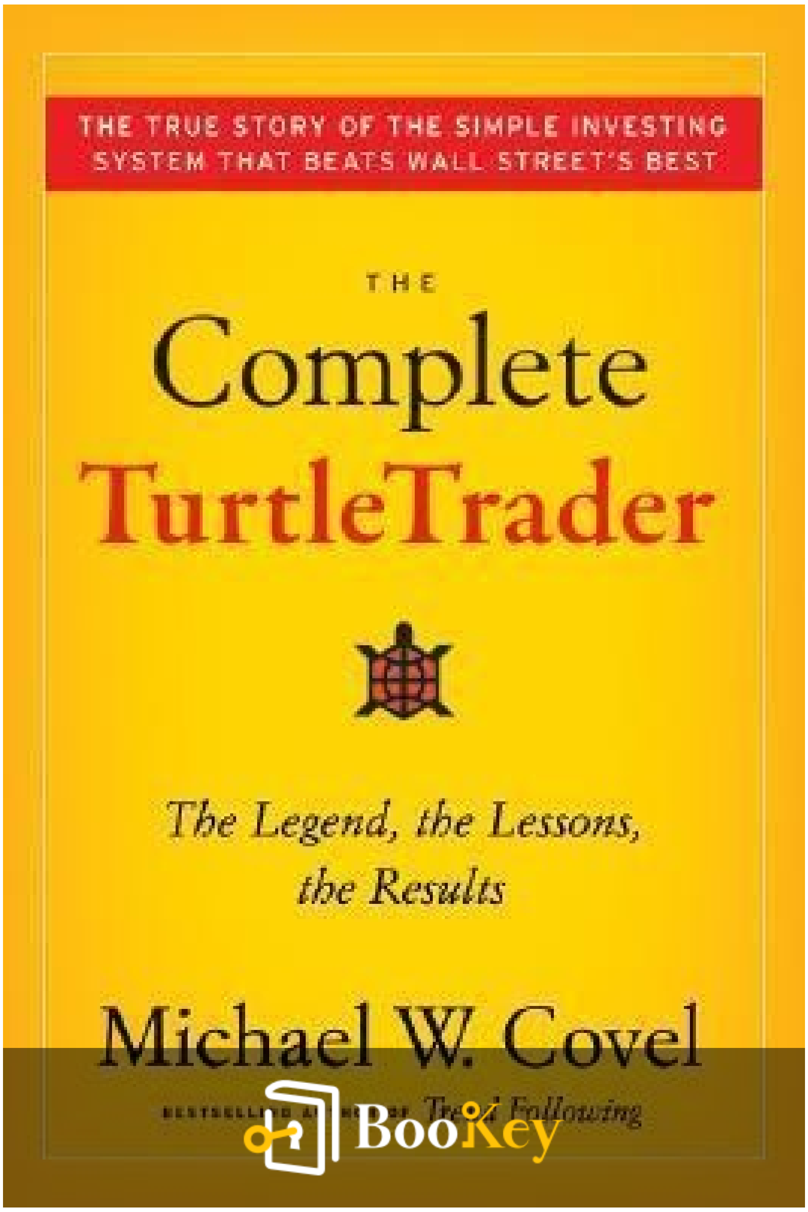
The Complete Turtletrader PDF

Michael W. Covel



The Complete Turtletrader

Discover the Secrets Behind Wall Street's Most Iconic Trading Experiment.

Written by Bookey

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About the book

In *The Complete Turtle Trader*, Michael W. Covel unveils the captivating true story of Richard Dennis, a Wall Street icon who revolutionized trading by teaching ordinary individuals how to achieve extraordinary wealth. With a belief that trading success could be distilled into a straightforward set of rules, Dennis launched an unprecedented experiment by recruiting novices from diverse backgrounds—ranging from a blackjack player to a pianist—and training them for two weeks. Armed with a million dollars each of Dennis's money, these "Turtles" entered the trading world and collectively generated over a hundred million dollars. Covel captures their journey through exclusive interviews and in-depth analysis of Dennis's selection process, training methods, and the Turtle trading system. Highlighting both the remarkable successes and continued legacies of the Turtles, the book serves as a testament to the reproducibility of their principles, empowering anyone with the dedication to thrive in the financial markets. In a landscape rife with unreliable investment advice, the TurtleTrader's straightforward, disciplined approach remains a beacon for those seeking genuine financial success.

About the author

Michael W. Covel is an acclaimed author, entrepreneur, and filmmaker best known for his expertise in trading and investing. With a background in philosophy and economics, Covel has gained recognition for his compelling insights into the world of trend following—a trading strategy that emphasizes the importance of market trends over individual stock analysis. His books, including the best-selling "The Complete TurtleTrader," delve into the stories and principles behind successful trading practices, drawing upon real-life examples and research that resonate with both novice and experienced investors. Through his engaging writing and thought-provoking perspectives, Covel has made significant contributions to the financial literature landscape, inspiring countless readers to embrace disciplined, systematic approaches to trading.

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Chapter 1 Summary : 1

Section	Summary
Introduction	Michael W. Covel discusses the nurture versus nature debate through Richard Dennis's 1980s trading experiment, challenging beliefs about trading ability and experience.
Richard Dennis's Experiment	Richard Dennis sought to determine if trading skills could be taught, placing an ad for unqualified candidates which received little response, indicating public skepticism about easy financial success.
The Nature vs. Nurture Debate	Dennis believed trading could be learned, while his partner Eckhardt felt talent was innate; they decided to train a diverse group to test the teachability of trading skills.
Diversity of Selected Candidates	Dennis chose a diverse group, prioritizing calculated risk-taking over typical intelligence indicators, to explore adaptable potential in trading.
Training and Results	Candidates underwent a two-week training program, trading with substantial funds and sharing profits, leading to the success of many, including future billion-dollar traders.
Legacy and Critique	Despite successes, skepticism surrounded the experiment; critics doubted the replicability of Dennis's unconventional methods in a landscape valuing formal education and pedigree.

Chapter 1 Summary: Nurture versus Nature

Introduction

In "The Complete TurtleTrader," Michael W. Covel explores the debate of nurture versus nature through the lens of Richard Dennis's social experiment in the trading world during the 1980s. The chapter presents how Dennis challenged conventional beliefs about trading ability and the significance of experience.

Richard Dennis's Experiment

Richard Dennis, a successful trader, conducted a social experiment to ascertain whether trading skills could be taught. He placed an ad seeking candidates for commodity futures trading training at C&D Commodities, emphasizing that previous experience was not required. Despite the enticing opportunity, the ad garnered few responses, highlighting the public's skepticism regarding accessible paths to financial success.

The Nature vs. Nurture Debate

Dennis believed that trading could be learned and viewed money as a tool for leveraging opportunities rather than as an emotional attachment. His partner, William Eckhardt, held the opposing belief that trading talent was innate. To settle their debate, they decided to train a diverse group of individuals, encompassing various backgrounds and lifestyles, to see if successful trading skills could be instilled in them.

Diversity of Selected Candidates

Dennis selected a wide array of individuals, ranging from college graduates to those with unconventional pasts, valuing calculated risk-taking over pedigree. He avoided traditional norms of intelligence measurements, focusing instead on the potential for adaptability and perspective in trading.

Training and Results

The selected candidates underwent an intensive two-week training program where they learned Dennis's proprietary trading methods. Each student was given a substantial sum of money to trade with, earning a significant percentage of the profits. The resultant success of many candidates, including notable traders managing billions years later, demonstrated the viability of Dennis's teachings.

Legacy and Critique

Despite the accomplishments of Dennis's former students, skepticism persisted around the experiment, often dismissing its atypical recruitment method. Critics doubted the replicability of Dennis's non-traditional approach in a modern context where formal education and pedigree have become prevalent indicators of success in trading.

Critical Thinking

Key Point:The viability of teaching trading skills

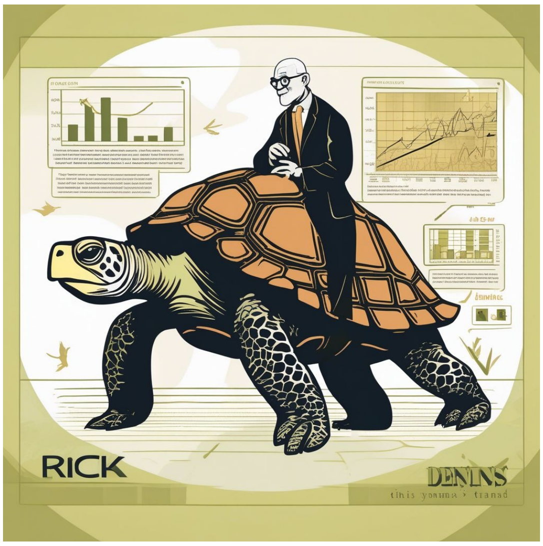
Critical Interpretation:Covel suggests that Richard Dennis's experiment illustrates that trading skills can be nurtured rather than relying solely on innate talent, a perspective that challenges conventional wisdom. However, this viewpoint is contentious, as many successful traders argue that personal attributes, psychological resilience, and market intuition, which could be deemed as 'nature', are critical components of trading success. Critics of Covel's interpretation might cite studies on expertise that emphasize innate cognitive abilities (Ericsson, Krampe, & Tesch-Römer, 1993) or even market research that indicates that success can heavily rely on external factors that Dennis's experiment did not account for.

inspiration

Key Point:Believe in your ability to learn and adapt

Life inspiration:Just like Richard Dennis's remarkable experiment proved, the most critical lesson you can take from this chapter is that success isn't reserved for those who fit a mold or have traditional backgrounds. Instead, it’s about believing in your own ability to learn, adapt, and take calculated risks—just like the diverse group of individuals he trained. Imagine the possibilities if you embrace the idea that you can acquire any skill you set your mind to, regardless of your current experience or background. Each day offers a new opportunity for growth; so challenge the notion that talent is innate. Step out of your comfort zone and invest in your personal development, and you might find yourself unlocking potential you never thought you had!

Chapter 2 Summary : 2



Chapter 2 Summary: Prince of the Pit

Introduction to Richard Dennis

Richard Dennis, a successful trader, exemplifies the independent-minded rebel traders who gained wealth without traditional career paths. He used his entrepreneurial spirit to challenge the norms of investment banking, where many traders were not independent. His Turtle experiment demonstrated that with the right trading rules and a mindset aimed at absolute returns, anyone could learn to trade successfully.

Dennis's Early Life and Career

Dennis, who grew up in a working-class neighborhood in Chicago, took an early interest in trading, initially failing at it. However, he quickly learned to accept losses and adopted an empirical approach to trading, heavily influenced by British philosophers like David Hume. His first significant trading experience at the Chicago Mercantile Exchange set the stage for his later success.

Rise to Prominence

In 1986, Dennis earned $80 million, placing him among the elite on Wall Street. His trading philosophy emphasized understanding emotional responses and risk management, often taking big risks that led to substantial gains. He evolved from a floor trader at the MidAmerican Commodity Exchange to a dominant figure at the Chicago Board of Trade, known for teaching fellow traders and sharing insights.

Transition from Pit Trading to Office Trading

To expand his trading strategies, Dennis moved away from floor trading, which presented new challenges. Despite initial struggles, he successfully built C&D Commodities, a significant trading firm, while maintaining a low-key personal style and indulging in unconventional behavior.

Political Involvement and Challenges

Dennis's success drew scrutiny during periods of market volatility, leading to congressional inquiries. Despite his philanthropic efforts and political donations, he faced frustration navigating the political landscape, which lacked the clear, competitive dynamics of trading.

Client Management Difficulties

Managing funds for others proved difficult, particularly during downturns in the market. This led to significant losses and a realization of the challenges in aligning clients' expectations with the realities of trading risk.

Conclusion: The Turtle Experiment

Recognizing the need for a new direction, Dennis sought to teach others his trading strategies through the Turtle experiment, which he considers one of his most significant achievements. This decision marked the beginning of a transformative phase in his career, influencing speculative trading history.

Chapter 3 Summary : 3

3 The Turtles

The Concept of Luck in Trading

Richard Dennis argues that luck plays no role in successful long-term trading. His views contrast with personal beliefs that intuition is sometimes essential for success.

