Boyd Hunt was a masterful speculator. I knew some very successful speculators but Boyd was by far the best and in a league of his own. He was now in his nineties and was more reclusive than he was a few years back. But then he was always very discreet and unassuming. One could have had an hour's chat with Boyd without knowing that he was a very successful market operator. What he knew about the markets was worth millions if used correctly.

It was in early 2005 that I received a call from him. It had been some months since my report about Taser's phenomenal price run of 7000% in 52 weeks had been written. As it happened, the report somehow got out to the local media and in order to quell the furor that might have erupted, I had published the report in the form of a fiction and made it available to the public at large. That book was titled, "The Perfect Stock." And as it turned out, the book had been received reasonably well, especially for an unknown first time author who had self-published the work. But it had been of some disappointment that some readers could not grasp the lessons that were buried in that book. I figured it had been due to my own shortcomings as a writer. I was not an expert on the English language. And my mind was focused more on incorporating the market lessons within the fiction rather than trying to be politically and otherwise correct with impeccable use of written English.

Once the report was released as a fictional account, in order to protect certain identities and events, the media somehow seemed to lose interest. It became clear to me later that most of the local media owned Taser stocks. And no one wanted to hear in the fall of 2004 that the stock had topped out in April 2004. As it turned out, the April 2004 top was about as close to the top as it got. In 2005 alone, Taser had fallen from a high of $33 down to a $7-$10 price range by the time spring rolled around. I was not about to go around town claiming, "I told you so." That was not my style and Taser was now an old story anyway. In addition, I had been wrong many times in the market as well. Though, through the years I had learned to be wrong small and right big.

When Boyd called me, I was a little anxious. What did he want from me? Did he find my use of his character in my first book upsetting? I had used some of his trading records and techniques in my book while attempting to show the actions of a great speculator. It had been months since I had spoken to him last. I had kept my word and I had taken great precautions to protect his identity as he was indeed a very private person. I had used a fictional name instead of his real name and I had attached a fictional location for his home. Was he calling now to inform me that he was not happy with the references I had made to his trades which resembled so closely to his actual executions on Taser's stock?

It was an early morning in January of 2005. It was a little after 6:00 a.m. As is my daily routine, I was drinking black coffee and reading the business sections of The New York Times and of The Arizona Republic. The phone rang. I answered. It was Boyd. He asked me to drive up to meet him for breakfast as soon as possible. He said that he had something very important to discuss with me and he needed my presence immediately. I sensed the urgency and agreed to drive up the hill to meet him right away.

As I pulled up his driveway, I was deep in thought and somewhat curious about the reason for Boyd's call. But I still managed to appreciate the beautiful view of the valley below in the early morning bright but crisp Arizona winter sun. Boyd was sitting pool side sipping his coffee. He stood up to shake my hand. I noticed he looked older and he sounded tired as he wished me good morning.

He handed me a fresh cup of coffee and said, "Thank you for coming on such a short notice. But I am working on borrowed time. During my last physical my doctor found some tumors in my lungs and I am afraid I have lung cancer."

I was shocked. I had never seen him smoke. All I could say was, "How can that be? You are not a smoker. I am sorry, Boyd. But I do not know what to say. This is terrible." He waved his hand and said that he had been a heavy smoker for many many years in his younger days. He had quit in his fifties. But the damage done to his lungs in his younger days had apparently caught up with him. He was not much interested in talking about his illness. He came directly to the point and said, "As you know I have a handful of old friends for whom I write a small stock market commentary. They have asked me that I find someone to take over my commentary. I could not think of anyone else. Your name was the first and the only name that came to my mind."

I was thrown off-guard. This was totally out of the blue and unexpected. First, I was still stunned by the news of Boyd's failing health. On top of that, he now placed this new heavy burden on me. I was dumbfounded and I just sat there staring at him. I opened my mouth but words would not come out. Boyd saw my discomfort, smiled and said in his usual cool and calm voice, "Do not worry. I am sure it will not interfere with your time and other obligations as I know for a fact that you already do most of what I do in order to get the market's read. And I also know that based on your read of the market, you pick potential stock winners as well. That is pretty much what I offer to my readers. And I still have some time to help you through the basics and allow you to get comfortable with writing your own interpretation of the market's moods."

I gathered myself and took a deep breath and replied, "I am indeed flattered, Boyd. But I am afraid my knowledge about the markets is not nearly as great as yours. In addition, I can think of at least one or two other fellows in the valley who can do a better job than I can."

"Don't sell yourself short. I know who you are talking about but they are tied down to other interests. And they are tied into the Wall Street machinery and that makes it impossible for them to be unbiased and independent. I need somebody totally removed from the influences of the insiders. It has to be someone with no attachment to anyone who could be an insider at any given moment. I need someone who is and can be detached completely from the Wall Street machinery. I am sorry to say that you are about the only one I can think of at the moment," said Boyd.

