

Kenny Sharkness

The Only Constant Is Change

Scores of strategies across multiple timeframes, replaced continuously as each edge dies. What this sheet covers, and what only the chapter can give you.

62.9%

Compound annual growth rate

9.0

Gain-to-pain ratio, against 0.8

6.6

Adjusted Sortino, against 0.9

8.8%

Max drawdown, one month excluded

7.2

MAR ratio, against 0.5

~\$20m

Average buying power

Kenny Sharkness

Prop trader, SMB / Kershner

CHAPTER

8

SERIES

Market Wizards:
The Next Generation

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Every figure is drawn from Chapter 8 unless labelled as our own note.
Complete Trader's Edge has not audited any trading statement. Not investment advice.

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The record, and how it was calculated

Frequent change is usually what destroys traders. Sharkness built a career on it: a constantly shifting collection of scores of strategies across multiple timeframes. Schwager opens the chapter by noting it looks like a recipe for disaster and is not, because there is a method to the madness.

Metric	Sharkness	S&P 500, same period
Compound annual growth rate	62.9%	About a fifth of that
Gain-to-pain ratio	9.0	0.8
Adjusted Sortino ratio	6.6	0.9
Maximum drawdown	8.8%, excluding one 20% month in his first year	–
MAR ratio	7.2	0.5
Record period	2015 to the present	–

WHY THE PERCENTAGE NEEDED INVENTING

Prop firms do not work like hedge funds. They give a trader an amount they can lose on any day or week plus a specific amount of buying power, which corresponds to that risk limit. Traditional entities think in monthly percentage returns; prop firms think in dollars made or lost, and dollars do not permit percentage returns or most return-to-risk statistics. The authors tried several conversion methods and say the results were Market Wizard worthy under all of them. The method they settled on starts with a modest nominal account value and adds his subsequent monthly profits and losses from 2015 onward.

Our note, not the book's

The headline percentage depends on the nominal account value chosen, and the authors say so. What does not depend on that choice is the shape of the return series. The gain-to-pain ratio and the Sortino ratio are computed from monthly returns, so a gain-to-pain of 9.0 against the index's 0.8 says his gains were roughly nine times the sum of his losing months regardless of the base. Read those two numbers rather than the 62.9%. Also note the 8.8% maximum drawdown excludes a single 20% month from his first year, which is reasonable on a tiny base but is still an exclusion.

Ithaca, a \$6,000 course, and a mentor

BEFORE MARKETS

- Grew up in Ithaca, upstate New York. Ithaca College, finance major, with no trading courses available.
- Typical college kid until graduation approached. Read about corporate finance roles and concluded he was not a salesy guy or a people person.
- The appeal was games: poker through college, a lot of video games, and a family that played Scrabble, chess and board games. He saw trading as another game.
- Moved to Hoboken, New Jersey with four friends after college, splitting the cheapest apartment they could find at around \$700 a month.

THE ROUTE IN

His first job was not a job. He paid SMB Capital roughly \$6,000 for their trader training course, which offered the potential to trade proprietary capital for their partner firm, Kershner. It took three rounds of interviews. He interviewed elsewhere, but SMB was the only firm with an actual training programme; other firms expected traders to put up their own money on a first-loss model.

What a first-loss model means

The book explains it and does not soften the verdict. A trader puts up, say, \$50,000; the firm adds, say, \$450,000, giving \$500,000 of buying power. If the account falls below \$450,000 the trader loses everything while the firm's capital stays intact. The firm also earns commissions and fees from the trader. The authors' bracketed conclusion: if this sounds like a terrible deal for the trader, it is.

His parents paid his bills while he got going, which he describes as a huge win because it let him focus on trading rather than working a second job. He says he owes them a lot.

THE TRAINING, AND WHAT ACTUALLY STUCK

- Three or four months of videos covering basics and a few key strategies, a demo account for a few months, then real money at 100 shares a time.
- One taught strategy was order flow: with a large bid at \$50, buy just ahead of it knowing there is implicit support. Algorithms have largely rendered it obsolete. What survived is focusing on stocks moving on high volume.
- The real education came from sitting next to Gilberto Mendez, SMB's top trader, who was making maybe \$2,000 a day. Sharkness was 22 and hounded him with questions.
- From Mendez: risk management, classic chart patterns, buying breakouts and fading extended moves, on tick charts with very short holding periods.
- Multiple timeframes: before taking a tick-chart trade, check the 5-minute, hourly and daily charts to make sure they do not invalidate it. He still uses this today.
- Stocks have energy. When stocks move they expend energy, which leads to time or price corrections to regain it.
- About 10 months to profitability. First profitable year, roughly \$40,000. It took a few years to make good money.

