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Granville at UCI — Part 1

Sept 81

On May 27, 1981 Joseph Granville addressed a standing-room-only audience in the Science Lecture Hall at the University of California, Irvine campus. The event was sponsored by the Graduate School of Management and I served as the Master of Ceremonies.

In the first hour Joseph Granville was supposed to explain his theories to us. The hour proved entertaining with many anecdotes and stories, but the theories were not explained.

The second hour consisted of questions from a distinguished panel of experts in financial theory and practice. These questions were designed to probe and, as appropriate, challenge Mr. Granville's assertions.

The panel members were James E. Alphier, Portfolio Manager, Wilson, Foster and Company, Inc.; Jerome Baesel, Assistant Professor of Finance, Graduate School of Management, UC Irvine; Clive W.J. Granger, Professor of Economics, UC San Diego; and John P. Shelton, Professor of Finance, Graduate School of Management, UCLA.

The first round of only four questions, one from each panel member, used up nearly the entire second hour. The reason for this is that Mr. Granville talked at considerable length about a variety of items that did not directly relate to the questions asked.

The panel, for the most part, expressed considerable dissatisfaction over this and indicated as much during the session. At that point, I introduced the rule that the total time allowed for a question plus the answer would be three minutes. This allowed another round of questions from the panel and things moved briskly.

In the third hour we had questions submitted on cards from the audience, another round of questions from the panel and more questions from the audience. It became spirited. Considerable information was forthcoming about Mr. Granville, his system and the various criticisms that had at one time or another been leveled at him.

By the time the evening ended the audience was quite pleased. Three and one-half hours after the program began, half of the audience remained and continued talking with each other and showed little inclination to leave.

Gain or (Loss)	Granville	Date	DJIA Close	Perfect Timing	Gain or (Loss)
	Long	11/20/80	1000.17	Short	
	Long	12/11/80	908.45	Long	+ 91.72
+ 4.51	Short	1/06/81	1004.68	Short	+ 96.23
	Short	2/13/81	931.57	Long	+ 73.11
	Short	4/27/81	1024.05	Short	+ 92.58
+ 20.72	Short	5/26/81	983.96	Short	+ 40.09
Total gain from Granville: 25.23			Total gain from Perfect Timing:		393.73

Here is one of the more interesting questions addressed during the course of the evening, and its answer:

Question: You say you read the language of the market and that you take us in at the bottom and get us out at the top. Let's look at the record from November 20, 1980 to June 1, 1981, a period of six months. (The record is displayed in the Table.)

It shows that if someone were to follow your recommendation on the Dow Jones Industrial Average, he would make a mere 25.23 points over that time. On the other hand, a person would make 393.73 points if he had what I will call "perfect intermediate timing" and got in at the bottoms and got out at the tops. It would seem that your record over this six-month period is a long way from perfect. How do you feel about this?

Answer: Granville said at the conference, and also in his newsletters of May 23 and May 30, 1981 in response to a written preliminary version of this question, that his theory is primarily designed to catch what he calls all major swings. He defines major swings as 100 points or more.

He said he called all 10 of these from 1974 to the present; and in his May 23rd newsletter he stated that no one can call every market swing of less than 100 points and he has never attempted to do so.

When pressed by myself and others at the meeting, he said that he thought he might be able to refine his theory so that it would catch many or all of the intermediate swings of below 100 points. But thus far he has chosen not to do so.

Along these lines one reader of this column wrote me asserting that Granville had recently missed a swing of more than 10%. If you look at the Table, you will see that the Perfect Timing column has a move on the long side between February 13, 1981 and April 27, 1981 from 931.57 to 1024.05. This is a move up while Granville had his subscribers in a short position. The total move up, however, was a little shy of 10%.

The swing up between December

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A new ruling requires off-track betting to pay off at the same rate as the tracks.

their bets. If the statewide payoff results in a loss to the OTB corporation, the loss is assumed by the OTB, not the bettor.

