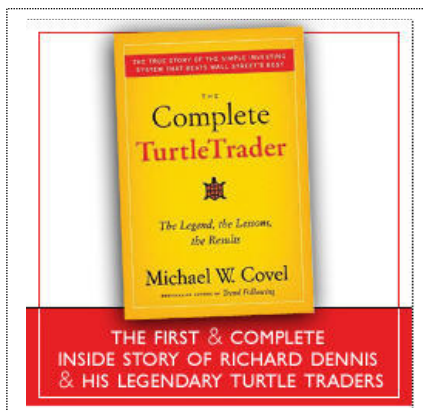


***The Complete TurtleTrader -
The Legend, The Lessons, The Results***
Michael Covel

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1. ABOUT THE BOOK & AUTHOR

(i). Thesis / Book Purpose

"Are Traders Born or Made ? " – Nature or Nurture?

This topic has been the subject of debates since the creation of Exchanges.

The "Complete TurtleTrader" book is the amazing story of the 1980's legendary trader Richard Dennis – aka "Prince of the Pits" – decision to prove to his trading partner (Bill Eckhardt) that traders can be taught, and are thus made not born. Dennis & Eckhardt created a training program in an effort to determine if traders can be developed through training as opposed to having some specific innate talent.

If the above rings a bell, then don't be surprised since the experiment is the real life version of the movie "Trading Places" starring Eddie Murphy and Dan Aykroyd. The movie was released at the same time when Dennis posted his ad looking for traders to train (1983), so was life imitating art or just an immense coincidence ?

Michael Covel's book is picks up where Schwager's book left off. However Covel's version is much more in depth and thoroughly-researched, while at the same time being a sequel to his earlier work (Trendfollowing).

So, what happens when legendary trader Richard Dennis puts an ad in the paper to train traders ? What kind of results could be expected out of ordinary people when given a winning system and a million dollar account ? The results were not only insightful but also surprising.

(ii) Author Credentials

Michael W. Covel is the author of the bestselling book Trend Following, now in its seventh printing and translated into six languages. Covel speaks regularly on the subject of trading and is managing editor of TurtleTrader.com, the leading news and commentary resource on insights into the Turtles.

Michael W. Covel has been consulting to individual investors and traders, hedge funds and banks since 1997. His first book was the best selling "*Trend Following: How Great Traders Make Millions in Up or Down Markets*". It profiles great trend followers who have won millions if not billions in the market. Trend Following is currently available in German, Japanese, Chinese, Korean, and French translations with Russian and Arabic in the works.

Covel speaks regularly to international audiences. He has made presentations from China to Austria to Japan. He also writes for the Market Technicians Association, Yahoo! Finance, TradingMarkets.com, Your Trading Edge Magazine, Futures Japan Magazine and Stocks, Futures and Options Magazine. Covel has been quoted and interviewed by likes of Bloomberg Radio, Technical Analysis Magazine and Barrons.

Additionally, as Managing Editor of TurtleTrader.com®, Covel developed a leading trading news and commentary website online since 1996. Thousands of clients and visitors from more than 70 countries have made the site a rich archive of trading information, data and opinion with over 10 million unique visitors since inception.

2. BOOK SYNOPSIS

Richard Dennis & The Bet (Chapters 1 - 2) :

Richard Dennis, an eccentric man who started out as a runner at the Chicago Mercantile Exchange at age 17 grew up on the South side of Chicago (an area known for crime and poverty) but managed to rise to become an unlikely champion of the trading floor. By age 25, he had earned \$1 million in the market. By age 37, he'd made \$200 million. Where did the ability to do that come from? Was it genetic? He and his partner, William Eckhardt, debated on this question. Eckhardt said it was genetic, Dennis maintained it could be learned.

Experiment Procedure (Chapters 3):

The partners placed an ad in financial periodicals seeking commodities futures trader trainees, no experience required. The book takes us through the Turtles selection process, including the questionnaire that prospective Turtles were asked to complete. From over a thousand applications, they chose eight, from diverse backgrounds, a few were Ivy League graduates, others Las Vegas gamblers, one was a security guard, another an actor, one a former drug dealer. Some lied to get the interview with Dennis, smelling a once-in-a-lifetime opportunity. All were provided 2 weeks training in Dennis' trend-following technical trading system, and then given a \$1m account to start off. The legendary Turtles were born.

