▶ 2009: YEAR OF THE TURTLE

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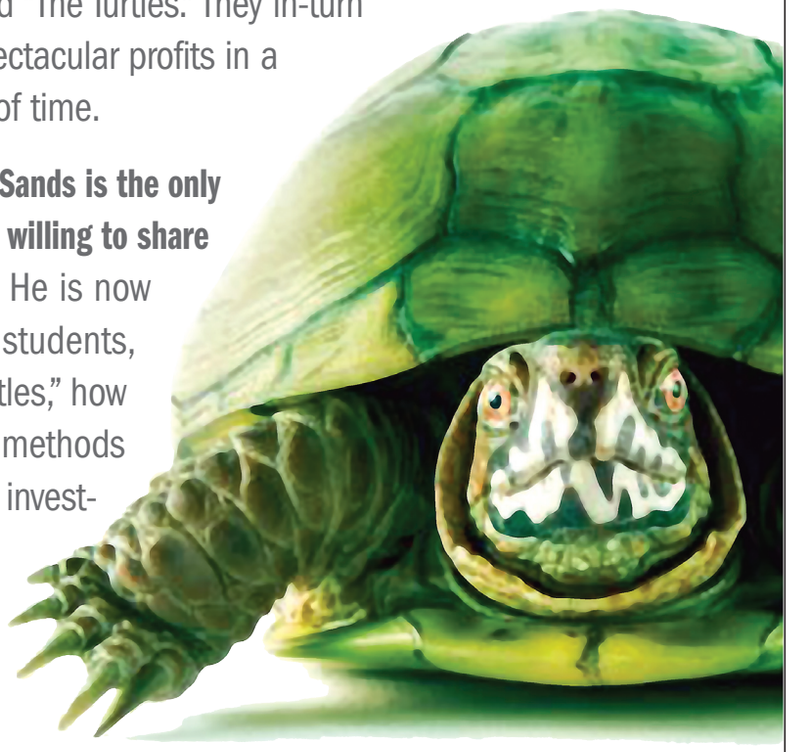
He then taught his confidential unique methodology to 14 people he nicknamed "The Turtles." They in-turn produced spectacular profits in a short period of time.



Today Russell Sands is the only original Turtle willing to share these secrets. He is now teaching his students, "The New Turtles," how to use these methods to reap huge investment profits!

by RUSSELL SANDS

THE 2009 TURTLE HOT MARKET REPORT:

A.K.A. TREND FOLLOWING IS STILL VERY ALIVE AND WELL!

A.K.A. YEAR OF THE TURTLE -- 2008 SUMMARY

By Russell Sands

Wow, talk about an up and down year. And I literally do mean UP and DOWN!! It was exciting, then depressing, then exciting again. We had some big up trends in the energies during the spring, then some big down trends in Gold over the summer, then some more big down trends in currencies, energies, Bean Oil and market indexes in the fall. Of course, we also had some choppy periods in between, which meant that all during this time, our equity curve was swinging up and down like a roller coaster (but as usual, finished nicely ahead for the year). Oh wait, I forgot, professional traders are not supposed to get "emotional" about such things. Yeah, right :-) As we will see, things don't always work out in real life like it says they are supposed to in all the literature. We will talk more about all that later, as well as giving a nice re-cap of 2008, which in our last report was named "The Year Of The Turtle". But first, let us start at the very beginning—just what is trend following, and why does it work.

What Is Trend Following, And Why Does It Work?

Okay, let's just start with the basics. And that is that this whole general trading methodology that we call "trend following" is a very proven method that has been around and working for years. There is an extensive library of both technical and fundamental analysis that shows this is not only scientifically valid, it is also just plain common sense. There are periods when trend following works very well, and periods when it doesn't. And the truth is, when trend following "doesn't" work, it can sometimes be pretty ugly for a while. But for anyone that has the patience and discipline to sit through some of the rough times, I just cannot think of any more profitable way to extract money from the markets.

Before even talking about trend following as a methodology to trade the markets, or the 'trends' themselves as a price action phenomenon, perhaps we should start with a short basic discussion of what exactly is the 'market', and how and why do prices move to begin with. And of course, prices will have to move in order for anybody to make any money, for if the price were always the same, you would never have the opportunity to buy something cheaper and sell something higher and make a profit.

In its most simple form, the "market" is basically just one big auction place, where both buyers and sellers bid and offer and compete for prices of different tradeable products, such as the shares of stock in public companies, or a fixed quantity of a physical commodity like copper or soybeans. Obviously, buyers want to buy things at the lowest possible prices, while sellers want to sell things at the highest prices.

In purely economic terms, the main purpose of a marketplace, any marketplace, is 'to facilitate trade'. In other words, the buyers and sellers need to have a place to come together and meet

and do business. And whether this is going to be a physical meeting floor, or an electronic one, is not really important. Of course, when these buyers and sellers meet, it's for the purpose of transacting business, exchanging goods for services, or money for goods. Now they may not always do any trading, because they may not always have a meeting of the minds on a mutually fair price, but if they weren't going to at least try, then they wouldn't bother to show up (at the auction house or trading floor or whatever you want to call it), in the first place.

In order to make these trades or exchanges, both buyers and sellers are going to have to compromise a little on the prices at which they are willing to trade. The price of a good or commodity (or share of stock for that matter) will move up and down in a "trading range", the boundaries of which will be defined by the absolute last resolve of the buyers and sellers. The upper boundary will be the highest price at which buyers are willing to pay, any higher, there are still obviously going to be a lot of eager sellers, but no buyers willing to take them up on those higher prices. Conversely, the lower boundary of the trading range will be lowest price at which sellers are willing to part with their goods, any lower, there will be plenty of buyers, but no sellers willing to give up what they have at such a cheap price.

And so, prices will continually move in this trading range, with small changes in the upper and lower boundaries, as various different buyers and sellers, with slightly different agendas and price objectives, continue to enter and leave the marketplace. But of course, as I said before, nothing lasts forever. Eventually, the whole trading range picks itself up and shifts to a different level. Sometimes it just keeps on going and going, like the energizer bunny, and that's what we call a 'trend'.

Back To Fundamentals And Basic Economics

Now, what causes these shifts, you may ask? And the answer, although really quite simple, deserves a little detailed explanation. Even though I'm a diehard technical analyst, I know (and so should you), that it is not 'technicals' that move the market. The technicals may be used to describe or measure or predict (or all of the above) the price movements of the markets, but that is not the underlying root cause. The root cause, the fundamental reason that all prices move and change in price, is just good plain old fashioned supply and demand.

Let's review basic economics. The supply curve is the one that is sloping up and to the right, while the demand curve is the one that is sloping down and to the left, with the point where they intersect being the fair market price at which both buyers and sellers are willing to meet. All you have to remember for now is that when either the supply line or the demand line moves, it causes a change in the intersection point.

While technicals may help to illustrate how the market moves, it is *fundamentals* that cause the move. And when the market price moves and keeps moving, that is a trend. These trends tend to proliferate more in commodity markets than in equity markets, meaning trend following methods will work better in commodities and futures than in equities, although they do sometimes work pretty strongly in equities as well. We can walk through some examples, first from the fundamental point of view, then from psychological standpoint, and finally, from

a technical perspective. To begin with, it is important to realize and understand the simple basic laws of economics. Specifically, if demand increases while supply stays constant, the price will rise, and if demand decreases while supply stays constant, prices fall. On the other hand, if supply increases while demand stays constant, prices will fall, and if supply decreases while demand stays constant, prices rise. We can start by thinking of a physical commodity, while keeping in mind that these same scenarios can also be extended to other physical products, to all financial products such as bonds or currencies, and to a slightly lesser extent, to stocks and even stock indexes as well.

Let's take Coffee. Brazil and other agricultural countries keep growing the crop at a pretty steady rate, and most of the rest of the world keeps drinking the stuff on a pretty regular basis as well. Let's assume that most economic conditions are in equilibrium, i.e. the amount of land available to grow crops is all in use, and the technology for harvesting is mature and not undergoing any improvements. Now, assuming the supply is pretty steady and constant as just mentioned, what do you think would happen if all of a sudden, research scientists discovered that drinking five cups of coffee a day would greatly reduce the chances of ever getting a heart attack ? Well, the demand for coffee, and thus the price of it, would go through the roof. Let's say people decided that coffee was now worth $2 or even $3 per cup, instead of the $1 it used to cost. But the price is not going to jump that much all at once overnight, it is going to move up gradually, until a few coffee drinkers start thinking it is getting too expensive, even given this new wonderful medical benefit, and the demand starts to slack off.

Now look at the other side of the coin. After years of research, scientists one day discover that drinking too much coffee will increase the chance of getting a heart attack. People will get scared, demand will decrease, and the price will drop hard and fast because nobody wants the stuff. Exact same theory, and opposite result.

Okay, now let's look at the supply side situation, which is perhaps more obvious to most commodity traders. We are going merrily along drinking our morning cups of coffee every day, and then one day, a big cold weather front hits the major coffee growing regions in South America, and half of the current crop freezes and dies on the vine. Since most of us need our morning coffee to start the day, (i.e. the demand remains pretty constant) and now all of a sudden the supply has been reduced, with no immediate hope of replacement, prices are going to go through the roof in one of the greatest bull market uptrends that you will ever see in your life. Finally, in the last of our four possible market scenarios, where the demand remains constant but the overall supply increases, perhaps due to some new technological innovation that improves harvesting efficiency, the extra glut of supply that will be coming into the market will start to send prices into a sharp selling spiral, i.e. a downward trend.

To summarize, as long as supply and demand are reasonably constant, and market economics are in equilibrium, the price of any item will remain in a relative trading range, subject to the interactions and the slight changing perspectives or agendas of the various buyers and sellers. But once either the supply or the demand (or both) fundamentally changes, even if it is temporary as opposed to permanent, the price will move out of that old trading range, and the market will seek to find a new level of equilibrium. This move to a new level can happen

quickly or gradually, but as most markets tend to be more continuous instead of discrete, this move will usually not happen all in one quantum jump. It is precisely this gradual movement, going through a various range of prices, that we would commonly call a 'trend'.

The same exact four scenarios can be extended to all our other tradeable items, not just physical products like coffee. And if we were to examine the reasons that cause these large fundamental (permanent or temporary) shifts in the supply and demand curves, and thus ultimately in market equilibrium, we would find that the answer is usually some large and important earth shattering event. Different kinds of weather patterns, such as floods or droughts or cold freezes, can most certainly wreck havoc with the supply side of physical commodities and crops such as coffee or soybeans or orange juice. Alternatively, a new scientific health or medical discovery may cause major shifts in the demand side of the equation.

But it's not just the physical crops, or old style 'commodities' that we are talking about here. Major political events, such as a war, election, assassination, etc, will undoubtedly have an effect on financial markets such as currencies and interest rates. The supply, demand, or both can be affected. Think about what happens when a country finds itself with a trade deficit that has to be corrected, or needs to raise money to finance a war. They go out to the capital markets and borrow money to finance their problems by issuing bonds (debt instruments), thus increasing the supply of bonds, and driving down the prices. If the deficit is not controlled, or the war then goes on longer than expected, more money needs to be borrowed, and the downtrend of bond prices will continue. As for currency markets, I'm sure most of you remember the hyperinflation of 1930's Germany, where just the perception of their paper money no longer being valuable caused such a lack of demand that the currency deteriorated to being worthless (that must have been some downtrend in deutschmark futures, or, if you were a bank currency trader, it would have been a super bull uptrend in dollar/mark).

As trend followers, we will usually lose money when things are nice and quiet and normal in the world, but when some big upheaval or disaster strikes to throw the world out of whack, even for a short period of time, that is the time we make some decent profits. As long as we don't have perfect control over the environment and all aspects of our lives, as long as we mortal humans are subject to the whims of mother nature or some depraved dictator somewhere in the world, there will be economic shifts taking place, and periods of trending markets will continue to exist.

Which brings us to the next issue, that of the "human element". When we talk about "the market" (any market), what we are really talking about is the sum weighted composite values or opinions of all the many individual participants that make up that marketplace. And sometimes these people are well informed and make analytical and rational choices and decisions about things, and sometimes they don't. Sometimes, when human emotions come into play, logic can go right out the window. But as we shall see, this will often validate the concepts of trend following, and lead to more potentially profitable trading opportunities.

Many times, people tend to believe exactly what they want to believe, whether it is true or not. And very often, especially in a small community such as a marketplace, once a few people start believing in something, they can have the ability to convince others, even if they don't want to or

are not trying to. What I am talking about here is often referred to as the 'herd mentality'. If you have ever seen an old fashioned cattle stampede, even just in the movies, then you know what I mean. And once that herd starts running, you had better join in, or get the hell out of the way.

Sometimes the stampede is fundamentally justified, such as when the supply of a crop or other commodity is diminished by some natural event, yet the users of that product have constant need and demand for it. Buyers will then fall over each other driving the price higher and higher until it reaches some new equilibrium level, at which time the frenzy will die down and prices will stabilize. Other times, there will be absolutely no rhyme or reason for the price movement of something, aside from what Charles Mackay once called 'popular delusions and the madness of crowds'. Many writers and traders point to the 16th century Dutch tulip bulb phenomenon as the classic example of the first major price trend.

At the peak of that market euphoria, tulip bulb prices were selling for what would be the equivalent of well over $100 per flower today. I think it could be fair to say that even if tulips had been found to cure the common cold, or the black plague, one flower would probably not be worth that much money. Prices escalated beyond all reasonable values, and then they kept going even further, simply due to what can be called the herd mentality of the marketplace.

Or maybe it was just the 'greater fool' theory, which is an idea that basically says, I am going to buy something today, and I really don't care if it's worth the price I pay or not, as long I can turn around and make a profit by selling it back to somebody else at a higher price tomorrow. And you know, almost everybody makes money in these cases, except for the very last guy who bought at the top, he's the one that gets stuck. But by any name you want to call it, this is a concept that (still) exists in the real world, validates the methodology of trend following, and allows traders to make money. It is human nature, and it will never change. It is the fear of missing out on a good thing, as well as the greed of wanting to get even more, and these things will never change.

In the "tulip" example, in the NASDAQ dot com bubble of the late 1990's, in the big oil market rally of the past few years, and in so many other similar examples, it is the trend followers making money at the expense of other types of traders. During these runaway moves, the people who trade counter trend, and believe that trading ranges and support and resistance levels will hold up, are the ones that lose. Some very smart analysts and economists and other people who just 'think too much', are not able to see the big picture, which is simply to jump on board the trend and run with the herd, and don't stop to think about it.

So there you have it. Prices of all things sit in an equilibrium level type of trading range for a while, then something happens to change that level of equilibrium, and the whole price range moves to a new level. Sometimes there are valid underlying economic or fundamental reasons for the change, and sometimes there are none at all, and people are just fooled about the whole thing. But either way, the price does move, often picking up momentum along the way, and the trend followers jump on board and earn a nice living because of it. And it's really not rocket science, it's just basic economics and good common sense.

This is the way the real world works, it has been this way for hundreds of years, and it will probably continue for hundreds more. Basic laws of economics and human nature will never change. Maybe the technology changes, but the markets, and the people that make them up, never change. People who espouse the death of trend following every few years will point to faster computers and better communications and more efficient markets. But the overall structure of market price movements, including trends, has not changed today from the tulip days of four hundred years ago, and probably never will. Now that we understand how markets work and how prices change and move, and the fundamental, economic, or psychological reasons that cause these (mostly temporary, but sometimes permanent) shifts in the supply and demand curves and thus the intersecting fair market values, we still have to figure out a way to take advantage of all this knowledge in order to try and make some money for ourselves, since that is still the ultimate point of all this.

Putting Theory Into Practice

It is fair to say that almost all individual traders, and even most firm trading desks, are at a huge informational disadvantage compared to the producers or suppliers of any given commodity (or stock). Let's go back to one of my favorite examples, the Coffee market. And let's assume that our scientific technology is so far advanced that we can get reliable weather reports giving us advance warning that a cold front is heading towards Brazil. The price of coffee may start to rise, as people anticipate a drop in available supplies, but nobody is going to know exactly what the new fair market price should be until they actually know how much of the crop was damaged and what is the remaining crop yield. At this point, the Folgers and Starbucks of the world will have their people out in the fields, checking to see exactly how many trees were damaged and what remains available to harvest. They will know long before we do about the net change in supply figures, and thus their bean counters or in-house economists will be able to calculate what the new prices should be. But we, sitting home at our trading desks, are not privy to, and cannot compete with, that information. And they are certainly not going to tell us, the general public, at least not until they have had time to adjust their own trading positions first.

