

Executive Summary – The Big Short

Chapter 1: A Secret Origin Story

The chapter details Steve Eisman's entry into the world of finance, beginning with his role as an analyst at Oppenheimer & Co. He was quickly noticed for his resolute opinions, placing sell ratings on stocks and joyfully bashing stocks of the companies he covered. We also learn of how he came to hire an inquisitive accountant named Vincent "Vinny" Daniels who would help confirm his initial misgivings about the sustainability of the subprime mortgage market in the late 1990's.

Chapter 2: In the Land of the Blind

The author introduces Michael Burry, the one-eyed, socially awkward "genius". Having lost his left eye when he was young, we are led to believe this to be the reason Burry struggled to form human relationships throughout his life. The chapter also describes how Burry took out his first bet against the financial system; by purchasing his first pile of credit default swaps (CDS's) through his hedge fund Scion Capital.

Chapter 3: How Can a Guy Who Can't Speak English Lie?

The chapter begins with Greg Lippman's pitch to Steve Eisman in Feb 2006. Lippman was a bond trader who worked at Deutsche Bank who initially sold Burry his portfolio of credit default swaps for \$60m in May 2005 – a mere 6 months later Lippman would attempt to buy back Burry's entire \$750m CDS portfolio. We also learn of Lippman's argument stopper – the "Chinese Quant" Eugene Xu who (according to Greg Lippman) crunched numbers all day long and couldn't speak a word of English.

Chapter 4: How to Harvest a Migrant Worker

We learn of AIG's Financial Products (FP) subsidiary and how the overbearing boss Joe Cassano was convinced to stop selling CDS's. The author also discusses the first trade between Lippman and Eisman and explores the interesting lack of trust between the two. Lippman's people also set up a meeting for Eisman's team with the rating agencies S&P and Moody's. The event essentially convinced Danny Moses (and in turn Steve Eisman) that the entire mortgage bond rating system was fraudulent.

Chapter 5: Accidental Capitalists

The "accidental capitalists" refer to another duo who foresaw the financial crisis, namely Charlie Ledley and Jamie Mai. The pair named their fund Cornwall Capital and ran the business out of a shed in the back of a friend's house in Berkley, California! Together with Ben Hockett, the author mentions various options trades Cornwall Capital executed and how they eventually wound up with an ISDA agreement allowing them to trade large amounts of CDS's.

Chapter 6: Spider Man at the Venetian

The chapter details Steve Eisman's notorious trip to attend the annual subprime conference in Las Vegas and his interesting encounter with Wing Chau from Harding Advisory (a CDO manager). It also mentions Eisman's hilarious interruption of a speech given by Capital One's CEO – Steve didn't know (or more likely didn't care) that it wasn't a Q&A session, however he proceeded to interrupt anyway.

Chapter 7: The Great Treasure Hunt

The chapter details how Cornwall Capital purchased CDO's from both Morgan Stanley and later Wachovia, in addition to their "murky" interactions with other Wall Street firms. We also hear of Steve Eisman's meetings with Ernestine Warner (S&P) and Ray McDaniel (C.E.O. of Moody's), both of which went so poorly that Eisman went on to immediately short both companies' stock.

Chapter 8: The Long Quiet

In the chapter, we learn of Michael Burry's son being diagnosed with Asperger's Syndrome (AS). The event explains a lot about Burry's character as it was at the same moment that he realized he had the same condition. The author goes on to describe the odd activity in the market in the first half of 2007 and how the Wall Street firms manipulated and misinformed Burry's fund (Scion Capital). The worst of this was Goldman Sachs who were

only too happy to talk to Burry when he was losing money, but whenever the market moved in Scion's favor, Goldman would report a "systems failure" or respond with some other poor excuse.

Chapter 9: A Death of Interest

The author takes us through the journey of Howie Hubler, a Morgan Stanley trader who left in his wake a \$9 billion loss following his resignation in October 2007. We also learn of Ben Hockett's \$80m "pub trade" and Mike Burry's loss of interest in the financial markets following numerous nightmarish encounters with his impatient and hostile investors.

Chapter 10: Two Men in a Boat

The closing chapter details the infamous 20-minute speech given by Steve Eisman on March 14, 2008, during which, Bear Stern's stock fell more than 40% to close at \$30. We also hear how the collapse affected each of the characters - Danny Moses had a heart attack and was rushed to hospital, Charlie Ledley began suffering from painful migraines and Mike Burry became so paranoid that he started looking for reasons to abandon money management.

Epilogue: Everything is Correlated

The author describes his lunch meeting with the "King of Wall Street" and ex-C.E.O. of Salomon Brothers, John Gutfreund. The encounter is particularly interesting as Lewis describes the pivotal moment Salomon Brothers went public in 1981 and explains how the event changed the investment banking landscape forever.

Matthew de Klerk, June 2017