

Mystery Man Who Moves Japanese Markets Made More Than 1 Million Trades

By Jason Clenfield - Sep 25, 2014
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It was six minutes after the opening bell on Feb. 4, and dozens of big-name stocks were still untraded in Tokyo. Telecommunications giant [SoftBank Corp.](#) was among those that hadn't budged. The offer price fell 5 percent, then more, and still there were no takers.

Then an order was filled: 300,000 [shares](#) at 6,714 yen -- worth just over 2 billion yen, or almost \$20 million. Other buyers followed, momentum built, and the stock ended the day as one of only two gainers in the [Nikkei 225 Stock Average](#).

The man who made the market for SoftBank that winter morning was sitting in pajamas in a bedroom cluttered with comic books. He was leaning into the glare of four computer screens and munching a carrot -- something to calm his stomach.

Betting on rebounds was dangerous, but he'd watched SoftBank lose a fifth of its [value](#) over nine days, and a drop in U.S. markets overnight had driven the shares even lower. The odds were tilting further in favor of a bounce, by his reckoning. He decided to pull the trigger, rat-a-tat-tatting the [orders](#) in, Bloomberg Markets magazine will report in its November issue.

Ninety minutes later, he cashed out with a profit of 140.6 million yen. Then it was on to the next trade for the former video game champion and pachinko gambler who goes by the name CIS. The 35-year-old day trader says he made 6 billion yen, after taxes, betting on Japanese stocks last year.

Big Numbers

During a decade of day trading, having started more or less from scratch, CIS has amassed a fortune that he says now exceeds 16 billion yen. In the process, he has become a cult figure among Japanese day traders, a tight circle of self-taught professionals who take pride in working one of the world's toughest markets. CIS has been the subject of much chatter and speculation. A [Wikipedia page](#) attempts to track his investment results.

Only a handful of his peers know his real name, and no one has watched him work. CIS didn't offer a complete accounting of his investing returns and his wealth for this story, and some of his claims can't be verified.

He did show multiple 2014 statements from one of his many brokerage accounts, in addition to his 2013 tax return. Those brokerage statements, from [SBI Holdings Inc.](#), showed liquid assets ranging from 4.4 billion yen to 4.8 billion yen. His tax return showed he traded 1.7 trillion yen worth of Japanese equities in 2013 -- about half of 1 percent of the value of all the share transactions done by individuals on the Tokyo Stock Exchange. On his busiest day, he says, he bought and sold 70 billion yen worth of stocks.

Gaming Days

CIS, pronounced sis, means death in classical Japanese. The nickname is a holdover from his gaming days, when he used to crush foes in virtual wrestling rings and online fantasy worlds. "Games taught me to think fast and stay calm," he said over tea at Tokyo's Hotel Grand Palace a few days after the SoftBank trade.

Rail thin, with a shaggy mop of hair, he showed up in a gray sweater, jeans and sneakers. No one would have taken him for a multimillionaire.

CIS wants people to know what he's accomplished; he just doesn't want them to know who he is. Even after six sit-down interviews over many months, CIS asked not to be named for this story. Married with three kids, he says he's worried about being targeted for robbery or extortion.

Last year was a very good year to be a Japanese day trader. Pushed by Prime Minister [Shinzo Abe](#), the Bank of Japan flooded the market with cash via an asset-buying program. On top of that, a relaxation of borrowing limits allowed people trading on margin to roll over loans the instant they exited a position. Taken together, the two made for a potent cocktail.

Super Active

The benchmark [Nikkei 225](#) jumped more than 56 percent in 2013, the most in four decades. The [Mothers Index](#) of small-cap stocks, a magnet for retail investors, rocketed up 137 percent. The number of shares traded by individual investors more than doubled, according to the TSE.

It wasn't because more people were pumping retirement money into the market, though Abe's policies were meant to encourage that. "It was super, super-active day traders," says [Akira Warita](#), managing director at Matsui Securities Co. One percent of the online brokerage's clients accounted for 70 percent of its turnover during the last three months of 2013. The 397 people who made 50 or more trades a day were responsible for more than half of the brokerage's margin transactions. The most-leveraged trader used a cash deposit of 20 million yen to buy and sell 4 billion yen worth of equities in a single day, according to Warita.

J-Com Shock

Japanese day traders have gotten so big, the market can no longer ignore them or the huge price swings they amplify, says [David Baran](#), co-chief executive officer of Symphony Financial Partners, a \$400 million Tokyo hedge-fund firm.

"I've been trading Japanese stocks for almost 30 years, and I've been through periods of extreme volatility, but I've never seen anything like what we had last year," Baran says.

CIS's first big score came on Dec. 8, 2005, when someone at Mizuho Securities Co. made a costly typing mistake. Rather than selling a single share of a small recruiting company called J-Com Co. for 610,000 yen, Mizuho offered 610,000 shares for 1 yen each. The order was for 42 times the number of outstanding shares. CIS saw it had to be an error and was among a small number of day traders and institutional investors who pounced. CIS says he bought 3,300 shares, about a quarter of the actual total, at the limit-low price.

