

**Unshakeable Faith**

**An Exploration of Michael Marcus: The Trader and the Man**

**By**

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## Preamble

This is not my first paper exploring the methods of a great trader, but this one is different. Truth be told, I wrestled with writing this paper at all due to personal aspects of Marcus's life that emerged in my research.

As anyone who spends time researching him will uncover, Marcus wrestled with personal demons, did things that the majority of society would view as off, and had a few episodes which caused him to be institutionalized.

In theory, I could have avoided anything to do with Marcus personally, instead focusing on his trading. But, through my research, I came to see his mentality as a key part of his trading success. In fact, I found that it was hard to tell the story of Michael Marcus the trader without telling the story of Marcus the man including his mindset.

In a preemptive defense of what follows, all of the sources I used in this paper are public record thus I am not betraying any trust since anyone with the time and inclination could uncover everything that I did. To be clear, I have had private conversations with people who knew Marcus (I never met him) but, aside from giving me more confidence in what is included in this paper, none of that material is included here.

I should also be clear that I have no ill intention in sharing Marcus's story. After I thought about it for a while, I believe his story is one of both inspiration and caution. What do I mean? To achieve greatness, you must have a deep belief in yourself and your abilities. Marcus had this in spades. However, there also needs to be a line that one does not cross. Unfortunately, this line is subjective and the best I can do is to offer an analogy.

For years runners attempted to break the 4-minute mile. Finally, in 1954, a runner named Roger Bannister did it. Once he did it, everyone else now knew it was possible and a lot more runners started to break the 4-minute mark. By making the impossible possible by actually doing it, Bannister allowed others to get past their psychological hangups to achieve what had previously been thought to be impossible.

In a way, I think of Marcus as a trading equivalent of Bannister. Marcus achieved a form of improbable financial alchemy turning next to nothing into a fortune. In doing so, Marcus inspired others to do the same (Bruce Kovner for example) while also gaining an unshakeable faith in his own abilities. Unfortunately, the same unshakeable faith led to Marcus being institutionalized according to his son.

What's the point? I think you need to have a deep belief in yourself and an unshakeable faith (among other things) in your abilities to achieve results like Marcus. If you believe it, you can make it happen if you're both willing to make necessary sacrifices and willing to persist until luck in the form of an optimal time for your trading approach comes along (more on that shortly). That's the inspirational part of Marcus's story.

However, you also have to have some kind of limitation – there needs to be a line between improbable and impossible. The best I can come up with on this line relates to the 4-minute mile outlined above. When Bannister broke the 4-minute mile, others also broke it. That said, to the best of my knowledge, no one said they might be able to hit a 1-minute mile. This balancing of improbable and impossible is, to me, the real story of Marcus – you’ve got to believe it can happen and act accordingly even in the face of significant challenges and obstacles. But your belief has to have some basis in reality otherwise you might take it too far.

Sometimes I wonder if the balance is possible – perhaps you’re either all in on faith or you’re not. Maybe you have to be a “little bit touched” as they say to have true faith. This is probably fodder for psychologists. Regardless, I like to think that, by studying Marcus, we can walk away with a better understanding of the amazing power of belief while also keeping the downside of taking it too far in mind.

### **Don’t Try This at Home**

When asked for the “best” trading system, Ed Seykota often tells people that there is no best trading system just as there is no best car or best spouse – Ed has a knack for succinct and clever analogies that are packed with meaning. Ed’s point is that the best car depends on each individual just as the best spouse depends on each individual. You and I might have totally different views on how to define the “best” car (or spouse) but neither of us would be wrong since there is no one-size-fits-all solution that works for everyone. The “best” anything is subjective. The same goes for trading styles and systems.

If you research successful traders, you often hear advice that you shouldn’t try to trade like anyone else because what works for another trader might not work for you. In that regard, Michael Marcus shared the following in *Market Wizards*:

*You also have to follow your own light. Because I have so many friends who are talented traders, I often have to remind myself that if I try to trade their way, or on their ideas, I am going to lose. Every trader has strengths and weaknesses. Some are good holders of winners, but may hold their losers a little too long. Others may cut their winners a little short, but are quick to take their losses. **As long as you stick to your own style, you get the good and bad in your own approach. When you try to incorporate someone else’s style, you often wind up with the worst of both styles.** I’ve done that a lot...In the final analysis, you need to have the courage to hold the position and take the risk. If it comes down to “I’m in this trade because Bruce is in it,” then you are not going to have the courage to stick with it. So you might as well not be in it in the first place.*

While experience has taught me that the commentary above is spot on, I still find value in exploring the styles of different traders. In fact, I find a lot of value because, in seeing what they did and coming to understand why they did it, I gain insight that can help me on my own path in finding what’s best for me.

I share all of this because some may read this paper and point out that you shouldn't trade exactly like Marcus. I agree. However, I do not believe it necessarily follows that there is a lack of value in studying Marcus and his approach.

## Introduction

Michael Marcus is one of the greatest traders of all time. In his original *Market Wizards* book, Jack Schwager indicated that Marcus turned an initial investment of \$30,000 into over \$80,000,000. Other sources indicate the starting value was as low as a few hundred dollars and the highest value was in excess of \$100 million.

Whatever the actual numbers were, the bottom line is that Marcus achieved incredible financial success with his trading. Accordingly, this paper explores Marcus's approach and more with a goal of identifying those factors that might be used by others in their trading methods.

## Unshakeable Faith/The Power of Belief

I decided to open this paper with the following quotes from Michael Marcus's son, Aubrey, which come from a podcast Aubrey did reviewing his father's life shortly after Michael's passing.

