

PRINCE OF THE PIT

By Douglas Bauer

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PRINCE OF THE PIT

Richard Dennis knows how to keep his head at the center of a shouting mob. That skill, and a shrewd understanding of the commodities market, has made him a multimillionarie at 26.

By Douglas Bauer

Last night's wine and a brief sleep have left Richard Dennis properly groggy for Monday's trading. At a Sunday evening dinner party, he helped a friend celebrate his candidacy for the Illinois State Senate; consequently, he rose with heavy eyes and reluctant spirit, and that is a mood he's not afraid to bring to work. He'd prefer a lingering cold or a mild depression, but this small hang-over slows him sufficiently as he walks onto the floor of the Chicago Board of Trade at 9 o'clock. Other traders mill about, studying computer print-outs that report their previous day's buying and selling. Dennis has a printout, too, and it shows very large numbers, for he is one of the biggest futures traders on the floor.

He is 26 and has been speculating in commodities for 6 years. He has thinning, frizzy hair that falls like a beagle's ears around his face. He wears thick glasses framed in gold wire. His body has begun its slide downward, and his stomach hangs slightly over his belt.

Not many of his colleagues would share Dennis's belief that it's advantageous to enter the vast trading room "half dead." Not that he normally does. He drinks rarely, in fact, and except for seasonally swelling tonsils, endures only the normal viruses. But he reasons that the other traders, with the adrenalin of the opening bell, will make giddy trades while he remains calm with the sediment of a hangover. Dennis applies a highly personal ideology to commodities trading. He looks for "divergences" between the prevailing opinions and the future's market's mocking flight from those opinions. Men are very often more stubborn than the market, and they hold to their predictions long after price movement has told them to think again. When Dennis sees that space—that divergence—he gets interested.

So far, it's worked. When he was 20 years old, he borrowed \$1,600 from his father to pay for a seat on another Chicago exchange, the Mid-American. I asked him, for the purposes of this article, if I could accurately say that he was now worth several million dollars.

Douglas Bauer is currently at work on a book about Prairie City, Iowa, his home town. Its economy is based on corn and beans.

"Does that mean more than two?" he asked.

"Yes," I said.

"Yes," he said.

One might believe that commodities trading affects farmers exclusively, since they supply the barter of the business: Chickens in ice, the bellies of hogs, cattle, corn, agricultural byproducts—bean meal, bean oil. But today, agriculture is also agribusiness. What influences the price per bushel influences banking, influences insurance, influences multinationals: The ripples spread to the very edge of the business pond.

In recent years, furthermore, with record harvests spilling beyond our own shores, a good share of the world has become involved with the value of farm products: Volumes have grown to enormous levels, and commodities trading, with larger fortunes to make and lose, has acquired an unforeseen pace. Also, the markets themselves are no longer specifically rural. Plywood is now a commodity, as are gold and silver, and the Board of Trade, late last year, introduced futures trading in Government-backed home mortgages, so that people so inclined can seek profit in the movement of interest rates.

The Chicago Board of Trade, the largest and oldest commodity exchange in the world, was formed in 1848 by 82 local businessmen. It was born at a time when Chicago's central grain markets received abundant Midwest harvests from farmers who brought, at the end of autumn, far too many bushels for the city's silos to hold, for boats to ship out before Lake Michigan froze. But the farmers had no choice, for there was no other time to sell their crops, and no other city more convenient. Sloping bluffs of grain rotted in the weather. Grain was poured onto barges and dumped into the lake. Farmers were often fortunate if they could sell their crops for enough money to finance another futile harvest the following year. The misfortune was reversed in other seasons—early spring and through the summer—when millers required grain to stay in business and paid almost any price for wheat that was now critically scarce.

