Ronald Redfield's notes to Jim Cramer book, 'Get Rich Carefully.' 2013

January 15, 2014

I was surprised how much I enjoyed the book, and how I agree with many (not all) of Jim Cramer's discussions. I gave this book a 10/10 rating. I rate each book I read, and am up to 271 books read since I started tracking. I have read quite a few books more than once and some more than twice. Please let me know if you would like my spreadsheet of the books I have read.

These notes are hardly all inclusive. I merely am identifying several of the sections, which I will perhaps refer to in the future, or will use as a reminder of sorts. I have occasionally put in my own explanation or thoughts after citing what Jim Cramer wrote. Please excuse any unintentional errors.

1. If there is just one conference call to listen to it would be Caterpillar. CAT gives you the entire view of the world economy. If CAT can't sell their wares, then perhaps no one is buying. He writes, "CAT works as the perfect "tell" of the world economy, because it makes the world's best product and it is acknowledged globally." I am certainly going to try this in the future. I monitor world economies and freight loadings. I primarily do this via subscriptions at aar.org, daily readings and Barron's.

2. He also likes to read about the electricity usage in China. He does this via Joy Global. JOY is CAT's biggest mining equipment competitor. He likes to use it as a proxy to China's economy, especially since many do not trust the Governmental releases of China.

3. Alcoa also gives a fantastic read of how the world is doing.

4. Four other companies to judge the global economy are General Electric, Honeywell, 3M and United Technologies. These companies fill in the blanks from the others previously mentioned.

5. Of course he likes to pay attention to UPS and FedEx. I say of course, because we pay close attention to shipping and freight loads. We also pay attention to electricity usage.

6. He proceeds to build a large list of companies you could follow. Basically he mentions the leaders of each industry.

7. Measure a company's growth with that of its own sector and the rest of the world.
8. You can buy a company after analysts cut estimates. Not all earnings estimate cuts are a signal of bad things to come. Some cuts signal market bottoms.

9. Don't touch that core holding. He has learned often from his mistakes, whereas he has strategized that he would keep a company through thick and thin, and then often violates that rule. He claims it is almost always a mistake. I concur on all counts. Yet, sometimes a sale of a core holding is done to make room for other holdings. Most of our holdings are intended to be held "forever," yet of course that is impossible for all holdings.

10. Buy the best of breed.

11. Be opened minded.

12. If your thesis changes, sell the stock. Yet, I ask, what if it is a core holding (see above)? Don't create a new thesis. I always try to practice this. Yet, you need to invert and always question potential subconscious internal bias or unknowingly kidding yourself (remember Aesop and 'The Fox and the Grapes.' http://en.wikipedia.org/wiki/The_Fox_and_the_Grapes . We use a checklist and always check to see if the thesis is changing.

13. Watch for ETF induced volume and hence price swings. You can take advantage of that.

14. Sector woes = Sell

15. Retailing: Bad comparable store numbers mean sell. The exception to this is when the entire sector reports negative numbers. "I can count on one hand the retailers that were able to pull out of extended periods of negative comps." Watch out for sudden deceleration of from a high comparable sales level to a low one. One month can be explained, extended periods are concerning. Another thought of mine is that same store sales are sometimes masked with different methods of computing or the determination of same store sales when the retailer is in the midst of many stores opening during the year. Just something to watch.

16. Keep your emotions out of investing.