Quote #1:

***One of the things that I learned early on is that all things are possible. I mean, my father made a huge fortune from \$800 or something like that and it was like all things are possible and he instilled that in me and that there [were] no limitations...he also had this unshakeable faith in himself that no matter what happened to him he could make his way out because he made his way from nothing...***

Quote #2:

*...the Russians were moving tanks into one of their neighboring you know countries...and my father saw this at 4 in the morning and he calls up Chicago and he's like you guys see what's happening you know they're like no what's happening he's like Russia's rolling tanks into wherever they are and he's like you know buy gold like so he bought gold futures at that point because in any destabilizing moment in the world where it looks like the world might be under attack...in that moment people would go rush to buy gold and my dad knew that...he just happened to take a pee at 4 in the morning and nobody else saw this...now the markets are 24/7...no human is going to get advanced information that the markets don't have but those were the types of edges that he had...eventually he lost that edge because technology had moved in and was superior...he was desperately looking for an edge and he turned to this book when I was probably 25 [~2006] and this book was teaching people how to channel voices and this was his ultimate undoing because this book was promising that you could channel voices of angels and we know that actually*

*this...is not true...my father was looking to hear voices that were going to tell him about what to do in the markets...He started doing this channeling practice...he wanted to do this all the time...went through new agey rituals...through sheer persistence he started to hear voices...I was like I dunno dad...that escalated...as the voices kept telling him things that didn't happen that weren't going to happen that weren't coming true leading him into more ruinous investment leading him into strange kind of things...it just continued to spiral...eventually I was like dad I don't think this is right...I used the same logic that he taught me...to break down his own constructs but he wasn't willing to hear it...*

In terms of why I led with these quotes, they do a good job of establishing the tone of this paper while also shedding some light on why I chose the name, "Unshakeable Faith." My personal belief is that Marcus's belief or faith empowered pretty much everything he achieved, good and bad.

### **Lost Edge**

According to Michael's son, Aubrey, Michael lost his trading edge somewhere around the turn of the century due to technology. Repeating some of the quote from above:

*...eventually he lost that edge because technology had moved in and was superior...*

This raises an obvious question: if Marcus lost his edge, why bother studying his approach at all? Let me explain.

I believe that the stars have to align to achieve the results Marcus did. From all of the research I've ever done on trading, superstar results come from the union of clear goals, a strategy that suits the temperament of the trader, high risk, and good timing. Some of these factors can be controlled and some cannot.

In reading about Marcus, I think some of his wins came from factors that disappeared with the advent of technology like the one his son points out. However, I also know that elements of his method agree with what has led to trading success for 100+ years. I know this because of my other [research](#). Further, I believe these factors work because of human nature and, given human nature never changes, I believe 100 years from now someone like me will probably uncover the same principles with 100 more years of supporting evidence.

## Changing Style

On a related note, Marcus wasn't always 100% consistent in his trading. For whatever it is worth, I don't think any trader is 100% consistent – even systems guys override systems or change their logic but let's get back to Marcus.

As an example, Marcus would talk about sitting with long-term trends, but he would also talk about being in and out of these same trends (as opposed to sitting with the whole move).

Marcus also had rules that inherently went against trading principles. For example, Marcus said:

- *...if I had somehow survived with any part of my position that long, I had a mandatory rule to get out on the fifth limit-up day. I just forced myself out of the market on that kind of volatility.*
- *One of my rules was to get out when the volatility and the momentum became absolutely insane.*

If you know trading principles, you know that exiting a new high is, by definition, out of sync with following price trends.

As a final example, the following comes from a supposed internal Commodities Corp (CC) document with an unknown author:

*So the story that I have is this. Mike calls up and asks me to check the pools in corn or wheat (I can't remember which). Let's say it was wheat and it is offered limit-down in pools across the board. I call Mike back and tell him the pool amounts that are offered at limit-down. He then tells me to "buy 'em", buy them all. I said, you just told me the other week never lift a limit-down offer. He says buy 'em all and hangs up. So I call the floor broker and tell him to buy all the pools. Within minutes the market is reversing from limit-down to unchanged. Our phone bank, which had 100 lines, lights up like a Christmas tree. Everyone at Commodities Corporation is calling in asking what's going on. I tell them to talk to Marcus he's the one. Boy, were they pissed. Eventually the market closed limit-up and ran for several days afterwards. To this day I don't know what he saw or knew but it was a heck of trade. Super timing.*

On the quote directly above, this is the kind of thing that gives traders like Marcus mythical status. He goes against trading principles/his own advice with amazing results. He thus appears to have predictive superpowers. However, I wonder if there were alternate motivations for such trades. As one of the top traders at CC, Marcus was involved in policy and training traders. Per various firsthand accounts, CC traders saw each other's positions (in an effort to fuel competition between traders) and the firm had certain protocols. Perhaps factors such as these motivated Marcus to sometimes trade against trading principles/his own advice.

Regardless, the point of sharing the above is simply to point out that Marcus changed his approach at times – he wasn't 100% consistent – no trader is.

## Trading Trajectory

Marcus provides a detailed account of his experiences as a trader in the original *Market Wizards* book, and I do not want to repeat that here. If you want his story, buy *Market Wizards*. I will however offer a rough overview of his trading trajectory to make what follows easier to digest. As to his trajectory:

- Starts trading while in grad school.
- Wipes out (aka account goes to zero) several times.
- Finds mentors (Amos Hostetter, Ed Seykota) who teach him trading principles.
- Finds his own style.
- Gets hired at Commodities Corporation.
- Achieves amazing results for years.
- Largely disappears from the public eye.

