



INTERVIEW:

Steven Moyer**Evolution
of a Trader:
My Journey to
Systematic
Fund Manager****ETC**

ECKHARDT TRADING COMPANY

Science of Trading

Steven Moyer is a Portfolio Manager at Eckhardt Trading Company. He has been trading the markets professionally for 14 years and specializes in systematic futures strategies. His unique approach is based on combining market positioning with price & volatility analysis. In contrast to many other fundamental or technical strategies, Steven analyzes Sentiment based on “positioning of the crowd”. At times he trades with the crowd, and others he will go against them. In this interview, Marko Graenitz talks to him about the idea behind it.

By the way, if the name sounds familiar: Eckhardt Trading is not just any company from Chicago. It is the company founded in 1991 by the legendary William Eckhardt from the time of the Turtle Experiment with Richard Dennis in the 1980s. We have often written about the turtles in the magazine. Bill Eckhardt has been regarded as a pioneer of quantitative investing ever since. Today, Eckhardt Trading Company offers investment solutions for institutional investors, fund companies and wealthy private individuals.



You can find more about Steven Moyer and Eckhardt Trading Company here:
<https://www.eckhardttrading.com/team/steven-moyer/>

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 and was reading technical analysis books.“

TRADERS': WHEN AND HOW DID YOU FIRST GET INTERESTED IN MARKETS AND TRADING?

Moyer: I grew up in Nebraska and had a good deal of exposure to agriculture by working on a farm each summer in high school. Farmers will hedge their crop with derivatives thus I began paying attention to the commodity futures on a regular basis. Ethanol was also becoming big business. Following this, I studied Finance and Economics at the University of Nebraska - Lincoln, graduating just before the Financial Crisis in 2008. Stocks were making all-time highs, and commodities were in a major bull market. Wall Street, it seemed, was the place to be. I moved to New York City one week after graduating. I'd never been to NYC so you can imagine the shock upon arriving. I had zero job offers. I didn't have one interview lined up. Still, I never entertained the thought of failing. Within a few months, I landed a Japanese Equities Sales role at the capital markets group CLSA based in Hong Kong. I started off as an assistant but worked my way up fast. I did not know what I wanted to do in Finance, but was surrounded by a unique and entertaining group of individuals. This job allowed me to live in both NYC & Tokyo. It was fantastic.

TRADERS': WHAT DID YOU LEARN DURING THAT TIME?

Moyer: The brokerage firm had very strong Equity, Macro, and Technical Analysis research. My clients were mostly hedge funds, so I would combine a macro fundamental view with technicals in developing a daily sales pitch. It was "trial by fire" so to speak. Although frustrating at first, I eventually brought in sizeable business. One of my first mentors on the Japan

Sales desk taught me the basics of technical analysis. He was a big gold futures trader and kind enough to put up with my questions. He saw that I was hungry to learn. I, in turn, ran with the knowledge given. I became obsessed with charts and was reading technical analysis books written by legends such as John Murphy or Peter Brandt (see interview in TRADERS' 03/2014). I spent a large amount of time outside the office or on weekends studying various indicators. I also read the Market Wizards series which is when I found out about Bill Eckhardt.

It is amazing to look back on this as Eckhardt Trading Company seeded Sentiment Alpha a decade later. Out of 60 individuals on that desk, I was one of few who ever mentioned charts. When I did, laughter would result. Others were intent on discussing the fundamentals such as P/E ratios, P/B ratios, Free Cash Flow, etc. This made sense because it was an equity product. My standard daily routine was bothering our execution traders about commodities and currencies.

F1 Positioning System



The chart shows examples of how the positioning indicator developed by Steven Moyer (below) generates entry and exit signals.

Source: <https://www.eckhardttrading.com>

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and there were bills to pay.“

F2 Correlation Over Time



The rolling correlation between Sentiment Alpha and the Société Générale Trend Index, a standard benchmark for CTAs, is shown on a 1-year basis. On average, it is 0.3, but the correlation can fluctuate significantly over time.

Source: <https://www.eckhardttrading.com>

They usually enjoyed the banter. I did make an effort in studying fundamentals preparing for the CFA exam. However, I soon realized I was much more intrigued by futures speculation. I should give credit to my twin brother as he introduced me to the Chartered Market Technician's exam (CMT) in 2009. The CMT program was relatively unheard of then but has since grown immensely. I encourage any aspiring trader to enroll.

TRADERS': WHEN DID YOU START TRADING ON YOUR OWN?

