
The Media Crowns the “Kid”

During my short tenure at Underhill, I saw firsthand how powerful the media was as a business-building tool. I figured if I could harness that power, I could really build my book of business, while at the same time building my status, reputation, and growing ego.

I had a friend who was a reporter for a little weekly newspaper in central New Jersey, and after I got a promotion in 1987, I convinced him to do an article about me, telling my story as a high school dropout who bucked the odds to become a Wall Street stockbroker. The feature was really good, and I made copies and sent it around to a few other papers. Using that article as bait, along with copies of *The Grandich Letter*, I was able to hook the business editor of one of New Jersey’s largest dailies to do a story. Then, I repackaged both articles and sent them to some even bigger fish.

As a result, I got myself booked on Eva Dorn’s show on the Financial News Network—FNN, which was later bought out by CNBC. Appearing on the show meant a grueling day-long flight to Los Angeles, the half-hour 4:30 p.m. appearance, and immediately off to the airport to catch the redeye back to Newark. Though tiring, it was worth it when the phones started ringing off the hook. That first appearance generated hundreds of requests for a free copy of my newsletter. Thankfully, Eva liked me as a guest, and I was invited back. A month later I flew out again, after which we received even more responses. Within a few weeks of my first appearance, I had several dozen new clients, and every time I appeared, the phones in the office rang like mad—so many calls, in fact, that I had to give the leads to other guys in the office. It was remarkable.

To my great pleasure, I found that the media is kind of like a virus: It spreads. One media success leads to another and another. I started getting interviewed regularly on TV and radio, and every time I appeared I ended up with a few new clients. Things were great.

It was about that time that PAW’s head of investment strategy left the firm, and Bob and I went to talk to the boss about me filling his shoes. The boss knew I was responsible for bringing in a great deal of new business thanks to my growing media profile. With little more than a conference call and a follow up meeting, I was made vice president of investment strategy.

For me and my ego, it was too good to be true! It didn’t mean any more money, but what a great title, I thought. Keep in mind that I had been in the business a grand total of three years at that point. I was a young, inexperienced high school dropout entrusted with the strategic direction of thousands of company clients.

That was perhaps the first time that the status of my work became important to me. I remember how excited I was as I told Mary about the new job and all the money I could make. Of course, Mary was unimpressed, as those trappings never mattered to her, but she trusted me. As a matter of fact, she always trusted. She never questioned. A devout Catholic who truly practiced her faith, Mary had always believed that God would take care of everything. Even if I screwed things up, she knew

she could depend on God.

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In August of 1987, in the midst of all the media attention I was drawing, things in the market made me very uneasy. Based on my “long-standing” history of three whole years in the business, I believed that the market was set up for a big crash. The thing about that was it was pure instinct. A sophisticated guess. Following my gut. There was no technical analyzing that went into it, no fundamental examination. Just Peter thinking, hmmm, something doesn’t feel right here. Bear in mind that I didn’t have the experience or the intelligence to have concluded this. But I did. So, I advised all of my clients to sell. Everything. Get out of the market. In hindsight, I now know this was the second time I felt the hand of God in my life. It was He who gave me that insight because I sure as heck couldn’t have come up with that on my own.

Note that I told them the market “will” crash. Not that it “might,” “could,” or “should.” In this business you never use unconditional words like it “will.” You always cover your butt with a long legal disclaimer or you dance around the facts with less precise phrases like “the markets show weakness and may dip” or “the market is poised to fall sharply.”

But I used the word “will.”

After issuing my forecast I was called up to the boss’s office post haste and given two options: either retract my forecast or resign.

I was interested in neither. When I asked why, his explanation was succinct and very matter-of-fact. He explained that, “Ninety percent of all people will never sell everything. Though they might sell some holdings they’ll hang on to a few that are their favorites for some reason or another.”