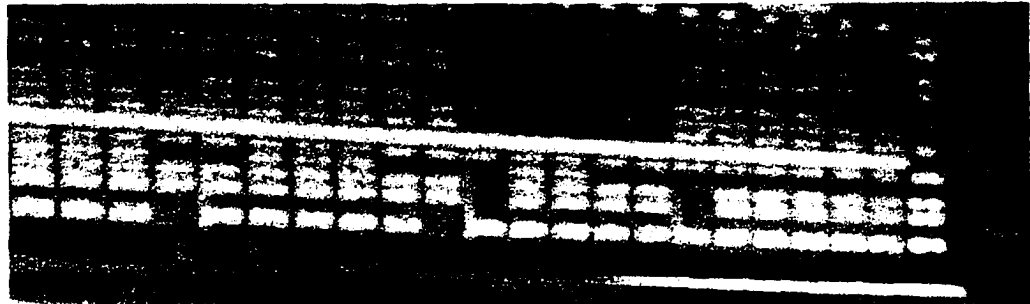
The Board of Trade smoothed the disastrous peaks and valleys of price and production by allowing farmers to "deliver grain forward," aligning supply and demand. Crops were harvested, sold for a fair price and stored at home under terms of a contract. When the miller needed his wheat,

say, in late March, the farmer delivered the crop to Chicago.

Sometime in the 1860's, apparently, people began to see teasing possibilities for profit in the concept of forward contracts. From the creation of this paper—backed by the real worth of grain—evolved the futures contract, which began to be traded without a passing thought of physically taking possession of the crop. For instance, a trader might buy, in the month of November, an April futures contract for 5,000 bushels of wheat at the price of \$4.25 per bushel. (In the case of grains, one contract represents a standardized quantity of 5,000 bushels.) He then has four calendar months—December to April—before his wheat will be delivered to him. But the trader is more interested in making a profit than in owning grain. Along with his wheat, he has purchased four months of time during which the price of wheat might rise to, perhaps, \$4.35 per bushel. If he can sell his contract before April at that higher price, he's made a dime on each bushel. He's made \$500.

The futures market has developed into an independent arena distinct from the cash market, where real grain is purchased by people who intend to use it. But today both markets flourish at the Board of Trade. At the cash grain tables that run beneath the five-story windows on the fourth floor of the Board, cash brokers are on the phone, mediators of farm commerce, finding exporters and millers and large grain processors—people who actually want the harvested crop immediately. Cash brokers receive a commission for successfully matching buyers and sellers.

Some commodities traders participate in both the cash and the futures markets. A common example might be the owner of a grain elevator who takes in an enormous inventory of wheat at harvest time and wants to protect himself against a decline in the price of wheat. For every 10,000 bushels he buys from farmers, he will sell a futures contract for 10,000 bushels. If the price of wheat declines, he will take a loss when he goes to sell his wheat to an exporter or miller. But he can recoup by buying a futures contract at the lower price in order to satisfy the obligation he had incurred when he sold a futures contract at the previous higher price. So long as prices in the cash and futures markets rise and fall in tandem, he can protect his investment in real grain. But



Amid active trading, Dennis (wire-rimmed glasses, dark shirt, center) waits quietly for his "edge."

many futures traders, including Richard Dennis, are exclusively interested in paper, and dread the idea of actually owning grain.

Any member who trades futures contracts on the Board must either be a clearing firm, or pay a commission to one, because they stand, agglomeratively, as a sort of insurance bank behind every trade, guaranteeing that the buyer has sufficient funds in his account to pay for the contract he's purchased. They also make it possible for futures traders to engage in swift paper transactions without having to handle actual grain. The Chicago Board of Trade Clearing Corporation, supported by the individual clearing firms, sorts through the floor's paper work daily after trading hours. Every trader has a number. In the trading pits, he scratches on a hand held card each of his trades—its size, the price, the number of the man he has dealt with. At the end of the day, key punchers give his bookkeeping to computers that run meticulously through the thousands of trades, matching buys to sells, like pairs of socks, until the day is balanced.

This massive centralized accounting procedure makes it easy for futures traders to "offset" their trades, insuring that they will not actually have to make or receive deliveries of grain. If, for example, the man who in November purchases the April futures contract for 5,000 bushels of wheat holds it until April, he can offer it for sale to avoid taking delivery, right up to the delivery date, even though it will be worthless after that day. It will be purchased by a trader who has sold a 5,000-bushel April wheat contract and needs to cover that obligation. The entire transaction will occur as an electronic event at the heart of a computer; the trades will cancel each other out, and, though one trader might profit and one might lose, no grain will actually change hands.

