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"EENY, MEENY, MINEY, MO"

Investments of a Twelve-year-old

"Dad, Dad, Dad! I'm going to be rich!" I screamed as I burst uninvited into my parents' bathroom waving a copy of *The Wall Street Journal* in the air.

I was twelve years old and, like a lot of other boys growing up on Long Island, usually spent most of what little money I had on baseball cards. That was until that morning, when I came to the realization that, for years, I had been throwing my allowance away on a mass-produced pseudo-investment that would likely never substantially increase in value. Much of my adolescence had been spent analyzing baseball player stats and negotiating card trades with friends and fellow collectors at swap meets—and for what? Even my prized 1984 baseball card set had barely appreciated in value for two years! I had mistaken a hobby for investing. When I realized this, I swore that the industry would never get another dime of my hard-earned money. I decided it was time I graduated to the big leagues of investing.

Hopping atop my parents' bathroom vanity that early December morning, I ripped open *The Wall Street Journal* to enlighten my father on my groundbreaking discovery.

Amid pages of micro-type stock quotes I had encircled the stock symbol for Toys“R”Us.

“Twenty-two days till Christmas!” I announced. “Just think of all the Christmas and Hanukkah toys parents will be buying in the next few weeks! I’m telling you, Dad, this is a sure thing!”

I then handed my father a fist-size roll of \$1 and \$5 bills—representing months of hoarding my allowance and birthday cash—and urged him to help me facilitate the purchase of stock in Toys“R”Us. “Quick, Dad! Call your broker!”

My father, a lawyer, had limited investing experience, but he was wise enough not to take my money. Instead, he taught me an important lesson in stock investing I would never forget. He explained that the price of Toys“R”Us stock already reflected all widely known information about the company including past, present, and anticipated future sales. I learned that the price of the company’s stock, much like the stock price of other companies that benefit from holiday sales, does not go up in value each holiday season—as investors already anticipate that the company will sell more toys at that time of year. A decade later I would relearn this lesson while studying the “efficient markets theory” in business school. The theory asserts that it is not possible for a person to achieve investment returns greater than average market returns, given the information publicly available at the time of the investment.

“But then how do you know,” I asked my father, “when to buy a company’s stock?”

“That depends,” he replied. “The very best time to buy a company’s stock is when you think you know something about that company

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that others don't. Otherwise, picking stocks at random gives you as good a chance of picking winners as any stock-picking strategy. Never let anyone tell you different."

I had heard all I needed to hear. I had a wad of cash burning a hole in my pocket and I was eager to get in the big-money game of investing. So, with my eyes closed, and chanting, "Eeeny, meeny, miney, mo," I picked my first-ever stock investment. And as dumb luck would have it, just a few months later the small energy company whose stock I purchased at random from the paper that day was acquired at a stock price nearly double what I'd paid. Little did I know at the time that I would go on to spend the greater part of my teen years trying to repeat that initial investing success.

EASY COME, EASY GO

In the months and years that followed that first investment, I would learn that easy money can be as much a curse as a blessing. Perhaps you have heard stories about lottery winners losing their multimillion-dollar fortunes just a few years after hitting the big jackpot. For me it was the same story, just with a smaller pot. I might have had only a few hundred dollars of made money to lose, but that represented all the money I had in the world.

My dad had explicitly warned me not to let "beginner's luck" go to my head. "Lightning," he said, "rarely strikes twice in the same spot." But not surprisingly, being an almost-teenage know-it-all, I wasn't listening to what I didn't want to hear. What did he know, anyway? My dad was a lot of things, but a risk taker was not one of them. Neither he nor my mom believed in shortcuts.

Dad was born and raised in the South Bronx and studied very

hard to earn a full-ride scholarship to Fordham University, where he graduated number one in his class. He then spent twenty-two years as a corporate attorney at JCPenney, where he slowly worked his way up the ladder to become the company's head of litigation, and eventually executive vice president and general counsel of its life insurance division.