“If you’re wrong, they’ll never listen to you again. And if you’re right and this terrible thing happens, they aren’t going to be able to profit from you because they’ve already lost a lot of money,” he explained. “Look at the 10 percent who do listen to you: half will be too afraid to step back in when you tell them to, so the net effect is that only 5 percent will profit from this advice.”

Then he said something I have never forgotten, “On Wall Street, no firm can survive with only 5 percent of its clients profiting.”

From a strictly sales point of view, I guess he was right. But I never looked at it that way. I just assumed that you should do the right thing and tell people the way you see it. He thought more about the bottom line.

I didn’t retract my statement. I didn’t resign. And, somehow, I didn’t get fired. I stuck to my prediction.

It’s important to note here that what truly separated me from the pack of prognosticators on Wall Street was not necessarily that I said there was going to be a crash. There were a few other people who waved the caution flag, though I don’t remember anyone else saying it with such conviction.

What made my call different was the fact that my employer was demanding a retraction, and I wouldn’t budge. That was a very unpopular move on my part.

On August 25, just eleven days after my doomsday prediction, the Dow Jones Industrial Average (DJIA) had risen seventy five points, which was a big move at that time. I became the laughingstock of the firm. Other brokers would call to tell me that Kmart was hiring and I should go apply, or they just left voicemails asking what I was going to do for my next career.

PAW had several office locations, and one day I got an interoffice delivery—a package that stank to high heaven. It was a box full of “doggie doo” and a note saying “This is what I think of your forecast.” Naturally, the note was unsigned and we never figured out which of my supportive colleagues sent it. I always wondered how the poor messenger put up with driving a box of dog poop from office to office.

I just put up with it and stuck to my guns.

In mid-September, to the surprise of most on Wall Street, the markets started to show signs of faltering. Then, on October 19, 1987, “Black Monday” hit and the DJIA dropped 508 points to 1739. It was the largest one-day decline in recorded stock market history at the time.

If you weren’t in the market back then or are too young to recall, you may not realize the severity of this crash. This was big. Huge. It was being compared to the crash in the 1920s when brokers literally took their own lives by jumping out of windows. The fear was the economy would sink and unemployment would become severe.

On October 20, the day after the colossal beating on Wall Street, I put out what became my second “famous” prediction: I stated that the market would be at a new all-time high within two years. Nobody could picture it. The devastation was too colossal. They all thought I was nuts. In the depths of the despair and depression and recession on Wall Street, they just couldn’t imagine that we’d rebound in less than twenty four months. Remember, the 1920s crash sparked the Great Depression and years of financial and human suffering in the U.S.

But, hard as it was to imagine, out of the doom of that Black Monday crash the markets went to incredible heights within the next two years, proving my call spot on. Thus, my second famous prediction. Note that there was no way I was “qualified” to make this call, either. That’s how I know it was God. At my level of ability and knowledge dumb luck would allow me to get one of those predictions correct. But to get both of them right? Yup, it was God. Had I not made those two calls I would never have the notoriety I have today.

A reporter named Steve Crowley who did business reporting on ABC’s nationally televised morning show Good Morning America picked up on my forecasts and ended up doing a segment on me. Because of my foresight, my youth—I was just thirty-one years old when most investment strategists on the Street were gray-haired old men—and the fact that my only “education” was the school of hard knocks, he dubbed me “The Wall Street Whiz Kid”—a nickname that has followed me, for better or for worse, ever since.

Needless to say, that interview and the resulting publicity really escalated my career, resulting in more media appearances, more clients, and more money. I couldn’t have been happier. And, of course, the media buzz continued to spread like a virus in a room full of runny-nosed preschoolers.

About a year later I was asked to appear on what was then the hottest and most highly charged TV show at the time, The Morton Downey, Jr. Show.