Fifteen minutes before Monday's 9:30 opening bell, Richard Dennis stands near the steps of the bean pit studying his printout. For the last year or so, he has been attempting to withdraw gradually from his daily addiction to trading. He seeks a wider and less rigorous life, and he now schedules six to seven weeks of full and aggressive pit work, followed by two or three weeks of slow, melismatic retreat during (Continued on Page 72)



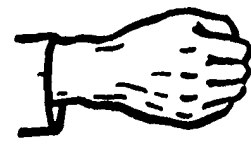
¼-CENT



½-CENT



¾-CENT



FULL CENT

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Prince of the pit

Continued from Page 31

which he trades from home on the telephone. Then he leaves town, leaves the country, usually, for two or three weeks.

Other traders are marking papers with pencils and asking each other what clues to the market's performance were contained in the morning news. The room feels like the grandstand of a race track as horses move to the gate.

Dennis raises his eyes to the giant electronic boards that cover the east and west ends of the room so that all the traders can see the price of every commodity from any point on the floor. All the markets are shown, broken down by futures month. One can learn from the scoreboard the opening price of a commodity, the current quoted price, the price before that and before that—three quotes back from the moment. One can learn yesterday's closing price and last year's price.

It might appear that futures months are haphazardly arranged across the calendar, but there is an authentic marketing logic to them, based on the cash market. There are late-autumn and early-winter futures months—November, December—because that is the time when newly harvested crops are first able to be delivered to markets. There are early-spring months—March, April—because by then the Great Lakes have begun to thaw and deliveries can be shipped. May is a futures month, because the last of the previous autumn's crop has normally been cleaned up and delivered by that time.

Dennis searches the figures on the huge boards. Beneath the boards, on a catwalk high above the floor, men and women wait with chalk in their hands for the market to open. Once it does, exchange workers monitoring each pit relay prices up to them, and

they manually duplicate the prices on the electronic board in case it breaks down. During trading hours, they constantly chalk figures, then wipe them away with large erasers as the prices change, repeating the process for four hours until the market closes and the prices rest.

Digital clocks above the floor count in seconds. Traders begin to come together in the bean pit, and in the others. Each pit is an octagon, built up from the floor and then descending again in short steps—like an eight-sided arrangement of bleachers—to its lowest spot, in the middle. Traders will tell you that each commodity—and therefore each pit where it is traded—has its own personality, its own nationality. Corn is slow and predictable, rising and falling with reassuring sanity, the least mystery. Traders say that the corn market is like a dependable brown-bagger, coming to work every day, on time, doing a job free of temperamental extremes. A Swede, perhaps. The bean market suffers the exchange's most mercurial outbursts, neurotic flights and dips. The bean market is Mediterranean: Italian, or Greek. Wheat is schizophrenic, capable of miming corn or beans, one day tracing safe historic movements up and down, the next day throwing an elusive fit. Wheat is American.

Dennis appears exclusively in the bean pit when he's on the floor. If he works at home, phoning his orders, he'll also trade corn, wheat and silver. But only beans in person. He is restricted by his reputation as one of the largest speculators at the Board. If he were to step suddenly into a pit that had not grown used to seeing him, traders would pause with bids in their throats and wait for him to move. There are perhaps a dozen members



The trader at home with his father. "He drives an old, inexpensive car . . . he dresses in cheap knits; his money tends to pile up, unused."

of the Board who must take care not to chill a pit.

Dennis has come to the trading floor today owning tremendous numbers of futures contracts, including beans. Part of his strategy for trading involves the performance of one commodity relative to the others. "If beans are up 2 cents and wheat is up 4, that suggests that there are factors weakening beans. But I don't pretend to know what those factors might be, and I don't care. I've never traded fundamentally, where you look for the natural or economic factors—droughts, a sale to a foreign country, things like that—that could conceivably affect supply and demand. I don't think anyone knows all the factors that affect the market—no one except the market itself, that is. All those price moves that seem to make no sense at all are actually the ones that make the most sense, because only the market is smart enough to know everything."

The bean traders move to their spots in the pit, looking like a male chorus assembling on raised steps. Each side of the octagon represents a futures month. If you wish to trade January beans, there are specific steps of the pit upon which to stand. If you wish to trade March, there are others. The very bottom of the pit is a futures month, too.

