

Nature vs. nurture has been as much a question in trading as it has been in child development. One of today's most successful traders is trying to train the youth of today to be the masters of finance tomorrow.

Mark Fisher: Teaching tomorrow's masters

BY DANIEL P. COLLINS

Mark B. Fisher was so intent on trading that he didn't wait to finish college. Fisher developed his ACD trading system as part of his research at the University of Pennsylvania's Wharton Business School while simultaneously putting those theories to the test in the silver pit on the trading floor of the Commodity Exchange (Comex). Fisher commuted between New York and Philadelphia as a full time trader and student.

The trading passion came early. At age 12, he persuaded a neighbor to give him a job as a runner on the Comex trading floor. His status as trading wunderkind continued, when as a silver trader, he was the youngest in the pit.

His success allowed him to start MBF Clearing Corp., which is now the largest clearing firm on the New York Mercantile Exchange. In his book, *The Logical Trader*, Fisher notes that MBF clears one out of every five crude oil futures contracts traded in the world and one out of every four natural gas futures contracts.

Along with his clearing firm, Fisher runs a summer internship program at Nymex where he teaches his ACD trading method. The internship not only teaches his methodology but serves as a farm system for MBF's proprietary trading shop. Many of the interns go on to become proprietary traders for MBF, or customers.

Fisher estimates that he has taught this methodology to more than 4,000 people, including 300 of the approximately 500 traders on the Nymex floor. Fisher says he had altruistic reasons to start the internship program — he wanted to help new traders because of the help he had received — but also selfish ones — he knew that if he could teach trading success, it would create loyal customers. In addition, by having his proprietary traders in turn teach his methods, Fisher says they are more likely to keep to the discipline those methods promote.

We spoke with Fisher about his trading philosophy, passion and educational endeavors.

Futures: What is the philosophy behind your ACD method?

Mark Fisher: Just that every good trader has some pattern recognition skills. This is the product of my pattern recognition skills. It is what I have developed over the years; this is what I have done since I was 18 years old.

FM: Has it stayed consistent?

MF: Every trading system evolves. Once you stop evolving a system [it is

Q&A

dead]. No system works forever. The point is good traders adapt to changing markets. Markets change. You have to change, but the basic underlying tenets are all the same.

FM: Why is teaching important to you?

MF: Because, one, someone gave me

an opportunity when I was young and this is my way of giving back. Two, I genuinely love to teach. When I was at Wharton, I was the youngest [teacher's assistant] in the school. I get a kick out of it. And, three, a lot of my interns have become customers. They have come to work for us. For lack of a better term it has become a farm team. It's to [discover] people who I think will be potentially good traders. My first summer intern is [now] the largest crude oil trader in the world [and now] my largest customer.



PHOTOS BY DAVID LUBARSKY

Monday morning shake up

The MBF Clearing Corp.'s Monday morning meeting is a mix of pep rally, bull session, planning session, trading seminar and group therapy. Mark Fisher will go over some general trading principals, set trading rules, go over expectations, encourage traders to participate in certain markets and then turn it very personal by directing comments, compliments, advice, gossip and insults to all the members of his team.

At 8:50 a.m. the proprietary traders of MBF Clearing along with their clerks assemble around the MBF trading desk on the 12th floor of the World Financial Center, home of the New York Mercantile Exchange. Some of the traders, who trade energy and metal contracts on Nymex and its Comex division, appear pensive, others bored; they have all been through it before.

Fisher starts out by reminding his traders that he wants them to spend time in the new electricity pit. "You are not there to trade. You are there to listen," Fisher says. He eyes the room and picks out individuals to advise, browbeat, teach and cajole.

"Why are you struggling?" he asks one trader. "Trade more. Trade smaller. Don't change a winner into a loser."

Addressing another, he tells him to, "Trade more — there is a bigger edge in the back months. Trade the spread.

"Evan?"

"Evan is not here," another trader chimed.

"Fine his ass. Take \$2,000 out of his account," Fisher orders.

One by one he goes around the room. Some he insults, some he offers encouragement and some he just checks on. "Check Sean. He can't trade today. Scott, Charles Paul everything all right? Yon, how big are you trading? One to 30 lots? Why don't you trade the back months. Spread."

It is a locker room environment. Not just in the language but in that everyone is part of the team. Fisher advises traders and then turns to their clerks to check if they are following that direction.

"Tom, everything all right? Where's Joe — you can't listen to his [BS]. When in doubt, get him out."

He seems to address everyone. There is a lesson in every bad trade and every good one. He asked one trader coming off of a good month what he did different to improve. "Don't think. Just react," Fisher answers his own question.

Most of his direction is short. "Double your size, but get out," he advises another. He encourages them to follow his ACD trading method. "The best systems are moron proof. Even Steve couldn't [mess] it up," Fisher says.

The scene doubtless has been repeated every week for years. Many of the traders have started out as summer interns then returned as clerks and eventually became traders. Fisher knows their strengths, weaknesses and tendencies because he has gone through it himself in 20 plus years of trading.

FM: You have had some interns here for several years. How long is the program and how does it work?

MF: It depends on how I and the committee feel about the [intern]. Sometimes it is one year. Sometimes it is three years, and sometimes it

turns out they never leave.

FM: If they succeed, you ask them to return the next year?

MF: Yes. Sometimes they will come in on school vacation. It all depends on the individual basis. Sometimes

we will find them a full-time position here.

FM: Do they all come back to work for you?

MF: Some trade on their own. They may come back as a clerk for my firm.