Trading Philosophy & Methodology (Chapters 4-6):

For those interested in their specifics of the training provided, there are two chapters, one on "The Philosophy" and one explaining "The Rules". This is a basic trend-following system, with 2 variations: System (S1) and System (S2), with volatility-adjusted position sizes based on notional account equity. Buy/sell when it makes a new high/low over a designated period. Pyramid your winners. For every 10% drawdown, cut size by 20%, etc

The Experiment Results - Procedure Intricacies (Chapter 7):

The chapter follows how the trainees were judged on how well they followed the system and pulled the trigger when necessary, not just as to how much money they made or lost. Curtis Faith and Mike Cavallo were favorites. Curtis even followed his own rules (beyond S1 & S2). The chapter provides details of the rivalries, conflicts, the politics in C&D Commodities.

The End & On their Own.. (Chapters 8 -9):

Dennis suffers losses, and also decides to have the whole thing come to an end. What happens after the experiment ? This is where Covel goes above and beyond the "experiment" by providing details of how the Turtles did out on their own.

Dennis Back in the Game (Chapter 10 - 11)

History proved that the Dennis' decision to end the experiment was a huge mistake. A mistake for everyone involved, but especially for himself. When he decided to get back into the game he has to compete with the people he trained as part of his bet.

Curtis Faith Fails (chapter 12)

The Dennis & Media darling Turtle (Curtis Faith) fails on his own. Covel provides the reasons and background in this chapter.

Second Generation Turtles (chapter 13)

This is the part of the book that extends beyond the original Turtle team by examining the second generation Turtles. The whole story is also wound together and the author provides some thought-provoking insights.

3. BOOK EVALUATION

Sources of Documentation & Style of Writing:

Covel's description of the story is full of facts, annotations and is all-in-all thoroughly researched and well documented. The author interviewed the larger part of this secretive group while cross checking his sources. Opinions are supported by foot-notes, trading performance numbers and supporting appendices.

Covel's narrative tone manages to breathe life into the Turtles through his vivid portrays of frustrations, jealousies, inequities in allocation of money, favoritism while at the same time avoids sounding dramatic. Although the author is a journalist not a trader he manages to separate fact from legend and the randomness of trading from the hard work of it.

Reasons to buy the Book:

The reasons to read the book are not only numerous but varied as well.

For those that are not familiar with the Turtle story:

1. Turtle Experiment: Learning the details of a story that is interesting on its own right, providing a history lesson and entertainment at the same time.
2. Richard Dennis: Getting to know the specifics of the humble beginning and rise of one the most successful traders of the 80's.

For those that have already heard of the experiment:

3. Providing (much) additional and elaborate information on the project as first featured in Schwager's Market Wizards, with many anecdotal evidence.
4. Covel's above-and-beyond-the-experiment coverage, by including updates about some of the Turtles today and information on a second generation of Turtles.

For those new to trading:

5. Template of a complete Trading Plan: for those new to trading the Chapter 5 provides an excellent template of what a trading plan should include. Entries, Exits, volatility adjusted position sizing, etc. Trendfollowing has had its ups and downs since the 80's but the chapter shows how one should approach the formulation of a complete trading plan

The book is recommendable to a wide range of audience, while the price is extremely reasonable for a hardcover trading book , with a word of caution though to those that:

1. hope will start trading based on the original Turtle rules.
2. hope will have a definite answer to the most enduring question regarding trading: Nurture or Nature?

Personally I would not say the experiment provided conclusive evidence, as Dennis's genius was proved by the inception of the system not just by its execution from the Turtles.

However it should be noted that members of the second class tested the original trading rules provided by Dennis and Eckhardt and realised that they -as a group- were trading at a twice the intended risk level as taught by their tutors. Dennis instructed the trainees to cut notional values in half. The teacher became in effect a student. Moreover at a later stage some Turtles succeeded as big-time money managers (something their mentor was never quite able to do), and outlasted Dennis himself.

So on a philosophical note I would conclude that since we are living in a "shades of grey" world where "black and white" absolutists fail, neither nature nor nurture alone is enough. Trading is neither pure Art nor Science as it encompasses pieces of both. Hence professional success ultimately lies in a mixture of nurture and nature. I believe Larry Williams said it best: "Trading is an Art, backed by Science, overlaid with your personality and imperfections".

Readers are free to draw their own conclusions if genes or external influences determine destiny.