Today is the 17th of November and tomorrow the contract for November beans, no longer a future, will disappear from the electronic board. If a trader has come to the floor today owning November beans contracts he must sell them in the next four hours if he does not wish to own beans tomorrow. There's a mythological scenario at the Board that has a forgetful trader waking in his bedroom to the sound of grain pouring, like a golden landslide, from the back of a truck onto his lawn. Traders chuckle about this, but few of them live so precariously, and almost all November contracts have already been settled long before today. Even if a trader were to find himself in possession of an unwanted commodity, he would merely be served with a warehouse receipt.

Since November has for all practical purposes been retired, the next futures month, January, draws the most attention, and that section of the pit is quickly dense with traders. The population thins in months distant on the

alendar — July, September. Just a few men are perched on these steps, in the suburbs of trading.

It is 9:28:39 A.M.

Traders who like to hurry from pit to pit, wheat to corn to beans, stand along the top rows, on the high outside rim, so that they can jump down to the floor easily. On the other hand, futures brokers, usually trading other people's money, clear permanent territory in one pit. It is imperative that a broker claim the same spot in the pit every day so that the runners will know where to find him and hand him the customer's order, stamped to the nearest 10 seconds with the time it was received over the phone. Brokers call their work "handling paper" and the more paper they are able to keep in their heads, the more money they make. It can be considerable. A broker receives about \$40 on every grain contract he buys or sells. He makes money in both directions, rapid in a busy market. Sell 10,000 bushels — two contracts — and make \$80. Thirty seconds pass. Buy 25,000; that's \$200. Tick, tick. The good broker carries in his breast pocket a stack of paper thick as a catalogue.

Richard Dennis stands near the bottom of the pit, between January and March, in the thickest part of the crowd. Some of the contracts he owns were purchased at \$4.83 per bushel, some days ago.

"Hurry up!" yells one trader to another, late for work, "or you'll miss the opening." There are a few remaining holes in the crowd.

"I'll sell you my spot for \$200," jokes another trader.

"It's worth more than that to keep you here."

BONG!

While all about him men are screaming their bids desperately at one another, waving their hands as if the last bus to freedom were passing them by, Dennis turns wordlessly in full circles, absorbing the pit, waiting for a trading pattern to clarify itself.

"Fifteen for a quarter! Fifteen for a quarter!" says a trader. In the urgent code of the exchange, a trader is offering to any buyer in the pit 15,000 bushels of beans—three contracts—at \$4.82½ per bushel. He pushes his hand, palm outward, away from his chest, meaning: Take this grain from me. Were his palm turned inward, he'd be buying: Bring this grain to me. "Twenty at two!" From nearby, another trader wants

to buy 20,000 bushels, at a lower price, \$4.82 per bushel.

"Ten at two! Ten at two!" Another buyer, asking the same price, for a smaller quantity.

Hundreds of prices are shouted, piling on top of each other, and the trader must listen to these competing cries and sort through them for the price he wants. Traders extend fingers in combinations to indicate price bids in quarter-cent increments. Men are jumping up and down with the buoyancy of their convictions. Complexions deepen. Men shout, face to face, inches apart. A contagious flu has been known to sweep a pit in a few days.

Bean prices are rising during the opening minutes of trading.

"Fifty at five! Sell 50 at five!" shouts Dennis.

"Sold!" says a trader, pouncing on the price. Dennis has sold 50,000 bushels of January beans at \$4.85 per bushel, the beans he had bought at \$4.83. He clears 2 cents on each bushel—\$1,000.

He believes that talented trading includes an understanding of mob psychology. ("That's what the pit is, a mob, and the tendency is to go wherever the mob takes you. You have to separate yourself from it in this business. How many people will hold onto their opinion when hundreds of people around them are yelling and saying something different?")

"Sell 70 at a half!" he screams.

"Sold!"

More of his \$4.83 bean contracts have found a buyer, at \$4.85½ ("a half"), and this trade, 70,000 bushels profiting 2½ cents per bushel, gives him \$1,750.

The Board prides itself on the clean efficiency of its computers, and it should. Yet there remains an essential piece of antiquated beauty in the work of brokers who, after filling customer orders, after handling their paper in the geometric lunacy of the pit, will scribble the necessary symbols on the slips and toss them over their shoulders to the floor. Order slips drift down like pastel leaves to settle on the steps and outside the pit. Each brokerage house has a color. Yellow slips. Light green. Pink. White. Blue. Soon after the opening, the floor of the exchange is completely littered. Runners bend down and rummage for their house color. No slips lie in a pile for long, for runners pluck expertly from the litter. Fre-

quently, a trader complicates the runner's work by losing his temper, tearing up old slips and sending them like New Year's Eve confetti into the air.