The same thing can be said of all the financial markets. Let's say a country needs to borrow money, or wants to increase or decrease the relative value of its currency on world market, in order to solve some internal fiscal or monetary problem. In this kind of situation, the political and financial leaders of that country will be figuring out exactly how much more currency to print, or how many more bonds to sell or redeem, so as to successfully solve their problem. But the sharpest traders on the major bank desks, let alone you or I sitting at home, are not going to know what those numbers are with a high enough degree of accuracy to successfully take a position in advance of the new equilibrium curve.

Because we just don't know this information, and we cannot effectively or efficiently obtain it on a timely basis, we "infer" the answer by the use of technical analysis. In the simplest of cases, if we look at daily (or any other timeframe) price charts, and see the price of a stock or commodity is moving, we become aware that "something is up". We may not know exactly what it is, but we can still take advantage of it. At some point, if the anomaly continues enough, it sets off some sort of trigger or signal in our brain (or in the trading system programmed into our

computer), and we will notice. We arbitrarily define in advance just what it is going take to take to get us to notice, such as the price of something going higher than it has in the last 20 bars of a daily chart, or the price crossing over some moving average of itself. Then we react.

Technical analysis can take many different forms, some good and some bad. In my opinion, all the 'bad' forms tend to be predictive, as if to say there is a crystal ball telling us what is going to happen next. I personally do not believe that anybody can predict the future, when it comes to markets or anything else. On the other hand, the 'good' forms of technical analysis tend to be more reactive, we notice something is happening and we then react appropriately. As a trend follower, I will never buy (or sell) something because I think the price is going to go up (or down). In fact, I shouldn't even be thinking that way to begin with, because I really have no idea, and I shouldn't even kid myself that I do. What I do is to wait for the price to move by a certain amount first, and only then do I take a position, because I assume it is going to continue. And the truth is, I really have no idea either if it is going to continue going up or not, but I rely on Newton's Law of Physics, which says that something in motion tends to stay in motion (until it stops).

We also have our own whole set of technical language which we use to describe and/or quantify the underlying economic fundamentals that we have been talking about previously. For example, I have explained that when supply and demand are in equilibrium, prices will tend to stay in some sort of trading range. But, if or when something happens to change that existing balance of supply and demand, the price will shift to a new level in order to reflect that change in market conditions. Some things are fairly stable and constant their entire lives, but when it comes to prices and values in the commodities or financial markets, we know that nothing remains the same forever. Whatever range we may be in presently, that whole price curve can move and be somewhere else in the future.

Simple Terms Of Technical Analysis

In the language of technical analysis, these conditions of equilibrium and shifting are known as periods of consolidations and trends. And it is pretty much a fact of life that both types of conditions can and do exist at some point during the life of any commodity or stock issue (although obviously not both at the same time). During the consolidations (periods of equilibrium), prices will remain in a trading range. Often times, a price starts moving up or down, and it looks like there is going to be some kind of a breakout from the current range. But in a true consolidation, if the price gets too high (or too low), the breakout fails and the price retreats back inside the trading range. Needless to say, during these times, trend followers lose money.

Of course there are other times when breakouts succeed and trends do successfully develop. The supply-demand equilibrium, and thus the fair market value or price, has indeed shifted to a different level, maybe due to some fundamental structural change in market conditions, or maybe just due to the psychological perception of one. It is important to once again emphasize that we as traders do not really care why the move is happening, all that matters is that we react appropriately in order to take advantage of the move and make some money for ourselves.

As I said, it is my opinion that nobody can predict when markets are really going to move, and which new breakouts are going to develop into successful trends, versus which ones will fail. People who spend time trying to develop systems that attempt to predict some market's future price movements are focusing on the wrong thing. The whole idea of trend following is to just notice the trends and then react to them, not to try and predict the future. And that is really all that the Turtle system does, although we do have a few proprietary indicators and filters that may help us do a little bit better job of recognizing which current moves will potentially be the bigger ones, and then adjusting our trades appropriately. In the next section of this report, I will go into a little bit more detail of what the Turtle system is and how it works. It is not as amazingly complex as some other people would have you believe, but at the same time, it is all very systematic and structured and methodical, and there are a bunch of little nuances that do add up, and thus need to be followed faithfully.

The Turtles have used, and continue to use, systems and indicators that have been both developed and tested over as much data as possible. The fact that there may be some rough periods when this methodology does not perform well, or even as well as another (possibly curve fitted) system over some small data set such as a year or two of prices, does not at all compromise the long term validity and profitability of the methodology. Although I think it's fair to say that all good traders will make small adjustments and refinements based on continuing research, there have really never been any major changes to our systems since we started. In other words, show me a system that has been profitable over the past twenty years, even with a few of rough spots, rather than one that has had superior performance, but has only been around for a couple of years and a small sample size of trades.

One other final thing we need to talk about is money management. Trend following is indeed a valid and profitable methodology, yet markets are in consolidations or trading ranges about seventy percent of the time. And since we don't know when markets are going to trend or when they are going to consolidate, we have to trade them the same way all the time. Thus, you might be inclined to trade counter trend, because then you would be right seventy percent of the time. However, it turns out that this idea is actually pretty bad, and that trading like a trend follower is a much better strategy to follow in the long run. However, in order to make some long term profit by following a trading strategy that only works thirty percent of the time, it is obvious that your winning trades have to be larger than your losing ones. Knowing when and how long to ride your profits, as well as when and how quickly to cut your losses, is thus an integral part of this or any other similar trading strategy.

Most trend following systems have some kinds of rules telling you how to cut your losses and let your profits run. But the Turtle method is a little more sophisticated than most others, as we actually has two very different sets of money management rules. The first group of rules is related to position size in terms of portfolio theory and market volatility, and tells you how aggressively to load up on each new signal that comes along in order to make the most amount of raw profit with the highest degree of efficiency on any given trade. The second, and totally independent set of money management criteria, are derived from established risk of ruin tables and statistical probability theory, and are designed to keep you in the trading game for as long as it takes to get into the mathematical 'long run', regardless of how choppy the markets

might be in any short term period.

The complete Turtle system is so strong that, despite some historically very bad, choppy, non-trending market periods, we have had only one (small) losing year in the past twenty years (all of which is verified by historical computer performance tests in the back of this report). Our key is that even when the markets are giving out false signals and there are no trends of which to take advantage, the two money management overlays just mentioned are good enough at controlling the losses and keeping you in the game to the point that as soon as one big trend does comes along, (and one always will if you have enough patience and discipline and capital), it can pull you right out of the hole and get back to the profitable side of the ledger.

So What Exactly Is The Turtle System Anyway ?

You know, I've been trading like this and writing like this for so long now, and it's all become just so 'second nature' to me, that sometimes I just tend to get ahead of myself a little bit. The Turtle system has been making money for over 25 years now, and the story of the people who became 'Turtles' is so well known, that I forget that not everybody knows who we are (yet). I also sometimes forget that even the people that do know who we are may still not be all that familiar with some of the market terminology that we use. I tend to write about trades from 'breakouts' and in 'N' terms, without ever really defining what I mean. So, let me take a small step back here and explain a little of our background—who we are and what we do.

The whole 'Turtle' story started with a poor guy from a working class family who rose to become the biggest and best futures trader in the world. It was a classic rags to riches (pun intended :-) story, and it was a million to one shot. All of his friends and peers thought Richard Dennis was a genius, a prodigy, a 'natural', but Rich was way more humble than that. He argued that what he did in the markets did not take any special talents, it was mostly common sense and discipline, and moreover, he thought that anybody could do it. So Rich and his partners hired a bunch of people (the Turtles) and taught them all their trading methods. The emphasis was on technical analysis (mostly for reading chart patterns), with a healthy dose of money management (based on mathematic probability theory) thrown in for our financial protection. By the time the 'class' was finished a couple of weeks later, all the Turtles had a pretty good idea of what to look for in the markets, and, in fact, for the first few months or so, we chose exactly the same trades for our portfolios. Basically, there are two different ways to approach analyzing the markets, from a 'fundamental' or from a 'technical' viewpoint. Or as Rich described it to us, from a 'predictive' or a 'reactive' viewpoint. The fundamental guys read a lot of research reports, extrapolate a lot of calculations, and try to determine if something is over or under valued, then they try to predict future prices. This whole sort of undertaking requires a lot of work, manpower, time and effort. There are firms out there who hire guys to do nothing all day except count crop reports, or try to read 'between the lines' of the Federal Reserve chairman's latest speech.

But as they taught the Turtles, Rich Dennis and Bill Eckhardt thought this was all just a huge waste of time. They believed that almost nobody had enough time and resources to do this kind of work correctly. Rather, they believed, as do all pure technicians, that all the relevant information, known and unknown, past, present, and future, would already be reflected in the

price movements of a daily bar chart. So that is what we were all taught to focus on, reading the charts. It's funny now that I think about it, not only did we read charts, we actually kept and updated them ourselves – with a pencil and a ruler in a big paper book. Boy, those were the good old days, I didn't even know what a computer was back then.

Anyway, back to the story. And that is that even the chart reading technicians have different approaches to the markets. Some draw lines and angles and waves and try to extend them out into the future to predict where prices are going. But we don't do that either. The bottom line is that we don't try to 'predict' anything. What we do is simply 'react'. The price moves, and we react. We are trend followers. If the price starts moving up, we react by wanting to buy the market. If the price starts moving down, we react by wanting to sell the market. We never buy or sell because we 'think' the market is going to go up or down, we wait for it to start moving first, then we react by taking a position in the appropriate direction.

And when it comes time to get out of a position, it is basically the same thing. We look at our charts every day, and when we see that the market is no longer moving in our direction, and in fact may have started going in the 'other' direction, that is how and when we know it's time to get out. And of course, when we first get into a trade, we have no idea where or when this exit point is going to take place.

Some Very Simple Rules

So what exactly do we look for ? Well, we look for trends to start, and we measure them in terms of 'channel breakouts'. We start by defining a channel as some kind of horizontal or sideways movement of a bunch of daily bars, and then we look for a price level that penetrates out of that channel in one direction or the other. As it is written for a computer program, we are simply looking for "today's price to be the highest high or the lowest low of the past X number of bars".

As for the movement itself once a trade starts, we measure it not in absolute points, but in terms of daily ranges of volatility. Where most common charting programs calculate ATR (average true range), the Turtles use the term "N" (which stands for 'normalization'). But it is really the same thing. Ten cents in Beans, or five dollars in Gold, or nine hundred points in the S&P, you get the idea. We use this N figure to measure the size and strength of a trend, and we also use it to calculate our risk and figure our pain threshold and stop loss points on each trade.

Every day, I (or my computer program) look over all the charts of all the different futures markets. And believe me, it really doesn't take that long, just a quick glance will suffice. And what I am searching for are markets that have been trading in a sideways consolidation for some period of time (the longer, the better, actually). I then look at what price the market would have to reach in order to 'break out' of that channel, and I tend to place buy stop orders above the channel and sell stop orders below the channel, then I just wait for my price to get hit. If it does, we're in.

I don't know where or when this is going to occur in advance, so I put orders in as many different markets as possible. Right now, it appears that things like Foods or Currencies have

been going sideways for a while, so they might be ready to make a breakout. But the truth is, the next good move 'could' come from anywhere. Once again, this is not something that I (or anyone else) can predict, that would make it too easy. So, while we are waiting for the next big move to come around, let's take a look at some of the various price moves (both good trends and ugly consolidations) that have occurred recently to get an idea of what we've been talking about so far.

2008 Got Off To A Slow Start.....But Then Exploded Pretty Quickly

Just as it is going to be a fact of life that we will have both explosive trends as well as sideways consolidations, it is also going to be a fact of life that we will have our share of both some exciting times and quiet times. When most of the markets we trade are in consolidation phases (which remember will be most of the time), things will seem to be pretty quiet. In fact, one of the Turtles once described the emotional level of our trading style as being "hours of boredom interrupted by moments of panic".

The next pages show profit totals and graphs from some of the best trades of 2008. A simple analysis of Buys vs. Sells in different time frames will tell you where the great trends were for the year.

We made great profits on up moves in the spring on Crude Oil, Heating Oil, Copper and Eurocurrency contracts.

The summer downswing in Gold and Oil were easy profits.

It was the fall sell-off that really piled up the profits. Dow Jones and NASDAQ were big winners, as we sold before the huge stock market collapse. We also had loads of other markets with dramatically falling prices.

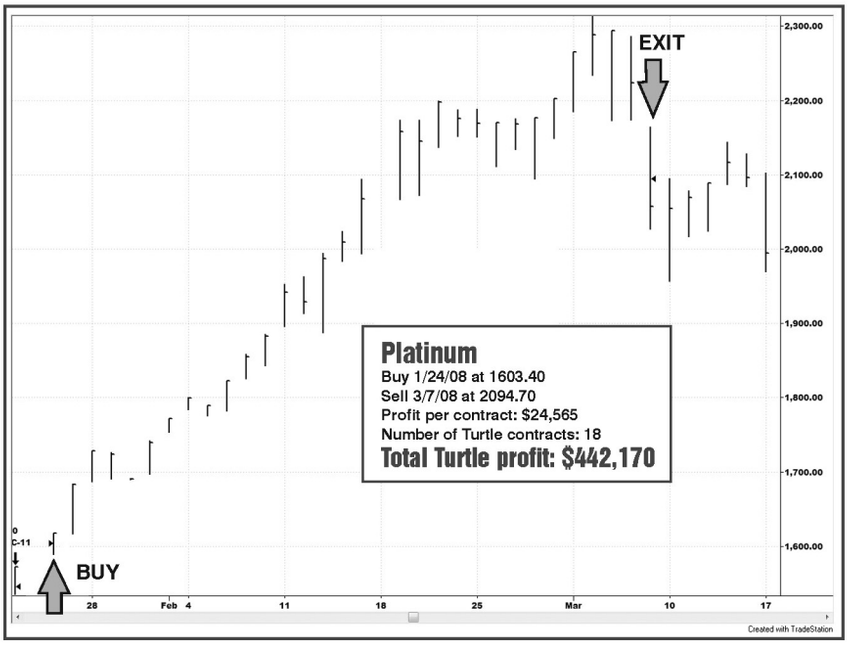
Bean Oil, Cotton and Copper all had large moves and made us large profits. Eurocurrency also made large savings … giving us profits both up and down for the year.

Here are 36 trades from 2008 representing some of the largest market moves for the year. All are also illustrated in the charts that follow.

