Gunter, Max – The Zurich Axioms

Harriman House Ltd, 1972 [Finance] Grade ★★★★

At its core this is a book containing 12 rules – or axioms - for speculation in financial markets in the same vein as previous learning's about risk, reward and human behavior that have been passed on by the likes of Jesse Livermore, Gerald Loeb and Bernard Baruch, i.e. the notorious financial speculators of the early part of the twentieth century. It is the investment philosophy of a former group of Swiss bankers.

The Zurich Axioms also comes with a quite fascinating background story. Max Gunter is a journalist, an author and the son of Franz Heinrich – in the US called Frank Henry. The author's father was during a long period the US head of what is today UBS and also a core member of an unofficial network of Swiss expats on Wall Street that met irregularly at the bars around where they worked, starting in the mid 1940s all the way until the early 1970s. The topic for discussion was always the currently available investment opportunities – or speculative opportunities, as they would have put it themselves. Thus, the author grew up with a father that socialized with Jesse Livermore, Gerald Loeb etc. and that often invested in stocks or commodities side by side with them. The book came about when Max Gunter one time, when being advised by his father to make an investment, asked him what the basis was for the advice, what Frank Henry and his Swiss acquaintances actually based their decisions on. The thought process that followed in the Swiss network in trying to formulate their rules for speculation resulted in this book, first published in 1972.

The axioms advocate taking large stakes in a few meaningful opportunities at the time, to set targets for when to take profit and to immediately get out if a position is turning sour – and never try to average down or get in again on a loosing position. Positions are based on the judgment of the speculator regarding what is happening now and not on forecasts or other people's opinions. The time horizon is short to medium term (months, rarely years) and even if the author never uses the old saying "let your profits run and cut losses short" the thinking is very much aligned with this. Overall, the philosophy of Frank Henry and his fellow Swiss bankers is based on trading psychology that much later formed parts of what is today know as behavioral finance. Much, like the advice to disregard the consensus as it probably is wrong or the distrust in forecasts, should resonate well with more long-term fundamental investors. Other advice will not and the last "minor axiom" from Max Gunter reads, "*Shun long-term investments*". We will post the full list of axioms of the website separately.

The odd axiom out is number eight, *On Religion and the Occult*, that is not only a plea to keep superstitions out of one's speculations (but not necessarily ones life) but also discussions on why it is inadvisable to base positions on the statements of fortune tellers and the use of tarot cards – but if you do, don't bet too much on the positions advocated. It might just be me, but I surely hope this axiom is a bit dated.

Interestingly the axioms for speculating in financial markets also tie in to a parallel view on how to live one's life. To make any gains in life something – money, time, love etc. - has to be placed at risk – nothing ventured, nothing gained. And even if this in the end means that now and then a person loses money, wastes his time or gets his heart crushed, this is still better than never having dared to live life to the fullest. Life should be an adventure. *The Zurich Axioms* are about calculated and intelligent risk taking in all straights of life.

The Zurich Axioms is a charming short and lively book with a pedigree that it is very easy to feel sympathetic about. And even if it perhaps doesn't add that much new to trading philosophy it fits well on the shelf beside *Reminiscences of a Stock Operator* or *The Battle for Investment Survival.*

Mats Larsson, September 27 2018