## Personality

Given the introductory material, I decided to share some insight on Marcus's personality. The following set of comments come from Marcus directly and, while they might be viewed as everyday language in a vacuum, I feel they take on more meaning when considered in conjunction with the comments from his son above:

- ***...I was in a manic-depressive state throughout that time. I felt tortured...***
- *It was so aggravating that one day I felt I couldn't take it anymore and I tried tranquilizers to dull the **mental anguish**.*
- *During those two weeks, I was constantly on the verge of being wiped out. It was the worst two weeks in my whole life. I went to the office each day just about ready to give up...I was **so upset that I couldn't stop my hands from shaking**.*
- *In "Fiddler on the Roof," there is a scene where the lead looks up and talks to God. I would look up and say, "Am I really that stupid?" And I seemed to hear a clear answer saying, "No, you are not stupid. You just have to keep at it," So I did.*

As another indication of his unique personality, Michael had unusual dietary habits according to Irwin Rosenblum:

*Michael's dietary preoccupations. He believed that most foods contain poisons and other toxins...he had to periodically cleanse himself of any poisons that had already accumulated in his body. The best way to do this was to go to a health resort in Florida where he existed only on distilled water. Gradually, he phased into a very restricted diet of fruits, nuts, and vegetables...Michael's problem was that he went too far with the program and he stayed there too long. Michael was an athletic 5'11" and weighed about 180 pounds when I first met him. When he returned from the "fat farm," he had lost about 50 pounds and was experiencing all kinds of digestive problems. His body*



*seemed to reject most foods. To deal with this difficult period, he hired a person who was skilled in special diet preparation and also acted as his driver/companion.*

If you're wondering why Marcus's diet is relevant, I believe his dietary preoccupations provide insights on both his unusual nature as well as his going to extremes – traits which, I believe, also existed in his trading.

Beyond that, I doubt working for (or with) Marcus was a picnic:

- *Marcus: I probably lost more than half the money I made... Schwager: ...didn't anybody try to grab you by the shoulders and say, "Do you realize what you're doing?" Marcus: Yes, but any time someone on my staff did, I would fire them...*
- *...Michael Marcus was crucifying Spencer Barber, our data processing manager, for failing to deliver on certain things that Michael felt were important. Our hearts went out to Spencer as no one had the guts to stop Michael's onslaught. - Irwin Rosenblum*
- *As was the case with Lewis Little, because of Michael's high standards, Myron did not last long as [Michael's] assistant... - Irwin Rosenblum*
- *...[Michael Marcus] was a very difficult person to deal with, let alone supervise... - Irwin Rosenblum*

Marcus had some atypical habits:

- *When I was trading big, I wanted to have a reason to keep doing it, so I just spent money wildly.*

His views on trading were unlike anything I've ever read:

- *[Marcus's] approach to trading was to view the market as an adversary that has to be taken on and defeated. - Irwin Rosenblum*
- *And I don't want to say that [Marcus] punished these other [traders], but there was that mindset...he was like, well, I'm going to teach them for taking the [other] side of the trade. - Michael Martin*

In line with his unique views on trading, he was highly competitive:

- *...I was real competitive... - Michael Marcus*
- *To get to his aliveness you had to...be in competition with him which he loved...but otherwise his mind was in a flurry... - Aubrey Marcus*

Quick note on this, I believe Marcus's highly competitive nature led to his being unwilling to accept that his incredible success in the 1970s/80s was, to some degree, a function of factors beyond his control. This ultimately led to him, "...desperately looking for an edge..." as it sounds like Marcus had enough money for a few lifetimes at that point – beyond ego, why else keep going? Perhaps the moral of this part of the story is that being too competitive can lead to bad things. Moving along...

Michael was repeatedly referred to as highly intelligent:

- *...Marcus had real intellect and took great pride in being the smartest student around. He liked to read for days on end at the library. "I really lived inside the library," he says. "I might as well have put it down as my post office box."* - Michael Martin
- *...intensely brilliant man... - Aubrey Marcus*

And he was incredibly persistent:

- *Marcus was persistent... - Michael Martin*
- *...through sheer persistence he started to hear voices... - Aubrey Marcus*

Two additional quotes follow which provide more insight on Marcus as a person and as a trader. Again, I don't share these in some attempt to paint Marcus in any particular light, I share them because I think who he was as a person had a lot to do with what he accomplished as a trader:

- *Marcus was intense, quiet, and fearsomely controlled...He splashed his winnings on elaborate parties and exotic travel; at one point he owned about ten homes, some of which he later sold without spending a single night in them. He chartered a jet and had a bus converted into a traveling dwelling, stocked with an entourage of admirers. - Sebastian Mallaby*
- *Shortly after Michael joined [Commodities Corp], we hired his long-time friend, Morris "Morey" Markovitz. They were both from Providence, Rhode Island and both had traded for Hayden Stone. Morey looked like a small Tony Curtis with dark hair, deep brown eyes and delicate features. He had a wonderful sense of humor and he loved to play the role of the clown. Michael and Morey were exact opposites. Michael was not known for his sense of humor. Michael was cocky while Morey was humble. Michael starved himself, while Morey overate. You could tell how Morey's trading and personal life were going by observing his waistline and the time between his lighting the next cigarette...Morey was a high-risk trader and, when successful, made a great deal of money. Unlike Michael, he would turn around and give most of it back. He had a tendency to hold on to a position too long after it had gone against him. - Irwin Rosenblum*

## Goals, Beliefs, and Mindset

Something that emerges in studying Marcus and other successful traders of his ilk is that goals, beliefs, and mindset are important facets of trading success. This may sound perhaps too far removed from sober realism for the masses, but these ideas show up often enough when researching great traders to be ignored.

Regarding clear goals, if you have a clear goal, you can typically design a process to achieve said goal. You can then decide to follow the process, or you might revise the goal. Bottom line, clear goals are important in achieving said goals and, according to those who knew him, Marcus had a clear goal:

- *Marcus...determined to become the world's greatest commodity trader—and he did just that. - Michael Martin*
- *He drove himself in an effort to become the world's best futures trader, and there was a point in the 1970s when he arguably achieved his goal. - Irwin Rosenblum*

As a quick point of clarification, the terms “commodities”, “futures”, and “commodity futures” are often used interchangeably. Ultimately, in the case of Marcus and his trading, these terms refer to futures since, according to Irwin Rosenblum, Marcus was asked to set up trading in physical commodities (aka not futures) by Commodities Corp brass, but Marcus never followed through. Beyond that, these terms include commodity futures (corn, wheat, etc.) but also stock, bond, and currency futures. Per my research, Marcus was trading futures on all major liquid markets (stocks, bonds, currencies, and commodities). He did trade stocks and more, but his legendary status was mostly achieved trading liquid futures per my research.

