

other independent research. I also read the research provided by many of the banks because that gives me a benchmark of what people are thinking, and from there it allows me to look at reality and see what people are saying.

The way I do my research is, I do my reading, then look at market prices and see what the markets are doing and what people are talking about. Then I try to see what is missed or misread out there. The market may either be getting it wrong because it's looking at the wrong variable or it may be missing something. When people are excited by the dollar, they may be missing what's going on with the yen. From all of that is where I can piece together a trade idea.

***You often talk about “favorite trades”—where does this come from?***

One of the things I did at Credit Suisse was interview a hell of a lot of people. You have to ask people unique things to get to know them and to get to know how they think to see if they fit in. One question I asked everybody was, “If you had to do one trade to get rich today, what would it be?” It was a very provocative question and the answer revealed a lot about the individuals. I can still remember the best answer I ever received. We hired the guy and he ended up being a huge success.

So the “favorite trade” idea came from that. If you've got to glean everything down to one trade, it really helps isolate the basic concepts that someone is thinking about and also helps you learn something about the individual. It helps you see if they think big. If someone's favorite trade has the potential of making 2 percent, you know the guy is never going to be a big player. If someone's trade can make 20 to 30 percent, at least you know that you're getting somewhere. The favorite trade concept grabs the basic contours of their thought process and also tells you something about that person.

Ultimately, what you're looking for in a hedge fund, a prop trader, or even a salesperson talking to the hedge funds, is someone who can see the big move. That's why “favorite trade” is a fantastic concept.

***What is your favorite trade right now?***

Short-term, I like selling bonds. My bias is neutral, so I can go long or short. Right now I think there's so much liquidity out there holding up the system that rates will have to rise to soak it up. As that process takes