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Trading Legends: Lessons from Market History

All nineteen Trading Legends profiles — documented trading careers, the wins, the well-reported failures, and what each one actually teaches about discipline and risk — collected into one document you can read start to finish, print, or save as a PDF.

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CONTENTS

1. Jesse Livermore: Profits, Bankruptcies, and the Discipline He Preached but Didn't Always Follow
2. Ed Seykota and the Case for Removing Yourself from the Decision
3. Richard Dennis, William Eckhardt, and the Turtle Trader Experiment
4. Paul Tudor Jones: Betting Big on 1987, and the Rule That Mattered More
5. Linda Raschke: Consistency Over Home Runs
6. William O'Neil and CAN SLIM: Turning a Study of Winners into a Written System
7. George Soros, Reflexivity, and Betting Big Only When Conviction Is Real
8. Mark Minervini: Blowing Up Early, Then Rebuilding Around Risk
9. Stanley Druckenmiller: Concentrated Conviction, and Getting Out Fast When Wrong
10. Larry Hite: "Risk Management Is the Whole Game"
11. Ray Dalio: Nearly Broke in 1982, Then Building Around Being Wrong
12. Marty Schwartz: Nearly a Decade of Losses, Then a Champion's Discipline
13. Bill Lipschutz: Wiping Out an Account, Then Running a Currency Desk
14. Michael Marcus: Blowing Up His Savings, Then Learning From a Mentor
15. Peter Brandt: Five Years to Profitability, Then a Hatred of Drawdowns
16. Michael Burry: Right on the Thesis, Under Pressure From His Own Investors
17. Victor Niederhoffer: Twice Wiped Out After Years of Strong Results
18. Bill Ackman: Big Losses in 2015–2018, Then a Reported $2.6B From a $27M Hedge
19. Jim Simons: From Early Setbacks to a Data-Driven Firm

CHAPTER 01 OF 19

Jesse Livermore: Profits, Bankruptcies, and the Discipline He Preached but Didn't Always Follow

Jesse Livermore started speculating as a teenager in Boston "bucket shops" — informal operations where customers bet on stock price movements without actually owning shares — reportedly building a early stake from reading tape patterns before he was even legally an adult. He went on to become one of the most famous individual speculators in American financial history, known for large, concentrated bets on both sides of the market.

The wins that made him famous

Livermore is widely reported to have profited heavily shorting the market during the Panic of 1907, and again — most famously — around the 1929 crash, with contemporary press accounts describing profits in the tens of millions of dollars. Those episodes, along with the posthumously influential book "Reminiscences of a Stock Operator" (a fictionalized account closely modeled on his life), cemented his reputation as a trader who understood market psychology and timing better than almost anyone of his era.

THE PART OF THE STORY THAT GETS LEFT OUT

Livermore filed for bankruptcy multiple times over his career, lost large fortunes more than once through over-leveraged positions and a failure to stick to his own stated rules, and died in 1940 after years of declining fortune and reported struggles with depression.

A DOCUMENTED PATTERN: LARGE WINS FOLLOWED BY LARGER WIPEOUTS

Documented major win
Documented major loss / bankruptcy

What he actually taught, in his own words

In his own writing, Livermore repeatedly stressed principles that sound almost identical to the foundational lessons elsewhere in this library: cut losses quickly, let winning positions run, don't trade out of boredom, and wait for a genuine, high-conviction setup rather than forcing trades. Later traders and authors have treated his written rules as some of the clearest early articulations of trading discipline on record.

The real lesson isn't the rules — it's the gap

The uncomfortable part of Livermore's story is that he wrote these rules precisely because he struggled to follow them himself. His biggest losses came from the same mistakes his own books warned against: oversized leverage, chasing recovery after a loss, and abandoning a disciplined plan under emotional pressure. Knowing the correct principle and being able to execute it under real financial and psychological stress are two different skills, and his career is one of the most documented examples of that gap in trading history.

> **The takeaway:** Livermore's written trading rules were sound — cut losses, let winners run, trade with conviction rather than boredom. His repeated bankruptcies came from failing to follow his own advice under pressure, not from not knowing it. Reading good rules is the easy part; building the structure (position sizing, a written plan, a hard stop) that makes you follow them when it's hardest is the actual work.

CHAPTER 02 OF 19

Ed Seykota and the Case for Removing Yourself from the Decision

Ed Seykota began building computerized trend-following systems in the early 1970s, at a time when almost no retail or even professional traders had access to that kind of tooling. Rather than using the computer to assist a discretionary process, he used it to remove discretion almost entirely — letting a defined set of rules decide entries, exits, and position size, with minimal manual override.

The mechanism: trend-following without the emotional math

Seykota's approach, as he's described it in interviews, rests on a small number of repeatable ideas: cut losses short, let profits run, keep risk per trade small and consistent, and follow the system even when it feels wrong in the moment. None of these ideas are exotic — they appear throughout this lesson library — but Seykota's documented edge came from the discipline of actually following them mechanically, trade after trade, rather than from a secret indicator or signal.

A LINE OFTEN ATTRIBUTED TO HIM

"Everybody gets what they want out of the market," reflecting his view that a trader's results are shaped more by their own psychology and discipline than by the system or market itself — a theme he's returned to repeatedly in interviews and writing on trading psychology.