Platinum	Buy	1/24/08-3/7/08	+24,565	442,170
Copper	Buy	2/7/08-3/17/08	+ 8900	240,300
Natural Gas	Buy	2/11/08-3/17/08	+7680	76,800
Heating Oil	Buy	2/11/08-3/25/08	+13,645	286,545
Crude Oil	Buy	2/14/08-5/1/08	+18,950	1,250,700
Eurocurrency	Buy	2/26/08-4/24/08	+9212	658,693
Heating Oil	Buy	4/8/08-4/30/08	+ 4099	61,485
Natural Gas	Buy	4/16/08-7/8/08	+19,200	153,600
Crude Oil	Buy	5/5/08-6/4/08	+ 4250	335,750
Heating Oil	Buy	5/6/08-6/4/08	+10,688	149,352
Dow Jones	Sell	6/10/08-7/18/08	+ 7810	39,050
Platinum	Sell	7/7/08-11/28/08	+55,740	668,880

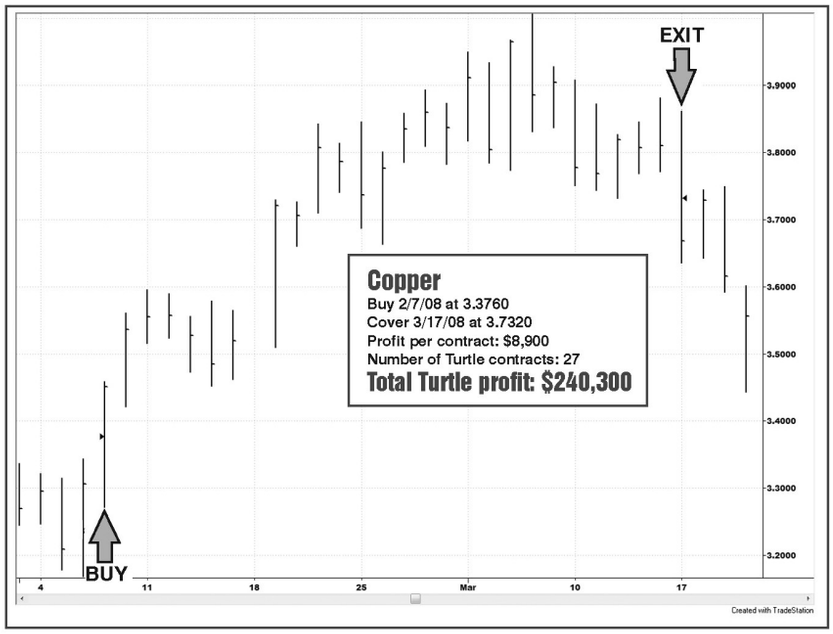
Palladium	Sell	7/16/08-10/30/08	+23,695	260,645
Natural Gas	Sell	7/17/08-8/27/08	+24,000	144,000
Oats	Sell	7/18/08-8/14/08	+1287	25,750
Bean Oil	Sell	7/21/08-8/21/08	+ 4362	283,530
Heating Oil	Sell	7/23/08-8/21/08	+11,562	69,372
Crude Oil	Sell	7/29/08-8/21/08	+ 700	21,000
Eurocurrency	Sell	7/29/08-9/18/08	+12,687	444,062
Gold	Sell	7/30/08-8/28/08	+7720	262,480
Silver	Sell	7/30/08-9/22/08	+19,725	276,150
Cotton	Sell	8/4/08-11/25/08	+13330	493,210
Australian Dollar	Sell	8/5/08-9/22/08	+ 8280	124,200
Oats	Sell	8/28/08-12/17/08	+7200	136,800
Crude Oil	Sell	9/2/08-9/22/08	+ 1340	38,860
Dow Jones	Sell	9/4/08-11/3/08	+19,8503	77,150
Bean Oil	Sell	9/4/08-12/26/08	+11,136	556,800
NASDAQ	Sell	9/4/08-11/4/08	+47,450	782,925
Jap Yen	Buy	9/4/08-1/2/09	+19,450	651,575
Gasoline	Sell	9/16/08-1/5/09	+56,893	284,465
Copper	Sell	9/29/08-1/2/09	+39175	391,750
Eurocurrency	Sell	10/2/08-11/24/08	+11,287	395,062
Australian Dollar	Sell	10/2/08-12/8/08	+$11,390	113,900
Heating Oil	Sell	10/3/08-1/5/09	$49,770	348,390
Crude Oil	Sell	10/6/08-1/6/09	+46,070	990,505
T-Bonds	Buy	11/18/08-1/2/09	+16,359	294,462
				$12,130,368 Profit

PLATINUM - $442,170 Profit



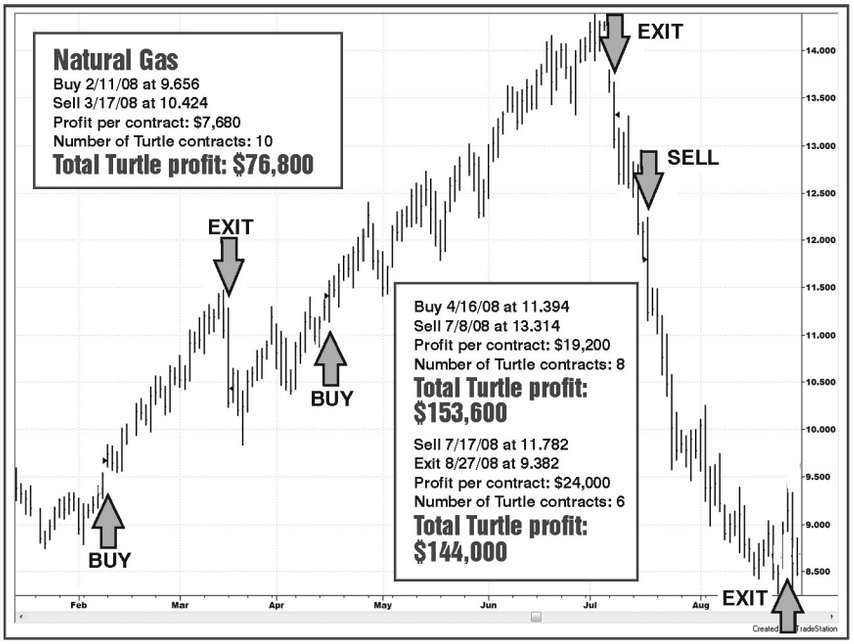
This Platinum trade made us $24,565 profit per contract.
Our trading family made $442,170 in profits.

COPPER - $240,300 profit



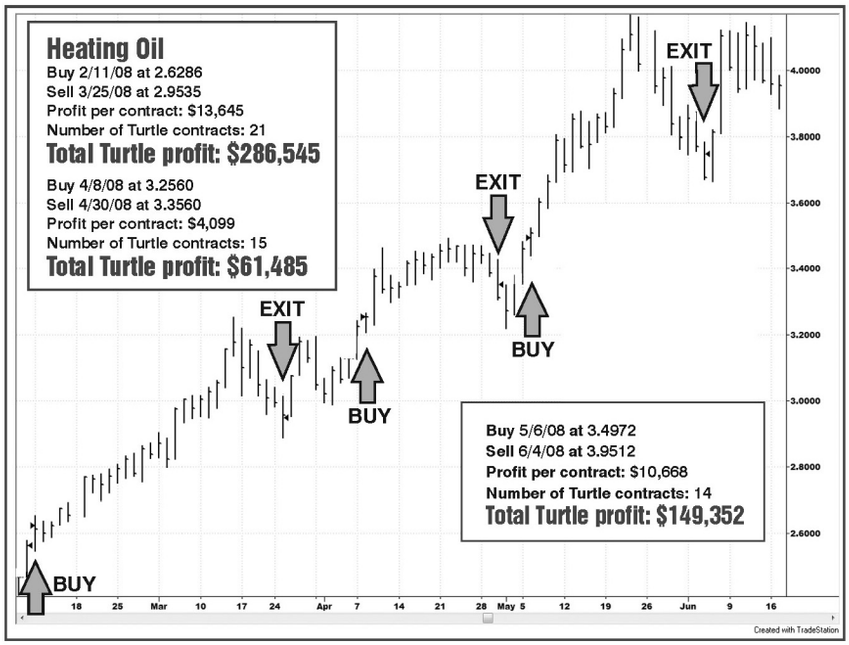
This Copper trade made us $8,900 profit per contract.
Our trading family made $240,300 in profits.

NATURAL GAS - $76,800, $153,600, and $144,000 Profits in spring-summer 2008



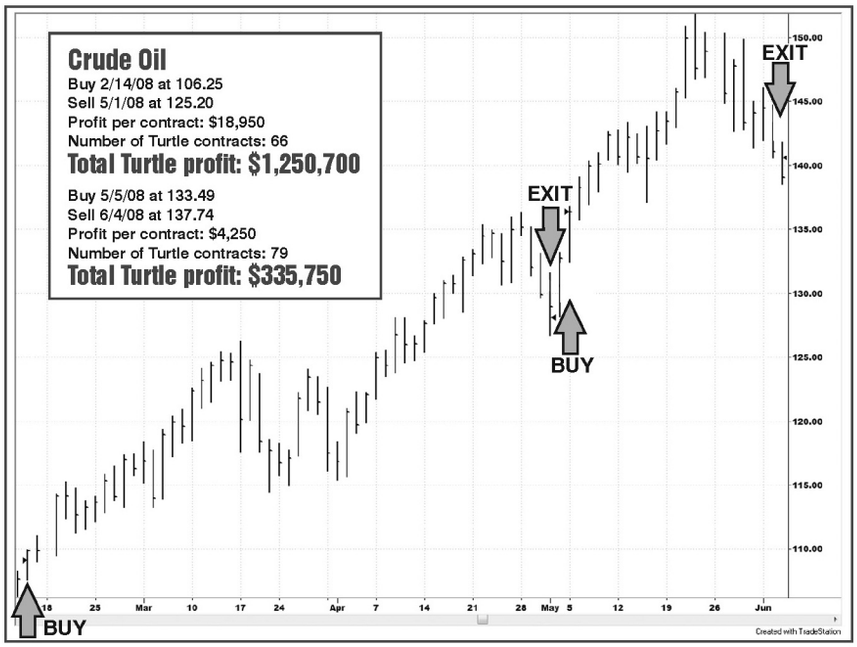
These Natural Gas trades made us
$7,680, $19,200, and $24,000 profit per contract.
Our trading family made $76,800, $153,600, and $144,000 in profits.

HEATING OIL - $286,545, $61,485, and $149,352 total Profit in Spring 2008



These Heating Oil trades made us $13,645, $4,099, and $10,668 profits per contract.
Our trading family made $286,545, $61,485, and $149,352 in profits.

CRUDE OIL - $1,250,700 Profit in Spring of '08 $335,750 Profit in Summer of '08

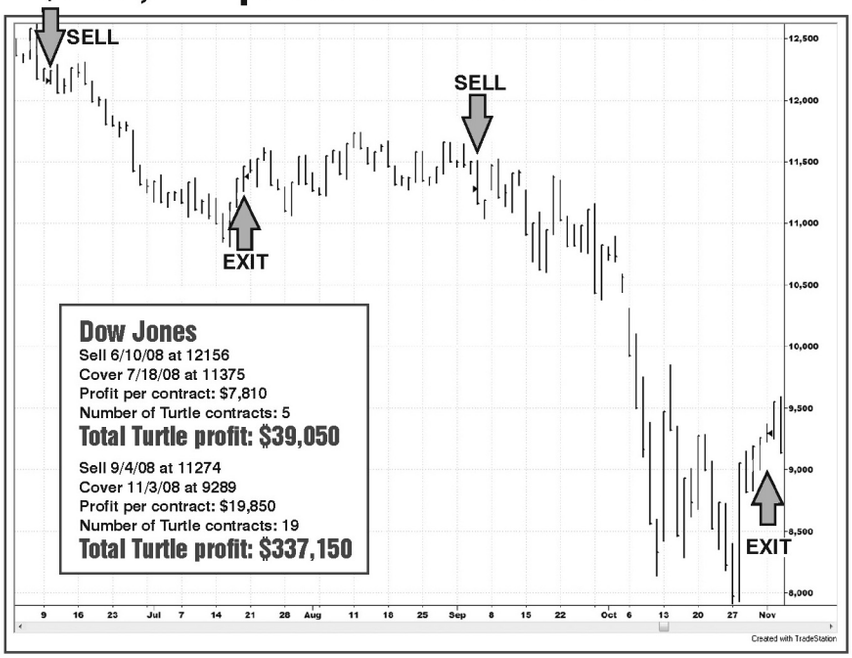


These Crude Oil trades made us $18,950 profit per contract.
Our trading family made $1,250,700 in profits in the spring;
$4,250 profit per contract and $335,750 in profits in the summer of 2008.

EUROCURRENCY - $658,693.75 Profit

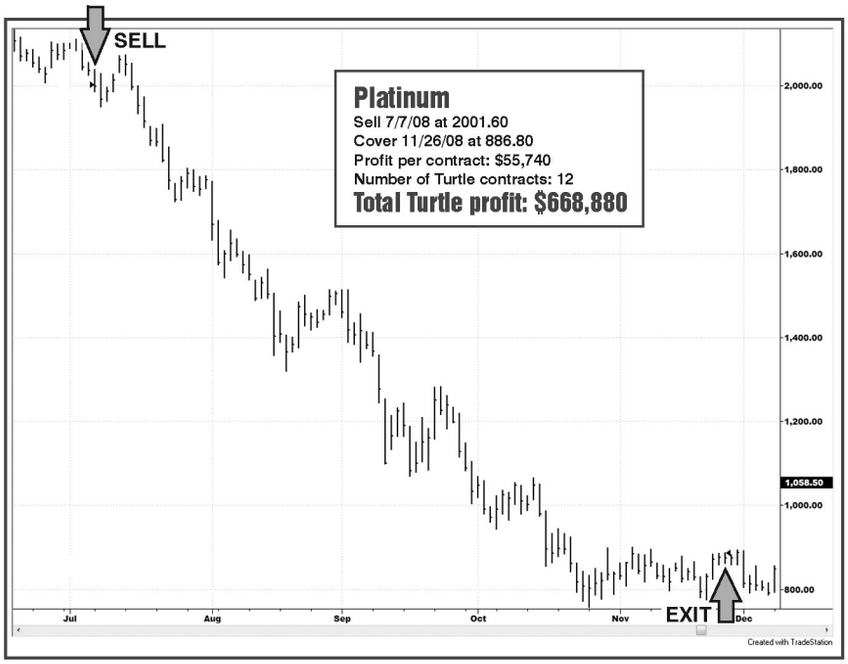
This Eurocurrency trade made us $9,212.50 profit per contract. Our trading family made $658,693.75 in profits.

DOW JONES - $39,050 profit and $337,150 profit in second half of 2008



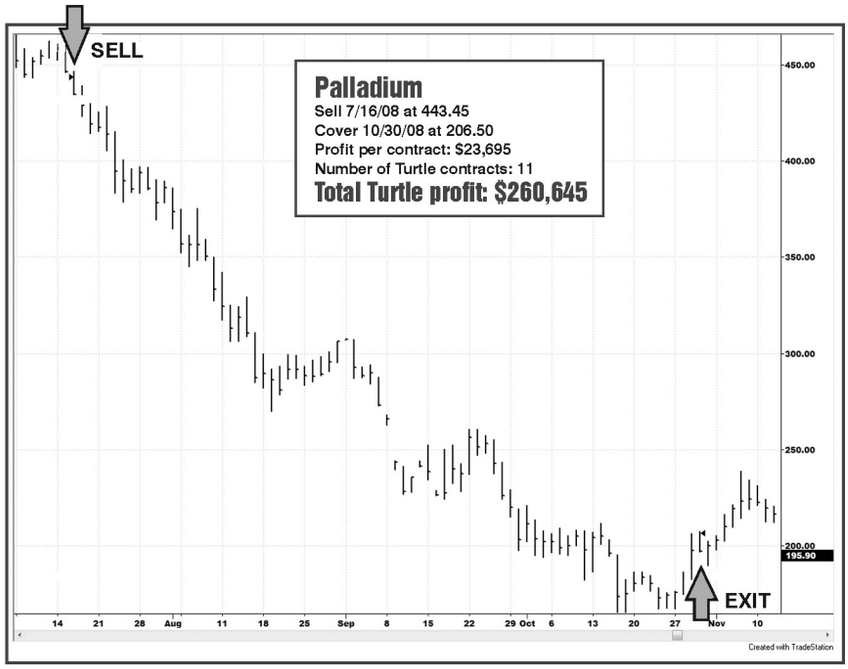
These Dow Jones trades made us $7,810 and $19,850 profit per contract. Our trading family made $39,050 and $337,150 in profits in the second half of 2008.

PLATINUM - $668,880 Profit



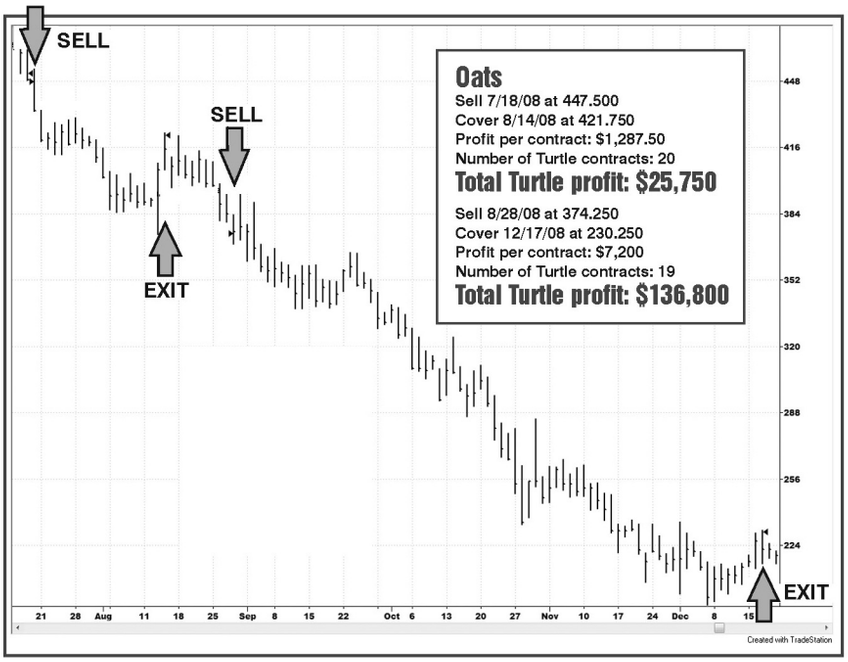
This Platinum trade made us $55,740 profit per contract. Our trading family made $668,880 in profits.

