

# THE TAYLOR TRADING TECHNIQUE

by George Douglass Taylor



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## PREFACE

In preparing this work the author has felt the difficulty which arises in a theoretical dissertation on so practical a subject as speculation.

While trying to describe the action around one kind of trading objective, it is, also, necessary to try to describe the nearby future 'play' at the same time, since, the entire method is anticipatory and forecast.

This accounts for much of the repetition for in trying to describe the action around a Buying Point, for instance, we must, also, try to describe the action that precedes and leads up to this point, what action, should it occur, it forecasts for the next nearby future move.

Though theory and practice are not at variance when combined, yet either without the other proves very unsatisfactory. Thus, the reader should he start with only the theory, will find himself for some time pretty much "at sea" when he comes to actual practice.

As, however, he gradually obtains some practical experience, he may find this method of trading some use to him. So, also, the seasoned trader, who before, entrusted to luck, keenness of observation, intuition and experience, may find himself in the future much better equipped by acquiring a little theory.

While the statements in the work are predicated upon fundamentals, no reader should accept them as hard and fast rules, without exceptions. Statements that have been made are based on a long period of observations of what generally takes place, around these objectives but a trader must not be so rigid as to stick to a stubborn theory. Successful speculation is not based on any one set of inflexible rules and a trader must be ready to change when conditions change, however, the trader who knows how to act when the expected happens, is in a better position to act when the unexpected happens.

We have included just as much material as we think would be interesting and useful, saving a lot of time and the trouble of wading through a vast amount of superfluous and irrelevant matter, so far as trading with this method is concerned.

George Douglass Taylor

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# THE TAYLOR TRADING TECHNIQUE

## CHAPTER I

### How the Market Trend is Made

The "TAYLOR TRADING TECHNIQUE" a book kept in tabular form to anticipate and follow the trend of prices as they appear on the 'tape' and to point out the important, stopping places, for buying and selling, wholly concerned with the technical side of the market for trading in grains, stocks and other commodities.

The BOOK Method is particularly adapted to the daily trading in grains—for normally there is more activity and it does not require so great an investment—and to the daily trader who aims to profit by the rise and fall of the daily movements and who trades in from One to Twenty Thousand Bushels or the price equivalent in stocks. These are not limits but about the average trading orders.

The trader who uses the short term method does not need to look very far ahead, therefore, the Book Method, does not concern itself with commodity economics nor speculation in it's broader sense nor does it require the keeping of daily charts—it is not a charting system—the reading of or dependence on daily telegrams, weather reports, open interest and the mass of other market comment put out each day.

It is concerned entirely with Objective Points for Buying, Selling and Short Selling one the Minor Movements of the market and in training a trader to depend upon his own judgment and from his book he can and will get his own "tips" on the movement of prices and in advance of any of the published 'chatter' provided each day for the traders and he can depend upon them and move with greater assurance and safety than on the daily 'dope' he reads.

The trader does not reach for the gossip file when he comes in, his decision has been reached before the market opening—he is ready to trade or not to trade—at the opening or shortly after—unincumbered by comments or opinions from any source.

Of course, a trader should study and know all about his business the same as in any other line of endeavor but he must not permit any outside influence to interfere with these Objective Points as they appear on the tape, for he will find that, as they appear and pass that they will have discounted all the nearby news, and he must not and cannot ignore the prices as printed on the tape, and these prices will appear contrary most of the time to the news he has just read in the 'daily dope sheets' around the board room.

A Grain-Stock Trader, Operator, is exactly what a speculator should be, an operator, manipulator and a trader and he must understand the fundamentals of manipulation to be a good trader since manipulation enters into the market at all times.

In other words a good manipulator would be a good trader but it does not follow that a good trader would be a good manipulator, however, they would both be well versed in the manner of how buying and selling moves prices in the markets.

Before organized buying or selling, that is, pools, were prohibited a manipulator working with a stock or commodity would be compelled to trade in thousands of shares or bushels, as the case may be in the course of putting up the price and much of this trading was for his own account, in order to make money for himself, in addition to the accumulated commodity he hoped to sell at higher prices

for his associates, however, with all the prohibitions the action of the market then and now, is just about the same in its movements. Prices still continue to move up and down at regular intervals when individuals are independently working towards the same end.

Now suppose the speculator that understood the fundamentals of manipulation wanted to do some trading, what would he look for, well, he would first look for inside buying or selling and since this is all revealed by the tape, this is just what he would do—he would read the tape trying to discern the buying and selling and which way prices were moving or more apt to move, in other words the trend—The trader using this method would look for a movement more or less mechanical in its action for tactics of manipulation do take on a mechanical action after awhile and for the simple reason of the pattern prices form through repetition.

Let us look at the manipulative side of the market and what takes place preparatory to move in a stock or commodity and the tape action is the same for all, grains, stocks and commodities.

We will start with a stock during accumulation, for our trading we are not concerned with why it takes place nor for what purpose but we know that periods of congestion are for accumulation or distribution but what interests the BOOK TRADER at these times is the type of trading, the buying and selling, and the way it moves prices and it is at these times when the action becomes most mechanical as the book shows.

Now let us assume that all the preliminary work has been done, general and special information on a particular stock or commodity, together with all other information pertaining to crops, supply and demand, and earnings and business conditions on stocks, and you can be sure that these matters will be studied and analyzed before any concentrated buying or selling takes place—and this is why the BOOK TRADER need not pay, too much, attention to these matters—he knows that once a trend starts—Bull or Bear—that it will continue for an indefinite period of time and that either way it will contain many Trading Areas, rallies and declines.

Now accumulation of grains and other commodities are for the major part for purposes other than speculation, in fact only a small percent is for speculative purposes, however, this small percent

does at times cause prices to move violently both up and down.

Let us assume that conditions are favorable and a move is about to start, demand from some source and for some purpose starts it—and here again the BOOK TRADER is only interested in its starting, the movement, and not much concerned with which way it goes—now what happens, well, some day on the tape you see that a particular stock or future has become quite strong and active with the price rising, now, you observe this action for a few days and you will see that it only goes up so far, stops, then starts down, it reacts a little, something seems to arrest the downward movement and then it starts up again but notice it goes up a few cents or points or more then it goes down a few cents or points more but if you analyze the movement from the time it starts from the bottom of the minor move up to the top of the minor move, you will notice that it required about three days on the average, while the corrective decline was completed in one or possibly two days.

Let us suppose this stock or future was being manipulated with the intent to put up the price, just how would it be done, well, one of the ways and perhaps a method employed by most manipulators both past and present would be for him to start buying, assuming of course that he already had accumulated his line and other conditions were right for a move.

He would FIRST start by buying all the stock or grain above the market, for some little distance, say, four or five cents or points or more—this stock is the resting orders of those traders that are 'hung up' and others that would like to get out of the market, relieves the market of that pressure, clearing the way for trading purposes and establishes the price trend as up. The buying of this stock would not take place, unless it was the intent to try to put the price higher.

By making the stock active, coupled with the rising prices, the traders, professionals and the buying public, attracted by this activity come in as buyers. This outside demand is filled with the stock the operator was compelled to buy in starting the move and the demand for the stock caused by this buying should be more than he was forced to accumulate in the earlier stages of the movement. When this happens he sells it short and this is just what the experienced trader reading the tape would

do, he would notice the slackening of the rise and the fact that there was no inside buying and he would sell it and sell it short.

The market being deprived of the buying power in starting the move by those making the market plus the stock fed out from the inside, fills the demand by the traders and with this demand filled the stock ceases to advance.

The experienced traders noting the lack of buying orders and the slowing down or checking of the rise sell out and take their profits and they, also, sell the stock short. The weight of this selling starts the stock or future down and when this happens the operator starts to support it—he buys back from the traders the stock or grain he sold them a few cents or points above the market and he, also, covers the short sales he put out when the stock was in demand—This buying back of the long stock and the covering of the short stock checks the decline.

The operator then follows the same procedure all over again, he takes all the stock or grain offered on the way up and the price begins to rise a second time. He repeats this process of alternately buying and selling, he buys on the way down and sells on the way up but always working higher, he supports the stock at higher levels on the declines and this may be weekly or monthly. This procedure continues all the way up to the top of the rise, this buying and selling keeps the market in check and helps to stabilize it and the rise and fall of prices causes the trading market.

This is the reason why the book becomes mechanical in its recordings of the minor trends—it points out the Main Objectives on the respective trading days, even though, any one of these sessions may be filled with currents or cross-currents, smaller rallies and declines.

On the Buying Day Objective we expect support and we watch the tape to confirm this buying for support and for a rally to start.

On the Selling Day Objective we expect selling and we watch the tape for confirmation of this selling and a reaction to follow.

On a Short Sale Day Objective we expect a hesitant action of the rise and we watch the tape to see if the selling is stronger than the buying and if the buying is being overcome by the selling, in which case we expect a decline to start when the action slows down or stops.

Now we understand how a stock or future starts up when the move is on, then reacts, then starts up

again and as the bottoms are edged higher the tops have to be broken to go higher. The bottoms are support levels, temporarily, and on the tape you will usually see a little trading around a point like this, the same when a stock gets up to the top of a minor move, a supply point, here again a little trading takes place. This is not always the case for at times the low will have been reached on the down side by each transaction dropping the price lower until it is supported.

At times when the way is clear and there are few or no selling orders for some little distance above the market, the operator will run the price up fast, this action creates interest among the traders and brings in buying, the stock of which in turn is supplied by the operator and gives him a chance to sell a little long stock and to put out some short sales.

With the Book Trading we are concerned, only, with the Objective Points and we don't care much whether the price goes straight up or down to reach them. Of course, when these Objective Points are reached by a little trading it gives the trader more opportunity to buy and sell and he can usually get better executions but, also, when the stock goes straight up or down to these Objective Points it is the strongest action for a quick and sure play.

The book trader just simply follows the trend of prices as they are recorded in his book and the book more or less records the rhythm of the market for Buying, Selling and Short Selling and once into this swing it records it in a very dependable manner.

It is a fact and the records show it, for many years back that the market has a definite 1-2-3 rhythm, varied at times with an extra beat of 1-2-3-1 and at times 5, these figures represent days. The market goes up 1-2-3 days and reacts, the 4th and 5th figure is the variation when it runs that extra day or two on the way up and on the way down in both Bull and Bear trends. This beat of the market subject to these occasional variations occur with surprising regularity, so it seems that the same methods of manipulation used in the past are still used today, that is of buying and then selling every third or fourth day in an uptrend and reversed for a downtrend and this action the book records very faithfully.

