When you train people, you tell them your basic approach to the markets. Isn't there a risk of creating twenty clones of Richard Dennis? Wouldn't their trading results be highly correlated with what you are doing?
There was a huge spread. One of the things that we repeatedly told the class was: "We are going to teach you what we think works, but you are expected to add your own personal flair, feeling, or judgment."

How large are the stakes these traders are using?
It has increased over the years as they have made money. I would say on average about $2 million each.

What did they start out with?
One hundred thousand dollars each.

I've heard this group of traders referred to as the "turtles." I found that term somewhat amusing. What is the origin of the name?
When I decided to do the trader-trainee program, I had just returned from a trip to the Far East. In telling someone about the program I said, "We are going to grow traders just like they grow turtles in Singapore." I had visited a farm there and seen a huge vat with thousands of squirming turtles; that became my image of growing traders.

How much of a role does luck play in trading?
In the long run, zero. Absolutely zero. I don't think anybody winds up making money in this business because they started out lucky.

But on individual trades, obviously, it makes a difference?
That is where the confusion lies. On any individual trade it is almost all luck. It is just a matter of statistics. If you take something that has a 53 percent chance of working each time, over the long run there is a 100 percent chance of it working. If I review the results of two different traders, looking at anything less than one year doesn't make any sense. It might be a couple of years before you can determine if one is better than the other.

You are one of the few people who is both a discretionary trader and a systems trader. How would you compare the two approaches?
Professional traders may do some very intelligent things, but they have a tendency not to think systematically about what they are doing. For example, most traders who do a trade that works will not think: Why did it work? What did I do here that I might be able to do in another market, at another time? There is not a lot of reflection on the process of trading, hi contrast, I think I always have been analytical about trading, even before I ever researched a mechanical system.
On the opposite extreme, you have the academic types who research before they have ever traded. They lack the seat-of-the-pants knowledge necessary to develop good trading systems. Mercifully, I did the trading first. Therefore, the research we do is more applicable to the real world.

Can you give me an example of how the lack of real world experience would hurt the researcher?
As an example, assume I develop a mechanical system that often signals placement of stops at points where I know there will tend to be a lot of stops, hi the real world, it is not too wise to have your stop where everyone else has their stop. Also, that system is going to have above-average skids. If you don't understand that and adjust the results accordingly, you are going to get a system that looks great on paper, but is going to do consistently poorer in the real world.

You mentioned that before you developed a mechanical trading system, you paid close attention to the trading process. Did you keep a log of what you did right and wrong, or was it a matter of memory?
Yes, I would write down observations and think about them. I thought about everything I was doing.

Is that something you would advise other traders to do to improve— that is, keep track of what they are doing right and what they are doing wrong?