PALLADIUM - $260,645 Profit



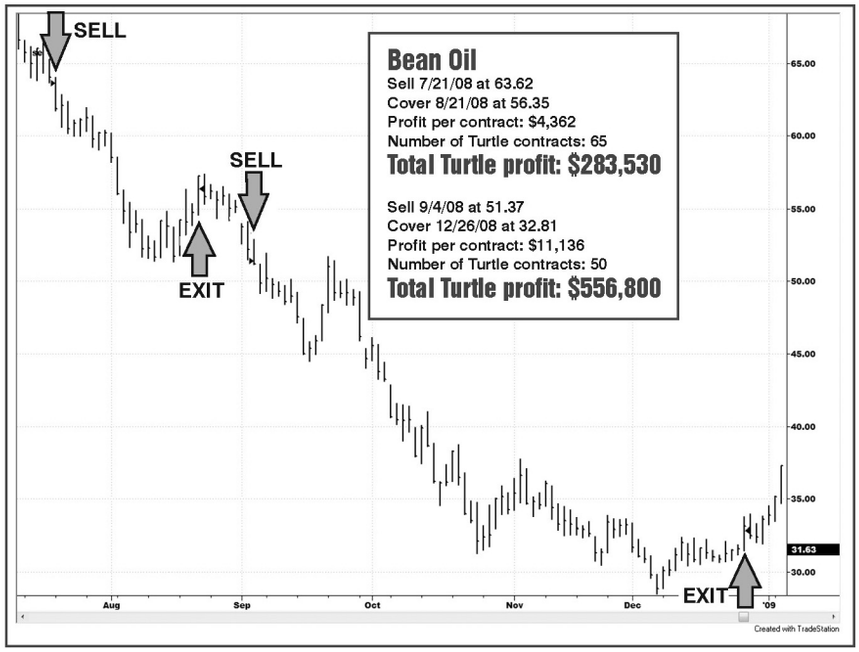
This Palladium trade made us $23,695 profit per contract. Our trading family made $260,645 in profits.

OATS - $25,750 and $136,800 Profit



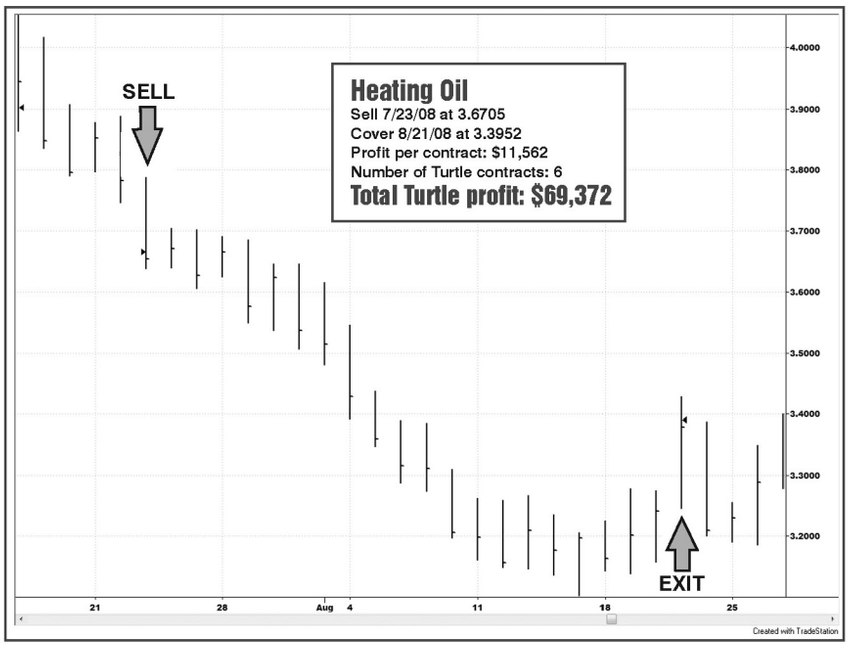
These Oats trades made us $1,287.50 and $7,200 profit per contr
Our trading family made $25,750 and $136,800 in profits.

BEAN OIL - $283,530 Profit and $556,800 Profit



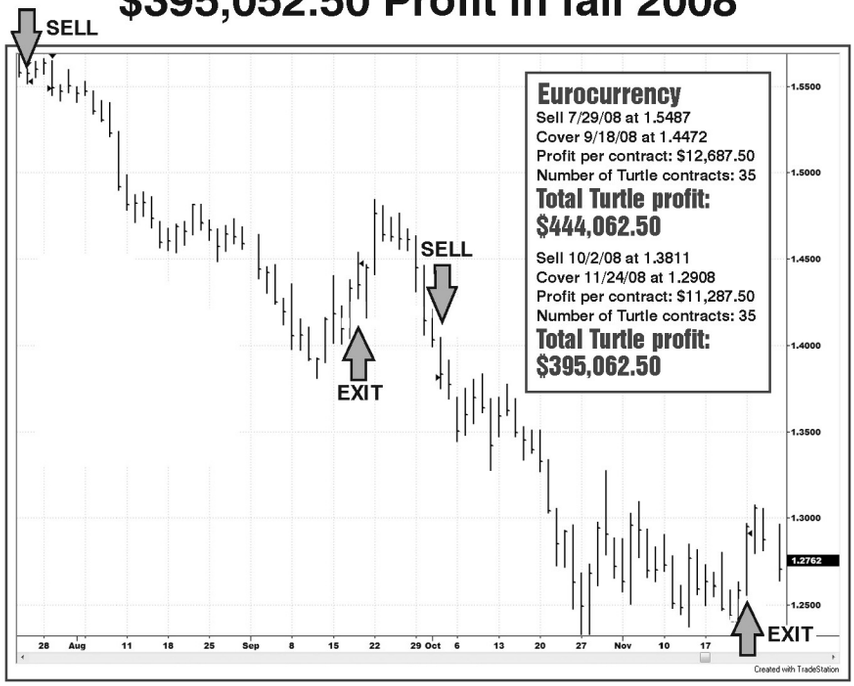
This Bean Oil trade made us $4,362 profit per contract in the summer. Our trading family made $283,530 in profits. In the fall trade the profit was $11,136 per contract with a total family profit of $556,800.

HEATING OIL - $69,372 Profit



This Heating Oil trade made us $11,562 profit per contract.
Our trading family made $69,372 in profits.

EUROCURRENCY - $444,062.50 Profit in summer 2008 $395,052.50 Profit in fall 2008



The Summer 2008 Eurocurrency trade made us $12,687.50 profit per contract;
and our trading family made $444,062.50 in total profits.
The Fall of 2008 trade made us $11,287.50 per contract and $395,062.50 in total profits.

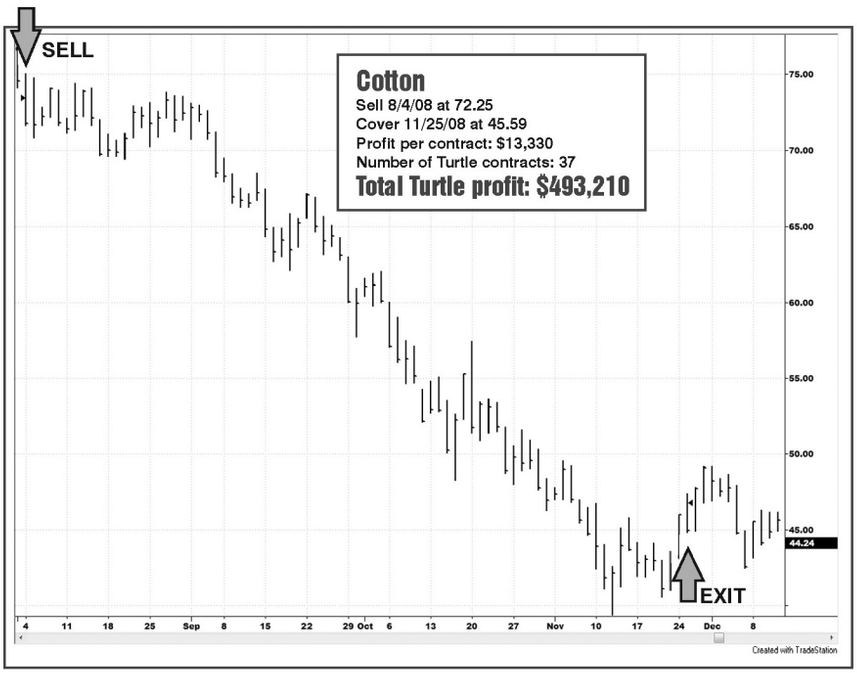
GOLD - $262,480 profit

This Gold trade made us $7,720 profit per contract.
Our trading family made $262,480 in profits.

SILVER - $276,150 Profit

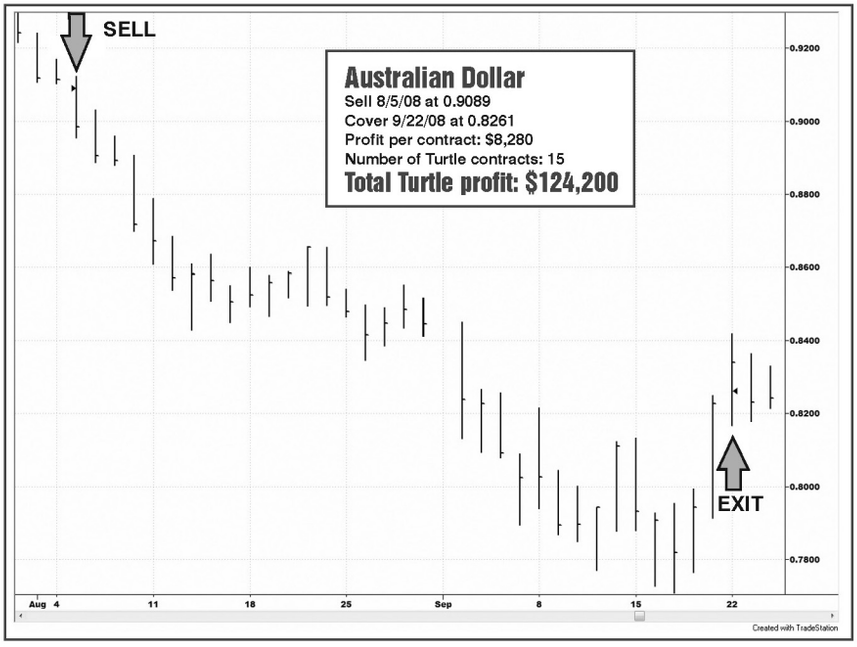
This Silver trade made us $19,725 profit per contract.
Our trading family made $276,150 in profits.

COTTON - $493,210 Profit



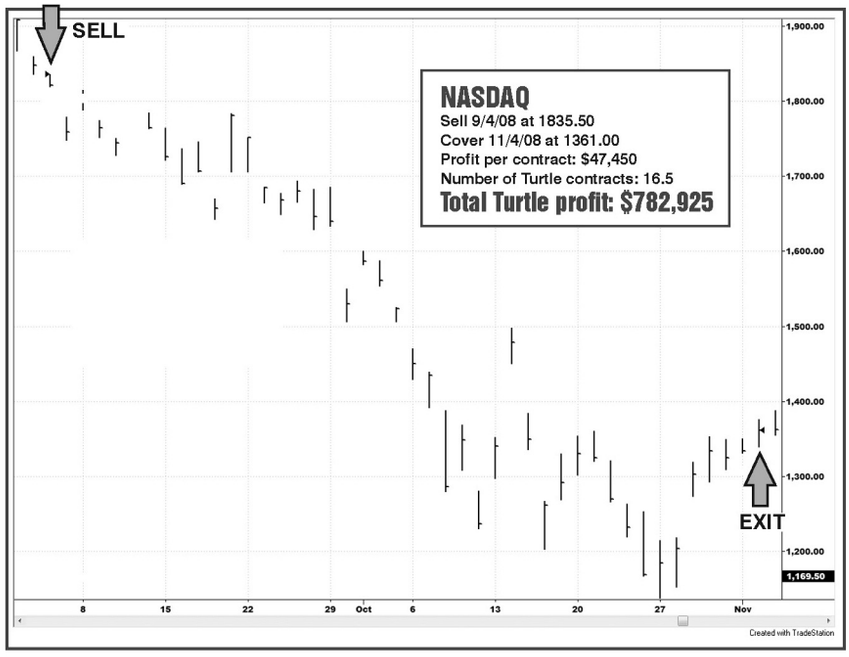
This Cotton trade made us $13,330 profit per contract.
Our trading family made $493,210 in profits.

AUSTRALIAN DOLLAR - $124,200 Profit



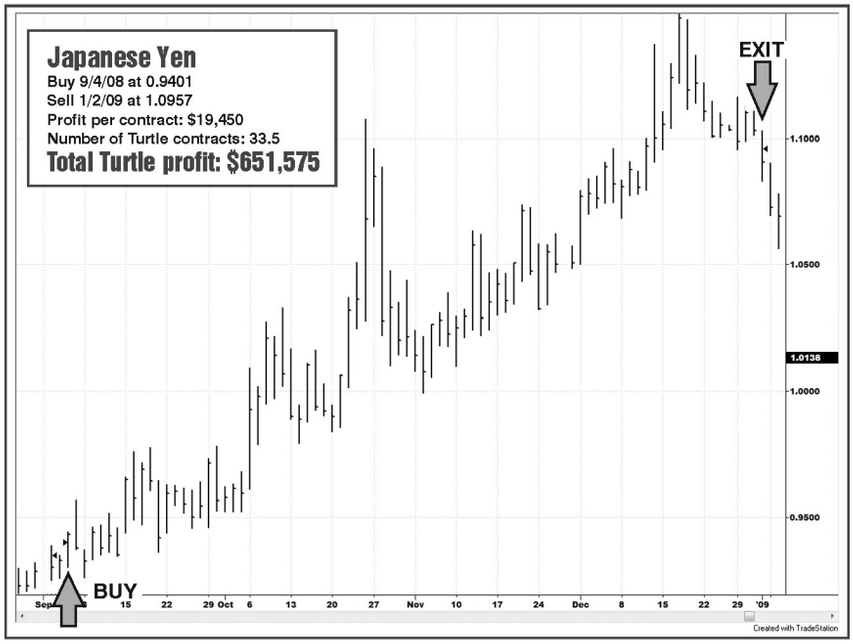
This Australian Dollar trade made us $8,280 profit per contract.
Our trading family made $124,200 in profits.