The Turtle Training Experiment

Dennis's experiment, beginning in winter 1983, aimed to demonstrate that trading success could be taught. This concept drew parallels with the film *Trading Places*, which raised questions about environment versus innate ability.

Commitment and Selection of Turtles

Students employed various inventive methods to gain Dennis's attention. Candidates included individuals from diverse backgrounds—overweight security guards, struggling brokers, and educated professionals. Dennis sought candidates with financial aptitude, mathematical skills, and unique perspectives rather than conventional backgrounds.

The Interview Process

Shortlisted candidates underwent a rigorous interview and testing process to verify their capabilities. Questions ranged from true/false inquiries about trading principles to personal essays. The interviews were informal but required candidates to think critically and exhibit their unconventional qualities.

The Turtle Contract and Programs

Accepted candidates signed a strict confidentiality agreement and faced various restrictions on trading and competing. Despite these limitations, no one declined the opportunity, underlining the allure of Dennis's promise.

Chapter 4 Summary : 4

Section	Summary
Understanding Limitless Speculation	Turtles were taught to protect their capital and emphasized the importance of consistent "good" trades for long-term profitability, with minor setbacks not causing panic.
Scientific Method in Trading	The training emphasized the scientific method of defining questions, hypothesizing, experimenting, and analyzing data, encouraging students to think like scientists.
Trend Following as a Strategy	Turtles were trained in trend-following strategies, focusing on capturing major market trends instead of relying on intuition, based on Richard Donchian's work.
Core Trading Principles	Key principles included emotional detachment, consistency, prioritizing the trading process, and awareness of market conditions, volatility, and risk.
Risk Management	Turtles were instructed to understand their equity and practice disciplined risk management by risking only a small percentage of their capital per trade.
Decision-Making and Objectivity	Eckhardt stressed the importance of being objective, focusing on current data and market conditions while treating profits and losses with equal seriousness.
Exit Strategies Over Entry Points	Emphasis was placed on exit strategies over entry points, with traders following predetermined rules for trades regardless of the initial entry price.
Embracing Losses and Managing Risks	Turtles learned to accept losses as part of trading, focusing on future opportunities rather than trying to recover lost funds.
Conclusion	The approach of Dennis and Eckhardt combined rule adherence, understanding market dynamics, and emotional detachment, promoting a disciplined and scientific trading philosophy.
Note on Further Reading	Chapter 5 offers insights on the mathematical foundations of Turtle trading rules, while casual readers can move to Chapter 6 for a broader context.

Chapter 4 Summary: The Philosophy of the Turtles

Understanding Limitless Speculation

Dennis and Eckhardt emphasized the limitless nature of speculation, requiring Turtles to protect their capital. They taught that consistent "good" trades are crucial for long-term profitability, and minor setbacks do not warrant panic.

Scientific Method in Trading

The two-week training relied heavily on the scientific method, which involves defining questions, hypothesizing, experimenting, and analyzing data. This systematic approach was fundamental for developing a sound trading strategy, reflecting principles used by renowned philosophers like Hume and Locke. Students were urged to view themselves as scientists first.

Trend Following as a Strategy

The Turtles were trained to be trend-following traders, focusing on capturing major trends in the market, rather than making intuitive judgments. This strategy stemmed from Richard Donchian's earlier work, reinforcing the notion that adhering to rules is more reliable than relying on personal intuition.

Core Trading Principles

Dennis and Eckhardt highlighted several core trading principles:
- Emotional detachment from market fluctuations.
- Consistency and even temperament in trading.
- Prioritizing the trading process over immediate outcomes.
- Awareness of market state, volatility, equity, and risk.

Risk Management

Understanding one's current equity and implementing disciplined risk management is crucial. Turtles were taught to risk only a small percentage of their trading capital on any given trade, maintaining a consistent approach regardless of past performance.

Decision-Making and Objectivity

Eckhardt's teachings emphasized objectivity, requiring Turtles to focus on real-time data and market conditions rather than historical performance or emotional biases. The importance of treating both profits and losses with the same level of seriousness was underscored.

Exit Strategies Over Entry Points

Traders were taught to focus on exit strategies rather than becoming fixated on entry prices. This meant executing trades based on predetermined rules, regardless of initial entry price, aiming instead for successful trend-following.

Embracing Losses and Managing Risks

The Turtles learned to manage losing trades and recognize that losses are an inevitable part of trading. They were encouraged to move on from losing positions and focus on finding the next opportunity rather than attempting to recover lost funds.

Conclusion

Dennis and Eckhardt's approach combined strict adherence to rules, a clear understanding of market dynamics, and an emotional detachment from trading outcomes. The philosophy promoted a disciplined, systematic, and scientific approach to trading, which would ultimately define the success of the Turtles.

Note on Further Reading

For those interested in exploring the mathematical foundations of the Turtle trading rules, Chapter 5 of the book provides additional insights, while casual readers may proceed to Chapter 6 for broader context.

Critical Thinking

Key Point:Critical Examination of the Scientific Method in Trading

Critical Interpretation:Dennis and Eckhardt's reliance on the scientific method in teaching the Turtles suggests a structured, analytical approach to trading; however, critics argue that while this method provides clarity, it may oversimplify the chaotic nature of the markets, which are influenced by unpredictable human behavior and external factors (Taleb, N.N., "Fooled by Randomness"). Therefore, while their framework has merit, one must question whether the systematic methods are enough in the face of market complexities that defy pure rational analysis.

inspiration

Key Point:Embracing Losses and Managing Risks

Life inspiration:In life, just like in trading, the inevitability of losses can be a daunting prospect. However, if you adopt the Turtle philosophy of embracing losses and managing risks, you can transform setbacks into stepping stones for future success. Imagine viewing every disappointment not as a reason to despair but as a crucial part of your journey—a moment that equips you with insights needed for the next opportunity. By focusing on what you can learn rather than what has been lost, you cultivate resilience. Each time you encounter a challenge, let it remind you of the scientific method's adaptation: analyze, learn, and keep pushing forward with renewed determination. This mindset will not only enhance your approach to personal and professional challenges but also empower you to navigate life's uncertainties with confidence and clarity.

Chapter 5 Summary : 5

Section	Summary
1. Understanding Stop Orders and Moving Averages	A stop order becomes a market order at a specified price; moving averages smooth short-term fluctuations, highlighting long-term trends.
2. Philosophy of Systematic Trading	Systematic traders follow strict rules for trades, accepting small losses to maximize large profits, and understanding statistical errors is critical.
3. Expectation and Edge in Trading	Knowing one's "edge" is essential, relating to batting averages, and the expectancy formula evaluates potential earnings.
4. Breakout Strategies for Entries and Exits	The Turtles used breakout strategies to enter trades based on market movements, accepting losses while waiting for major trends.
5. Turtle Trading Systems	Two systems were employed: System One (short-term) and System Two (long-term), with distinct entry and exit rules along with trade filters.
6. Risk Management Techniques	Risk management involves measuring daily market volatility to adjust position sizes; Turtles risked a fixed percentage of capital, especially during drawdowns.
7. Pyramiding to Maximize Profits	Pyramiding increases profits on winning trades with proper stop management and recalibrating positions based on volatility.
8. Portfolio Management and Position Balancing	Diversifying across non-correlated markets reduces risk, allowing for better management of long and short positions.
9. Continuous Learning and Practice	Success in trading requires ongoing practice and discipline to refine trading strategies.

Chapter 5 Summary: The Rules of Turtle Trading

1. Understanding Stop Orders and Moving Averages

- A stop order is executed when a specified price is reached, transitioning into a market order.
- Moving averages help smooth short-term fluctuations and emphasize longer-term trends in financial data.

2. Philosophy of Systematic Trading

- Systematic traders adhere to strict rules for buying, selling, and managing trades, as emphasized by trainers Dennis and Eckhardt.
- Understanding statistical errors (Type I and Type II) is vital, promoting the habit of accepting small losses to capitalize on significant profits.

3. Expectation and Edge in Trading

- Traders must know their "edge," analogous to a baseball player's batting average, correlating winning percentages and trade sizes.
- The expectancy formula assesses potential earnings based on winning and losing percentages and average winnings or losses.

4. Breakout Strategies for Entries and Exits

- The Turtles employed breakout strategies to enter trades based on market highs or lows, departing from the conventional "buy low, sell high" mindset.

- They accepted potential losses while awaiting more significant trends, focusing solely on price movements.

5. Turtle Trading Systems

- The Turtles utilized two systems: System One (short-term breakouts) and System Two (long-term breakouts), each with unique entry and exit rules.
- Filters were used to manage breakouts, limiting entries based on the results of previous trades.

6. Risk Management Techniques

- Risk management begins with measuring daily market volatility ("N"), which influences position sizing.
- Turtles risked a fixed percentage of their capital on each trade, transitioning risk based on account performance, particularly in drawdown situations.

7. Pyramiding to Maximize Profits

- Pyramiding involved adding to winning trades to amplify profits while ensuring proper stop management to protect gains.

- Positions were recalibrated based on volatility to maintain a consistent risk profile across multiple trades.

8. Portfolio Management and Position Balancing

- Diversification across non-correlated markets decreased overall risk while enabling greater position flexibility.
- The balance between longs and shorts allowed Turtles to optimize their risk management strategies.

9. Continuous Learning and Practice

- Success in trading, like in other disciplines, relies on consistent practice and improvement.
- The Turtles adopted a disciplined approach to refine their trading strategies continuously.

This summary encapsulates the essential teachings and principles outlined in Chapter 5 of "The Complete Turtletrader."

Chapter 6 Summary : 6

In the Womb

Introduction to Turtles

- The number of Turtles varies in accounts; some are official while others learned through proximity to the program.
- Key figures, like Mark Walsh, traded successfully even if not officially recognized as Turtles.

Office Environment

- The Turtles operated in a Spartan office with minimal supervision and resources.
- They had to adapt to a unique culture where diverse backgrounds coexisted, leading to a mix of camaraderie and rivalry.
- The lack of oversight led to a self-driven environment where their trading skills evolved independently.

Diverse Backgrounds and Dynamics

- Turtles came from various educational and social backgrounds, showcasing a wide range of personalities and abilities.
- Political differences existed but did not hinder their trading collaboration.
- A strong group dynamic developed, fostering both support and competition.

Trading Strategies and Philosophy

- The Turtles adhered to systematic trading rules, which often involved periods of inactivity, contrasting with the fast-paced trading culture of today.
- They learned to manage downtime effectively while waiting for market opportunities.
- Trust in the system designed by Dennis and Eckhardt was paramount, though some experienced doubts about their

Chapter 7 Summary : 7

7 Who Got What to Trade

Introduction

The chapter discusses the dynamics within the Turtle trading program initiated by Richard Dennis. Initially characterized by a carefree atmosphere, the mood shifted as unequal monetary allocations revealed underlying tensions among the traders.

Initial Atmosphere and Money Allocation

- Turtles were chosen and trained by Dennis, leading to initial confidence.
- Disparities in money allocations created competition and insecurity.
- Some Turtles speculated that allocations revealed Dennis's subjective judgment on trading abilities.

Allocation Discontent

- Tensions arose as Turtles earned drastically different amounts based on their allocated capital.
- Some traders, despite substantial losses, received increased funds, causing frustration and confusion.
- Questions were raised about the fairness of Dennis's selection process for allocations.

Bias and Friction

- Several Turtles felt that personal relationships influenced Dennis's decisions regarding allocations.
- The process appeared arbitrary, with perceived favoritism creating dissent.
- Specific Turtles receiving inflated allocations, like Curtis Faith, contributed to feelings of unfairness.

Trading Performance vs. Allocation

- The link between performance and allocation came under scrutiny.
- Some Turtles performed well yet received smaller allocations, leading to morale issues.
- Direct comparisons demonstrated significant disparities in

success tied to allocation amounts rather than trading skill.

Curtis Faith's Distinction

- Faith was notably allocated more capital despite trading against the established rules.
- His aggressive trading style and resultant profits conflicted with the risk management principles taught by Dennis.
- Faith's friendship with Dennis raised questions about favoritism.

Overall Tension and Reactions

- The allocation method led to rising internal conflicts among Turtles, resulting in formal complaints to Dennis.
- Dissatisfaction with the allocation system ultimately sowed seeds of discontent and even led some to consider leaving the program.