Like nearly all his trades, Dennis has accomplished today's sales "at the edge," a term that is both poetic and firmly fixed in the lexicon of the successful futures trader. Simply, "getting the edge" means anticipating the spasms of the market in order to be the first to profit from them. If, for instance, Dennis wants to sell January bean futures, he reads the prevailing wisdom of the pit, listens for the price that's being successfully traded at the moment, and learns that January beans are selling briskly at, say, \$4.75 per bushel. He may hear dozens of sales, matching like clicking magnets: "Sell 10 at five." "Sold." "15 at five." "Sold." "40 at five." "Sold." He waits for the proper moment, an impulse that is, finally, viscerally inspired, and shouts the price he believes the pit will now willingly agree to: "Sell 100 at one-half!" "Sold!"

He has pushed the price a half-cent per bushel, a space that, for his 100,000-bushel sale, means an additional \$500 profit. Now, other traders are also offering sales at \$4.75½, and the pit has accepted the jump. But Dennis, in this hypothetical scenario, was the first to profit from the movement and while hundreds of traders are beginning to pass it around, he is already looking for signs of the next price.

The more often one gets the edge, the wider one's margin of profit. Large speculators such as Dennis operate like grocery chains, needing stupendous trading volumes to multiply their small mark-ups. Those with skill and some vision typically average a net profit of ¼ cent per bushel. If they trade, for instance, 100 million bushels annually—20,000 futures contracts—and average ¼ cent profit, their net income from commodities would be \$250,000. One hundred million bushels at ¼ cent per bushel. In a good season, Dennis's margin is ½ a cent—twice as good as that of a normally gifted trader.

At six minutes before 10, Dennis leaves the bean pit, having made only two trades for a total profit of \$2,750.

"It was really a dullard opening," he says. "Only a 6-cent spread from high to low." At lunch, Dennis studies the menu for a long

time. He can't seem to decide whether to buy a November hamburger or hot pastrami. Finally, he decides on a hamburger, french fries and, belatedly, iced tea. He does not get the edge on lunch.

"You can't have a standard attitude about money and do well in this business," he says. "What do I mean by that? Well, my father, for instance, worked for the city of Chicago for 30 years, and he once had a job shoveling coal. He was assistant city engineer or something, but he still had to shovel coal. So, just imagine coming from his frame of reference, and thinking about losing \$50 in a few seconds trading commodities. To him, that means another eight hours shoveling coal. That's a standard attitude about money."

I ask him to describe the personality of a successful trader.

"He should understand that people have a tendency to self-destruct, and that's probably the single most pressing problem in trading; not to destroy yourself. I think it's far more important to know what Freud thinks about death wishes than what Milton Friedman thinks about deficit spending.

"I think, too, that you have to have mentally gone through the process of failure. For me, that happened when I was trading on the Mid-American just a few months after I'd started. I had a day during which I made every mistake known to modern man. I took too big risks. I panicked and sold at the bottom of every break. I chased the market—I had a loss and immediately made another trade just hoping to get even. I had built my net worth up to about \$4,000 coming into that day and I lost about \$1,000 in two hours. It took me about three days to work through that experience emotionally, and I think it was the best thing that ever happened to me.

"In trading, it's the discipline that wears you down. I'm not big on discipline, per se, but what's so interesting about the market is that you have to discipline yourself to create an idea and then put it into action, even though it's contrary to human nature. It's human nature to over-trade—trade too big, be greedy. To combat all those incongruities requires an enormous concentration." He has not yet achieved the psychic distance from the market he's working toward. After staying home Tuesday (and buy-

ing some silver by phone), he goes to the floor on Wednesday and buys 300,000 bushels of beans with an unthinking ease that alarms him. He had come to work with no strong acquisitive theories but moments after the opening he somehow owns beans. He remains in the pit, finding the market slow but with enough flirtatious movement to keep him. He buys some of his beans at a price that will prove the day's low.

