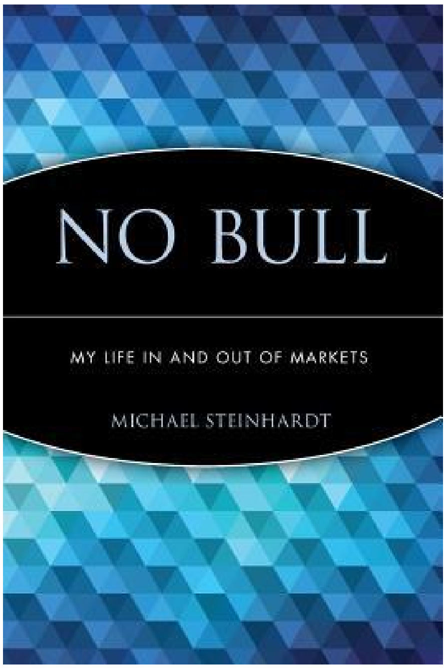

No Bull: My Life in and Out of Markets

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When the official history of twentieth-century Wall Street is written, it will certainly contain more than a few pages on Michael Steinhardt. One of the most successful money managers in the history of "The Street," Steinhardt far outshone his peers by achieving an average annual return of over thirty percent-significantly greater than that of every market benchmark. During his almost thirty-year tenure as a hedge fund manager, he amassed vast wealth for his investors and himself. One dollar invested with Steinhardt Partners L.P., his flagship hedge fund, at its inception in 1967 would have been worth $462 when he retired from active money management in 1995.
No Bull offers an account of some of the investment strategies that drove Michael Steinhardt's historic success as a hedge fund manager including a focus on his skills as an industry analyst and consummate stock picker. He also reveals how his uncanny talent for knowing when to trade against the prevailing market trend-a talent that was not always appreciated by several erstwhile high-profile clients-resulted in many of his greatest successes. Here he provides detailed accounts of some of his most sensational coups-including his momentous decision, in 1981, to stake everything on bonds-and his equally sensational failures, such as his disastrous foray into global macro-trading in the mid-1990s.
At the same time, No Bull is the rags-to-riches story of a boy from Bensonhurst and his rise from the streets of Brooklyn to the heights of Wall Street. In a thoroughly engaging narrative, Steinhardt relates the early influences that shaped his attitudes toward life and success, as well as the beginning of his love affair with stock investing. Further, he chronicles his dawning awareness of the need for a purpose in life beyond the acquisition of wealth and how it led to his decision to retire and redirect his energies. We learn about his experiences as the chairman of the Democratic Leadership Council for nearly a decade, as well as his innovative thinking and ambitious projects to strengthen the Jewish community.
The inspiring true story of a Wall Street genius and world-class philanthropist, No Bull is an unforgettable read for finance professionals and students of human nature alike.
Michael Steinhardt is one of the most successful money managers in the history of Wall Street. He is also widely known for his philanthropic activities, particularly in the Jewish community-most notably as cofounder with Charles Bronfman of birthright israel, a program whose mission is to provide a free educational opportunity for every young Jewish person of the Diaspora to visit Israel.

No Bull: My Life in and Out of Markets Details

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From Reader Review No Bull: My Life in and Out of Markets for online ebook

Joel Gray says

INTROSPETION INTENSIFIES DURING TIMES OF SUCCESS BECAUSE ONE HAS THE LUXURY OF SELF-REFLECTION.

I was happier when pursuing success than I was at savouring the fruits.

At the age of 38, after being in the business for 11 years, Steinhardt decided to quit, as he had grown tired of the process. He wasnt burnt out. He got convinced to take a 1 year sabbatical instead and retired at age of 54.

W says

Basic outline:
1. Background: Brooklyn and Jewish. Father is a gambling addict/mobster who puts him through UPenn (otherwise he'd be at City College), gives him $5000 worth of stocks on his bar mitzvah, and stakes him $20,000 to start a fund (also his weekly allowance was $4/week in the 1950s). Most of the book deals with his identifying as a Jew who is in fact an atheist.

2. Starts on Wall St in the statistics department of a gentile, traditional asset management firm: Calvin Bullock. Served in the military briefly where he said he was shocked/tortured. Spent a few months at a journal, which required him to respond to subscriber letters -- he focused on conglomerates and cyclicals, but hated responding to letters on obscure minutiae and was fired for not responding to "boring" letters. Gets a job at Loeb Rhoades in the 1960s in which he analyzed and pumped up go-go conglomerate stocks (Gulf and Western for example).

3. At age 27, starts his own hedge fund Steinhardt Fine Berkowitz & Company with eight employees and $7.7mn and charging 1 & 20%. Went on one year sabbatical in 1978-79.

