



George Acs

Option to Profit

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ALTHOUGH CHAPTER 6 IS MEANT TO BE HUMOROUS, THE OPTION TO PROFIT BOOK IS A SERIOUS APPROACH TO INVESTING. SEE THE TABLE OF CONTENTS AT THE END OF THIS CHAPTER PREVIEW FOR A SENSE OF WHAT TOPICS ARE COVERED

CHAPTER 6 WHAT ARE MY CREDENTIALS?

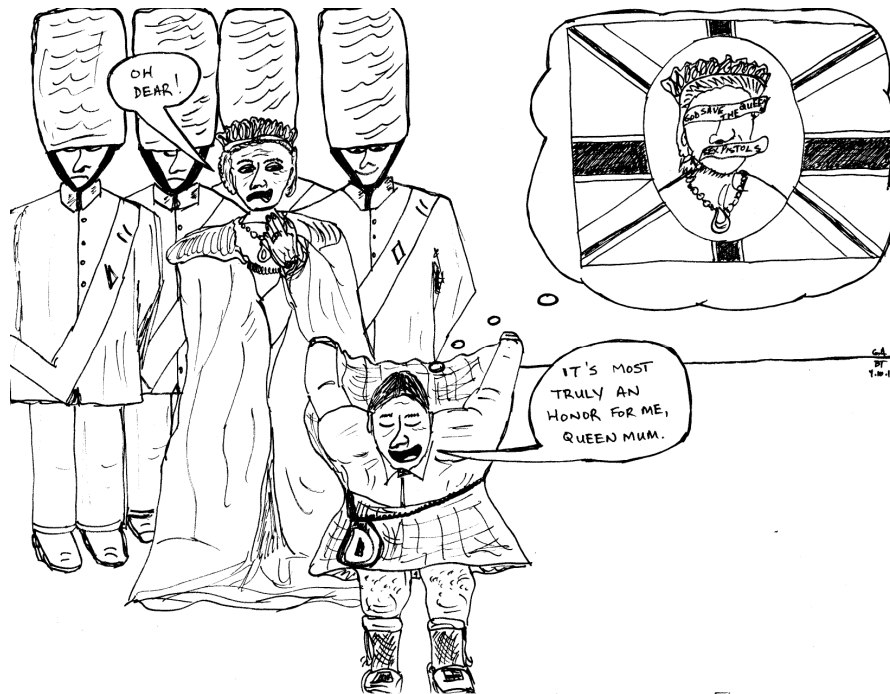


Figure 9 As the new Ambassador to England, Malcolm when visiting the Queen thought he was following protocol when he presented his credentials.

Chapter Lessons

- Results matter
- Responsibility sucks

Who really knows what it takes to make an impact or to effect change?

In the recent Oscar winning Best Picture, “The King’s Speech”, for a brief moment much is made of the fact that the King’s speech therapist doesn’t have a doctorate. As a result, he is thought by some, to be unqualified to achieve the kind of results that he was actually achieving. For what it was worth, his experience was worth something, at least to a stuttering King.

As the failed Tea Party Candidate Christine O’Donnell said, in the wake of being accused of having dabbled in witchcraft, “I’m just like you”.

In hindsight, maybe that’s not a really good analogy, as it didn’t seem to work terribly well for Christine O’Donnell.

But in the big picture, what did King George VI and Christine O’Donnell have in common besides the ability to babble?

Neither was democratically elected.

But that didn’t stop at least one of them from successfully going on an unexpected pathway.

Sometimes, impeccable credentials carry a price. The inability to see beyond the self-imposed blinkers can be a handicap. In defense of some very insensitive comments recently made by an on-air economist, another commentator opined, “People that work in the markets largely have a one-track mind”.

What was the insensitive comment?

“The human toll here looks to be much worse than the economic toll, and we can be grateful for that...”

It was made with regard to the devastating 2011 earthquake and tsunami in Japan. This past presidential economics advisor had much more than blinkers on, so it’s easy to lose sight of the big picture.

Whatever expertise I may have had by virtue of education and training didn’t carry over to stocks and investing.

First of all, I am a lousy stock picker, but I don’t believe that witchcraft has much validity and has demonstrated almost no usefulness in

understanding the markets. A magnanimous and benign monarchy on the other hand is good for tourism, pomp and circumstance.

I also believe that the human toll trumps economic toll. That's the difference between microeconomics and macroeconomics. Sometimes the details really do matter and you shouldn't lose sight of what the blinkers don't want you to see.

My baggage is a plastic garbage bag and not an over-priced garment bag.

Despite an auspicious start, at least I can admit that my stock picking track record is fairly poor, and has remained so over the years.

The very first stock I purchased on my own, nearly 30 years ago was Raytheon. It gave me great hope for things to come.

I don't remember the details of why I made the purchase, but within a week, I sold my shares for a \$1,200 profit. In all likelihood, I heard that Raytheon was a good company and that was good enough for me.

I'll always have a soft spot in my heart for the letters "RTN". Despite the fact that I make it a habit to continually purchase the same stocks, somehow I've never found the opportunity to pick up new shares of Raytheon.