We consider 3 days as a trading cycle—the 4th and 5th days are the (1st) and (2nd) days of a new cycle. We use the 1st day for buying and the 2nd and 3rd days for selling. This holds true in our 3 Day

of time, stocks and all grain futures have shown the same pattern of movements with little or no variation, so it is reasonable to suppose, that the action in the future will continue to follow this same pattern of the past.

There is enough similarity in the actions of all stocks and grains to warrant classifying them altogether for this average of recurrence or 'repeats' on the rallies and declines, however true, this may be of their actions as a whole, some stocks and grain futures while preserving the same movements will swing wider on the rallies and declines and will make their highs and lows at different times but the trader who keeps a book on the movements of a half dozen or so stocks and grains will be able to 'spot' the active wide swinging ones and confine his trading to them.

We separate and designate each trading day for its own expected action and we eliminate from our minds all other actions and influences about us, we concentrate on the stock or future we are trading in at the time, we try to remember, only, that action which can take place or happen around the particular Objective Point that we intend to trade on, as a Buy, Sale or Short Sale Day.

We don't listen to the 'gossip' nor what the news on the ticker happens to be at the moment nor do we pay any attention to the telegrams of what 'they' in Chicago are doing, the results will appear on the 'tape' and before their publication.

On a Buying Day, for example:—We observe the number of points the stock is down from the high—Short Sale Day—we notice whether the stock or grain opened up and continued a little higher and is making the high FIRST or whether the stock opened down and is declining further, making the low FIRST. Making the high FIRST we look for selling at this point and a reaction to follow. Making the low FIRST we look for support buying and a rally to follow. We notice if the price sold under the previous day and how much. We know the average the decline can sell down, under at this point and we compare this decline to see if it is average, above or below and we note the activity and kind of trading at this point.

Making the high FIRST we look for selling here above the—Short Sale Day High—a reaction usually starts from here and we observe whether the stock 'sold off easy' or whether the decline is stubborn and whether each transaction decline is meeting with support, that is, being taken easily or the

buying is backing away and if the price is holding above the previous low—Short Sale Day Low.

We notice if the stock seems to be sort of 'bouncy' above this low, a decline being made on this kind of action usually bounces back a little after the low point is made and considerable trading takes place above it. From here the rally can and often does start with each transaction decline falling short of the low, in other words, the stock begins to hold these small gains. From this action we look for and expect a strong closing and it shows the real trend as up and this is the trend we trade on. How and when to buy is covered under the Buying Day chapter.

The above is pointed out as parts of 'tape' reading and you can believe the tape at all times, learn to read it and believe in nothing else for short term trading.

Tape reading is difficult and requires long experience and an understanding of the fundamentals of speculation and the market but the real heart of 'reading the tape' is to be able to detect concentrated buying and selling and to determine the trend of prices. Observation and memory, coupled with mental arithmetic of percentages. You have got to remember what you see and your calculations are made instantly, not with a pad and pencil but with your head.

Fortunately the minor movement with its habit of repeating so regularly has given us these Objective Points, so called, which point out places around which we may expect this concentrated buying and selling, eliminating a lot of hard work, that of watching each transaction on the tape and the book keeps these Objectives in a more or less automatic way for us which further lessens the strain,—at above or below these Objectives we expect buying or selling and knowing about where to look for it. We eliminate all the smaller trends in between any two of these Objective Points.

On a Short Sale Day, for example:

From a low on a Buying Day, there will be thousands of transactions on the tape, in between and before the price reaches the Short Sale Day Objective—three sessions in the future—assuming the rally from a Buying Day low to the Short Sale Day High, is one of the many times a stock or future makes a move of this kind—A strong close on a Buying Day, a high made FIRST with a penetration of the selling Day Objective, then a reaction and a



strong close, with an Up opening and a high made FIRST with a penetration of the Short Sale Day Objective—the Sale Day high. See (RZ) Chart for October 13, 14, 15.

This action is about 50% of the time, usually in an Uptrend Trading Area, in the Seasonal upswing. This is the longest unbroken rally the minor trend can make, for if it closes on the high of Short Sale Day and opens up on the following day—the Buy Day—it would be starting another cycle and at another point at which we can, also, make a trade. We would not put out a short sale when the high was being made LAST on a Short Sale Day. We would wait for the high made FIRST on the Buying Day—it would be starting another cycle and at another point at which we can, also, make a trade. We would not put out a short sale when the high was being made LAST on a Short Sale Day. We would wait for the high made FIRST on the Buying Day.

We are assuming here that the stock rallied on one of these unbroken swings, as in the above case and we are, Now, at the Short Sale Objective.

Our Short Sale is made at or through the previous high and this would be the high of Selling Day—We have our average of Short Sale Exceeded Points in the column in our book—now just as the high is about to be penetrated we observe the kind of trading that takes place, the stock may trade through this point in an 'easy' manner and apparently seem in 'no hurry' this kind of action takes the price through for a little deeper penetration before it reacts, but also, the penetration may be made by one or a few 'jerky' transactions and in fractions of a point, the stock seems to be in a hurry reaching up for 'something' before it reacts. The decline here is usually rapid on the down side. The price generally breaks fast from a top of this kind. This action is further explained under the chapter—A Short Sale Day.

The trader using the Book Method of trading has a choice, in that he has an Objective for each trading day or he can use the Three Day Method, that of buying and then selling every third day.

This Three Day Method is explained in a latter chapter.

## CHAPTER II

### HOW TO MAKE UP THE BOOK

To make up a book we first head-line it with the yearly date above the first column, then put in the name of the stock or commodity, then in the first column put in the month, starting day and date.

The next four columns are for the entries of the daily prices, the Opening, High, Low and Close.

These entries are made daily for a period of about Ten (10) Days or Three (3) Swings, then go back and ring them with a circle, taking the lowest price reached in this period, the first cycle will be in the third column and this low point we designate as a Buying Day. The high of the day before in the second column, ring and make it a Short Sale Day, the high going back one more day, ring and make it a Selling Day. Then continue this circling in the same order back to the starting day of the book. Now coming back to the Buying Day Low--195 7/8--we carry forward in the same order. We have a book that reads: A Buying Day, A Selling Day, A Short Sell Day, then, A Buying Day, A Selling Day, and a Short Sell Day, etc.

We are not concerned with how the book started on the first day, whether it was a Buy, Sell or Short Sale.

The book is always kept in this order, never change the continuity and there are no lines left open for Sundays or Holidays, the market is considered as a series of continuous sessions without a break.

The Single page Plate on the next page shows how a trader would make up a book starting from any date, in the market and continuing forward.

This cut is the actual size of the 'Book' the trader carries with him and all information and records he will need in his work will be contained within it. (Next Page, page 17) These books can be bought at all stationary stores and come horizontally ruled,

so that all the trader need do is to draw in the lines forming the columns, then head-it up. Two grain options or stocks can be kept in each book. The cut shows how the 'BOOK' will appear when made up. Observe the markings.

This page shows the trading carried back (18) days and the two pages together give a broader picture of the movement.

These reproduced pages show nearly the 'whole of the movement' the highs and lows made FIRST and Last, in series and mixed, the penetrations made FIRST and Last and the failures to penetrate the Objectives, Buying Day Lows Under, Higher Buying Day Bottoms, and Buying Day Low Violations. The possibilities of the Three Day Trading Method, the long side, only, or the long and short side combined.

This movement is part of an Uptrend Trading Area—notice the closing price on June 9th and on July 21st—a gain of (9 5/8) Cents—observe the units in the 'D' and 'R' Columns in order to accomplish this gain.

"It is not claimed that a trader would get all these points but those he did get would be in cash and not on paper during all this trading time and his only commitments would be his purchases—a short sale covered and a buy 'long' on July 21st. The 'long pull' trader assuming he held on through all these ups and downs would still be confronted with the question of when to sell in order to get some part of these (9 5/8) profit points.

The column marked 'D' is for a decline or the spread from a Short Sale Day high to the Low on a Buying Day and shows the number of points the price sold down, if there are no loss in points, we put in a Zero.

The small diagonal '\ ' mark placed above the unit

WZ '49'				SSE	O.V				
1949	O	H	L	C	D	R	BH	BU	T-L
JUN		x 7							
T 30	201	201	199 <sup>3</sup>	199 <sup>6</sup>		2 <sup>6</sup>			3 <sup>6</sup>
JUL		x 2							
F 1	199 <sup>3</sup>	200	199 <sup>1</sup>	199 <sup>7</sup>					1/8
S 2	199 <sup>2</sup>	199 <sup>7</sup>	195 <sup>7</sup>	196 <sup>4</sup>	4 <sup>3</sup>		0	3 <sup>2</sup>	5 <sup>7</sup> 3 <sup>3</sup>
T 5	198	201	197 <sup>4</sup>	200 <sup>6</sup>		5 <sup>1</sup>			
W 6	201 <sup>4</sup>	205	201 <sup>4</sup>	205 <sup>2</sup>		4 <sup>6</sup>			9 <sup>7</sup> T
T 7	205 <sup>5</sup>	207 <sup>6</sup>	204 <sup>1</sup>	206 <sup>2</sup>	1 <sup>5</sup>		2	0	+
F 8	205 <sup>2</sup>	206	204 <sup>2</sup>	205		1 <sup>7</sup>			
S 9	204 <sup>4</sup>	205	204	204 <sup>4</sup>				1 <sup>5</sup>	7 7/8
M 11	205 <sup>4</sup>	208	205 <sup>4</sup>	206 <sup>6</sup>	0		3	0	
T 12	205 <sup>4</sup>	206	205 <sup>1</sup>	205 <sup>2</sup>		1 <sup>1</sup>		3/8	
W 13	205	205	203 <sup>6</sup>	204 <sup>5</sup>					1/8 L
T 14	204 <sup>4</sup>	205	203	203 <sup>6</sup>	1 <sup>5</sup>		0	0	1
F 15	203 <sup>2</sup>	203	202 <sup>6</sup>	202 <sup>1</sup>		0		1	
S 16	202	203	201 <sup>4</sup>	203 <sup>4</sup>				1 <sup>5</sup>	1 <sup>1</sup> 0
M 18	202 <sup>2</sup>	205	203 <sup>4</sup>	204	1/4		1 <sup>2</sup>	0	
T 19	204 <sup>2</sup>	205 <sup>4</sup>	204 <sup>2</sup>	205 <sup>3</sup>		2			
W 20	205 <sup>7</sup>	207	205 <sup>6</sup>	206 <sup>3</sup>		1 <sup>4</sup>			3 <sup>4</sup> T
T 21	206 <sup>2</sup>	206 <sup>5</sup>	205	205 <sup>1</sup>	2		0	3/4	

This page is from the actual transaction of the December Wheat Future, during this period. The 'Book' on (WZ) was started from the low price, a Buying Day, January 14th, the lowest price reached (10) days after the start of trading.