4. Market wisdom
- "Sometimes making money was due not to intelligence or courage but to simply 'being there.'" (pg 95)
- "Relative to our size, we generated vast commissions for the brokerage community. This enabled us to get many advantages as a priority client..." (pg 97-98)
- "Unless one could realistically seek the expansion of a multiple as well as earnings growth in a long investment, it wasn't worth doing." (pg 125)
- "During periods when we were losing money, I significantly reduced our overall exposure and raised cash."
- "I tried to view the portfolio fresh every day. Indeed investing toward long-term capital gains treatment was of secondary concern." (pg 192)
- "I have never owned a stock for 10 years, but I have had the unique and profitable experience of owning some very good companies for 10 minutes." (pg 203)

5. Big trades:

- Fund plows into go-go stocks in late 60s: "I learned that a story, whatever its veracity, could be of value, particularly if it were new to the market and had an open-ended quality that provoked one's imagination."
- "I have spent much my career listening to 'stories' or pitches from analysts in my firm or from top-ranked research analysts at brokerage houses. Even more narrowly, I received endless opportunities from block traders at the major institutional desks...often listening to an idea led me to an entirely different conclusion than the proponent of that same idea." (pg 187)
- "Ideally an analyst should be tell me in two minutes: 1) the idea 2) the consensus view 3) his variant perception and 4) the trigger event." (pg 191)
- Massively short the NIFTY FIFTYs in 1972 despite its not being "textbook short selling...[which] would necessitate finding...deteriorating fundamentals, weak competitive positions, vulnerable dividends, and leveraged balance sheets." Also short the conglomerates/go-go stocks they were long into early 70s. (pg 123-125)
- Massively long bonds in 1981 despite investors protesting that Steinhardt was an equities manager not a bond manager.
- Only lost money 5% of months (pg 180)

6. Big beats
- Shorting OXY when they struck oil in Libya (and Libya was pumped as having reserves as big as Saudi Arabia) (pg 98)
- Bough Equity Funding subsidiaries after meeting the CEO and hearing him say "hmmmm" and investigated by the SEC (pg 130-131)
- Took a massive drawdown in Crash of 1987(+45% to +5%) and tried to intraday trade S&P futures when they were trading at a large discount. Had to remark the book on convert bond portfolio that they thought was initially a gain but turned out to be a loss.
- Lost $50mn on CUC, which was a fraud that kept growing from 1989 to 1997. (pg 205-206)
- Lost 31% on convergence trades (ERM: Bonos, BTPs, OATs), shorted vol on international equities, style drift away from small/midcap equities into macro. Caught off guard on Feb 4, 1994 when FOMC hiked 25bps and liquidity dried up. (pg 224-225)

7. Typical PM behavior...
- Analyst recommends Esmarck at $27 on the theory that it was undervalued and likely an acquisition target. The stock traded between $25 to $29 for a few months. Aramark made a $39 bid. "I fully intended to congratulate [the analyst], but when I went into his office, the first words out of my mouth were: 'Why didn't you buy more of this stock last week? Why did we need to have Esmarck in the portfolio all these months when it did nothing?'" (pg 190)
- "Oscar Schafer...took a sizable position in Iowa Beef Processing...he knew the company well and bought the stock at an average cost of around $24. We owned it for a month or two during that time it moved up to $29. One morning I was antsy and anxious about the market. I called Oscar into my office and asked him, 'Is this stock going up from here?' He replied confidently that it was going up. Not satisfied, I asked him , 'When? What's going to get this stock moving? And when is that going to happen?' He said, 'I haven't got a clue where it's going short term. I only know I still like it long term and it's going higher.' Later that day, when Oscar came back from lunch, he punched up IBP on the Quotron in the trading room. 'Why are you checking that stock' asked one of the traders. 'Michael sold out your position while you were at lunch.' Four months later, an $80 tender offer was made for the company." (pg 193)

8. People
- Alan Greenspan: "I recall being disappointed that I had learned little from listening to him, and that what he said was mostly an extrapolation of the obvious." (pg 98)

Steve Bradshaw says

A fun read for those interested in investing who enjoy a good biography. For over twenty years, Steinhardt was at the cutting edge of New York investing, in the process establishing the first major hedge fund and amassing a personal fortune. This books is full of practical wisdom, anecdotes and advice. It won't teach you how to be a great investor (Steinhardt's approach is too personalized and erratic to emulate) but it will give you a few thinking points and some inspiration.