It has become a long ago forgotten first love.

That's probably not a coincidence. Just like the idealized memory you have of your first love, it's best not to let latter day reality intrude into your past reality.

Obviously, when you're young and naive you feel like you have the golden touch. I was already beginning to project my net wealth for the advanced age of thirty, at which point I was planning to retire.

That's when the equivalent of "writer's block" hit.

I had no idea of how to go about following up on my success and so instead I invested everything I had into a Fidelity family mutual fund, back in the days when there weren't very many low load or no load funds.

It was a safe, but completely uninspired move. Fidelity Equity Income was an acceptable place to park money, but wasn't really going to get me anywhere that was really worth going, or had a cover charge.

I've already recounted some of my other false starts.

What I haven't told you is that the few times when I tried using my highly developed intellect to select a stock worthy of investment, they seemed to distinguish themselves by becoming the largest percentage losers for the year.

L.F. Rothschild.

Remember them? A one-time scion of Wall Street where the elite went for their investment banking needs

L.F. Rothschild gave me years' worth of capital gains offsets, since you can't take a loss of more than \$3,000 each year.

I did occasionally pick some winners back in my early days, but they were few and far between. Each one of the winners emboldened me and gave me a false sense of actual ability. Instead of realizing that I was not capable of choosing a good stock investment, I would chalk up each poor performance to an aberration.

At some point I realized that the aberrations were the norm and that I was the aberration.

What I had really learned through the years is that it is extraordinarily difficult to pick a stock at just the right time. No matter how well thought out the selection process is, there are so many external factors that can make you look and feel like an idiot.

A few years ago stocks plummeted over 400 points on worries about the Japanese Yen carry trade.

What did that even mean? Why would that effect the price of U.S. natural gas stocks?

Why in the world should shares in Altria plummet 50% just because the world's financial markets were collapsing in 2008?

It takes more than that to get people to give up their cigarettes.

When my broker passed away I was left with a portfolio of stocks in companies with solid fundamentals. These formed the basis for my new portfolio as I proceeded to liquidate the holdings in my other full brokerage account that was just a hodge-podge of 80 or so stocks.

In a way, that portfolio was a mutual fund, but much more expensive to maintain.

I didn't need to have an original thought at that time. It was already all done for me.

I took the cash proceeds from the liquidated account and just plowed them into additional shares from the account whose reigns I had just taken over.

The timing was fortuitous, in that I immediately starting selling call options on my holdings just as the market was starting its protracted downturn.

Still not knowing how to select stocks I watched CNBC incessantly and paid particular attention to Jim Cramer each night..

I occasionally exercised no diligence and purchased Cramer's recommendations.

Not that his choices were bad.

They weren't.

But I wouldn't necessarily follow his recommendation to wait a few days before making the recommended purchases. He also always recommended that individuals do their own research.

The man had the power to move the shares and by not waiting a few days as he had recommended, I was following a strategy of buy high and sell lower.

Bad strategy, unless you're a bottom feeder short seller.

I also had no clue as to how to do that kind of "research".

But with time I began to get comfortable with a universe of about 50-60 stocks that I had been following and watched their periodic rises and falls.

It really doesn't take a genius, or formal credentials to spot certain stock activities, such as this chart of the movement in stock price of Goldman Sachs over the period of a single week.

All you have to do is look. In this particular case Goldman Sachs, despite sizeable moves up and sizeable moves down, ended up the time period right where it started the time period.

Each of those gyrations represented opportunity.

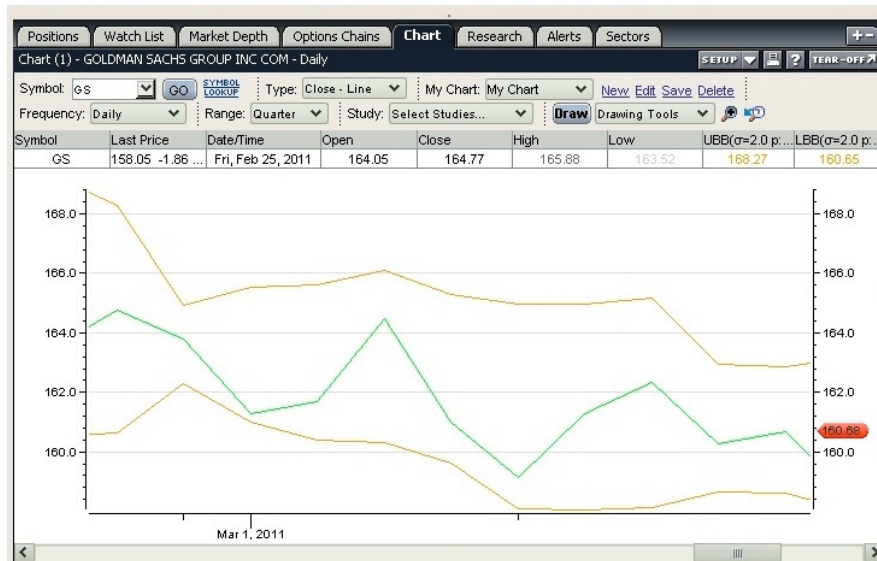


Figure 10 One-week price chart of Goldman Sachs

As my comfort level was being established, for no particular reason I decided to do what everyone else in the world was doing.