The instinct nobody taught him

SMB did not tell traders how or where to set stops. Asked whether cutting losses immediately was part of his training, Sharkness says it was his natural instinct. He tried to find entries where he would be in the money right away, and if that did not happen he got out at once, sometimes in and out of the same stock several times a day. He was winning less than 50% of the time; the magnitude of his wins offset the frequency of his losses.

The parabolic short, and how it was killed

The strategy came from Peter To, a trader on the desk who runs churningandburning.com. Sharkness then did the work himself: he reviewed approximately 1,000 daily charts every day in search of patterns, and those reviews confirmed a tendency for stocks to collapse after parabolic upmoves.

Step	What he does
Watchlist	Stocks experiencing parabolic moves higher become potential short candidates
Trigger to monitor	Price more than 1.0 times the average daily true range above VWAP
Entry	Typically short when the stock falls BELOW VWAP, signalling a potential trend reversal. Sometimes he shorts into upside acceleration, but the below-VWAP entry gives the wind at his back with risk points that are easy to identify
Chart condition	Daily chart completely parabolic, intraday chart in a downtrend
Discretion	Not a systematic trader. The process has always been discretionary

ON SUPPORT AND RESISTANCE

He looks at them, but never uses those levels to trade. Support is only potential support. Resistance is only potential resistance.

WHY THE EDGE DIED

- The strategy worked on a market structure that no longer exists: a one-million-share float trading 10 or 15 times its float in a day, with locates easy and cheap, so shorts could be held overnight without exorbitant fees.
- With hindsight he believes some brokers were lending shares illegally.
- Around 2017 one of the big locate providers got into trouble with regulators. Locates became difficult and expensive, and the limited availability of shares led to significant price squeezes.
- His verdict: it is now neither affordable nor safe to hold these stocks waiting for them to eventually collapse.
- He also pulled back because the strategy had become less meaningful as his account grew. To reach the next level he needed strategies that scaled.

THE MERGER THAT CHANGED WHAT HE THOUGHT WAS POSSIBLE

Before the merger with Kershner, SMB posted daily P&L and Mendez's \$2,000 days looked like the ceiling. After the merger, Kershner traders making \$25,000 to \$50,000 a day were added to the list. Sharkness calls it a game-changer twice over: it opened his eyes to what was possible, and an internal friend-request system let him view other traders' actual executions. Some of the big traders accepted and discussed their strategies with him. Not all of them would; for those who did, he thinks there was a quid pro quo, because they wanted to learn what he was doing too.

Kershner trade	The mechanic
Outside-the-market prints	Stocks trading outside the prevailing inside market from a computer error or fat finger
End-of-day imbalances and index rebalances	Anticipate which stocks are added and removed, buy the additions and sell the removals, then let the rebalancing capital shifts do the work. Has lost most of its edge
The IPO trade	Buy the IPO on the open with a stop just beneath the open. Either lose a little or catch a huge move. Worked when the IPO market was hot
The post-open fade	Fade a stock that spiked one or two ADTRs in the first two or three minutes after the open with no related news

The playbook, and goals he can control

This is the most copyable part of the chapter, and it is entirely process. The rule he states first is the one most traders get wrong: write things down as they happen, while they are fresh, or the process does not work.