WZ '49'

SSE B-V  
T ✓  
3

1949	O	M	L	C	D	R	BH	BU	T-L
JUN 9	46	(106)	42 <sup>3</sup>	145 <sup>4</sup>		1 <sup>5</sup>	1 <sup>8</sup>		L
F 10	106	(197)	45 <sup>5</sup>	106 <sup>2</sup>		1 <sup>3</sup>			3 T
S 11	106	197	(105)	147 <sup>4</sup>			0	0	1 <sup>3/4</sup> 1 <sup>1/4</sup>
M 13	147 <sup>2</sup>	(108)	145 <sup>2</sup>	145 <sup>5</sup>		2 <sup>5</sup>	1 <sup>2</sup>		
T 16	145 <sup>2</sup>	(147)	145	147					1 <sup>2</sup>
W 15	146 <sup>7</sup>	146 <sup>4</sup>	(146)	198 <sup>7</sup>	1	2 <sup>4</sup>	0		1 <sup>5/8</sup>
T 16	148 <sup>6</sup>	(108)	146 <sup>3</sup>	146 <sup>7</sup>		2 <sup>7</sup>			
F 17	2 <sup>4</sup>	(145)	146	146 <sup>5</sup>					2
S 18	46 <sup>4</sup>	147 <sup>4</sup>	(145)	147 <sup>1</sup>	2 <sup>1</sup>		0	1 <sup>8</sup> 2 <sup>8</sup>	5 <sup>1/2</sup>
M 20	147 <sup>4</sup>	(144)	146 <sup>7</sup>	149 <sup>1</sup>		3 <sup>4</sup>			
T 21	144 <sup>6</sup>	(203)	144 <sup>6</sup>	202 <sup>7</sup>		4 <sup>3</sup>			7 <sup>7</sup> T
W 22	202 <sup>2</sup>	203 <sup>3</sup>	(203)	202	2 <sup>2</sup>		0	0	
T 23	201 <sup>6</sup>	(202)	202 <sup>2</sup>	200 <sup>3</sup>		7 <sup>8</sup>	1 <sup>1</sup>		1 <sup>5</sup>
F 24	200 <sup>4</sup>	(203)	200 <sup>2</sup>	202 <sup>6</sup>		3 <sup>4</sup>			1 <sup>5</sup> T
S 25	203	203 <sup>7</sup>	(200)	200 <sup>2</sup>	2 <sup>7</sup>		7 <sup>5</sup> 1 <sup>8</sup>	5 <sup>4</sup>	4 <sup>3/8</sup>
M 22	144 <sup>6</sup>	(200)	194	200 <sup>2</sup>		5 <sup>8</sup>	1 <sup>1</sup>		
T 28	200 <sup>2</sup>	(200)	194 <sup>1</sup>	144 <sup>2</sup>					1 <sup>2</sup>
W 29	194 <sup>2</sup>	200 <sup>4</sup>	(144)	200	1 <sup>4</sup>		0	0	

in the 'R' rally column is used only where the Selling Day High exceeded the High of the day before—this is the High of the Buying Day.

In this same column on the Short Sale Day line, we put in the number of points the Short Sale Exceeded the Selling Day High, otherwise there is no entry. For ready reference and for summation purposes, these entries can be alternated with different color inks.

The column marked 'BH' means a Buying Day High or the highest point at which it sold on a Buying Day and the number of points it sold through the Short Sale Day High Point, if it did not sell above this point, we put in a Zero.

The column marked 'BU' means Buy Under and shows the number of points on a Buying Day that the price sold under the low of previous day—Short Sale Day—if it did not sell under, we put in a Zero.

The 'BU' column is, also, used for the 'BV' meaning Buying Day Low Violation, we put in the unit with a check under it when not using an ink of a different color. This column shows the number of points the price

went lower than the Buying Day Low. We make this entry only when there is a violation.

The wide column is separated on the last day of the week and the square to the left is the total of the daily declines of the 'D' column and the square to the right is the total of the daily rallies of the 'R' column.

The figures running vertically are the loss or gain points from Saturday to Saturday closing prices. The number of trading points of the rallies and declines can be compared with the gain or loss points at the close of each week.

We do not keep a column of gains or losses of the daily closing prices for all our interests are centered in the spreads from highs to lows and lows to highs during each trading day. We are not concerned with a gain or loss at the close of the market.

The last column is used for the Three Day Method.

The last column shows the spread or number of points from a Buying Day Low Point to the Short Sale Day High Point, in points gained and the 'T' means that it exceeded or sold through the Selling Day High. We put in the number of points and the 'T' beside it.

We have two marks 'X' and ' ' and these marks point the trend of prices and are the most important signal marks.

The 'X' means that the Objective for Buying, Selling or Short Selling was made FIRST.

The ' ' means that they were made LAST.

These marks are placed inside the Circles on a Buying, Selling and Short Sale Day, at the close of the session and show whether the high or low of the day was made FIRST or LAST.

We keep the highs and lows of the intermediate swings by drawing a line along side of the date column and mark it at each end with an arrow-head, between these highs and lows are our Trading Areas. Mark this line Up and Down using Blue and Red Inks.

## CHAPTER III

### USES FOR THE COLUMNS AND MARKS

#### THE 'D' COLUMN - DECLINE COLUMN

The 'D' column shows the least and greatest declines from the high—Short Sale Objective—to the low—Buying Day Objective—in points and we use this column to get an average in order to judge this decline when it occurs. We have the records of the past and can note the greatest declines that have occurred and from this we can see just what might be expected at any time in the future.

We get the number of Short Sale opportunities and total of Short Sale points from this column.

Comparatively low priced markets work in a certain narrow range, the spread is narrow, comparatively high priced markets, of course, work in a wider range, the spread is wider, also, in the nearest future and near the expiration dates, the technical position at times causes wide spreads and with stocks after a long upward move with high prices.

The declines in this column are not always from true highs but we are not concerned with true or false highs but with the spread from a Short Sale Day High to the low on a Buying Day.

This column points out the number of buying opportunities in any one week and during the life of a grain option and with stocks they go on until the spread is too narrow to trade in them.

Generally the average of this column of declines points out the stopping places for buying 'Long' stock but the trading rule is a better check on the buying point and is summed up in the rule: "Cover Short Sales and Buy, at or below the low of the previous day on a Buying Day."

#### THE REASON FOR THE DECLINE ZERO

The amount of Rally from a Short Sale Day low, with the closing price up or on the high for the day,

plus a wide up opening on the Buying Day. This Decline Zero does not happen so very often but it can be anticipated by watching the low of Buying Day and the high of Short Sale Day, when the low holds at the same or a higher price we can visualize the Zero in the 'D' column and a Decline Zero generally means nearby higher prices for a day and many times longer. See the WK and CK Plates and note the trend after a Zero appears.

We always cover the Short Sale on the same day when the spread is wide and or within the limits of about what a decline, normally, should be or has been, from the Short Sale Day High to the Buying Day Low. We see this range between the high and low and reason that if it does not go any lower, we see this low as our point at which to buy, next day, on our Buying Day.

We don't wait for the Buying Day on which to cover our Short Sale when the action is fast and 'panicky' and the 'sell off' in one session is within the range or more, the spread from Short Sale High to Buy Day Low, for fast declines many times are followed by fast rallies.

We cover our Short Sale and wait. We don't buy Long stock on this low, either, for the reason that the stock may or may not rally from this low and we only buy Long stock on a Buying Day or the Violation of a Buying Day Low made FIRST.

The stock from this low can do one or the other, close near the low without a rally or rally from this low and recover all the loss of the day and more. We don't care what it does for the balance of the session, we sold it short and covered with a profit but had we gone 'long' at this low and there were normally, we would be in a bad way, for the trend would be indicating further declines and we never make a trade unless it favors our play.

What we do after covering our Short Sale, is to

wait for the next day where we watch this low and try to buy at or below it on our Buying Day.

Now suppose the stock did rally and closed up near the top or even higher than the opening of the day and—this is the reason on an action of this kind why we covered our Short Sale on the break—this then would point the trend higher and our Short Sale Day Circle would have a check (✓) in it, the high was made last.

From this action we could expect the opening to be up and the price to be higher than the Short Sale Day high and on a Buying Day. The high made LAST on a Short Sale Day, we would not sell it again on this last high for it would indicate a high to sell on, made FIRST on a Buying Day.

We covered our Short Sale on the same day and have protected our profits, anticipating a rally from this low, one that might hold and the possibilities that we might have to buy a Higher Bottom on a Buying Day. By making our play in this manner we are trading on the REAL trend and not on one of these daily cross-currents. Buying a higher Bottom on a Buying Day usually results in a profit and the decline Zero is always a higher bottom.

### THE 'R' COLUMN - RALLY COLUMN

The R column shows the least and greatest rally from a Buying Day Low to a selling Day High in points and shows how much of the decline has been recovered, all, part or none and from this forecast of the trend as up or down for the next day or so and sometimes longer. On the Yearly Plates, notice the R column unit after a large D column unit and the action for a day or so after.

The R column shows the number of selling opportunities and the total of rally points on the Long side of the market.

Comparatively low markets work in a narrow range and high markets in a wider range, so that in narrow markets the rallies many times just about reach and penetrate the Selling Objectives, the same on the declines, while higher markets run through for much deeper penetrations, either way.

### THE DIAGONAL MARK (∧)

We have the Diagonal Mark placed above the rally figures that show the number of Selling Day penetrations and we can tally them for the number of times or percentage of times we get these

penetrations or 'sell thru' or the number of times they 'fall short' or fail to penetrate. By studying them we can get an average out of the total Selling Objectives and know about what to expect at this point for penetrations. Study the Plates and notice how they penetrate at about the same fractions or points with occasional very deep penetrations, which when this happens is in the trader's favor.

We find the average in grain futures of the recent past years was (56%) penetrations on the Selling Objective. These penetrations are almost sure profits, you can see the probable profit in the spread from the low to the high on the Buying Day, at the close of the market, plus the amount of penetration on the Selling Day of this Buying Day High.

Generally the trading rule covers our Selling Objectives: "Sell your Long stock at or through the high of the previous day, this high of previous day is the high reached on the BUYING DAY".

### THE REASON FOR THE RALLY ZERO

The lack of rally from a Buying Day Low with a more or less 'flat' closing or on the low for the day, plus a wide down opening on the Selling Day. This Rally Zero does not happen so very often but it can be anticipated by watching the low on Buying Day and high on Selling Day, when the price holds at or under the Buy Day low we can visualize the Zero in the Rally column and the Rally Zero, generally means nearby lower prices. Also, see the Plates on this. The Rally Zero is a Buy Day Violation and the violation takes place on the opening, however, the low is usually made FIRST and generally a rally starts from this low. If the opening is not too severe, the rally many times comes up to and through the Buy Day Low and then starts to decline again from around this point. Many times it fails to reach it and at other times the rally will carry back and penetrate the Buy Day High. When buying on a Buying Day Low Violation, that is why we use the Buying Day Low as our Selling Objective, instead of the Buying Day High. Any fast come back through the Buying Day Low and then on up for a penetration of the Buying Day High is just that much more in favor of the trader who goes Long on this Violation.