By the time everything was sorted out, [Mizuho's](#) quarterly profit was gone and CIS was, as he tells it, 600 million yen richer. (Another day trader, Takashi Kotegawa, who's known as BNF, made more than 2 billion yen, according to a Bloomberg News report at the time. Efforts to reach Kotegawa were unsuccessful, and it isn't clear whether he still trades.)

10 Minutes

Even now, the J-Com trade ranks as the best 10 minutes of CIS's professional life. But he didn't celebrate. He didn't even pause. Instead, he shifted his winnings into [Nintendo Co.](#), reasoning that whatever had happened that morning, lawsuits were bound to fly, and it would be harder to seize his gains if they weren't in cash. Then he shorted the brokerages. Somebody had screwed up, and financial shares would probably get punished for it.

Several fan blogs devoted to CIS sprang up after the J-Com trade, one called CIS Mania. That site is no longer around, but in the summer of 2013, someone authored a Wikipedia page about CIS. It's complete with a bar chart purporting to show how his fortune snowballed, starting with 1 million yen -- about \$10,000 -- in 2000. "The numbers are a little off," CIS says. "But the basic idea is right."

Cheap Wine

Early in his career, CIS made a name for himself trash talking on [2channel](#), Japan's most heavily visited online bulletin board. He became notorious for such lines as "Not even Goldman Sachs can beat me in a trade" and "Excuse me while I go flush some cheap wine that only cost me 800,000 yen."

In 2011, CIS made his only TV appearance, on a popular variety show called Waratte Iitomo, or It's OK to Laugh. (The show recently went off the air after a 32-year run.) He came onto the set with a translucent box over his head and spoke through a voice modulator to maintain his anonymity.

"Who are you?" the host asked. "I'm a man who made 10 billion yen day trading," CIS answered, and the crowd went wild. (At the time, his fortune was just over 9 billion yen, CIS says, but producers told him to round up.) To help support his claim, producers held up an enlarged statement from one of CIS's bank accounts, showing a balance of 1,269,223,316 yen.

Tight Crew

The average banker might not have known whom he was watching on TV, but day traders did. "The guy's a star," says Naoki Murakami, a trader who blogs under the name [Murayan](#). "Everybody read his 2channel posts. Some people might not have liked them, but most people knew he was kidding."

A careful chronicler of his own trades who spares himself no embarrassment in posting his results online, Murakami has become a minor celebrity in his own right and gets paid by Matsui Securities and other brokerages to speak at investor conferences.

He shares chat room friends with CIS, the kind of connection that's typical in Japan's day-trader world, where everyone knows everyone through several degrees of chat room separation. (Some even vacation together; Murakami and three other traders went to see Canada's northern lights a year ago. It was Bali the spring before that.)

In person, it's not easy to square CIS with the bravado of his online alter ego -- or his wealth. Pale from hours staring into computer monitors, he looks like the video game junkie he once was. Stress has given him chronic stomach pain and a dusting of gray at the temples.

No Bling

CIS's friends are primarily other traders, people like Kenji Uemura, a former [Sony Corp.](#) engineer and the author of a how-to book on trading now in its fifth printing. A 39-year-old with an Elvis-style hairdo and sideburns, Uemura says he has put together 300 million yen in a decade of trading, and like CIS, he doesn't go in for bling.

"The kind of person who wastes money on that stuff would never have made it this far," says Uemura, whom traders know as Kemu. "Self-control is so important. You have to conserve your assets. That's what insulates you from the downturns and gives you the ammunition to make money."

Skipping class in high school to play pachinko, a hybrid of slots and pinball, CIS discovered he had a talent for winning games. At 15, he says, he could earn 400,000 yen a month gambling. One secret was identifying the machines most likely to give bigger payouts. Another was being able to

endure 13 hours at a time in smoke-filled and deafeningly loud pachinko parlors; he had to play thousands of consecutive games to take advantage of the odds.

Stockpiles

CIS says he barely got his degree in mechanical engineering, having devoted most of college to the fantasy role-playing game [Ultima Online](#). Holed up in his bedroom, he spent days on end roaming the game's virtual universe, stockpiling weapons, treasure and food. He calls this an early exercise in building and protecting assets.

Wicked keyboard skills were a must. He memorized more than 100 key-stroke shortcuts -- control-A to guzzle a healing potion or shift-S to draw a sword, for example -- and he could dance between them without taking his eyes off the screen. "Some people can do it, some can't," he says with a shrug. But the game taught a bigger lesson: when to cut and run.

"I was a pretty confident player, but just like in the real world, the more opponents you have, the worse your chances are," he says. "You lose nothing by running."

That's how he now plays the stock market. CIS says he bets wrong four out of 10 times. The trick is to sell the losers fast while letting the winners ride. For him, a well-played stop-loss is just about the most beautiful trade there is.

Thing of Beauty

That's why he says a less flashy [SoftBank](#) trade than the one from February may turn out to be his best move of 2014. On the first trading day of the year, he dumped 4.5 billion yen worth of SoftBank shares. He took a 2.5 percent loss on the day but got out with a 650 million yen profit on the position, which he'd built since mid-October. [SoftBank](#) slid 18 percent in the month after he sold, and weeks later, regulatory filings showed why: [Capital Group Cos.](#), the giant U.S. fund manager, had been offloading the shares.

