

# A FORTUNE in an hour a day?

**T**HE STORY OF Michael Parness, once a homeless man who supposedly turned \$33,000 into \$7 million and then went on to found the infomercial-promoted Trend Trading to Win, is

so over the top that I just had to check out his day-trading product. Naturally, I assumed it would be standard fare from an infomercial king—highly profitable for him, tax-loss generating for me.

**Celebrating sloth.** So I signed up for a free seminar at a hotel in Fort Lee, N.J. The male-female ratio of 39 to 2 immediately suggests a dating strategy: Women interested in meeting a lot of men (but indifferent to how appealing they are) should attend investment seminars. Early on, the seminar leader says, "I am very lazy. Any other lazy people here?" Most of us proudly raise our hands. The leader then tells us we can get rich by trading just one hour a day. Trend Trading, you should know, celebrates sloth at every turn and seems determined to turn this deadly sin into a virtue.

In fact, on one of the many Parness DVDs I soon receive, the founder (who calls himself Waxie) says that on weekdays he gets up at 8 A.M. He then puts on his work clothes—black underwear, black socks and a black T-shirt (his "Ninja outfit")—and checks the futures on CNBC. At 8:30 he makes breakfast. No mention of the *Wall Street Journal* or *New York Times* because, well, he doesn't seem to read them. Everything about the DVDs reinforces the idea that making a lot of money is good, but only if you don't have to do much work to get it. And only if you can do that little bit of work in your scanties.

Message two: You can be nearly brain-dead and still profit from the Trend Trading system.

Message three: Long-term investing is for losers. Or as Parness memorably puts it, "All stocks suck! All brokers suck! All analysts suck!" The only thing that doesn't suck, apparently, is trading dictated by the Parness system.

Columnist Andrew Feinberg writes about the choices, challenges and frustrations facing individual investors. Read his blog, *The Money Monster*, five days a week at [blog.kiplinger.com](http://blog.kiplinger.com).



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Waxie, like his morbidly obese partner, Michael "Tiny" Saul, who also appears on the DVDs, is a "dese, dems and dose" kind of guy. Tiny says "axed" instead of "asked" and Parness says "Lye-nux" instead of "Linux." (One satisfied customer who touts the trading system in the seminar video notes that he had a 0.33 GPA at four colleges—Belushi-in-*Animal House* territory.) Part of the appeal is that, if these guys can become multimillionaires, then you—and quite possibly your golden retriever—can, too.

To be fair, the DVDs also include some important messages that all people, even benighted "investors," could profit from. One graphic, for example, says "GREED=DEATH!" Other graphics stress discipline and the importance of conquering your emotions—essential traits for traders and investors.

As I embark on my trial, I receive a call from Trend

Trading offering me the opportunity—but only if I'm "accepted"—to sign up for its mentoring program (\$5,500 to \$8,500). I ask the recruiter to supply performance information. He says hardly anyone ever asks, then adds that I could expect to make 30% to 40%. "A year?" "No, a month." A second recruiter tells me I'll be able to pay for the cost of the mentoring program with my first six trades.

**It works!** So now I'm beyond suspicious. But you know what? Based on nearly a month's trial—which, I grant you, may not mean much—the system seems highly profitable. The gap-trading part of the system posts an 11-6 daily win-loss record, with four ties.

With the gap strategy, you buy certain stocks that open sharply lower and sell other stocks that open sharply higher. Waxie's secret formula determines which ones. "We fade the gaps," says Tiny on one DVD, "because they represent

overemotional imbalances." Research suggests that he is right and that these trades often work. In his excellent book, *Trade Like a Hedge Fund*, James Altucher extols several gap-trading strategies and presents compelling statistical evidence to support his view.

The fundamental long-term investor part of me can't believe that a system that seems so simple could possibly work. But it does, and I'm particularly impressed that Waxie keeps trading the same stocks over and over again—such as Google and Sears Holdings—from different sides of the fence. He'll be long one day and short the next—and right both times.

As the strategy keeps working day after day (Waxie sends me his buy-sell instructions via e-mail), the part of me that does not believe that GREED=DEATH! makes its presence felt. I

need to cast off my journalistic detachment and *trade*, although not too vigorously, lest I violate the slothful-shall-inherit-the-earth Trend Trading doctrine. So on August 12, four days after its initial public offering, I buy shares of Baidu.com. (The day before my trial starts, Waxie makes almost 30 points on Baidu stock.)

Personally I think Baidu, a Chinese search-engine company, is abominable—certainly at the price I paid. Immediately, I feel ashamed that I own the stock. How could I face myself if I lost a few hundred dollars on this wretched company? At first, I'm up. Then five minutes later I'm down, then up, then down. The stock defines volatility; it can move down a point on a trade of 7,000 shares. At \$98.50, when I'm up \$1.35 a share on my 100 shares, I sell, even though Waxie has

not told me to do so. A good thing, too, because the stock closes at \$95, down \$2.90 on the day. (Waxie broke even on the trade.)

**A flop.** A few days later, I follow Waxie again by buying shares of Sears Holdings—one of my largest positions—for a new money-management client of mine, but with the intention of holding on. The trade is a disaster; two weeks later, the stock is down 14 points. Waxie is long gone from this stock. But I'm a long-term investor. Or is that sucker?

At the end of my Trend Trading trial, I pay \$149 for another month of the service. Maybe I'll be able to pay for it in my first six trades. Lord knows, I now want to try, although I fear that my GPA may be too high for me to understand every strategy. **K**