Research Findings

- A group of Turtles conducted research to challenge the established risk assessments.
- Their findings suggested that Turtles were trading at double

the recommended risk levels, prompting Dennis to mandate a decrease in position sizes.

Conclusion

Despite numerous conflicts stemming from the allocation process and the management of trades, many Turtles continued to perform well, indicating a possible gap between Dennis's risk strategies and the reality of the trading environment. The chapter underlines the complexities within the Turtle program and the underlying issues of favoritism and allocation discrepancies that affected overall performance and morale.

Chapter 8 Summary : 8

Chapter 8 Summary: Game Over

Dennis's Trading Concerns

Dennis faced ongoing anxiety about trade execution issues such as "skid," which seemed irrational given his logical teaching background. His worries reflected a deeper personal tension, as he identified as a contrarian, which conflicted with his role as a mechanical trend follower.

The Shutdown of the Turtle Program

In early 1988, amidst significant political and business news, Dennis abruptly ended the Turtle program with a fax. His trading losses reached alarming levels, particularly a 55% drop in April 1988, compounded by personal issues including his father's death. While the Turtles' losses were less severe, the sudden closure left them shocked and uncertain about their futures.

Dennis's Reputation and Decline

Despite prior successes, Dennis's performance in managing public funds deteriorated, leading to doubts among clients about his trading style. He expressed frustration with clients' lack of understanding and the failure of Drexel's administrative staff to communicate risks effectively. Lawsuits followed, accusing him of straying from his trading principles, which eventually resulted in a legal settlement.

Contrasting Strategies

The Turtles' more conservative trading approach resulted in less volatility compared to Dennis's higher-risk strategies. Observations from peers and students indicated Dennis was taking excessive risks, sometimes overtrading significantly compared to the limits imposed on Turtles.

Post-Program Developments

Even as Dennis's public trading figures faltered, his students were profitable, allowing him to maintain financial gains. Following the publication of "Market Wizards," which featured Dennis prominently, his fame soared, leading to increased speaking engagements and public interest despite his recent losses.

Personal Turmoil and Public Image

Dennis appeared to struggle personally amidst the fame resurgence, projecting a facade of composure while dealing with significant internal strife. His experiences in the public eye sparked discussions about the psychological aspects of trading and the complexities of maintaining discipline in the face of adversity.

Chapter 9 Summary : 9

Successful Trading

Dennis Miller humorously captures the idea that fame can distort one's perspective on life and business. This chapter focuses on the Turtles, Richard Dennis's trading students, as they venture into trading independently, facing the uncertainties of life beyond his mentorship.

The Turtles Graduate

With Dennis ending the Turtle program, the Turtles must navigate the trading world without his guidance. Some had anticipated this shift and prepared to form their own firms, while others were caught off guard and uncertain of their next steps.

Opportunities and Challenges

The Turtles became successful traders on their own, often surpassing Dennis's achievements, reflecting the common phenomenon of students outdoing their teachers. Despite the potential for collective success, internal disagreements about their future direction hindered the establishment of a unified Turtle fund.

Individual Paths to Success

Each Turtle pursued their unique approach to trading. Some sought to mitigate risk, adapting their strategies for investors, while others stuck to the aggressive tactics they learned from Dennis. Jerry Parker became a notable example of the latter, emphasizing lower leverage to attract clients, while others like Tom Shanks and Liz Cheval defended high-risk, high-reward trading to maintain their original strategies.

Impact of Publicity

The Turtles' fame grew, particularly after their story was featured in Jack Schwager's *Market Wizards*. However,

Chapter 10 Summary : 10

Summary of Chapter 10: The Complete TurtleTrader

Turtle Competition and Market Dynamics

The Turtles, while known for their systematic trend-following models, faced competition and pressure within the trading community. Notably, professionals on Wall Street, like Virginia Parker and Mark Goodman, emphasized that all Turtles operated under similar rules and strategies, meaning their gains and losses often occurred in the same markets.

Dennis's Return to Trading

After observing the success of his former students, Dennis contemplated a comeback in the competitive hedge fund arena of the early 1990s. Despite his earlier retirement and legal troubles from the Drexel fund fallout, he launched the Dennis Trading Group in 1994, albeit with a more discreet operation than his previous firm. Dennis acknowledged that, despite the Turtles' current success, he believed he still had what it takes to compete at the top level.

Russell Sands and the Rules Reveal

Russell Sands, a former Turtle, stirred controversy by offering to sell Dennis's trading rules to the public after his departure from the program. This act struck a chord within the Turtle community, as they valued the secrecy surrounding Dennis's teachings. The other Turtles felt that Sands's actions contradicted the ethics instilled in them by Dennis. Sands defended his actions as a means to earn a living, but the backlash from his peers highlighted the deep sense of loyalty to Dennis's teachings.

Dennis's Comeback Success

Despite the controversy, Dennis achieved remarkable success upon his return, with annual returns exceeding 100% in 1995 and 1996. He focused on mechanical trading strategies, reinforcing the importance of disciplined trading to counter critics who doubted his return. During a volatile period marked by financial hardships for others, like Long Term

Capital Management, Dennis thrived, illustrating the effectiveness of his trend-following approach.

Conclusion

Chapter 10 depicts the evolution of the Turtle traders' journey amidst internal rivalry, ethical dilemmas about sharing trading secrets, and Dennis's formidable return to the trading world that showcased both triumph and conflict within the realm of financial markets.

Chapter 11 Summary : 11

Chapter 11 Summary: Seizing Opportunity

Dennis's Trading Decline

Dennis experienced a significant trading downturn, culminating in the closure of Dennis Trading Group in 2000. Despite a few years of early success, the group faced a significant loss, leading to a withdrawal of funds by clients. This marked a low point for trend-following traders, while Dennis's former student, Jerry Parker, capitalized on the situation.

Jerry Parker's Journey

Parker, once a Turtle under Dennis, transformed his career significantly. His office, initially unremarkable, became a symbol of success. By comparison to his peers, Parker's net worth reached up to $770 million, demonstrating his entrepreneurial skills beyond mere trading.

Critical Traits of Success

Parker and other successful Turtles exhibited key entrepreneurial traits, including nonconformity, emotional aloofness, risk-taking, and self-sufficiency. These characteristics distinguished them from those who struggled after departing from Dennis's training.

Learning from Mentorship

Both Parker and fellow Turtle Tom Shanks emphasized the crucial role of mentorship in developing their trading philosophies. Parker's confidence in his abilities and his understanding derived from Dennis's mentorship enabled him to navigate the trading landscape effectively.

Diversification and Market Understanding

Parker approached trading with a broad perspective, applying Dennis's principles across various markets. He highlighted the importance of understanding market movements without getting trapped in narrow definitions, such as "managed futures."

Misconceptions about Trading Styles

Parker faced challenges in communicating his trend-following philosophy to clients, who often favored fundamental analysis. He increasingly found himself needing to clarify the effectiveness of technical trading systems over traditional methods.

The Dangers of Mean Reversion

Parker critiqued the concept of mean reversion in trading strategies, particularly as seen in the collapses of hedge funds like Amaranth. He advocated for an understanding that markets can behave unpredictably, and relying solely on historical patterns can lead to significant losses.

Building Relationships in Business

Parker strategically aligned with brokerage firms, such as James River Capital, which provided essential industry connections and client exposure. His success is attributed not only to his skill but also to seizing opportunities as they arose.

Conclusion

Ultimately, Jerry Parker's journey reflects the importance of recognizing and acting on opportunities, possessing a mix of entrepreneurial traits, and understanding the complexities of market dynamics in trading. His ability to maintain confidence and adaptability post-Dennis has cemented his legacy among the Turtles.

inspiration

Key Point:Recognizing and Acting on Opportunities

Life inspiration:As you navigate through life, consider how Jerry Parker's journey teaches you the vital lesson of seizing opportunities, even amidst adversity. Parker's transformation from Dennis's student to a trading success story reminds you that challenges may come your way, but by embracing nonconformity, emotional resilience, and a willingness to adapt, you can turn setbacks into springboards for greatness. Just like Parker aligned himself with the right people and markets, look for chances around you; they might be hidden in unexpected places. By cultivating the entrepreneurial spirit and embracing your unique perspective, you too can carve out a path to success, no matter how daunting the journey may appear.

Chapter 12 Summary : 12

Chapter 12: Failure Is a Choice

Introduction to Trading Realities

The chapter begins by highlighting the unexpected nature of success in trading, comparing it to unlikely encounters in everyday life. The author reflects on the importance of recognizing potential success in ordinary places.

Importance of Mindset in Trading

The focus shifts to the divergent outcomes of the Turtles, a group trained by Richard Dennis. While some thrived, others fell victim to their own egos and expectations. The key difference lay in their mindset and ability to follow trading systems rather than purely intellect.

The Debate of Nature vs. Nurture

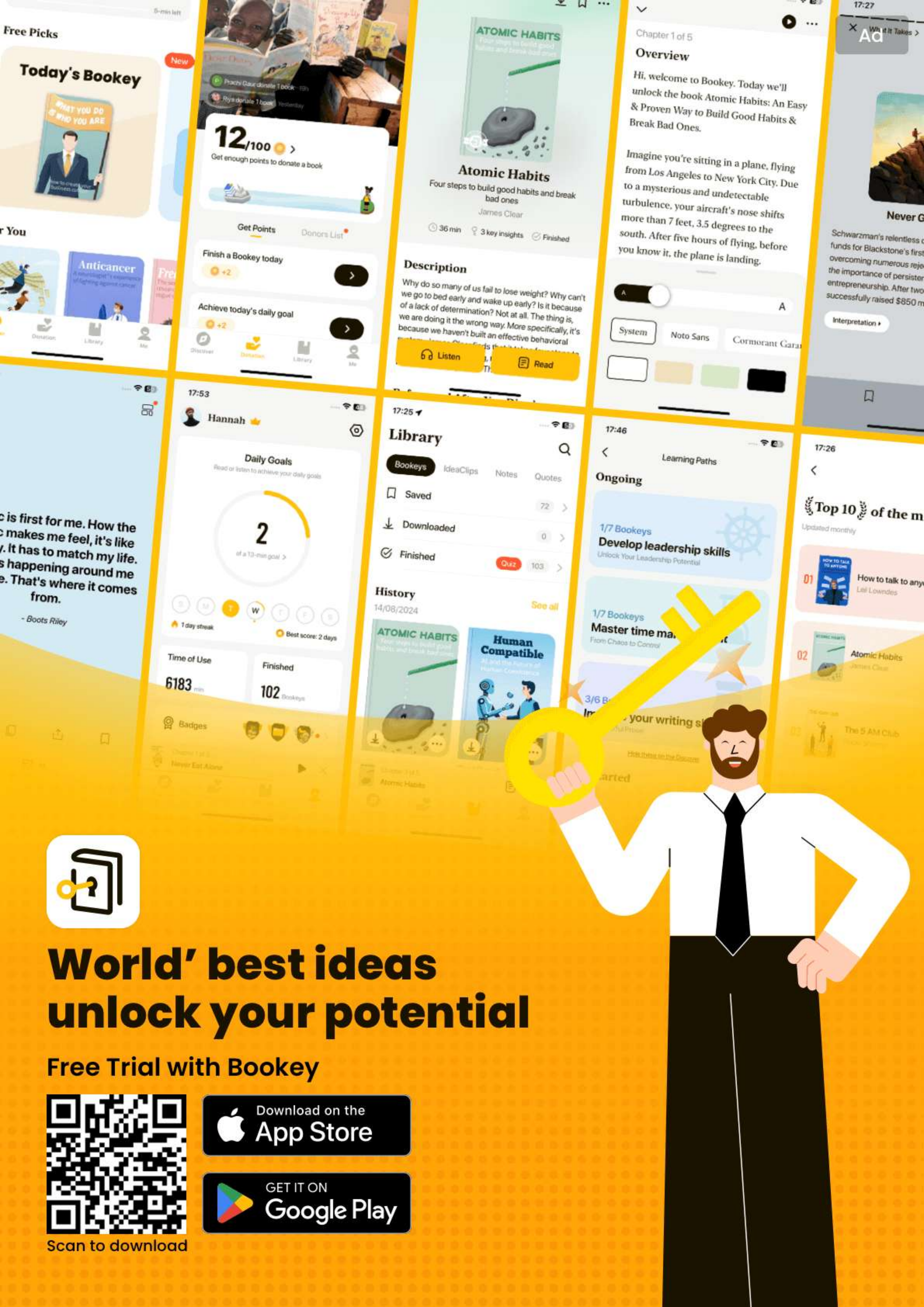
Curtis Faith and Liz Cheval express differing views on the innate potential vs. the teachable nature of traders. Cheval points out the discrepancies in performance among Turtles, suggesting that success isn't guaranteed despite training, while Faith argues that both character traits and learned skills play crucial roles.