FOLLOWING THE TREND MECHANICALLY VS. OVERRIDING IT ON FEEL

Following the system's exit rule without override
Second-guessing the system mid-trend

Why systems are easier to trust than yourself

A core argument in Seykota's interviews is that a trend-following system's job is to be followed, not second-guessed — the moments it feels most uncomfortable (staying in

a winning trend too long, cutting a loss that "feels" like it's about to turn around) are often exactly when discretionary overrides do the most damage. This is the same logic behind the discretionary-versus-mechanical trade-off covered elsewhere in this library: a mechanical system can be back-tested and trusted precisely because it removes the in-the-moment judgment calls that are hardest to make well under stress.

What this does and doesn't prove

Seykota's long, documented track record is genuinely one of the most cited in trading literature — but it reflects decades of refinement, substantial starting capital, and market conditions that favored trend-following during parts of that period. It's evidence that systematic, unemotional execution of a sound trend-following approach can work extremely well for a skilled practitioner, not a guarantee that any specific trend system will perform the same way going forward.

> **The takeaway:** Seykota's results came from mechanically following a small set of trend-following rules — cut losses, let winners run, keep risk per trade small — without overriding the system based on how a trade felt in the moment. The discipline to follow a tested system, not a secret signal, is the actual documented edge.

CHAPTER 03 OF 19

Richard Dennis, William Eckhardt, and the Turtle Trader Experiment

Richard Dennis had turned a famously small stake into a large commodities trading fortune by the early 1980s. He and his trading partner, mathematician William Eckhardt, disagreed on a fundamental question: was successful trading a skill that could be taught through a defined rule set, or did it require some innate trait that couldn't simply be handed to someone else? They settled it with an experiment rather than an argument.

The experiment

Dennis recruited a group of people — reportedly with varied and in some cases no trading background — trained them intensively for about two weeks in a specific rule-based system, and then funded them with real trading capital to apply it. The system itself was a trend-following approach built around breakouts from recent price ranges (a close relative of the Donchian channel concept still taught today), combined with explicit, non-negotiable position-sizing and risk rules.

WHAT MADE THE RULES WORK

The Turtle system specified exactly when to enter, exactly when to exit, and exactly how much to risk per trade as a percentage of account size — leaving as little as possible to in-the-moment judgment. Several of the original Turtles went on to run successful trading careers of their own after the experiment ended.

THE CORE IDEA: BUY A BREAK ABOVE THE RECENT RANGE, NOT A PREDICTION

Donchian-style recent range the system watches
Price — entry triggers only on a confirmed break

What it proved — and what it didn't

The experiment is widely treated as strong evidence that a well-specified trading system, combined with strict risk management, can be taught to people without a

trading background and still produce real results. That's a meaningful, encouraging data point. It's also true that not every Turtle performed identically — having the same rule set didn't erase differences in how consistently each person actually followed it, particularly during drawdowns, which echoes a pattern that shows up across several of the profiles in this track.

The relevance today

You don't have direct access to the original Turtle rules or Dennis's capital, and market conditions have changed substantially since the 1980s. What transfers is the underlying structure: a trading system is only as good as a trader's willingness to follow its risk rules exactly, especially when a position is losing and judgment is most tempted to intervene.

The takeaway: the Turtle experiment is genuine evidence that trading rules — defined entries, exits, and strict position sizing — can be taught to people without prior experience. But having the same rule set didn't guarantee the same results across every participant; consistently following the risk rules, especially under a drawdown, was still the deciding factor.

CHAPTER 04 OF 19

Paul Tudor Jones: Betting Big on 1987, and the Rule That Mattered More

Paul Tudor Jones built his reputation in the early-to-mid 1980s as a macro trader willing to take large, directional positions based on his reading of market structure and historical analogues. His most famous moment came in 1987, when he is widely reported to have positioned heavily for a market decline in the weeks before the October crash — reportedly producing extraordinary returns for his fund that year, documented at the time in a PBS film about his trading that later became difficult to find after he moved to restrict its distribution.

The trade everyone remembers

The 1987 short is the headline story, and it's a genuinely remarkable piece of market timing by most accounts. But treating it as the lesson misses the point Jones himself has made repeatedly in interviews since: a single great trade, however large, isn't a strategy — it's an outcome. What's repeatable is the process and risk discipline behind it.

A RULE HE'S RETURNED TO AGAIN AND AGAIN

"Losers average losers" — Jones's shorthand for refusing to add to a losing position in the hope that it turns around, a habit he's identified as one of the fastest ways to turn a manageable loss into a catastrophic one.

-22.6%

The Dow Jones Industrial Average's single-day decline on October 19, 1987 ("Black Monday") — still the largest one-day percentage drop in the index's history. Jones's fund is widely reported to have been positioned for a decline going into that week.

Defense before offense

In multiple interviews, Jones has described himself as focused far more on risk control and capital preservation than on finding winning trades — a framing that treats defense

as the primary skill and offense (actually making money) as something that follows naturally once losses are controlled. This mirrors the core argument in the position sizing and risk-of-ruin lessons elsewhere in this library: protecting the downside is usually the higher-leverage skill to develop, even though it gets far less attention than entry strategies.

