâ ä à ëè?"

Âèëüÿì Ýêõà ð ä ò

Ââåäåíèå â îòñëåæèâàíèå òðåíäîâ

Â î ñíîâå î ò ñëåæèâàíèÿ ò ð åí ä îâ ëåæèò àíàëèç ä èíàìèêè öåí

Market Proof

- **Performance**
- Correlation 1 | 2 | 3 | 4
- Enron Debacle
- Barings Bank
- Metallgesellschaft

Clients

- **Clients in 67 Countries**
- Individual Clients
- Institutional Clients
- Education Needed
- Starting Capital
- The Right Client
- Pricing Rationale
- Why Teach?
- Upgrades/Discounts
- Customer Service
- Guarantee | **Order**

Trading Systems

- **Trading Systems 1**
- Trading Systems 2
- Trading Systems 3
- Indicator BS 1
- Indicator BS 2
- Trading Software
- No Curve-Fitting
- Risk v. Volatility
- Blackjack

Psychology

- **Life Values & Risk**
- Critical Thinking
- Money is Evil?
- Gen. Patton Speech
- Are You Rational?
- The Bet
- Myers-Briggs Testing
- Quotations

íà òîðãîâûõ ðûíêàõ. Îíî íå èìååò îòíîøåíèÿ ê ôóíäàìåíòàëüíîìó àíàëèçó ñïðîñà è ïðåäëîæåíèÿ èëè êàêèõ-ëèáî ýêîíîìè÷åñêèõ ôàêòîðîâ. Äëÿ îòñëåæèâàíèÿ òðåíäîâ èçíà÷àëüíî ðàçâèâàëñÿ ïîäõîä, íàçûâàåìûé ñëåïûì òåñòîì. Ýòî çíà÷èò, ÷òî ñíà÷àëà îí ðàçðàáàòûâàëñÿ äëÿ òîðãîâëè íà îãðàíè÷åííîì êîëè÷åñòâå ðûíêîâ. Íî îêàçàâøèñü ýôôåêòèâíûì íà ýòèõ íåñêîëüêèõ ðûíêàõ, îí ñòàë èñïîëüçîâàòüñÿ ïî÷òè íà âñåõ îñòàëüíûõ. Ïîñòåïåííî åãî ïîçèöèè íà äîñòàòî÷íî èçìåí÷èâîì ðûíî÷íîì ïðîñòðàíñòâå óêðåïèëèñü, è óñïåøíîñòü åãî ïðèìåíåíèÿ áûëà äîêàçàíà âðåìåíåì.

Ïðè îòñëåæèâàíèè òðåíäîâ íå ïðîãíîçèðóåòñÿ ðàçâèòèå ðûíêîâ èëè óðîâíè öåí. Â åãî îñíîâå ëåæèò ðåàêöèÿ íà êàêèå-ëèáî äåéñòâèÿ è ñèñòåìàòèçàöèÿ; îíî òàêæå òðåáóåò òâåðäîé äèñöèïëèíû ñëåäîâàíèè ïðàâèëàì. Â íåì èñïîëüçóåòñÿ ìåòîäîëîãèÿ óïðàâëåíèÿ ðèñêàìè, ó÷èòûâàþùàÿ òåêóùóþ ðûíî÷íóþ öåíó, íàëè÷èå ñîáñòâåííûõ ñðåäñòâ íà ñ÷åòå è òåêóùèé óðîâåíü íåñòàáèëüíîñòè ðûíêà. Ïåðâîíà÷àëüíàÿ îöåíêà ðèñêîâ îïðåäåëÿåò ðàçìåð ïîçèöèè íà ìîìåíò åå âûñòàâëåíèÿ. Èçìåíåíèÿ öåíû ìîãóò ïðèâåñòè ê íåêîòîðîìó ñíèæåíèþ èëè óâåëè÷åíèþ èñõîäíîé ïîçèöèè. Íåáëàãîïðèÿòíûå èçìåíåíèÿ â öåíå ìîãóò ïðèâåñòè ê ñíÿòèþ âñåé ïîçèöèè. Îïûò ïîêàçûâàåò, ÷òî ñðåäíèé óðîâåíü ïðèáûëè íà òîðãîâóþ ñäåëêó ó òðåéäåðà, êîòîðûé çàíèìàåòñÿ îòñëåæèâàíèåì òðåíäîâ, çíà÷èòåëüíî âûøå ñðåäíåãî óðîâíÿ óáûòêîâ íà òîðãîâóþ ñäåëêó.

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
- Ken Roberts

Resources

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- Offshore Resources
- White Paper Archive
- Paper Trading/Auditrack

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Turtles

"Ìîæíî ëè íàó÷èòüñÿ èñêóññòâó ïðåóñïåâàþùåãî òðåéäåðà? Èëè îíî ÿâëÿåòñÿ âðîæäåííûì, ÷åì-òî âðîäå øåñòîãî ÷óâñòâà, êîòîðûì îáëàäàþò ëèøü íåìíîãèå, íà÷èíàÿ ñ ìîìåíòà ñâîåãî ïîÿâëåíèÿ íà ñâåò? Ó Ðè÷àðäà Äåííèñà, ÷èêàãñêîãî òðåéäåðà, ñòàâøåãî ëåãåíäîé áëàãîäàðÿ òîìó, ÷òî çà 18 ëåò îí ïðåâðàòèë 400 äîëëàðîâ, âûäàííûõ åìó â ñ÷åò àâàíñà, â 200 ìèëëèîíîâ ñîáñòâåííûõ, ïî ýòîìó ïîâîäó íåò ñîìíåíèé. Áëàãîäàðÿ ýêñïåðèìåíòó, ïðîâåäåííîìó ñ ãðóïïîé áóäóùèõ òðåéäåðîâ, êîòîðûå áûëè ñîáðàíû ñî âñåõ ÷àñòåé ñòðàíû, îí äîêàçàë, ÷òî òðåéäèíãó ìîæíî íàó÷èòüñÿ. Ñðåäíÿÿ ãîäîâàÿ íîðìû ïðèáûëè äëÿ ãðóïïû èç 14 òðåéäåðîâ, îáó÷àâøèõñÿ ïîä åãî ðóêîâîäñòâîì, äîñòèãëà çà ïîñëåäíèå ïîëòîðà ãîäà 80%. È, íàîáîðîò, îêîëî 70% íåïðîôåññèîíàëüíûõ òðåéäåðîâ òåðïÿò óáûòêè ïî ðåçóëüòàòàì ãîäà. Îí óòâåðæäàåò: "Îáó÷èòü òðåéäèíãó îêàçàëîñü äàæå ëåã÷å, ÷åì ÿ ñåáå ýòî ïðåäñòàâëÿë. Ñòðàííî, íî äëÿ ìåíÿ ýòî áûëî äàæå îáèäíî." Ã-í Äåííèñ ãîâîðèò, ÷òî îí è åãî êîëëåãè ãîäàìè îáñóæäàëè âîïðîñ î òîì, ìîæíî ëè ýòîìó íàó÷èòüñÿ, èëè ýòî ÿâëÿåòñÿ âðîæäåííîé ñïîñîáíîñòüþ. Èõîòÿ îíè äîêàçûâàëè, ÷òî åãî ñïîñîáíîñòè ÿâëÿþòñÿ "íåîáúÿñíèìûìè, ìèñòè÷åñêèìè, ïðèñóùèìè òîëüêî åìó èëè èíòóèòèâíûìè", îí ãîâîðèò, ÷òî åãî îòâåò ãîðàçäî ïðîùå. 40-ëåòíèé ã-í Äåííèñ ñâÿçûâàåò ñâîé óñïåõ ñ íåñêîëüêèìè ðàçðàáîòàííûìè èì ìåòîäàìè òðåéäèíãà, è, âîçìîæíî, ýòî åùå áîëåå âàæíî,