Moyer: After 4 years, I left the brokerage. I was trading an account when employed but only in the evenings. My plan was to now go trade full time and eventually find a firm who would back me once I had built a track record. I traded a simple breakout system. This "plan" turned out to be a major four-year rollercoaster which I never imagined. I was in my mid 20s and spent the next two years trading with an irresponsible amount of volatility. It may come as a surprise, but I never traded individual equities or even options.

Rather, it was always futures due to the leverage offered. That period of my life was a major character builder. I had no salary or insurance, and there were bills

to pay. The learning curve in trading is incredibly steep, and futures is a zero-sum game. You receive little sympathy in this business. My account was funded near US \$20,000, which I eventually ran up to \$300,000 in less than a year. Most of my profits occurred with the precious metals bubble in 2011, which saw Silver futures eclipse US \$50/oz. Unsurprisingly, I gave back one-third of those gains on the vicious correction. The funny part looking back is the scale of those returns on a % basis.

My annualized volatility was greater than 150%. In fact, I was using my entire account value to max out positions at 100% margin. This is not a path to sustained success. I never went completely bust in this trading account, but I was very close to it several times. Today, the annualized volatility of Sentiment Alpha is targeted at 15%.

TRADERS': WHAT HAPPENED AFTER THOSE TURBULENT 2 YEARS?

Moyer: The next step was a move half-way across the world. Singapore. Friends and family were undoubtedly concerned as not many just pick up and move that far without first having a job lined up. In those days, Singapore was offering employment passes for one year. If approved, you could reside there while looking for a job. I knew it was the financial hub of SE Asia, and I really sought a break from NYC. There was substantial commodity business being done there as well. I've always had an innate ability to meet people and network no matter where I am in the world.

I used Bloomberg then LinkedIn to send messages each day to those in a similar network. The responses were phenomenal. After 2 months, I was hired by a small quant HF in Singapore as Head of Business Development. I did not have any systematic strategies,

„No hedge fund or CTA wanted to hear about another breakout or trend system.“

but I did have a strong sales background. Although I spent most of my day raising capital, I worked some with the quant research team. The firm was coding in R, and I was somehow able to pick it up. One of the team-members and I discovered that combining a discretionary trader with a quant can be incredibly productive for idea generation. So here I am at 27 or 28 years old, basically broke, and working for this group. Although compensation was minimal, living and traveling the region for 1-year was an awesome experience. Our team worked hard, and did have small successes raising money. Deep down, my passion was still of course to manage money.

I would soon get that chance back in the USA. In 2013, I returned to the States and was hired by a proprietary trading firm in Chicago. They provided capital, infrastructure, and a much better understanding of sizing trades. There wasn't much of a draw/salary, but payouts were competitive. The firm enforced a strict stop-loss \$ level that if exceeded would be grounds for termination. Instead of arbitrary guesses, I was now using a formula to size risk. One drawback of proprietary trading firms is that risk parameters are usually set up for intra-day traders. That is certainly reasonable when trading short-term. For myself, it became quite difficult to keep within the tight drawdown limits. I was holding overnight and on average for 5-6 days. Everyone was compensated on their own p&l, but we were a collaborative group.

You can learn a great deal on what "to do" or "not to do" when sitting around this many traders. Some were exceptionally talented. That is another point; each trader has their own way of deciding on a strategy. For example, I enjoy being a contrarian trader but that would not necessarily be for everyone. A year passes by. I am scratch on the p&l and understand eventually that I would need to decide on leaving the prop firm or adjusting my system's trading time frames to be shorter-term. This was a difficult choice because I enjoyed the group I traded with. In the end, I felt it best to move onward.

TRADERS': SO BACK TO TRADING YOUR PERSONAL ACCOUNT AGAIN?

Moyer: Indeed. Albeit, with much more of a developed trading system than before. After leaving that firm, I sent out many resumes to Hedge Funds, CTAs, and Asset Management firms. The responses were not real encouraging (and that is putting it nicely). Fortunately, I met a good friend and trading mentor at this time. He provided inspiration after explaining his journey through the business before finding enormous success. He encouraged me to stay patient and not give up. I am thankful for this advice and still speak to him daily. When being rejected for countless jobs, you do learn a lot. Instead of getting upset, I found using it as motivation to be a much better approach.

TRADERS': HOW DID YOU GET TO LOOK INTO COT DATA?

Moyer: Based on all the feedback, no hedge fund or CTA wanted to hear about another breakout or trend system. Rather, I needed to think "outside the box". I researched a variety of non-price indicators such as volume, flow, and sentiment, eventually arriving at the Commitment of Traders. I was coding in Python, The trading mentor mentioned above was instrumental in pushing me toward researching this.