What not to take from this

It's tempting to read the 1987 story as "take one enormous concentrated bet and get rich." That's survivorship bias at work — for every well-documented, successful macro call like this one, there are far more large concentrated bets that didn't work out, made by traders with similar conviction and preparation, that simply aren't famous. The documented, repeatable part of Jones's career is the risk discipline around position sizing, not the specific trade.

The takeaway: the 1987 trade is a single, well-documented outcome — not a repeatable strategy. The part of Jones's approach that's actually transferable is his stated rule against ever averaging down into a losing position, and his consistent emphasis on defense and capital preservation over chasing the next big win.

CHAPTER 05 OF 19

Linda Raschke: Consistency Over Home Runs

Linda Raschke started trading professionally in the early 1980s as a floor trader before moving into short-term technical trading from a screen, a transition that required rebuilding her approach around chart patterns, momentum, and strict risk control rather than the order-flow intuition floor trading relies on. She's remained active and publicly visible in trading education for decades since.

A different kind of track record

Unlike the outsized single trades that dominate the stories of several other traders in this track, Raschke's documented reputation rests on consistency — steady, repeatable gains built from a high volume of smaller, well-defined setups rather than a small number of legendary bets. In interviews, she's been explicit that trying to trade big, infrequent "home run" setups is a much harder and more stressful way to build a career than compounding smaller, higher-probability trades consistently.

ON RISK AND POSITION SIZE

Raschke has repeatedly emphasized trading smaller than feels necessary, specifically so that a string of losses — which any strategy will eventually have — doesn't do enough damage to force an exit from the game. It's the same risk-of-ruin logic covered elsewhere in this library, from someone who built a career on taking it seriously rather than treating it as a formality.

TWO WAYS TO COMPOUND AN ACCOUNT OVER THE SAME STRETCH

Raschke's documented style: frequent, smaller, well-managed setups

Chasing rare, oversized moves — higher variance, harder to repeat

Why "boring" discipline gets less attention

A career built on consistency rather than one legendary trade doesn't make for as dramatic a story, which may be part of why traders like Raschke get referenced less

often than someone with one famous, outsized win. That's worth noticing: the loudest stories in trading culture tend to be the exceptional outliers, not the more common (and more replicable) path of steady, well-managed gains.

The relevant skill, not the specific setups

The specific chart patterns and short-term setups Raschke trades are far less important to take from her story than the underlying stance: treating position sizing and risk control as the thing that lets you stay in the game long enough for a sound approach to compound, rather than treating any single trade as the one that needs to make your year.

The takeaway: not every successful trading career is built on one legendary trade. Raschke's documented approach favors smaller, more frequent, well-managed setups over trying to catch the rare outsized move — a reminder that "boring" consistency is a legitimate, less-mythologized path that tends to get less attention than it deserves.

CHAPTER 06 OF 19

William O'Neil and CAN SLIM: Turning a Study of Winners into a Written System

William O'Neil's approach grew out of a research project: rather than relying on intuition about what makes a stock a good buy, he and his team studied historical examples of the market's biggest winning stocks going back decades, looking for characteristics they shared before their major moves. The result was CAN SLIM — an acronym summarizing seven criteria spanning earnings growth, new developments, supply and demand, and overall market direction.

Turning a pattern into a repeatable system

The significance of CAN SLIM isn't any single criterion — it's that O'Neil converted a historical pattern into an explicit, written checklist that could be applied consistently, rather than leaving stock selection to feel or story. This mirrors the broader argument for mechanical over purely discretionary approaches covered elsewhere in this library: a written system can be followed the same way on a good day and a stressful one, which a purely intuitive process struggles to do.

THE LESS-DISCUSSED HALF OF THE SYSTEM

CAN SLIM is often remembered for its stock-selection criteria, but O'Neil was equally explicit about strict, mechanical sell rules — cutting losses at a fixed percentage, without exception — arguing that protecting capital on the way down mattered as much as picking the right stock on the way up.

CAN SLIM: SEVEN CRITERIA, ONE CHECKLIST



7–8%

The fixed maximum loss (as a percentage below purchase price) O'Neil's own writing is best known for prescribing as a hard sell rule — applied the same way regardless of

how convinced the buyer still feels.

Why the sell discipline is the actual lesson

It's easy to focus on the buy-side criteria because they're more interesting to talk about — what makes a great stock — but O'Neil's own writing put heavy emphasis on the far less glamorous discipline of cutting a loss quickly and mechanically once a predefined threshold is hit. That's the same principle behind the stop-loss lesson in this library's foundations, applied specifically to a longer-timeframe, research-driven stock-picking context rather than short-term trading.

What doesn't transfer directly

CAN SLIM was built and tested specifically on historical U.S. equities data, in market conditions that have shifted since. The specific screening thresholds matter less than the underlying habit: building a written, testable framework for both entries and exits, rather than relying on a feeling about whether a stock "looks good."

> **The takeaway:** O'Neil's real contribution was converting historical observation into a written, repeatable system — covering both when to buy and, just as rigorously, when to sell at a fixed loss threshold. The discipline of having explicit rules for both sides of the trade is the transferable part, not any single CAN SLIM criterion.

