

STRUTZ IS A NATURAL

ADVANCED ARBITRAGE CONCEPTS

AUM:
\$5.5 million

Trader:
Joe Strutz

Strategy:
HOGO spreads

Location:
Oldsmar, Fla.

Joe Strutz is a long-term poker player and a natural trader who has used his poker skills to help deliver profits as head trader for commodity trading advisor Advanced Arbitrage Concepts.

"It is a matter of knowing when to get out and when not to get out. I have learned to read people," Strutz says. "You can't really read people in oil but you can read the situation. You can read what is going on in the markets, what is going on internationally, what is going on with the weather."

Strutz has traded heating oil futures vs. gasoil futures for a decade. His entrance into trading was mostly by accident. Strutz took a job as a trading clerk after working in an unrelated field for AT&T in Argentina.

"When Joe came back from Argentina after working for AT&T, he began clerking for a proprietary trading outfit. He showed a flair and would eventually work on the trading desk and trade for several of these firms," says Advanced Arbitrage principal Hendrik Steenhuysen. Strutz would go on to run several energy trading desks.

Strutz's partners at Advanced Arbitrage Concepts have a longer history in trading. Principals Steenhuysen and Patrick Ligammari are longtime friends of Strutz who were involved with futures before Strutz. Steenhuysen has been an introducing broker and trader at various firms but found the markets difficult to read after the 2008 credit crisis. It was then that Ligammari told him about the success that their mutual friend was having trading energy spreads and the three decided to launch a CTA.

"It was a good synergistic relationship," Steenhuysen says.

"I really have no former training, no formal schooling; I just have a knack for some reason for the oil markets," Strutz says. "I watch this night and day, I watch for the trends. Guys do a lot of outside research for us. But when it comes to the meat and the bones of it, it is just a matter of watching and studying and looking for the different things going on in the market."

His partners explain that it is a little more complex than that. The team employs professional meteorologists and do in-depth research on the geopolitical events that affect the energy markets. But when all that is calculated Strutz displays a unique knack for trading

and discretionary control of the program.

"His instinct is uncanny," Steenhuysen says. "I have been hanging around markets for most of my life and I have never ever seen a mind like this that just looks at the screen and says 'that is going up and that is going down' and more often than not he is right."

The team estimates they can trade this spread up to \$50 million under management. Currently they are managing a little more than \$5 million so there is no urgency to expand. The program earned 19.61% in 2014 and 16.77% in 2015 during its first full two years.

"I always have done the arbitrage between the heating oil and the gasoil," Strutz says. "If we wanted to branch off into other markets I am sure we could, but we have done so well with this one."

Strutz likes to trade during the most liquid hours when there is overlap between the New York and London markets, but he's watching the markets 24 hours a day. "You want to trade when there is a lot of [liquidity] but at the same time if I want to get out of something aftermarket, there are a lot less traders and they may be looking for the same thing so I may actually be able to run up a price."

He compares it to playing poker against someone with a short stack. "If the guy has a short stack and he does a small raise, pretty much his next move will be going all in. The same thing with the oil markets. If the guy is trying to get out, he is going to get out of all of it."

Despite being a discretionary trader, Strutz is detached from his trades and not afraid to admit he is wrong.

"I will be the first one to admit I make bad trades. I've done it before and I will do it again but my thing is to try and minimize [losses] because there is another [trade] down the road," he says. "I play a lot of poker; poker is a lot of gut instinct and if I have a gut instinct that it is not a good trade, I will get out because I can get in another one tomorrow or next week."

In trading, like in poker, there is always another hand and another trade. "I am not playing the table, I am playing my cards," Strutz says. "I look at the screen and trade. All I see are numbers, and I know what numbers I want to see." **Δ**

Daniel P. Collins