Behavior After the Turtle Program

Post-program, many Turtles sought to profit from their training, exhibiting various behaviors that highlight poor strategic choices. Curtis Faith, for instance, had initially critiqued others for commercialization but later shifted his approach to monetize the Turtle rules himself.

Faith's Career Struggles

The chapter details Curtis Faith's ups and downs after leaving the Turtle program, including financial difficulties and failed



Chapter 13 Summary : 13

Summary of Chapter 13: Second-Generation Turtles

Introduction to Second-Generation Turtles

The chapter discusses the existence and significance of second-generation Turtles, emphasizing that they provide compelling evidence for the idea that trading success can be taught. It notes instances where some original Turtles struggled after their training, suggesting that personal qualities play a significant role in trading success.

Salem Abraham: A Case Study

Salem Abraham, from Canadian, Texas, is highlighted as a prime example of a second-generation Turtle who achieved significant trading success. Despite lacking a direct connection to Richard Dennis and William Eckhardt, he leveraged the knowledge he acquired from his interaction with Jerry Parker, another Turtle.

Abraham's Early Life and Career Shift

Abraham came from a family of entrepreneurs and initially planned to start a mail-order business. A chance meeting with Parker inspired him to pursue trading. His risk management philosophy and confidence marked him as a natural entrepreneur.

Trading Journey

Starting with a modest trading account, Abraham faced volatility, particularly during the 1987 stock market crash, which taught him valuable lessons about resilience and risk management. Despite fluctuations in his account, he maintained his focus on long-term success.

Partnerships and Growth

Abraham secured initial funding from his family and caught the attention of Commodities Corporation, which invested significantly in his trading venture. His drive allowed him to build his trading firm and achieve considerable returns.

Training with Dennis and Eckhardt

Later, Abraham received direct training from Dennis and Eckhardt, enhancing his understanding of risk management and strategy. His experience contrasts with the original Turtles; he recognized the importance of both statistical analysis and psychological aspects of trading.

Entrepreneurial Mindset and Broader Success

Abraham's entrepreneurial mindset extends beyond trading, as he successfully engaged in various business ventures, demonstrating adaptability and confidence in recognizing and seizing opportunities.

Conclusion

The chapter underscores that Abraham's example illustrates that with the right mindset and training, trading success is not solely dependent on innate ability but can be cultivated through learning and persistence.

Chapter 14 Summary : 14

Summary of Chapter 14: Model Greatness

The Hard Reality of Trading

The emotional difficulty of making tough decisions, even in mundane situations like preparing dinner, parallels the challenges traders face on Wall Street, especially during financial losses. Jerry Parker's initial expectations of Salem Abraham show a contrasting dynamic from the original Turtles, who had a security net under Richard Dennis's mentorship. Abraham's self-starting attitude granted him a toughness that emerged as a significant trait in the trading world.

Nurture vs. Nature

The Turtle experiment demonstrated that systematic training (nurture) is more effective than inherent talent (nature). The first part of the story focused on the controlled environment facilitated by Dennis, whereas the subsequent phase illustrated how the Turtles fared post-experiment, revealing human nature when faced with real-world challenges. Larry Hite highlighted that mental toughness and resilience are critical for long-term success, suggesting that failure often stemmed from a lack of persistence.

Lessons from Successful Traders

Examining the financial success of top hedge fund earners reveals that their achievements resulted from more than just following rules; they demonstrated a drive to overcome challenges. The Turtles' collective narrative offers proof that learning and replicating successful strategies is possible, though the real challenge lies in developing the entrepreneurial mentality necessary to thrive independently.

The Role of Continuous Learning

Continuous reading and self-education, as practiced by notable investors like Charlie Munger and Eddie Lampert, are essential for cultivating the mindset aligned with success. Comparisons to the dedication of skilled surgeons highlight that rigorous practice and commitment are necessary attributes for traders.

Accessibility of Trading

The financial markets remain uniquely accessible to anyone, regardless of background. Success in trading does not rely on historical luck or opportunity but rather on knowledge and determination. Salem Abraham exemplifies this relentless pursuit of success, embodying the essence of the Turtle legacy and demonstrating that achieving greatness requires tenacity and entrepreneurial spirit.

Critical Thinking

Key Point:The Importance of Mental Toughness in Trading Success

Critical Interpretation:The chapter underscores mental toughness as crucial for traders, arguing that emotional resilience is as essential as learned skills. However, it's worth assessing whether this emphasis on psychological strength may overshadow the role of systemic inequalities and market access that affect trading success. Comprehensive studies, like those in 'The Psychology of Trading' by Brett N. Steenbarger, suggest while mental resilience is important, external factors also significantly influence outcomes in trading.

inspiration

Key Point:Emphasizing the importance of continuous learning and resilience.

Life inspiration:As you navigate the complexities of life, remember that each challenge you face is akin to trading, where the outcomes are often unpredictable. Embrace the mindset of continuous learning, just like top traders who are relentless in their pursuit of knowledge. Whether you’re tackling a difficult project at work or striving to improve personal relationships, recognize that resilience—your ability to adapt and bounce back from setbacks—is your greatest asset. By cultivating a persistent attitude and a commitment to self-education, you can transform every obstacle into an opportunity for growth, ultimately steering your life towards greatness.

Best Quotes from The Complete Turtletrader by Michael W. Covel with Page Numbers

View on Bookey Website and Generate Beautiful Quote Images

Chapter 1 | Quotes From Pages 17-27

1. Give me a dozen healthy infants and my own specific world to bring them up in, and I'll guarantee to take any one at random and train him to become any type of specialist I might select— doctor, lawyer, artist, merchant, chef and yes, even beggar and thief, regardless of his talents, penchants, tendencies, abilities, vocations, and race of his ancestors.
2. My partner Bill has been a friend since high school. We have had philosophical disagreements about everything you could imagine. One of these arguments was whether the skills of a successful trader could be reduced to a set of rules.
3. I'd rather bet on somebody starting out with a few thousand

dollars than on somebody who came in with millions.

4. If an IQ measure or test score was the only ticket needed for success, then all smart people would be loaded, which is obviously not the case.

5. My aim was to implant my mental software into the brains of my students, and then place them into my controlled environment to see how they would react and perform.

Chapter 2 | Quotes From Pages 28-56

1. Great investors conceptualize problems differently than other investors. These investors don't succeed by accessing better information; they succeed by using the information differently than others.

2. What money I made in trading is testimony to the fact that the majority is wrong a lot of the time. The vast majority is wrong even more of the time.

3. If somebody had said back then that Richard Dennis would become a very wealthy man as a commodity trader, I probably wouldn't have believed them.

4. You can't have a standard attitude about money and do well

in this business.

5. Trading has taught me not to take the conventional wisdom for granted.

6. You have to have mentally gone through the process of failure

7. If it’s something everyone hates but you think is right, those are the important things to do because no one else is going to do them.

Chapter 3 | Quotes From Pages 57-86

1. In the long run, zero. Absolutely zero. I don’t think anybody winds up make money in this business because they started out lucky." Richard Dennis

2. It seemed to me so clear that it is transferable, that there are no mysteries.

3. Some people tell you ‘no,’ but I think it [trading] is transferable.

4. You can never go broke taking profits.

5. The majority of traders are always wrong.

6. One’s natural inclinations are good guides to decision making in trading.
7. It’s good to follow hunches in trading.
8. I assumed that a trader added something that couldn’t be encapsulated in a mechanical program. I was proven wrong.
9. The emotional makeup is more important.
10. There are some people who can trade one lot or two lots or a five lot and handle that position and perform not thinking about the money.

Chapter 4 | Quotes From Pages 87-109

1. The majority of the other things that didn’t work were judgments. It seemed that the better part of the whole thing was rules.
2. You don’t get any profit from fundamental analysis. You get profit from buying and selling. So why stick with the appearance when you can go right to the reality of price?
3. To follow the good principles and not let fear, greed, and hope interfere with your trading is tough. You’re swimming upstream against human nature.
4. The trader who is averse to losses is in the wrong business.
5. You have to have a strategy to trade, know how it works and follow through on it.

Chapter 5 | Quotes From Pages 110-177

1. It was better to risk taking many small losses than to risk missing one large profit.
2. The important thing is to limit portfolio risk. The trades will take care of themselves.
3. Trading Your Own Account Tip #1: You need to calculate

your edge for every trading decision you make, because you can’t make 'bets' if you don’t know your edge.

4. It’s always better to buy rallies.
5. The selection of these values for your trading will always be subjective.
6. We found that volatility is something that can be described as a moving average process.
7. When you have a losing trade, you say to yourself, ‘Hey, it seemed like the right thing to do at that time.’
8. If you want to make Turtle-like money, you will need to use leverage.
9. The simplest of entry rules must continue to work.
10. For Turtle trading to work, you have to trust, but verify.

Chapter 6 | Quotes From Pages 178-195

1. It’s possible to train people to perform to a certain level in chess, but if this training does not promote self-education and a philosophical attitude, then the trainees will be little more than performing seals.

2. If you build a system that gives you an entry and exit, tells you how much to bet along the way and adjusts to your current capital and current market volatility at all times, no more analysis is needed.
3. Once Dennis and Eckhardt started the training phase of their experiment, it was similar to the informal seminars Dennis and Tom Willis had held in the 1970s.
4. The reason we all needed to stay together, especially in the beginning, was we literally made all our money in a normal year in about a three-week period.
5. At the end of the day, the numbers are there in black and white. Either you made money or you didn't.

Chapter 7 | Quotes From Pages 196-223

1. It’s interesting where the truth ultimately ends up. What you read on the front of the newspaper and what really happens can often be the difference between black and white.
2. Money was mother’s milk in a Turtle’s world.
3. He started those guys up with different amounts. It would have been nice to know at the time how fast he wanted us to go, how aggressive, or how conservative.
4. He didn’t like my risk control. Well, he was the guy making the decisions. Did I appreciate that? No, because I knew how I had done.
5. The word ‘best’ made little sense when comparing Turtle performance data.
6. It was as if the whole thing was decided on ‘who knows what?’ criteria.
7. You take guys like Jim Kenney and Anthony Bruck... Curt Faith... was driven by his father.
8. I was at the bottom in equity and near the top in

performance.

9.The fear of not knowing what to expect next was a constant in the Turtles lives.

10.So he could do things that the rest of us couldn't.

Chapter 8 | Quotes From Pages 224-233

1.What should give investors confidence is the overall record I've compiled in my 18-year career.

2.I wouldn't trade a public fund now even if it were a cure for cancer.

3.The sad truth is the legal system is so porous that even reflections of things gone and settled have liability that they shouldn't.

4.Didn't anyone tell these people what they were getting into?

5.Tons. I think they grossed $150 million and we made $110 million.

6.All of a sudden it's over. That's how fast it was.

Chapter 9 | Quotes From Pages 234-245

1.The biggest conspiracy has always been the fact that there is no conspiracy. Nobody's out to get you. Nobody gives a shit whether you live or die.

2. All you needed was a chance.
3. The Turtles were also given a chance, but in a heartbeat the security of trading Dennis's millions was gone.
4. One Turtle thought Parker was a 'traitor' for going solo so fast when a Turtle fund idea was on the table.
5. Volatility is what creates the high returns investors want from the market in the first place.

Chapter 10 | Quotes From Pages 246-256

1. If you were to put all trend-following models side by side, you would probably find that most made their profits and incurred losses in the same markets.
2. He was the toughest son of a bitch I ever knew. He taught me that trading is very competitive and you have to be able to handle getting your butt kicked.
3. I know I'm at least as good as some of these people. So I decided to give it another try.
4. The trend is our friend; today it might be that the trend is a harsh mistress.
5. How could we repay him for giving us all this knowledge?