There are scalpers and spreaders in the pit, not such dangerous characters as the words imply. Scalping is the internship of commodities trading. A scalper moves in and out of the market every few seconds, buying light quantities that he can carry nimbly and quickly unload. He buys a single contract—5,000 bushels — of January beans at \$4.60 per bushel. Moments later, the market jumps to \$4.60 $\frac{1}{4}$. He sells his contract to another trader, profiting \$12.50 (5,000 bushels at $\frac{1}{4}$ cent). A scalper makes a trade every 20 or 30 seconds, buying beans, selling them, relying on the market's constant ticks, up and down, for thin profits. Because they do business so frequently, scalpers shout continuously and jerk about epileptically in the pit. Their noisy animation holds a layman's attention, but scalpers deal in irrelevant quantities and have little effect on a market.

Spreaders work two futures months simultaneously, buying one, selling another, hoping that the promise of larger profits will merit the energy and fierce involvement required to follow the leaping, dipping performance of two prices. Because a spreader takes opposite positions in the market — long in one month, short in another — he can lessen the risk of loss, covering the market movement up or down. For example, if a spreader, on June 1st, buys a contract of July beans, he will also sell a contract of, perhaps, November. Futures months prices rise and fall in concert, so if July beans rise, November beans usually will, too.

A month after the trader's first purchase and sale, he must sell his July contract—in order to escape actually owning beans, taking delivery. If he bought his July contract at \$4.50 per bushel, and its value rose to \$4.75 during the weeks he held it, the spreader profits 25 cents per bushel, \$1,250 on the 5,000-bushel contract. At the same time, he acts on his other

position, the November beans, by buying a contract. November, like July, has risen during the month, from \$4.40 to \$4.50 and because the spreader buys back at a price above his original sale, he loses 10 cents on each bushel—\$500. Altogether, he has gained on July, lost on November and netted \$750.

Why bother with November at all? It only sabotaged his profit. If, during our mythical June, the market had fallen, July beans might have dropped from their first price, \$4.50 per bushel, to \$4.20. November beans might also drop, from \$4.40 to \$4.00. A spreader with talent, having read this market properly, would profit from that behavior too: He would lose \$1,500 on his July beans, but would gain \$2,000 on his November beans for a net profit of \$500.

Spreading hedges the bet, giving you hope in either direction, providing all the futures-month prices move up and down together. And to the extent one can assume anything in commodities trading, one can assume they will.

Spreading seems to guarantee a profit, but in reality it does not, for the pattern of the market moves elusively, constantly, and to focus it requires enormous gifts of perception, gambling sense, instantaneous organization — all operating from the perilous pressing center of an excited mob.

Dennis times his trades, speaking just ahead of the chorus, and stays in the pit through Wednesday's rising, cacophonous finish. For the day, he buys 725,000 bushels of January beans, at the edge. Because they cover sales of beans he had made at a higher price, he nets \$35,000.

"Nice trades, Rich," says a broker.

The closing flurry was fun after the listless markets of recent weeks. Traders take off their jackets, wet at the armpits, and shake them in the air.

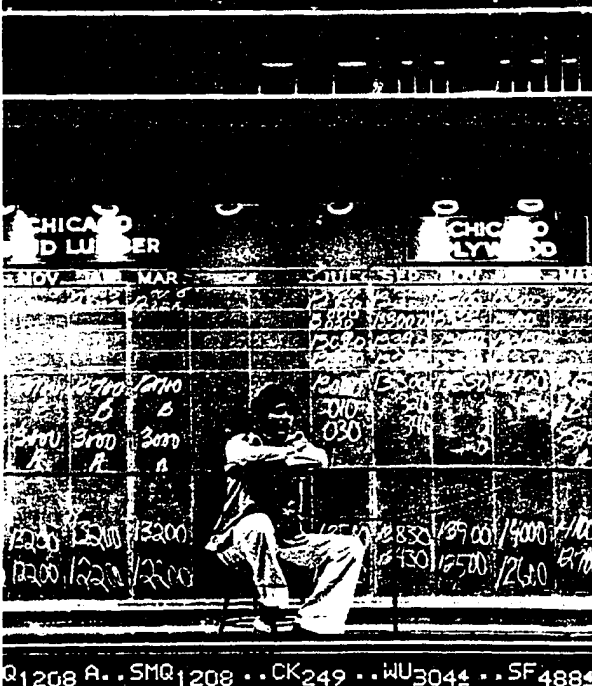
"Gee, that was like the good old days."