CHAPTER 07 OF 19

George Soros, Reflexivity, and Betting Big Only When Conviction Is Real

George Soros built his fund, Quantum Fund, into one of the most successful hedge funds of the 20th century, trading primarily global macro themes — currencies, interest rates, and broad economic trends — rather than individual company analysis. His most famous single trade came on what's often called "Black Wednesday" in September 1992, when his fund reportedly made over $1 billion shorting the British pound as the UK was forced out of the European Exchange Rate Mechanism.

The idea behind the trade: reflexivity

Soros has written extensively about a concept he calls reflexivity — the idea that market prices aren't just a passive reflection of underlying fundamentals, but can actively influence those fundamentals in a feedback loop, sometimes pushing prices and reality further apart before a sharp correction. In the pound trade, this translated into a specific, well-reasoned view that the UK's currency peg was unsustainable given its underlying economic pressures — not a lucky guess, but a thesis built on a specific theoretical framework he'd developed over years.

ON POSITION SIZE AND CONVICTION

Soros has described his approach as deliberately uneven in size — staying small or flat most of the time, and sizing up dramatically only when a thesis is both well-researched and strongly convicted. That's a sharp contrast to a strategy of taking similarly sized positions on every trade.

$1B+

The widely reported profit Soros's Quantum Fund made in a single day shorting the British pound on September 16, 1992 ("Black Wednesday"), as the UK withdrew from the European Exchange Rate Mechanism.

REFLEXIVITY: PRICE AND FUNDAMENTALS FEEDING EACH OTHER

The part that's hard to copy

The pound trade worked because Soros had a specific, well-developed economic thesis, significant capital to express it at scale, and the conviction (built on genuine analysis, not bravado) to size the position accordingly. Attempting to replicate "bet enormous size on a strong conviction" without the underlying research and risk infrastructure behind it is a very different, much riskier activity — closer to gambling than to what Soros actually did.

What's genuinely useful here

The transferable idea isn't "find one trade and bet everything on it." It's the discipline of sizing positions in proportion to the actual strength of your thesis and your evidence for it — staying small when conviction is genuinely low, and reserving larger size for the rare situations where research and conviction both clearly support it, rather than sizing every trade the same regardless of how strong the setup actually is.

> **The takeaway:** the 1992 pound trade is famous because it combined a well-researched thesis with a size that matched genuine conviction — not because betting big works on its own. The transferable principle is proportional position sizing: small or flat when conviction is low, larger only when the evidence genuinely supports it.

CHAPTER 08 OF 19

Mark Minervini: Blowing Up Early, Then Rebuilding Around Risk

Mark Minervini has written and spoken openly — more than many traders profiled in this kind of track — about struggling for years before developing the risk-focused approach that later defined his career, detailed in his book "Trade Like a Stock Market Wizard" and in multiple interviews. That early-struggle narrative is actually central to why his story is useful here, rather than a footnote to skip past.

What changed

By his own account, Minervini's early years involved the same mistakes covered throughout the Foundations track of this library: inconsistent risk sizing, no firm exit discipline, and trading on conviction rather than a defined plan. The shift that preceded his later documented results wasn't a new secret indicator — it was adopting strict, non-negotiable risk rules and a structured framework for identifying where a stock sits in its broader trend (sometimes called "stage analysis"), buying only within specific stages and cutting losses quickly outside of them.

THE RISK RULE HE'S TALKED ABOUT MOST

Minervini has repeatedly emphasized capping losses at a small, fixed percentage per trade and exiting without hesitation once that threshold is hit — treating the stop-loss discipline itself, more than any entry signal, as the foundation his later results were built on.

STAGE ANALYSIS: BUYING ONLY WITHIN ONE SPECIFIC PHASE

The one stage Minervini's framework buys into — a confirmed advance, not a guess at the bottom

Why this story is worth including

Several of the other profiles in this track read as "this person was skilled, then they had a legendary win." Minervini's publicly discussed arc — real losses, followed by a

deliberate shift toward risk discipline, followed by documented later results — is a more common and arguably more useful pattern for someone earlier in their own trading development to study, because it maps directly onto struggles covered elsewhere in Foundations rather than a single unrepeatable event.

What to actually take from it

The specific technical criteria in his stage-analysis framework matter less here than the sequencing: risk control came before consistent profitability, not after. That ordering — fix the risk management first, then refine the entries — shows up across nearly every profile in this track and is one of the more consistent patterns across very different trading styles.

The takeaway: Minervini's own account of his career puts years of losses before his later documented results, with the turning point being strict risk control and a structured trend framework — not a better pick. Fixing risk management before expecting consistent profitability is a sequence that shows up across almost every trader profiled in this track.

CHAPTER 09 OF 19

Stanley Druckenmiller: Concentrated Conviction, and Getting Out Fast When Wrong

Stanley Druckenmiller worked alongside George Soros at Quantum Fund, helping to size and execute the 1992 pound trade, before going on to run his own fund, Duquesne Capital, for roughly three decades. He's frequently cited as having avoided a losing year across that entire span — an unusually long documented streak in macro trading, where large concentrated positions typically bring higher volatility in both directions.