ñî ñòðîãîé äèñöèïëèíîé â ñëåäîâàíèè ýòèì ìåòîäàì.
×òîáû äîêàçàòü ñâîþ òî÷êó çðåíèÿ, ã-í Äåííèñ ðåøèë ïîñòàâèòü ýêñïåðèìåíò, ñâÿçàííûé ñ ðåàëüíîé æèçíüþ. Â êîíöå 1983 ã., à çàòåì ñíîâà â 1984 ã. îí ðàçìåñòèë îáúÿâëåíèÿ â Wall Street Journal, Barron’s è New York Times î ïîèñêå ïðåòåíäåíòîâ, êîòîðûå õîòåëè áû ïðîéòè êóðñ îáó÷åíèÿ è ñòàòü òðåéäåðàìè. Ïî óñëîâèÿì ðàáîòû, èì íåîáõîäèìî áûëî ïåðååõàòü â ×èêàãî, ãäå îíè ñòàëè áû ïîëó÷àòü íåáîëüøóþ çàðïëàòó è ïðîöåíò îò ïîëó÷åííîé ïðèáûëè, à ã-í Äåííèñ îáó÷àë èõ ñâîèì ìåòîäàì."
Ñòàòüÿ â Wall Street Journal

Ýòî, âîçìîæíî, ñàìûé èçâåñòíûé ñåìèíàð ïî òðåéäèíãó â èñòîðèè ðûíî÷íûõ îòíîøåíèé. Â 1984 ã. Ðè÷àðä Äåííèñ ïðîâåë äâóõíåäåëüíûé ñåìèíàð ïî îáó÷åíèþ ñâîèì ìåòîäàì òðåéäèíãà äëÿ ãðóïïû ñòóäåíòîâ (àáñîëþòíûõ íîâè÷êîâ â îáëàñòè òðåéäèíãà). Ãîä ñïóñòÿ ïðîöåññ áûë ïîâòîðåí. Ïðè÷èíîé, ïî êîòîðîé Äåííèñ ïðîâîäèë îáó÷åíèå [Turtle-ñåññèè], áûëà íåîáõîäèìîñòü óðåãóëèðîâàíèÿ ñïîðà ñ åãî äðóãîì è äåëîâûì ïàðòíåðîì Âèëüÿìîì Ýêõàðäîì ïî âîïðîñó î òîì, âîçìîæíî ëè íàó÷èòü èñêóññòâó òðåéäèíãà. Äåííèñ áûë òâåðäî óâåðåí â òîì, ÷òî ñïîñîáíîñòü ê òðåéäèíãó ìîæíî âûðàçèòü ðÿäîì ïðàâèë, êîòîðûìè ìîæíî îáó÷èòü äðóãèõ ëþäåé. Ïîçèöèÿ æå Ýêõàðäòà çàêëþ÷àëàñü â òîì, ÷òî èñêóññòâî òðåéäèíãà ñêîðåå ñðîäíè âðîæäåííûì èíñòèíêòàì, êîòîðûìè íåëüçÿ îâëàäåòü â ïðîöåññå îáó÷åíèÿ.

Ðè÷àðä Äåííèñ îäåðæàë ïîáåäó â ñïîðå ñî ñâîèì ïàðòíåðîì Áèëëîì Ýêõàðäòîì. Îí äàë íåîáû÷íîå íàçâàíèå ñâîèì ó÷åíèêàì ïîñëå ïîñåùåíèÿ ôåðìû ïî ðàçâåäåíèþ ÷åðåïàõ â Ñèíãàïóðå, ðåøèâ âûðàùèâàòü òðåéäåðîâ ïîäîáíî òîìó, êàê íà ôåðìå âûðàùèâàþò ÷åðåïàõ. Ïîýòîìó èõ çîâóò Turtles (÷åðåïàõè) (ïîëíûé ñïèñîê Turtles ïðèâåäåí â ðàñêðûâàþùåìñÿ ìåíþ â íèæíåé ÷àñòè ýêðàíà). Ñåãîäíÿ ñòðîéíàÿ ñèñòåìà, à òàêæå íåáîëüøàÿ ëåãåíäà ïîìîãàþò Turtles âûïîëíÿòü òðåéäèíãîâûå îïåðàöèè äëÿ ñâîèõ êëèåíòîâ íà âûñî÷àéøåì óðîâíå è ñ çàâèäíûì ïîñòîÿíñòâîì. Ïðè èñïîëüçîâàíèè ìåòîäèê Turtle äîñòèãàåòñÿ ãîäîâàÿ íîðìà ïðèáûëè ñâûøå 50% è äàæå ñâûøå 100%. Íåêîòîðûå Turtles ïîëó÷àþò íîðìû ïðèáûëè, ïðåâûøàþùèå 100%, óæå ÷åðåç ìåñÿö. Äîïîëíèòåëüíî îá ýôôåêòèâíîñòè.

Âûáîð Turtle

Êàêèå òèïû âîïðîñîâ èñïîëüçîâàëèñü ïðè îòáîðå Turtles? Îò Turtles òðåáîâàëîñü îòâåòèòü îäíèì ïðåäëîæåíèåì íà êàæäûé èç ñëåäóþùèõ âîïðîñîâ:

- Íàçîâèòå êíèãó èëè ôèëüì, êîòîðûé Âàì íðàâèòñÿ, è îáúÿñíèòå, ïî÷åìó.
- Íàçîâèòå èñòîðè÷åñêîå ëèöî, êîòîðîå Âàì íðàâèòñÿ, è îáúÿñíèòå, ïî÷åìó.
- Çà÷åì Âàì íóæíî ïðåóñïåòü íà ýòîì ïîïðèùå?
- Ïðèâåäèòå ïðèìåð, êîãäà Âû ðèñêîâàëè, è îáúÿñíèòå, ïî÷åìó.