NASDAQ - $782,925 Profit



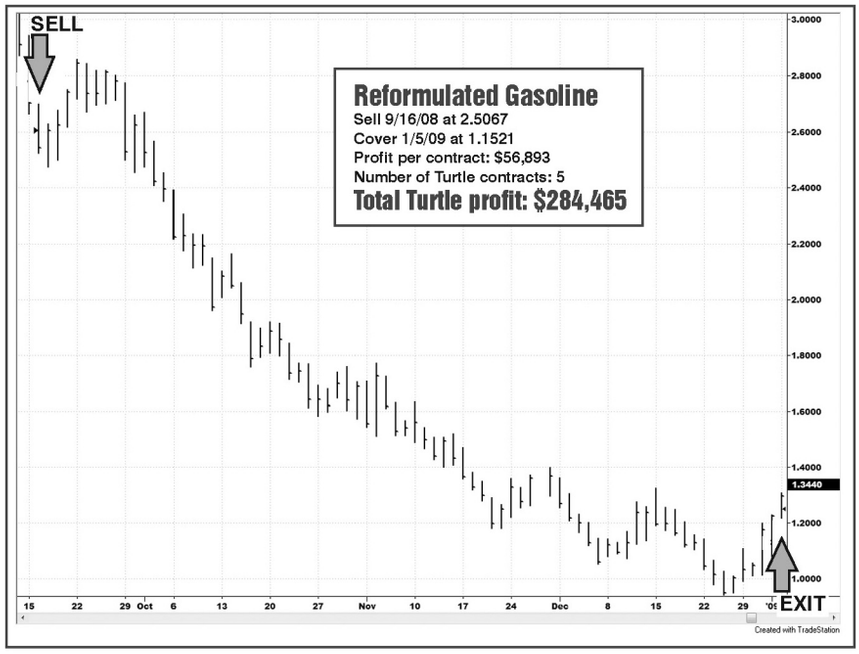
This NASDAQ trade made us $47,450 profit per contract.
Our trading family made $782,925 in profits.

JAPANESE YEN - $651,575 Profit



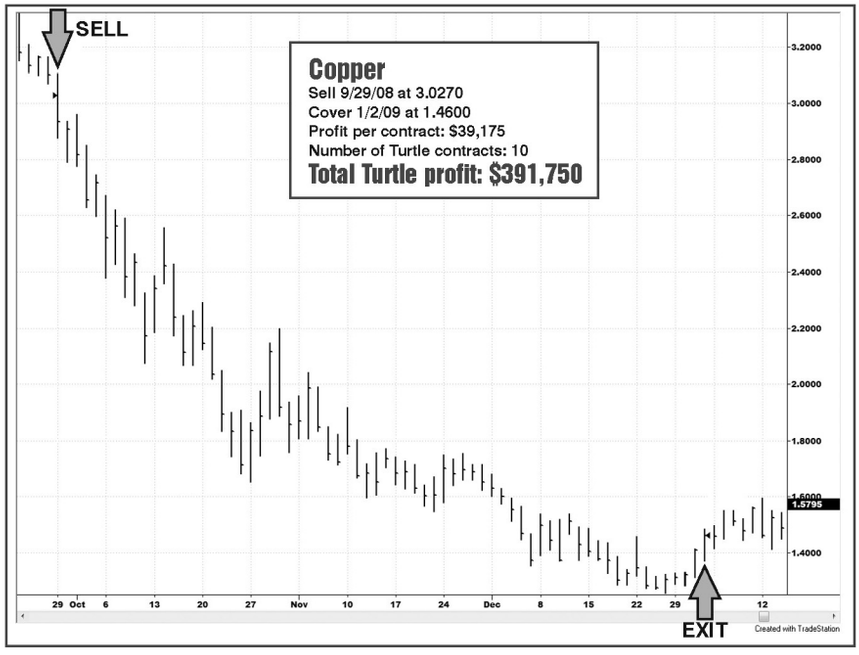
This Japanese Yen trade made us $19,450 profit per contract.
Our trading family made $651,575 in profits.

REFORMULATED GASOLINE - $284,465



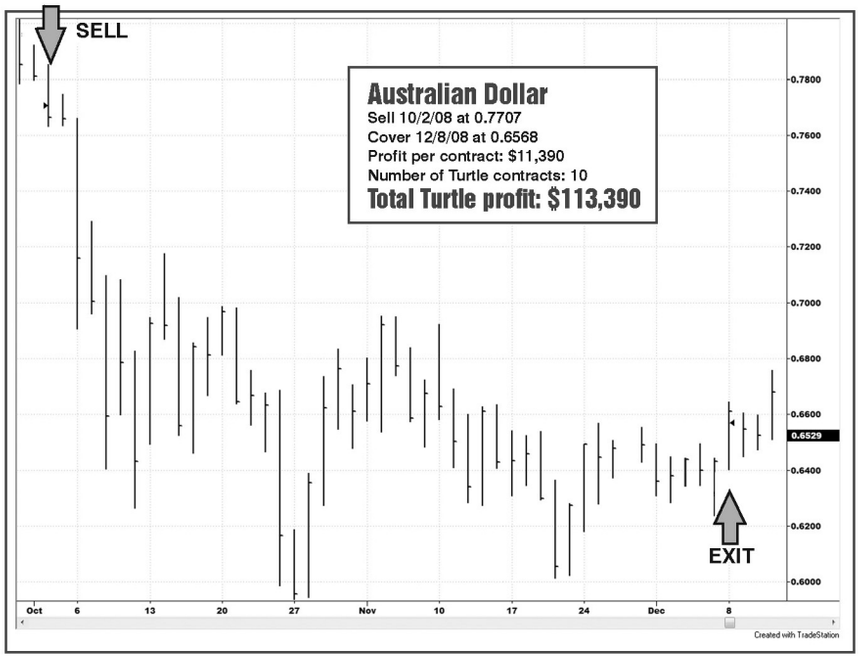
This Reformulated Gasoline trade made us $56,893 profit per contract. Our trading family made $284,465 in profits.

COPPER - $391,750 profit



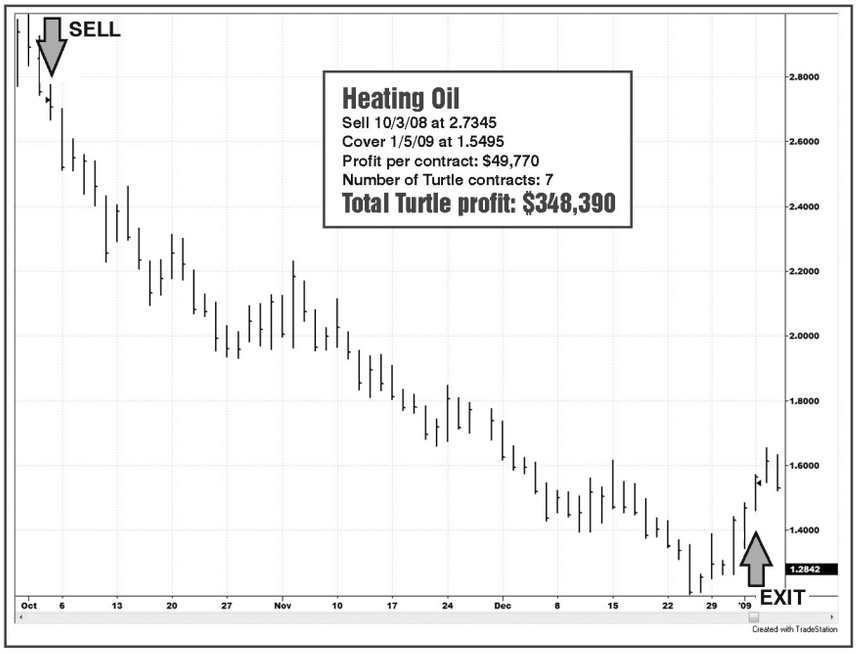
This Copper trade made us $39,175 profit per contract. Our trading family made $391,750 in profits.

AUSTRALIAN DOLLAR - $113,390 profit



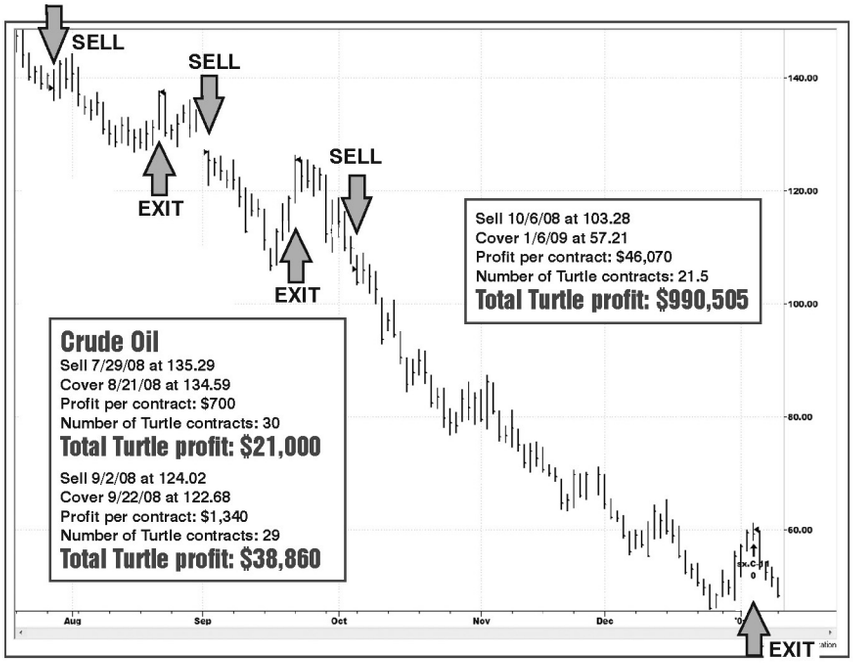
This Australian Dollar trade made us $11,390 profit per contract.
Our trading family made $113,390 in profits.

HEATING OIL - $348,390 Profit



This Heating Oil trade made us $49,770 profit per contract.
Our trading family made $348,390 in profits.

CRUDE OIL - $990,505 Profit



These Crude Oil trades made us $46,070 profit per contract. Our trading family made $990,505 in total profits in the last 5 months of 2008.

US 30-YEAR TREASURY BONDS - $294,462 Profit

This US 30-Year Treasury Bond trade made us $16,359 profit per contract. Our trading family made $294,462 in profits.

One more time, let me insert the same point I keep making over and over again. We don't care why these things are happening, we don't waste our time trying to figure it out, all we do is just jump on board and follow along !!

Well, there you have it, another profitable year for the Turtle system, although we did have some "ups" and "downs" along the way. But once again, we prevailed in the end, simply because we have a valid and legitimate long term methodology, as I spent the first half of this report trying to explain in layman's terms. And now let's finish this yearly review by going back to the original explanation, because there are a couple of great examples to see when we step back and look at the bigger picture.

On the next page are charts of two of the markets that we have been trading over the years, namely Copper and Sugar. These charts have been condensed to show price action going back for at least twelve months or longer, so that we may better illustrate the long term structural nature of all markets that we have been discussing throughout this report. Both charts are classic examples of several concepts that are part of the Turtle system. One is the very long term of idea of 'what goes up, must come down', and vice-versa. Another is the general philosophy of having alternating periods of trendiness and consolidation. And finally, is the idea that you can have more losers than winners, and still have a very profitable system, if the winners are big enough and the losers are small enough.

First we have Copper. Period A represents several months of sideways movement during the end of 2005 and the start of 2006. Although this period had a couple of false breakouts in both directions, it was actually not quite as ugly as I would have expected. I say this because during the few months prior to A, which unfortunately is not shown on the chart, Copper had a very nice uptrend, one of the best of 2005 in fact. Given that, I would have expected the ensuing consolidation to be even longer and more brutal than it was. But instead, the 2005 trend turned out to be just the first leg of a major bull market, where A was just a temporary pause for Copper to catch its breath, before running up during period B, which turned out to be an even bigger move overall, one of the biggest ever, in fact.

After trending period B ran its course, we then did in fact get what I thought was a really brutal sideways consolidation, during period C. There were at least two false breakouts in each direction, which were exacerbated by the fact that the N volatility had gotten so high, simply because the underlying price increased so much. Richard Dennis did teach us that the more profitable trend we would catch, the worse the consolidation would be that followed. So much so that we had some loose general 'guidelines' about staying away from a market for a certain period of time after a huge move, which in retrospect, would have been a nice thing to do in this case. But as we will see in the next example, this idea doesn't always work either.

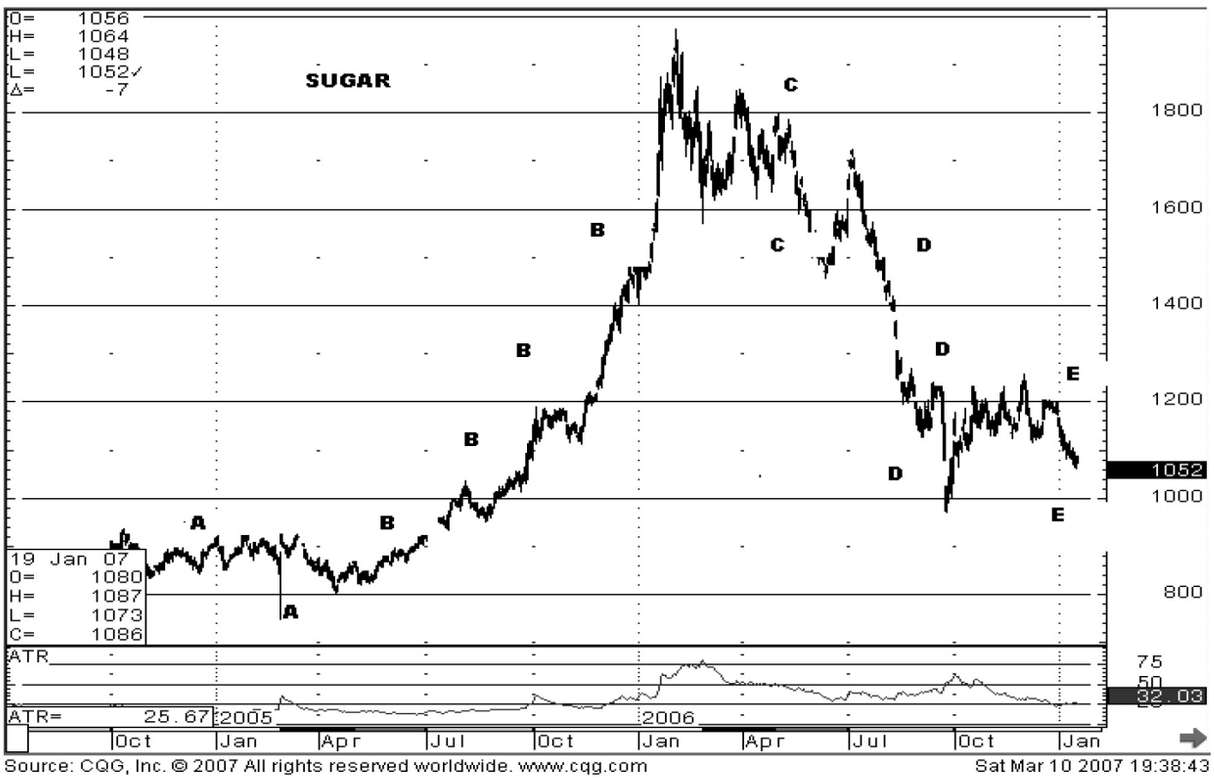
Anyway, after C finally ran its course (which seemed like forever to me), we finally were able to catch a decent downtrend during period D. The move going down in D was nowhere near as good as the move going up in B, either in N terms or in dollar terms, but it did at least pay for the four losses in a row that we suffered during the consolidation of C. And when it was all said and done, the Copper market had a pretty good year. There were a total of 8 trades, 2 winners and 6

losers. But the two winners were about 22 N and 10 N respectively, and the six losers were all cut off at 2 N each, resulting is a net profit of about 20 N (or 20% of bankroll) for the year.

Source: CQG, Inc. © 2007 All rights reserved worldwide. www.cqg.com Sat Mar 10 2007 19:37:12

The other market shown on page 27 is Sugar, and this is a chart that goes back for two years. There was a very long sideways consolidation period during the end of 2004 and the start of 2005 at period A, and it seemed like the market was just never going to go anywhere. But when it finally did break out for good during period B, it turned out to be just about the largest trend measured in N terms of any market that the Turtle system had seen in almost five years, just about 30 N. Which was certainly an unexpectedly pleasant surprise, but then again, we also know that part of the Turtle theory says that the longer a market stays in a consolidation, the better the breakout is going to be when it finally does occur. It's just too damn bad we don't know in advance when that will happen.

And when Sugar ran its course, unlike Copper before it, there was a relatively brief period of consolidation during C, with only two false breakout losing trades (one in each direction), before the market came right back down again during period D to almost its old price levels of the prior year. And although the downward move in D was not nearly as large in N terms due to the increase in daily price range volatility, the down trend in dollar terms was almost as profitable as the previous rally. And even the smaller Turtle accounts should have been able to catch both these moves, as the margin for Sugar remained relatively low.