Artefact	What goes in it
The trade record	The reasoning behind each decision, plus a post-trade analysis of where he can improve
The playbook	A written summary of the best trade each day. An idea promoted by Mike Bellafiore of SMB Capital
The anti-playbook	The worst trade each day, recorded the same way
The psychology log	How results affect his mood and attitude, and how that in turn impacts subsequent trading
Weekly review	At the end of every week he reviews the prior week's playbooks to identify patterns and how to apply them
Monthly review	A wider pass over the same material

PROCESS GOALS, NOT MONEY GOALS

- Daily, weekly and monthly goals, all process goals rather than P&L goals. He rewards himself for working on them, sometimes something as simple as a glass of wine.
- Example: one of his main weaknesses is over-eagerness, so a related goal is progress toward reducing it. Before the day begins he asks whether this is genuinely a high-opportunity day for his style, or whether he is just trading because he has made money recently.
- Example: journaling showed he was exiting profitable trades too quickly, so he set a goal for the following month to pause before exiting and consider holding longer.
- On performance goals he is cautious. The longer you trade, the more you realise the market is the market and you cannot control the opportunities it provides. Traders can only control how they respond.
- Motivational goals are different in his view. At 22 he set a goal of \$1 million by age 30, giving himself eight years. He achieved it and set another. A goal with a timeline inspires work on process; a dollar target for this year does not.

STEENBARGER, AND BREITSTEIN

He works with Dr. Brett Steenbarger, sending daily summaries and reviewing them together. The benefit was aggregate rather than specific: help with impatience, which he calls his demon, being overeager and entering too early or exiting good positions too quickly; encouragement to take larger positions when there is a great setup; and encouragement to focus on his strengths so he could lean into them, not only work on weaknesses.

Mike Bellafiore introduced him to Lance Breitstein, and the two developed a friendly, collaborative rivalry. Breitstein became one of the top traders at Trillium and Sharkness one of the top at SMB/Kershner. Breitstein primarily traded news flow, which was not Sharkness's thing, but he learned intraday mean reversion and V-bottom trades from him.

Two losses, and the one that mattered more

AMC, 2020

- Down \$3 million on an AMC short the day before the stock topped out. His parents were visiting; they knew something was up and he had to tell them it was his worst loss ever, three or four times larger than his previous worst.
- The framing that let him hold: most prop traders think in terms of dollars they can lose on a given day, but as his account grew he focused on weeks. Viewing the loss against a week's loss potential enabled him to hold despite the huge one-day loss.
- Andy Kershner called to say these things happen and he should not be discouraged, which mattered given it was Kershner's money. He made it back the next day when the stock collapsed.

KBIO: THE CARDINAL SIN

- A \$2 stock he was shorting because a sum-of-the-parts analysis implied it was worth maybe 40 cents. He expected bankruptcy and figured a worst case of about \$15,000.
- Martin Shkreli arrived with a reverse merger plan. The stock went \$2 to \$5, which made him freeze. Then \$7, at which point he added to his losing position: the cardinal sin.
- He threw in the towel at \$15, losing about \$150,000. The stock later reached around \$40 before Shkreli went to jail and it collapsed onto the Pink Sheets.
- Crowded small-cap shorts with limited available shares can go pretty much anywhere in a squeeze.
- Why it matters more than AMC: making the money back over the following months was a pivotal point in his career, because it gave him confidence in his abilities. Not the largest loss in dollars, but the most significant.

SCORES OF STRATEGIES

Trading strategies come and go, and he does not keep track of the number he monitors across timeframes. He usually follows multiple trades simultaneously, and the mix depends on the prevailing character of the markets. He does best when volatility is high; historically he did poorly when volatility was low, so he added strategies that work in low-volatility environments to counter that deficiency. The framing underneath it all is expected value: he wants to be the casino, taking as many bets as possible as long as they have a positive expected value.

The honest qualifier

Schwager points out that most exceptional traders have only a few strategies and wait patiently. Sharkness agrees his approach is atypical and that it works because processing multiple things at once is inherent to his personality. He then concedes that in any given year most of his profits come from only five or six trading days, which implies much of his trading activity is unproductive. His counter is that frequent trading keeps him prepared for the big opportunities. He is currently trying to cut his trading in half.

Options, 2022, and the evolution

OPTIONS, WITHOUT THE GREEKS

- Options entered his method in response to routinely losing money on long calls when volatility collapsed.
- Two components of the staggered implementation: buy calls when volatility is cheaper and sell puts when volatility expands; buy calls when prices are lower and go short the stock when prices are higher.
- A long call plus a short stock position is a synthetic put. He adjusts all the legs continuously, so the whole approach is dynamic.
- He does not use the Greeks. He works out where the stock can go, then decides whether options express the bet better in risk-reward terms.
- Why options on the short side: short stock carries theoretically unlimited risk and forces a cover; with puts, or short stock plus long calls, only the premium is at risk, so the position gets more time to play out.
- Mostly weeklies. His timing is generally good, he does not hold long, and shorter-duration options cost less and offer greater leverage for the same premium.
- The CRWV postscript: the stock reached \$187 then plunged toward \$100, but he never got a net short position and was out the week of the interview. The analysis was fine; the entry never triggered and he did not force it.