Chapter 11 | Quotes From Pages 257-279

1. A good plan violently executed now is better than a perfect plan next week." General George S. Patton
2. The most important experience that led me to utilize a technical approach was the amount of success that I experienced trading Rich's system.

3.It’s important to live with someone who says, ‘It’s okay to lose money.’

4.The degree to which you are successful will be partly because of your buys and sells. But you’re also running a business: hiring, making sure you have good accounting and legal and marketing systems in place.

5.An honest, humble mentor is the best thing going. Learn from other people. Do the right thing every day, focus on what you’re doing, and let the cards fall where they may.

6.The world is too big to analyze. The fundamentals are too large.

7.Most of the time” is not a good enough bet. The bottom line: Those hundred-year floods that give mean-reversion traders solace really occur every two or three years—and they can and do wipe out fortunes.

Chapter 12 | Quotes From Pages 280-285

1. The most interesting thing about the Turtle program was observing who succeeded and who did not.

2. Good traders apply every ounce of intelligence they have into the creation of their systems, but then they're dumbbells in following them.
3. Legends are born not made. Decent traders can be made however.
4. Failure is a choice.
5. Once I was walking down Michigan Avenue and I heard somebody talking about it. It was pretty clear that they were looking at the stuff and that they thought it somehow had my blessing.

Chapter 13 | Quotes From Pages 286-308

1. If you want to be successful at something, well, you want to identify who's been successful and what are they doing.
2. I think you're kind of young and dumb and you just say, 'He made the offer and that means he really means it.'
3. The system is a nice thing to guide you, but it's okay to set the system aside.
4. It's like climbing a mountain. Which step was the most important? Every step is needed to get to the top of the mountain.
5. Just because I don't understand it doesn't mean I'm not going to bet on it.
6. There's a drive to go out and do it. Then there is a drive to want to do it.
7. If you made 30 percent a year, people will beat a path to your door. You need to back off on the leverage.

Chapter 14 | Quotes From Pages 309-313

1. You have to be able to pull the trigger when there

is blood on Wall Street, especially if the blood is yours.

2. The people who are very good and long-lasting are tough. If life goes against them, they stick to their game.
3. Nurture trumps nature.
4. The market doesn't care about you personally.
5. The greater challenge… comes in following the footsteps of those trading entrepreneurs in part two of the story.

The Complete Turtletrader Questions

View on Bookey Website

Chapter 1 | 1| Q&A

1.Question

What fundamental belief did Richard Dennis hold regarding traders' abilities?

Answer:Richard Dennis believed that trading skills could be taught and were not solely innate talents. He thought of markets like a game of Monopoly, where strategies, rules, and odds could be learned and thus believed that anyone, regardless of their background or previous experience, could become a successful trader if trained correctly.

2.Question

How did Richard Dennis's recruitment process differ from conventional hiring methods?

Answer:Dennis's recruitment process was revolutionary as he openly advertised for commodity futures traders without requiring prior trading experience or specific qualifications.

He attracted a diverse group of applicants—irrespective of their backgrounds—looking for people who could take calculated risks rather than just those with high IQ scores or prestigious academic degrees.

3.Question

What was the significance of the diverse backgrounds of Dennis's selected students?

Answer:The diverse backgrounds of the selected students highlighted Dennis's belief in the importance of adaptability and risk-taking over conventional intelligence measures. It demonstrated that success could come from unexpected places and that individuals from varying disciplines and experiences could thrive in trading if equipped with the right mindset and training.

4.Question

What did Dennis's success with the turtle experiment reveal about the nature vs nurture debate?

Answer:Dennis's success with the turtle experiment suggested that with the right training and disciplined approach, individuals could overcome what many believed to be inherent limitations. It challenged the notion that only those born with a particular talent could succeed in trading and indicated that learned skills and mindset could lead to remarkable outcomes.

5.Question

How did Dennis conceptualize money differently than most people?

Answer:Dennis viewed money primarily as a scorekeeping mechanism, rather than simply a means to purchase goods. He saw it as a tool to leverage and grow wealth, focusing on the opportunities to amplify gains rather than on emotional attachments to money itself.

6.Question

What key principle did Dennis instill in his students during their training?

Answer:Dennis instilled a key principle of viewing the markets in terms of strategies and probabilities, emphasizing calculated risk-taking and maintaining a clear emotional distance from money to perform effectively in trading.

7.Question

Why did William Eckhardt have faith in the potential of underdog traders according to Dennis's experiment?

Answer:Eckhardt believed that individuals starting with limited resources often had a deeper understanding of risk and loss, and he trusted they would appreciate the value of money and trading more than those who could afford to lose large sums. He leaned towards the notion that practical experience in hardship fostered a stronger trader.

8.Question

What was the broader implication of the results of the Turtle experiment in terms of economic opportunity?

Answer:The broader implication of the Turtle experiment was that it provided a template showing that economic opportunities could be more accessible than previously thought, challenging traditional barriers based on educational background or socioeconomic status and suggesting that talent could emerge from unexpected sources.

9.Question

What does the reference to “the ovarian lottery” signify in the context of success in trading?

Answer:The mention of 'the ovarian lottery' refers to the random and often arbitrary advantages people gain in life based on their backgrounds, such as wealth, education, or connections. It underscores the idea that success is not solely determined by these factors but can also result from opportunity and skill development.

10.Question

How did Dennis's view on hiring students contradict prevailing hiring practices at the time?

Answer:Dennis's view contradicted prevailing hiring practices that favored highly educated candidates with prestigious backgrounds. Instead, he sought individuals who showed potential through unconventional methods, indicating a shift towards valuing practical skills and the right mindset over traditional credentials.

Chapter 2 | 2| Q&A

1.Question

What unique perspective did Richard Dennis develop regarding market volatility and risk acceptance?

Answer:Richard Dennis understood that the key to trading success lies in one's ability to psychologically and physically accept losses. He famously thrived amidst extreme volatility, stating he slept like a baby even after losing millions in a single day, suggesting that calmness and acceptance of risk are crucial in the chaotic trading environment.

2.Question

How did Richard Dennis's childhood and early experiences shape his approach to trading?

Answer:Growing up in a working-class family in Chicago, Dennis was not privileged but learned the value of hard work and skepticism. His experiences, including witnessing social upheaval during the 1968 riots, made him anti-establishment and taught him not to take conventional wisdom for granted—this perspective influenced his contrarian trading strategies.

3.Question

Describe the essence of Dennis's trading philosophy and how it contrasts with traditional methods?

Answer:Dennis’s trading philosophy revolved around accepting market imperfections and taking calculated risks. Unlike typical traders focused on conventional data like the weather or crop reports, Dennis used insights from psychology to manage emotions and decision-making, often avoiding the crowd mentality, which he believed was frequently irrational.

4.Question

How did Richard Dennis demonstrate a commitment to educating other traders, and what was the impact?

Answer:Dennis naturally shared his knowledge with other traders through informal teaching sessions. By fostering a culture of education and collaboration at the MidAm, he helped improve the trading skills of many budding traders, contributing to a stronger and more competitive trading environment throughout the exchange.

5.Question

What pivotal shift did Dennis experience when he transitioned from pit trading to operating C&D Commodities, and what challenges did he face?

Answer:Transitioning from pit trading to managing C&D Commodities, Dennis faced challenges adjusting to a new trading style without the physical presence of the trading floor. He struggled initially but quickly adapted his successful strategies to these new conditions, ultimately becoming one of the largest independent trading firms.

6.Question

In what ways did Richard Dennis embody the characteristics of an 'anti-establishment' figure?

Answer:Dennis rejected traditional corporate norms by opting out of the bureaucratic structures and instead embraced a rebel-like persona, often showcasing his individuality through his casual attire and unconventional methods. He challenged the status quo both in trading and in his political views, advocating for causes contrary to mainstream sentiment.

7.Question

What was the significance of Dennis’s 'Turtle experiment,' and how did it reflect his beliefs about trading?

Answer:The Turtle experiment was a groundbreaking initiative where Dennis taught a diverse group of individuals how to trade successfully. This reflected his belief that trading skills could be taught and learned systematically, thus democratizing access to trading opportunities beyond traditional finance professionals.

8.Question

How did Richard Dennis's views on wealth and success contrast with societal expectations?

Answer:Despite becoming a millionaire by his mid-twenties, Dennis maintained a grounded perspective on wealth, often downplaying his status. He saw money as a measure of performance rather than an end goal, focusing on enjoyment and skill in trading rather than material possessions or lavish lifestyles.

9.Question

What role did philosophy play in Dennis's trading strategy, and which philosophers influenced him?

Answer:Dennis was heavily influenced by empirical philosophers like David Hume and John Locke, who emphasized knowledge derived from experience and observation. This philosophical underpinning shaped his skeptical approach to conventional trading wisdom and reinforced his belief in adapting to market realities rather than adhering to rigid rules.

10.Question

In what ways did Dennis's political involvement reflect his values and personal beliefs?

Answer:Dennis actively supported various progressive causes and candidates, driven by a desire to advocate for social justice and reform. His political contributions revealed his commitment to using his wealth to support marginalized communities and his belief in the importance of personal freedoms, often challenging societal norms.

Chapter 3 | 3| Q&A

1.Question

What is the role of luck in trading according to Richard Dennis?

Answer:Luck plays zero role in trading in the long run. Dennis emphasized that successful traders are not simply lucky but instead rely on learned skills and systems.

2.Question

How did Richard Dennis view intuition in trading?

Answer:Dennis believed that many people relied too heavily on intuition, which he felt was not reliable. He thought trading could be taught and that intuition should not be the basis for making trading decisions.

3.Question

What was the 'Turtle experiment' about?

Answer:The Turtle experiment was an initiative by Richard Dennis to train individuals, regardless of their background or prior trading knowledge, in his trading strategies. He believed trading skills could be transferred and that anyone could learn to trade successfully.

4.Question

Can trading success be taught, according to William Eckhardt?

Answer:Yes, Eckhardt believed that trading can indeed be taught. He acknowledged that the systems they developed could be learned by those new to trading and were not merely the product of luck.

5.Question

What key attributes were Richard Dennis and William Eckhardt looking for in prospective students?

Answer:Dennis and Eckhardt sought candidates who had high math aptitude, a willingness to learn, and the emotional fortitude to handle the abstract nature of trading without a strong personal ego.

6.Question

What does the Turtle training program reveal about the importance of psychological traits in trading?

Answer:The training program highlighted that emotional makeup is crucial for trading success. Individuals who could detach their emotions from trading decisions were more likely to succeed.

7.Question

How did the interview process for the Turtle program differ from typical hiring practices?

Answer:The interview process focused less on traditional qualifications and more on candidates' unique experiences and thought processes. Dennis and Eckhardt valued creativity, unconventional thinking, and a willingness to engage in deep discussions.

8.Question

What was the main lesson about risk management imparted during the Turtle training?

Answer:The first topic discussed during training was risk management, emphasizing the importance of handling losses and preparing for adverse trading situations instead of solely focusing on how to make profits.

9.Question

What did Richard Dennis think about the education system in the context of trading?

Answer:Dennis believed that traditional education often misunderstood trading, as it focused on theories like buy-and-hold strategies contrary to the short-term, rule-based trading methods he taught.

10.Question

How can one summarize the Turtle experiment's philosophy regarding money and trading decisions?

Answer:The Turtles were taught to view money as a variable, allowing them to make objective trading decisions based on principles and rules rather than emotional reactions to financial gains and losses.

Chapter 4 | 4| Q&A

1.Question

What is the key philosophy behind trend following as taught to the Turtles?

Answer:The key philosophy behind trend following is to wait for a market to move and then follow that trend. This approach emphasizes making trades based on established market movements rather than speculative guesses. Traders are instructed to take action when the market hits certain predefined points—these are known as their entry and exit signals—thus allowing them to potentially capture significant profit from ongoing trends. They learn to focus on objective data, like price movements and volatility, rather than getting caught up in emotional judgments or market noise.

2.Question

How does the concept of 'risk management' manifest in Turtles' training?