TRADERS': WHEN TRADING YOUR OWN MONEY, YOU WERE USING RULE-BASED DISCRETIONARY STRATEGIES. HOW DID THIS INTERSECTION OF DISCRETIONARY AND SYSTEMS TRADING WORK?

Moyer: I adhered to a gray-box strategy. There were distinct set of rules from entry, to target and stop. I developed this set of rules by studying price charts on multiple frames. Most of my work was in TradeStation, and each day at settlement I would get a signal sent to me which I then executed on Globex or the next day.

TRADERS': SO YOU'VE ALREADY GIVEN UP ON PURE DISCRETIONARY TRADING AT THE TIME?

Moyer: I originally used my personal account purely for discretionary trading. The biggest hurdle for me as a

„Initial assets under management on my book were 750 million US-Dollars.“

discretionary trader was not having the discipline to follow my rules. For example, taking a breakout intra-day when I was supposed to wait for settlement to confirm the signal. This was an expensive lesson. Over the years and with increasing confidence, I transitioned more and more into systematic trading.

In part, the companies I worked for during my career naturally had an influence on this. It is also the case that systematic trading simply gives you more freedom and therefore a better lifestyle.

TRADERS´: WHEN DID THE ROLLERCOASTER PART OF YOUR TRADING END FOR GOOD?

Moyer: I am not sure the rollercoaster of trading ever ends, haha! There are many ups and downs. However, I absolutely recall when I found job security as well as some financial stability. In 2015, I was hired by a well-known CTA with offices in New York City & Washington DC. They were willing to give me a shot, and I was lucky to join right before their AUM grew significantly. I am still shocked they made me an offer, but the CEO mentioned the “creativity” I had in analyzing markets to develop systems.

Prior to this, the rejections easily numbered over 50. This was a hybrid work environment. It was neither fully collaborative nor pure “silo”. Rather, I worked directly with the two Founding Partners. I learned a lot about the hedge fund business. After 2 years of testing and paper-trading the algorithms, my system became the first externally developed to earn an allocation in the 25-year history of the firm.

TRADERS´: HOW LARGE WAS THAT ALLOCATION ROUGHLY?

Moyer: Initial assets under management on my book were 750 million US-Dollars, a substantial jump from anything previously. The annualized volatility was around 10%.

I was not trading near as many futures products as I do now, but the concept of using Sentiment data as the primary signal driver was the same. I spent 5 years with this group in New York City (3 of them managing

money), and it was a massive turning point in my career. Just as with the proprietary trading firm, I met extremely bright and fun people.

TRADERS´: WHY DID YOU DECIDE TO LEAVE THAT FIRM?

Moyer: In 2020, I knew it was time to make a move. I respectfully resigned seeking more autonomy and the ability to tell my own story. This is important as you must toe the line between confidence and arrogance. The market is always there to humble you.

Of course, COVID came around about 2 months later and that stalled the job offers temporarily. I spent 2020 trading the Positioning system (it did well with the heightened market volatility), traveling in empty airports, and evaluating what I should do next. Eckhardt Trading Company then made me a great offer in 2021. Rob Sorrentino, COO & President at Eckhardt, whom I worked with previously, was familiar with my system as well as uncorrelated return stream.

I went to meet the Eckhardt team in Chicago. They were very welcoming and most had been at the firm for over a decade. It was an excellent fit which allowed me to begin building a track record of my own. Beyond this, very few get an opportunity to work for one of the pioneers in our business such as Bill Eckhardt. His success is legendary. Sentiment Alpha passed Eckhardt’s strict internal testing gauntlet and received allocations in the Fall of 2021. Like my previous firm, Sentiment Alpha was the first externally developed system to do so.

While managing a portion of ETC’s existing funds and client accounts, I have the ability to launch my own product in a standalone fund. This is rarely offered in today’s world.

TRADERS´: HOW HAS IT BEEN GOING SO FAR?

Moyer: We are off to a solid start since launching in late Fall of 2021, generating a Gross Return of +33% in 2022, and +6% in 2023 (extracted from the Eckhardt Evolution group of systems with a 15% targeted annualized volatility). The maximum drawdown in this period is -16%. Correlation to traditional asset classes or funds from the peer group is minimal.

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TRADERS´: WHAT IS THE BASIC IDEA BEHIND THE SENTIMENT ALPHA STRATEGY AS YOU TRADE IT TODAY?

Moyer: Sentiment Alpha launched with the legacy system, which evaluates positioning using Commitment of Traders data. This is 50/50 both countertrend and trend. The concept is quite simple as it is based on the behavior of the crowd, but learning to monetize the idea took years.