In terms of what being the greatest futures trader meant to Marcus, I never found an explicit answer but, based on his outcomes, I'd bet he was looking to make as much money as possible (versus trying to have the best Sharpe or MAR ratio).

The next thing to consider is beliefs. As it relates to beliefs, I wrote an [article](#) on Substack in 2022 which I have reproduced as an appendix in this paper. As beliefs relate to this paper specifically, the following quote from Bruce Kovner is worth studying closely.

*[Marcus] taught me that you could make a million dollars. He showed me that if you applied yourself, great things could happen. **It is very easy to miss the point that you really can do it.** He showed me that if you take a position and use discipline, you can actually make it.*

At first glance, the Kovner quote above doesn't look like much. But, when you think about it more deeply, Kovner is telling us that believing it is possible is rather important. If you “...miss the point that you really can do it...” you likely do not believe it is possible and what you believe tends to invade your subconscious and manifest in your life. Clearly Marcus believed in himself and his trading abilities via his unshakeable faith. If you'd like to read more on beliefs, please see the appendix to this paper.

As a final point in this section, the following quote comes from Michael Martin and shares important lessons he learned from Michael Marcus and Ed Seykota:

*...it's not the how to trade, what chart pattern are you looking for? When do you get in? **It was more mindset so that they could manifest what they envisioned in their brain and then they could conjugate the dream, the daydream of what they wanted their lives to look like with the actual behavior that they could exhibit on each and every day, day after day.***

Bottom line, goals, beliefs, and mindset were very important parts of Marcus's trading process and success.

### **Persistence and Luck**

Anyone who studies the successful knows that timing accounts for a lot and this was no exception for Michael Marcus. Early on in his career, he blew up (wiped out his trading account) multiple times. It wasn't until later that he achieved great success. To Michael's credit, his persistence paid off. On that note, the following quote (repeated from above) comes from his *Market Wizards* interview wherein Michael explained why he kept trading despite having blown up multiple accounts:

*I had always done well at school, so I figured it was just a question of getting the knack of [trading]...I would sometimes think that maybe I ought to stop trading because it was very painful to keep losing. In "Fiddler on the Roof," there is a scene where the lead looks up and talks to God. I would look up and say, "Am I really that stupid?" And I seemed to hear a clear answer saying, "No, you are not stupid. You just have to keep at it," So I did.*

As explored in the personality section, Marcus was clearly persistent.

Let's briefly digress. A lot of successful people point to persistence as the key to success. There is a great quote on the subject that is attributed to Ray Kroc:

*Nothing in this world can take the place of persistence. Talent won't; nothing is more common than unsuccessful men with talent. Genius won't; unrewarded genius is practically a cliché. Education won't; the world is full of educated fools. Persistence and determination alone are all-powerful.*

Another great quote on the subject comes from film director Oliver Stone:

*Luck comes from persistence and talent. If you're talented your luck will eventually come.*

What's the point? Marcus's persistence enabled his success. However, Marcus's amazing results were achieved at an opportune time for his approach per his own words:

- *The theory that the evil government was constantly debasing the currency provided the perfect perspective for trading the inflationary markets of the mid-1970s...**The markets were so fertile for trading then that I could make plenty of mistakes and still do well...Everything was going up... Honestly, I think the markets were so good, that by buying and holding you just couldn't lose. There were a lot of other success stories. Fortunes were being made.***
- *There are many more professional traders than in my early days. In those years [1970s], I had an edge just by knowing the angles that Ed Seykota and Amos Hostetter taught me. Now everybody knows those principles. You have trading rooms filled with bright people and computers.*

I believe that one of the key takeaways here is that you can control how you trade, you can control how much risk you take, and you can also control how long you will keep going (i.e., some people never give up) but you cannot control if the markets will smile on your approach. Per my experience and research, the best way to find luck is to be both consistent and persistent.

With that in mind, the following comment from Michael Martin is interesting:

*They'd [Marcus and others] all had done very, very well. They made a lot of money. But the reason that all happened was because they acted consistently over decades of time. Yes, you can be in the right place at the right time and be lucky and do very, very well. But try doing that for 30, 40 years.*

### **Commodities Corporation**

Another important factor in Marcus's success was Commodities Corporation (CC) and their risk tolerance. If you aren't familiar with CC, there is a great article on the company in a 1981 Fortune article by reporter Shawn Tully. The short version is that CC was essentially an early commodity focused hedge fund and a lot of famous traders worked for or were otherwise affiliated with CC. In the name of keeping this paper shorter versus longer, we won't go down the CC rabbit hole here. However, it is important to know that CC did not operate like modern hedge funds – CC encouraged aggressive risk taking. **Having a backer like CC encouraging you to take big risks is a rarity and likely contributed to Marcus's success.**

The following comments from Michael Martin share insight on the role that CC played in Marcus's success:

*So if you looked at, say, Commodities Corporation where they were making 10 to 20 x a year, which means you had a hundred K, for example, and you turned it into one to two million, that's a whole other type of risk and reward. But **they weren't paid to be concerned with drawdowns...they weren't really paid to run money like a portfolio manager. They were paid to largely cannonball. They were either***

***completely risk on or completely risk off***, and if they lost all their money or had a significant drawdown that precluded their ability to do what they did, they had to go and petition back to the management group to get another allocation. ***That doesn't really happen at firms anymore...*** So I can't go back and look at those guys and say, Ed [Seykota] and Michael [Marcus], or Morrie [Markovitz] or Glenville Craig, any of those guys who made, Bruce Kovner of course, made monster gains, ***they were highly levered positions and they weren't diversified***. So you can't compare the returns...Commodities Corporation...they had proprietary capital.

