BOOK REVIEW

Shut Up & Keep Talking: Lessons on Life & Investing from the Floor of the New York Stock Exchange

By Bob Pisani
Reviewed by Judy Benson
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Bob Pisani, the senior markets correspondent for CNBC, has, according to his new book, “covered Wall Street and the stock market from the floor of the New York Stock Exchange [NYSE] for 25 years and has been a financial correspondent for CNBC for 32 years. In addition to covering the global stock market, he also covers initial public offerings, exchange-traded funds (ETFs), and financial market structure for CNBC.” With an impressive background to pull from, Pisani delivers a perspective worthy of his book’s subtitle.

The book, Shut Up & Keep Talking: Lessons on Life & Investing from the Floor of the New York Stock Exchange, is equally helpful to newly minted members of the investment advisory industry, advisors who have spent decades honing their skills, or members of the investing public who want a history and education about investing perspectives. Pisani provides a chronology of key events that have shaped the markets before and during his tenure, recalls aphorisms from notables across the spectrum (from Jack Bogle to Jack Welch to Barry Manilow and Mike Wallace), and provides valuable insights from industry éminence grises such as Burton Malkiel, Daniel Kahneman, Jeremy Siegel, and others. He conveys his years of front-line experience and observations in a non-sanctimonious manner, shares many of his own experiences in a self-effacing way, and provides a treasure trove of market information.

The foreword by Malkiel best describes why this is such an important educational work for any investor:

While certainly not a “how to” book, there are many important investment lessons in these pages that can help readers become better investors. While certainly not a history of the stock market over the past few decades, there are extremely lucid descriptions of how the market and the instruments available to investors changed for the better. While not a memoir of a successful financial reporter, the fascinating stories and vivid characters come to life with humanity and humor. Anyone interested in investing will find this love letter to the stock market a delightful read.

The chapter titles provide a tip-off to the breadth of topics covered:

• How Do You Stop People from Panicking?
• 1999: Walter Cronkite, Muhammed Ali, and the End of the Party
• The Dot-Com Bust and the End of the Rainbow

Pisani describes what he considers to be the three most important events of the past 100 years in the financial world: the birth of electronic trading, the growth of passive/index investing, and the development of behavioral finance. As to that latter point, in chapter 13 he comments, “I also learned to unlearn some things I thought I knew, particularly about the rationality of human beings.”

Although many of us may have spent our entire careers directly or tangentially in the investment world, this book is replete with history lessons redux. Two examples:

• The evolution of trading from a time when 80 percent of all volume through the NYSE was done on the floor and the role of small shops and specialists. This reviewer was not familiar with the term “two-dollar broker” before reading this book.

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The history of circuit breakers, including the refinements over time up to the events of March 2020 and the implicit goal of making people (a) stop and think during a panic and (b) look for sources of liquidity.

Other informative history lessons include the migration from quoting in fractions all the way to penny increments in 2011, which reduced bid/ask spreads and resulted in improved pricing; the birth of indexing starting with the First Index Investment Trust in 1976; and the creation and growth of the exchange-traded fund.

Historical trivia (who knew?) includes:

- Bernie Madoff’s roots in payment for order flow. “Island was not the originator of the concept ... Bernie Madoff, who ran the Cincinnati Exchange in the 1970s and 1980s, was one of the early pioneers of payment for order flow.” Madoff also is referenced in the 1997 shift from trading in eighths of dollars to sixteenths, which happened “largely at the instigation of Madoff (minority owner of the Cincinnati Stock Exchange) and helped turn it into the first electronic stock exchange in 1980.”
- A seven-foot-tall stone and silver urn carved from red malachite and mounted on a green malachite pedestal with the crest of Tsar Nicholas II. The urn was created in 1903 by Carl Fabergé as a thank you for helping to facilitate a $1-billion loan to the Russian government; after the tsar was deposed in 1918, the Russian government defaulted on the loan.
- The trading floor clock and its five-minute markers for trading one stock at a time in a five-minute auction setting, the Chinese gong, and the large brass bell rung via electronic push button.
- The founding NYSE document from May 17, 1792, known as the Buttonwood Agreement. Early traders would meet under a sycamore tree near what is described today as 68 Wall Street. Sycamore trees were called buttonwoods because they were used to make buttons. The founding agreement had 24 signatories who could trade only with each other at a commission rate of 0.25 percent.

Without naming names, Pisani talks about his sources for stories and is unabashed in his discounting of analysts. He observes that before 2003, he spent meaningful time with that cohort because they “often had excellent insights. ... Since then, not so much.” His subsequent and current go-to source is the strategist, who “may not have better predictive power than analysts but will often have something original to say.” He adds, “Over time, I have developed sources that I can trust, that will tell me what’s going on, and whether it’s good or bad—even if it is detrimental to their stocks, or to their firm, or even to their career.”

He elaborates on rules he learned from famous traders, which are summarized below:

- Success in trading is not necessarily predicated on technical or even fundamental skills but an understanding of trading patterns.
- Managing downside is more important than managing upside.
- Personality traits perceived to be negative can be positive in the right circumstances.
- Idea generation and going against the herd are more important than going with the crowd.

Pisani also writes extensively about the role of investor biases and the field’s influencers, beginning with Kahneman and Amos Tversky, who noted that people “are not necessarily rational actors. They did not buy low and sell high, for example. They often did the opposite.” Those authors offered up prospect theory, which posits that individuals don’t experience gains and losses in the same way and are likely to try and avoid the pain of taking losses “at least until it became unbearable.” This is described as an emotional bias; the other is cognitive error due to faulty reasoning. The reader learns about a plethora of other biases such as over-confidence, herd behavior, endowment effect, self-control bias, regret-aversion bias, confirmation bias, the gambler’s fallacy, availability bias, anchoring bias, recency bias, hindsight bias, and framing bias—and that investors are trend followers.

 Suffice it to say that this book is best described as an easy-to-read must-read for the advisor community and also for clients who want a digestible market history lesson and a quick understanding of our own biases.

Judy Benson is a partner with Barrington Partners in Boston, MA. She is a member of the Investments & Wealth Monitor editorial advisory board. She earned a BA in business administration and economics from Simmons College. Contact her at judith_k_benson@yahoo.com.

ENDNOTES
1. Burton G. Malkiel is the Chemical Bank Chairman’s Professor of Economics at Princeton University and author of A Random Walk Down Wall Street.
2. Daniel Kahneman is Professor of Psychology and Public Affairs Emeritus at the Princeton School of Public and International Affairs, the Eugene Higgins Professor of Psychology Emeritus at Princeton University, and a fellow of the Center for Rationality at the Hebrew University in Jerusalem.
3. Jeremy Siegel is the Russell E. Palmer Professor of Finance at The Wharton School of the University of Pennsylvania and a world-renowned expert on the economy and financial markets.
4. Amos Tversky was an Israeli cognitive and mathematical psychologist and a key figure in the discovery of systematic human cognitive bias and handling of risk.

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Bob Pisani
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