In the past year, additional systems (Pattern Recognition, Counter-Trend Volatility) have been added. Our average hold period is 3 weeks, and 60 futures markets are traded.

Overall, Sentiment Alpha has evolved to become a multi-strategy program.

TRADERS´: WHO EXACTLY IS THE CROWD?

Moyer: The crowd includes hedge funds, asset managers, spreaders, and other speculators. I use part of the report.

TRADERS´: THIS POSITIONING DATA HAS BEEN PUBLISHED FOR A LONG TIME. DO YOU BELIEVE IT IS COMMON TO USE THIS DATA?

Moyer: Truthfully, I have no idea, but the report is vast with different parts as well as versions. Today there is so much data available on flows, sentiment, media headlines, etc. I speak with providers regularly to identify new non-price data sets.

TRADERS´: IS TRADING AGAINST THE "CROWD" ALWAYS COUNTER-TREND?

Moyer: Not necessarily. We want to be in Trends which are not crowded. Conversely, if they are, the system will be flat or take the other side depending on the extent of positioning. If the S&P 500 is making record highs, and nobody is involved, we want to participate in that trend.

F3 Pattern Recognition System



The figure shows a simplified example of how the algorithm recognizes a trend channel and generates a signal based on it (see arrow).

Source: <https://www.eckhardttrading.com>

TRADERS´: DO YOU ALSO HAVE A MEASURE FOR SIGNAL STRENGTH?

Moyer: To a certain extent, yes. Numerous speeds are analyzed, and it is therefore a step-by-step process. The exposure of the strategy is controlled in this way. The system can be much more aggressive at one time vs another.

TRADERS´: HOW OFTEN ARE YOU RIGHT WITH THAT APPROACH?

Moyer: On average, 50% of the trades will be stopped out. The Positioning and Counter-Trend Volatility systems can let a winner ride for months unless there is a change in Sentiment or Volatility. Stop outs usually happen quickly if the position goes against us right away.

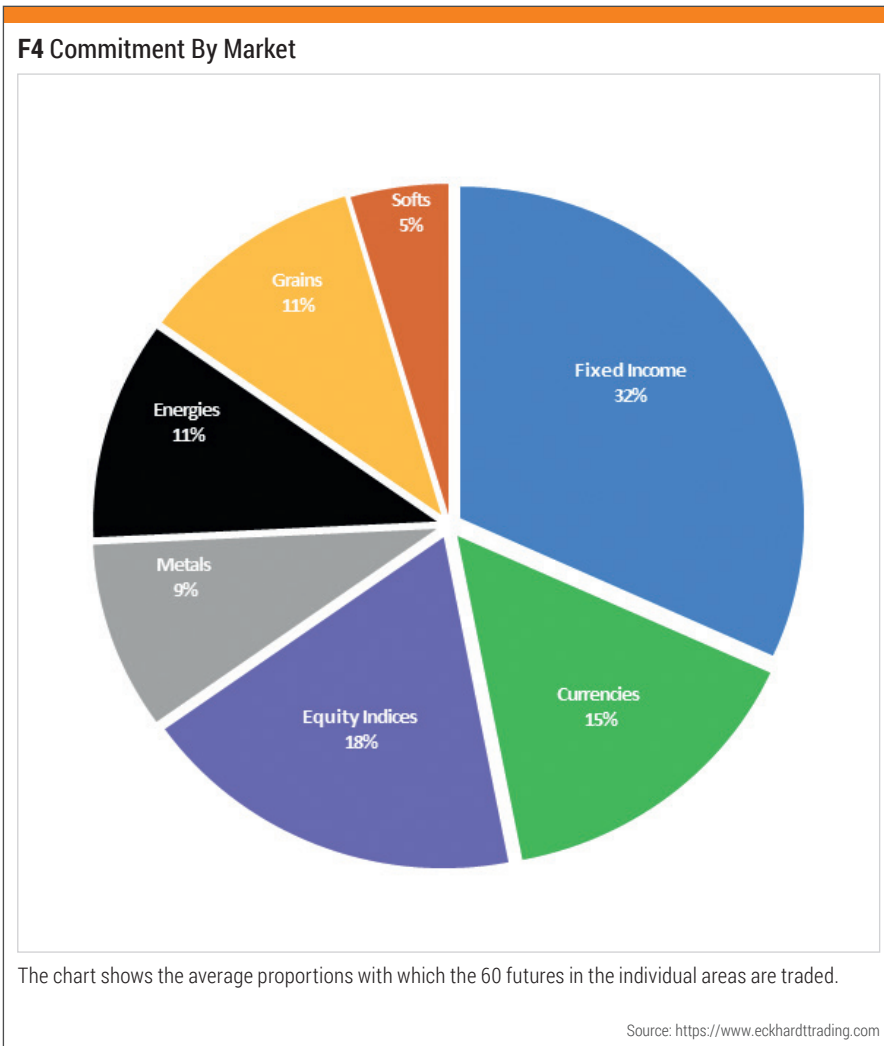
TRADERS´: DID YOU EXPERIMENT WITH OTHER DATA THAN COT?