- Ïðèâåäèòå ïðèìåð ðåøåíèÿ, êîòîðîå Âû ïðèíÿëè ïðè âûíóæäåííûõ îáñòîÿòåëüñòâàõ, è îáúÿñíèòå, ïî÷åìó Âû ïðèíÿëè èìåííî ýòî ðåøåíèå.
- Ãîâîðÿò, ÷òî íàäåæäà, ñòðàõ è æàäíîñòü ÿâëÿþòñÿ âðàãàìè íàñòîÿùåãî òðåéäåðà. Ïðèâåäèòå ïðèìåð ðåøåíèÿ, êîòîðîå Âû ïðèíÿëè ïîä âîçäåéñòâèåì îäíîãî èç ýòèõ ÷óâñòâ, è îáúÿñíèòå, ÷òî Âû ñåé÷àñ äóìàåòå ïî ïîâîäó ýòîãî ðåøåíèÿ.
- Êàêèìè ïîëîæèòåëüíûìè êà÷åñòâàìè, êîòîðûå ìîãóò ïîìî÷ü Âàì, êàê òðåéäåðó, Âû îáëàäàåòå?
- Êàêèìè îòðèöàòåëüíûìè êà÷åñòâàìè, êîòîðûå ìîãóò ïîìåøàòü Âàì, êàê òðåéäåðó, Âû îáëàäàåòå?
- Íåîáõîäèìî ëè èìåòü ñïîñîáíîñòè ê òðåéäèíãó èëè äîñòàòî÷íî ïðîñòî áûòü óäà÷ëèâûì? Ïî÷åìó?

Áóäüòå âíèìàòåëüíû! Âîïðîñû ìîãóò ïîêàçàòüñÿ ïðîñòûìè òîëüêî íà ïåðâûé âçãëÿä. Âîïðîñû, òðåáóþùèå îäíîñëîæíûõ îòâåòîâ (äà/íåò), òàêæå èñïîëüçîâàëèñü â ïðîöåññå îòáîðà.

Òðåéäèíãîâàÿ ñèñòåìà Turtle

Îäíîé èç ïåðâûõ èäåé, êîòîðóþ óñâîèëè Turtles, ÿâëÿåòñÿ òî, ÷òî "öåíà" - ýòî åäèíñòâåííîå, î ÷åì äîëæåí çàáîòèòüñÿ òðåéäåð. Åñëè ðûíîê íàõîäèòñÿ íà óðîâíå 60, à çàòåì ñïóñêàåòñÿ äî 58, 57, 53, çíà÷èò íà ðûíêå èìååòñÿ òðåíä ê ïîíèæåíèþ. Íà òîðãîâîé ïëîùàäêå ìîãóò èìåòüñÿ êàêèå óãîäíî òåõíè÷åñêèå èíäèêàòîðû, êîòîðûå "ïðåäñêàçûâàþò" ñëåäóþùèé óðîâåíü öåíû, èëè ÷òî ñ íåé

áó ä åò ï ð î è ñ õ î ä è òü, í î ýò è èí ä èêàò î ð û ÿâëÿþò ñÿ
áå ñ ï î ëå çíûìè. Å ñëè èìå åò ñÿ ò ð åí ä ê ï î íèæåíèþ,
ï ð è ä å ð æèâàé ò å ñü ýò î ã î ò ð åí ä à. Å ä èíñ òâåíí î å, î ÷åì
ä î ëæåí çàáî ò è òü ñÿ ò ð å é ä å ð , - ýò î ò î , ÷ò î
ä å é ñ òâè ò åëüí î ï ð î è ñ õ î ä è ò íà ð ûíêå, à íå ò î , ÷ò î , ï î
ìíåíèþ ò ð å é ä å ð à, áó ä åò ï ð î è ñ õ î ä è òü.

Å ã î öåëüþ ÿâëÿå ò ñÿ î ï ð å ä åëåíèå ì î ìåíòà, êî ã ä à à á î ëüøàÿ
÷àñ òü öåí èëè ò ð åí ä íà÷íåò ìåíÿòüñÿ. Ì å ò î ä èêà Turtle íå
ñ ò ð åìè ò ñÿ î ï ð å ä åëèòü èìåíí î ò î ò ì î ìåíò, êî ã ä à öåíà
ä î ñ òèãàåò ìèíèìóìà èëè ìàêñèìóìà. Å ñëè ð ûí î ê èìå åò
ò ð åí ä ê ï î íèæåíèþ, íå î áõ î ä èì î ï ð î ä àâàòü. Å ñëè ð ûí î ê
èìå åò ò ð åí ä ê ï î âûøåíèþ, ñëå ä óåò ï î êó ïàòü. Íà ð ûíêå
íåâ î çì î æí î êó ï è òü ÷ò î -ò î ï î ñëèøêî ì âûñ î ê î é öåíå èëè
ï ð î ä àòü ï î ñëèøêî ì íèçê î é. Â ä å é ñ òâè ò åëüí î ñ ò è
íàèá î ëåå âàæíûì àñ ïåêò î ì ì å ò î ä èêå ò ð å é ä èíãà Turtle
ÿâëÿå ò ñÿ íå âûá î ð íàèá î ëåå ï î ä õ î ä ÿùåã î ì î ìåíòà ä ëÿ
ò î ð ã î âëè è íå èí ä èêàò î ð û, à ð åøåíèå î ò î ì, ñêî ëüêî
ñëå ä óåò ï î êó ïàòü/ï ð î ä àâàòü íà ò î ì èëè èí î ì î ò ð åçêå
ò ð åí ä à. Ðåøàþùèì ôàêò î ð î ì ÿâëÿå ò ñÿ ó ï ð àâëåíèå
ä åíåæíûìè ñ ð å ä ñ òâàìè.

Ï î ä õ î ä ò ð å é ä èíã î â î é ñ è ñ ò åìû Turtle î ñí î âàí íà
àëã î ð è ò ì è÷å ñêî ì èëè ìåõàíè÷å ñêî ì ï ð èíöèïå. Ýòà ñ è ñ ò åìà
íå î ñí î âàíà íà àíàëèçå ôóí ä àìåíòàëüíûõ ï î êàçàò åëåé ñ ï ð î ñà
è ï ð å ä ë î æåíèÿ. Î ñí î âíàÿ ð î ëü âñåã ä à î òâî ä è ò ñÿ öåíå è
âð åìåíè. Ñè ñ ò åìà ï î ÷ò è íà 100% ð àáî òàåò ï î ïëàíó.
Ò ð å é ä èíã î âàÿ ñ è ñ ò åìà Turtle íå ó÷è òûâàå ò ñå ç î ííûõ

êîëåáàíèé, ãðàôèêîâ point & figure, ïðîôèëÿ ðûíêà, òðåóãîëüíèêîâ èëè day trading.

