

Schwager, Jack D. - Market Wizards*Marketplace Books, 1988, [Finance] Grade* ★★★★★

Some of my favourite investment reads have always been the monthly issues of publications such as Outstanding Investor's Digest and Value Investor Insight. Why? Because of the simple but brilliant idea that as a reader you feel like you are effectively eavesdropping on a conversation between two brilliant investors. By utilizing this format, you can garner a lot of knowledge about an investor, his/her philosophy and whether his/her methods and reasoning actually resonates with your own (of uttermost importance). *Market Wizards*, the first in a series of now four books by Jack D. Schwager, is of course the premier book in this format, only rivalled by John Train's *The Money Masters*. The reason is simply that the author was able to attract some of the best investment minds in the market, some of which were notoriously attention-shy and previously had not discussed their strategies in public. What has also added to the book's legacy is the fact that the vast majority of the people interviewed in the book have continued to flourish, which rarely is the case with books about "contemporary famous individuals". As one interviewee says: "When I was starting out, I found biographies and interviews particularly helpful, and I would like to play a similar role in helping new traders."

Another reason for why the book has been so successful is the aspect of "something for everyone". The book is split in five parts; Futures & Currencies, Stocks, Mixed, Floor Traders and Psychology. All the interviewees are traders in either (or several) of these areas. And it makes sense to emphasize this one aspect of *Market Wizards* – it is a book about traders, not investors. Schwager distinguishes the two by defining a trader as a) being able to short b) mostly dealing with market directions. Naturally, this can evolve, as the example of Michael Steinhardt shows. Single-stock investing was a minor part of his fund back in 1988, but subsequent to his retirement grew to much more prominence managing his own wealth. It reminds me about the old saying "if you're not a

socialist when you're 20 you have no heart, but if you're not a capitalist when you're 50 you have no brain."

As I alluded to above, liking or disliking certain types of investors – irrespective of their success – comes down to your personal belief-set and core values. On that token, to me the best interviews are with Michael Steinhardt (for the part of his fund that dealt with long-duration stock picking), Paul Tudor Jones (for his insights into the psychology of trading and his mental toughness) and Jim Rogers (for his value-oriented approach and great humbleness). That said, there are nuggets of wisdom in each and every interview, and it shines through that Schwager has an extensive background from professional investing himself. *Market Wizards* truly brings that discussion-angle to the table, not merely a pre-set list of obvious questions, resulting in obvious answers. No doubt that was part of why these people agreed to share some of their hard-earned insights in public. The interview with Paul Tudor Jones is in its own right mind-blowing in its foresightedness. I had to remind myself several times that this meeting took place in the fall of 1988, not last month... But that is another story.

Market Wizards reinforces – no, it slams home – the psychological part of trading (investing). No matter how one slices it, there is an ocean apart between Tudor Jones and Michael Steinhardt. Had they both not been so successful upon the time of the book and so, most likely had a natural respect for each other, I am fairly sure they would have dismissed the other as a complete deadpan. But then again; being mentally strong, having a consistent strategy ("discipline" was brought up by all interviewees) and really loving what you do, might very well be more important to investment success than what type of investor you are. Personally, I certainly believe so. If you are not convinced, bring this book on your next trip and eavesdrop in on a few timeless conversations.

Henrik Andersson, May 6, 2012