Lifelong lessons

Mark Fisher has been interested in teaching the lessons of successful trading ever since he developed his theories. Through his summer internship program and other endeavors Fisher estimates he has taught his ACD trading method to 4,000 people. Fisher, not content simply to teach successful trading, has turned his educational efforts to teach a group of teenagers lifelong financial lessons. He has created the Five Towns Investment club to teach a group of local teens a myriad of financial lessons.

Fisher controls his classroom like his clearing firm. While the scene may appear chaotic at times, there is no question who is in charge. Fisher's language is more akin to a locker room than a class room, which is somewhat appropriate — even given the age of his students, 14 and 15-year-olds — because he has coached many of these teenagers in soccer, basketball and baseball over the years.

Fisher has what seems unending reserves of energy and a fast New York-style speech delivery. He is an economics/trading version of Robin Williams who can touch on numerous investment concepts in a stream of consciousness manner that is more similar to the comedian's diatribes than an economics professor, or futures industry conference panelist, for that matter. His students, who are made up of mostly ninth graders, come from the Five Towns area high school in Long Island and include his own son.

The teenagers don't seem to have any problem with the pace or the sometimes outrageous asides from Fisher. The mentor will often insult and embarrass his students with inside information gleaned from years of coaching and months of teaching. The students often give as good as they get, though, in the open forum that allows for participation, but as soon as Fisher suspects the interaction gets out of hand he will quickly reinstate control with threats of expulsion from the class. The students appear to have the ability to know just how far they can go without stepping over that line.

The students all appear to have retained past lessons and can quickly respond to Fisher's questions. He can lift them up or put them down when he sees appropriate. He knows who the best students, are who the best athletes are, who has a crush on whom and who is running for student council president. He also knows who has been caught drinking or staying out late and will use that information to keep order.

Most impressive of all is what he has helped to create in these kids, that is a genuine interest in all things financial. The

students demonstrated that as Fisher walked them through calculating a price earnings ratio as adroitly as if they were conjugating verbs in a foreign language class.

The students also were able to explain the history of Mutual Savings Banks and why it was a good idea to open an account at one. In fact a previous assignment had the students opening a \$100 savings account (which Fisher reimbursed them for) at a particular bank. Fisher's students explained that Mutual Savings Banks often will convert to stock ownership and having an account at one allows the depositor to participate in an initial public offering (IPO). Because the book value of these banks are cash, the addition of IPO proceeds means investors will be buying shares for less than the book value, which is the reason IPOs on these banks are consistently profitable. The students followed three such banks that opened below \$10 and have rallied to an average price of \$17.80.

Fisher makes his living in trading futures but his lessons, while including technical and fundamental trading lessons, is an eclectic mix of business and finance materials presented to help his students in all aspects of their lives.

Reading materials include *Barron's*, a series of comic books published by the New York Fed explaining credit, savings, banking, foreign trade, money supply and the Federal reserve system, articles from *Atlantic Monthly* and material from DEBKA-net-weekly. From the latter, students read reports of weapons of mass destruction allegedly being hidden in Lebanon. They also learned that the DEBKA Web site is a unique source of information on terrorism and international conflicts that Fischer says has proven valuable to people involved in the markets.

Many of the materials have a dual purpose. While students learn important financial news in *Barron's*, Fisher requires they read the "Up & Down Wall Street" section because at least 25 words from that section will appear in a section of the SAT college admission test.

While some assignments are more fun, such as renting the movie *Trading Places* and discussing the importance of economic reports, they all serve the same purpose of providing valuable lessons that most assuredly are not part of their formal education. By the time these ninth graders reach their junior year, Fisher plans on allowing them to manage a \$1 million portfolio for the remainder of the program. By the time they reach college, many of these students may have a better understanding of finance than their professors.

They may come back as a clerk for one of my proprietary traders and then become a proprietary trader [themselves]. They may come back as a customer. There are a myriad of possibilities. They may be working for Goldman or for Morgan or whatever.

FM: You not only teach your trading methods but have your traders teach your summer interns as well. What is the benefit of this?

MF: It is very hard for somebody to teach at 7:30-8:00 in the morning then go down to the pit and completely do the opposite of what he said two hours ago. It is kind of interesting, but you watch the discipline level of the people who teach on the days they teach is much higher than the discipline level on the days that they don't teach.

FM: Does that work for you as well?

MF: Everybody. I don't care who you are. If you go out and talk to a group of people, you are not going to go ahead and completely go against what you just said. You look ridiculous.

A lot of times what stops people from doing what they know they shouldn't do is not the money aspect of it but the ego aspect of it. The people who teach for me are the ones who have the hardest discipline problems themselves. They are the ones who need it the most. It is a two-way street; the interns learn and it helps the teacher as well. Sometimes I wonder who learns more.

FM: Are you preparing your students to trade in an open outcry or electronic environment or both?

MF: Both. For the Five Towns kids (see "Lifelong lessons," left), we are just starting from ground zero. [The key is we show them] what 98% of America doesn't know about. Nobody teaches you how to make money.

FM: If there is one thing your stu-

dents retain, what should it be?

MF: Discipline.

FM: You have noted that often the most successful of your interns aren't the ones with the most impressive educational background. Why is that?

MF: Because the number one quali-

cation for me is not a high degree of education but a high degree of discipline. To be disciplined, you have to be good at decision making. Decision making is made of four steps. Collecting information, analyzing, deciding and implementing. The faster you can do those four steps the more efficient you are, the better trader you will be. **FM**

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