Âî ñíîâó òðåé äèíãîâîé ñèñòåìû çàëîæåíà ñèñòåìà îòñëåæèâàíèÿ ðèñêîâ è óïðàâëåíèÿ äåíåæíûìè ñðåäñòâàìè. Âñÿ èñïîëüçóåìàÿ ìàòåìàòèêà ïðîñòà è ëåãêà âîñâîåíèè. Âî âðåìÿ ïîâûøåííîé íåñòàáèëüíîñòè ðûíêîâ îáúåìû òîðãîâ ñíèæàþòñÿ. Â ïåðèîä ïîòåðü ïîçèöèè ñîêðàùàþòñÿ, à îáúåìû òîðãîâ ðåçêî ñíèæàþòñÿ. Ãëàâíîé öåëüþ ÿâëÿåòñÿ ñîõðàíåíèå êàïèòàëà äî ïîÿâëåíèÿ áîëåå áëàãîïðèÿòíûõ öåíîâûõ òðåíäîâ. Ñèñòåìà îïðåäåëÿåò:

- Êàê è êîãäà âõîäèòü íà ðûíîê.
- Êàêèå îáúåìû êîíòðàêòîâ/àêöèé ïðîäàâàòü/ïîêóïàòü âòîò èëè èíîé ìîìåíò âðåìåíè.
- Êàêèì îáúåìîì äåíåæíûõ ñðåäñòâ ðèñêîâàòü ïðè êàæäîé ñäåëêå.
- Êàê âûéòè èç ñäåëêè, åñëè îíà ÿâëÿåòñÿ óáûòî÷íîé.
- Êàê âûéòè èç ñäåëêè, åñëè îíà ÿâëÿåòñÿ ïðèáûëüíîé.
- Ïîëíîå ñîäåðæàíèå êóðñà.
- ÍÅ Day Trading.
- Äëÿ âñåõ òðåéäåðîâ âñåõ ñòðàí. Ñäåëêè íà ëþáûõ ðûíêàõ. Âñå áèðæè.
- Îäîáðåíèå

Èñïîëüçóÿ ñèñòåìó Turtle, ìîæíî îäèíàêîâî ëåãêî ïðîäàòü/êóïèòü àêöèè è Japanese Red Beans, è Australian All Ordinaries Stock Index, à òàêæå IBM è Cisco. Íå òðåáóåòñÿ çíàòü öåíó èòàëüÿíñêîé îáëèãàöèè, èëè êàêèå êîìïàíèè ñîñòàâëÿþò èíäåêñ FTSE, èëè äàæå èìåþòñÿ ëè ó [Microstrategy]() õîðîøàÿ áèçíåñ-ìîäåëü. Êëþ÷åâîé ìîìåíò - ýòî öåíà íà ãðàôèêå.

Êðàòêèå ñâåäåíèÿ

Ñèñòåìà Turtle ïðåäíàçíà÷åíà äëÿ âñåõ òðåéäåðîâ âñåõ ñòðàí. Íà÷èíàÿ ñ 1996 ãîäà, ó TurtleTrader ïîÿâèëèñü êëèåíòû â 58 ñòðàíàõ. Ìû ðàáîòàåì ñî âñåì ìèðîì, ÷òîáû ïîìî÷ü â îáó÷åíèè òðåéäèíãó ÷åðåç ñèñòåìó Turtle.

Èíñòðóêöèÿ ïî òðåéäèíãó ñèñòåìû TurtleTrader îáó÷àåò ñïîñîáàì ó÷àñòèÿ â íå ïðåäâèäåííûõ îñíîâíûõ òðåíäàõ íà ðûíêàõ, õàðàêòåðèçóþùèõñÿ êàê ïîâûøåíèåì, òàê è ñíèæåíèåì öåí, ñ öåëüþ ìàêñèìàëüíîãî óâåëè÷åíèÿ ïðèáûëè. Ñòðàòåãèè Turtle äëÿ îòñëåæèâàíèÿ äîëãîñðî÷íûõ òðåíäîâ ïîòðåáóþò ñîáëþäåíèÿ ñòðîãîé äèñöèïëèíû è ñäåðæèâàíèÿ ýìîöèé äëÿ óñïåøíîãî ïîëó÷åíèÿ ïðèáûëåé íà óðîâíå âûøå ñðåäíåãî çíà÷åíèÿ. Íåçàâèñèìî îò òîãî, ÿâëÿåòåñü ëè Âû òðåéäåðîì êðóïíîé ôèðìû, èíäèâèäóàëüíûì èíâåñòîðîì èëè òðåéäåðîì, èìåþùèì ñâîé ëè÷íûé ñ÷åò, TurtleTrader ïðåäëàãàåò îäèíàêîâî ïðîâåðåííûå ðåøåíèÿ, êîòîðûå èçíà÷àëüíî ïðåäëàãàëèñü ïåðâûì Turtles.

Çàêàçàòü êóðñ TurtleTrader: [Íàæìèòå çäåñü]().

Â íàñòîÿùèé ìîìåíò íàø ñàéò, êóðñ îáó÷åíèÿ è ïîääåðæêà äîñòóïíû òîëüêî íà àíãëèéñêîì ÿçûêå.

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William Eckhardt

ÁÍ¶Õ°lÂÜÂ²¤¶

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William Eckhardt

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¸ Å ¸ Å ´Â ½ ÃÀå º ¯È - ¿¡ È¿ º úÀûÀ ¸ · Î ´ëÀÀÇØ ¿Ô½À´ Ï ´Ù.

Ãß¼¼ ¸ Å ¸ Å ´Â ÇâÈÄ ½ ÃÀåÀÌ ³ ª º ¡ º Ý ¼öÁØÀ» ¿ ¹ ÃøÇ Ï ´Â º íÀÌ ¾Æ´Ô´ Ï ´Ù. ÀÌ º íÀ º ¹ Ýµ¿ÀûÀÌ º í Ã¼ º èÀûÀ Î Æ¯¼ º À» Áö´ Ï º í ÀÖÀ ¸ ¸ ç, ¿øÄ¢À» µû ¸ £´Â À Ï º ü¼ º ÀÌ ÀÖ´Â ±ÔÄ¢ÀÌ ÇÊ ¿ ä Çß´ Ï ´Ù. Ãß¼¼ ¸ Å ¸ Å¿¡´Â ÇöÀç ½ ÃÀå º ¡ º Ý, ± ¸ ÁÂ º º À»ê º ¸ À¯ ¼öÁØ, ± × ¸ ® º í ÇöÀç ½ ÃÀåÀÇ ÁÖ º ¡ º ¯µ¿¼ º µ î À» ÀÌ¿ëÇ Ï ´Â À§Çè º ü ¸ ® ¹ æ ¹ ý · ÐÀÌ È º ¿ëµË´ Ï ´Ù. Ã ³ À½¿¡ ½Ç½ ÃÇ Ï ´Â À§Çè Æò º ¡ ¸ ¦ ÅëÇØ ÁøÀÔ ½ Ã Æ÷Áö¼Ç Å ©±â ¸ ¦ º áÁ¤ÇÕ´ Ï ´Ù. º ¡ º Ý º ¯µ¿À ¸ · Î À Î ÇØ ÃÖÃ Ê Æ÷Áö¼ÇÀÌ Á¡Â÷ ÁÙ¾ î µé º Å ³ ª ´ Ã¾î ³ ¯ ¼öµµ ÀÖÀ ¸ ¸ ç, ¿ ª º ¡ º Ý º ¯µ¿À ¸ · Î ÀüÃ¼ Æ÷Áö¼ÇÀ» ¸ ð µ Î Ã»»êÇØ¾ß Ç Ï ´Â º æ¿ìµµ ¹ ß»ýÇÕ´ Ï ´Ù. ¿ ª »çÀûÀ ¸ · Î º ¼ ¶ §, Ãß¼¼ ¸ Å ¸ Å º Å · ¡À Î ÀÇ º Å · ¡´ç Æò±Õ ¼öÀ Í À ² À º º Å · ¡´ç Æò±Õ ¼Õ½ÇÀ ² º ¸ ´Ù ¿ùµî È÷ ³ ô¾Ò½À´ Ï ´Ù.