After having bought at or near the low on a Buying Day Low and generally this occurs at the opening on the Selling Day. We sell and 'at the

market' on any rally from this decline, should this low be violated, at this point we either have a small loss or a small profit. The profit when made is due to the rally that carries up through the Buy Day Low.

The price sells lower than the Buy Day Low and then it generally rallies, not always, for the market can keep going down from here—this is why we get out as fast as we can on any rally from this low—generally this rally carries up to and through the Buy Day Low Point. We sell at or through this point always. Never hold on and hope for more rally, sell out here for what you can get. Big declines can start from here for this could be the continuation of a decline that had started from the High of Buying Day made FIRST and particularly so, if the stock or future is well into the upswing and prices are high.

When the unit in the 'D' column is large, the Buying Day, we act immediately upon seeing the price go lower than the Buying Day Low and generally this occurs at the opening on the Selling Day. We sell and 'at the market' on any rally from this decline, should this low be violated, at this point we either have a small loss or a small profit. The profit when rally unit in the 'R' column is generally small, there are exceptions but generally this is the case. In a panicky, severe 'sell down' at times the whole decline and more is recovered. This happens more often when some favorable news is announced during the trading session and the market technically is in a position to act on it, the market is oversold and the fast rally is caused by short covering.

#### *THE 'R' COLUMN FOR (SSE) SALE DAY HIGH EXCEEDED*

The 'R' column is, also, used for the Short Sale Exceeded, meaning the Short Sale Day High exceeded or sold through the high of Selling Day. We enter this unit only when it 'sells thru' and from these entries we can get an average of about what to expect in the way of penetrations at this point and an average of how often it repeats this movement during the life of a grain future or during the longer term swing in a stock.

Recent past expired futures in all grains show that the Sale Day High was penetrated over (50%) of the time before the future expired.

These penetrations run from fractions to points but we can judge them by the price range of the stock, whether it is high, low, or at some point in

between. News items at times cause deeper penetrations and the beginning of a rally from the low point reached in a Downward Trading Area.

This unit is put in on the same line as the Short Sale Day Circle and since it is under the rally or Selling Day unit it might be well to use different color ink to separate each of these units in order to avoid confusion in tabulation.

By studying this penetration and knowing where to look for a hesitating action you will be able to see, at times, the selling that is taking place at this point.

This is a place at which you can do a little 'tape reading' for knowing what to expect and at which point to look for it, you can check it easier to see if your expectations are coming true.

#### *THE (BH) BUY DAY HIGH COLUMN*

The BH column shows the number of times and the extent of penetrations of the Short Sale Day High, when there are no penetrations we put in a Zero. The (BH) and (BU) Zeros don't have the same forecasting significance as the Decline and Rally Zeros, however, the (BH) Zero when it appears does show the break and termination of the three day swing and establishes the high on the Short Sale Day.

We watch these penetrations and from them we can get an average of about what to expect at this point in the way of a 'sell thru' and we can tabulate them for an average or percent times they penetrate or fail to go through. This penetration is the place for a quick Short Sale when the price goes thru FIRST. In order to make this point FIRST, means that the rally must have started on a Short Sale Day and closed strong on this day, continuing to rally up to this point, making a two or more days of rally and generally this is enough to exhaust the minor swing and is in a position for a decline, of some extent.

At this point you can test your tape reading, the rally seems to be in an upward dead center and just about ready to roll over for a decline, generally this is the action at this point. This BH (Buy Day High) is generally made when preceded by a Buying Day Low Violation. This Buying Day Low Violation causes the decline to run one more day on the downside, therefore, the rally runs a day later on the upside. Generally the Short Sale Day High ends the (3) days swing, a violation delays it and causes the high to be made FIRST on the next Buying Day and



with exceptions, this high still preserves the (3) day rally swing.

### *THE (BU) BUY UNDER COLUMN*

The (BU) Column means, buy under, and shows the unit that the stock sold under the Short Sale Day Low, on a Buying Day, if there were no declines we put in a Zero. The (BU) Zero, points out the Higher Buying Day Bottoms and are all higher support levels, on the declines, from Short Sale Day rallies. The spread between these two points is the concession we try to buy at. We watch this column for an average and we see that it runs from fractions to points. Usually in an Uptrend Trading Area, the heaviest selling takes place on the Short Sale Day and the decline generally 'levels off' on the Buying Day—at, a little above or below, the low reached on the Short Sale Day.

Around this point is where we expect support to come into the market and we watch the tape to confirm it. Support here would be inside short covering of stock sold on the last rally and the buying back of Long stock sold a little above the market to the outside traders. Those traders who buy at the top of rallies are buying the Long stock sold on balance and the short sales put out by the inside operators.

On the average trading day without inter-session news, in an Uptrend Trading Area (watch your trend line) the stock makes this low on the Short Sale Day and then trades around this point and closes fairly 'flat' and then opens down, the next day and sells a little under this low on a Buying Day, the decline just seems to 'level off' here and on this 'dip' is where we buy our Long stock. The low is made FIRST and usually a rally starts from here.

When the decline on a Short Sale Day is severe and the market is active, the stock makes a low and usually rallies fast and closes up nearer the high of the day, we can then expect a higher opening on the Buying Day and whatever reaction that takes place from this high falls short of the low made on the Short Sale Day and causes the (BU) Zero. The price then is being supported at a higher bottom and will generally start up again from this higher low point. The stock is then making a higher bottom and Buying a Higher Bottom is usually profitable.

### *THE (BV) COLUMN BUYING DAY LOW*

## *VIOLATION*

The column marked (BU) is, also, used for the (BV) meaning Buying Day Low Violation and we enter this unit directly under the (BU) unit. This unit shows the spread of the decline, the amount it sold under the Buying Day Low point.

This decline we consider a 'false move' and when made FIRST it is usually recovered, even though, the market may sell down again after this rally. While it is part of a larger decline and begins to show up at the starting of a Down Trend Trading Area and continues through this area, it is profitable to trade on this kind of action most of the time. It takes place from a decline on a Buying Day and where there was no rally and the close was heavy and usually right on the low of the day.

This action indicates lower prices and we expect a down opening on the Selling Day and unless we are in a market of high prices from which Downward Limit Days could take place or Downward Secondary Reactions in stocks, it is, also, a 'leveling off' of a two or three days decline.

We watch for support at any place under the Buying Day Low—check back for two or three weeks for a recent range on these Violation declines, had they been fractions of a point—more or less—and the present price of the stock. When this decline low is made FIRST and early in the session, we buy as near this low point as we can.

At this point we are considering the everyday, average market movement, so called, surprise news and scares are treated in another chapter.

We are watching the market and we see the price under the Buying Day Low and we note that his low is being made FIRST and shortly after the opening and is under a couple of cents. For example:—We note this two cent decline plus the unit of decline in the 'D' column and the total then is Six (6) Cents, this is a considerable decline and normally would call for some, rally at this point. Now, we are buying on a Selling Day and where we usually watch the high of Buying Day to be penetrated as our Selling Day Objective we now change on account of the Violation and make the low point of the Buying Day, our Selling Objective, for this Long stock we bought.

The market usually rallies from a Violation decline made FIRST and comes up to and through the Buying Day Low point. We bought and we now see the rally carry up to this low, at this point

we can sell out with a sure profit. The stock has recovered all of this 'false move' and the market at this point can turn down again and does many times and it, also, at times continues up. Now in this latter case any further rally begins the percent recovery of the decline unit as shown in the 'D' column. In this case it is Four (4) Cents, now, each point of recovery is 25% of this decline and certainly after a rally that would recover the 'false move' or Violation points and 'wipe out' One Third to Two Thirds of the Real decline should be high enough for us, even though, it may rally too far, we 'cinch' our profits and begin to anticipate our next play for the chances are that on the next trade will be more room and profit and our next trade would be a Short Sale on the Short Sale Day High and would probably be made FIRST.

## CHAPTER IV

### THE SYMBOLS (X) AND (✓) AS TREND INDICATORS

We have two marks (X) and (✓) these marks point the trend of prices, they indicate the ending of or continuation of trends, depending upon the circle they are placed in and the kind of trading day.

The (X) mark means that the high or low was made LAST.

The (✓) mark means that the high or low was made LAST.

These marks are placed in the circles on the Buying, Selling and Short Sales Days.

An example of the Objective being made FIRST:-

As a supposition the stock reacted from Short Sales Day High and on the Buying Day made a low early in the session, then began to rally and traded the rest of the session between the high and low with the closing price nearer the high than the low. We would then put an (X) in the Buying Day Circle indicating the low as being made FIRST.

In a case of this kind and this is what the trader likes to see, the opening on the Selling Day would generally be up and with a penetration of the Buying Day High. The Selling Objective would be made FIRST and an (X) placed in this circle. The trader would sell—at or above this penetration of Buying Day High—and would be out of the market without much delay.

The stock having sold through the Selling Day FIRST there would generally be a reaction from this high, and even though the trader had sold out he continues to watch the low and close of Selling Day, for an indication, for the stock having reacted would again rally and close high enough to indicate an Up opening and another penetration of the Selling Day High made FIRST, this then would be on the Short Sale Day and the Short Sale Day Circle would be marked with an (X). On this penetration we would have a strong 'spot' for our Short Sale, since it was

made FIRST and usually a reaction would start from this point which would end again on our Buying Day with an (X) or (✓) FIRST or LAST.

An example of the Objective being made LAST:-

When the objective is made LAST the play consumes more time for the trader must watch the entire session in order to make a trade.

Suppose the stock had sold down from a Short Day High and made a low, then begun to rally and close Up from this low and at the opening was higher, making the high FIRST on a Buying Day then begun to 'sell off' all through the session and made a low, then began to rally and closed UP from this low and at the opening was higher, making the high FIRST on the Buying Day then began to 'sell off' all through the session and made a low but there was little or no spread from this low to the closing price. This then would be making the Buying Objective LAST and we would put a (✓) check in the Buying Day Circle, this indicates the trend as down, at the close, even though it may be the end of the decline and is many times, but it also carries the implications of a Buying Day Low Violation.