For the past five years or so, the volume of trading in futures markets has risen dramatically. At the same time, food costs have, too, and the critics of commodities trading have strongly suggested that market speculators, with privileged information from the Department of Agriculture, have whipped up prices, bringing along the cost of bread. The charges grew clamorous a few years ago, when the price of soybeans went off the scale. In answer, the

SOYBEANS

| JUL | AUG | SEP | NOV | JAN | MAR | MAY |
|------|------|------|------|------|------|------|
| 4940 | 4840 | 4740 | 4760 | 4810 | 4910 | 4980 |
| 4910 | 4830 | 4750 | 4780 | 4820 | | |
| 4980 | 4884 | 4834 | 4830 | 4890 | 4970 | 5040 |
| 4900 | 4820 | 4740 | 4760 | 4810 | 4910 | 4980 |
| 970 | 874 | 824 | 824 | 884 | 954 | 03 |
| 80 | 80 | 30 | 20 | 90 | 60 | |
| 74 | 84 | 34 | 30 | 84 | 64 | |

| JUL | AUG | SEP | NOV | JAN | MAR | MAY |
|-----|------|------|------|------|------|------|
| 910 | 4824 | 4784 | 4780 | 4840 | 4940 | 5040 |
| 30 | 20 | 80 | 90 | | 50 | |
| 120 | 022 | 982 | 984 | 1040 | 1144 | 1240 |
| 720 | 622 | 582 | 584 | 640 | 1744 | 1840 |
| 404 | 5426 | 5384 | 5310 | 5360 | 5410 | 5440 |



Keeping score: Electronic boards post rapid price changes; so do men with chalk, in case the electronic system fails.

Board of Trade published a book, entitled "The Soybean Phenomenon." On its cover was a photograph of soybeans in prodigious mounds, like sweeping desert dunes. Inside the book, economists pointed out the many and interwoven factors that caused the price of beans to rise dizzily, past \$12 per bushel. Strong among the causes was the failed anchovy crop off the coast of Peru. The world uses anchovies for meal, much as it uses soybeans, and when the Peruvian fishermen finished a season with empty nets, beans were suddenly more valuable; the Iowa farmer — who sees one of every four bushels of his grain exported — found his silos heaping with unprecedented worth.

The Board also pointed out that, during that spectacular price climb, the cash market — the people who buy and sell real grain — always moved upward before the futures market. Therefore, they said, futures traders did not bloat food costs.

Critics persist, offering as evidence some effective market-cornering of wheat futures at the turn of the century. Guilty, says the Board, but there are now limits on the number of futures contracts one can buy, and there are simply too many voices, offering too many disagreeing opinions on a price, in the futures market. And the Board is encouraging more voices, believing that the distinguish-

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ing characteristics of a successful futures market include high liquidity.

The Commodities Futures Trading Corporation has been organized to watch the exchange. Rumors of graft, of dealings made outside the vocal bylaws of the pits, brought the Government into commodities, replacing the old self-regulating body with the C.F.T.C. What the Securities and Exchange Commission is to stocks, the C.F.T.C. promises to be to commodities. In addition, the Board employs 40 plainclothesmen as agents of the exchange. They roam the floor with note pads, standing at the rims of the pits, policing the greed. They look for a small knot of traders in isolated conversation. All trades must be openly offered to anyone in the pit, and traders cannot get together in a corner to conduct business in secret. Competition, mean, Darwinian competition, must be maintained.

"Those last 300,000 were not conservative trades," Dennis says, walking north on LaSalle Street to the bank after Wednesday's trading. "I just took what was offered." His trading technique is neither scalping nor spreading, but his own. He watches a market, awaiting the conviction that he can predict it. Then he takes a position and holds it for as long as it moves as he's foreseen.

We ride escalators, prestigiously bordered in polished brass, to the second floor of the bank where Dennis prepares to deposit a check for \$325,000; it represents his profits for approximately the last two and a half weeks of trading. A check for the amount a trader makes in a day is waiting in his clearing firm account the following morning. His losses require the same punctuality.