Turtles

"¼ º º øÀûÀ Î ÁÖ½Ä º Å · ¡À Î ÀÇ ±â¼úÀ» ÇÐ½ÀÇ Ï ´Â º í ÀÌ º ¡´ ÉÇÒ± î ¿ ä ? ¾Æ´ Ï ¸ é ± × ±â¼úÀ º Ãµ º Î ÀûÀ Î º íÀ ¸ · Î Çà¿ î ¾Æµé ¸ ¸ º ® º í ÅÂ¾î ³ ª ´Â À º º ¨ º º À º º íÀÌ±î¿ ä ? 18 ³ â º £ 400 ´Þ · ¯ ¸ ¦ 2¾ ï ´Þ · ¯ · Î Å º ¿î ½ ÃÄ« º íÇ Àü¼ ³ ÀûÀ Î ÁÖ½Ä º Å · ¡À Î À Î Richard Dennis´Â È®½ ÅÀ» º ® º í ÀÖ½À´ Ï ´Ù. ¹ Ì± ¹ Àü¿ ª ¿¡¼ - ¸ ð ÁýÇÑ ÁÖ½Ä º Å · ¡À Î Áö ¸ ÁÀ¿¡ ´ëÇÑ ½ÇÇè¿¡¼ - , Richard Dennis´Â ÁÖ½Ä º Å · ¡ ¹ æ ¹ ýÀÌ ÇÐ½ÀµÈ´Ù´Â »ç½ÇÀ» ÀÔÁõÇß½À´ Ï ´Ù. Áö ³ - 1 ³ â 6 º ³ ¿ù µ¿¾È Richard º ¡ ± ³ À º À» ¸ ÃÀ º º Å · ¡À Î 14 ¸ íÀÇ ¿¬ º £ Æò±Õ ¼öÀÍÀ ² À º 80%¿¡ ´ÞÇß½À´ Ï ´Ù. ÀÌ¿ Í ´Â

Holy Grails

- **Warren Buffett**
- Analyst Hype
- CNBC News BS
- No Day Trading
- Breakout Hype
- Tip Nonsense
- David Faber Hype
- Buy & Hold? No
- Fed & Greenspan
- Brokers Do Not Help
- Microstrategy
- Goldman Sachs
- **CNBC Video BS**

More Holy Grails

- **Hype from Gurus**
- Avoid Like Plague
- Larry Williams
- Motley Fool(s)
- Ken Roberts

Resources

- **Free Resources**
- Free MP3 Audio
- Our Reading List
- Offshore Resources
- White Paper Archive
- Paper Trading/Auditrack

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´ëÁ¶ÀûÀ ¸ · Î ,1 ³ âÀ» ±âÁØÀ ¸ · Î ÇßÀ» ¶ § º ñÀü ¹ ® ÁÖ½Ä
º Å · ¡À Î Áß 70%´Â µ · À» ÀÒ º í ÀÖ½À´ Ï ´Ù. "ÁÖ½Ä º Å · ¡´Â
Á¦ º ¡ »ý º ¢ÇÑ º Í º ¸ ´Ù È Î ¾À ´õ º ¡ ¸ £Ä¡±â ½±´õ± º ¿ ä "
RichardÀÇ ¸ »ÀÔ´ Ï ´Ù. "¾ î ¶ ² ¸ é¿¡¼ - º ¸ ¸ é, ³ Ê ¹ « ³ ª
½¬¿ î À Ï ÀÔ´ Ï ´Ù." Dennis ¾¾´Â ÇÐ½À º ú Ãµ º Î ÀûÀ Î ´É · Â¿¡
´ëÇØ µ¿ · áµé º ú ¼ö ³ â º £ ³ íÀ ï À» ¹ ú¿´ ½À´ Ï ´Ù. Dennis ¾¾ÀÇ
´É · ÂÀÌ "¼ ³ ¸ íÀ Ì º Ò º ¡´ÉÇ Ï ¸ ç, º Ò º ¡»çÀÇÇ Ï º í,
º ³ À Î ÀûÀ Ì ¸ ç Á÷ º üÀûÀ Î ´É · Â"À Ì ¶ ó º í µ¿ · áµéÀ Ì
ÁÖÀåÇßÁö ¸ ¸ , Dennis º »À Î ÀÇ ¼ ³ ¸ íÀ º È Î ¾À º £´ÜÇß½À´ Ï ´Ù.
40 ¼¼ÀÇ Dennis¾¾´Â ½ º ½ º · Î º ³ ¹ ßÇÑ ¸ î º ¡Áö º Å · ¡
¹ æ ¹ ýÀ Ì À½ ÅÀ Ì ¼ º º øÇÑ À ÌÀ¯ ¶ ó º í ÇÕ´ Ï ´Ù. ± × ¸ ® º í ´õ¿í
Áß¿ ä ÇÑ º Í À º À Ì ¹ æ ¹ ýÀ» ¹ Ýµå ½ Ã ÁØ¼öÇ Ï º ´Ù´Â ¿øÄ¢¿¡
ÀÖ´Ù º í ¼ ³ ¸ íÇÕ´ Ï ´Ù. À½ ÅÀÇ »ý º ¢À» Áõ ¸ íÇ Ï ±â À§ÇØ, Dennis
¾¾´Â ½ÇÁ¦ ½ÇÇèÀ» Ç Ï ±â · Î º á½ ÉÇß½À´ Ï ´Ù. 1983 ³ â ¸ »¿¡
± × ¸ ® º í 1984 ³ â¿¡ Dennis ¾¾´Â ¿ù ½ º Æ® ¸ ®Æ® Àú ³ Î ,
¹ è · Ð½ º (Barron's) ± × ¸ ® º í ´ º ¿å Å ¸ ÀÓÁî¿¡ ÁÖ½Ä
º Å · ¡À Î ¸ ðÁý º ø º í ¸ ¦ ½Ç¾ú½À´ Ï ´Ù. ÁÖ½Ä º Å · ¡À Î
± ³ À º À» ¹ Þ±â À§ÇØ¼ - ´Â ½ ÃÄ« º í · Î À ÌÁÖÇØ¾ß Ç Ï ¸ ç, Dennis
¾¾ º ¡ ± × ÀÇ ÁÖ½Ä º Å · ¡ ¹ æ ¹ ýÀ» º ¡ ¸ £Ä¡´Â µ¿¾È ¼ÒÁ¤ÀÇ
¿ù±Þ º ú ¼öÀ Í ±ÝÀÇ À Ï º Î ¸ ¦ ¹ Þ´Â Á¶ º ÇÀ Ì¾ú½À´ Ï ´Ù."
¿ù ½ º Æ® ¸ ®Æ® Àú ³ Î ±â»ç