I replied, "Even if I fit the bill, I must admit my ability to read the market and individual stocks is limited. I do not have the kind of experience in the markets as you do. Nor do I have the insight, the feel and the ability to cut through the noise that you do. You have learned your craft over decades of experience and successful market operations. I would come short, way short, in meeting the needs of your readers."

While we were exchanging our views, Boyd was busy bringing in boxes from his study out to the pool side. Without realizing, I was following him in and out of his house while helping him carry box after box out on to the pool deck. Before I realized it, we had stacked more than a handful of boxes out on the deck. I noticed the boxes were numbered and were full of papers. By now my voice was slowly trailing off as it appeared that Boyd was not listening to me. He would open each box, glance quickly at the papers at the top of the box and then move on to the next box. Once he had given such a quick glance at each of the boxes, he settled down and sat back.

"Do these boxes bring back memories?" I asked. Boyd nodded and said, "Yes. There is an invaluable amount of knowledge here. If I had known what I know now when I began in the 1930s, I could have done an incredible amount of good." It was not like he had not done enough good. But like all humans, there is the thinking that things could have been better if some of the lessons learned had been learned earlier and quicker.

I was getting very nervous. It didn't seem that he was going to change his mind. He was bent on me taking over his work. I felt inadequate. I knew I was gifted with a quick mind. But he was an operator whose mind worked at a much higher plane. He seemed to sense my hesitancy and he said, "I saw your report on the Taser operation. I appreciated your candid appraisal of that stock as well as the market's workings. It is common for the public to be lulled into misplaced confidence that using technical, mathematical models and other cerebral sounding methods, a superior set of returns are available."

"Your writings were simple and expressed honestly. I need someone who can offer similar simple, direct and honest interpretation of the market without any threat of retribution from the insiders. Anybody can and everybody does offer a bullish scenario to get the public excited. A clear bullish scenario only comes about 30-40% of the time. In a ten-year cycle a clean bullish condition comes about three or four times. I am focused on being that rare person who can make big money during such bullish conditions and at the same time can stay in safe modes and not lose anything during the balance of the time. Almost everybody has made money in the markets at some time or another. That is what keeps us coming back to the market time and again. But very few have been able to keep what they made. The market usually takes it all and more back. It takes some gumption to interpret and state it plainly that not every rally is the beginning of a bull trend. And similarly, not every sell-off is the beginning of a bear trend."

I had the feeling that he had me then. I was always skeptical of the hype and the media's take about the market. And I had been through more than a few market cycles to know that the ability of the market to fool most folks was great. And the probability of humans being right in the market was low. Boyd confirmed his approach was not that much different than mine. He said, "I always approached the market with an acceptance that I was dealing with a tricky and a dangerous entity. I preferred to come into the market with a clear focus on the probability of wins."

"I am a simple man. I like a simple life. I try to simplify everything as I hate confusion. And as soon as something starts getting complicated, I get thoroughly confused. So I have learned the importance of keeping things simple. I cannot operate in any other way. I have no understanding of the latest mathematical models, software, probability models, econometrics, etc. I figure if that is what it takes to be successful as a speculator, why is that I do not see tons of mathematicians who are great speculators? And why are the cutting edge mathematicians being hired by brokerages and research entities to develop and maintain tons and tons of mathematical models? I mean, if the math models were so great, why are the great math minds working for brokerages in research and model building instead of successfully trading in the markets? I think it is such a classic human tendency not to be left behind that when one brokerage loads up with scientists and math geniuses in its research department, other brokerages follow suit so that they are not left behind in the quest for the magic answer in beating the market."

"There are no infallible systems. If there was one, the market would cease to exist. As the infallible system will clean up the market. Once one accepts that fact, one is well on his or her way to getting a grip on the market. As long as one is still looking for that infallible system, he or she will continue to be beaten up by the market. And the second point of reality one needs to face is that all that is needed to be a successful speculator is in the price/volume action of leading stocks and leading indices."

"I have found that there are offers of all kinds of cutting edge market-beating signals and methods to snare up the gullible public. Everyone claims to have found the magic answer to beat the market.

There is no such thing as a sure thing. And the market in its genius way sets us all up by offering crumbs once in a while so that we keep coming back for more. Every trading system works for some small duration of time at some point in a market cycle. That is just enough rope offered to the gullible public to hang themselves. Of course, nobody wants to hear this because then they have to accept that they cannot find a short-cut to riches. And who doesn't want a short-cut to riches?"