This was long before the days of Jerry Springer or sensational, reality TV shows. Morton was a right-wing chain smoker who lit up the airwaves in more ways than one. Things got so out of hand on his set that guests and audience members had to go through metal detectors at the front door. Though metal detectors may be the norm now, in the 1980s they were an anomaly. At first, I refused to appear on his show fearing I would be the target of Downey's on-air rage. It was no secret that he absolutely hated Wall Street types, yuppies, and anyone who drove a BMW. But the producers assured me I would be the hero and the other Wall Street guests would be Morton's target. They said he really wanted to tell the story about a regular guy who never finished high school yet warned of the crash months before it happened and was largely ignored.

I finally agreed to go, and as it turned out I was, indeed, made to look like a champ for calling the crash. The other guy who showed up (they invited dozens and only one guy had the guts to come on air), Louis Ehrenkrantz, was verbally attacked. Downey chewed him up and spit him out on national TV. It was a slaughter. To his credit, Ehrenkrantz did a superb job of defending Wall Street, and we later became good friends. Lou passed away a few years later and I miss him.

After the broadcast, Downey brought me backstage to his dressing room, thanked me, told me how much he liked having me as a guest, and we, too, became friends. A year or so later, he moved to CNBC and I appeared on his new show there.

Life couldn't be better.

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As a result of calling the crash and all the media attention, I got what would be the first of many invitations to speak before a big, live audience; the Sound Money Investors (SMI) conferences, which were held offshore and in the U.S.

SMI was run by a controversial, eccentric American guy name Bob White who wore overalls and sandals at the shows. He was the author of the Duck Book, an über-conservative book best paraphrased as: "The U.S. of A. is going to hell in a handbasket, the commies are taking over, and we're losing our market share. God help America." He was so unconventional that his publishing company and SMI were both kicked off the Vancouver Stock Exchange, which was nearly impossible back then on Vancouver's highly controversial exchange.

The very first time I spoke at SMI was in Orlando, Florida, and I will never forget it. It was an auditorium full of right wing, flag-waving, wealthy investors—mostly white men aged sixty years and older and clearly highly conservative in their political views. I always found it an interesting paradox that while they wrapped themselves in the American flag, the most popular speaker at the conference was always the guy who taught them how to move their money offshore and avoid paying taxes.

During my presentation, I shared my thoughts that the DJIA would recover to new highs and how I felt gold would go lower. I was heckled and booed like a New York Giants fan at a Philadelphia Eagles game! This was a hard-core, hard asset crowd, and I was

telling them things they didn't want to hear. One man actually rose and screamed for me to get off the stage and proceeded to tell me why the stock market crash in '87 would just be the beginning of a long decline. He ranted about why gold was going up, how the Soviet Union was going to

eventually take over the U.S., and how his gold would allow him to bribe his way to Canada.

He was typical of the investors there.

“What makes you think the Russians won’t overthrow Canada?” I asked him.

I was ready to walk off and go home when suddenly a well dressed younger man came on stage, grabbed the microphone and began to lambaste the audience for the way they treated me. He went on to tell them about how right I had been in the past and encouraged me to not only finish, but to come back to the next show. I don’t know if it was because he believed in what I was saying or just didn’t want one of the guests to be mistreated, but after he spoke the audience calmed a bit, even though they thought I was dead wrong. I later learned he was Chuck Arnold, and he worked with Bob White selling franchises and other business opportunities.

So, I become a regular at SMI shows and met many new clients in my travels with them.

Months later, while Chuck Arnold and Bob White were in Belize looking at investment condos, Bob was shot and killed. The story was a murky one. It seems that while they were on the beach looking at the properties, an assailant with a machete supposedly came out of the jungle. A struggle ensued and the assailant allegedly shot Bob to death with Bob’s own gun. Other details were sketchy.

Not long after, Chuck took control of SMI with a man I will call just “Doc.” Remember Boss Hogg from the eighties TV show The Dukes of Hazzard? That was Doc. He was always making a hard sell of whatever crazy product or scheme SMI was peddling.