Moyer: A new system I've been working on uses ETF Flows. This is still under development.

TRADERS´: YOU SAID IT BEGAN WITH THE LEGACY SYSTEM. CAN YOU BRIEFLY DESCRIBE THE OTHER SYSTEMS ADDED?

Moyer: Yes, two additional systems were added over the

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tem has a hard stop, and/or uses a trailing stop once in the profit zone. There are other exit methods, as well, but I would not call these pure price targets. Rather, a shift in sentiment and/or volatility usually leads to closure of positions when in the profit. I've always found the exit to be much more difficult. Admittedly, I've round tripped trades which can be incredibly frustrating. I seem to remember these much more often than the winners.

TRADERS': HOW DOES THE VARYING LEVEL OF VOLATILITY AFFECT ENTRIES, POSITION MANAGEMENT, AND EXITS?

Moyer: We look at the volatility as well as size of the contract traded. There is no adjustment made to the current position. New positions will scale up and down based on volatility. Average True Range (ATR) is our main input for volatility.

TRADERS': WHAT DO YOU DO WHEN SENTIMENT IS JUST AVERAGE FOR LONGER PERIODS OF TIME AND NOT MUCH SEEMS TO HAPPEN?

Moyer: The positioning system will not have a much market exposure. 2023 is an instance as opposed to 2020 or 2022.

TRADERS: SO YEARS LIKE 2020 AND 2022 WERE MUCH BETTER?

Moyer: Definitely. In 2020 and 2022, the crowd was heavily offside during major macro events such as Covid and the war in Ukraine. This created tremendous setups. The Fixed Income short for us started in the Fall of 2021 but went on well into 2022. A mixed positioning scenario such as 2023 was another catalyst that motivated me to find additional systems.

past year. The first is a price breakout system which I developed as a gray box (2014) and is now systematic. It is based on proprietary pattern recognition and has a 5-day holding period. This system is more traditional momentum, and usually trades with the crowd. The second is a pure counter-trend volatility system with a 3-4 week holding period. It performs well in range-bound market environments such as 2023.

TRADERS': DO YOU USE HARD STOPS AND PROFIT TARGETS TO GET OUT OF OPEN POSITIONS?

Moyer: It would depend on the system, but yes. Each sys-

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TRADERS´: WHAT IS THE TYPICAL MARKET ENVIRONMENT THAT BEST SUITS THE SYSTEM?

Moyer: Elevated volatility. The ideal market environment would be a major macro event that occurs when the crowd is completely offside. Historically, SA performs strongly during severe equity corrections. In Spring of 2022, the crowd was betting on “deflation”. In that period there was much attention given by the media regarding inflation. I found it amazing because the crowd was still expecting lower commodities and lower yields. On the other hand, our system was heavily long commodities and short bonds. It paid well.

TRADERS´: ARE YOU STILL WORKING ON IMPROVING THE STRATEGY IN CERTAIN ASPECTS?

Moyer: Focus is on adding new systems with minimal correlation. However, there is still time spent on assessing if a system should be tweaked to an extent. Interestingly, I still come up with new ideas using a visual analysis process. If I notice a certain pattern in the data or in the chart, I then begin to code and test. From personal experience, this is crucial to avoid overfitting.

TRADERS´: ANY HINTS FOR ASPIRING TRADERS FROM YOUR POINT OF VIEW?

Moyer: Sure. I’ve made plenty of mistakes. I’ve learned from them, yet surely will make more. That is life. First, taking “career risk” is serious. Does it fit your personality to do so? You should gauge where you are in your life. Can you accept a minimal salary and get paid only if profitable (after costs)? If you find success, the above changes dramatically. However, make sure to have a backup plan in case it doesn’t work. Leave yourself a way out. Second, it is critical to differentiate yourself from the competition. Think “outside the box”. Third, as a trader who has a holding period of 3 weeks, I accept that I will have losing periods. Markets are there to humble all of us. Learn from them and do not take it personally. Lastly, I have much further to go and hope to do this for decades onward. That said, sometimes it is wise to look back on one’s accomplishments to remind yourself how far you have come. Have fun, believe in yourself, and enjoy the ride!

The interview was conducted by Marko Gränitz.

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