

“Know what you don’t know” – thoughts from Trading Master PAUL TUDOR JONES with comments from DENNIS GARTMAN

ON TRADING.. BY A MASTER:

Our old friend, Paul Tudor Jones, is to our mind the best trader we've known in our long tenure in the business. No one has greater instincts than has Paul, and his clients have been served very, very well over the years he's run money. Further, charities around the world have been ever better served, for Paul has used his wealth to the benefit of many. But it is his thinking about markets that we acknowledge here today, for we were sent the following comment by Paul regarding trading that we think everyone must read and consider. He said:

I see the younger generation [of hedge fund managers] hampered by the need to understand and rationalize why something should go up or down. Usually, by the time that becomes self-evident, the move is already over. When I got into the business, there was so little information on fundamentals, and what little information one could get was largely imperfect. We learned just to go with the chart. Why work when Mr. Market can do it for you? These days, there are many more deep intellectuals in the business, and that, coupled with the explosion of information on the Internet, creates the illusion that there is an explanation for everything.. There are young men and women graduating from college who have a tremendous work ethic, but they get lost trying to understand the logic behind a whole variety of market moves. [At the end of a bull market or bear market] there's typically no logic to it; irrationality reigns supreme, and no class can teach you what to do during that brief, volatile, reign.

Read this, and read it again...and when done, read it again. There is wisdom here. We are, in our opinion, seeing the end of the reign of the model driven, computer driven, ex-physics professor driven era of trading, and we are seeing a return to thematic, macro driven trading instead. The era of the quant is likely behind us; the return to the era of the likes of Julian Robertson and Paul Tudor Jones lies ahead. Rather than computer driven trading we are going to see thematic driven trading once again, and we take solace in that notion.