After a while, many of the speakers, including me, received a fax from Doc claiming that Chuck had had Bob killed, and he had proof. A few days later, Doc was found dead in what was ruled a suicide. Needless to say, this cast a real shadow on Chuck and SMI. Though the conferences continued for a while, soon Chuck got involved in touting stocks for big money. The media began to question his validity, regulators either charged him or threatened to, and he disappeared into the night.

And so did my involvement with SMI. By that time, I and many of the other legitimate speakers didn’t want anything to do with this guy.

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Like many investment firms, PAW was mortally wounded in the crash, so I looked for greener pastures. By 1989, I was with a firm I could literally walk to from my home, AFM Investments. It was small—three partners, two of whom I liked very much. One of them, Martin Saltzman, was and still is the most honest stockbroker I have ever met. Other brokers would engage in practices like giving a client a quote of the high price of the day instead of where a stock was trading at the time. Marty was incapable of any of that.

It was at that small, unassuming firm that I really solidified my “legend in my own mind” status. I was hot stuff—or at least I told myself that every day. I took the Ten Commandments and turned them into the “Ten Suggestions” and picked and chose which ones to follow or ignore. My faith consisted of going to church every now and then mostly for show, while my wife went weekly as a true profession of her unwavering faith.

My business was growing rapidly and my narcissistic attitude was producing regular appearances at conferences, a cable television program, an expanding newsletter subscriber list, and numerous national TV and radio interviews. The Grandich Letter spawned The Grandich Hotline, a recorded message I updated each week for subscribers who called in to listen. I also started several more newsletters including The Blue Chip & Income Report, The High Flyer Report, and North of the Border. I didn't need God. I was a god—an investment god.

I began several years of regular appearances on CNBC, after an airplane trip I spent sitting next to Neal Cavuto, the current Fox News business editor who was working for CNBC at the time. One show I will never forget put me right smack in that gray area again, thanks to noted financial reporter Dan Dorfman. Dorfman gained notoriety by making a daily commentary on stocks. He became so popular that if he gave a favorable report on CNBC, the stock would fly. If he panned it, the stock would swoon. This particular time I was at CNBC studios before my interview and for some reason they had me sitting in the control room instead of the green room, which was the norm. On one of the monitors in the control room, a tech had posted the stock information Dan Dorfman was going to speak about later that afternoon, and I could see it was clearly a bullish report. Dorfman was to come on 45 minutes after my segment.

Needless to say, as soon as my interview was over I raced to a phone and told my colleagues what was to come. We all bought shares, the stock popped and then we all sold. Yes, we profited tidily. Was this illegal? Good question. There was no assurance that what I saw on the monitor was accurate, and even less assurance that what he had to say would lead to the stock rising. However, you and I both know it was morally wrong. But morally wrong is no show stopper on Wall Street. It's an everyday occurrence.

The CNBC-TV appearances also led to me meeting two very popular CNBC hosts and experts in the world of finance, Ken and Daria Dolan. I became a regular on their program and we became close personal friends. My ego, however, was really starting to get in the way of rational judgment. I was such a legend in my own mind and always looking for an angle to boost "me" that I named Daria Dolan as my daughter's godmother. Bringing the Dolans into the family tree seemed like a great business move at the time, but I later learned that it hurt my sister deeply. It took years for our relationship to recover.

Around 1990, I became friends with a newsletter writer named Glenn Cutler who wrote Market Mania. Glenn also had a very popular daily fax service. The partners at AFM, who had all come from a notorious penny stock house before forming the current company, became aware of a stock that happened to do business down the road from us—one that their former penny-stock house was promoting big-time. The stock had risen from pennies to a few dollars a share. We alerted Cutler to the fact that their projections were way off and there was no possible way they could meet those numbers, and he consequently panned it in the section of his fax service called "Skull and Crossbones." The stock started to drop hard. I tipped off the local newspaper business editor, the writer who had profiled me a few years earlier leading to my first FNN appearance, who picked up on the story and the share price really began to tank. (My tip was a sort of currency I used to further my career: I gave him a little technical info he otherwise would not have known, and in return I scored points with him. He quoted me more, I got a stronger reputation, attracted more clients and made more money.) Soon after, the principal showed up at our office, claiming he was losing millions and believed we were to blame. He was so angry that for a while we checked under the hood before starting the car to be sure no explosives had been planted. We really didn't know what he would do. Eventually nothing happened and the stock fell to just six cents.

