

THE TRADING SHOW

NEW YORK 2013

Interview with:

Marcos Lopez de Prado, Head of Quantitative Trading & Research, Hess Energy Trading Company

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We spent a few minutes chatting with Marcos Lopez de Prado, who will be speaking at this year's Trading Show New York , taking place December 3rd and 4th at Three Sixty° Tribeca.

We spoke with him about:

- His proudest accomplishments
- The markets he trades in
- What's unique about his algorithms or trading strategy
- How Marcos rivals Jason Bourne

He's going to be speaking in a couple of weeks on 'How long it takes to recover from a loss.'

Can't wait that long? Turn the pages and get to know Marcos a little bit better before The Trading Show even begins.



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About Marcos



Marcos López de Prado is Head of Quantitative Trading & Research at Hess Energy Trading Company, the trading arm of Hess Corporation, a Fortune 100 company.

Before that, Marcos was Head of Global Quantitative Research at Tudor Investment Corporation, where he also led High Frequency Futures Trading and several strategic initiatives. Marcos joined Tudor from PEAK6 Investments, where he was a Partner and ran the Statistical Arbitrage group at the Futures division. Prior to that, he was Head of Quantitative Equity Research at UBS Wealth Management, and a Portfolio Manager at Citadel Investment Group.

In addition to his 15+ years of investment management experience, Marcos has received several academic appointments, including Postdoctoral Research Fellow of RCC at Harvard University, Visiting Scholar at Cornell University, and Research Affiliate at Lawrence Berkeley National Laboratory (U.S. Department of Energy's Office of Science). He holds a Ph.D. in Financial Economics (Summa cum Laude, 2003), a second Ph.D. in Mathematical Finance (Summa cum Laude, 2011) from Complutense University, is a recipient of the National Award for Excellence in Academic Performance by the Government of Spain (National Valedictorian, Economics, 1998), the Best Doctoral Dissertation Award by Complutense University (2011/2012), and was admitted into American Mensa with a perfect test score.

Marcos is a scientific advisor to Enthought's Python projects (NumPy, SciPy), and a member of the editorial board of several academic publications. His research has resulted in three international patent applications, multiple papers listed among the most read in Finance (SSRN), three textbooks, publications in the leading Mathematical Finance journals, etc. Marcos has an Erdős #3 and an Einstein #4 according to the American Mathematical Society.

For more information please visit www.QuantResearch.info

What is an accomplishment you are proud of?

More than proud, I feel grateful and lucky to have worked at some of the most successful investment firms, including Tudor Investment Corporation, Citadel Investment Group, PEAK6 and UBS. During this journey, I have met brilliant individuals and learned everything I know about the markets directly from recognized industry leaders. Whatever success I have, I owe to them first and foremost. Years after moving on from those firms, I maintain close ties with my former colleagues. Some tell me that several of those firms are still running the models and systems I designed when I was working with them.

What markets do you trade in?

I began as an equity options market maker in the late 1990s. Since then, I have traded every asset class, market and instrument: Equities at UBS, Short rates at Citadel, Futures at PEAK6 and high-frequency futures at Tudor Investment Corporation.

As head of quantitative trading at Hess Energy, my algorithms focus on energy commodities and stocks. Hess Energy Trading Company is the trading arm of Hess Corporation, and its traders are among the most experienced and successful in this space. Many people are not aware of how complex and diverse energy investing is, including: Crude, Refined Products, NatGas, Weather, Power, Freight and Storage. Some of the most successful investors are commodity traders, which may have to do with their ability to find opportunities beyond the arbitrary dictates of the political cycle.

What is something interesting/unique regarding your algorithms and/or trading strategy?

It is easy to come up with good quantitative models when you are surrounded by discretionary traders who have 20+ years of experience. Although I have a pretty solid academic background (two Ph.D.s, three textbooks, dozens of journal publications), I prefer working with discretionary traders. Garry Kasparov once told me this fact: In chess tournaments, grandmasters beat masters, but masters with a computer can beat any grandmaster, and two medium strength players with two different chess programs can beat anyone. Discretionary traders are masters (and a few are grandmasters, like Paul Tudor Jones and Louis Bacon). I provide the computational component that industrializes their idea generation process. When an honest quant teams up with a discretionary trader, the former gains insight and the latter discipline. It is not an easy mix due to epistemological differences, but when properly implemented, in my experience this combination is unbeatable.

What is a fun fact about yourself?

Over the last few years, I have lived in Spain, Switzerland, the U.K., and now the U.S.A. As a result, my kids have 3 citizenships (so far). When we travel to Europe, my wife insists that we take with us all of our valid passports... the 13 of them. I was not particularly impressed when Matt Damon pulled only 4 passports from a safebox in “The Bourne Identity”.

Want to learn more?

Marcos also kindly provided a whitepaper on ‘Drawdown-Based Stop-Outs and the ‘Triple Penance’ Rule.’ [Download a copy of the whitepaper here.](#)

We'd love to hear your views on all of this...

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We'd love to involve you too...

We're hosting The Trading Show New York on December 3rd and 4th, 2013 at Three Sixty° Tribeca, NYC. We would love to see you there! The Trading Show New York will feature Quant World, Big Data in Finance, Automated Trading, and HPC World.

Key topics include:

- How to use data-driven quantitative systematic strategies
- How to adopt new machine learning techniques to mine big data
- How to create fairness in speed trading
- How to optimize your infrastructure: risk, ultra-low latency and data
- How to visualize data
- How to refine time series management for R&D and back-testing
- How to leverage data and use social media to find hidden value

Attended by traders, quants, HFTs, asset managers, pensions, venture capitalists, institutional investors, exchanges, investment banks and brokers!

If you have a product or service to offer this audience, then get in touch today to find out about speaking and sponsorship opportunities.

If you want to find out more about speaking, sponsoring or registering as a delegate, contact me now at +1 646 619 1787 or email michael.ryan@terrapinn.com