À Ì º Í À º ¾Æ ¸ ¶ µµ Áõ±Ç ½ ÃÀåÀÇ ¿ ª »ç »ó º ¡Àå ¸ ¹ À Ì
È ¸ ÀµÇ´Â Áõ±Ç º Å · ¡ ¼¼ ¹ Ì ³ ª À Ï º Í ÀÔ´ Ï ´Ù. 1984 ³ â, Richard
Dennis´Â 2ÁÖ º úÁ¤ÀÇ ¼¼ ¹ Ì ³ ª ¸ ¦ ÅëÇØ ± ³ À º »ýµé(ÁÖ½Ä
¸ Å ¸ Å º æÇèÀ Ì ¾ø´Â Ã Ê º ¸ À)¿¡ º Ô À½ ÅÀÇ ÁÖ½Ä º Å · ¡
¹ æ ¹ ý · ÐÀ» º ¡ ¸ £Ã Æ½À´ Ï ´Ù. 1 ³ âÈÄ, ± × ´Â À Ì º úÁ¤À» ´Ù½ Ã
¹ Ý º ¹ Çß½À´ Ï ´Ù. [Turtle] ¼ö¾÷À» ÁøÇàÇÑ Dennis ¾¾ÀÇ µ¿±â´Â

ÁÖ½Ä °Å·¡ ±â¼úÀÇ ÇÐ½ÀÀÌ °¡´ÉÇÑ °¡¿¡ ´ëÇÑ Ä£± ¸ °â
µ¿¾÷ÀÚ William Eckhardt¿ÍÀÇ ³íÀïÀ» Á¾°áÇÏ±â À§ÇÑ
°ÍÀÌ¾ú½À´Ï´Ù. Dennis´Â ÁÖ½Ä °Å·¡´É·ÂÀ» ¸î °¡Áö
±ÔÄ¢À¸·Î ¿ä¾àÇÒ ¼ö ÀÖÀ¸¸ç ´Ù¸¥»ç¶÷¿¡°Ô µµ ÀüÀÇÒ ¼ö
ÀÖ´Ù°í È®½ÅÇß½À´Ï´Ù. ±×·¯³ª Eckhardt¾¾´Â ÁÖ½Ä
°Å·¡´É·ÂÀº ¼±Ãµ ÀûÀÎ °ÍÀ¸·Î ÇÐ½ÀÀÌ
ºÒ°¡´ÉÇÏ´Ù°í »ý°¢Çß½À´Ï´Ù.

[Richard Dennis]´Â µ¿¾÷ÀÚÀÎ [Bill Eckhardt]¿ÍÀÇ ³íÀï¿¡¼
½Â¸®Çß½À´Ï´Ù. Dennis ¾¾°¡ ½Ì°¡Æ÷ÀÇ °Åº ÏÀÌ
³óÀåÀ» ¹æ¹®ÇÑ ÈÄ, ³óÀå¿¡¼ °Åº ÏÀÌ ¸¦ Å°¿ì´Â
°ÍÃ³·³ ÁÖ½Ä °Å·¡ÀÎ À» ¾ç¼ºÇÏ±â À§ÇØ À½ ÅÀÇ
Á¦Àµé¿¡°Ô TurtleÀÌ¶ó´Â ÀÌ ¸§À» ºÙ¿´½À´Ï´Ù.(È ¸éÇÏ´ÜÀÇ
µå·Ó´Ù¿î ¸Þ´º¿¡ Turtle À» ¸í·ÉÇÏÀÌ ÀÖ½À´Ï´Ù.) ¿À´Ã ³¯,
¾ÈÁ¤µÈ ½Ã½ºÅÛ°úÀ¯ ¸íÇÑ ¸î ¸î ÀÏÈ ¸¦ Å ëÇØ TurtleÀº
°í°´À» À§ÇÑ ÈÇ ¸¢ÇÑ Æ®·¹ÀÌµù ½Ã½ºÅÛÀ» Á¦°øÇÒ ¼ö
ÀÖ°Ô µÇ¾ú½À´Ï´Ù. Turtle ±â¼úÀ» Å ëÇØ 50%, ½ÉÁö¾î´Â 100%
ÀÌ»óÀÇ ¿¬°£ ¼öÀÍÀ² À» ±â´ëÇÒ ¼ö ÀÖ¾úÀ¸¸ç ¸ç ÀÏ º Î TurtleÀº
1°³¿ù ¸¸¿¡ 100%°¡ ³Ñ´Â ¼öÀÍÀ» ¿Ã·ÈÀ½´Ï´Ù. ÀÚ¼¼ÇÑ
³»¿ëÀº [½ÇÀû]À» ´©¸£½Ê½Ã¿À.

Turtle ¼±ÅÃ

Turtle ¼±¹ß ÁÖ¹® ÀÌÇüÀº ¾î¶² ² °ÍÀÔ´Ï±î? TurtleÀº ´ÙÀ½
ÁÖ¹®¿¡ ´ëÇØ °¢°¢ ÇÑ ¹®ÀåÀ¸·Î ´ë´ä ÇØ¾ß ÇÕ´Ï´Ù.

- ÁÁ¾ÆÇÏ´Â Ã¥ ¶Ç´Â ¿µÈ´Â ¹«¾ùÀÌ¸ ç, ÁÁ¾ÆÇÏ´Â
  ÀÌÀ¯´Â ¹«¾ùÀÔ´Ï±î?
- Á¸°æÇÏ´Â ¿ª»çÀûÀÎ ¹°Àº ´©±¸ÀÌ¸ç ±× ÀÌÀ¯´Â

¹ «¾ùÀÔ´ Ï ± î ?

- ÀÌ º Ð¾ß¿¡¼ - ¼ º º øÇ Ï º í ½ ÍÀ º ÀÌÀ¯ º ¡ ¹ «¾ùÀÔ´ Ï ± î ?
- À§ÇèÇÑ À Ï À» Ã ßÁøÇÑ ÀûÀÌ ÀÖ½À´ Ï ± î ? ÀÖ´Ù ¸ é ± × ÀÌÀ¯ ¸ ¦ ¸ »Ç Ø º ¸ ½ Ê ½ Ã ¿À.
- ¾Ð ¹ Ú º ¨ ¼Ó¿¡¼ - ³ » · È´ ø º áÁ¤ º ú ± × º áÁ¤À» ³ » ¸ º ÀÌÀ¯¿¡ ´ëÇ Ø ¼ ³ ¸ íÇ Ï ½ Ê ½ Ã ¿À.
- Èñ ¸ Á, µ Î · Á¿ ò ± × ¸ ® º í Å ½¿åÀ º ÁÖ½Ä º Å · ¡À Î ÀÇ ÀûÀ ¸ · Î ¾Ë · ÁÁ® ÀÖ½À´ Ï ´Ù. Èñ ¸ ÁÀÌ ³ ª µ Î · Á¿ ò ¶ Ç´Â Å ½¿å º ú º º À º º ¨ Á¤¿¡ ÁÂ¿ìµÇ¾ î º áÁ¤ÇÑ ³ »¿ë º ú, Áö±ÝÀ º ± × º áÁ¤¿¡ ´ëÇØ ¾ î ¶ » º Ô »ý º ¢Ç Ï ´Â Áö ¼ ³ ¸ íÇ Ï ½ Ê ½ Ã ¿À.
- Áö±Ç º Å · ¡¿¡ µµ¿òÀÌ µÉ ¸ ¸ ÇÑ ½ º ½ º · Î ÀÇ ÀåÁ¡À º ¹ «¾ùÀÌ ¶ ó º í »ý º ¢ÇÕ´ Ï ± î ?
- Áö±Ç º Å · ¡¿¡ ÇØ · Î ¿ ï ¼ö ÀÖ´Â ½ º ½ º · Î ÀÇ ´ÜÁ¡À º ¹ «¾ùÀÌ ¶ ó º í »ý º ¢ÇÕ´ Ï ± î ?
- Áö±Ç º Å · ¡¿¡ ÀÖ¾ î ´ ç ½ ÅÀ º ¿ î ÀÌ ÁÁ±æ ¹ Ù ¶ ø´ Ï ± î ½Ç · ÂÀÌ ¶ Ù¾ î ³ ª ±æ ¹ Ù ¶ ø´ Ï ± î ? ± × ÀÌÀ¯´Â ¹ «¾ùÀÔ´ Ï ± î ?