That said, in his *Market Wizards* interview, Bruce Kovner explained that he and Marcus traded their personal accounts alongside the CC firm accounts. Many of Marcus's early successes were also made with his personal account per his *Market Wizards* telling. My point? Perhaps Marcus would have achieved great trading success without CC – I like to think he would have. Regardless, I believe CC aided in Marcus's amazing outcomes given CC's risk tolerance and Marcus having a group to collaborate with.

While on the subject of CC, Irwin Rosenblum, an executive with CC, shared some insights into what made for successful traders at CC:

*All traders were privy to the same information. Some had more sophisticated methods of analyzing the markets, but that didn't seem to make a difference. The people who made the most money had the best money management skills and a good sense of market timing.*

With an exploration of Marcus's psyche and mounds of caveats and qualifiers behind us, let's get into Marcus's trading.

## **Trading Principles**

I wrote a free book (maybe a long paper) on trading principles and, if you want to dig deep on the subject, I recommend you read the book which can be found here: [traderprinciples.com](http://traderprinciples.com)

For brevity's sake, there are three main trading principles:

1. Respect price trends
2. Cut losses
3. Stick with winning positions

With the above principles in mind, Marcus was influenced by Ed Seykota and Amos Hostetter both of whom advocated for following trading principles. Several related quotes from Marcus follow:

- *[When asked why he consistently lost early on Marcus said the following] Basically, I had no real grasp of trading principles; I was doing everything wrong.*

- ...people to whom I attribute my success...Ed Seykota...He was basically a trend follower, who utilized classic trading principles. He taught me how to cut my losses, as well as the importance of riding winners.
- ...I was befriended by a very kind, knowledgeable, and successful semiretired broker at Shearson named Amos Hostetter. He liked my writing, and we used to talk. Amos reinforced a lot of the things Ed taught me. I was getting the same principles from two people.
- **Perhaps the most important rule [in successful trading] is to hold on to your winners and cut your losers. Both are equally important. If you don't stay with your winners, you are not going to be able to pay for the losers.**
- I really feel that if you can trade one market, you can trade them all. The principles are the same.

### Style Specifics

In his *Market Wizards* interview, Marcus provided several details on his specific approach:

- **The best trades are the ones in which you have all three things going for you: fundamentals, technicals, and market tone.** First, the fundamentals should suggest that there is an imbalance of supply and demand, which could result in a major move. Second, the chart must show that the market is moving in the direction that the fundamentals suggest. Third, when news comes out, the market should act in a way that reflects the right psychological tone. For example, a bull market should shrug off bearish news and respond vigorously to bullish news. If you can restrict your activity to only those types of trades, you have to make money, in any market, under any circumstances.
- You absolutely want to put down a bet when a market acts terribly relative to everything else. When the news is wonderful and a market can't go up, then you want to be sure to be short.
- ...I think the secret [to great trading] is cutting down the number of trades you make.
- **...when a trade met all my criteria, I would enter five to six times the position size I was doing on the other trades.**
- I learned the importance of intraday chart points, such as earlier daily highs. At key intraday chart points, **I could take much larger positions than I could afford to hold, and if it didn't work immediately, I would get out quickly.** For example, at a critical intraday point, I would take a twenty-contract position, instead of the three to five contracts I could afford to hold, using an extremely close stop. The market either took off and ran, or I was out. Sometimes I would make 300, 400 points or more, with only a 10-point risk.
- **...trading in those days was a little bit like being a surfer. I was trying to hit the crest of the wave just at the right moment. But if it didn't work, I just got out...**
- ...one of the principles we believed in—namely, that the big players, including the governments, would always tip their hand. If we saw a surprise price move against us that we didn't understand, we often got out and looked for the reason later.

- **...if a position doesn't feel right as soon as you put it on, don't be embarrassed to change your mind and get right out...**
- *If you become unsure about a position, and you don't know what to do, just get out. You can always come back in. When in doubt, get out and get a good night's sleep.*

Additional insight on Marcus's approach comes from Michael Martin:

- *I learned to understand how to read the crowd because that was separate from the chart. If you can anticipate how people are going to feel...when is the market frothy... wouldn't that lead you to believe that there could be the greatest amount of disappointment if things didn't go as expected? And so how can you position size for that and how can you position yourself period, long or short given what you're seeing as a reaction from other people? So I learned early on from Michael [Marcus] how to separate, yes, there's price and volume and open interest...Those are the cold hard facts. That's the sterile part of it. But when you think about it from the human condition, there's real people who are buying and selling maybe because of fear, maybe because of greed or something in between. You never really know what emotional needs are being fulfilled by other people. But I think that's why it's important to know that for yourself. And that was something that Michael was great at, and he made everybody pay, meaning that's how he made a lot of money more than was ever reported in market wizards. That's for sure. Because he could anticipate how people were going to feel...It's just that was probably **the most profound lesson was to think of the market as a living breathing mechanism** and think about why do people do what they do? And if you can anticipate that, why that's a huge spot...And so what happens to those people if they don't get their emotional needs met? How are they going to behave in the marketplace? And no one really talks about that.*
- **Marcus to this day [~2011] employs fundamental and technical analysis along with a feel of the market...**

## Fundamentals

Another thing to consider is the role of fundamentals in Marcus's trading. Marcus said:

*...I traded more like Amos Hostetter by incorporating fundamentals and technical analysis and watching what the crowd was doing. Eventually, I learned to have a great feel...*

Regarding Amos Hostetter's style, the following comes from a book published by Commodities Corporation on Hostetter's methods:

*Perhaps the briefest summary of [Hostetter's] trading philosophy is, in his own words, the following: 1. Try to acquire every bit of fundamental information available. Read extensively. 2. Simultaneously, post daily charts on commodities and develop a feel for trends. Follow the fundamentals in your trading but only if and as long as the charts do not cast a negative vote.*