Answer:Risk management is a cornerstone of the Turtles' training, emphasizing that traders should not risk a large percentage of their capital on any single trade. For example, if a trader has $10,000, they might only risk 2% of that amount on a trade, allowing them to remain financially viable even amidst losses. This disciplined approach ensures that they can continue to trade even after enduring multiple losses, ultimately increasing their chances for long-term profitability.

3.Question

Why do Dennis and Eckhardt stress 'not being emotional' in trading?

Answer:Dennis and Eckhardt emphasize the need for emotional detachment in trading because human emotions like fear and greed can lead to poor decision-making. By focusing on objective metrics such as market state, volatility, and predefined rules, Turtles are taught to treat trading as a disciplined, methodical process rather than a personal or emotional rollercoaster. This helps them avoid the pitfalls that commonly lead to trading failures.

4.Question

What did Dennis mean by saying, 'When you have eliminated the impossible, whatever remains, however improbable, must be the truth'?

Answer:This quote encapsulates Dennis's belief in critical thinking and scientific reasoning. In trading, this means relying on proven strategies and observable data to inform trading decisions. Turtles should focus on what the price is telling them rather than getting lost in speculation or outside noise. If a trading strategy consistently fails under certain market conditions, those conditions should be eliminated from consideration when devising rules for trading.

5.Question

What teaching techniques did Dennis and Eckhardt use to instill discipline in the Turtles?

Answer:They used a structured training approach that involved systematic rules, scientific methodology, and defined processes for entering and exiting trades. Turtles were required to understand their trading systems thoroughly and to answer key questions regarding market status, volatility, trading equity, and risk aversion consistently. This systematic approach, combined with daily reinforcement of adherence to rules, cultivated a disciplined mindset necessary for success in trading.

6.Question

Can you elaborate on the phrase 'memory-less trading' and its significance?

Answer:'Memory-less trading' refers to the practice of making trading decisions based solely on current market conditions without being influenced by past performance or emotional memories of previous trades. Eckhardt taught the Turtles to focus strictly on present facts—such as the current price and volatility—rather than how they felt about past losses or gains. This mindset helps traders act rationally based on real-time data, fostering a more efficient trading process.

7.Question

What are the implications of focusing on the process rather than the outcome in trading, according to Turtles'

training?

Answer:The Turtles learned to evaluate their success based on the adherence to their trading process rather than the financial outcome of individual trades. This shift in focus helps maintain objectivity, as not every trade will be profitable. By prioritizing a disciplined approach, traders can trust that following their rules will yield favorable results over the long haul, despite the inevitable ups and downs of the market.

Chapter 5 | 5| Q&A

1.Question

What is a stop order, and how does it function in trading?

Answer:A stop order is a trading order set to buy or sell a security once it reaches a specified price, known as the stop price. When the specified stop price is reached, the stop order turns into a market order, executing at the next available price. This mechanism helps traders limit their losses in a declining market or lock in profits in an increasing market.

2.Question

How do moving averages assist traders in identifying market trends?

Answer:Moving averages are statistical tools used to analyze time series data, primarily stock prices. They smooth out short-term fluctuations and highlight longer-term trends or cycles, allowing traders to make more informed decisions based on the overall direction of the market rather than noise from daily price movements.

3.Question

What are Type I and Type II errors, and why are they significant in trading?

Answer:Type I errors (false negatives) occur when a trader rejects a true opportunity, while Type II errors (false positives) happen when a trader accepts an opportunity that should be rejected. Understanding these errors helps traders manage risk effectively and emphasizes the importance of avoiding the loss of potential gains by educating themselves about statistical pitfalls.

4.Question

What does the term 'edge' refer to in trading, and why is it crucial?

Answer:In trading, 'edge' refers to the anticipated advantage or expected value of a trading strategy over time. Knowing one's edge allows traders to gauge their potential earnings and make strategic decisions around their trades, akin to how a batter understands their batting average in baseball.

5.Question

How can managing risk affect a trader's long-term success?

Answer:Effective risk management is essential in trading, as it helps protect a trading account from significant losses. By calculating risks based on market volatility and maintaining an appropriate position size, traders can survive losing streaks and capitalize on profitable trades when trends materialize.

6.Question

Why is the tactic of 'buying rallies' often used during

trend following?

Answer:Buying rallies refers to the strategy of purchasing assets when their prices break out to new highs. Turtles, for instance, sought to buy during upward trends, capitalizing on momentum to amplify gains, rather than trying to time the market with a 'buy low, sell high' mentality.

7.Question

What is pyramiding in trading, and how does it contribute to a trader's profitability?

Answer:Pyramiding is the practice of adding to winning positions as their value increases. This strategy allows traders to maximize profits from successful trades while managing the risk of potential losses by moving stop losses to protect open profits.

8.Question

How did the Turtles' approach to trading differ from conventional beliefs about trading success?

Answer:Unlike conventional beliefs which often stress accuracy in predicting market movements, the Turtles focused instead on maintaining a systematic approach, following strict rules to manage risk and calculate position sizes. This belief in simplicity and strict adherence to rules allowed them to succeed despite taking many small losses.

9.Question

What role does daily market volatility ('N') play in the Turtle trading methodology?

Answer:The daily market volatility ('N') is utilized as a measure for determining risk and position sizes. The Turtles used this metric to gauge how much they should risk per trade, which allowed them to manage their capital effectively across various trades, regardless of the underlying complexities of the markets.

10.Question

How can focusing on price action improve trading outcomes?

Answer:Focusing on price action means making trading decisions based on the movement of prices rather than external news or predictions. This approach helps traders avoid becoming overly complicated in their decision-making process and keeps them aligned with market realities, leading to more timely and effective trading entries and exits.

Chapter 6 | 6| Q&A

1.Question

What was the importance of self-education and a philosophical attitude in the Turtle training?

Answer:Self-education and a philosophical attitude were critical in the Turtle training because, as noted by Nigel Davies, training alone would result in the trainees being 'little more than performing seals.' This implies that a deeper understanding and personal growth were necessary for true success, helping individuals innovate and adapt rather than follow rules blindly.

2.Question

How did the definition of who was considered a 'Turtle' evolve?

Answer:The definition of who could be labeled a 'Turtle' evolved as it included not just those who went through formal training but also others who were close to the C&D Commodities operations and learned the trading principles through observation. This created a debate about authenticity and merit within the group.

3.Question

What role did the work environment play in the success of the Turtles?

Answer:The Spartan and informal work environment fostered a sense of equality and reduced pressure, allowing the Turtles to focus on learning and executing their trades without the distractions of a corporate atmosphere. It encouraged creativity and collaboration among these diverse individuals.

4.Question

In what way did the Turtles handle periods of inactivity in trading?

Answer:The Turtles embraced periods of inactivity, developing a discipline to do nothing when market conditions were not favorable. They understood that trading without a market movement would be counterproductive, reinforcing the importance of patience and strategic execution.

5.Question

How did the diversity within the Turtle group influence their trading practices?

Answer:The diversity in backgrounds, educational levels, and even political beliefs among Turtles contributed to a rich exchange of ideas and perspectives, ultimately enhancing their trading decisions and creating a cooperative environment where they could learn from one another's strengths and weaknesses.

6.Question

What lesson can be learned from the varied trading outcomes within the Turtle group?

Answer:The varied trading outcomes among Turtles highlight the importance of individual decision-making within a structured system. Adhering strictly to the rules did not guarantee success; personal intuition and risk management also played crucial roles in their performance.

7.Question

How did self-doubt manifest among the Turtles during challenging trading periods?

Answer:Self-doubt emerged among the Turtles during difficult trading periods when they experienced losses, making them question their adherence to the rules and the effectiveness of the system. Their group dynamic of support became essential in combating these feelings and reinforcing their commitment to the trading approach they were taught.

8.Question

What was the significance of the 'tribal' atmosphere created among the Turtles?

Answer:The 'tribal' atmosphere fostered camaraderie, emotional support, and shared accountability, which were vital during high-pressure moments and helped mitigate stress during downturns in performance. Recognizing they were in it together helped bolster each individual's confidence.

9.Question

How did Richard Dennis's personality and management style affect the Turtles?

Answer:Richard Dennis's personality as a generous but demanding leader shaped the Turtle program by providing them with freedom and responsibility in their trading while also expecting accountability. His anti-establishment attitude influenced the informal office culture, allowing for creativity and non-traditional methods of trading.

Chapter 7 | 7| Q&A

1.Question

What does the quote from the anonymous Turtle suggest about perception vs. reality in trading?

Answer:It highlights the significant gap between how events are portrayed (like in the news) versus the actual circumstances that traders face: where the reality can be far more complex and not as straightforward as initially perceived.

2.Question

How did the allocation of trading money among Turtles resemble an experiment?

Answer:The unequal allocations among Turtles created a dynamic where they were not only competing in trading but also in navigating favoritism, mimicking an experiment of how different backgrounds and relationships could affect outcomes in a controlled environment.

3.Question

What underlying issues did the Turtles face regarding their trading allocations?

Answer:The primary issues revolved around how allocations did not always correlate to trading performance, leading to frustration and speculation about favoritism, potentially compromising the meritocratic intentions of the program.

4.Question

What lessons can be drawn from the disparity in fund allocations among Turtles?

Answer:The frustrations faced by the Turtles teach that perceptions of fairness are crucial for teamwork and morale, highlighting the importance of transparency and consistent criteria in performance evaluations.

5.Question

How did the performance of Turtles ultimately challenge Dennis's management of risk?

Answer:The research conducted by a group of Turtles revealed that they had been trading at significantly higher risk levels than intended, which called into question Dennis's earlier strategies and forced a reassessment of risk management practices.

6.Question

What impact did favoritism have on Turtle morale?

Answer:Favoritism led to internal rivalries, jealousy, and resentment among Turtles, fundamentally affecting the group dynamics and competition, demonstrating how unequal treatment can undermine a positive working environment.

7.Question

Why was Curtis Faith viewed as a controversial figure among the Turtles?

Answer:Faith's ability to secure larger allocations and achieve significant profits despite perceived erratic trading behavior raised eyebrows among other Turtles, leading to suspicions that he was receiving preferential treatment.

8.Question

What can the Turtles' experiences teach about risk management in trading?

Answer:The Turtles' experiences underline the importance of consistent risk assessment and adherence to a defined trading strategy, showing that deviations can have serious implications for not only individual traders but for the entire trading group.

9.Question

In what ways did Dennis’s character affect the allocation process?

Answer:Dennis's personal relationships and biases influenced his decision-making in allocations, demonstrating that human factors can significantly impact business decisions, even in a trading setup that was supposed to be meritocratic.

10.Question

What is the significance of performance tracking in trading as highlighted in the text?

Answer:Tracking performance objectively is crucial for understanding the effectiveness of trading strategies and practices, as it provides clarity and accountability in highly competitive environments.

Chapter 8 | 8| Q&A

1.Question

What does the experience of Richard Dennis teach us about handling setbacks and losses?

Answer:Richard Dennis's experience reflects the reality that even seasoned traders face significant setbacks, such as his 55% loss in April 1988. Despite his previous success, he found himself in a vulnerable position, emphasizing that losses are an inherent part of any trading career. The lesson here is the importance of resilience and adaptability; rather than allowing setbacks to define us, we should learn from them and continue striving towards our goals.

2.Question

How can one maintain confidence during tough times, as demonstrated by Dennis?

Answer:Dennis maintained his confidence by relying on his long track record and previous successes even when facing substantial losses. He remarked on the credibility his 18 years of experience provided, suggesting that a solid foundation of past achievements can bolster confidence. A key takeaway is that reflecting on past successes and staying focused on long-term resilience can help individuals navigate through difficult periods.

3.Question

What can we learn about risk management from Dennis's trading strategies?

Answer:Dennis's situation reveals the importance of adhering to risk management principles. Although he preached the dangers of overtrading, he himself faced risks that were magnitudes greater than those he taught his students to adopt. This stark contrast underscores the critical need for traders to practice what they preach and to maintain discipline to avoid catastrophic losses.

4.Question

Why is it crucial to understand the nature of one's trading style and its implications on client relationships?

