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Chapter 3: The Guru Syndrome

The ability to peer into the future has long captivated humankind. It is tantamount to being able to foresee and control one's destiny. Whether in politics, economics, business, social structure, the stock market, or whatever, the ability to forecast major future trends gives one a significant advantage over one's competition. As it turns out, however, not many people are very good at this very difficult task. Still, whenever society perceives that it has discovered a seer, sage, oracle, or whatever term is preferred, it elevates that person to a pedestal and appoints them "guru." This has happened since ancient times.

Delphi, Greece is a rugged and beautiful area of mountains and valleys approximately 160 kilometers west of Athens. The natural features of the area lend to the historically sacred and mysterious character of the setting. In ancient times, the Oracle of Delphi was the most famous oracle in all of Greece. Those who wished to consult the oracle would first sacrifice a goat, sheep or other animal and then await their turn for a consultation. They would hand in questions written on leaden tablets. The priestess was an older peasant woman who, after purifying herself in the Castalian Fountain, drinking a special water and eating a laurel leaf, took a seat over a chasm to inhale intoxicating vapors that were exhaled from the chasm. Once intoxicated, she would utter incoherent sounds which were interpreted by the priests of Delphi and put into writing. The interpretations, which were always vague and equivocal, were given to the inquirer, who generally departed more confused than when he had arrived.

The Oracle of Delphi (per a babbling, intoxicated peasant woman) would at times decide the fate of nations regarding war, peace, national economics or other monumental events in Greece. Over 2000 years later, some things haven't changed at all. We have mystics who interpret stock market wave theories for mere mortals who cannot begin to understand the concepts involved. One is often reminded that, in the laws of probability, it is perfectly possible to flip, say, 20 consecutive heads in tossing a coin. It doesn't require skill -- merely the odds temporarily shifting that way. Also, one is reminded about the old saw that if you give a million monkeys each a typewriter, one may type a Shakespeare sonnet.

Similarly, if you have a large number of prospective stock market "gurus" making predictions week by week, month by month over several years, certainly one, or several, will end up with a good track record. The question is whether it was luck or skill. Being that analytical is no fun. It is a human tendency to anoint the winner "guru" and then proceed to follow their every utterance over the next several years -- often with poor results.

Being a stock market guru is no different than most things in life. The guru must have some record of accurate forecasting. (Often even a rather short record will do.) However, equally or more important, the person must

generally be very intelligent (IQ wise), have excellent writing and/or speaking ability, ideally be a very colorful, exciting, flamboyant individual, and being physically attractive does not hurt at all. It helps a lot if the individual has an ability to coin cute, colorful and memorable phrases. The high IQ and verbal skills are very important here. The media is always hungry to find one or several gurus to interview and quote. So "once a guru, always a guru." That is, the media is not hung up so much on forecasting ability as it is on citing really colorful people who help sell newspapers or garner a TV audience. There are stock market gurus who made their reputations in the 1970's, were totally wrong in the 1980's (the lucky coin or monkey syndrome) and are still termed "guru" by the media. Some things will never change. Wouldn't life be dull if we couldn't have some fun?

Being a good forecaster of future events is not a natural by-product of having high intelligence any more than being a "creative" person is related to one's academic intellect. You are about as likely to find an oracle to predict future general trends in the world who is plowing a field in Georgia as wearing a three piece suit on Wall Street. It has to do with raw common sense and an ability to extrapolate history with a certain amount of unfettered realism tossed in.

As a matter of possible interest, some years ago the Air Force funded RAND Corporation work on a Delphi forecasting methodology. Simply stated, you select the most knowledgeable people on a topic of interest and ask them written questions requiring written responses. All answers are confidential regarding who says what, but the "first round" results are compiled and distributed to all participants who are then able to see where their opinions stand vis-a-vis their peers. They are then given a second chance to respond to the questions. Several iterations, with feedback each time, are used to arrive at stable best opinions. By using responses without names attached personalities, power and who has the loudest voice are left out of the equation. The search is for the best possible answers from the best possible people with a minimum weight given to extraneous factors.

A long-term survivor guru will often go into a career protection mode once his reputation is made. Although "once a guru, always a guru," some will become very middle of the road and bland in their predictions once their reputations are made. Gurus anointed by the media tend to be perpetuated if, for whatever reason, they are popular with customers. This is all not dissimilar from the advice given by the Oracle of Delphi.