Back to Marcus, in *More Money Than God*, Sebastian Mallaby said the following:

*...[Marcus] studied the economic fundamentals that might drive markets. He would arrive in the office each morning with an oversized briefcase packed full of market reports; there were no Post-its back then, but Marcus used sticky tape to attach careful handwritten notes to key pages from his reading. He pored over newsletters and scanned data about the basic drivers of supply and demand, searching for shifts that would push prices. He thought through scenarios that might threaten his portfolio. If corn went up, would wheat follow? And if the weather turned colder, which crops would be first affected?*

However, Mallaby also said:

*But in keeping with Frank Vannerson's [CC executive] trend following, Marcus did not restrict himself to watching the fundamental drivers of prices.*

Further, Mallaby said that Commodities Corporation founder, Helmut Weymar, commented on a draft of *More Money Than God* and, "...objects that Marcus paid great attention to fundamentals..."

Meanwhile, Marcus had this to say re the fundamentals:

*It didn't matter if my fundamental take was true anymore. The charts had to reflect my ethos, and the market had to behave in a favorable way, too...*

**All of the above leaves some question as to how much Marcus used fundamentals. What seems clear is that price was king for Marcus.** Said another way, he wouldn't fight price trends no matter how compelling the fundamentals. However, if and when the fundamentals, price trends, and market tone were all working together, Marcus would size up per his earlier commentary.

### **Aggressive Trading**

Another thing that surfaces is that Marcus was an aggressive trader:

- ***[Michael Marcus] was aggressive and took big risks.*** - Irwin Rosenblum
- *Michael and I were very aggressive traders.* – Bruce Kovner

Much like the "best" trading system, aggressive is subjective so I will attempt to shed some light on what was viewed as aggressive.

The following comes from Michael Martin's book *The Inner Voice of Trading*:

*The move in July CBOT Soybeans 1977 went from \$7.50 to \$10.50 per bushel in about seven weeks. The \$3.00 move represented a 40% increase in prices, yet with the implied leverage and the size that Marcus traded, it would have added several hundred percentage points to his portfolio over the same time.*

While this is not entirely clear due to the use of the word several, *www.dictionary.com* says, “Perhaps the most common interpretation or intended sense of several is around three to five...”

If we define several as the midpoint between three and five (aka four) and we go back to the quote above, the 40% base move in beans (7.50 to 10.50 per above) would translate to a 400% move for Marcus’s account. In other words, Marcus was likely leveraged around 10:1. Incidentally, this 10:1 figure shows up often in trading “scripture” where traders achieved results like Marcus. Of course, keep in mind that high leverage is a double-edged sword.

As to another example, in the original *Market Wizards*, Marcus said:

*This was during a period when I was cooperating and trading as a colleague with Bruce Kovner. We used to talk hours every day. One day, we noticed that the dollar got mysteriously strong. There was an intense price movement that couldn’t be explained by any known information. We just bailed out of our long currency positions like crazy. That weekend, President Carter announced a dollar support program. If we had waited until the next U.S. trading session, we would have been annihilated.*

Quick point, Marcus talks about the “weekend” announcement in the quote above, but I think he may have misremembered the events. According to a *Washington Post* article that was published on November 2, 1978, Carter announced his plan “yesterday” which would indicate November 1, 1978. Meanwhile, looking at 1978 currency future charts from [futures.tradingcharts.com](http://futures.tradingcharts.com) the trading week went Monday 10/30/78, Tuesday 10/31/78, Wednesday 11/1/78, etc.

Regardless, the larger story is the same – on Monday 10/30/78 the Japanese yen, Swiss franc, and British pound futures (probably the only major currency futures that existed then and now) were all trading very near multi-month highs against the US dollar. Then, on October 31, 1978, there was an “intense” (Marcus’s word) price move up in the dollar. Quick note on this, the average move that Marcus considered “intense” was around 2%. The Carter announcement then came the next day which resulted in moves that ranged from approximately 5% to 15% down in the various currencies against the US dollar from the start of the week. Some takeaways...

First, while the term “annihilated” (see Marcus quote above) is a bit subjective (the dictionary calls it, “complete destruction or obliteration” but traders sometimes exaggerate), I imagine most wouldn’t deem a 5 to 10% move against their position to qualify as annihilation. However, if one was leveraged around, say, 10:1, a 5% move against you would put your account down 50%, a 10% move against you would take your account to zero.

Beyond that, the above gives a sense of how Marcus (and Kovner) traded at the time – almost no trend system would get you out of a position that moved 2% against a multi-month high.

Why is all of this important? I don't want to advocate that anyone do anything (especially with leverage – if you want my advice, reach out and hire me to be your advisor – details in the “about me” section) so I will say the following: If I personally wanted to achieve results like Marcus, I would almost certainly want or need to run leverage ratios much like the ones he used. Per the analysis above, my sense is he routinely ran leverage in the 10:1 range.

And now, a few additional thoughts on aggressive trading.

Marcus mentioned “pyramiding” in his *Market Wizards* interview:

*After I bought that first contract, and prices rose, it was just a matter of pyramiding and riding the position...in just a few months, \$700 had grown into \$12,000 trading plywood.*

Pyramiding in trading is the process of continually adding to a position that is going in your favor. There is no one right way to pyramid and the approach has pros and cons. If you'd like to learn more about pyramiding, you can likely find ample material on the internet or in trading books. The point of sharing it here is to point out that Marcus did pyramid – at least at times.