Answer:Dennis's experiences highlight the importance of aligning a trader's style with their clients' expectations. His clients did not fully grasp the risks associated with his trading methods, leading to a loss of confidence when significant drawdowns occurred. It's essential for traders to ensure that clients are adequately informed about the strategies being employed, fostering transparency that builds trust and understanding.

5.Question

In what ways does Dennis’s pivot to politics reflect broader lessons about reinvention and pursuing passions?

Answer:Dennis's shift from trading to political activism after facing hardships exemplifies the possibility of reinvention and the importance of following one’s passions. This move indicates that setbacks can push individuals to explore new avenues that resonate more profoundly with their values and beliefs. It encourages us to remain open to change and to seek fulfillment beyond our current endeavors.

6.Question

How did public perception of Richard Dennis evolve despite his trading setbacks?

Answer:Despite his significant trading losses, Richard Dennis's public image soared due to the publication of 'Market Wizards', which celebrated his story and accomplishments. This illustrates the power of narrative in shaping public perception. Even during difficult phases, the right storytelling can enhance reputation and create new opportunities, reminding us of the importance of framing our experiences positively.

7.Question

What insights can we glean about the psychology of trading from Dennis's frustrations and loss?

Answer:Dennis's frustrations during his losses reveal key psychological aspects of trading, particularly the emotional toll that financial setbacks can take. His acknowledgment of anger and disappointment teaches us that accepting our emotions and the mental challenges of trading is vital. It underscores the need for emotional resilience and the capacity to maintain discipline even when markets turn against us.

8.Question

What does the abrupt end of the Turtle program indicate about the volatility of trading environments?

Answer:The sudden closure of the Turtle program serves as a reminder of the unpredictable nature of trading environments, where market conditions can change swiftly and without warning. It highlights the necessity for traders to remain adaptable and prepared for sudden shifts, ensuring that they have contingency plans in place to navigate volatile scenarios.

9.Question

How can Dennis's achievements inspire aspiring traders facing their own challenges?

Answer:Dennis's journey—marked by both remarkable successes and significant challenges—serves to inspire aspiring traders by exemplifying the idea that setbacks do not define one's entire career. His ability to persevere, adapt, and eventually find new paths amidst adversity can motivate others to view their own struggles as stepping stones to future growth.

Chapter 9 | 9| Q&A

1.Question

What can we learn from the Turtles' transition from working under Richard Dennis to trading independently?

Answer:The Turtles' transition underscores the importance of adaptability and resilience in trading. Despite losing the safety net provided by Dennis, many Turtles thrived independently, demonstrating that success is often a reflection of one's ability to leverage the skills learned and adapt to new challenges. Their varying approaches to risk after leaving Dennis show that understanding one's risk tolerance is crucial in the trading sector.

2.Question

How does fame affect a trader's perspective according to the chapter?

Answer:The chapter highlights that fame can distort perspective. Just as Billy Ray Valentine in 'Trading Places' struggled to remember his past after gaining success, traders may forget their foundational principles when thrust into the limelight. This underscores the need for humility and a grounded approach, ensuring that one's trading philosophy remains intact despite external success.

3.Question

Why did the idea of a collaborative Turtle fund ultimately not succeed?

Answer:The collaborative Turtle fund idea faltered due to egos and differing visions among the Turtles. While some were eager to work together, others preferred individual paths, highlighting the challenge of balancing collaboration with personal ambition in trading.

4.Question

What is the significance of adjusting risk levels for client comfort?

Answer:Adjusting risk levels for client comfort, as Jerry Parker did, reflects a crucial strategic shift in trading. By mitigating risk to appeal to investors, Turtles could attract capital—but this came at the potential cost of lower returns. This dilemma illustrates the tension between maintaining a high-reward trading strategy and meeting client expectations.

5.Question

What does the chapter illustrate about the nature of risk and reward in trading?

Answer:The chapter emphasizes that high rewards typically come with high volatility and risk. Turtles like Liz Cheval maintained that investors seeking high returns should be prepared for the accompanying risks. This balance between risk and reward is essential for traders, as lower volatility strategies tend to attract institutional investors but may yield lower overall returns.

6.Question

How did the Turtles' performance under Dennis influence their reputations as traders?

Answer:The Turtles' performances under Dennis created a collective reputation, causing investors to perceive them as highly correlated and homogenous in trading style. This collective identity made it challenging for individual traders to distinguish themselves, demonstrating the critical role of branding and individual differentiation in the competitive trading landscape.

7.Question

What lesson can traders take away from Tom Shanks' approach to risk and return?

Answer:Tom Shanks' approach illustrates that maintaining a high-risk, high-return style can lead to significant rewards, but it may also alienate potential investors who prioritize stability. The key takeaway for traders is the balance between personal trading philosophies and aligning with the risk appetites of their clients.

8.Question

What was the impact of Jack Schwager's 'The Market Wizards' on the Turtles' careers?

Answer:Jack Schwager’s 'The Market Wizards' brought significant visibility to the Turtles, contributing to their rise as notable figures on Wall Street. The publicity created a desire from investors to work with the Turtles, proving that exposure can greatly enhance a trader's career trajectory, provided they manage their public personas and strategies wisely.

9.Question

How did the Turtles differ in their responses to the realities of trading without Dennis?

Answer:The Turtles' responses varied widely—some, like Parker, adjusted their risk to appeal to investors; others, like Shanks, remained committed to the high-risk styles taught by Dennis. This divergence highlights the individuality within the group and illustrates how personal philosophies and circumstances shape trading strategies.

10.Question

What does the quote 'The biggest conspiracy has always been the fact that there is no conspiracy' reveal about trading?

Answer:This quote challenges the notion that external forces shape success or failure in trading. It emphasizes personal responsibility and the idea that traders must rely on their skills rather than attributing outcomes to conspiracies or unmanageable market forces. This perspective encourages self-reliance and accountability in trading decisions.

Chapter 10 | 10| Q&A

1.Question

What core lesson can be learned from the Turtles' experiences in trading?

Answer:The Turtles illustrate that beyond systematic rules, emotional resilience and adaptability are crucial for long-term trading success. Even with the same strategies, individual outcomes can vary significantly based on how traders handle their psychology and market pressures.

2.Question

How did Richard Dennis's feelings about re-entering the trading field reflect the challenges faced by many successful individuals?

Answer:Dennis's comeback decision underscores the fear of both competition and loss of identity that many successful individuals experience. Despite having trained others to succeed, he grappled with the prospect of competing against them, showcasing the emotional complexities of mentorship and rivalry.

3.Question

Why did Russell Sands' decision to sell Dennis's rules create such a rift among the Turtles?

Answer:By revealing the trading secrets that were meant to remain confidential, Sands threatened the integrity of the Turtle legacy and violated a collective bond of loyalty they shared with Dennis. This act was seen not just as a betrayal of trust, but as undermining the hard-earned reputations each Turtle had built.

4.Question

What does Dennis's performance after his return tell us about adaptability in trading?

Answer:Dennis's impressive returns after his comeback illustrate that adaptability is crucial in trading. By refining his approach and leveraging technology, he managed to thrive even amidst market upheavals, emphasizing that continuous learning and adaptation to new market dynamics are essential for success.

5.Question

How did the rivalry among Turtles manifest in their emotional responses to success?

Answer:The emotional landscape among the Turtles was marked by competition and jealousy, which could either motivate improvement or lead to resentment. Their varying degrees of success created a divisive atmosphere, showcasing the emotional toll of trading in a highly competitive environment.

6.Question

What insights can be drawn from Dennis's initial withdrawal from trading and subsequent return?

Answer:Dennis's withdrawal and return highlight that sometimes stepping back can provide essential perspective and clarity. His eventual comeback reinforced the idea that having confidence in one's strategies, along with a willingness to learn from past mistakes, can lead to renewed success.

7.Question

In what ways did the Turtles' training under Dennis

impact their long-term trading approaches?

Answer:The Turtles' training instilled a strong foundational mindset centered on systematic trend-following. However, their ultimate success depended on how they internalized and applied these lessons in their unique trading styles, demonstrating that the application of knowledge varies greatly among individuals.

8.Question

What does Sands's story reveal about personal ambition versus ethical considerations in the trading world?

Answer:Sands's decision to monetize Dennis's trading rules exemplifies the tension between personal ambition and ethical conduct. His actions raised questions about loyalty and the moral implications of using proprietary knowledge for personal gain, reflecting broader dilemmas in competitive fields.

9.Question

How does the camaraderie among Turtles change as they achieve individual success?

Answer:Camaraderie among Turtles was initially strong, but as their individual successes grew, it often turned into rivalries marked by jealousy and competition. This shift shows how success can challenge relationships, as the dynamics of friendship are tested when one’s achievements overshadow others.

10.Question

What is the significance of Dennis referring to himself as a 'researcher' after his comeback?

Answer:By labeling himself as a 'researcher', Dennis acknowledged the necessity of evolving his approach and adapting to changing market conditions. This shift in identity signifies an openness to new methodologies and perspectives, crucial in the fast-paced finance world.

Chapter 11 | 11| Q&A

1.Question

What lesson can we learn from Jerry Parker's success after leaving the Turtle program?

Answer:Jerry Parker exemplifies the importance of seizing opportunities and possessing entrepreneurial skills. His ability to remain open to possibilities, apply lessons learned from his mentor Richard Dennis, and build his own confidence allowed him not only to survive but to thrive in a competitive trading landscape. He recognized the necessity of hard work, diverse market strategies, and the significance of his mentor's approach, while also infusing his business acumen into trading. The blend of technical knowledge and entrepreneurship set him apart, highlighting that success often involves more than just intelligence.

2.Question

How does Jerry Parker's view on risk and losing money differ from traditional investments?

Answer:Parker's view is grounded in the acceptance of loss as part of the trading process—he learned that it's normal to lose money at times, a stark contrast to traditional investor mindsets where loss is often seen as a failure. He advocates for a focus on long-term strategies rather than short-term performance, emphasizing that market fluctuations provide opportunities rather than threats.

3.Question

What are some key traits shared by successful entrepreneurs, according to the text?

Answer:Successful entrepreneurs often display traits like nonconformity, emotional aloofness, a willingness to take risks, social adeptness, autonomy, and an eagerness for change. These attributes are crucial for navigating the uncertainties in trading and business, enabling a proactive rather than reactive approach.

4.Question

What does Parker mean by saying, 'It’s okay to lose money'?

Answer:This phrase reflects a philosophical acceptance of the inevitable ups and downs in trading. Parker implies that understanding and managing risk is essential, and fearing losses can hinder effective decision-making. By realizing that losses are part of the trading journey, traders can focus on their overall strategy without becoming paralyzed by fear.

5.Question

How did the differing philosophies between Parker and fundamental analysts affect their trading approaches?

Answer:Parker adhered strictly to a trend-following strategy that relies on historical price movements rather than fundamentals. In contrast, fundamental analysts focus on economic indicators or company performance, which can lead to emotional biases and the assumption that markets will always revert to some mean value. This divergence illustrates that while both approaches can yield profitable results, their underlying philosophies can lead to vastly different experiences and outcomes in trading.

6.Question

What challenges do traders face when convincing clients about trend-following strategies?

Answer:Traders like Parker often face skepticism from clients who may not understand or trust trend-following as a legitimate approach. Many investors are more comfortable with traditional methods, seeking tangible narratives to justify investments rather than accepting a purely technical basis based on price movement. Bridging this understanding gap can be a crucial challenge for systematic traders.

7.Question

Why is it important for traders to continuously educate themselves and adapt their strategies?

Answer:Continuous education and adaptation are vital because markets are ever-evolving due to technological advancements, economic shifts, and changes in market dynamics. Traders need to be responsive and flexible, refining their strategies to incorporate new information, techniques, and broader market conditions to remain competitive and successful in their trading endeavors.

8.Question

What role does mentorship play in the journey of a trader like Jerry Parker?

Answer:Mentorship provides crucial guidance, knowledge, and confidence that can shape a trader's approach. For Parker, his time under Richard Dennis equipped him with foundational trading strategies and the confidence to navigate challenges. A good mentor not only imparts knowledge but also fosters resilience and encourages future leaders in trading to trust their systems and instincts.

9.Question

How does Jerry Parker's journey reflect the potential for success beyond initial setbacks?