Concentration, not diversification

Unlike an approach built around spreading risk across many small, uncorrelated positions, Druckenmiller has described his style as concentrated — identifying a small number of high-conviction macro themes and sizing into them meaningfully, rather than holding dozens of smaller, lower-conviction positions. This is a deliberate trade-off: concentration can produce outsized results when a thesis is right, but only if paired with equally serious risk control when it's wrong.

THE HABIT MOST OFTEN CITED ALONGSIDE HIS RETURNS

Druckenmiller has spoken about exiting a position quickly once he judges the original thesis to be wrong, regardless of ego or how much work went into building the position — treating "I was wrong" as information to act on immediately rather than something to resist admitting.

CONCENTRATED CONVICTION VS. SPREADING RISK EVENLY
Druckenmiller's described approach — size matches conviction

Why the exit discipline matters more than the conviction

Plenty of traders have strong conviction; far fewer consistently act on being wrong quickly once a position moves against their thesis. The multi-decade record without a losing year is frequently attributed less to picking winners every time — no trader does

that — and more to limiting the damage from the trades that didn't work, fast, before they could meaningfully offset the ones that did.

What's hard to copy here

Concentrated position sizing on macro themes requires both deep research capacity and a level of risk tolerance (and capital) that isn't appropriate for most individual traders to imitate directly. The transferable discipline is narrower and more universal: separating "I have a thesis" from "I'm emotionally attached to being right about this thesis," and being willing to exit the moment evidence contradicts the original reasoning.

The takeaway: Druckenmiller's long record is attributed less to picking winners consistently and more to exiting quickly and without ego once a thesis proves wrong. Separating your identity from being "right" about a trade — so you can exit fast when the evidence changes — is the transferable discipline, independent of position size.

CHAPTER 10 OF 19

Larry Hite: "Risk Management Is the Whole Game"

Larry Hite co-founded Mint Investment Management in the late 1970s, one of the earliest firms to run a systematic, rules-based trend-following approach at scale. He's featured in Jack Schwager's original "Market Wizards," where he gave some of the book's most quoted statements on the primacy of risk control over predictive skill.

A philosophy built around not blowing up

Hite's stated approach treats surviving long enough to let a statistical edge play out as the primary goal — ahead of trying to maximize the size of any single win. In his telling, a trading system doesn't need to be right most of the time to be profitable; it needs a defined positive edge over many trades, combined with position sizing small enough that no single loss, or even a cluster of losses, can end the ability to keep trading.

A FREQUENTLY CITED LINE

"If you bet all your capital, you're not going to be around to make that bet again" — Hite's shorthand for why risking a large percentage of an account on any single trade is a losing strategy over the long run, even if any individual bet has good odds.

Why this is more fundamental than a strategy

Hite's framing puts risk management above strategy selection entirely: a mediocre strategy with strict, consistent risk control can survive long enough to be profitable, while an excellent strategy with poor risk control can be wiped out by a single bad stretch before its edge has a chance to show up. This is the exact logic behind the risk-of-ruin lesson elsewhere in this library — Hite is one of the clearest, earliest public voices making that specific argument.

WHY RISK PER TRADE MATTERS MORE THAN STRATEGY QUALITY ALONE

Survival odds fall faster than most traders expect as risk per trade rises

What this doesn't mean

This isn't an argument that strategy doesn't matter at all — a system still needs a genuine statistical edge to be worth trading. It's an argument about sequencing and priority: get the risk controls right first, because a strategy's long-run edge is irrelevant if you're forced out of the game by a single oversized loss before it has a chance to play out.

The takeaway: Hite's defining claim is that long-term survival — driven by strict, consistent position sizing — matters more than the specific predictive quality of a strategy. A system only needs to win over many trades; it can't do that at all if poor risk control ends your ability to keep trading first.

CHAPTER 11 OF 19

Ray Dalio: Nearly Broke in 1982, Then Building Around Being Wrong

Ray Dalio founded Bridgewater Associates in 1975 and later built it into one of the world's largest hedge fund firms. That success is widely known. Less often retold is what he has described as the lowest point of his career, less than ten years in, and the way he says it changed his thinking. The details below come from his own public accounts and interviews, so treat them as his version of events.

The setback

In 1982, by his own account, Dalio was convinced that markets were heading for a severe crash, and he was confident about it. He was wrong: markets went the other way. The call cost him clients and money, and he has said it left him close to bankruptcy, to the point of borrowing $4,000 from his father to support his family. He has called the experience very painful, and also one of the best things that ever happened to him.

What he says changed

- **From "I'm right" to "how do I know I'm right?"** He has described shifting from assuming he was right to asking how confident he could really be, and what he might be missing.
- **Seeking disagreement.** He began working with people who disagreed with him, so that his ideas were tested before money was at stake. He has called this approach radical open-mindedness.
- **Writing principles down.** He treats painful mistakes as puzzles to solve, and records the lessons as rules he can apply next time.

THE LESSON HE KEEPS REPEATING

Being wrong is not the real danger. Being certain, with a position sized as if you cannot be wrong, is what puts an account or a firm at risk.

What a retail trader can take from it

Dalio was running client money, in a very different setting from a personal forex account, so copy none of his methods. The transferable part is the habit: before a trade, ask what would prove you wrong, size the position so that being wrong is survivable (see position sizing and risk of ruin), and keep written rules instead of relying on conviction in the moment.

