

Wednesday, February 18, 2009

Dear IFCN Subscribers:

Thoughts are the most valuable thing you can have.

If you think correctly and ask the right questions, virtually anything of value can be yours. If you think incorrectly, and maintain those thought patterns because you don't believe you have anything to change or you just never find out you're thinking wrong..., you will never succeed as well as those who "get it!". (Dr. Phil reference)

The reason most aspiring traders are not successful is that they do not think clearly about what advantages exist and how they can be extracted from existing market structures. What's really damaging is the fact that most resist any changes from what they are comfortable believing. They want things to be the way they imagine they should be..., not the way they REALLY are.

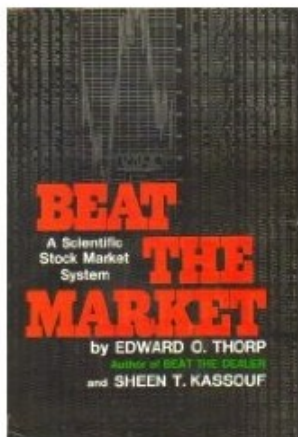
(Get ready for some serious reading. If this material referenced doesn't improve the way you look at markets and trading realities, I'm definitely writing to the wrong person.)

Those of you who have read my material over the years are aware of my appreciation for Edward O. Thorp. He is truly a "trading mind" I have respected and followed for more than 25 years. And in no small way made possible my own success as a derivatives trader.

He was the first to prove that an advantage could be extracted from the game of "21", otherwise known as blackjack. More than 40 years later, thousands are still making a living from "advantage play" at blackjack around the world.

His book "Beat the Market", now only available second hand at a great cost (like most things of value) not only inspired me-- but suggested new, more efficient trading avenues.

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Beat the Market: A Scientific Stock Market System (Hardcover)

by [Edward O. Thorp](#) (Author), [Sheen T. Kassouf](#) (Author)

★★★★★ (4 customer reviews)

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I recommend anyone wishing to become a serious trader to do a Google search on Mr. Thorp; alone or

with the keyword(s) blackjack, stock market, options, money management, Kelly Criterion.

You will likely assume a similar opinion to mine. My personal contacts with him and his protégées have been brief but memorable. His thinking and execution is exactly that other traders "need" to emulate to become successful.

By necessity, his methods may differ somewhat from what we use; but they are based on statistical realities exactly the same as ours. Obviously, profits from trading, when done correctly and in the right manner-- are to be expected, not be an exception.

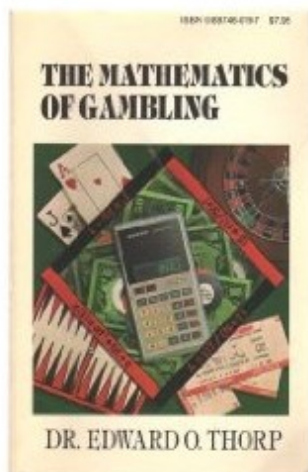
The following are links to some incredibly valuable resources. Information that Mr. Thorp has released so that those who are ready for the truth might be informed of the realities of market returns. He generously shared this material because he knows how difficult it is for people raised in the current educational system to get accurate view of financial matters.

- (1)http://media.wiley.com/product_data/excerpt/11/04700235/0470023511.pdf
- (2)<http://www.edwardthorp.com/sitebuildercontent/sitebuilderfiles/KellyCriterion2007.pdf>
- (3)<http://rapidshare.com/files/20446982/edward.thorpe.the.mathematics.of.gambling.pdf>
- (4)A: http://www.wilmott.com/pdfs/080617_thorp.pdf
- (4)B: http://www.wilmott.com/pdfs/080630_thorp.pdf
- (4)C: http://www.wilmott.com/pdfs/080709_thorp.pdf

The first link is a PDF excerpt from Edward O. Thorp's book, [A Perspective on Quantitative Finance: Models for Beating the Market.](#)

The second is his personal tome concerning use of the Kelly Criterion on methods that have a mathematical edge. He describes the pros and cons of this usage. If you have a method with a definable edge, AND can tolerate significant drawdowns-- you can have the same incredible success as Thorp himself enjoys.

The third is Thorp's released copy of [The Mathematics of Gambling.](#) Only previously distributed in paperback, remaining copies sell for hundreds of dollars.



The Mathematics of Gambling (Paperback)

by [Edward Thorp](#) (Author)

★★★★★ (4 customer reviews)

Available from [these sellers.](#)

5 used from \$155.87 **1 collectible** from \$295.00

In this book are some of the clearest possible explanations of the Kelly Criterion with practical

examples displayed.

The fourth set of links are from "*A Mathematician on Wall Street: Statistical Arbitrage*". Spend an evening with each article.

For more info about Thorp and those who think/trade like him, obtain *Fortune's Formula: The Untold Story of the Scientific Betting System That Beat the Casinos and Wall Street* by William Poundstone. You can get inexpensive copies from Amazon.com.

So, now the real work begins.

How content are you with mediocrity?

Best to you.

Joel Rensink
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