My mother received her master's degree in education, and after many years working endless hours as a teacher and school administrator, she became principal of a small Catholic school in a low-income Hispanic neighborhood—an often difficult yet gratifying job she thoroughly enjoyed. The straight-and-narrow path of hard work and patience paid off for both my parents, providing them with the financial means to raise me and my three siblings in upper-class neighborhoods.

Yet, while we were far from poor, my parents were solely reliant on compensation from their careers as a means to building wealth. Investing just wasn't something they did. My dad had a stockbroker only out of necessity, to process the corporate stock grants he occasionally received from his company.

My parents' lack of income diversity made them slaves to their employers. In 1988, when JCPenney suddenly announced it was relocating the company's headquarters from Manhattan to a plot of uninhabited farmland on the border of Texas and Oklahoma, we were left with no other option than to leave our extended family and friends to start a new life two thousand miles away from everything we had ever known. The move tore my large close-knit family in half, both physically and emotionally; we had lived in close proximity for generations.

I was in eighth grade at the time and was forced to change schools mid-year. It was not an easy transition. I was an Italian American kid

with a thick "Noo Yawk" accent who had grown up in an ethnic melting pot in the predominantly Jewish neighborhood of Great Neck, Long Island. The people and terrain of Texas were as unfamiliar to me as China would have been.

At that first dreaded cafeteria school lunch west of the Mississippi, I reluctantly took a seat next to a group of my new classmates, some of whom were sporting Field & Stream or Ducks Unlimited baseball caps and chewing tobacco. A note was passed to me from across the table. It read, "Interstate 35 North—Go Home, Yankee."

It would be a full year before I adjusted my wristwatch from Eastern to Central Standard Time. I refused to accept my new life as permanent. I was intent on getting my old life back, and if I could find a shortcut to doing so, all the better. My parents taught us to believe that the fruits of success came only with hard work. But look where all that hard work had gotten us. I might have been only thirteen at the time, but I had tasted the fruits of success in the stock market and I wanted more of it. A lot more! I knew that with enough of it, I could buy my old life back—and never again be at the mercy of others.

WASH AND REPEAT

As a result of that first stock investment, in just a few months I had doubled my savings to nearly \$1,000. The stock market would be my ticket out of the hell that was my new life. But I knew it would take a lot more than \$1,000 to convince my dad to quit his job and move the family back home to New York. I calculated that if I could just repeat my last investment success and double my \$1,000 ten times in a row, I would have a million dollars—easy enough to achieve. So with the newspaper's Business section in hand, eyes closed, I yet again

picked a stock at random and proceeded with the next phase of my investment experiment.

I don't remember the name of my second, third, or fourth stock picks. Needless to say, my father was right. That first stock pick had been just blind luck after all. Clearly I couldn't just "will" myself to fortune with wishful thinking. Don't get me wrong. I still believed the stock market to be my golden ticket, but I realized that I would have to step up my investing strategy.

LEARNING THE HARD WAY

I became obsessed. I read all the investing books, and soon knew every *Wall Street Journal* and *Barron's* columnist by name. There wasn't an investment type (stocks, bonds, commodities) or trading strategy (growth, value, momentum) I didn't try.

I recall riding my BMX bike home one summer afternoon from the Dallas commodities exchange while balancing a one-hundred-ounce bar of silver bullion on the handlebars. I had just finished reading a book about the Hunts, one of the world's wealthiest families. They tried to corner the global silver market in the 1970s by amassing more than two hundred million ounces of the metal, equivalent to half the world's deliverable supply.

Unfortunately, my own silver experiment was ultimately more of a novelty than an investment. My \$500 silver bar appreciated only \$12 in eight months, and if I had held onto it, my investment would have been worth roughly the same amount ten years later. Unless you are seeking an investment that could also serve as the world's most interesting and expensive paperweight, I would leave commodities to the professional speculators.

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By the time I turned sixteen, CNBC had become my MTV, and “money honey” finance anchor Maria Bartiromo was my Pamela Anderson. I had become a human sponge for all things financial. If I learned anything worth remembering about investing during those teenage years, it was what drove other people to buy and sell stocks. It was this insight into Wall Street’s investing behavior that would eventually empower me to crack the black box of investing success for myself.

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