

Document Links:[Start of Document](#)[ADVANCED-DATE:](#)[SECTION:](#)[LENGTH:](#)[HEADLINE:](#)[BYLINE:](#)[DATELINE:](#)[BODY:](#)

Copyright 1983 U.P.I.

United Press International

July 8, 1983, Friday, BC cycle

ADVANCED-DATE: June 28, 1983, Tuesday, BC cycle

SECTION: Domestic News

LENGTH: 1143 words

HEADLINE: Business Profile: **Richard Dennis;**
Commodities dealer distrusts intuition

BYLINE: By GAIL COLLINS, UPI Business Writer

DATELINE: NEW YORK

BODY:

Richard Dennis had been trading **commodity** futures five years before he ever knew what a soybean looked like. He has yet to confront a pork belly that wasn't still attached to a hog.

Dennis, at 34 the owner of a successful Chicago **commodities** trading firm, has a system that eschews any contact with the **commodities** themselves.

"If it's raining on those soybeans, all that means to me is I should bring an umbrella," he said.

As a teenager, Dennis worked as a runner at the Chicago Mercantile Exchange and was enchanted by the clamorous world of **commodities** trading. After college, he borrowed \$1,600 from his parents and bought a seat on the Midwest **Commodity** Exchange.

"When I started they still had spittoons," he recalled. "The newcomers just staggered in and watched everyone else. Now they're a little more civilized. They have classes."

Even without instruction, Dennis moved fast. In 1975, he founded C & D **Commodities**, a clearing member of all major **commodity** exchanges which he estimates is the second largest independent trading concern in the United States. Last year, he formed **Richard Dennis & Co.** to trade **commodities** for other accounts.

Despite the support he received from his parents in starting his career, Dennis said his father "hated" the market. "My grandfather had lost all his money in the stock market in the Depression," he explained. "The urge to speculate kind of skipped a generation."

Commodities trading was, and still remains to a great extent a seat-of-the-pants occupation in which intuition is the most touted guiding force. But Dennis "learned very early my intuitions weren't very good. The kind of things people said you should know weren't very helpful even when I did know them."

Instead of trusting to instinct, Dennis developed a computerized, highly theoretical approach to his profession.

"It's a basic scientific method," he said drily. "It's easy to the extent you aren't human, that fear, greed don't enter in."

Dennis said he tested all the "old saws" that made up the conventional wisdom of the **commodities** market. "If it turns out to be true, it goes into the computer.

"How soon should you cut your losses? Do you always let your profit run? We crunch out, through the previous price history, what those concepts might mean, and what applications might make sense."

The final key, however, is to trust the system's recommendations over human instincts, Dennis said. "You have to have the confidence to follow through. Half of making it work is persistence and faith. And even with all the faith in the world, it's just hard not to let feelings intervene."

If price history is the basis of Dennis' system, day-to-day reports on crop news is banished as irrelevant.

As an example of his theory, Dennis proposed, "Let's say overnight something nasty happened to all the soybeans."

When individual farmers come out in the morning to look at their crops, they notice the soybeans look under the weather, and decide not to harvest immediately, he continued. Fewer soybeans will come on the market the next day, and long before the observations of individual farmers are translated into agricultural news, the price of soybeans will have risen on the market.

"Our working assumption is that soybean prices will reflect soybean news quicker than people get the news. So to look at the news is a wrong thing," he said.

Dennis is enthusiastic about the brave new world of stock market futures. "I'm sure we trade more Standard & Poor's futures than anybody," he said.

At present, he said, most investors are using stock market futures as a hedge, balancing off, for instance, a series of investments that are predicated on the market continuing to rise with a futures position that presumes it will drop.

But within a few years, Dennis predicted, "I think it's going to surpass the stock market itself. That'll be an interesting point -- the tail will be wagging the dog."

For major institutional investors, Dennis said, the stock market futures have the lure of liquidity.

A mutual fund manager handling a \$200 million list of stock investments, he said, "could get rid of that position 3-4 times faster in the futures market." ---

Putting your money into stock market futures rather than individual stocks does, in a sense, come down to betting on the economy, Dennis said. "But people do that anyway. To a reasonably large number of people, individual stocks are kind of irrelevant vehicles."

The lure of futures over stocks, Dennis said, is that "the expectation is greater. A person can start with a little and get a whole lot -- that's harder to do in stocks.

"But the more typical case is to start with a little and end up with nothing," he said. "That's harder to do with stocks too."

Aided by his partners, Dennis now works only about 30 hours a week, leaving him free to pursue other avocations such as travel and politics. He seldom ventures onto the floor of the **commodities** market now, working instead with his computers and price lists in an office.

"When you're on the floor you can only trade as many **commodities** as you can run between -- just one or two," he said. But he misses the interaction of the "pit."

"Down there the cues are primary," he said. "You're looking at people trading. You have all the information in front of you." ---

When Dennis decided on a college major at De Paul University, he ignored the business department and opted to study

philosophy. "I don't believe there's much academic analysis that will help you be a trader," he said. "What I was interested in in terms of academic subjects was philosophy."

His interest, however, was not enough to keep him at Tulane University, where he won a fellowship to continue his studies after graduation. Two weeks after he departed, he was back in Chicago, getting ready to buy his seat on the Midwest Exchange.

The "consistent thing" about his career, Dennis said, may be his ongoing interest in "ideas, systems."

Increasingly involved in politics, Dennis is a backer of Walter Mondale's campaign for the presidency and was the largest contributor to the gubernatorial campaign of Adlai Stevenson in Illinois.

But he is less excited about individual candidates than the ideas they must grapple with. "You can't put all your eggs in a person-basket," he said. ---

In 1982, Dennis founded and funded the Roosevelt Center for American Policy Studies, with offices in Chicago and Washington.

The Center's mission, Dennis said, is to "open the windows," bringing "fresh air" into the arena of political debate.

"Washington is intellectually a closed loop," he said. "I'd like to get a little train going into the loop from the hinterlands. There've got to be better ideas than the ones they're coming up with in Washington."

[Copyright](#) © 2006 LexisNexis, a division of Reed Elsevier Inc. All rights reserved.
Your use of this service is governed by [Terms & Conditions](#). Please review them.