´Ü¼øÇØ º ¸ ÀÌ ´Â Áú ¹ ®¿¡ ¼ÓÁö ¸ ¶ ½ Ê ½ Ã ¿À. [OX½Ä Áú ¹ ®]µµ ¼± ¹ ß º úÁ¤¿¡¼ - Ã¤Å Ã ÇÑ ÀûÀÌ ÀÖ½À´ Ï ´Ù.

Turtle Æ®·¹ÀÌµù ½Ã½ºÅÛ

TurtleÀÌ ¹ è¿ì º Ô µÇ´Â Ã ¹ ¹ øÂ º º ³ ³ ä Áß Ç Ï ³ ª ´Â ÁÖ½Ä º Å · ¡À Î À º " º ¡ º Ý"¿¡ ¸ ¸ ÁýÁßÇØ¾ß ÇÑ ´Ù´Â º Í ÀÔ´ Ï ´Ù. 60¼±À» À¯ÁöÇ Ï ´ø ½ Ã ÀåÀÌ 58, 57, 53À ¸ · Î ¶ ³ ¾ î Áø´Ù ¸ é, ½ Ã ÀåÀ º Ç Ï ¶ ô Ã ß¼¼¿¡ ÀÖ´Â º Í ÀÔ´ Ï ´Ù. µû ¶ ó¼ - Æ® · ¹ ÀÌ µå ½ º Å × ÀÌ¼ÇÀ» ÀÌ¿ëÇÑ º ¢ º ¢ÀÇ ±â¼úÀû ÁöÇ¥ ¸ ¦

° ¡Áö ° í ¾ÒÀ ¸ · Î ÀÇ ° ¡ ° Ý º ¯µ¿ ½ ÃÁ¡À º ¾ ð Á¦À Ì ° í ° ¡ ° Ý
º ¯µ¿À ¸ · Î À Î ÇØ ¾ î ¶ ² À Ï À Ì ¹ ß»ýÇÒ Áö ¸ ¦ "¿ ¹ Ã ø"ÇÒ ¼öµµ
ÀÖ½À´ Ï ´Ù. ± × · ¯ ³ ª À Ì · ± ÁöÇ¥µéÀ º ¸ ð µ Î
¹ «¿ëÁö ¹ ° ÀÔ´ Ï ´Ù. Ç Ï ¶ ô Ã ß¼¼¿¡ ÀÖ´Ù ¸ é, Ã ß¼¼¿¡
µû ¸ £½ Ê ½ Ã ¿À. ÁÖ½Ä ° Å · ¡À Î À Ì ° ü½ ÉÀ» ° ¡Á®¾ß ÇÒ ° Í À º
½ ÃÀåÀ Ì ¾ÒÀ ¸ · Î ¾ î ¶ »° Ô Àü ° ³ µÉ ° Í À Î Áö ° ¡ ¾ Æ´ Ï ¶ ó
ÇöÀç ½ ÃÀå »óÈ ² À» ÆÄ¾ÇÇ Ï ´Â ° Í ÀÔ´ Ï ´Ù.

´ë º Î º ÐÀÇ ° ¡ ° Ý º ¯È - ¶ Ç´Â ½ ÃÀå µ¿ÇâÀ» À Ì ÇØÇ Ï ´Â ° Í À Ì
¿ì ¸ ®ÀÇ ¸ ñÇ¥ÀÔ´ Ï ´Ù. Turtle ±â¼úÀ º Ã Ö ° íÁ¡À Ì ³ ª Ã ÖÀúÁ¡À»
¿ ¹ »óÇ Ï ±â À§ÇÑ ° Í À Ì ¾ Æ´Ô´ Ï ´Ù. ½ ÃÀåÀ Ì Ç Ï ¶ ô¼¼¿¡
ÀÖÀ ¸ ¸ é, ÁÖ½ÄÀ» ¸ Å µµÇ Ï ½ Ê ½ Ã ¿À. ½ ÃÀåÀ Ì »ó ½Â¼¼ ¶ ó ¸ é,
ÁÖ½ÄÀ» ¸ Å ÀÔÇ Ï ½ Ê ½ Ã ¿À. ½ ÃÀåÀ Ì Ã Ê ° - ¼¼ ¸ ¦ º ¸ À Ì ¸ é
¸ Å ÀÔÇÒ ¼ö ¾øÀ ¸ ¸ ç ½ ÃÀåÀ Ì Ã Ê ¾à¼¼ ¸ ¦ º ¸ À Ì ¸ é ¸ Å µµÇÒ
¼ö ¾ø½À´ Ï ´Ù. »ç½Ç»ó, Turtle Æ ® · ¹ À Ì µùÀÇ ° ¡Àå Áß¿ ä ÇÑ
Ã ø ¸ éÀ º ¸ Å ¸ ÅÀÇ Å ¸ À Ì ¹ ÖÀ Ì ³ ª ÁöÇ¥ ° ¡ ¾ Æ´ Ï ¶ ó
Ã ß¼¼ ° ¡ Áö¼ÓµÇ´Â µ¿¾È ¾ó ¸ ¶ ³ ª ¸ ¹ À º ¾çÀ» ¸ Å ¸ ÅÇÒ
° Í À Î Áö ° áÁ¤Ç Ï ´Â ° Í ÀÔ´ Ï ´Ù. À Ì · ¯ÇÑ ÁÖ¿ ä ÇàÀ§ ¸ ¦ Àİ±Ý
° ü ¸ ® ¶ ó ° í º Î ¸ ¨ ´ Ï ´Ù.