Another visit to the gray area was through a stock called ITEX. My associates and I had been big buyers. The company CEO had told me he was discussing doing a “toxic” financing, where the buyer of the financing received more shares if the stock price kept going lower. We saw the house that was set to do the financing always being the lowest offer. We assumed they were shorting the stock. Unsolicited, the CEO rang me one morning in a huff saying he was going to cancel the potential financing with these “toxic” folks. Faster than a speeding bullet, yours truly and associates were buying all the shares we could. The toxic boys just kept selling to us despite our continuous buying for about two hours. Then suddenly but not surprisingly, they left the offer. The share price began to move up and they became big buyers. The stock rose at least 25 percent, and we sold our shares for a small fortune. Gray? Absolutely. Darker? Perhaps.

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New clients were an almost everyday occurrence thanks to all the media and TV coverage I was receiving. God played almost no role as far as I was concerned. It was my brilliant mind that did it all. Me, me, me. I was the self-proclaimed chairman and CEO of the Me, Myself and I society.

I had a lot of great clients, some who became lifelong friends. One, who contacted me after reading about me in Barron's, wanted to know what my minimum account was to trade options. I told him \$5,000.

“I would think someone of your caliber would have a much higher minimum,” he said, surprised.

“I do,” I replied.

I explained that normally my minimum was \$100,000, but what I wanted him to do was write the \$5,000 check out directly to me and I would save him \$95,000 by not letting him trade options. Options are a broker's delight but can be financial suicide for the general public who try to trade them. He obviously appreciated my candor and turned out to be a good client and friend. Later he became a shareholder in my company.

I also had some really bad clients. One came to our office with a portfolio of highly speculative gold stocks and penny stocks and opened three accounts. We did lots of trading per his instructions, including options. In one of the accounts, he had us buy calls in Eastman Kodak. We were down about \$30,000 when he suddenly said he never wanted to own them. No doubt about it, he was outright lying. We told him to hang on, that the stock would bounce back, but he sold. The option would have turned out to be profitable in two weeks if he had held.

A couple of weeks later he transferred his accounts out of the office and a few months later we got notice that he filed an arbitration case against us claiming unauthorized trading on the EK trade. He lost about \$30,000 and was seeking to cover his losses. His only real “evidence” was the fact that he didn't sign the option papers for one of the accounts. He had filled out the forms for all three accounts in his own handwriting and either forgot to or purposely did not sign one of the three forms. Because it was unsigned, he tried to claim that he wasn't aware of the risk involved.

In the brokerage business, you're assumed guilty until proven innocent. You're also hit with lots of so-called “hindsight analogies.” Sure, if a stock went from ten dollars to one dollar it's not a good thing. But what were the circumstances when it was ten dollars? Was proper due diligence done? Were rules followed? Brokers shouldn't be “guilty” just because a stock doesn't work. Heck, if

people were always held accountable for being wrong, weathermen would be sued all the time. What happens in most arbitration cases happened to us: as the hearing came close, the parties agreed to settle. We ended up paying \$3,500 and did so only because, as our lawyer put it, "It's the cost of doing business." Besides, we'd end up paying either way since that would be his fee for a day in court.

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These stories—these clients—were my formal education. And I've learned more from them than I ever could have learned in a classroom. I wouldn't trade that teaching for anything. But the more I learned it seemed the more I lacked the basic components for a truly successful life—humility, faith, and a real relationship with God. But he was still working on me, and so was Mary.