A final consideration in this section is Marcus's recommended risk which also comes from *Market Wizards* where Marcus said:

*The first thing I would say is always bet less than 5 percent of your money on any one idea. That way you can be wrong more than twenty times; it will take you a long time to lose your money. I would emphasize that the 5 percent applies to one idea. If you take a long position in two different related grain markets, that is still one idea.*

In stock trading, when someone risks 5%, they typically buy a position that represents 5% of a portfolio. So, if buying XYZ which trades at \$50/share with a \$100,000 account, a 5% position would be \$5,000 and, with XYZ trading at \$50/share, you would buy  $\$5,000/\$50 = 100$  shares. In my experience, this is how most of the world views risk. However, not futures traders.

With futures trading, risk is viewed as the amount that you risk to your stop out point. Let's again assume a \$100,000 account and 5% risk which would be \$5,000. If you decide to buy XYZ at \$50 you might also decide to exit XYZ at \$45 if the position goes against you to limit your loss (Marcus did this). In this case, you'd lose  $\$45 - \$50 = \$5/\text{share}$ . Thus, if you wanted to risk \$5,000, you'd buy  $\$5,000/\$5 = 1000$  shares.

I used the stock example to maintain continuity between the two types of risk explained above but stock traders almost never trade like futures traders. In stock trading, margins are typically 50% due to regulation. With futures, margins are usually less than 10%. Trying to trade futures

style with stocks can result in running out of money whereas the inherent margin/leverage in futures makes it much easier to trade futures risk style.

Further, with stocks, if the price goes from 100 to 101, that is \$1/share. Conversely, futures have all kinds of different multipliers which means the dollar amounts vary. For example, a 1-point move (4500 to 4501) in S&P 500 E-mini futures is worth \$50. I won't go any further with this as an in-depth explanation gets away from the point of this paper, but the larger point is that Marcus advocated in favor of risking 5% per trade using the futures method (at least during his *Market Wizards* interview).

A quote from a paper I wrote (see bibliography) condensing the wisdom of Ed Seykota puts this risk level in perspective:

*...many seasoned professionals consider risking 1/2% to be lively, 1% to be aggressive and 5% to be maniacal.*

### **Fast Trading/Tight Stops**

While not entirely explicit, several comments from Marcus imply that he was a fast trader and used tight stops:

- *Ed Seykota recommended that I go long coffee. So I did, but I put a close stop in under the market just in case it went down...The market turned down and I was stopped out quickly. Ed, however, because he was a major trend follower, had no stop in and ended up being locked in a limit down market for several days...*
- *At key intraday chart points, I could take much larger positions than I could afford to hold, and if it didn't work immediately, I would get out quickly...I was getting a shot at making several hundred points and hardly risking anything.*
- *Ed had the ability to contain his feelings when a position went against him, [whereas] I couldn't do that—it was always a difficulty for me. I would be pulling my hair out and looking for a window to jump out of. Ed would say, "Well, markets go up. Markets go down. Today they're down." He used to smoke a pipe in those days, even as a young guy, and I used to see puffs of smoke coming out of his pipe. I'd notice sugar was locked limit down, and I'd ask him, "Say Eddy, are you still in that thing?" And he'd puff on his pipe and say, "Yep." He would always be so contained and tough, and I learned from that. I was never as contained as Eddy, but he helped me in that direction. He'd be getting destroyed on a position. I'd be living in the bathroom somewhere.*

Earlier in this paper we saw Marcus explaining that you have to, "...follow your own light..." in trading since trying to adopt the methods of others typically doesn't end well (usually due to individual temperament). We also saw what Ed Seykota had to say about the "best" trading system (the best is subjective and depends on each person). Next, we saw that Marcus bailed out of the US dollar position quickly due to a ~2% move. And we have Marcus above talking about using tight stops. At one point in *Market Wizards*, Schwager asks Marcus if he caught the whole move in gold in 1979 to which Marcus says that he was, "...in and out..." but that he "...caught big chunks..." of the move. Finally, we see Marcus repeatedly telling us throughout this paper

that he didn't deal well with losing positions – he would be, “...*looking for a window to jump out of.*” if positions went against him. When you add all that up, I think the only conclusion is that Marcus was indeed not a long-term trend follower. In fact, the evidence points to him being a fairly fast trader.

While I can't substantiate this beyond the material already presented, my sense is that Marcus would put on an initial position and, if it worked, he would load up the boat getting to ~10:1 leverage when the stars aligned per his method (fundamentals, trend, tone). Then, as long as the position kept moving in his direction, he would stick with it. But once the position started to go against him, he wouldn't stick around to see if things got worse.

### **What Makes a Great Trader**

The following quotes from Michael Marcus offer his thoughts on what makes a great trader:

- *Trading requires an intense personal involvement. **You have to do your own homework**, and that is what I advise people to do.*
- ***A good trader can't be rigid.** If you can find somebody who is really open to seeing anything, then you have found the raw ingredient of a good trader...*
- *Gut feel is very important. I don't know of any great professional trader that doesn't have it.*
- ***Being a successful trader also takes courage: the courage to try, the courage to fail, the courage to succeed, and the courage to keep on going when the going gets tough.***

### **Mortal**

At times, traders can acquire reputations that make them seem almost God-like or, at a minimum, beyond the painful realities we mortals suffer in our trading. To temper these extreme views, I like to include a section in my papers that explores difficult times the legends experienced as I believe reading about their trials and tribulations helps to remind us that they are indeed human and are subject to the pitfalls all traders face.

With that in mind, as explored in detail in *Market Wizards* (and briefly earlier in this paper) Marcus wiped out his account multiple times early on. It doesn't get much more mortal than losing everything multiple times.

Beyond that, the following quote from Marcus is also interesting:

*I called in just around the time that all this was happening and found out that I was out \$2½ million in about five minutes. So I got out, rather than see the \$2½ million loss go to \$10 million. Then I had to endure the disturbing experience of watching the market recover its entire fall.*

If you've ever been stopped out just to see a position move back in your favor immediately (once you're out), it is easy to feel that sinister forces are working against you and only you. However, as per above, everyone gets their turn in getting stopped out at the worst time, even Marcus.