Suppose the low was made FIRST on a Buying Day and the stock then began to rally from this low and closed up above this low but at the opening—Selling Day was off a little and traded down lower but did not break or violate the Buying Day low, then it began to rally and continued on up for the balance of the session and closed on the high of the day, this then would be making the high on Selling Day LAST.—We, of course, would sell our stock here on the penetration or failure to penetrate our Selling Objective—the Buy Day High—but it would require us to wait and watch the entire session in order to complete our trade.

On a Short Sale Day when the high looks like it

will be made LAST. We wait, never make a trade unless it favors your play. At this point we check back in our book for a Violation of the previous Buy Day low, if so, we expect the stock to continue up, even open up and make the high FIRST on the Buying Day and we watch for a Short Sale at this point, at or above the Short Sale Day High.

When the high is made FIRST on a Selling Day and the stock reacts and the reaction continues up to the market it will probably carry over to the next day, the low price would generally be made on the opening or after, then a rally would probably start that would carry the price up making the high LAST on a Short Sale Day but we do not put out short sales on a high made LAST.

When a stock or future completes its cycle from a Buy Day Low to a Short Sale High and all Objectives are made FIRST—and this is the kind of movement we like to see—See Plate on RZ 1943—you can see your profits as the movement unfolds.

During other of these cycles we get a mixed movement of the Objectives made FIRST and LAST and this is caused by the real trend being interrupted by the smaller rallies and declines, currents and cross-currents that go on all through the trading session but in no way change the ultimate completion of our trading Objectives that is why we must at all times ferret out the Real trend and to be able to keep track of it, regardless of these inter-day 'Jiggles'. Our Book does this very thing for us, almost automatically by pointing out the kind of trading day and the signal marks show which way it is most likely to go.

Watch the results of some of the plays made by the traders that go counter to the specific trading days as shown in your book.

They buy and sell on rallies and declines during the day entirely ignorant of the kind of trend, at the time, they buy or sell. Once in a while if they trade often enough they will 'hit' the real trend and make a profit but the next trade will be nothing more than a guess and a wrong one at that with an ultimate total loss.

The import of the entire matter here, is that the insiders, operator or the force that is making the market go right along pushing towards the objective to the other are 'false moves' and they are the smaller trends that confuse the traders. That is why we must use the greatest of care in getting the signal marks correct—and this difficult but the real trend follows these marks.

# RZ

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W 13	110 <sup>5</sup> / <sub>8</sub>	111 <sup>5</sup> / <sub>8</sub>	110 <sup>1</sup> / <sub>4</sub>	111 <sup>1</sup> / <sub>2</sub>			3 <sup>3</sup> / <sub>8</sub>		CO
T 14	111 <sup>3</sup> / <sub>4</sub>	112 <sup>3</sup> / <sub>4</sub>	111 <sup>1</sup> / <sub>2</sub>	112 <sup>3</sup> / <sub>4</sub>			2 <sup>1</sup> / <sub>2</sub>	✓	
F 15	113	113 <sup>3</sup> / <sub>4</sub>	112 <sup>1</sup> / <sub>8</sub>	112 <sup>1</sup> / <sub>4</sub>				↓	
S 16	112 <sup>1</sup> / <sub>4</sub>	113 <sup>1</sup> / <sub>4</sub>	112	113 <sup>1</sup> / <sub>4</sub>			1 <sup>3</sup> / <sub>4</sub>		C <sup>1</sup> / <sub>8</sub>
M 18	113 <sup>3</sup> / <sub>8</sub>	114 <sup>1</sup> / <sub>2</sub>	112 <sup>3</sup> / <sub>4</sub>	113 <sup>3</sup> / <sub>4</sub>				2 <sup>1</sup> / <sub>2</sub>	

This example of a few years back shows part of the movement at a time when all Objectives were made FIRST—it shows one Buying Day Low at the low of previous day—Short Sale Day—on October 13th, and one Buy Day low—under—on Saturday 16th. It shows how the bottoms were just equaled and exceeded and how the tops were penetrated at the Selling and Short Sale Highs.

Prices during this period were in a narrow range of four or five points for a period of about nine weeks.

The 'D' and 'R' Columns total  $8 \frac{1}{8}$  points while the six days gain at the closing prices were  $2 \frac{1}{4}$  points—the trading opportunities were almost four times greater.

When the markets are narrow, the moves are small and the profits are small.

The recurrence of the Buy and Sell and Short Sale signals in series are not exceptions for the market is filled with them at times and the trading at these times is most mechanical as you can see.

The diagram shows two sets in series—a Short Sale, a Buy and a Sale—a Short Sale, a Buying and a Sale. All Made FIRST. At other times the series will be FIRST and LAST and Mixed.

When the series runs all signals made FIRST there is no delay, a trader buys and sells just as his Objectives are reached or penetrated. At other times when the market action is mixed the trader must watch the entire session in order to complete a trader and there will be sessions when it would be wiser to just stand aside and do nothing at all when the movement gets too narrow.

## CHAPTER V

### A BUYING DAY

We buy a stock or future when we think it is on a bottom dead center and the trend is just about to turn up and our selling is done on a top dead center when the trend is just about to turn down.

On a Buying Day when the stock rallies from the low and the gain in points is sufficiently large, we sell out on the same day. The rally may put the price up to and through the high of the day before—the Short Sale Day—and the close may be strong and the stock may even close on the high of the day, however, we sell out just before the close, for while strong or higher closing does indicate a higher opening and a continuance of the rally, this, should it happen, would only put the price through the Selling Day Objective, next day, so we don't take chances with this kind of a move and don't follow the rally to far, we secure our profits before the close of the market. An action of this kind is fast and the 'come back' rapid or the action may be quiet and slow with firm reaching up movement making new highs by fractions for several points and then end the move with a slight relaxation, then a smaller 'spurt' to reach the top or make a new high for the day, however, no matter how the high is reached it gives us our profit a day in advance of the Selling Objective by selling out before the close and we are not concerned with how high it may go on the next day.

The reason we sell out on the same day, is that the stock may open down and often does, from a run up of this kind or it may open at the previous close on the Selling Day and spend the whole Selling Day and not reach the Selling Day Objective—the Buying High—after which it can make one of two moves, close up with an indication that it will open up and sell through the top—Selling Day High—for a strong Short Sale Objective or close down near the low, an indication of failure to penetrate and a weak Short Sale Objective.

By selling out we have secured most of the long profits from a move of this kind and in many cases all of them and we got them without waiting for the Selling Objective—we are trading and take a 'lump sum' anytime the market gives it to us fast, even though, it may be a little less than we might get by waiting.

Having 'sold out' and we are out of the market—on the Buying Day—we prefer to see this rally continue on the Selling Day for penetration of the Buying Day High, for we are now anticipating a future short sale and it would generally be strong short sale indication should the stock react from this penetration of Selling Day High for this short sale and it would be made after Three (3) Days of rallying.

On a Buying Day, we buy at, a little above or below the low of previous day—this would be the low reached on the Short Sale Day—we watch this range or spread on a Short Sale Day, the 'sell off' from high to low and at this low we can see, so far, the price we will have to pay, next day—The Buying Day—for our long stock provided the decline ends at or near this low but we can with reasonable certainty figure whether this low will be our buying 'spot' or if we may not expect further concessions to buy on and we get this indication from the way the stock closes on the Short Sale Day.

We get this indication by watching the close and whether prices are up or down, that is down from the high of day or up from the low of day, weak or strong. Remember, we are watching the prices on a Short Sale Day trying to anticipate the coming point at which we can buy or go 'long'—You will be short of the market on this day, too, but this action is covered under the chapter on a Short Selling Day.

When the close is strong on a Short Sale Day, that is, the closing price is up from the low and nearer

the high for the day, we expect a higher opening on a Buying Day. When this happens, we wait for generally the price declines from a high made FIRST on a Buying Day.

The Short Sale Day Low is our point to watch and we watch for it to be reached or for the price to sell under this point, since this is where we buy our long stock.

In a strong uptrend the decline may 'fall short' of reaching this low and the rally on a Buying Day may start from a little above this low—this is what we call Buying a Higher Buying Day Bottom and generally it is profitable. The price may open up and rally farther, making the high FIRST, then starts to decline but the price on the decline gives way 'grudgingly' from each fractional 'sell off', the stock on the rallies seems resilient, it sort of springs back from each low. By watching the tape closely at this point, you can see and 'feel' the buying for support. In this case the Decline Column Unit is usually small.

We expect the price to fall short of this low, to stop a little above it when the trend is turning up from the low of a Trading Area, the bottoms have got to be progressively higher in an up-trend.

At a little above and below this point—the low of Short Sale Day—we watch for support and we note the range of prices around this level and the length of time the price trades in this range. By comparing the decline from the Short Sale Day High to the low as it is being made on the Buying Day, we can judge from the past declines of the 'D' column just what kind of a decline is taking place at the time and can follow it while it is happening, you can then note whether it is greater than average, less or about average—here again a small decline unit is followed by a larger rally unit in an Uptrend Trading Area.

Now, we go back to the close of the Short Sale Day and we find that it was a 'flat' closing, then from this indication we expect a lower opening on the Buying Day and so far this would cause the low to be made FIRST and is a stronger indication when made early in the session that a rally would start from this low and hold the gains for a strong closing, which in turn indicates an up opening and a penetration of the Selling Day Objective—the Buy Day High.

When the high is made FIRST on a Buying Day, this causes the low, our buying point to be made LAST and carries with it the possibilities that the stock may trade down with no indication to rally and the close may be near the low of the day, in which

case we would not buy at all, even though it was lower than the low of Short Sale Day, for here we would anticipate and expect a Buying Day Low Violation and we would wait for it.

When the low of Buying Day is made LAST but is holding a higher bottom, that is the low is higher than the Short Sale Day Low, we buy as near this low as we can, for generally a rally starts from this higher bottom, however, should any gain at the close be lost on the opening of Selling Day and this decline may or may not cause a Buy Day Low Violation, we sell on any rally after this decline.

We use the Buy Day Low as our Selling Objective, we sell at the best price we can get above this low. The rally usually carries up to and through this low, even though it again declines. There are exceptions and times when it fails to reach this point and at such times it means a loss, then again, strong rallies at times not only sell up to and through this low but continue up to and through the High of Buying Day, completing the Primary Selling Objective with a penetration.

The low made on a Buying Day is the low and has nothing to do with whether it may be violated, the next day, you buy at what you consider to be the low and many times you will actually get it, allowing for the executions but after buying it may go a little lower but your line of thought changes after you have bought, even though, you did not get the last eighth, you now begin to watch any rally from the low, made by the stock—not the price you paid for it—you are now expecting the stock to rally and show a gain above this low, at the close, indicating a higher opening and a further uptrend, this shows your play is correct so far.