Slapstick A World Champion Pacer

Slapstick, the world record holding sophomore pacer who was syndicated this year for $2.7 million, is freshing his legs at the Yonkers Raceway oval. The horse is owned by the Playhouse Associates and Leo Klein of New York, New York.

The trainer is the talented Lee Broglio. "Right now," says Lee, "it looks like we'll make our first start in the Big Apple. I'm going to qualify the colt a couple of times before he makes his first start at Yonkers. When you have a horse like this . . . you take your time until he's ready."

That's because *Slapstick* is a special colt—a world champion. A son of the brilliant harness sire *Meadow Skipper*, he became the fastest freshman ever on a half-mile track when he scored in 1:57 2/5 at Louisville Downs last year. Even *Niatross*, as great as he was, never set a world record as a freshman.

"I don't think we'll break the world record at Yonkers," Broglio said, "but we might come close." Some of the horses that *Slapstick* will be facing at Yonkers are: *Set The Style, Land Grant, Arties Dream*, and *Eastern Skipper*.

Lee Broglio thinks *Eastern Skipper* will touch off a 1:57 2/5 win on Liberty Bell's 5/8-mile track. Herve Filion usually handles the horse. Meanwhile, Jack Parker, Jr. will be driving *Slapstick* again in 1981. According to Broglio, Parker and *Slapstick* make a great team.

Hockey and Harness All in One

Montreal Canadian hockey star Serge Savard was offered $1 million for his pacing colt, *Center Square*, but turned it down. Savard, who owns several standardbreds that are trained by Tim Fenno and driven by John Kopas, is hoping that *Center Square* will develop into one of the top 3-year-old pacers in the country this year. A son of *Nero*, *Center Square* is running at Yonkers Raceway.

The 35-year-old captain of the Canadians, Savard looks upon harness racing as both a sport and a business. "I enjoy it as a sport, as a fan," he said. "But as an owner, I treat it as a business. Everybody's out to come up with horses that can win and make money."

Apparently, Savard expects *Center Square* to do both. The colt had a very good freshman year: nine victories, seven seconds and three thirds in 23 starts for $183,602 in earnings. But he was slowed this spring by a bruised muscle in his right front foot. According to trainer Tim Fenno, the horse is fine and training well.

Does Savard contemplate becoming a harness horseman when his career in hockey is finished? "I want to continue as an owner," he said, "but I will never be a trainer or a driver. I've always loved horses, and I've been coming to the track since I was 17."

Belmont Stakes Comment: Although this column was written prior to the Belmont Stakes (June 6), we like *Pleasant Colony* and trainer John Campo to walk off with racing's Triple Crown. However, a horse called *Summing* may give *Pleasant Colony* some anxious moments. Our column next month will advise readers on the outcome of this writer's fortune-cookie predictions. gt

Theory in Practice

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11, 1980 and January 6, 1981 from 908.45 to 1004.68 was a move of more than 10%. But both Granville and perfect timing were long, so there is no problem here. I think Granville has fixed on 100 points rather than 10% as his test of major swings.

Professor Mark Rubenstein from the University of California at Berkeley pointed out that in Table II of the April, 1981 *Gambling Times* column we list the Dow Jones Industrial Average closing between various Granville calls. He noted that the changes from one point to another which we give are less than 100 points in three cases out of five, and less than 10% in two cases out of five.

realized that in some cases this is because we counted from the close *after* the day Granville made the call. Granville counted from the close *on* the day he made the call.

The difference is that Granville's call may move the market when trading opens the next day. Thus, part of the 100 plus points in a market swing which Granville forecasts might be due to his effect on the market itself.

For example, on April 21, 1980 after the close at 759 and a fraction, Granville said: "Buy." In our table, however, we assume subscribers bought at the following day's close when the market was at 789.85.

This means that approximately 30 points of Granville's forecast was assumed not to be available to subscribers by our (somewhat conservative and unfavorable to Granville) method of scoring the profits from following his strategy.

To be continued next month. gt