## Conclusions

Let's review the key takeaways from this study of Michael Marcus:

1. A clear goal is necessary to design a plan to achieve said goal.
2. You have to have a lot of faith in your abilities, but you also need to be aware of the line between the improbable and the impossible.
3. Persistence is key. Unless you get extremely lucky out of the gate, to be a highly successful trader, you will have to persist until the easy times come.
4. You'll likely need to adopt an approach that employs trading principles.
5. You will have to find your own specific approach or implementation method that works with your goals and temperament. For example, Marcus liked to combine fundamentals, price trends, and market tone which is obviously not the same thing as purely systematic trend following. Marcus was also very aggressive in line with his goal. You have to find the "right" approach for you.
6. If you want to achieve big returns, you will have to trade aggressively. But don't forget that the more aggressive you are in your trading, the more likely it is that you will lose everything eventually.

When I consider everything that I've learned from studying Marcus (and others that are similar to Marcus), I believe that **breakaway success in trading comes from the union of the right approach, high risk, and good timing**. Traders can control their approach and their risk, but not the market environment (timing). Meanwhile, **risk levels that result in amazing returns in ideal times often result in losing everything when the time isn't right**. Marcus, Livermore, and many others got exceedingly wealthy but also lost everything (more than once).

**Perhaps the "secret" to making a fortune in the markets from trading (as opposed to from fees) isn't all that complicated, formulaically speaking** – use an approach similar to those who made fortunes (Marcus, Livermore, Richard Dennis) and risk amounts that almost guarantee you'll wipe out most of the time but keep doing it and finding new financial backers (assuming you can) until you find your luck.

Of course, you have to manage the emotional cost of this path and there is no way to know when (or if) your window of golden opportunity will arrive or if you'll still have the resolve to trade aggressively when it does.

All of this brings to mind a quote from Morgan Housel's *The Psychology of Money* which works well to close this paper:

***The line between ‘inspiringly bold’ and ‘foolishly reckless’ can be a millimeter thick and only visible with hindsight.***

Perhaps a good addition to the quote would be: if you’re persistent enough and you live long enough, you greatly increase your odds of turning ‘foolishly reckless’ into ‘inspiringly bold’.

**Appendix:**

**Beliefs**

I lived in Chicago for several years. The winters were cold, very cold. As a result, I spent a lot of time inside which led to free time/boredom and eventually led me to learn to play guitar. It took about ~5 years but I can play reasonably well now.

When people hear I play guitar or see me do it, a lot say they wish they could play. When I ask why they don’t play, pretty much every time, they say they are not musically inclined as if playing guitar is something only those born with the ability can do. Ultimately, these folks believe they cannot do it and, armed with that belief, create the reality.

To the best of my knowledge, I had no innate abilities with guitar. I certainly wasn’t a natural (to the extent naturals even exist). When I started it was pretty rough. However, 5 years later, I don’t think innate ability had anything to do with it. Instead, it was practice, persistence, and belief that it was possible.

When starting out as a trader or investor, most people are looking for someone to teach them how to do it. We want a formula; the math or science of investing, not the art. But the reality is, the more you learn, the more you see there are indeed necessary mechanics to investing or trading but there is more, a lot more and, I believe, one of the key factors is belief.

If you study great market successes, once you get to the “900” level classes, you’ll see this concept of belief come up frequently. Perhaps the best analysis on the subject comes from Mark Minervini with his book on Winning. The bottom line is that the successful believe they can accomplish what they set out to do while most of the rest do not.

The people who do not believe often don’t even realize it, but, if you pay attention, their beliefs come through via language or actions. They might say they will “try” versus “do” something. Or they might not even try at all. Going back to the guitar example, despite saying they wish they could play most don’t even try since they believe only those with innate musical inclination can do it. Guitar is a simple and relatable way to convey the concept, but clearly this applies to many facets of life including trading.

Ultimately, beliefs seep into the subconscious and drive actions and outcomes. If you believe it is impossible to make 20% a year, you likely won’t even try - why would you attempt something you don’t believe is possible? Meanwhile, the person who believes it is possible will likely seek

out those who have done it and will then figure out what it takes and make a decision if they want to endure whatever it takes.

As an example, you might find the “cost” of making returns like Jesse Livermore (see prior post) is going broke now and again. You might then decide not to move forward since the cost is too high but that is different than thinking it isn’t possible.

Bottom line, if you believe you can do something, you probably can provided it is possible and you’re willing to endure the cost to get there whatever that cost may be.

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### **Author’s Note:**

I did my best to provide pertinent details of the materials referenced throughout this research. My goal here is/was to provide source materials, not to stand tall before an MLA style guide panel for documentation perfection. As such, I ask that you forgive any stylistic imperfections instead focusing on content.

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## About Me/This Paper

I'm George Coyle, the author of this research.

I'm the founder of Triangulated Research which publishes newsletters including [Listen to the Markets](#), a free weekly piece exploring the messages from prices, and [Market Meditations](#) which shares thoughts on trading and markets. If you'd like to stay up on my writing and more, sign up for these free publications.

I'm also the founder of Triangulated Capital Management, LLC. a registered investment advisor which utilizes trading principles to manage money. You can learn more here: <https://tricapm.com/>

Regarding this paper, in an effort to continually learn more about trading to improve my own process, I frequently study great traders like Marcus and typically find it easiest to write everything as a paper to clarify my thinking. I also like the paper format as I can easily reference the material in the future. Hopefully you enjoy this work, and it helps you on your trading quest.

If you like this paper, you'll probably enjoy my [work on trading principles](#) which condenses the consistent lessons of some of the greatest traders (including Marcus) of the past century using their own words/quotes. You might also enjoy my papers on [George Soros](#), [Stan Druckenmiller](#), and things I've written about [Ed Seykota](#) and [RenTec](#).

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Thanks for reading!

George

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