Even though, your profit will be a little less by reason of the price having sold down a little lower after you bought, the point to be made here is that, after having bought at what you considered the correct place, reverse your thinking about further declines or 'sell off' and begin to look forward to the place where you can sell out with a profit, in case of a rally this will be somewhere above the high of Buying Day, next day your Selling Day—unless the market hands it to you in the same session—the action we mentioned in the beginning of this chapter.

Suppose you bought at or near the low or right on the low and the stock rallied but began to sell down again and near the close lost all the gains, this then would be a 'flat' closing with the probabilities



of the price going lower the next day.

A 'flat' or weak close on a Buying Day shows the short interest, inside or professional, in no great hurry to cover, therefore, an indication of a Buying Day Low Violation.

On an action of this kind, sell out before the close, for you are in wrong and you must not carry the stock into a greater loss, if you have a loss at this point by holding on and hoping for an up-opening on Selling Day.

After a low is made on a Buying Day and the stock begins to rally, it should hold a small part of the gains on each rally, each decline or set back should 'fall short' of the last low.

A trader takes losses, he must but he takes them when they are small, as in a case of having bought, then a rally, and then to see this gain lost, and the close at or slightly above the low of the day. He does not hold on and hope for a rally, he sells out before the close, takes this small loss and begins to anticipate buying a Buy Low Violation. Right here it is well to point out that up-openings do occur from 'flat' closings on any of our Objective Days, but in these cases it is some overnight news that can't be read on the tape before the close and we don't trade on what the market might do but try to trade on what it actually does and the probable future results.

The trader by taking this small loss will generally get it back and with a profit besides on the next play or trade.

***NEVER AVERAGE A LOSS, SELL OUT IF YOU THINK YOU ARE WRONG AND THEN BUY BACK AGAIN WHEN YOU BELIEVE YOU ARE RIGHT.***

The temptation at this point after having bought on the low or having the stock go lower after you have bought and then holding on when the stock opens down and sells down lower causing a Violation of the Buy Low, even though, the low is made FIRST is a strong 'spot' to make you want to average your loss and it looks like it would have been a 'cinch' after the rally sets in but Don't do it.

When prices are comparatively low and the Trading Area Trend is Up, a trader having bought at or near the low and to then see the stock close 'flat' need not worry, too much, for he can supplement his trade by using the (3) day method, he can hold on and generally sell his stock or grain at or through the high of—Selling Day—at a profit, however, in this case should the Buy Day Low be

Violated the rally may be weak on account of this violation and fail to penetrate the Selling Day High on the Short Sale Day. The trader using the daily method of trading should stick to this method and be willing to take a small loss in order to better his position, rather than to switch to the (3) day method and then back to his daily method, for while he can save—at times—this small loss, it is bad medicine, especially if prices are very high for in the above case of the Violation—or any Violation—there may not be a rally—prices may continue on down. Trading this way might become a habit and a trader should use one or the other methods.

The trader who has been consistently using the (3) day method can stand a loss, even, if it is unusually large on account of his profits from previous plays—the summary of the yearly WK and CK show the loss day swings run about (12%) of the total and the gain days about (88%) however, occasionally a loss day swing can be very severe and the daily trader should not take chances where the loss could be greater than his greatest daily gain. The daily trader can trade on a 'shoe string' but the 3 day trader is prepared to finance himself over a 'bump' of this kind.

The daily trader must at all times be in complete command of his cash for use when he needs it, therefore, he takes small losses by selling out the instant he sees that he is wrong.

In the Uptrend Trading Areas, the low on a Buying Day is generally made FIRST with the closing price up from this low.

The 'flat' or weak closings are usually made in the Downtrend Areas.

Regardless of the kind of Trading Area—up or down—buying low points made FIRST on a Buying Day, are for the most part profitable—except in the precipitous decline after a steep downtrend gets under way.

Buying on a low point and then to see the price go a little lower does not prove you wrong, unless the price closes 'flat'—that is the low of the day and closing price is the same.

We do get up-openings from 'flat' closing but generally the little lower before the start of a rally.

Buying, too soon, only means that you need a little more in timing, in most cases.

Check the Yearly Plates on WK and CK on the Buying Days—for the times the price sold under the Short Sale Day Low—the times the Buying Day Low was Violated—also, the gain and loss day swings of the (3) day Column.

## CHAPTER VI

### BUYING ON A BUYING DAY LOW VIOLATION

The Buying Day Low Violation must be made FIRST and this would be the result of the Buying Day Low made LAST with a more or less 'flat' closing.

This action of a 'flat' closing favors the probabilities that the opening prices will be down and the opening is in itself often the start of the Violation and that the decline will continue until it meets support. This support is for the most part inside short covering both for profit and for stabilization of the market and is some of the long stock sold to the traders at higher prices.

This decline can stop anywhere under the Buying Day Low but from our column in the book we know the range of declines of past Violations and we know that they stop within the fractional limits and are occasionally very severe but knowing the range and by watching the activity at this point we generally get an indication of a coming rally.

We watch the market very closely for support buying and for the decline to slow down and stop for we, also, want to buy at this point and we do.

At the turning point the stock makes a low, then rebounds in fractions or in points—this depends on the severity of the decline—if severe accompanied with activity, the churning up and down will be in a wider range of prices than if the decline was quieter and more normal, however, you will notice a considerable amount of trading at this point for a brief period, then the activity slows down and the market becomes comparatively quiet, the market goes dead but with the prices up a little from the extreme low reached on the decline. The quiet market may just penetrate the Buy Day Low fractionally and then trade a fraction above this low until a rally starts or the market starts to recover.

We buy on the above described action and at the market and expect the rally to start from this point,

however, a support point here may only be temporary and another small decline may take place after a fractional rally that would establish a new low by a point or so but had the Violation been fairly deep, plus the points decline in the 'D' column—the spread from the Short Sale High to Buy Day Low—the over-all decline could be considerable and the chances are the rally would start from either of these low points and after all this probably would be the third session of a decline and 'remember' we are not buying on the top of a three days rise, either, as many traders do.

In the case where these two lows are made and had we bought at or near the first low, another small decline should not upset us, even though, it was against us for a point or so, for after the rally started and the probabilities would favor a rally from this last low our loss on paper would generally be only temporary and would be quickly made up.

After the rally starts it will generally make up all the Violation decline and this, then, would bring the price up to the Buying Day Low Point, now right at or through this point is our sure profit Selling Objective or at least a chance to get off the 'hook' in case you had made a 'too soon' purchase. From this Buy Day Low or a little above it, the decline may start in again.

From this point—the Buy Day Low—if the rally continues, it begins to 'wipe out' what we call the Real Decline and this is the units points shown in the 'D' column.

Each eighth above the Violation recovery, recovers a certain percent of the Real Decline, the more the rally is extended the more of this Real Decline is recovered and the rally may 'wipe out' all of this decline and continue higher. Many times when the 'D' column unit is small the 'R' column unit is large.

Should the rally be so strong after it goes through

the Buying Day Low and many times the activity picks up at this point and the trading is fast with the price reaching up to the top of the day and sometimes for a new high and then a slight 'dip'—then a rally just before the close. Should this kind of action take place after the penetration of the Buying Day Low, we would then begin to anticipate the possibilities of the penetration of the Primary Selling Objective—The Buy Day High—and we would not hesitate a minute before selling out on this penetration before the close.

Remember we are buying on a Selling Day and we must sell out before the close of the market and a reasonable level at which to sell our Long stock, assuming the Violation decline has been recovered, would be to sell when one third to two thirds of the amount of the decline in the 'D' column had been recovered.

We don't follow this rally, too far, and are not trading for the last eighth but for a profit and position for our next play and the next play would favor a decline and the next day is a Short Sale Day.

We watch this full rally, even though, we have sold out lower down—or just after the price went through the Buy Day Low on the rally—for the amount of reaction before the close or it may close right on the top price for the day, however, in any event a strong close would indicate a further rally, with an Up opening for a high made FIRST on Short Sale Day, yet, after a rally that would recover a two or three days decline, in one session may open off. This should not surprise you, you must expect it.

The rally from a Buying Day Low Violation made FIRST is caused by short covering and the start of the movement is usually engineered from the inside, the large short interest seems to be that part of the covering movement that carries the price up to and through the LOW of Buying Day and exhausts itself around this point. The extended and over-extended short interest and those traders that sold short, too near the bottom noting the strength of the rally after it gets started, are forced to cover and their buying is usually done in haste, therefore, the rally is fast, active and the spread between transaction is wide and this action many times causes the price to reach up to and through the HIGH of Buying Day. The extent and activity depends upon the size and urgency of the outside short interest.

The 'take off' from a period of accumulation, also, starts with a 'run in' of the shorts but usually

'they' try to conserve some part of it—for a good size short interest is potential strength at any stage of the move—generally, in the above case, it appears at times that the intent is to make all the shorts cover in the same session.

Buying on a Buying Day Low Violation made FIRST is for the most part buying against this short interest—inside and outside—but you are generally in good company when buying at this point in an Uptrend Trading Area. A rally caused by short covering is weak and that is why we don't follow it too far.

When the demand caused by this short covering is filled the stock then generally 'sells off' until it again meets with inside support.

Most of the Violations are found in the Downtrend Trading Areas, they must of a necessity make lower bottoms and the Downtrend is usually a session or two longer.

We watch the spread from the Buying Day Low to the Low of Violation and note if this spread is wide enough to make profit—that is, if we bought on the extreme low of Violation and sold out at or through the Low of Buying Day, should the stock rally back this high. When the decline is severe at this point the rally may not carry back as high as the Low of Buying Day, the rally would be 'dull' and the market quiet and would show the lack of buying by going 'dead' on the top, then the decline would perhaps start in again from this point. This kind of action would be an indication of a downtrend of more than the day to day kind, so in buying on this wide spread reaction, we would have to take whatever profits we could get, on whatever rally took place and the place to take them would be just as the rally began to hesitate and stopped. Should the spread be narrowed, more normal, that is fractionally or a point or so, it would show the price holding, with covering and support buying, so we could expect more from any rally from this point.

A big decline takes times to consolidate around the low point, usually one or two session, before a good recovery rally sets in, therefore, the 'R' Rally Column Units are usually small after a large 'D' Column decline, unless the technical position of the market is strong enough to make the shorts cover in a hurry.

As a rule we don't expect too much of the immediate rally following a severe decline but when the market starts to recover and with activity it at times regains a large part—sometimes all the 'D'

column loss and at times it sells through for a penetration of the Buying Day High.

The main import we are concerned with here, is to get off the 'hook' without a loss or as little as possible, for having bought near the low on a Buying Day and then to be caught in a Violation by reason of a down opening on a Selling Day, we have a loss, at least temporary but usually after a two or three days decline the Violation will be recovered and with a certain percent of the 'D' Column Unit.