> **The takeaway:** by his own account, Dalio's near-collapse came from confidence, not a lack of intelligence. What he says rebuilt his career was humility, tested ideas and written principles. Nothing here is a recommendation to copy his approach. Educational content only, not financial advice.

CHAPTER 12 OF 19

Marty Schwartz: Nearly a Decade of Losses, Then a Champion's Discipline

Marty Schwartz, born in 1945, is known as one of the traders interviewed in Jack Schwager's *Market Wizards*. The figures below are as he and the book reported them. They are self-reported and not independently audited, so read the story for its pattern, not its numbers.

The setback

Schwartz worked as a securities analyst at E.F. Hutton and built up roughly $100,000, which he used to buy a seat on the American Stock Exchange. He then spent almost a decade losing money as a trader. His own explanation was ego: he was trying to prove he was right instead of trying to make money, so he held losing trades and hoped.

What he says changed

- **Making money, not being right.** He stopped treating each position as an opinion to defend, and began exiting losing trades quickly.
- **Deciding the loss in advance.** He has said to define the most you will lose before entering a trade.
- **Careful after big wins.** He observed that his largest losses tended to follow his largest profits, when he got overconfident and oversized.

After the turnaround, he reportedly won the 1984 U.S. Investing Championship, reported as turning a $250,000 account into more than $1 million of profit within the contest year.

AN HONEST FOOTNOTE FROM SCHWARTZ HIMSELF

He said discipline can be hard to teach: by his account, the people he trained did not last. Knowing the rules and following them under pressure are different skills.

What a retail trader can take from it

Most of the "ego" trades in a forex account look the same: holding a loser, moving a stop, adding to a position that is going the wrong way (see revenge trading). Setting the maximum loss before entry, and sizing so that it is small (see position sizing), takes the decision out of the heat of the moment. Short-term trading is also very hard to win, and the odds are worse for people without a professional's resources.

The takeaway: by his own account, Schwartz lost for years while defending his opinions, and improved by cutting losses quickly and deciding his risk in advance. His results are self-reported and are no promise for anyone else. Educational content only, not financial advice.

CHAPTER 13 OF 19

Bill Lipschutz: Wiping Out an Account, Then Running a Currency Desk

Bill Lipschutz (his name is also spelled Lipschultz) is a currency trader who was profiled in Jack Schwager's *The New Market Wizards* and later led the foreign exchange trading desk at Salomon Brothers. Accounts of his career differ on dates and figures, so this lesson sticks to the broad story as he has told it.

The setback

While studying architecture at Cornell, Lipschutz inherited a portfolio of stocks from his grandmother, worth about $12,000 according to published profiles. He turned it into his trading capital and, by those accounts, grew the account to roughly $250,000 while still at university. He then nearly lost it. By his telling, the problem was one position that was far too large for the account. His analysis was not necessarily wrong, but the size meant that a bad move could do enormous damage.

What he says changed

- **Size is a separate decision from direction.** A position has to be survivable relative to the account, even when you are confident in the idea.
- **Feel the loss, do not hide from it.** He has said traders should feel the pain of a loss rather than become numb to it, because numbness leads to gambling.
- **Demand a worthwhile reward.** He has talked about wanting a reward at least several times the risk on a trade, so being wrong often is still survivable.
- **Trade less.** He has suggested that doing nothing for a good part of the time would improve many traders' results.

After rebuilding the account, he moved to Salomon Brothers, where he became head of foreign exchange trading. Published figures for his results there vary, so they are left out here.

WHY THIS ONE MATTERS ON A FOREX ACCOUNT

Leverage makes the Lipschutz mistake easy to repeat. One oversized position is how many accounts end, even when the market view turns out partly right.

What a retail trader can take from it

Before the entry, decide the size from the stop distance and a fixed small share of the account, not from how sure you feel (see leverage and margin and risk of ruin). A lost account that is rebuilt is a story that is told because the person survived to tell it. Many do not.

> **The takeaway:** by published accounts, Lipschutz lost most of a young account to an oversized position, and rebuilt with a stronger respect for size and reward-to-risk. The figures differ between sources and are no promise for anyone else. Educational content only, not financial advice.

CHAPTER 14 OF 19

Michael Marcus: Blowing Up His Savings, Then Learning From a Mentor

Michael Marcus was the first trader interviewed in Jack Schwager's 1989 book *Market Wizards*, and he later worked at Commodities Corporation, a firm known for training trend-following traders. The story below is how he has told it. Sources differ on dates and amounts, and the big profit figures attached to his name are reputed rather than audited, so they are left out here.

The setback

Marcus started trading commodities in the early 1970s with a small stake of savings. By his own account he had early successes and then gave them back, more than once. He blew up his savings, borrowed money from his mother, and lost that too. He has described himself as discouraged and close to quitting, trading without real principles.

What he says changed

- **A mentor.** He met Ed Seykota around that time, and credits him with teaching him money management and trend following (see Ed Seykota).
- **Follow the signal, not the opinion.** He has said he learned to trade what the market was doing, not what he wanted it to do.
- **Cut losses small.** Small losses let a smaller number of winners pay for the losers.
- **Size to conviction.** He has said that without a strong, well-formed view, the right position size is close to zero.