Sat Mar 10 2007 19:38:43

Unlike Copper, Sugar ran all the way up and then came right back down rather quickly, without taking that long consolidation pause in between. For the entire year of 2006, similar to Copper, the Sugar market had two big winners and five small losers, but when you add them all up, the big winners more than compensated for the small losers, and we wound up once again with about a 20 N (or 20% of account) net profit.

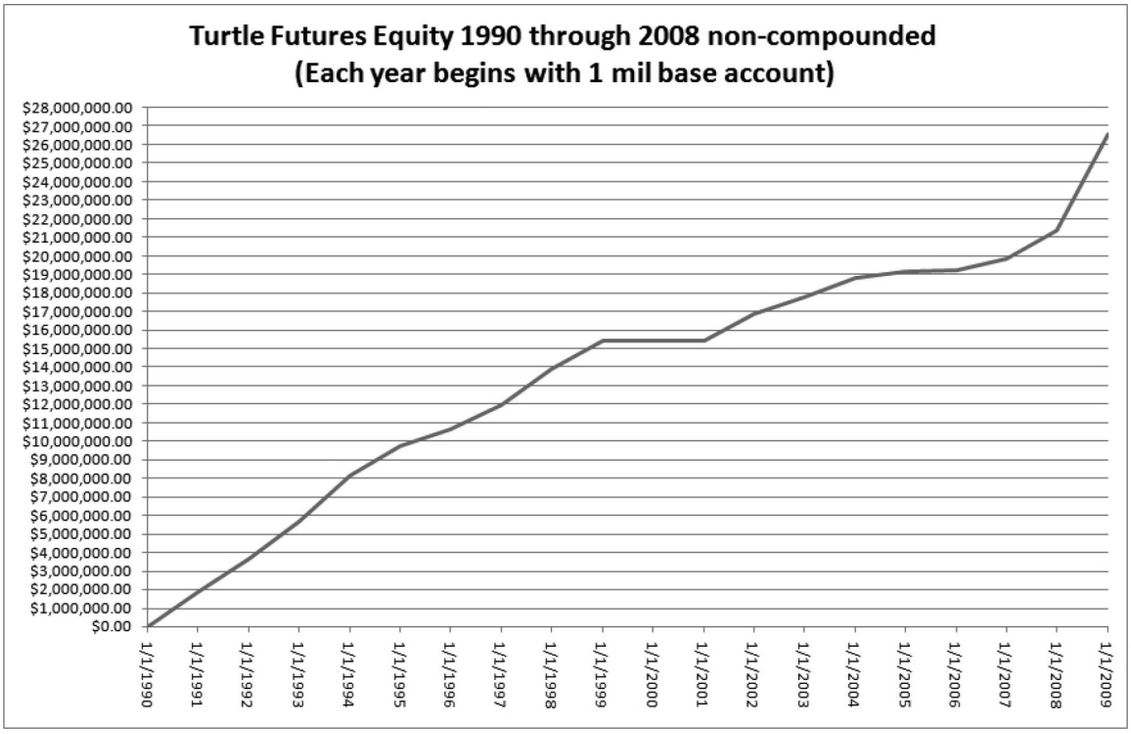
Of course, there are plenty of years when many markets will just be in consolidation most of the time, or if they do give us some breakout trends, those moves will not be large enough to pay for all the times we took losses while waiting for the trends to occur. There was certainly no way for us (or anybody else) to know that both the up trends and the down trends in both Copper and Sugar were going to turn out to be big enough to pay for all the losses we took on the false breakouts, and still have enough left over to show a profit. But once again, that is just the way the Turtle system (and all markets in general) works. In 2009, we might have five losers in a row throughout the year in Copper and Sugar, but we will catch a new big trend in Soybeans or Gold or Coffee which will not only make enough to cover its own losses, but will be able to cover losses in other markets too, and still show us a net profit on the whole. So we trade a diversified portfolio of markets, never knowing where the next big trend will come from, but knowing that one of two of them will indeed come from somewhere. And they do, every year :-

Long Term Historical Results

On the next few pages, I've included the results of a computer study conducted on TradeStation (by a Trade Station developer) using perpetual data back to 1990.

This shows comparative results. Actual trading would vary slightly, as perpetual data does not represent actual prices in the market.

2008 was by far the most profitable Turtle results since 1990, with over $5,000,000 profit in the simulated study. Only one year (2000) showed a loss, of 2.5%. An average year was well over 100% gain per year (non-compounded) for the 19 year study.



NOTICE: "Hypothetical or simulated performance results have certain inherent limitations. Unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not actually executed, the results may have under-or-over compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown."

Portana 2000 v2.5.2 : Copyright 2002 Inside Edge Systems
Friday, March 27, 2009; 10:18:56 PM
Portfolio Dates: 01/12/1990 to 12/31/2008
Portfolio:<> C:\ZTS\ANNUAL REPORTS\

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Total Net Profit	26,597,640.00		
Gross Profit	90,849,400.00	Gross Loss	-64,251,780.00
Total # of Trades	6,519.00	Percent Profitable	36.45%
Number Winning Trades	2,376.00	Number Losing Trades	4,143.00
Largest Winning Trade	816,300.00	Largest Losing Trade	-102,300.00
Average Winning Trade	38,236.28	Average Losing Trade	-15,508.52
Ratio AvgWin/AvgLoss	2.47	Average Trade	4,080.02
Avg Days Winning Trade	42.60	Avg Days Losing Trade	14.60
Avg Days (win + loss)	24.80		
Max Drawdown	2,020,617.00	Drawdown to Equity	12.28%
Profit Factor	1.41		
Max Entry Value Long	112,660,132.00	Entry Value Short	9,093,211.00
Return / Risk	0.28%	Std Dev of Drawdown	648,334.50
Return / St Dev of DD	0.83%	Number of Drawdowns	66.00

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SandsHot Market Report 1990-2008 Trade Table

Symbol	First Date	Last Date	Equity
@RR.P	03/26/1990	12/31/2008	2,421,830
@ED.P	03/26/1990	12/31/2008	1,684,229
@JY.P	03/26/1990	12/31/2008	1,645,138
@NG.P	06/28/1990	12/31/2008	1,469,570
@NK	12/19/1990	12/31/2008	1,283,800
@LB.P	03/26/1990	12/31/2008	1,228,836
@FV.P	03/26/1990	12/31/2008	1,205,117
@CL.P	03/26/1990	12/31/2008	1,073,050
@FC.P	03/26/1990	12/31/2008	1,015,693
@HO.P	03/26/1990	12/31/2008	1,012,280
@DX	01/11/1990	12/31/2008	990,804
@KW.P	03/26/1990	12/31/2008	960,050
@SF.P	03/26/1990	12/31/2008	874,488
@OJ	01/12/1990	12/31/2008	806,607
@TY.P	03/26/1990	12/31/2008	792,359
@KC	01/12/1990	12/31/2008	781,620
@GC.P	03/26/1990	12/31/2008	715,240
@BP.P	03/26/1990	12/31/2008	699,694
@US.P	03/26/1990	12/31/2008	699,344
@LH.P	03/26/1990	12/31/2008	686,527
@C.P	03/26/1990	12/31/2008	637,900
@CT	01/11/1990	12/31/2008	601,300
@HG.P	03/26/1990	12/31/2008	559,900
@PL.P	03/26/1990	12/31/2008	525,925
@SB	01/12/1990	12/31/2008	520,610
@BO.P	03/26/1990	12/31/2008	516,576
@CD.P	03/26/1990	12/31/2008	503,250
@AD.P	01/11/1991	12/31/2008	462,170
@EC.P	03/31/1999	12/31/2008	429,675
@W.P	03/26/1990	12/31/2008	385,406
@S.P	03/26/1990	12/31/2008	282,469
@ND.P	07/05/1996	12/31/2008	207,453
@HU.P	03/26/1990	12/27/2006	122,501
@RB.P	01/04/2006	12/31/2008	79,829
@SM.P	03/26/1990	12/31/2008	64,040
@O.P	03/26/1990	12/31/2008	(875)
@PB.P	03/26/1990	12/31/2008	(49,244)
@DJ.P	12/31/1997	12/31/2008	(72,950)
@MP1.P	06/12/2000	12/31/2008	(74,400)
@CC	01/12/1990	12/31/2008	(149,070)
@SI.P	03/26/1990	12/31/2008	(201,660)
@SP.P	03/26/1990	12/31/2008	(293,038)
@LC.P	03/26/1990	12/31/2008	(506,406)
			26,597,636

Sands Hot Market Report 2008 Trade Table

Symbol	First Date	Last Date	2008
@RR.P	03/26/1990	12/31/2008	637,920
@PL.P	03/26/1990	12/31/2008	590,240
@JY.P	03/26/1990	12/31/2008	412,800
@HO.P	03/26/1990	12/31/2008	236,758
@HG.P	03/26/1990	12/31/2008	184,963
@SI.P	03/26/1990	12/31/2008	183,295
@NK	12/19/1990	12/31/2008	179,675
@BO.P	03/26/1990	12/31/2008	178,950
@ND.P	07/05/1996	12/31/2008	176,775
@SF.P	03/26/1990	12/31/2008	170,375
@O.P	03/26/1990	12/31/2008	164,613
@BP.P	03/26/1990	12/31/2008	163,406
@CC	01/12/1990	12/31/2008	157,110
@RB.P	01/04/2006	12/31/2008	144,732
@ED.P	03/26/1990	12/31/2008	141,650
@AD.P	01/11/1991	12/31/2008	140,770
@NG.P	06/28/1990	12/31/2008	126,500
@LC.P	03/26/1990	12/31/2008	126,000
@EC.P	03/31/1999	12/31/2008	122,600
@CL.P	03/26/1990	12/31/2008	112,010
@C.P	03/26/1990	12/31/2008	108,050
@CT	01/11/1990	12/31/2008	103,540
@SB	01/12/1990	12/31/2008	100,363
@FC.P	03/26/1990	12/31/2008	97,525
@KW.P	03/26/1990	12/31/2008	84,975
@DX	01/11/1990	12/31/2008	81,635
@US.P	03/26/1990	12/31/2008	78,672
@MP1.P	06/12/2000	12/31/2008	70,438
@LB.P	03/26/1990	12/31/2008	60,456
@FV.P	03/26/1990	12/31/2008	59,352
@DJ.P	12/31/1997	12/31/2008	51,490
@GC.P	03/26/1990	12/31/2008	40,130
@SP.P	03/26/1990	12/31/2008	39,850
@TY.P	03/26/1990	12/31/2008	37,594
@OJ	01/12/1990	12/31/2008	33,420
@S.P	03/26/1990	12/31/2008	28,325
@LH.P	03/26/1990	12/31/2008	23,080
@SM.P	03/26/1990	12/31/2008	10,040
@W.P	03/26/1990	12/31/2008	3,875
@KC	01/12/1990	12/31/2008	(16,969)
@CD.P	03/26/1990	12/31/2008	(50,490)
@PB.P	03/26/1990	12/31/2008	(180,430)
@HU.P	03/26/1990	12/27/2006	
			5,216,062

And Something Completely New -- Turtle Forex Foreign Exchange Markets !!

Wow, I am really excited about this one. The Forex (foreign exchange currencies) is the largest market in the world, larger than our stock and bond markets combined. In 1978, seven years after the 'Gold Standard' was abandoned, the value of world currencies was finally allowed to fluctuate according to supply and demand. Thus, the Forex Trading Market was born. For the next several years, Forex Trading was only available to most very large banks and multinational institutions. But around fourteen years ago, in 1995, thanks in part to the availability of computers and the newly popular internet, this highly profitable market became available to everyone.

All Forex trading is quite simply the simultaneous buying of one currency and the selling of another. These currencies are executed in 'pairs'. This type of trading is very similar to what the Turtles already do when trading currency futures on the Chicago Mercantile Exchange, with the major difference being that the currency futures contracts all involve betting on the price of some other country's currency when compared to the U.S. Dollar. But in the Forex market, you can choose the currency value of any country as it compares to that of any other country, not just the Dollar. The price of each currency in the pair is constantly fluctuating relative to all other world currencies. For example, if the British Pound is stronger than the Japanese Yen, the British Pound -- Japanese Yen pair will go up in price. Similarly, if the Yen suddenly becomes stronger, the price of the Pound --Yen pair goes down. The Foreign Currency Exchange (FOREX) was established to allow traders and investors to participate in the relative gains or losses of all the world's currencies.

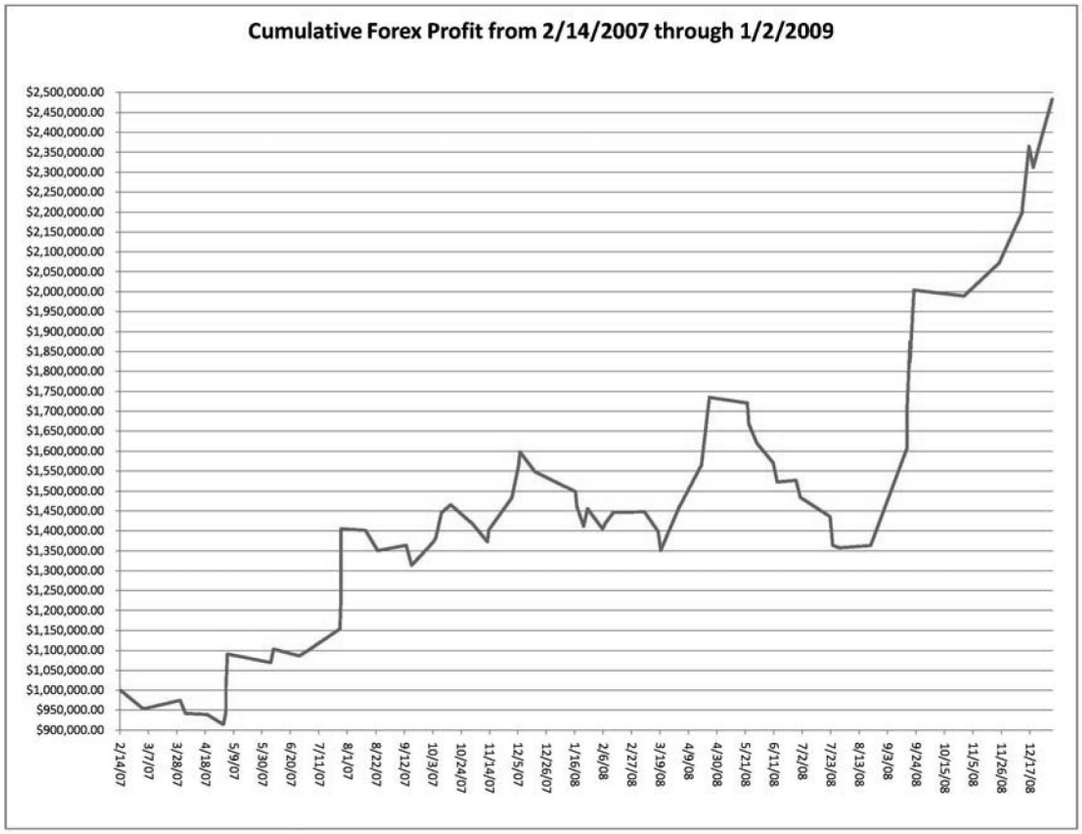
Currencies are what bind the world together. If you decide to take a vacation to a foreign country and you convert US Dollars into 'their' currency, you've entered into a FOREX trade. Although it may not be your intention to profit or lose from this transaction, the value of the trade will fluctuate until your vacation is over and you convert your remaining funds back into US Dollars. World currencies have a tendency to trend, and for all of the same reasons mentioned at the beginning of this report. If some country's internal monetary policy causes lower demand for their currency, then all other currencies will become relatively more valuable. In many cases, changes to a government's monetary policy occur rather infrequently. Also slow to change are other basic economic conditions such as interest rates, imports and exports, etcetera. As a result, price changes (trends) can last for a long time.

Because the currencies tend to trend so well, they have always been among the most profitable markets for the Turtles to trade. But in recent years, as this new "Forex" trading has become more popular for the average guy at home, both the volume and liquidity of the old currency futures at the Chicago Merc has dried up considerably. It is only natural that the bulk of currency trading, by both large money managers and small retail traders alike, has shifted to this new marketplace. My own trading has shifted as well, in fact, for a couple of years now, my broker has been converting all my currency futures orders and executing them in the cash market, then having his back office convert them back to futures prices to report and fill for my account. When I finally realized what was happening (remember, Turtles can be a little slow sometimes), the next logical step for me was to place my orders directly in the Forex.