"My approach is very simple. As I said, I am a simple man. I keep my operations very simple. If something is not coming out and staring at me straight in the face, then in all likelihood it is the market trying to trap me with temptations. More money has been lost in trying to make small incremental amounts of gains than people will ever realize. The common man on the street has no chance of outdoing the research done by the biggest brokerages, researchers, fund managers, investment bankers, etc. These entities have the best and the brightest working for them. They do some of the best research."

"I cannot do a superior research than these big boys. But I can see what the big boys do with the research in the way they buy and sell stocks. I see it plainly on the index and individual stock's price and volume action. That to me is all the information that is needed. I just follow the big money. But to get to that point, I spent years learning. It is only the large gains I have made that has confirmed what all top speculators know. It is all in the price and volume action. And the rest of the stuff in the market is pure fluff."

I interjected by saying, "Boyd, I agree with you. But how did you manage to convince your readers that price/volume action is all there is to know? I find that when I simplify matters, the public cannot believe that it could be that simple. They want to believe in a jargon filled techno-mumbo-jumbo from an unproven service that relies on hype and flash, rather than a simple straight forward and an honest appraisal of the market."

To which he replied, "Yes. We humans want to believe that the secret to market success is something deep and complicated. The reasoning is quite simple. It is so hard to be successful that it must be complicated. It cannot be simple. So, anyone who can sound complicated, show a lot of flash and color, use some long words and some complicated mathematics is immediately thought to be a genius in the markets. But my readers know better because they are no spring chickens either. They have in their day spent millions on top notch researchers and cutting edge models and lost even more, especially during bear runs. They have learned the hard way my first and true lesson, which is, first, -do no harm. It takes a genius to understand and recognize that not losing is actually winning. Hardly anybody recognizes this. And consequently, you hardly see any consistently successful speculators in the markets. They are there but very few and far between because most of the people never understand the concept of avoiding losses."

I asked him then about a commonly held view that one needs to pay a great deal of attention to earnings growth. I knew exactly what he would say since he boiled everything down to the basics, but I asked Boyd anyway, "Do you eliminate stocks which do not show earnings growth? After all, the internet bubble taught folks that lack of earnings was the downfall of many dotcom stocks that went bust."

He smiled a knowing smile and replied, "You know that it is the anticipation of earnings that is more important than actual earnings. Earnings growth is in many cases a lagging indicator. Many times a big move has already occurred and gone before a young company can show actual earnings. The stock market is forward looking. The move happens in anticipation of. Not because of. It is common for the novices and amateurs to focus solely on earnings growth. That is what the insiders want the public to focus on. After all, the insiders cannot sell their holdings unless there is a big pool of buyers for the insiders' holdings."

"Usually, by the time earnings growth has been firmly established, the better part of a stock's move has already gone by. It goes back to my earlier discussion about the research that the big boys do. Remember, they have an army of researchers who have already forecasted and anticipated all that needs to be anticipated. The big money places its position based on what is anticipated down the road. Not because what earnings were for the quarters gone by. In an environment where everything is discounted based on anticipated conditions and events months in advance, what good is earnings of quarters gone by and already in the past. Today's news is ancient history. The news is used to shakeout and fake-out the amateurs. In the longer term, news only acts as a lagging confirmation of the move of a stock that has occurred weeks or months ago. I pay attention to anticipation of earnings. Not actual earnings history. As I said, even today's news is ancient history in the market."

"It is obvious to my readers, who possess a great deal of common sense, that it would be foolhardy to think that the common man can out do in research what the big behemoths do And by extension, since these big moneyed folks place large funds into the stocks they like, all I need to do is follow the big money and I would thus follow the best research in the country. There cannot be a simpler method to function well in the market than this. Follow the big money's price/volume action to see what the big boys are doing. The price/volume action shows to me where big money is buying, where they are selling and where they are supporting a stock."

"But these big boys know that folks like us will follow their money. So they will offer red herrings and many times create fake-outs and shake-outs to throw us off our game. This is because they have smart minds paying attention to the price/volume action on their holdings as well. So they see the same things I see. This is where sound money management comes into play. And at the same time looking for confirming signs becomes crucial. This is where staying out of the market is just as important as getting in. There will be periods where nothing looks good from a price/volume perspective. And even if something looks good, market conditions make it impossible to be successful as the market does not offer decent odds of winning. In such periods, it is very important not be active in the market. It is very important to sit back and wait and observe the market action. This is very very hard for most folks. There is always someone hyping some stock all the time. To sit back and not fall for the hype is extremely hard for most folks."

"I am hoping that you will take my offer and help me out by taking up my work. My readers are savvy and well experienced. And they are just a few of them. I am not looking for more readers. These are the few clients who have been with me for years and years. I do this to appreciate their loyalty to and confidence in me. They are not looking for guidance. But are only looking for an independent view of the markets. They just wish to see if what you see is what they see. They are looking for confirmation. I have full confidence in your abilities. I will be happy to spend the next few days with you and cover some of the basics of the market for you if you wish. But if you feel uncomfortable in listening to what I have to say, I can just let you have these boxes. I am sure some of the cycles I have recorded in these boxes will come back in the future in some form or another. And the notes I have included may be of some help. If you decide to take up my offer, we will need to start getting together rather urgently."