One of his most interesting habits is the following:

"Irregularly, my substantial turnover of the portfolio was itself exacerbated by my decision to "start all over again." I would decide I did not like the portfolio writ large. I did not think we were in sync with the market, and while there were various degrees of conviction on individual securities, I concluded we would be better off with a clean slate. I would call either Bob Mnuchin at Goldman Sachs or Stanley Shopkorn at Salomon Brothers and ask to have us taken out of the entire portfolio. In one swift trade, one of these firms would buy our longs and cover our shorts, often after extensive negotiation. In an instant, I would have a clean position sheet. Sometimes it felt refreshing to start over, all in cash, and to build a portfolio of names that represented our strongest convictions and cut us free from wishy-washy holdings."

Steinhardt is clearly a strong independent thinker! What is interesting, is that his judgements are formed intuitively and instinctively. The following passage provides a glimpse of his genius (probably too long for a review, but what the hell!):

"I have frequently pondered why my ability to predict market change, particularly in finite time periods, has been better than most. Market timing is not everything in managing a portfolio, but it always counts and sometimes is the critical variable. Moreover, I soon discovered that I had a natural instinct for trading, and this became a cornerstone of my career. As far back as 1965, I was betting with a colleague at Loeb Rhodes on daily market direction. We used the Dow Jones Industrial Average and, after the market's close, each wrote down our prediction for the next day. I won 22 days in a row. In my view, this win was not random. At the same time, it was not a reflection of analysis, intelligence, or methodology. Is the word instinct appropriate here? I am not sure. Indeed, throughout my career, I maintained unusual confidence in my ability to predict market change. I have spent much of my career listening to "stories" or pitches from analysts in my firm or from top-ranked research analysts at brokerage houses. Even more narrowly, I received endless opportunities from block traders at the major institutional desks. I inevitably made many judgments based on limited information. Yet, the challenge invariably was to use the sum total of my knowledge and intuition to make the right probability judgments. Some of the decisions were of a long-term nature; others were unvarnished trades, yet they had the same element of employing an often inchoate judgment. From what were these judgments derived? Is one born with instinct or intuition? Are some people "naturals," like some athletes? I do not think so. Beginning at a very early age, I have made cumulatively more judgments, and more investment decisions based on the same kinds of data, than almost anyone else. This process unconsciously leads to a sharpening, a fine tuning, that, over time, results in fewer mistakes. In this repetitious behavior, a learning occurs that is not consciously understandable but allows one to ferret out the higher probability from the lower. Thus, one develops "good instincts." Often listening to an idea led me to an entirely different conclusion than the proponent of that same idea, whose knowledge was far deeper than mine. It seemed knowledge was necessary but insufficient. While I have certainly made my fair share of mistakes, the filtering process that I contributed was extraordinarily effective."

Despite, disagreeing wholesale with many of his approaches (for example, at times he holds stocks for as little as 10 minutes!), I have to admire his strength of conviction, work ethic (another 10,000 hours candidate) and of course the enviable performance record he put together.

One thing that I don't admire, however, is his management style. He is clearly a very difficult person to work for, always demanding more and at times appearing outright hostile with employees (interesting parallel with Steve Jobs?) leading to many talented employees leaving over the years. In the process Steinhardt unwittingly seeded the NYC hedge fund industry with a horde of trained talent, later to become his competition as the industry bloomed.

In summary, this is a thought-provoking, insightful autobiography that won't necessarily change your investing habits outright but will force you to think about them.

William Krasne says

Michael Steinhardt is a pioneer of the hedge fund industry, and one of the greatest traders who ever lived. Moreover, he has a fascinating back story rising from Bensonhurst in Brooklyn to the pinnacle of Wall Street success. However, I cannot recommend this autobiography. The prose is inelegant, and too often he limits his discussion of his career to simply reciting his performance. The most interesting parts of the book concern his grappling with his Jewish identity, but these sections are not enough to allow me to recommend the book. If you're in the market for Wall Street biographies, you can skip this one.

L says

If you are interested in stocks and hedge funds you will enjoy this book.

Samuel says

Classic, another from the neighborhood down-to-earth Brooklyn Jew. As Enjoyable as Neiderhoffers account.

David Tunstall says

I read somewhere that this book was recommended by Nassim Taleb as a book to read by someone who's "done it". I had never heard of Michael Steinhardt so I sat on this for awhile. I was recently looking for an easy read and I was pleasantly surprised.

I'm not sure if it is a feel good book, a success story, a cautionary tale or simply an illustration of what happened in his very eventful life. Maybe all of them. Micheal Steinhardt turns out to be very successful in most areas of life, but flawed and unsatisfied in a few. He has a deep affinity for Jewish people and Jewish culture but is an atheist. This book was a surprisingly honest and clear autobiography.

Jeremy Raper says

Extremely compelling account, first hand, of Michael Steinhardt (hedge fund pioneer and investing legend), and his career in and out of the markets. Not only does he give you a flavor for his investing style but he comes across as a compelling, interesting human study, not perfect by any means but a really unique character. Has a dry sense of humor and quite well written too.