

THIS IS THE TRUE STORY BEHIND WALL STREET LEGEND  
RICHARD DENNIS, HIS DISCIPLES—THE TURTLES—AND THE  
TRADING TECHNIQUES THAT MADE THEM MILLIONAIRES

THE  
Complete  
TurtleTrader



WITH NEW  
TURTLE  
INTERVIEWS  
*and*  
AFTERWORD  
FROM THE  
AUTHOR

*How 23 Novice Investors  
Became Overnight Millionaires*

"Most beat-the-market books aren't worth my shelf space.  
**This one is.**" —James Pressley, *Bloomberg News*

Michael W. Covel

BESTSELLING AUTHOR OF *Trend Following*

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by twenty-five than being “six foot something” and three hundred pounds plus. Even with excess weight, his peers described him as having cat-quick reflexes on the trading floor.

### **The Move from the Pit**

Trading on the floor, down in the pit, might have been exciting during this era, but today the Chicago Board of Trade floor is silent. That doesn't mean trading is dead today—far from it. Electronic trading outdated the old ways faster than anyone ever thought could happen.

However invigorating the trading floor may have been in the 1970s, the only way for Dennis to expand his trading success was to move *away* from it. The Chicago trading floors were designed with multiple pits and each pit traded a different market. To trade more than one market, he had to physically move back and forth across the floor to the various pits.

Dennis's solution allowed him to remain faithful to buying in strength and selling in weakness. He knew that if his system worked in soybeans and corn, then it would also work in gold and stocks and all other markets.

At the same time, he saw Wall Street changing, with new markets appearing fast and furiously as economies around the world opened and expanded. Fixed income futures were launched, and by 1975 the International Monetary Market (IMM) was allowing anyone to trade currencies the way they did stocks. Dennis knew what this would all mean.

To trade in that bigger world, Dennis moved into an office on the twenty-third floor of the CBOT, leaving the turmoil of screaming traders behind. Concurrent with his move, in November 1975, Dennis and Larry Carroll formed a partnership. Known simply by the first initial of their last names, C&D Commodities was born.

There is little public information on Larry Carroll (they did meet on the MidAm floor). And, although Dennis's “D” came second, theirs was not a partnership where the decisions and profits were split fifty-fifty. Dennis was always the man. Within short order, C&D Commodities became one of the largest independent trading firms in the world. They quickly rivaled such established institutional investors as Salomon Brothers and the Pillsbury Company.<sup>22</sup>

fees to losing accounts and conceded that trading client money as aggressively as his own money was not something clients could psychologically handle.<sup>36</sup> What did that aggression look like on a month-by-month basis?

**Table 2.1: Richard Dennis Trading Performance:  
July 1982–December 1983.**

Date	VAMI	ROR	Yearly ROR	Amount Size
Jan-83	3475	53.33%		
Feb-83	3284	−5.49%		
Mar-83	2371	−27.82%		\$18.7M
Apr-83	3058	29.01%		
May-83	3184	4.11%		
Jun-83	2215	−30.42%		\$19.0M
Jul-83	1864	−15.88%		
Aug-83	1760	−5.57%		
Sep-83	2057	16.87%		\$14.6M
Oct-83	2671	29.89%		
Nov-83	2508	−6.10%		
Dec-83	2160	−13.90%	−4.70%	\$13.5M

VAMI (Value Added Monthly Index): An index that tracks the monthly performance of a hypothetical \$1,000 investment as it grows over time.

ROR: Rate of return.

Source: Barclays Performance Reporting ([www.barclaygrp.com](http://www.barclaygrp.com)).

Dennis was famous for those big returns, and that was what his clients wanted—to become *rich like Rich*. They got on board knowing full well the voyage would get rocky, but conveniently forgot that fact when rough sailing made them seasick. At the first sign of troubled waters, when they were puking losses, they cut short the voyage and blamed Dennis. He was learning the hard way about people's irrational expectations.

In 2005, Dennis looked back on his troubled times in the fund management arena:



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## The Turtles

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

*Richard Dennis*

Over the years, almost every time the subject of Dennis's training experiment (starting in winter 1983) comes up, those people who have heard of it invariably compare it to the spring 1983 classic movie *Trading Places*, starring Eddie Murphy and Dan Aykroyd. Millions have seen the movie over the last twenty years, either in the theater or on television.

The idea for the movie appears to have sprung from Mark Twain's 1893 short story "The £1,000,000 Bank Note." Twain's famous story speculated on what would happen if a perfectly honest American visitor was turned loose in London with nothing but a million-pound bank note in his pocket and no explanation of how it got there.

In *Trading Places*, ultra-rich commodity brokers, brothers Mortimer and Randolph Duke, make a bet that they can turn a blue blood (Aykroyd, as Louis Winthorpe III) to crime and turn a street hustler (Murphy, as Billy Ray Valentine) into a successful trader. In the movie Mortimer, arguing against Hume and Locke, exclaims, "With his genes, you could put Winthorpe anywhere and he's going to come out on top. Breeding . . . same as in race horses. It's in the blood."<sup>1</sup>

When I was trying to nail down with 100 percent certainty that the screenplay came before Dennis's Turtle training experiment, the film's screenwriter, Herschel Weingrod, shed some light. He flatly said that he had never heard of Richard Dennis when his script was completed in October 1982. He was researching and writing a script in the early

Jerry Parker, who would make the cut, knew the potential life-changing ramifications of being selected. The unassuming accountant and evangelical Christian, with a proper side part to his hair, was not headed down the trading path prior to seeing the C&D ad. He said, “I was a small town person [from Lynchburg, Virginia] and Richard Dennis rescued me from leading a normal life.”<sup>5</sup>

Before any of the average-Joe pupils were officially “rescued,” as Parker had so aptly phrased it, they had to continue through the selection process. After sending in their résumés, applicants who made the first cut received a letter and a test.

The letter was formal and utilitarian. It reflected none of that Dennis “energy and spirit.” In by-the-book attorney-speak, it said if selected, Turtles would get 15 percent of the profits as salary after they completed a short training period and then a short trial trading period. All potential students were told that they would have to relocate to Chicago. Prospective students at this stage of the process were asked for their college entrance exam scores. If they didn’t have those, they needed to explain why.

There was more. Candidates had to complete a 63-question true-false test. The true-false questions all appeared to be easy at first glance, but perhaps tricky on second thought. A cross-section of true-false questions included:

1. Trade long or short, but not both.
2. Trade the same number of contracts in all markets.
3. If you have \$100,000 to risk, you should risk \$25,000 on every trade.
4. When you enter, you should know where to exit if a loss occurs.
5. You can never go broke taking profits.
6. The majority of traders are always wrong.
7. Average profits should be about 3 or 4 times average losses.
8. A trader should be willing to let profits turn into losses.
9. A very high percentage of trades should be profits.