Boyd could be very persuasive in his quiet low key fashion. I was still unsure about my abilities to write my thoughts about the market. I had my good years and my bad years like everyone else. But my good years had never been as good as Boyd's good years. And worse still, my bad years were always worse than Boyd's worst years. And though my report on Taser had become public by now, I knew my writing style was not the greatest. I had the tendency to write as I thought. In short, succinct and crisp sentences. And for some folks getting the hang of what seemed disjointed was harder than I had envisioned.

I explained this shortcoming of my writing style to Boyd. I was an old dog. And if I had not developed a great writing style by now, I surely was not going to learn to do it now when I was in my forties. I did not want his readers to be disappointed when they saw a different style of writing, especially since they had become used to Boyd's elegant writing.

Boyd replied, "Do not worry about that. You are not writing a work of literature. Nobody expects you to. What my readers expect is a knowledgeable, sincere, honest, straight-forward and, most of all, independently unbiased interpretation of the market's action. They are looking for a constant drum-beat reiterating sound principles of successful speculation. We are like children in that regard. We need a constant drum-beat of never ending repetition of sound speculation principles. Human memory is short. If not repeated often enough, we forget. If my readers really want literature, I am sure there are plenty of great works freely available to them on the market. Nobody is looking for an award winning writing. What is needed is repetitive rules of losing small in bad markets and winning big in good markets."

Seeing my hesitation, he continued, "Why don't you sleep on the idea. Take these boxes home with you. Go over the notes you will find in these boxes. Take the weekend to consider all the angles. Talk it over with your lovely wife and then make your decision. If you decide to pursue this, I would like to spend a few hours with you brushing up on some simple lessons of the markets. I think it will help you in sticking to first principles of speculation which is what my readers rely heavily on."

It was then I realized that Boyd's insight and lessons would offer me the simple genius of a successful speculator. I asked him even if I did not accept the work, would he be kind enough to spend the next few days and let me in on some of his market operations. What I knew was nothing compared what he knew about the markets. He nodded his acceptance.

After a few minutes of discussions about his health and the bleak prognosis, he stood up to let me know that he was done with me for the morning. We shook hands. It was mid-morning and I headed back home. My car was full of Boyd's boxes.

I drove back home deep in thought. This was heavy. It was a lot for me to handle for one morning. I pulled up to my garage and started hauling the boxes one by one into my office. I had a small but efficient office at home. Once I unloaded the boxes, the office suddenly started to look like an overstuffed closet.

I spent the weekend going over some of the best years and some of the worst years in terms of the gains made by the S&P 500 index over the recent past. I downloaded the data for the S&P500 from the internet. I picked out the corresponding years' records from Boyd's boxes. I made some notes. I noticed with great interest that during the best years shown by the S&P 500, Boyd had made a killing in the market. And during the absolute worst years, Boyd had not traded at all and had not lost anything.

That Sunday night I went into a detailed conversation with my wife about Boyd, his poor health and his proposal. I needed an objective, intelligent and an intuitive feedback from someone I trusted and from someone who knew me well.

It was past midnight, well past my bed-time. I had arrived at my decision. I walked into my office and sent an email to Boyd and accepted his offer to take up writing his commentary. I knew he checked his emails first thing in the morning. It was too late in the night to call him. I figured he wanted an answer from me at the earliest, so an email was the best way to communicate with him.

I had learned long ago that empty vessels make a lot of noise. In the market place, the braggarts and the chest-thumpers are usually not the successful ones. The truly successful ones are the silent and anonymous types. And Boyd was among the most successful, anonymous and silent operators around.

I knew I was going to learn much about successful speculation from an expert. It was going to be up to me to make good use of the information. The tools would be available to me at my fingertips. How I would discipline myself and use the rules of speculation would determine my success in the market. But I needed to keep myself focused to achieve the results. Being focused and avoiding being side-tracked was going to be the biggest challenge.

<u>Summary:</u>

The average retail speculator has no chance of out-researching the vast machinery on the Street. The Street has some of best, the brightest, the most educated, the most trained, the most intelligent and the most experienced folks working. Therefore, the best way to be on the "inside" with the most knowledgeable folks is to follow their action. They take action based on all the exhaustive research that they conduct. And such action shows up clearly to the diligent and patient market operator through the price and volume action on the leading indices in conjunction with the price and volume action on leading stocks. Once one learns to decipher the price and volume action, one has started on the path of successful speculation.