But it wasn't quite that simple. Because Forex is a global twenty four hour market place, without even a conventional central physical exchange location, the prices of the cash currencies tend to move a little differently than the futures. For example, in simple technical terms, if you look at the Forex chart of any currency pair, the first thing you will notice is that there are never any gaps. Of course not, because the market never closes, it always keeps trading somewhere around the clock and around the world. There is also a little more 'backing and filling' going on, as the prices continually adjust themselves to market conditions.

So we took all the original Turtle rules and programmed them in Tradestation using Forex price data, and the test results, while still profitable, were not quite as good as I had expected. Both the entry and exit rules had to be slightly adjusted, as well as one additional filter added, in order to make the Turtle system work in Forex. And although it took a few months to work out all the kinks, we finally did so. I am now proud to announce that the Turtle Forex system is up and running, and can be made available to anyone who is interested.

Shown here below is an equity graph (it's hypothetical – please read the CFTC disclaimer) of the Forex system for all the Forex pairs we currently trade.



NOTICE: While signals occurred in real-time, there is not comprehensive record of actual trading, so these must be considered hypothetical. "Hypothetical or simulated performance results have certain inherent limitations. Unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not actually executed, the results may have under-or-over compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown."

Entry Date	Symbol	Type	Entry	Quantity	Exit Date	Type	Exit	Profit/Loss	Cumulative P/L
					2/14/2007				$1,000,000.00
2/21/2007	NZDUSD	Buy	0.7035	3700000	3/2/2007	Sell	0.6914	($44,289.00)	$955,711.00
2/14/2007	EURUSD	Buy	1.3064	3400000	3/5/2007	Sell	1.3081	($578.00)	$955,133.00
2/14/2007	USDCHF	Sell Short	1.2375	3000000	3/30/2007	Buy to Cover	1.2225	$19,846.95	$974,979.95
3/1/2007	USDJPY	Sell Short	117.46	2,500,000	4/3/2007	Buy to Cover	118.42	($32,763.12)	$942,216.83
4/3/2007	USDJPY	Buy	118.48	2,300,000	4/19/2007	Sell	118.09	($3,241.90)	$938,974.93
4/18/2007	USDCHF	Sell Short	1.2064	2900000	5/1/2007	Buy to Cover	1.2150	($25,018.11)	$913,956.82
3/21/2007	GPBUSD	Buy	1.9672	1900000	5/3/2007	Sell	1.9864	$34,010.00	$947,966.82
3/22/2007	NZDUSD	Buy	0.7120	2700000	5/3/2007	Sell	0.7348	$63,342.00	$1,011,308.82
3/16/2007	EURUSD	Buy	1.3257	3300000	5/4/2007	Sell	1.3541	$79,695.00	$1,091,003.82
5/21/2007	USDCHF	Buy	1.2281	3600000	6/5/2007	Sell	1.2197	($21,661.47)	$1,069,342.35
5/2/2007	USDJPY	Buy	119.85	2,900,000	6/7/2007	Sell	120.85	$33,873.69	$1,103,216.04
6/8/2007	USDCHF	Buy	1.2329	4100000	6/26/2007	Sell	1.2268	($17,126.46)	$1,086,089.58
6/13/2007	USDJPY	Buy	122.13	4,300,000	7/2/2007	Sell	122.23	$12,365.81	$1,098,455.39
7/2/2007	EURUSD	Buy	1.3552	4500000	7/26/2007	Sell	1.3696	$55,800.00	$1,154,255.39
6/22/2007	GPBUSD	Buy	1.9964	2800000	7/27/2007	Sell	2.0260	$82,040.00	$1,236,295.39
6/1/2007	NZDUSD	Buy	0.7403	4200000	7/27/2007	Sell	0.7790	$168,630.00	$1,404,925.39
7/2/2007	USDCHF	Sell Short	1.2145	4200000	8/14/2007	Buy to Cover	1.2099	($3,884.01)	$1,401,041.38
8/17/2007	GPBUSD	Sell Short	1.9769	1600000	8/23/2007	Buy to Cover	2.0080	($50,688.00)	$1,350,353.38
8/15/2007	NZDUSD	Sell Short	0.7262	1800000	9/13/2007	Buy to Cover	0.7159	$13,446.00	$1,363,799.38
9/10/2007	GPBUSD	Buy	2.0323	1800000	9/17/2007	Sell	2.0042	($50,220.00)	$1,313,579.38
7/25/2007	USDJPY	Sell Short	120.03	2,900,000	10/3/2007	Buy to Cover	116.38	$58,285.71	$1,371,865.09
9/7/2007	USDCHF	Sell Short	1.1919	3200000	10/5/2007	Buy to Cover	1.1844	$10,837.05	$1,382,702.14
9/10/2007	EURUSD	Buy	1.3798	3000000	10/9/2007	Sell	1.4032	$62,880.00	$1,445,582.14
9/20/2007	NZDUSD	Buy	0.7366	2000000	10/16/2007	Sell	0.7460	$20,020.00	$1,465,602.14
10/22/2007	USDJPY	Sell Short	114.02	2,800,000	11/1/2007	Buy to Cover	115.80	($48,394.16)	$1,417,207.98
11/6/2007	NZDUSD	Buy	0.7785	2100000	11/12/2007	Sell	0.7568	($44,919.00)	$1,372,288.98
9/28/2007	GPBUSD	Buy	2.0366	1700000	11/13/2007	Sell	2.0525	$30,175.00	$1,402,463.98
10/22/2007	USDCHF	Sell Short	1.1623	2900000	11/30/2007	Buy to Cover	1.1261	$80,251.64	$1,482,715.62
10/18/2007	EURUSD	Buy	1.4281	2700000	12/5/2007	Sell	1.4620	$81,621.00	$1,564,336.62
11/7/2007	USDJPY	Sell Short	113.24	2,500,000	12/6/2007	Buy to Cover	111.22	$33,777.71	$1,598,114.33
12/11/2007	NZDUSD	Buy	0.7817	2100000	12/17/2007	Sell	0.7577	($49,707.00)	$1,548,407.33
1/15/2008	NZDUSD	Buy	0.7913	2900000	1/16/2008	Sell	0.7740	($50,112.00)	$1,498,295.33
1/3/2008	EURUSD	Buy	1.4770	2000000	1/17/2008	Sell	1.4594	($37,240.00)	$1,461,055.33
1/22/2008	NZDUSD	Sell Short	0.7434	2100000	1/22/2008	Buy to Cover	0.7670	($49,518.00)	$1,411,537.33
12/14/2007	GPBUSD	Sell Short	2.0180	1300000	1/25/2008	Buy to Cover	1.9791	$43,680.00	$1,455,217.33
2/1/2008	EURUSD	Buy	1.4921	1700000	2/5/2008	Sell	1.4626	($50,082.00)	$1,405,135.33
1/2/2008	USDCHF	Sell Short	1.1153	2500000	2/7/2008	Buy to Cover	1.1057	$14,268.24	$1,419,403.57
1/2/2008	USDJPY	Sell Short	109.56	2,400,000	2/13/2008	Buy to Cover	107.82	$26,762.42	$1,446,165.99
2/1/2008	NZDUSD	Buy	0.7933	1800000	3/7/2008	Sell	0.7920	$1,728.00	$1,447,893.99
3/14/2008	NZDUSD	Buy	0.8214	2000000	3/17/2008	Sell	0.7964	($49,880.00)	$1,398,013.99
3/10/2008	GPBUSD	Buy	2.0215	1600000	3/19/2008	Sell	1.9904	($47,216.00)	$1,350,797.99
2/28/2008	USDJPY	Sell Short	105.70	2,400,000	4/1/2008	Buy to Cover	101.03	$104,477.97	$1,455,275.96
2/27/2008	USDCHF	Sell Short	1.0728	2300000	4/18/2008	Buy to Cover	1.0216	$109,871.32	$1,565,147.28
2/26/2008	EURUSD	Buy	1.4953	2300000	4/24/2008	Sell	1.5670	$169,372.00	$1,734,519.28
4/8/2008	GPBUSD	Sell Short	1.9728	1400000	5/22/2008	Buy to Cover	1.9737	($14,154.00)	$1,720,365.28
5/8/2008	NZDUSD	Sell Short	0.7725	2700000	5/23/2008	Buy to Cover	0.7894	($52,245.00)	$1,668,120.28
5/27/2008	EURUSD	Buy	1.5813	1800000	5/29/2008	Sell	1.5540	($48,762.00)	$1,619,358.28
6/9/2008	EURUSD	Buy	1.5818	1700000	6/10/2008	Sell	1.5530	($48,773.00)	$1,570,585.28
6/6/2008	USDCHF	Sell Short	1.0214	1800000	6/13/2008	Buy to Cover	1.0490	($48,074.94)	$1,522,510.34
6/10/2008	USDJPY	Buy	106.43	2,100,000	6/27/2008	Sell	106.61	$4,353.60	$1,526,863.94
6/10/2008	NZDUSD	Sell Short	0.7536	3000000	6/30/2008	Buy to Cover	0.7646	($42,690.00)	$1,484,173.94
7/15/2008	USDJPY	Sell Short	104.99	2,300,000	7/22/2008	Buy to Cover	107.20	($48,710.02)	$1,435,463.92
6/30/2008	USDCHF	Sell Short	1.0147	1800000	7/23/2008	Buy to Cover	1.0352	($37,687.89)	$1,397,776.03
7/2/2008	EURUSD	Buy	1.5843	1900000	7/24/2008	Sell	1.5650	($33,915.00)	$1,363,861.03
6/27/2008	GPBUSD	Buy	1.9893	1500000	7/29/2008	Sell	1.9810	($6,360.00)	$1,357,501.03
7/28/2008	USDJPY	Buy	107.98	2,000,000	8/21/2008	Sell	108.21	$5,423.10	$1,362,924.13
8/4/2008	GPBUSD	Sell Short	1.9648	1700000	9/17/2008	Buy to Cover	1.8127	$245,276.00	$1,608,200.13
7/30/2008	USDCHF	Buy	1.0477	2200000	9/17/2008	Sell	1.1008	$104,569.98	$1,712,770.11
7/24/2008	NZDUSD	Sell Short	0.7483	3100000	9/19/2008	Buy to Cover	0.6880	$161,541.00	$1,874,311.11
9/16/2008	USDJPY	Sell Short	104.51	1,700,000	9/19/2008	Buy to Cover	107.49	($50,551.74)	$1,823,759.37
8/7/2008	EURUSD	Sell Short	1.5398	2200000	9/22/2008	Buy to Cover	1.4542	$180,290.00	$2,004,049.37
10/6/2008	USDCHF	Buy	1.1417	1200000	10/29/2008	Sell	1.1265	($14,794.78)	$1,989,254.59
10/2/2008	EURUSD	Sell Short	1.3881	900000	11/24/2008	Buy to Cover	1.2927	$82,971.00	$2,072,225.59
10/6/2008	NZDUSD	Sell Short	0.6436	1600000	12/11/2008	Buy to Cover	0.5545	$127,440.00	$2,199,665.59
11/4/2008	USDCHF	Buy	1.1748	1300000	12/11/2008	Sell	1.1833	$8,708.32	$2,208,373.91
10/6/2008	GPBUSD	Sell Short	1.7442	800000	12/16/2008	Buy to Cover	1.5397	$155,624.00	$2,363,997.91
12/18/2008	EURUSD	Buy	1.4437	1000000	12/19/2008	Sell	1.3922	($51,460.00)	$2,312,537.91
9/30/2008	USDJPY	Sell Short	103.53	1,300,000	1/2/2009	Buy to Cover	90.97	$169,712.34	$2,482,250.25

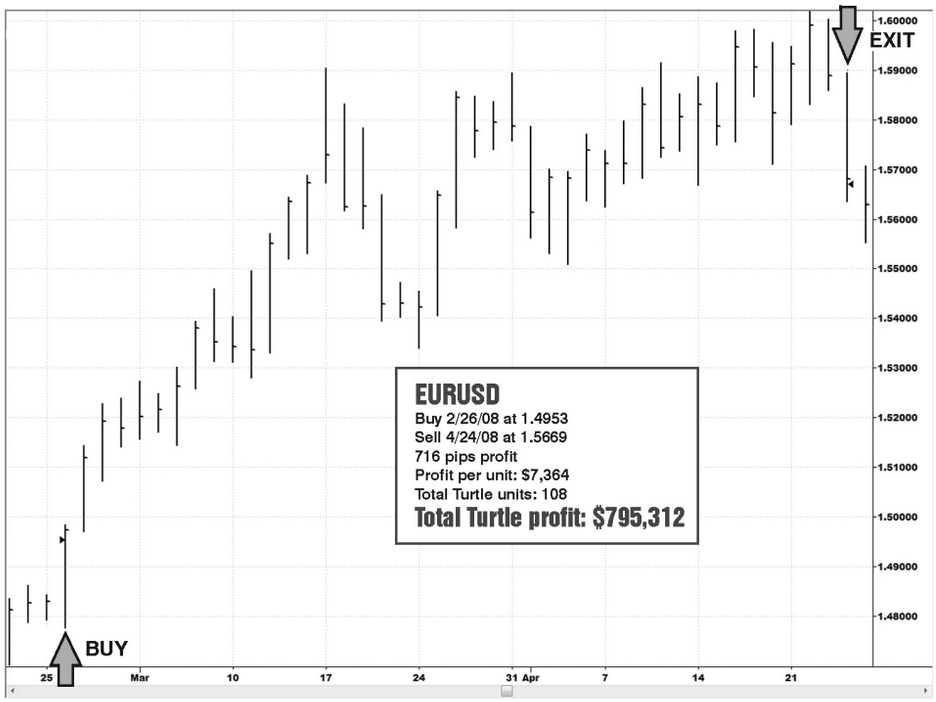
Here are results and charts for 10 actual Forex trades from 2008. We had a huge trend available through most of the Fall. This resulted in some enormous profits.

All told, we made 87.91% in 2006, 104.27% in 2007, and 196.13% in 2008. This is not a back-test or simulation. This is live account with real money. Returns are non-compounded.

SANDS FOREX

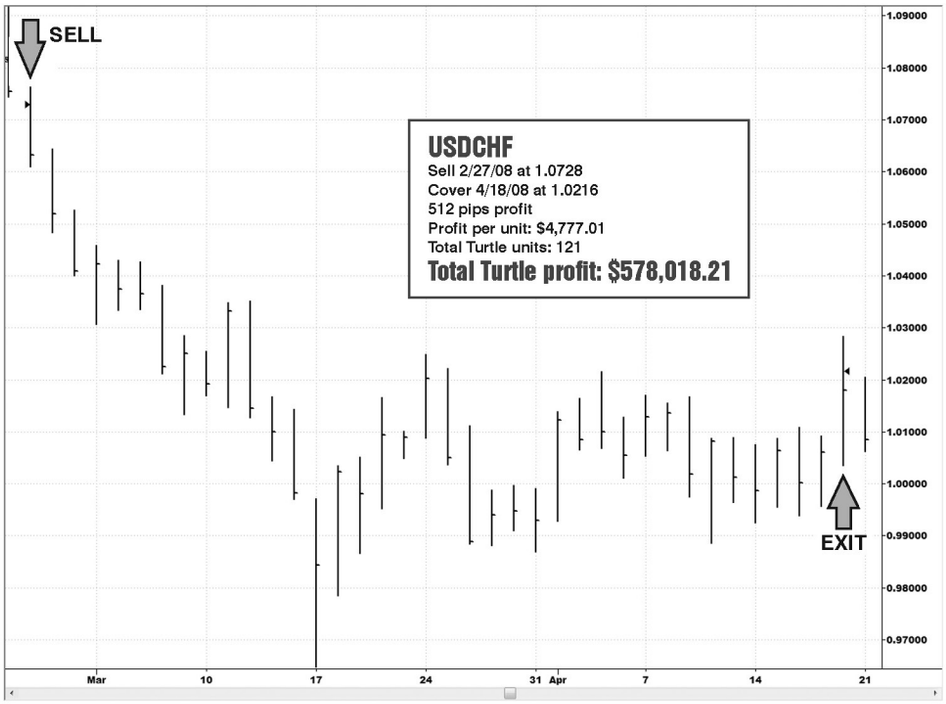
EURUSD	Buy	2/26/08-4/24/08	+ 7364	$795,312
USDCHF	Sell	2/27/08-4/18/08	+ 4777	578,018
NZDUSD	Sell	7/24/08-9/19/08	+ 5211	838,449
USDCHF	Buy	7/30/08-9/17/08	+ 4753	500,490
GBPUSD	Sell	8/4/08-9/17/08	+14,428	1,129,712
EURUSD	Sell	8/7/08-9/22/08	+ 8195	775,247
USDJPY	Sell	9/30/08-1/2/09	+13,054	2,344,642
GBPUSD	Sell	10/6/08-12/16/08	+19,453	2,100,924
NZDUSD	Sell	10/6/08-12/11/08	+ 7965	1,666,278
EURUSD	Sell	10/2/08-10/24/08	+$9219	$1,152,375
				$11,881,447 Profit

EURUSD - $795,312 Profit



This EURUSD trade made us $7,364 profit per contract.
Our trading family made $795,312 in profits.

