

The right side of the tracks

Louis Mendelsohn has built up a successful market software business based on his passion for trading. Larry Levy caught up with him to find out more

According to Louis B. Mendelsohn, 'In America, if you want to be successful, you can be successful'. Mendelsohn should know. He has risen from a childhood spent in humble tenements alongside the railway tracks in Providence, Rhode Island, to a sumptuous 17-acre ranch in Florida – all thanks to a fascination with market patterns that led him into developing technical analysis software.

In 1960, two of Lou's uncles made millions speculating in coins. A misprint led to a speculative coin craze at the time and the price of a roll of 50 of the 1¢ 1960P issue went up from 50 cents (available at any bank newly minted) to over \$400 a few months later. Lou recalls, 'I was 12 years old and didn't have a lot of capital at the time but I got in on the act a little bit and that was kind of what got me into the whole notion of speculating. However, going to college at Carnegie Mellon University really was a whole new life for me. It opened my mind up.'

After graduating with an MBA in Healthcare Management from Boston University, Lou held a variety of hospital administration positions before climbing to the post of assistant executive director in a Tampa, Florida, hospital. His teenage fascination with speculation was rekindled in 1980 when one of the ward's physicians was busy riding the rally in gold to over \$800 an ounce. 'I was trading stocks and options at the time and this eminent pathologist was the first person who introduced me to the commodities markets.

'As soon as I began to learn and study them – and of course the microcomputer was just in its infancy at that point – I realized "this is it". I was hooked immediately.'

Working round the clock

Within a few months, Lou had resigned his job and began working from home day and night, passionately developing his own computer



programs for back-testing the markets with his Apple II Plus.

He recalls reading research by Frank Hochheimer of Merrill Lynch regarding optimized moving average crossover systems using mainframe computers. Mendelsohn decided to try and develop a similar program for his Apple micro-computer. By 1983, a commercial version had been launched called ProfitTaker.

In 1986 Lou began to notice that markets had become increasingly related. The global market meltdown in October 1987 was proof if any was needed that markets were highly inter-dependent. 'I just felt that the single-market approach was inherently too limited to deal with the markets as they really exist.

'I began to read and learn about an area called neural networks, which had an artificial intelligence type of pattern recognition capability where you could use a lot of different kinds of data to find hidden patterns and relationships.

'By the late 1980s I felt I had come across something whereby I could marry the neural network mathematical tool with inter-market relationships.'

A big following

Ultimately a program emerged known as VantagePoint that combines these relationships to predict likely market direction in the coming days.

While many other market software companies have waned over recent years, Lou's software has gained a significant following.

His company, Market Technologies, has thrived by developing technical analysis software and was recently named in *Inc. Magazine's* list of the 500 fastest-growing privately-owned companies in America.

Unstinting support

Lou recalls early times working from home in the 1980s 'with young toddlers zooming around from one room to another' and is especially appreciative of his wife Illyce's unstinted support of his passion. His two eldest sons, Lane and Ean, now work in the business.

These days he spends as much time as he can at his ranch near Wesley Chapel, Florida, going from 'very high tech, to very low tech'. Lou's private office dates to the period 1890-1910 and his antique technology collection includes pre-electric adding machines and early wooden telephones.

He loves to raise horses and jokes that he has become skilled in horse and goat midwifery.

Lou also likes classic cars and his collection includes a '56 Chevy Model 210, a 1966 Pontiac Bonneville and his favourite – a 1937 Buick four-door sedan. ■