Turtle Æ ® · ¹ À Ì µù ½ Ã ½ º Å ÛÀ º ° úÇÐÀûÀ Î ° è»ê ¶ Ç´Â
±â ° èÀûÀ Î ¹ æ½ÄÀ» ÀÀ¿ëÇØ ½ ÃÀÛµÇ¾ú½À´ Ï ´Ù. À Ì
½ Ã ½ º Å ÛÀ º ±â º »ÀûÀ Î ¼ö¿ ä ° ø±Þ ¿ ä À Î À» º Ð¼®Ç Ï ´Â
° Í À Ì ¾ Æ´Ô´ Ï ´Ù. ° ¡ ° Ý ° ú ½ Ã ° £À º Ç × »ó Áß¿ ä ÇÔ´ Ï ´Ù. º »
½ Ã ½ º Å ÛÀ º 100%¿¡ µµÀüÇ Ï ´Â Ã ¼ ° èÀûÀ Î
½ Ã ½ º Å ÛÀÔ´ Ï ´Ù. Turtle ½ Ã ½ º Å ÛÀ º ÁÖ±â, Æ÷À Î Æ ® ¹ ×
¼öÄ¡, ½ ÃÀå º Ð¼®Ç¥, Æ ® ¶ óÀ Ì ¾Þ±ÛÀ Ì ³ ª
µ¥À Ì Æ ® · ¹ À Ì µù ° ú´Â ° ü ° è ° ¡ ¾ø½À´ Ï ´Ù.

Turtle ÁÖ½Ä °Å·¡´Â À§Çè °ü¸® ¹× ÀÚ±Ý °ü¸®
½Ã½ºÅÛ¿¡ »Ñ¸® ¸¦ µÎ °í ÀÖÀ¸ ¸ç ÀÌ ½Ã½ºÅÛ¿¡
»ç¿ëµÈ ¼öÇÐÀû °³³ ä À» ½±°Ô ÀÍÈú ¼ö ÀÖ½À´Ï´Ù. ½ÃÀå ÁÖ°¡
°¯µ¿¼°ÀÌ ³ôÀ» ¶§¿¡´Â, °Å·¡ ±Ô¸ð °¡ ÁÙ¾îµì´Ï´Ù.
¼Ò½ÇÀ» °¸´Â ±â°£¿¡´Â Æ÷Áö¼ÇÀÌ ÁÙ¾îµé°í °Å·¡ ±Ô¸ð µµ
ÁÙ¾îµì´Ï´Ù. Turtle ÁÖ½Ä °Å·¡ÀÇ Áß½É ¸ñÇ¥´Â °¡Àå
À¯¸®ÇÑ °¡°Ý Ãß¼¼°¡ ´Ù½Ã ³ª Å¸³¯ ¶§±îÁö ÀÚ±ÝÀ»
°¸È£Ç Ï´Â °ÍÀÔ´Ï´Ù. ÀÌ ½Ã½ºÅÛÀ¸·Î ´Ù½Ã »çÇ×À»
°áÁ¤Ò ¼ö ÀÖ½À´Ï´Ù.

- ¾ðÁ¦ ¾î ¶»°Ô ½ÃÀå¿¡ ÁøÀÔÇ Ï´Â°¡.
- ¾î´À Á¤µµÀÇ °è¾à/ÁÖ½ÄÀ» °Å·¡ÇØ¾ß Ç Ï´Â°¡.
- °¢ °Å·¡ º° ·Î °¨¼öÇÒ ÀÖ´Â ¼Õ½Ç¾×À º ¾î´À Á¤µµÀÎ °¡.
- ¼öÀÍÀÌ ¾ø´Â °æ¿ì, ¾î ¶»°Ô ½ÃÀå¿¡¼ ³ª ¿Í¾ß ÇÏ´Â°¡.
- ¼öÀÍÀÌ ÀÖ´Â °æ¿ì, ¾î ¶»°Ô ½ÃÀå¿¡¼ ³ª ¿Í¾ß ÇÏ´Â°¡.
- [Àü Ã¼ ± ³ À° °úÁ¤ ³ »¿ë](#)
- [µ¥ÀÌ Æ® · ¹ ÀÌµù ¹ èÁ¦](#)
- °¢ ³ ª ¶ óÀÇ ¸ ðµç ÁÖ½Ä °Å·¡À Î ¿¡ °ÔÇØ´ç. ¸ ðµç ½ÃÀå. ¸ ðµç °Å·¡¼Ò.
- [°í°´Æò°¡](#)

¾Ë À ¸ · Î ´Â Turtle ½Ã½ºÅÛÀ» ÀÌ ¿ëÇÏ ¿© [IBM](#) °ú [Cisco](#) ÁÖ½Ä °Å·¡ Ã ³ · ³ È£ÁÖÁ¾ÇÕÁÖ °¡Áö¼ö(Australian All Ordinaries Stock Index) · Î ½±°Ô À Ï °»»ê Æ ÏÀ» ¸ Å ¸ ÅÇÏ °Ô µÉ ° í À Ö ´ Ï ´Ù. ÀÌ Å» ¸ ®¾Æ °»µå °¡ ¾ó ¸ ¶ À Î Áö, ¾î ¶ ² È ¸ »çµéÀÌ FTSE

ÁöÇ¥ ¸ ¦ ± ¸ ¼ º Ç Ï ´ ÂÁö, ½ ÉÁö¾ î Microstrategy ° ¡ ÁÁÀ º
º ñÁ î ´ Ï ½ º ¸ ð µ ¨ À» ° ¡Áö ° í ÀÖ´ ÂÁö ¾Ë Ç Ê ¿ ä µµ ¾ø ½À´ Ï ´Ù.
Áß¿ ä ÇÑ ° Í À º Â÷Æ ® »óÀÇ ° ¡ ° ÝÀÔ´ Ï ´Ù.

¿ä¾à

Turtle ½ Ã ½ º ÅÛÀ º ¸ ð µç ³ ª ¶ óÀÇ Àü ÁÖ½Ä ° Å · ¡À Î À»
À§ÇÑ ½ Ã ½ º ÅÛÀÔ´ Ï ´Ù. TurtleTraderÀÇ ° í ° ´À º 1996 ³ âÀ Ì ÈÄ
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¿© · ¯ º ÐÀÇ Turtle ½ Ã ½ º ÅÛ ¿ î ¿ëÀ» Áö¿øÇ Ï ° í ÀÖ½À´ Ï ´Ù.

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- **Joint ventures**: All creative ideas are welcomed.
- **Free lance writers**: Contribute to our site.
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- **Link exchanges**: Cross-promotional linking.

Asian, European, African and Australian ventures welcomed.

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Why has TurtleTrader become the leading trend following teacher with a reach nearly everywhere? How can one site run circles around so many larger well-known finance portals? First, our quality of material and attention to detail are unsurpassed. The second part of the answer lies in *Metcalfe's Law*. Metcalfe's Law is often expressed in two ways:

The number of possible cross-connections in a network grow as the square of the

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number of computers in the network increases...[or]...The community value of a network grows as the square of the number of its users increase.

TurtleTrader works like crazy to make sure the site is always reaching one step further out. Networking the TurtleTrader site across the globe, always rooted in Metcalfe's thought process, has been our goal since inception in 1996.

Press Inquiries

If you are a member of the press in need of background regarding the global trading community or any aspect of the site, TurtleTrader can help. We have provided background and insight for publications such as:

- Appliederivatives.com
- The Australian
- Futures Magazine
- Hedge Fund Alert
- Institutional Investor
- ZDnet Interactive Week
- Nikkei Nihon Kiezai Shimbun
- The Sydney Morning Herald
- The Wall Street Journal
- Barrons

Drop us an email detailing your request. We try to respond within 24 hours, usually much quicker. Please send all inquiries: here.

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