Twitter Thread by Trung Phan ■■



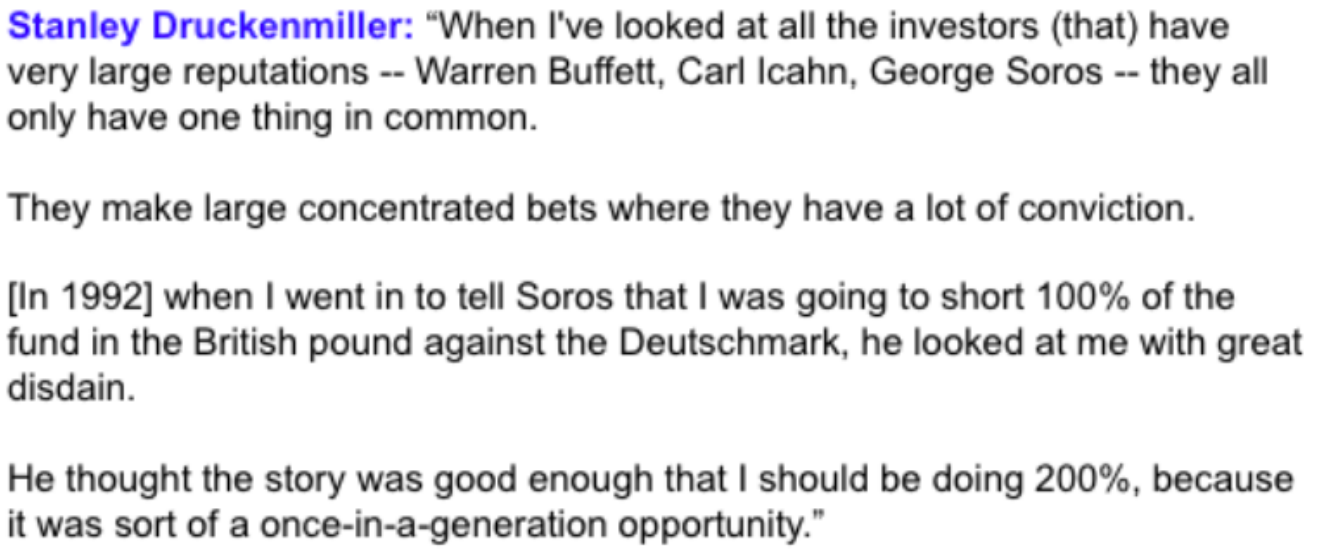
Trung Phan ■■
@TrungTPhan

The most memorable interview I did this year was w/ Stanley Druckenmiller, who famously made $1B shorting the British Pound.

The trading legend's track record includes a 30-year stretch returning 30%+ a year (without a single down year).

Here are 8 investing lessons■

1/ Make concentrated bets in high conviction plays



2/ Concentrated bets can sometimes *reduce* risk

Stanley Druckenmiller: “In my thinking, [concentrating your bets] decreases your overall risk because where you tend to be in trouble is if you have 35 or 40 names.

If you start paying attention to one. If you have a big massive position, it has your attention.

My favorite quote of all time is maybe Mark Twain: “Put all your eggs in one basket and watch the basket carefully.”

3/ Use a multi-disciplinary approach to investing

Stanley Druckenmiller: “When it comes to investing, I like a multi-disciplinary approach. My first boss taught me technical analysis.

So, I use fundamental analysis and technical analysis.

If there are 1000s of securities out there and my portfolio is only going to have [a fraction of them], I'm never going to buy something that doesn't have a great chart and fundamentals.”

4/ Know when to sell (he never uses a stop loss)

Stanley Druckenmiller: "The other thing to me [that makes a good investor] is you have to know how and when to take a loss. I've been in business since 1976 as a money manager.

I've never used the stop loss. Not once. It's the dumbest concept I've ever heard. [If a stock goes down 15%] I'm automatically out.

But I've also never hung onto a security if the reason I bought it has changed. That's when you need to sell.

if you're using the most disciplined approach, you can find something else. There's no reason to hang on to any security where you don't have great conviction."

5/ You will fight emotions your entire career

Stanley Druckenmiller: "It doesn't make any sense, but when a security goes up, every bone in your body wants to buy more of it. And when it goes down, you're fighting and making yourself not sell it.

It's just the nature of the beast.

And you have to constantly remind yourself why you own that security.

And just because it's going down, that doesn't necessarily mean you should sell it. If it's going down, it definitely means you should reevaluate your thesis, but it doesn't mean you should sell it.

And you cannot get crazy when it's going up."

6/ His biggest investing mistake came in 2000 when he let emotions overpower his discipline

Stanley Druckenmiller: “In January of 2000, after riding that tech boom to a T and making billions of dollars in 1999, I sold everything.

I had a couple of internal portfolio managers at Soros who didn't sell out. They had smaller portfolios but made 30% after I sold.

I [made a trade] maybe an hour from the top of the Dotcom Bubble. I ended up losing $3B on that trade alone. I had made more of the year before, but you know $3B is a lot of money.