We always sell on a recovery that makes up the Violation—of the Buying Day Low—and try to get some part of the rally above this point but we do not hold on too long, and hope for more rally and we don't let it bother us should the price go higher after we sell out. With reference to the below Plate—the rally after going through the 226 1/2—the Buy Day Low—may show signs of exhausting itself and right at or through this point the stock may start to decline again. We don't follow the rally, too far, for this reason...

The trading for the three days would have been as follows:

Sell short on the penetration of 234 1/2

Decline is severe for one session—above the average in points.

Cover short—same session—on dullness around any low.

(see Short Sale Day Chapter)

(wide decline in same session)

Wait for Buying Day to go 'long'.

Buy on penetration of 228 1/2 when decline slows down or stops.

Buy Low made FIRST—closing price up from low of the day—expect up-opening.

Down opening - most of gain lost—sell on next rally.

Violation low made FIRST—expect rally.

Sell 'long stock' at or through the Buy Day Low of 226 1/2.

In the March Soybeans Future—SH—assuming a purchase at 227—on Buying Day—this is one half cent above the low, the decline is large and above the average for a 'D' column decline, with the Buying Day Objective (2) points under the previous low—the Short Sale Day Low—this point is, also, within our average for buying.

The stock closed up—on Buying Day—and we expected a higher opening on Selling Day, we did not get it. The stock opened down and declined quickly to 225 1/4 or (1 1/4) points Violation and at this point we would have had a loss of (1 3/4) points on paper. The Buy Day Low Violation was made first and the Violation was

1949	O	$218\frac{3}{4}$	L	□	D	R	BH	BU
FEB T 17	$216\frac{1}{2}$	$219$	$215\frac{3}{8}$			$\frac{1}{4}$		
F 18	215	$216\frac{1}{2}$	$213$		6		0	$2\frac{3}{8}$
S 19	214	$214\frac{1}{2}$	$212\frac{1}{4}$			$\frac{1}{2}$		$\frac{3}{4}$

the third day of a decline, we expected the stock to rally and it did.

The rally quickly recovered the Violation decline and we are immediately alert for a place at which to sell out our long stock and this is somewhere at or through or above the Buy Day Low of 226 1/2.

After the Violation loss has been recovered, we keep a record of each transaction above this price--The Buy Day Low--we enter on our Work Sheet, on a pad with pencil or in our minds, these recovery prices as they appear on the 'tape' as the stock rallies.

We note the first price on the 'tape' at 227 or (1/2) pt., the first recovery 'tick' thru the 226 1/2--the Buy Day Low--and any recovery above this price is figured as a certain percent recovery of the decline in the 'D' column.

Many times a stock in a movement of this kind, at this point, will j-u-s-t come up to it or slightly exceed it, so we must sell out at or after it has been penetrated.

Should the action at this point be slow, it may just about reach or penetrate it but should the activity increase through and above this point the rally may carry through for a much deeper penetration, it can and does, at times, even rally far enough to penetrate the Buying Day High. See (SH) Plate--January Friday 21st.

At times, the recovery makes up all the 'D' column unit loss and more.

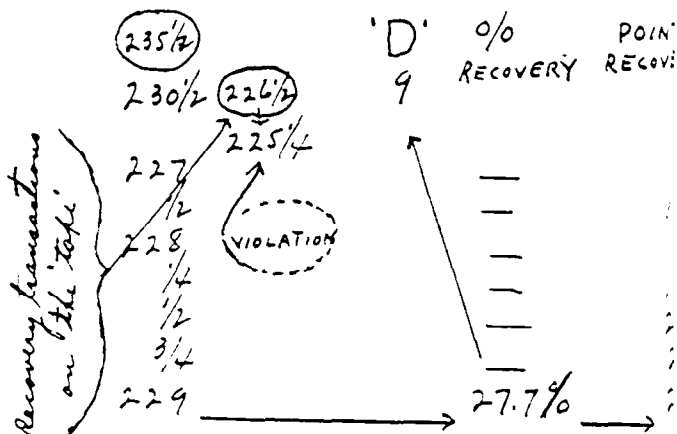
We watch the transaction on the tape and we sell at the market at any point--at through and above the 226 1/2--the market at a point like at this will generally prepare you or give you a 'tip' on the coming action by slowing down, hesitating or stopping before a reversal or the activity will increase and the rally will continue on up but in many cases, just through this point will be the top for the rally from a Buying Day Low Violation. In the case of (SH) the rally stopped above this point--at 229--and then declined to 227 3/4, at the close of the market.

The column of figures at the Left Side of Work Sheet are the 'ticks' as they appeared in order on the tape until the top was reached at 229 and at this price the recovery of the (9) point decline of the 'D' column was approximately 27.7% or slightly below a one third recover--usually considered a minimum--not counting the (1 1/4) Points Violation recovery.

The above paragraphs point out more of an 'exit'

from a bad situation and shows that a trader need not take big losses, if indeed a loss would have been taken in this case but so long as these situations exist in speculation a trader must know how to protect his capital.

This situation--only in reverse--happens about (50%) of the time where a trader can make his initial purchase on a Buying Day Low where no Violation occurs. The Violations occur about (35%) of the time, on an average, taking the total trading swings during the life of a grain future or a stock, during its ordinary up and down move with the general market.



SH WORK SHEET

## CHAPTER VII

### A SELLING DAY

When the low is made FIRST on a Buying Day and the closing price is up from the low and nearer the high of the day, we look for and expect an up-opening and a penetration of the Buying Day High to sell on—on the Selling Day—and these penetrations occur more often in an Up-trend Trading Area.

On a Selling Day, should you sell out, too soon, after a penetration you lose some of your probable profits, so that in an Up-trend Area, you must expect not only slight penetrations but 'deeper ones' for the tops must be broken on the upside and be progressively higher.

The activity of the market after penetrations is a good sign to watch, also, after small 'D' column decline units.

From a strong closing on a Buying Day when the opening—of Selling Day—is up and wide—and this will generally be a penetration of the Buying Day High—We sell out 'at the market', without waiting for the next transaction to appear on the tape after the opening price. The price may go higher after we sell out and many times it does—so what—the opening price may be the high and is many times and a reaction may start from the next transaction after the opening price that could take the stock down much lower. We sell and 'at the market' and are not concerned with how high the price may go after we sell out.

When a purchase is made on a Buying Day Low and shows a good gain above this low—at the close—then should this gain be partly lost on the opening of—Selling Day—or opens at the Buying Day closing price—Sell out, 'at the market' without waiting for the next transaction to appear on the tape. Should the opening on—Selling Day—be down and decline further from the opening price—Sell out on any rally from the low of this decline and this point would be—

at, through and above the low of Buying Day—should the rally carry back this far—this is now your Primary Selling Objective, instead of the Buying Day High.

On a stalled opening or where the opening and previous close are the same, the trader sells 'at the market' immediately upon seeing the opening price—should the following prices after the opening be up, his order is in and will be executed on a rising trend and he gets just that much more of the rally—should the following prices be down, his loss will be much smaller—his order is in—in time to 'duck' the real 'sell off' and he is out of the market quick and probably at the very inception of a declining trend. The price he gets for his stock will probably be slightly above or below what he paid for it on the previous day—the Buying Day.

"Many traders at this point do nothing—if the stock starts up after the opening they wait to see what will happen—if the stock starts down after the opening price they wait for a rally to 'get out'—most likely the expected doesn't happen, either way and the net result is a greater loss.

For a reaction to take place from so short a rally—the low of Buying Day—indicates a weak up-trend and will generally 'fail short' of a penetration of the Buying Day High—the Selling Objective—even though the decline does not violate the Buying Day Low—Sell out, just the same, should the opening be down from the Buying Day Close. The stock does rally at times but we should not get this 'dip' so soon—the stock or future should have opened up and continued the rally further—if the immediate trend is higher.

It is the better 'play' to take a small loss at this point—should it be a loss, than to hold on a chance a much greater reaction.

Had you bought your 'long' stock somewhere

near the Buying Day Low, you will probably get out with a small profit or an even break.

A Buying Day purchase must show a profit—that is, the spread from the low to the closing price and not lose it on the opening of—Selling Day—The above action does not favor your play so get out as cheap as you can.

Your Selling Objective, would be, at or through the High of Buying Day on a Selling Day but when this decline occurs with or without a Buying Day Low Violation, instead of a continuation of the rally—we change the Selling Objective and now make it—at or through the Low of Buying Day.

Should the decline stop within a fraction or a point or so and should the rally start with the activity picking up as the price sells through the Low of Buying Day and shows no hesitancy just above this Low, the rally may carry further—even penetrate the High of Buying Day—and it does, at times. We would then switch back to our Primary Selling Objective, that of selling—at or through the Buying Day High. We would sell out on this penetration before the close.

The Yearly Tables, show approximately (66) penetrations on—CK May Corn—and (55) penetrations on WK May Wheat—out of a total of (100) Selling Objectives. See (SH) Plate for failures to penetrate and selling through Buying Day Low points, also, selling stock bought on Buying Day Low Violations.

Knowing how to trade on these kinds of plays are our only concern, for they are the trouble 'spots' and we have no way to anticipate their happening—except news that is announced after the market closing.

The more regular action of strong closings on Buying Days—with up-openings and penetrations of Selling Day Objectives are clear sailing and take care of themselves.

In this case—WK—made the high FIRST at 214 1/2 but part of the gain at close of Buying Day was lost on the opening of Selling Day. We sell our long stock on any rally following a decline at a point like this—at, through and above the Low of Buying Day.

The stock if going higher should have opened up and continued the rally but we are not concerned with what it should do, we try to act on what it actually does—we follow the market and never try to make it.

The stock opened at 214 and rallied (1/2) point above the opening and our 'play' is to sell on any

rally from a decline or down opening on a Selling Day—and 'at the market'.

After this (1/2) point rally the stock began to sell down and made the Buying Day Low Violation LAST and closed almost 'flat'.

Had your purchase been made near the Buying Day Low, your loss would not have been very much, even had you paid (214) for it but in holding on and hoping for more rally it could have been much more.

The recovery of the 'D' column unit decline of (6) points was (1 1/2) points—shown in 'R' column or 25%—the recovery rally.

In the case of—SH—it opened at 227 but declined FIRST and rallied LAST but with—WK—it rallied FIRST and declined LAST. See (SH) Plate Saturday 19th.

This is the reason why the signals have got to be watched carefully and these signal marks 'X' FIRST and 'Y' LAST make the difference between being right or wrong on the trend.