Stocks entered the picture for CIS when he was in his early 20s and working as a designer of industrial shock absorbers at a small manufacturer. He began by betting on what he thought were undervalued companies, and he lost money.

He found success after a friend gave him a piece of advice: Forget the fundamentals. CIS doesn't subscribe to the Nikkei or any other newspaper. Nor does he scrutinize earnings reports or parse central bank statements or spend much time looking at moving averages or other price chart patterns normally associated with technical trading.

One Rule

Instead, he keeps his ears open in chat rooms and his eyes glued to [bid-ask screens](#), on which he monitors the market's appetite for its 300 most heavily traded stocks. If there's one basic principle, he says—repeatedly and slowly, as if instructing a child—it is this: "Buy stocks that are being bought, and sell stocks that are being sold."

That's more profound than it sounds, according to [Hersh Shefrin](#), professor of behavioral finance at Santa Clara University in California and author of *Beyond Greed and Fear*, a 2007 book about the role of psychology in investing. The human mind is hard-wired to bet on reversals, Shefrin says.

It's a phenomenon called the gambler's fallacy. At a craps table, for example, players tend to shift their bets toward numbers that haven't come up, even though the odds don't change with each roll of the dice. In the same way, even the savviest investor has a built-in bias for buying when stocks fall and selling when they go up.

Momentum

"If you can get yourself out of that mindset and bet against the crowd, who act instinctively, then you have an opportunity to make money," Shefrin says.

Two years after learning to follow the momentum, CIS says, he'd made 80 million yen day trading on the sly at the office. In late 2003, he quit the salaryman life to work the market full time.

Since then, there have been more than a million trades, CIS estimates. Early on, he held most positions for just seconds at a time, making hundreds of moves each day. Now that he has more money, there's no choice but to hold positions longer, because shifting such large sums in and out of the market influences prices.

Toward the end of a slow day in early July, CIS e-mailed a screen shot of his brokerage account at SBI Holdings. It was a snapshot that looked pretty much like others he'd shown in person over the course of the year. Unrealized gains on the day were in red: 200 million yen.

Mah-Jongg

The holdings: 254,000 shares of Toyota Motor Corp., 4.2 million shares of [Nomura Holdings Inc.](#) and 6 million shares of Mitsubishi UFJ Financial Group Inc., among a dozen other positions. It was a 13.2 billion yen portfolio, financed with 4.4 billion yen in cash, that would probably all be liquidated within days.

One thing CIS wouldn't sell was a 100-share stake in [Yoshinoya Holdings Co.](#), operator of a fast-food chain beloved by cash-strapped college kids. It's a "little keepsake," he explained as he speed walked to a mah-jongg parlor in the Roppongi nightlife district, where he has a regular 3 p.m. game with trader buddies.

When CIS isn't betting on stocks, he's gaming elsewhere. He plays low-stakes mah-jongg most afternoons after the market closes and is ranked in the top 99.94 percentile of 3 million players on a site called [Ten Hou](#), where he plays under the name CISCIS.

Card Counter

And if it's not mah-jongg, it's poker or blackjack, online and sometimes in person. He says he was banned from South Korea's Walker Hills Casino in 2011 for counting cards. (Walker Hills declined to comment on individual clients.)

Most of CIS's wealth is in stocks and cash. He also holds corporate bonds and gold, he says, and has stakes in three small businesses. Tax records show he owns two apartment buildings, the larger of which—a modernist cube in central Tokyo with a French bar on the ground floor—could easily be worth the 700 million yen CIS says he paid for it, according to an estimate from Tokyo real estate consultant Mount J Partners.

Many of the day traders in CIS's circle can be considered wealthy, especially after the bull market of 2013. But CIS is on a different level. How he managed to build a fortune of such size is a subject of much speculation among his peers.

A Machine

It could be an ability to spot weaknesses in trading algorithms used by the big banks, Murakami says. Or maybe it's the simple fact that he doesn't get rattled, says Masahiro Kawata, a trader who plays mah-jongg with CIS. Kawata designed the trading interface that most serious Japanese day traders use to shave valuable seconds off the order process; it's called [T-Plus Plus Speedy Stock Order Tool](#). Kawata says his friend "can think like a machine."

Then there's his single-mindedness. CIS doesn't seem to regard trading, or amassing money, as a means to anything. Trading is the point. Winning is the point.

With the euphoria over Abe's policies fading and Japan's market returning to form -- the Nikkei dropped about 5 percent in the first eight months of 2014 -- many day traders who struck it rich last year are getting out. Who wants to spend day after day glued to computer monitors if you don't have to?

It's not a sentiment CIS shares. As of late summer, he was flat for 2014. Nevertheless, he thinks he can hit 100 billion yen in assets by the time he's 60.

"If you just consider compound interest, it should be pretty easy," he says. "But who knows? Maybe I'll get an ulcer and have to stop. Or maybe I'll find something more fun to do."

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