

**From:** Vincenzo Iozzo <[REDACTED]>  
**To:** "jeffrey E." <jeevacation@gmail.com>  
**Subject:** Re: Taxes  
**Date:** Sun, 17 Aug 2014 13:55:04 +0000

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Oh and the reason why genetic algorithms work well for fuzzing is that there's a fitness function - 'code coverage'. So the generations of input that survive are the ones with the most code coverage

Which itself is flawed in the sense that the fact that your input reaches more lines of code doesn't imply that you are actually exploring the whole input space a given piece of code is supposed to handle.

I somewhat have the feeling that there's no proper 'fitness' function for montecarlo simulations - so that's maybe something

Sent from my Iphone

On 17/ago/2014, at 09:09, "jeffrey E." <jeevacation@gmail.com> wrote:

risk tolerance, can be accomplished by derivatives. , arbitrated for mis pricing, risk is never really reduced without a corresponding reward adjustment, however, tax allows certain arbitrage, for ex gains at 20 -losses at 30 Percent . review monte carlo simulations, need resource , bank, friction charges. read fooled by randomness.

On Sun, Aug 17, 2014 at 9:02 AM, Vincenzo Iozzo <[REDACTED]> wrote:

Can you let me know if you are? I'd be helpful if we can meet up - I'm trying to look at derivatives through my lens.

What is somewhat striking is that it seems like all they are is a programming language whose goal is to minimize risks (with the side effect of creating arbitrage and speculation opportunities).

What I am is if you interpret trading as an optimization problem of: given a belief(stock X will outperform the market, etc etc) maximize returns and minimize risks. Then all derivatives are is 'functions' to go from a risky bet to a less risky one - now you can go to riskier ones but that's an 'anomaly'

Anyhow if this parallel somehow holds there are interesting questions that come up, for example: what is a Turing machine in this world? Which would be a fancy way to answer the questions: what derivatives are missing? Also since you can stack up multiple 'functions' (eg: combine a forward with an interest float-to-fixed swap to make a riskless arbitrage) that leads to complexity and hence to bugs

But I'm not sure if this is me going insane/trying to forcefully fit one thing into the other or if there's actually something there

One of the reason why meeting up would be useful :-)

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On 17/ago/2014, at 08:47, "jeffrey E." <jeevacation@gmail.com> wrote:

not sure yet

On Sun, Aug 17, 2014 at 8:36 AM, Vincenzo Iozzo <[REDACTED]> wrote:  
That makes sense - do you happen to be in town any day from today to Wednesday?

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On 16/ago/2014, at 16:41, "jeffrey E." <[jeevacation@gmail.com](mailto:jeevacation@gmail.com)> wrote:

taxes are variable fricton

On Sat, Aug 16, 2014 at 4:36 PM, Vincenzo Iozzo <[REDACTED]> wrote:  
So quick question for you: are taxes a trick?

Here's what I mean, I think (gut feeling - no proof) that there are potentially a number of  
arbitrage/risk-free opportunities that are not tackled by anybody because when you add in taxes you  
don't actually make money.

Is 'hacking' taxes a strategy? It seems like all the academic texts leave that part for the reader which  
makes me think there's something there.

Also I was reading a while ago that rentech was using a weird structure with Credit Suisse (iirc)  
where they were taxed on their profits as if it was long-term capital gains instead of short-term.

Sent from my Iphone

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