SURVIVORSHIP, STATED PLAINLY

Marcus is remembered because he recovered. Many traders with similar early blowups never did, and the 1970s commodity markets, which trended strongly and were less crowded, were friendlier to trend following than many markets today.

What a retail trader can take from it

The pattern is old: early wins mislead, size grows, a few bad trades erase months of gains, and then borrowed money goes in after it. Fixed risk per trade (see position sizing) and a rule against adding money to recover losses (see rebuilding after a drawdown) are the plain-language version of what he describes. A mentor or a peer group can help, but you still have to follow the rules yourself.

The takeaway: by his own account, Marcus lost his savings more than once before learning money management from a mentor. His later success is reputed, not audited, and was helped by conditions that have changed. Educational content only, not financial advice.

CHAPTER 15 OF 19

Peter Brandt: Five Years to Profitability, Then a Hatred of Drawdowns

Peter Brandt is a veteran futures trader known for classical chart patterns and for being unusually open about his losses. The details below are as he has described them in interviews. They are self-reported, so treat them as his account.

The setback

Brandt placed his first trade in 1974 and went full time in the business in 1975. For years he cycled through methods, from point-and-figure charts to cycles and spreads, before finding classical charting around 1978. By his account his first profitable half-year came in the second half of 1979, and his first profitable full year in 1980, around five years after his first trade. Along the way he has recalled drawdowns of about 35% and 38%, and larger ones measured on open positions. He has said an income from brokerage work kept him afloat while he learned.

What he says changed

- **Smaller drawdown targets.** He first aimed to keep his worst drawdown within 20%, then 10%, and today aims to keep yearly drawdowns very small. He has said he hates drawdowns because you must earn the same money again.
- **The same small risk on every trade.** He now risks well under one percent of the account per trade, and has said so publicly.
- **Expect to lose.** He treats each new trade as likely to lose, which keeps the focus on risk. He has said that a win rate around 54% over many years is normal, and that high win rates are unrealistic for most traders.
- **Strong opinions, weakly held.** He drops a view when price proves him wrong, instead of defending it.
- **Expect a long apprenticeship.** He has said three to five years to become consistently profitable is realistic, and that the main job during that time is protecting capital.

THE PART MOST STORIES SKIP

Brandt had other income during those early years. Having a day job or reserve while learning, instead of needing the account to pay the bills, is part of why he stayed long enough to improve.

What a retail trader can take from it

Most new traders expect results in months and quit or blow up in the first year (see why most new traders lose money). Brandt's account points the other way: a longer timeline, small fixed risk (see position sizing), and a plan to protect capital while you learn. His specific rules are his own, not a recommendation.

The takeaway: by his own account, Brandt took about five years to reach a profitable year, endured large early drawdowns, and improved by shrinking risk and expecting to lose often. His account is self-reported and no promise for anyone else. Educational content only, not financial advice.

CHAPTER 16 OF 19

Michael Burry: Right on the Thesis, Under Pressure From His Own Investors

Michael Burry ran the fund Scion Capital and became widely known for betting against the US housing market before 2008. The summary below relies on public accounts and his own comments, so treat details as reported, not verified.

The setback

From about 2005 Burry focused on subprime mortgages. His thesis, as reported, was that loans with low introductory "teaser" rates would run into trouble when the rates reset higher. He bought credit default swaps, a form of insurance that pays out if the underlying debt fails, from large banks. Insurance has a cost: while he waited, he paid premiums, and the housing market kept going. Some of his own investors doubted him, and by public accounts some demanded to withdraw their money before the thesis played out.

What the story shows

- **Early can look like wrong.** A correct view that arrives late can still produce losses, and holding it costs money while you wait.
- **The risk includes other people.** With outside money, the clock is set partly by investors' patience, not only by the market.
- **Conviction came from work.** He is reported to have read the underlying loan documents in detail. A view built on evidence is easier to hold than one built on a hunch.
- **The result was reported, not guaranteed.** Reports put his personal profit near $100 million and gains above $700 million for investors who stayed. Treat these as reported figures.

WORTH KNOWING

He closed Scion Capital in 2008 and reopened as Scion Asset Management in 2013. A famous win does not mean every later call was right.

What a retail trader can take from it

A personal forex account has no investors demanding money back, but it has the same pressure in another form: the temptation to close a sound idea early because waiting hurts. Know in advance how long you can afford to be wrong, size the position for that (see leverage and margin basics), and write the thesis down in a journal so you can judge it later on its evidence, not on your mood.

The takeaway: a good view still needs a plan for time, cost and patience. This is a single, famous success, which is survivorship bias in action: many people made similar bets and did not survive the wait. Educational content only, not financial advice.

CHAPTER 17 OF 19

Victor Niederhoffer: Twice Wiped Out After Years of Strong Results

Victor Niederhoffer managed money for George Soros in the 1980s, then ran his own fund and wrote *The Education of a Speculator*, a 1997 bestseller. The details below come from public accounts and his own statements, so they are reported, not verified.

