

## Twitter : My First IPO



Whenever popular companies decide to go public, the media coverage on them is over the top. When Twitter was debuting in late 2013, they were calling it the hottest IPO since Facebook. While today Facebook is the leader in the social media space and its stock has been on an absolute tear in recent months, the 2012 IPO was an utter disaster.

Facebook's share price was originally set conservatively \$28-35/share. Three days before it debuted, the underwriting banks increased the IPO float 25% as well as the range to \$35-38 citing heavy demand. This change was despite consensus among large investors that FB was "overpriced and over-hyped." The IPO then flopped, and retail investors not on the inside got killed. FB actually faced many lawsuits following the offering citing the underwriters didn't report revenue cuts on their S-1 among other details.

But I digress, on to Twitter. Many believed underwriters would learn from Facebook and make it more appealing for retail investors. Twitter was a nationwide phenomenon at this point and you were just starting to see things like hashtags at the bottom of your favorite TV shows. It priced at \$32 and was way oversubscribed (in the real sense, not in the Facebook sense). People were expecting a BIG pop day 1.

While being involved in the financial markets for over a decade, I started trading professionally at a firm in lower Manhattan in late 2013. I was on a demo trading

account for a month in October, and finally started live trading November 4, 2013. I was like a kid in a candy store just soaking up all the knowledge I could, as it's always been my dream to be a successful trader. This was my first experience on a trading desk and it was just as wild as anticipated.



We have our morning meeting everyday at 8:45 where the head trader, we'll call him Jack commanded the room. Jack was equipped with his slicked back hair and mini wooden baseball bat that'd he'd slam against his open palm while addressing the room and wave it around like a pointing stick shouting at all the young traders. He was the intimidator, the enforcer. He wanted to get the weak hands out, the newbies that couldn't handle the ups and downs of trading. It was his job to make you feel like a piece of shit, and he was good at his job.

The Twitter IPO was the Thursday of my first week of trading. I knew nothing about day trading, I couldn't be any lower on the totem pole at this point. What I lacked in knowledge I made up for in hunger and enthusiasm. I wanted the big dogs to know that I was here to stay and I was gonna make my way to the top.

The morning meeting that Thursday seemed to be straight out of a movie. Everyone was talking about the different possible scenarios, how much size they were going to buy, how much money they were going to make, etc. Jack took center stage. The vibe of the room was eerie, it felt like minutes before my championship football game in high school.

"If you can't motivate yourself on a day like today, I don't know what to tell you," Jack started. "IF YOU CAN'T FUCKING MOTIVATE YOURSELF FOR THE BIGGEST IPO OF THE YEAR, THEN WHY THE FUCK ARE YOU HERE!?" We are here to put ourselves in a position of opportunity. You will never have another day like today. There will never be another Twitter IPO. When you talk to your friends, family, etc later on today, what will you tell them? Are you going to say you manned up? Made some real

money? Acted like a big swinging dick? Or are you gonna be a pussy and make excuses. It's too fast, I'm scared, I don't want to lose money. I don't want to fucking hear it."

At this point, everyone in the room looks like they're ready to put their head through a wall. People were actually sweating in anticipation and eagerness. "YOU!" I pick my head up and see the bat pointing square at me from across the room. "WHY THE FUCK ARE YOU HERE?"

"To make money," I answered equivocally.

"And what the fuck are you gonna do today?" Jack continued.

"Put myself in a position to make money."

"Yeah we'll fucking see about that."

So the market opens and everyone is just anxiously waiting with the TWTR level 2 up, ready to go. 30 minutes into the open, still waiting. An hour into the open, still waiting. I feel like I haven't blinked in 60 minutes just waiting to see the data fly onto the screen and the place to go nuts. The room is completely silent. It's now 11am and we're still waiting restlessly. Come on, open already.

11:08am - TWTR opens about \$15 higher than it priced at \$45 and I have never seen a computer screen move so fast in my life. "THEY'RE BUYING 45," someone shouts, meaning there were refreshing buyers at the 45 level supporting the stock. If they break it is sure to be at \$43 fast as every trader and their mother has a stop at \$44.99.

They don't break. It rips higher at an alarming speed. I'm sitting there buying and selling 100 and 200 share lots in seconds.



Buying 45.50, selling 46.50.  
Buying 46.75, selling 47.50.  
Buying 48, selling 48.85.  
Buying 49.50, selling... uh oh.

I had booked about \$400 in profit at that point which was huge for my 4th day live. You never want to trade IPO's on the way down. You're just going to churn stock and waste money. As quickly as TWTR jumped from 45-49.50, it flushed right back down. I was staring at a 1 minute chart, buying every little bar that could have been loosely considered a pivot (or turning point back higher). I lose everything I'm up and all of a sudden I'm down \$100. Lost \$500 as quick as I made the 400. You could only imagine my mind-state with this ten minute roller coaster going on.