THE 2022 DRAWDOWN

Before April 2022 he had only one drawdown greater than 3%, lasting one month. In April 2022 he began a drawdown that ran through February 2023. His explanation has three parts and none of them is a single bad trade.

- The markets changed in 2022 and he did not adapt quickly enough. He was repeatedly dinged for relatively small amounts that added up. It was less about a bear market than a lack of follow-through: stocks would rise one day, look like they were going to run, and then the rug got pulled.
- He probably should have known a drawdown was coming after great years in 2020 and 2021, and started thinking it might go on forever. The largest drawdowns tend to come after a strong run and related ego losses. When things go sideways after a good run, there is an inclination to keep winning at the same level, so you take suboptimal trades instead of letting the market come to you.
- The repair: take size way down until consistency returns, wait for a great trade, make money on it to get the mindset back in the right place, then bring size up again.

THE EVOLUTION

- He now holds some stocks for extended periods, but only ones he thinks could double or triple, which tends to mean small and midcaps. His example is Liquidia Corp (LQDA), a biotech he researched through lawyer-written analysis of a competitor's blocking efforts.
- Fundamentals arrived after the Kershner merger. He had been telling older traders he did not need to know anything about a stock except its price; they showed him the role of fundamentals in identifying catalysts. A growing account forced longer holds, which made fundamentals matter more.
- A catalyst can be a developer conference, a secondary offering, an earnings release. His best catalyst example is the 2025 tariff announcement, which sparked widespread panic and left many stocks unaffected by tariffs heavily sold off, providing a buying opportunity.
- He runs his own account too: longer-term positions and naked short options at home, day trading in the firm account. Holding longer at the firm required an email explaining why, and his size restrictions on those holdings are much tighter.
- Four market environments: trending, range-bound, overbought, oversold. Everything works sometimes; nothing works all the time.
- Breakouts: if a breakout is valid it should go right away. One pullback is fine. Two, do not hold a large position. Three, get out.

The counterweight, and the pre-trade check

FOUR THINGS THAT BELONG BESIDE THE RECORD

- The percentage depends on an assumption. The 62.9% is computed on a nominal starting account value, because prop firms allocate buying power rather than capital. Read the gain-to-pain and Sortino ratios instead, and note the 8.8% maximum drawdown excludes a 20% month.
- The strategies here are largely historical. Order flow died to algorithms, parabolic small-cap shorts to the 2017 locate squeeze, index rebalances to crowding, the IPO trade to a cooling IPO market. What transfers is the process of replacing them.
- The approach is personality-specific and he says so. Running scores of strategies works because he is a natural multitasker. He also concedes most of his profits come from five or six days a year and that he is trying to trade half as much.
- The safety net was real. He paid \$6,000 for training and lived on an allowance from his parents while he got going. Ten months to profitability is survivable when someone else is paying the rent.

THE PRE-TRADE CHECK

Seven questions drawn from the chapter. Print it, and answer all seven before the order goes in.

- ☐ 1. Which of the four environments am I in: trending, range-bound, overbought or oversold?
- ☐ 2. Does this strategy suit that environment, or am I trading it out of habit?
- ☐ 3. Is this the one high-conviction trade of the day, and is it sized accordingly?
- ☐ 4. Has the reversal actually turned, or am I entering into strength?
- ☐ 5. If this goes against me, do I already know that I will not add?
- ☐ 6. Is this a high-opportunity day for my style, or am I trading because I have been winning?
- ☐ 7. What goes in the playbook and the anti-playbook tonight, and will I write it while it is fresh?

Source

Jack D. Schwager and George Coyle, Market Wizards: The Next Generation (Harriman House, 2026), chapter eight, 'The Only Constant Is Change', including the closing notes from both authors. All figures are drawn from that chapter except those labelled as our own note. Complete Trader's Edge has not audited any trading statement. This sheet is a companion to the chapter, not a substitute for it, and nothing here is investment advice.

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