Answer:Parker's experience illustrates that initial failures do not define ultimate success. Despite starting his career as a Turtle with a loss, he regrouped, learned from his experiences, and strategically built a successful trading career. His story serves as an inspiration that perseverance, learning, and applying lessons over time can lead to significant achievements, regardless of early hurdles.

Chapter 12 | 12| Q&A

1.Question

What is one key reason why some Turtles succeeded while others failed in trading?

Answer:Success in trading often depends more on the ability to follow rules consistently than on intrinsic intelligence. Those who could maintain discipline in executing the trading system thrived, while others faltered due to personal issues or failure to adhere to the rules.

2.Question

How did Richard Dennis view the relationship between intelligence and successful trading?

Answer:Richard Dennis believed that executing a trading system effectively did not require high intelligence. He emphasized that good traders should pour their intelligence into creating robust systems but then follow those systems with discipline, almost mechanically.

3.Question

What can be inferred about the importance of community and collaboration among traders from the Turtle program?

Answer:The Turtle program showcased the value of collaboration and shared learning, as it brought together individuals who, despite varied backgrounds, could succeed by following structured trading strategies and supporting one another.

4.Question

What lesson can be drawn from Curtis Faith's transition from success as a Turtle to later struggles in trading?

Answer:Curtis Faith’s journey illustrates that past success does not guarantee future success. It highlights the importance of continual adaptation and learning in trading and raises questions about how personal decisions and external circumstances can impact one’s trading career.

5.Question

How does the story of the Turtles illustrate the concept that 'failure is a choice'?

Answer:The Turtles' experiences show that individuals can often attribute their lack of success to external factors, but in truth, success or failure often boils down to personal choices, discipline, and the willingness to adhere to one’s trading plan.

6.Question

What do the various strategies and outcomes of the Turtles suggest about the financial industry?

Answer:The divergent experiences of the Turtles suggest that the financial industry is rife with unpredictable outcomes and that success is not guaranteed, even with proven strategies; personal character and choices can drastically influence results.

7.Question

What warning does Curtis Faith's later actions in monetizing the Turtle rules provide about integrity in trading?

Answer:Curtis Faith's shift from promoting the Turtle rules for charity to charging for them raises questions about integrity in business, reminding traders of the importance of ethical practices and the potential pitfalls of prioritizing financial gain over principles.

8.Question

According to Dennis, what approach should traders take after developing a trading system?

Answer:Dennis advised that after developing a trading system, traders should adopt a 'schizoid' approach: work diligently to create a robust system, but then follow that system without emotional interference, acting as if they were a 'brick wall' in their adherence to the rules.

Chapter 13 | 13| Q&A

1.Question

What is the essence of the Turtle story and its implications for potential traders?

Answer:The Turtle story emphasizes that success in trading is largely based on following guidelines and proper risk management rather than innate talent. This suggests that almost anyone can learn to trade effectively with the right education and mindset.

2.Question

What does Salem Abraham’s journey teach us about entrepreneurship and risk?

Answer:Abraham's journey highlights the importance of confidence, resilience, and the ability to adapt. His transition from a mail-order business aspiration to a successful trader showcases how sometimes the best opportunities arise unexpectedly, and that embracing risk can lead to significant rewards.

3.Question

How does the concept of 'nurture over nature' manifest in

the success of second-generation Turtles?

Answer:The success of second-generation Turtles like Salem Abraham illustrates that learnable skills and mentorship can enable individuals from various backgrounds to achieve impressive results in trading, challenging the notion that only those with elite training or pedigree can succeed.

4.Question

What insights does Abraham provide regarding risk management in trading?

Answer:Abraham emphasizes that managing risk is paramount for trading success. He reflects on using good risk management as a safety net, comparing it to controlling speed in a high-performance car—just because you have potential power doesn't mean you should use it recklessly.

5.Question

How does Abraham's unique background influence his approach to trading?

Answer:Salem Abraham's upbringing in an entrepreneurial family instilled a robust belief in taking calculated risks. His background in a small town taught him the value of practical knowledge and hard work, which translates into his disciplined trading philosophy.

6.Question

What does Abraham's trading performance reveal about potential in the face of skepticism?

Answer:His trading performance, especially after experiencing significant downturns, demonstrates that perseverance, combined with strategic insights and a strong support network, can allow one to defy initial doubt and emerge successful.

7.Question

What role does mentorship play in transforming careers, as seen in Abraham's story?

Answer:Mentorship was pivotal for Abraham, particularly his relationship with Jerry Parker. This interaction not only redirected his career path but also equipped him with essential trading principles, illustrating how guidance from experienced individuals can catalyze personal success.

8.Question

Why does Abraham believe it's essential to identify and emulate successful individuals?

Answer:Abraham suggests that to achieve success, one must observe and understand the behaviors and strategies of those who have succeeded before. By analyzing these patterns, aspiring traders can better position themselves for achieving their own goals.

9.Question

What valuable lesson does Abraham learn from the 1987 market crash?

Answer:The 1987 market crash taught Abraham the critical lesson of resilience in trading, emphasizing the need to acknowledge that extreme volatility can occur and that survival often hinges on maintaining composure and learning from setbacks.

10.Question

In what way does Abraham describe the mentality necessary for trading success?

Answer:He indicates that successful traders possess an indefatigable optimism and a drive to pursue opportunities, which allows them to embrace risks rather than avoid them, thereby positioning themselves to capitalize on potential market movements.

Chapter 14 | 14| Q&A

1.Question

What is the significance of mental toughness in trading, according to the text?

Answer:Mental toughness is depicted as the ability to maintain clarity and resilience in the face of setbacks. Traders who fail often lack this toughness and give up when faced with losses. Successful traders like Jerry Parker and Salem Abraham demonstrate the essential quality of persistence and drive, necessary to navigate the challenges of the market, which reaffirms that mental fortitude is crucial for long-term success.

2.Question

How do nurture and nature play roles in the development of successful traders?

Answer:The text suggests that nurture—training and environment—trumps nature—innate abilities. Richard Dennis's experiment showed that those who were trained under his method, like the original Turtles, could achieve success through learned behaviors rather than natural talent alone. Post-experiment, the ability to adapt and utilize learned strategies effectively defines successful traders.

3.Question

What can we learn from the failures of some Turtles in the trading world?

Answer:The failures of some Turtles highlight the importance of resilience and determination. Their inability to recover from losses serves as a lesson that toughness, mental clarity, and the refusal to give up are vital traits for succeeding in trading, much like in any competitive field.

4.Question

Why is Salem Abraham's story significant as a second-generation Turtle?

Answer:Salem Abraham's journey is crucial as it showcases the importance of a strong work ethic, entrepreneurial spirit, and adaptability in trading. Unlike the original Turtles who benefited from Dennis's direct guidance, Abraham had to forge his path, reflecting a deeper sense of determination and the core qualities that contribute to sustainable success in trading.

5.Question

What is the connection between top hedge fund earners and the lessons of the Turtles?

Answer:The top earners in the hedge fund industry exemplify that success in trading requires more than just rules; it demands a combination of mental toughness, continual learning, and resilience. The stories of the Turtles, particularly in their application of Dennis's strategies and their ability to navigate the market's uncertainties, serve as a roadmap for aspiring traders to understand and emulate.

6.Question

How does the market's impersonal nature shape a trader's success?

Answer:The market's indifference to personal attributes like gender or race means that success is open to anyone willing to recognize opportunities and take calculated risks. This level playing field emphasizes that determination, knowledge, and the ability to learn from failures are the true drivers of success in trading.

7.Question

What role does deliberate practice play in achieving extraordinary results, according to the text?

Answer:Deliberate practice is essential for cultivating the extra drive necessary for success. The text emphasizes that successful individuals, much like skilled surgeons, invest significant time and effort into honing their craft, illustrating that consistent practice and learning are keys to mastery in trading.

The Complete Turtletrader Quiz and Test

Check the Correct Answer on Bookey Website

Chapter 1 | 1| Quiz and Test

1. Richard Dennis conducted an experiment to determine if trading skills could be taught to individuals without prior experience.
2. William Eckhardt believed that anyone could become a successful trader through training and experience.
3. The success of the candidates in Dennis's experiment was widely accepted without skepticism.

Chapter 2 | 2| Quiz and Test

1. Richard Dennis was known for his strict adherence to traditional investment banking norms.
2. Dennis earned $80 million in 1986, placing him among the elite on Wall Street.
3. The Turtle experiment was primarily about teaching the importance of emotional responses in trading.

Chapter 3 | 3| Quiz and Test

1. Richard Dennis believed that luck plays a significant role in successful long-term trading.
2. Candidates for the Turtle program came from various unconventional backgrounds, including overweight security guards and struggling brokers.
3. The training for the Turtles focused primarily on trading strategies without any emphasis on psychological factors.

Chapter 4 | 4| Quiz and Test

1. Dennis and Eckhardt emphasized the need for Turtles to protect their capital while engaging in limitless speculation.
2. According to Dennis and Eckhardt, Turtles should focus primarily on their entry prices rather than on exit strategies when trading.
3. The Turtles were trained to approach trading without emotional attachment and to maintain consistency in their trading strategies.

Chapter 5 | 5| Quiz and Test

1. A stop order is executed when the specified price is not reached, transitioning into a market order.
2. Systematic traders do not follow strict rules for buying, selling, and managing trades according to trainers Dennis and Eckhardt.
3. The Turtles used a single system for trading that focused on either short-term or long-term breakouts without filters.

Chapter 6 | 6| Quiz and Test

1. The Turtles operated in an office environment that was heavily supervised and resource-rich.
2. The diverse backgrounds of the Turtles did not hinder their collaboration despite political differences.
3. The initial performance volatility of the Turtles resulted in immediate success and confidence in their trading strategies.

Chapter 7 | 7| Quiz and Test

1. The initial atmosphere of the Turtle trading program was characterized by competition and insecurity due to equal monetary allocations among traders.
2. Curtis Faith received higher allocations despite his trading against the rules, indicating favoritism in the Turtle trading program.
3. Most Turtles agreed that the allocation process was fair and based solely on trading performance, leading to overall harmony within the group.

Chapter 8 | 8| Quiz and Test

1. Dennis faced ongoing anxiety about trade execution issues such as 'skid' despite having a logical teaching background.
2. Dennis's decision to end the Turtle program was based solely on the performance of the Turtles, who were still profitable at the time.
3. Dennis's reputation declined despite his students being

profitable after the Turtle program ended.

Chapter 9 | 9| Quiz and Test

1. The Turtles successfully adapted their trading strategies to stand out from one another in the market after leaving Richard Dennis's mentorship.
2. Dennis Miller humorously notes that fame can affect one's view of life and business, as highlighted in the chapter summary.
3. All Turtles pursued the same aggressive trading strategy learned from Dennis after the Turtle program ended.

Chapter 10 | 10| Quiz and Test

1. The Turtles operated under different rules and strategies, leading to varied trading outcomes
2. Dennis launched the Dennis Trading Group in 1994 after contemplating a comeback in trading.
3. Russell Sands gained approval from the Turtle community when he offered to sell Dennis's trading rules.

Chapter 11 | 11| Quiz and Test

1. Jerry Parker transformed his career and achieved significant wealth after Dennis's trading decline.
2. Dennis Trading Group flourished and saw an increase in client funds until it was closed in 2000.
3. Parker believed in the effectiveness of mean reversion strategies in trading.

Chapter 12 | 12| Quiz and Test

1. Success in trading can be found in unlikely encounters, similar to everyday life.
2. The key to the success of the Turtles was solely their intellectual abilities and not their mindset.

3.Curtis Faith always succeeded after leaving the Turtle program and had no career struggles.

Chapter 13 | 13| Quiz and Test

1. Second-generation Turtles provide evidence that trading success can be taught.
2. Salem Abraham was directly trained by Richard Dennis and William Eckhardt before achieving success in trading.
3. Abraham's trading success relied solely on his innate ability as an entrepreneur.

Chapter 14 | 14| Quiz and Test

1. The Turtle experiment showed that inherent talent is more effective than systematic training in trading.
2. Continuous learning and self-education are important for cultivating a mindset aligned with success in trading.
3. Success in trading depends on historical luck or opportunity rather than knowledge and determination.