The setback

His fund reportedly returned about 35% a year through 1996 and was ranked first among hedge funds that year. By 1997, by public accounts, he had returned much outside capital and put the remaining money, around $100 million, into areas where he later said he lacked expertise. He sold put options on Thai bank stocks. A put seller collects a small premium and takes on the risk of large losses if the price collapses. On 27 October 1997, Asian-market losses and a 554-point (7.2%) drop in the Dow forced his firm to close. He has argued he was treated unfairly by the exchange, and that is his claim.

The rebuild, and the second blow

In 1998, by his own account, he resumed trading with his own money after mortgaging his house and selling his antique silver collection. He later ran the Matador Fund, which reported strong returns in the early 2000s. In 2007 the fund fell by more than 75% and closed. Selling options again was part of that story, as publicly described.

What the story shows

- **Small steady income can hide a large tail risk.** Collecting premium feels safe until the market moves sharply, which is the moment it matters.
- **A good record does not remove the risk.** The same approach that built the record contained the loss.
- **Straying from what you know is costly.** By his own later account, he had moved into areas he understood less.

- **Size decides survival.** A loss that is small relative to the account is a lesson. A loss that is large relative to it ends the story (see risk of ruin).

What a retail trader can take from it

Any strategy that wins often and loses rarely, but heavily, deserves extra suspicion. Ask what the worst realistic day looks like, whether your broker could close your positions first (see margin calls), and whether your results include a period like that. Rebuilding after a large loss is possible but slow (see rebuilding after a drawdown).

The takeaway: by public accounts, Niederhoffer's strong years were followed by losses that ended two funds, tied to a style that earns small amounts and risks very large ones. It is a useful case for the dangers of hidden risk, not a verdict on any one person. Educational content only, not financial advice.

CHAPTER 18 OF 19

Bill Ackman: Big Losses in 2015–2018, Then a Reported $2.6B From a $27M Hedge

Bill Ackman founded the hedge fund Pershing Square in 2004 with about $54 million. Because he often announces large positions publicly, his wins and losses are unusually visible. The figures below are as reported in public sources, not verified here.

The setback

Two high-profile positions went badly. In March 2017 Pershing Square sold its remaining Valeant shares for roughly $300 million at a substantial loss, with press reports putting the total loss near $4 billion. Separately, a $1 billion short position against Herbalife, announced in December 2012, was closed at a loss in February 2018. Performance was weak across 2015–2018, and after that, by public accounts, he reworked how the firm was managed.

The turn

The fund reportedly returned 58.1% the year after that rework. In early 2020 Pershing Square disclosed it had spent about $27 million on credit protection, and said that position produced about $2.6 billion in under a month as markets fell. Both figures are as reported by the fund and press.

What the story shows

- **Concentration magnifies mistakes.** Few, large positions can produce spectacular gains and spectacular losses (see diversifying strategies).
- **Hedges cost money most of the time.** Paying a small, steady cost for protection that rarely pays is a trade-off, not a free lunch.
- **One payoff is not proof.** A large gain from one well-timed hedge does not show that the method works repeatedly.

- **Reviewing a bad stretch is part of the job.** Changing process after losses, instead of defending it, is what he describes doing.

What a retail trader can take from it

Few retail accounts can afford a position whose loss would be a billion-dollar headline, but the proportions apply. Keep any one idea small enough that being wrong is survivable, treat hedging costs as real costs, and review a poor stretch with a written rebuilding plan before taking more risk.

> **The takeaway:** by public accounts, Ackman's concentrated bets produced large losses, then a reworked approach and a reported hedge payoff. Reported figures are not guarantees, and one outcome says little about the next. Educational content only, not financial advice.

CHAPTER 19 OF 19

Jim Simons: From Early Setbacks to a Data-Driven Firm

Jim Simons was a mathematician who later founded Renaissance Technologies, known for its Medallion fund. This summary uses public sources, and the performance figures are reported, not independently audited.

The setback

Simons's path was not a straight line. By public accounts, an early business venture failed, and he was forced out of a government-linked research role at the Institute for Defense Analyses after speaking out against the Vietnam War. He moved to Stony Brook University. He then started trading currencies and commodities through a firm that became Renaissance Technologies. Early on, by his own accounts, he relied on judgment-based trading and found it unsatisfying.

What he says changed

- **From instinct to data.** He came to believe that models could be built from data and tested, instead of trading on judgment alone.
- **Hiring different people.** He brought in mathematicians and scientists, not only market veterans, including Leonard Baum and James Ax.
- **Testing before trading.** Ideas had to survive testing against data before real capital was used (see backtesting basics).

REPORTED RESULTS, WITH CAVEATS

The Medallion fund (founded 1988) is reported to have averaged about 66% a year gross and 39% net between 1988 and 2018. These are unaudited, very selective, and describe a fund closed to outsiders. Another fund open to outside investors lost money in 2008–09 (reportedly −16% in 2008), when Medallion reportedly rose about 80%.

What a retail trader can take from it

Do not read this as proof that anyone can replicate it. The lesson is the method: test ideas properly and assume most fail (see the backtesting checklist), and remember that firms like this have resources, data and staff that a personal account does not (see algorithmic trading context).

> **The takeaway:** by public accounts, Simons turned early setbacks into a systematic, test-driven approach. The reported results are exceptional and not a benchmark for any individual trader. Educational content only, not financial advice.

THAT'S THE TRADING LEGENDS TRACK

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