It was all because I got emotional and dropped every tool of discipline I've ever had. And somebody says, what did you learn from [the trade]? And I just said, “I learned nothing. I learned that 25 years ago.”

7/ If you don’t *really* love investing, you will get beat by those who do

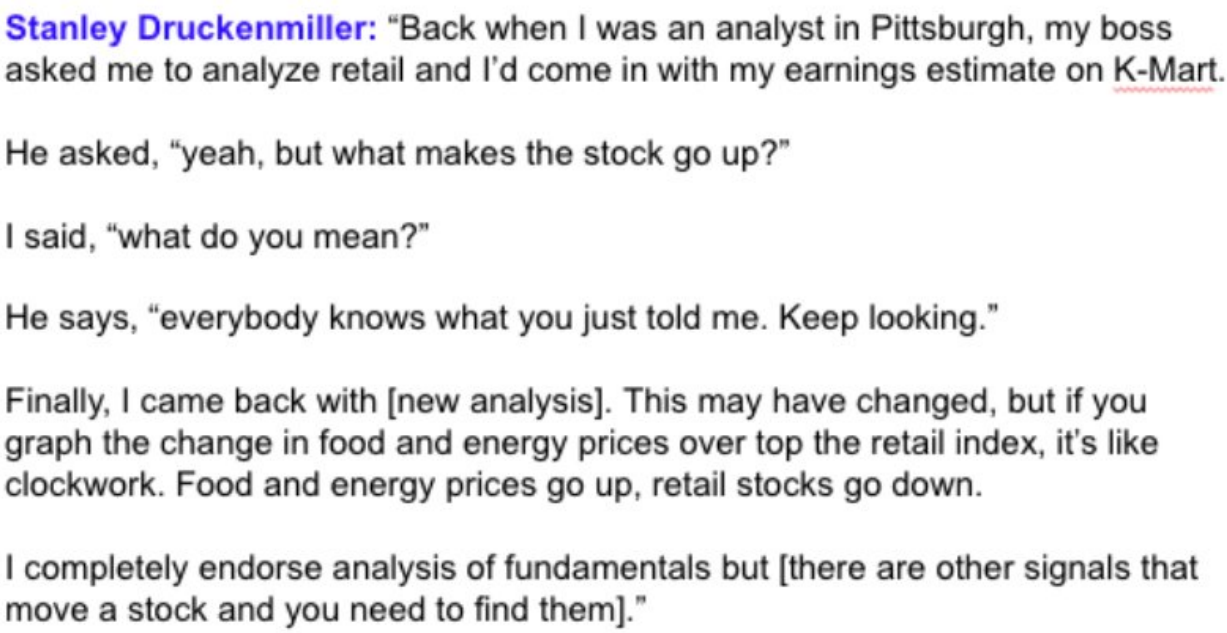
Stanley Druckenmiller: “You have to be passionate about investing. The people that love it like me are so addicted to it and so intellectually stimulated by it.

If you’re not passionate about it and only in it for the money, you have no chance of competing with these people.

They're going to outwork and out execute you.

I would do this job for $50,000 a year. I really would. I just, I just love it.”

8/ Find what *actually* makes a stock goes up or down



9/ If you enjoyed that, I write 1-2x interesting threads a week.

Follow @TrungTPhan to catch them in your feed.

Here's one you might like: https://t.co/B3SWUCF2cd

> ASML is the most important company you've never heard of.
>
> The $300B+ Dutch firm makes the machines that make semiconductors. Each one costs $150m and access to them are a huge geopolitical flashpoint.
>
> Here's a breakdown \U0001f9f5 pic.twitter.com/pARj3x7Kwo
>
> — Trung Phan \U0001f1e8\U0001f1e6 (@TrungTPhan) August 22, 2021

10/ PS. I also write a Saturday newsletter digging up the most interesting (and mostly hilarious) nuggets from around the web.

https://t.co/jGZs8brnVR

11/ Here's the full Q&A (audio, text) with Druckenmiller. It covers his views on the tech stocks, inflation, Wall Street Bets, crypto (BTC, ETH, DOGE), China and more:

https://t.co/N7MqxWj2ks

12/ One more: Be able to change your mind (before losing $3B in 2000, Druckenmiller pulled a stunning 180-degree turn in 1999)

(This story is courtesy of the Financial Times)

Jamie Powell SEPTEMBER 10 2020

In mid-1999, Stanley Druckenmiller found himself in a bind.

Soros's number two at the Hungarian's famous Quantum Fund believed the US stock market was in full-on bubble territory. Naturally, he was short tech to the tune of $200m. Druckenmiller was right; valuations were silly. The problem was, however, that the market kept going up. By May, the fund was down 18 per cent for the year.

So instead of blaming the Fed, his luck or retail traders, Druckenmiller did what any good trader does and decided to stop fighting the tape. The Quantum Fund reversed course and went neck-deep long tech, finishing the year up 35 per cent.

13/ Here is Stan's guess for the first FAAMG company to reach $5T