I created a website. This one was dedicated to my father's memory.

It was called The Szelhamos Rules.

For the Hungarian speakers out there you will immediately recognize the word "Szelhamos".

For the rest of you, "szelhamos", loosely translated means windbag, blowhard, joker or something along those lines.

My father was a very funny guy. Even more so if you actually understood what he had said. The expression, “lost in translation” could very easily have been coined with him in mind. That would still be true even if you spoke the same language as he did.

As part of that site I had a slide presentation that chronicled his life.

In the one year that I spun 5 investment related articles each week about 1,500 people actually took the bait and time to view the slide show. I received lots of e-mail about him, as well as discovering a long lost branch of the family.

More people learned about him during that single year than he had probably met during his entire life.

The Szelhamos.com site tried to take a humorous look at the days’ events in the world and the stock markets and how I tried to interpret and play those events.

In re-reading parts of the nearly 1,000 pages of writing it became clear to me that my interpretation of events was almost always wrong.

But somehow, the investment related outcomes, thanks to the aggressive options hedging were much more often correct than not. Maybe the readers realized that, maybe they didn’t, but a dedicated core came back for more each day.

On the 1year anniversary of the blog, after about 15,000 unique hits, I hung it up.

Turning out a few pages of material each day became too much of a chore.

Remember, I don’t like chores. They’re too much like real work.

About a year ago, I thought that I would resurrect the blog, but only making weekly entries.

Even that was too odious.

Always looking for something to do and searching for creative outlets, I ran a monthly newsletter and website that focused on one of the special strategies that is outlined in Chapter 18.

The problem with that venture is that I told subscribers that after a few months they would not really need to keep subscribing, as they should be able to learn the methodology and apply it on their own.

I was right.

Although I miss the monthly subscription fees, I did feel justifiably proud when I would receive e-mails from subscribers telling me that they were ready to do it on their own.

What I don't miss is the responsibility of making the monthly short term stock and options recommendations that were the basis for the OTP Newsletter.

That website, OptionToProfit.com and its offshoot, MilingStocks.com, have now evolved into online resources for those who purchase this book and contains my current stock holdings and links to various spreadsheet tools, as well as other investment related links.

There's even a "Contact me" link, but I'm not inclined to read my e-mail.

That too falls under the "chore" category.

So what are my credentials?

I offer a "been there, done that" level of experience and lots of observational experience.

I probably learned that from my father who loved observing horses lightening their loads and old infirm gamblers lightening their wallets.

I never did figure out how to transform some of my father's observations into income, but I have been able to put my stock observations to work.

You won't have to be a good stock picker to generate reliable income. You won't have to subject yourself to the numbing effect of trying to intellectualize a stock pick that not only has to be based in a fundamentally sound selection process, but also has to rely on blind luck.

No matter what, if the timing isn't just right, all of your intellectually sound efforts will be trumped by bad timing.

So why fight a fight that not even the most skillfully designed programs can win?

Face it. None of us are a match for mass psychology and herd actions, the instantaneous spread of market effecting news and whatever other known and unknown factors lurk out there.

There must be a better way.

Damn the credentials.

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Option to Profit

GEORGE ACS

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ABOUT THE AUTHOR

A graduate of the Harvard School of Dental Medicine and the Harvard School of Public Health, George Acs had spent 20 years in academic Pediatric Dentistry and nearly another decade in its private practice.



During his professional career he had published numerous articles in the scientific literature, lectured internationally, was a grant recipient and authored several book chapters. He has also been interviewed numerous times in the press and appeared on television and radio as a national spokesperson for pediatric oral health.

He now spends the majority of his time in active management of his stock portfolios, while sporadically being chased out of the house by his wife, who insists that he do some “honest work” every now and then.

George’s financial blog can be read at www.Szelhamos.com, a site that was dedicated to the memory of his father, the original “Windbag” and Holocaust Survivor, who had a wonderfully insane sense of humor.

Based on the advice of his son, he now also Tweets @TheAcsMan, parceling out wisdom and nonsense at 140 characters at a time.

ABOUT THE ILLUSTRATOR

A graduate of the State University of Buffalo School of Dentistry and the Children's National Medical Center, Bob Testen, or Dr. Bob, had spent 6 years in academic Pediatric Dentistry and another decade in its private practice.



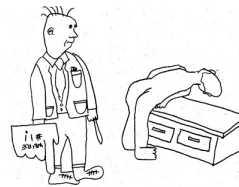
Bob has many talents and interests and is a modern day Renaissance Man.

His latest interest has been cartooning, with a particular emphasis on the absurd.

He has graciously responded to the author's many demands with deep ambivalence.



Were it not for Dr. Bob's contributions you would be looking at far more pathetic concept cartoons. Compare for yourself and you'll see why Dr. Bob is the future of senseless cartooning.



be

the

If he is not too tired out from all of the arduous illustrating for this book, and if he can be talked into it, look for his future work on www.drBobtoons.com

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