"This might be a problem," he says. "I always get hassled when I try to deposit checks this size. I never sign my name the same way. Sometimes I print it, sometimes I add 'junior,' sometimes I write it. I can never remember how I did it the last time. I guess I'm indecisive."

Dennis lives with his parents on the South Side of the city and he drives an old, inexpensive car to work. He dresses in clothes of cheap knit. His money tends to pile up, unused. While his worth has grown, he has maintained the conventional commerce of the middle classes, having little interest in the hidden nooks

and receptacles that could spread his wealth and ease his taxes. He retains no business agent, no lawyer, no accountant.

He slides his check, endorsement up, beneath the teller's partition. The cashier takes it, reads it, reads it again, flutters faintly.

"I'll be right back," she says.

"See," Dennis says. "Fellini should film this place. All he'd have to do is darken the lights, puff up the people about 30 pounds and he'd have a circus right here."

The cashier returns, holding his check as if it were leprous.

"Mr. Dennis, you're going to give me heart failure. The signature on this check doesn't look anything like your signature card on file."

Dennis smiles and nods.

"You see, Mr. Dennis, I don't know you. Do you know anyone here?"

"I know John Goodrich, the vice president of the bank."

"Well, I'll just have to call him." She dials.

"He's never in," says Dennis.

"He's not in," she says, replacing the receiver. "You see, I don't know you."

Negotiations follow. Dennis selects from his repertoire another signature, and it matches nicely the card on file. The cashier shows him the card, begs him to duplicate it in the future. Dennis now wishes \$2,000 in cash from his deposit. The teller's tray cannot provide it. She leaves the window once more, mumbling, seeming to sway slightly as she walks away.

"Did you have difficulty adjusting to your money?" I ask.

"Well, you get taken along in steps," he says. "Going from \$100 a day to \$1,000 is just as big a shock as going from \$10,000 to \$100,000."

Recently, Dennis lost in one day what he had needed his first three years of trading to acquire—nearly \$250,000. Some time ago, he placed a net under the trapeze. He calls it his 10 percent rule. If he loses that portion of his wealth, he walks away immediately from the market, knowing that there are undetected forces taking it down.

The teller returns. Without words, she counts 100 \$20 bills.

"Thank you very much," says Dennis, stuffing the crisp banded stacks into his pocket.

"I'm sorry," she says. "Please remember your signature. Goodbye." She turns her name plate so that it reads, "Next window please."

Friday is the market's busi-

est day. Not many contract holdings span the weekend. Too much could happen that might play havoc with fundamental influences on supply and demand. Peruvian anchovies might suddenly arrive in schools. The Russians might buy wheat on Saturday, or refuse to. If Kansas froze on Sunday morning, prospects for a wheat crop would immediately grow bleak and a grain of wheat, suddenly scarce, would become a valuable jewel. Pity the poor trader who had planned to buy cheap wheat on Friday but allowed the weekend to intervene.

Richard Dennis stays home on Friday. He has entered the day holding lots of bean contracts from Wednesday and the market moves quickly, steeply upward. He watches it, holding all trades, and at 1:15 a bushel of his beans is worth eight cents more than it was at 9:30. Fortunately, for his contracts in silver fell steadily.

"I ended the week a little ahead. Well, it's not a little bit of money. I don't literally mean that. It was an average week for me. I came out with just about what I've been making over the last year or so, about \$25,000."

I ask him if he's becoming more comfortable as a truant from the pit.

"There's no question that trading in the pit is the safest way to trade," he says. "You're right there to cut off your losses if the market suddenly drops. At home, on the phone, it takes you longer to put through an order to get out. You probably also cut your profits if you're not in the pit because you're not able to take in all the action and get the best feeling for the point at which the market will peak."

"But the most difficult problem trading from home is knowing that it's not the most efficient way, and dealing psychologically with that. All our lives, we're browbeaten into thinking in terms of efficiency, of equating that with success. And that attitude's hard to shake. So what I'm doing is moving towards a routine that is not the most efficient, but which is easier on me, physically and emotionally."

"It's like . . . instead of looking for ways to build a better mousetrap, you settle for a mousetrap that's easier to build and you learn how to be comfortable with the fact that a few more mice get through." ■