

The Complete **TurtleTrader**

The Legend

The Lessons

The Results

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 HarperCollins e-books

For Jake
Home plate collisions and winning are all that matter

“Every morning in Africa a gazelle wakes up. It knows it must run faster than the fastest lion or it will be killed. Every morning a lion wakes up. It knows it must run faster than the slowest gazelle or it will starve to death. It doesn't matter whether you are a lion or a gazelle. When the sun comes up, you better start running.”

African proverb

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Preface

"Trading was more teachable than I ever imagined. Even though I was the only one who thought it was teachable . . . it was teachable beyond my wildest imagination."

Richard Dennis

This is the story of how a group of ragtag students, many with no Wall Street experience, were trained to be millionaire traders. Think of Donald Trump's show *The Apprentice*, played out in the real world with real money and real hiring and firing. However, these apprentices were thrown into the fire and challenged to make money almost immediately, with millions at stake. They weren't trying to sell ice cream on the streets of New York City. They were trading stocks, bonds, currencies, oil, and dozens of other markets to make millions.

This story blows the roof off the conventional Wall Street success image so carefully crafted in popular culture: prestige, connections, and no place at the table for the little guy to beat the market (and beating the market is no small task). Legendary investor Benjamin Graham always said that analysts and fund managers as a whole could not beat the market because in a significant sense they were the market. On top of that, the academic community has argued for decades about efficient markets, once again implying there is no way to beat market averages.

Yet making big money, beating the market, is doable if you don't follow the herd, if you think outside the box. People do have a chance to win in the market game, but he or she needs the right *rules* and *attitude* to play by. And those right rules and attitude collide head-on with basic human nature.

This real-life apprentice story would still be buried had I not randomly picked up the July 1994 issue of *Financial World* magazine,

featuring the article “Wall Street’s Top Players.” On the cover was famed money manager George Soros playing chess. Soros had made \$1.1 billion for the year. The article listed the top one hundred paid players on Wall Street for 1993, where they lived, how much they made, and in general how they made it. Soros was first. Julian Robertson was second, at \$500 million. Bruce Kovner was fifth, at \$200 million. Henry Kravis of KKR was eleventh at \$56 million. Famed traders Louis Bacon and Monroe Trout were on the list, too.

The rankings (and earnings) provided a crystal-clear landscape of who was making “Master of the Universe” money. Here were, without a doubt, the top players in the “game.” Unexpectedly, one of them just happened to be living and working outside Richmond, Virginia, two hours from my home.

Twenty-fifth on the list was R. Jerry Parker, Jr., of Chesapeake Capital—and he had just made \$35 million. Parker was not yet forty years old. His brief biography described him as a former pupil of Richard Dennis (who?) and noted that he was trained to be a “Turtle” (what?). Parker was described as a then twenty-five-year-old accountant who had attended Dennis’s school in 1983 to learn his “trend-tracking system.” The article also said he was a disciple of Martin Zweig (who?), who just happened to be thirty-third on the highest-paid list that year. At that moment the name “Dennis” was neither more nor less important than “Zweig,” but the implication was that these two men had made Parker extremely rich.

I studied that list intently, and Parker appeared to be the only one in the top hundred advertised as having been “trained.” For someone like myself, looking for ways to try and earn that kind of money, his biography was immediate inspiration, even if there were no real specifics. Here was a man who bragged that he was a product of the “Virginia boondocks,” loved country music, and preferred to keep as far away from Wall Street as possible. This was no typical moneymaking story—that much I knew.

The common wisdom that the only way you could find success was by working in eighty-story steel-and-glass towers in New York, London, Hong Kong, or Dubai was clearly dead wrong. Jerry Parker’s office was absolutely in middle of nowhere, thirty miles outside Richmond in Manakin-Sabot, Virginia. Soon after reading the magazine, I drove

down to see his office, noting its lack of pretense, and sat in the parking lot thinking, “You have got to be kidding me. This is where he makes all that money?”

Malcolm Gladwell famously said, “There can be as much value in the blink of an eye as in months of rational analysis.” Seeing Parker’s country office was an electrical impulse for me, permanently dispelling the importance of location. But I knew nothing else at the time about Jerry Parker other than what was in that 1994 issue of *Financial World*. Were there more of these students? How did they become students? What were they taught? And who was this man Dennis who had taught Parker and others?

Richard Dennis was an iconoclast, a wildcatting Chicago trader not affiliated with a major investment bank or Fortune 500 firm. As the “locals” were fond of saying on Chicago trading floors, Dennis “bet his left nut.” In 1983, by the time he was thirty-seven, he’d made hundreds of millions of dollars out of an initial grubstake of a few hundred. Dennis had done it on his own terms in less than fifteen years, with no formal training or guidance from anyone. He took calculated risks leveraging up huge amounts of money. If he liked a trade, he took all of it he could get. He lived the markets as a “betting” business.

Dennis figured out how to profit in the real world from an understanding of behavioral finance decades before Nobel prizes were handed out to professors preaching theory. His competitors could never get a handle on his consistent ability to exploit irrational market behavior throughout all types of markets. His understanding of probabilities and payoffs was freakish.

Dennis simply marched to a different drum. He eschewed publicity about his net worth even though the press speculated about it extensively. “I find that kind of gauche,” said Dennis.¹ Perhaps he was reticent to focus on his wealth because what he really wanted to prove was that his earning skills were nothing special. He felt anyone could learn how to trade if taught properly.

His partner, William Eckhardt, disagreed, and their debate resulted in an experiment with a group of would-be apprentice traders recruited during 1983 and 1984 for two trading “classes.” That “Turtle” name? It was simply the nickname Dennis used for his students. He had been on a trip to Singapore and visited a turtle-breeding farm. A huge vat of

squirming turtles inspired him to say, “We are going to grow traders just like they grow turtles in Singapore.”

After Dennis and Eckhardt taught novices like Jerry Parker how to make millions and the “school” closed, the experiment morphed into word-of-mouth legend over the years supported by few hard facts. The *National Enquirer* version of the story was captured in 1989 by a *Wall Street Journal* headline, “Can the skills of successful trading be learned? Or are they innate, some sort of sixth sense a lucky few are born with?”

Since the 1980s are long past, many might wonder if the Turtles’ story still has relevance. It has more relevance than ever. The philosophy and rules Dennis taught his students, for example, are similar to the trading strategy employed by numerous billion-dollar-plus hedge funds. True, the typical stock-tip chaser glued daily to CNBC has not heard this story, but the players on Wall Street, the ones who make the *real* money, know.

The inside story has not been told to a wider audience until now because Richard Dennis is not a household name today, and because so much has happened on Wall Street since 1983. After the experiment ended, the characters, both teachers and Turtles, went their separate ways and an important human experiment fell through the cracks, even though what took place is as significant today as then.

The effort to get the real story out there started to gain momentum in 2004, when I was invited to visit Legg Mason’s headquarters in Baltimore following the release of my first book, *Trend Following*. After lunch, I found myself in a classroom on the top floor with Bill Miller, the fund manager of the \$18 billion Legg Mason Value Trust fund (LMVTX). Beating the Standard & Poor’s 500-stock index for fifteen years straight put him in a similar league as Warren Buffett. Miller, like Dennis, had taken extraordinary calculated risks and more often than not been proven right.² On this day he was lecturing a roomful of eager trainees.

Out of the blue, Miller invited me to the lectern to address his class. The first questions, however, came straight from Miller and Michael Mauboussin (Legg Mason’s chief investment strategist). They were, “Tell us about Richard Dennis and the Turtles.” At that moment, I realized that if these two Wall Street pros wanted to know more about