USDCHF - $578,018.21 Profit

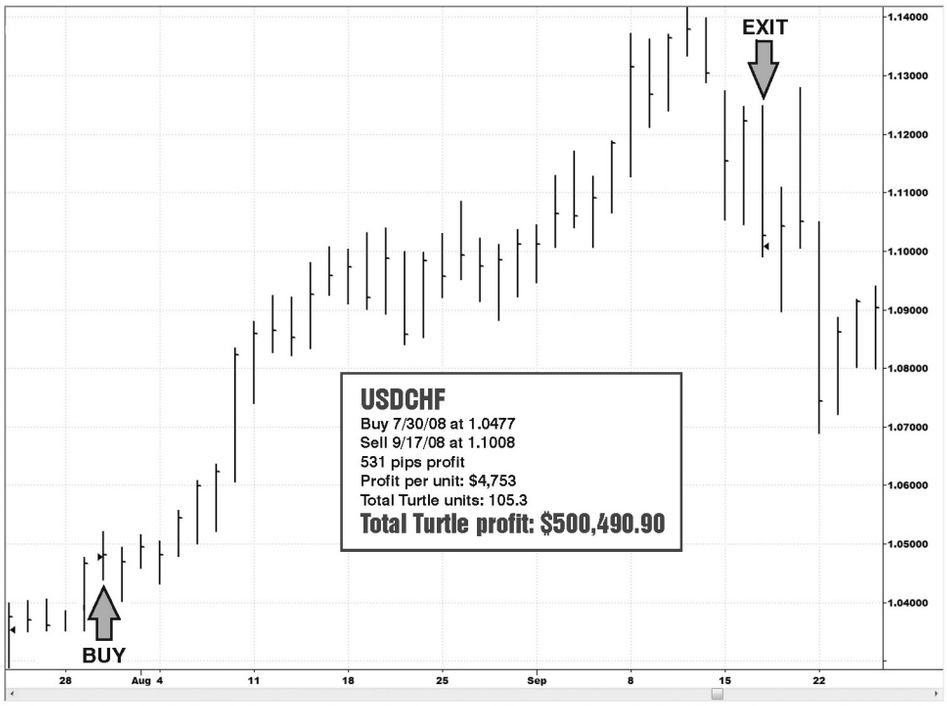


This USDCHF trade made us $4,777.01 profit per contract.
Our trading family made $578,018.21 in profits.

NZDUSD - $838,449.9 Profit

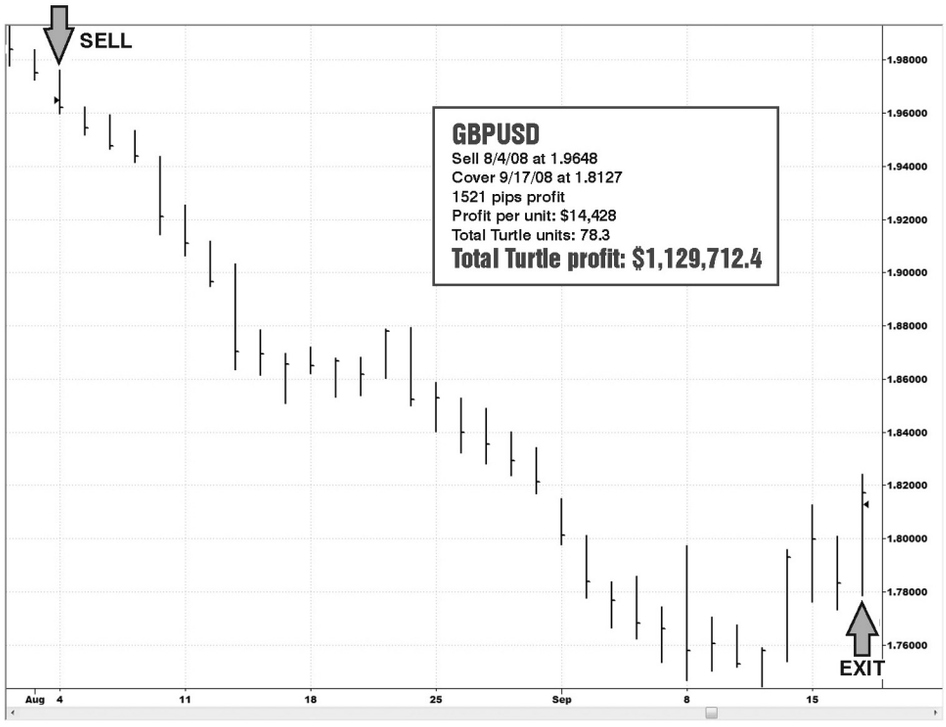
This NZDUSD trade made us $5,211 profit per contract.
Our trading family made $838,449.9 in profits.

USDCHF - $500,490.90 Profit



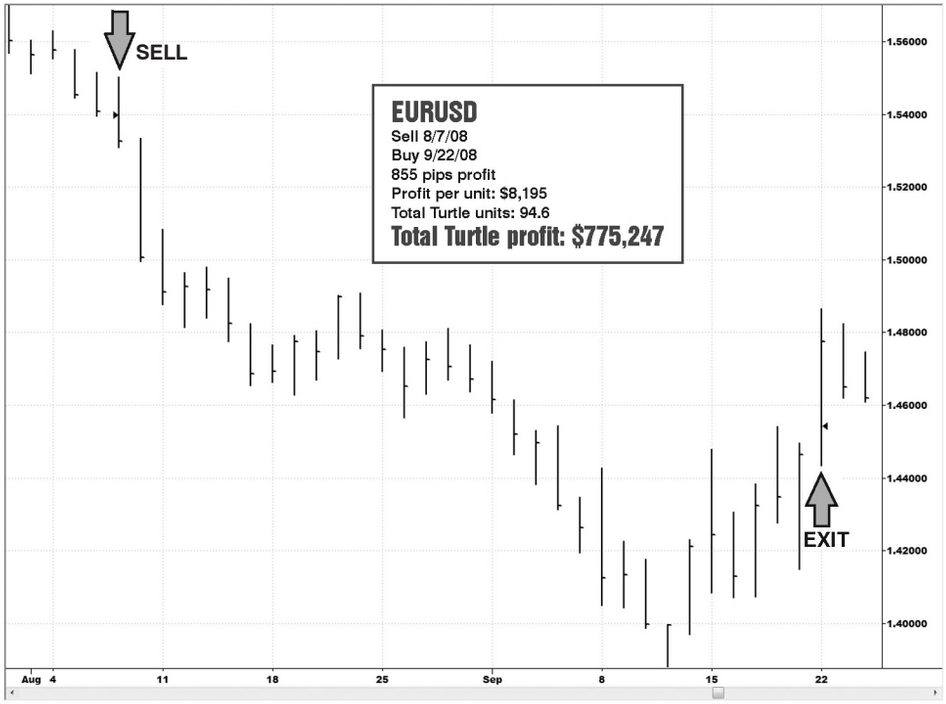
This USDCHF trade made us $4,753 profit per contract.
Our trading family made $500,490.90 in profits.

GBPUSD - $1,129,712.4 Profit



This GBPUSD trade made us $14,428 profit per contract.
Our trading family made $1,129,712.4 in profits.

EURUSD - $775,247 Profit

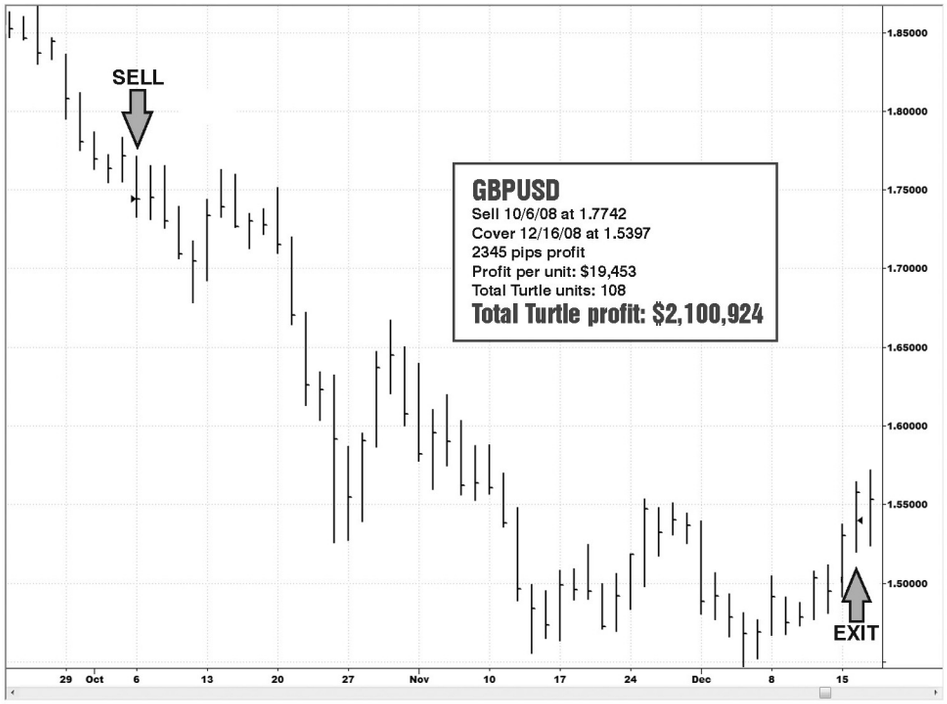


This EURUSD trade made us $8,195 profit per contract.
Our trading family made $775,247 in profits.

USDJPY - $2,344,642.08 Profit

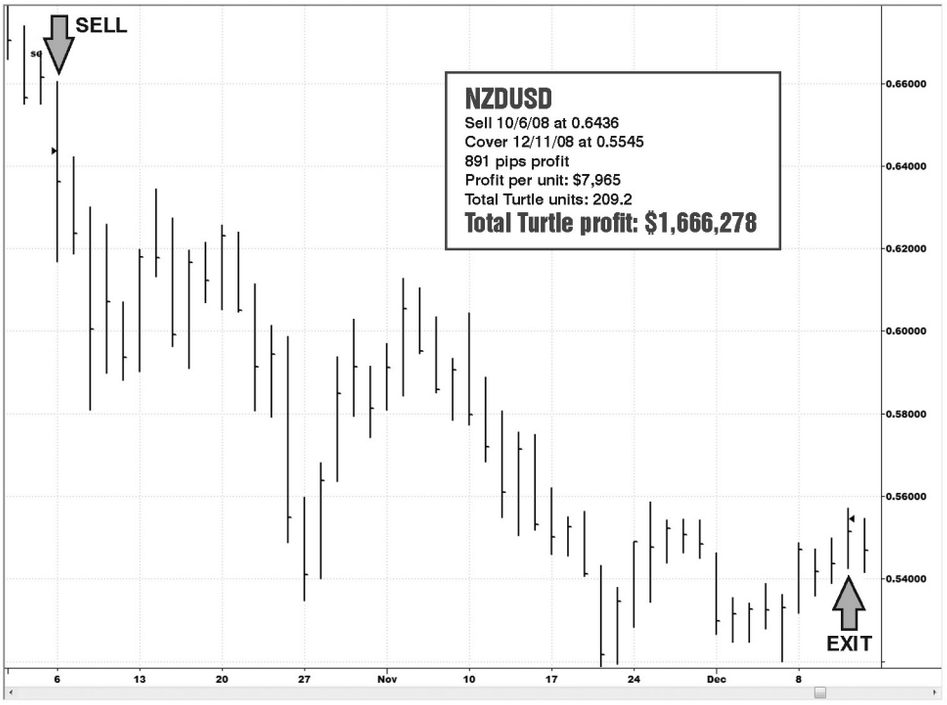
This USDJPY trade made us $13,054.80 profit per contract.
Our trading family made $2,344,642.08 in profits.

GBPUSD - $2,100,924 Profit

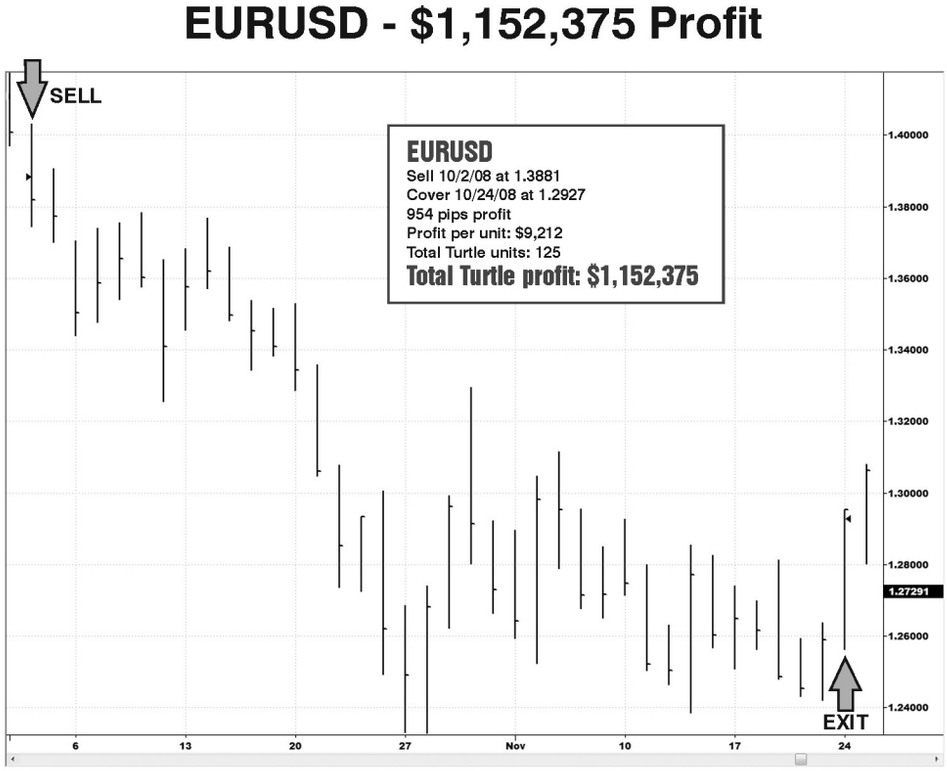


This GBPUSD trade made us $19,453 profit per contract.
Our trading family made $2,100,924 in profits.

NZDUSD - $1,666,278 Profit



This NZDUSD trade made us $7,965 profit per contract.
Our trading family made $1,666,278 in profits.



This EURUSD trade made us $9,212 profit per contract.
Our trading family made $1,152,375 in profits.

The Closing Bell

Well, that's it ladies and gentlemen, boys and girls, our 2009 Turtle Hot Market Report. It's packed chock full of very realistic, sometimes exciting, and (hopefully) mostly useful trading information. We have explained how all the markets work, summarized the results of 2008, and talked about some things to look forward to in 2009. We have the original Turtle system for our traditional commodities and futures markets, and a relatively new and very promising trading idea for the large and exciting foreign currency exchange market.

In other words, we have all the bases covered. Whatever you trade, and however you choose to diversify your investment portfolio, there is something here for you. 2009 is off and running, with a few decent trends in some of the commodity markets. So, as the late, great Jackie Gleason was so fond of saying: …And Awwaayyy We Go!!