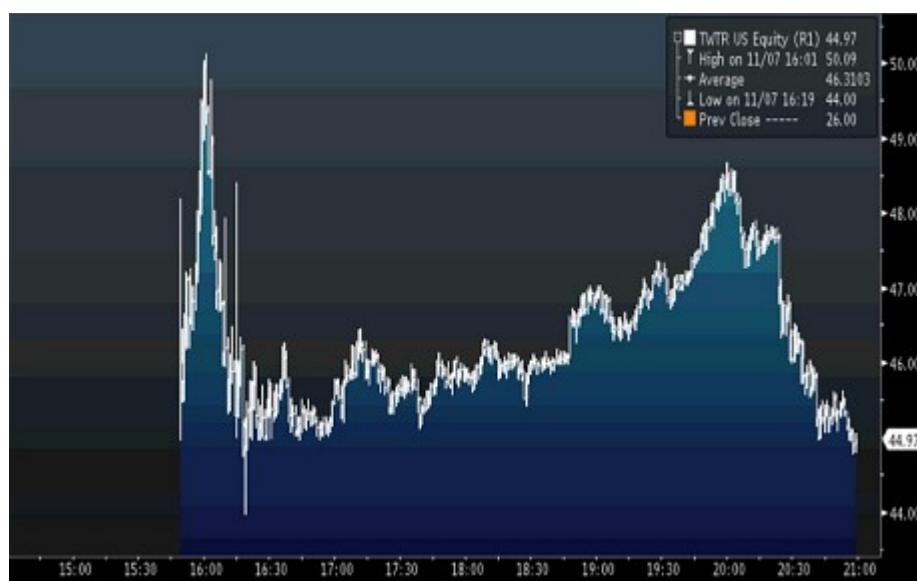


TWTR continued to coil throughout much of the day as the range got tighter and tighter. I was churning through stock, buying 100 & 200 share lots with about .20c risk and selling for .30-.50c when I wasn't getting stopped out. With about 20 minutes to go in the trading day I'm now down about \$200 and completely spent. Most of us were done trading at that point, noting that the easy money had already been made. It was right around the price where it opened at this point. Usually, underwriters want their IPO to close at or above where it opened in order to consider it a successful first day of trading.

With an opening price of \$45.20, you could imagine a lot of people wanted to see it close higher. All of a sudden, as the price hits 45.20 with an extreme amount of selling pressure trying to take the stock lower, it doesn't move. It never ticks \$45.19. The buyers are back.

"THEY'RE BACK THEY'RE BACK! THE BIDS ARE BACK!" I scream across the room. I throw some bids out for 200 shares at \$45.21 with a stop at \$45.19 and have offers to sell at \$45.44 and \$45.72. They both get taken and the stock comes right back to \$45.20. I do the same thing again, bids out, tight stop, offers to sell. They all get taken.

There were very few of us taking advantage of this, so you could imagine my excitement as a newbie as it was working. "It's coming back down to the bid!" Same thing again: bids at 45.21, tight stop, offers to sell. I did this two more times until it finally broke the bids and I was stopped out and the market finally closed.



Me and my Chinese buddy Xin (pronounced Shin) who also took advantage of the end of the day opportunity were ecstatic, high-fiving like we just made 100k. I ended up trade 22,000 shares that day in 100 & 200 shares lots. I couldn't even tell you the amount of executions that takes. I ended the day after my first IPO up \$32.27.

One of the big traders who sat real close to Jack, we'll call him Mr. X, was an actual big swinging dick. Mr. X came from an extremely wealthy family in China. He was as big a

mystery as his name. He had slicked back black hair with the sides completely buzzed off - before it became cool, and spoke very broken english. There were rumors that he had a million dollars in his trading account. He was a legend among the chinese traders, a demigod almost. Surprisingly, he was one of the most humble people you'd ever meet, a literal opposite of Jack, who would even help out the smallest trader if asked. He was known for his penthouse apartment blocks from the office and leaving his \$50,000 Hublot on the desk as he went to lunch. No one dared touch it, nor even thought about touching it.

He made about \$50k that day despite being up over 100k after that initial morning pop. Right as the market closed, Jack walked over to the newbie desk where I sat, "Anyone make any real money today? My boy over there put up 50k. What'd you do today?" He looked directly at me.

"I made \$32 bucks on 22,000 shares."

He laughed and said, "Keep plugging away you fucking piker." I didn't care. I couldn't have been happier. It wasn't about the money, it was about the lesson. I put myself in a position to make money and took advantage of opportunity.

I spoke with Mr. X and he didn't trade many more shares than I did, he just knew what he was doing. I told him about my executions, while he thought they were a bit comical, he appreciated them. I earned a lot of respect on the floor that day. They saw in me the hunger I felt and knew I had the yearning to succeed that is utterly necessary in trading. Looking back on my executions that day, they were absolutely dreadful. I was continuously buying high, selling higher, and re buying even higher. It doesn't make any sense when you think about it. These days when I trade IPO's I would never do such a thing, you get all your stock in the beginning of the trade and load the boat when you know it's time. But at the end of that day, I felt like a king. A very broke, very naive King.

I'll never forget that day nor the emotions I felt. If you want to be a trader, you have to know how to take advantage of opportunity. Anyone can paper trade. It takes some real balls to get some skin in the game and execute. To this day it is one of the most rewarding days I've had merely because from that day forward, I knew I had what it takes.