1949    O     $218\frac{3}{4}$     WK    L    C    D     $\begin{matrix} S.S.E \\ T \\ R \end{matrix}$     BH    BU    B-V

FEB T 17	$216\frac{1}{2}$	$\begin{matrix} \times \\ \uparrow \\ 219 \end{matrix}$	$215\frac{3}{8}$	$215\frac{3}{4}$		$\frac{1}{4}$ ✓		
F 18	215	$216\frac{1}{2}$	$\begin{matrix} \downarrow \\ \times \\ 213 \end{matrix}$	$214\frac{1}{4}$	6		O	$2\frac{3}{8}$
S 19	214	$\begin{matrix} \times \\ \uparrow \\ 214\frac{1}{2} \end{matrix}$	$212\frac{1}{4}$	$212\frac{3}{4}$		$1\frac{1}{2}$		$\frac{3}{4}$

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## CHAPTER VIII

### A SHORT SALE DAY

Let us assume the close on a Selling Day was strong, which in turn would indicate an up-opening and a continuation of the up-trend, the stock or future opens up and penetrates the Short Sale Objective—the Selling Day High—after the penetration we watch for a slowing down of the move, we are watching to detect if the price is meeting with resistance, if the selling at this point is overcoming the buying.

The selling we are looking for at this point is inside short selling and it gradually overcomes the unwise long buying by the traders at the top of this rally—or it stops the rally abruptly and the decline starts right in many times from the opening prices.

Many times at the top of a Short Sale Day, one or two futures or stocks will be made to appear strong by 'putting' them up a little higher while the others seem to resist further buying. You will notice when 'they' are rallying one future or stock that all the others will just 'hold or sell off' a little—this is done to create an air of strength and to test the buying power of the public and to put out short sales in all the others under the cover of strength in the ones they are 'putting' higher.

When it is clear that there is no further buying power the reaction starts—under the weight of these sales and short sales. The intent of 'those' making the market not to put the price higher makes the stock—the best kind of a short sale.

This same action takes place on a Buying Day, only in reverse, all futures and with stocks—will make low prices—then one or two are 'put down' for a new low while all the others hold—when there is no more selling coming into the market, the rally starts, including those that were used to influence the market.

We make our Short Sale—at through and above

the High of Selling Day—on a Short Sale Day.

Had the high of Short Day been reached after a rally from the last Buying Day Low Point a reaction would probably be in order, since it would be the (3rd) day up.

We try to make all short sales on the high made FIRST on penetrations of—Selling Day Highs—'This is the most favorable action for your play'—we would not 'put out' a short sale where the stock or future opened down and declined future, without a rally, for this action would carry the implications that rally, should it start later in the session, may cause the closing price to be up near the high of the day and this would be making the high LAST on a Short Sale Day, indicating a 46 future rally, and an up-opening but where the stock opened at the same price as the previous close and declined early in the session and then rallied higher than the opening price or for a penetration of the Selling Day High—we would 'put out' a short sale just as this rally began to exhaust itself after the penetration. This action is not as favorable to our trade as the above.

When a reaction takes place after a penetration of the Selling Day High and the movement is in 'no hurry' and the stock just trades down, we stay short anticipating our covering point, next day, on the Buying Day. We can cover the short sale when we buy our 'long' stock or perhaps a little before—to trade in this way gives you a little more time to concentrate on your Buying Day Objective—this point for both covering your short and your purchase will be—at a little above or below the low of previous day—the Low of Short Sale Day.

Should the 'sell off' be severe and with activity—during the Short Sale Day session we cover our short sale on dullness, near the low of this reaction or if and when we have a profit. We are then out of

the market and we stay out, we don't buy any long stock on the reaction. We wait for our next play which is that Buying Day Objective, no matter what the market does after we 'cover' and get out.

The stock or future can in this case rally fast—from the severe decline—and close strong and this would indicate that a high would be made FIRST on the next day—the Buying Day and would be another chance for a short sale, for a high made FIRST on a Buying Day, generally has some kind of a 'sell off'.

By taking our profits on this fast decline it strengthens our position, in case, the decline from this rally does not go as low on the next day, our Buying Day and we may have to buy at a Higher Bottom.

By this is meant that any profits made on the short sale can be used to reduce the cost of Buying a Higher Bottom—this is averaging but it is carried out in two separate trades.

Should you sell short, too soon, after penetration and it happens to be one of those occasional times when the price goes through for a more than average penetration, the trade will be against you, temporarily, however, a rally so active and strong that would cause a penetration of this kind would no doubt meet with profit taking and higher up short selling, both inside and professional which would cause the stock or future to react or decline low enough for you to 'cover' with a small loss, profit, or even break before the close.

These more than average penetrations are usually the fast rallies back following a severe decline and widen the trading swings both up and down for a few sessions, then the movement slows down and continues its trend, up or down, depending on which way is to be the future movement.

After a sharp decline followed by a rally the stock usually declines again to the low point reached on the first decline and it may hold above this point or go lower. This is the reason after covering our Short Sale—on the Short Sale Day—why we let the long side of the market alone and wait for the second decline which generally occurs on the Buying Day.

This second decline may 'fall short' of reaching the low point made on the first decline, we then buy at this Higher Bottom and it is generally profitable—for if the stock is being supported and is not going lower, it will go higher—and generally where the stocks hold a Higher Bottom on a Buying Day, the price rallies high enough to make a profit.

When a Short Sale is made on a Short Sale Day—

—even on a penetration—of the Selling Day High—then declines from this high but at the low point of this decline the market becomes quiet and dull (with perhaps a few transactions at the same low price) then begins to rally—Cover your short sale, and just as the rally starts, the indication then, is for a strong close and the stock may even make a new high for the day. Had the short sale been 'put out' through and above the penetration, it can be 'covered' with little loss and perhaps with a small profit. The trade does not favor your play, so buy back your stock and stay out of the market. To continue to hold on could eventually cause a big loss. The rally starting from this low that would make up all the decline and a new high would be a quick 'run in' of the shorts and while holding the top price at the close, could be the end of the rally, with a down opening the next day, however, the rally is an indication of a further uptrend and a higher opening, but with no way to anticipate this move, better trade is to cover and stay out. A higher opening and a further advance would be a high made FIRST on a Buying Day, with the probabilities of a joint at which the short sale could be 'put out' again—or just wait and watch for a 'sell off' of a buying 'spot' to go 'long'.

A trader begins to anticipate a short sale after the close of a Selling Day session—First note the closing price and its relation to the high and low of the day—and if the close is up from the low and nearer the high or if the close is down from the high and nearer the low. The high closing indicates an up-opening and these up-opening generally occur in the Uptrend Areas, except, where the trend is being reversed from up to down. The low closing indicates a down-opening on the Short Sale Day, in the down-trend Areas, and where the trend is beginning to change from down to up. Next note if there was a Violation of buying Day Low—that is, if the low is under the previous low, if so, the rally starting from the low of Selling Day may not carry high enough on the—Short Sale Day—to penetrate the Selling Day High, it may come up near it by—first opening down and declining further, then rally later in the session for a strong closing—then many times the high of the rally—from Selling Day Low—is made FIRST on the next Buying Day, when preceded by the Violation and this is generally the (3rd) day of the rally and in a position for some sort of a decline.

There will always be reversals at the openings—at times—from what we expect, due to news given out

between sessions, however, it is seldom important enough to cause a reversal of the trend, after it has been established—after a trend has been running for some time with the price up or down, then a down-opening from a strong close or an up-opening from a weak close may be the beginning of the change of trend either way.

An up-closing on the Selling Day—in the Up Trend Area—indicates an up-opening on the—Short Sale Day—and this action is the rally that may cause the penetration of the—Selling Day High and FIRST and is the rally we use for our short sale—we 'put out' the 'short' at and through this penetration—generally the stock or future will react from this high made FIRST—but in the case where this Violation of Buying Day occurs, the stock many times rallies, from this decline and closes up, making the high LAST indicating a further up-trend, and a high made FIRST on the Buying Day.

This action explains the reason—when we 'put out' a short sale, even when there is no penetration—we 'cover' the short sale near the low of this decline, should the stock or future show any rallying tendencies—and the first signs would be a decrease in the activity near the low, with a hesitating action, quiet and dullness for a short period—then the activity picks up and each several transactions begins to hold a little of each gain.

This is a different movement from the rally that starts from the Low on a Buying Day—without this Violation—and proceeds in the more normal way, to a high on a Short Sale Day. See (RZ) Plate—October 13, 14, 15th.

The 'D' column units compared with the 'R' column units show the trend continuing up or down, reversing itself or forming a trade range.

Check back over the 'D' column units and note the spreads of the recent past several weeks and note if the spreads have been running wide enough to make a profit had you sold 'short'—if not, wait until the movement begins to widen.

The square at Left side of the Weekly Column gives the total of the fluctuating declines.

When a stock or future opens down on a Short Sale Day and declines further—let it alone—for not knowing what it might do, it does not favor your play. In your daily trading you will find plenty of Selling 'spots' made on penetrations and FIRST that are more favorable.

In 'putting out' a short sale on a penetration made FIRST it will generally be after a rally of two or three

days and in most cases we are not selling at bottom prices or at lows of reactions because the stock or future looks so weak at these times.

Check the Yearly Plates and study the action that precedes and follows the penetrations and failures to penetrate Selling Day Highs, on Short Sale Days. See (SH) Plate for Short Sale Days when preceded by Buying Day Low Violations.

## CHAPTER IX

### A SHORT SALE AT HIGH OF BUYING DAY MADE FIRST

A Short Sale 'put out' at the high of Buying Day made FIRST on the penetration of the Short Sale Day High, should be covered on the reaction, whenever it sells down enough for a profit or on the first indications of dullness around the reaction low, for short selling on the Buying Day High made FIRST generally is a weak short sale—when prices are relatively low—especially in an Uptrend Trading Area—for the decline is of short duration when the trend is just starting up from the low point of the last Downtrend Area.

A Short Sale made on the high of Buying Day when it is made FIRST should always be covered during the Buying Day session, no matter how much lower the stock might look and because you should not short of a stock, at a point, where in most cases, it is wiser to be long and generally it is the better trade to be long on a Buying Day, in an Uptrend Area.

In this case the stock or commodity future opens up and goes a little higher, it may or may not penetrate the High of Short Sale Day, then generally it reacts and around this reaction low we 'cover' should the market become quiet and dull. We then watch the market but need not be in too great a hurry to buy or go 'long' since, so far, the low is being made LAST on a Buying Day, with the possibilities that the stock may trade down lower with the indications of a 'flat' closing, in which case WE DO NOT BUY AT ALL, even though this low is under the previous low—the Low of Short Sale Day—which would ordinarily be our Buying Objective.

In this latter case of the low being made LAST we are anticipating a buying point on a Buying Day Low Violation—made FIRST—next day, when prices get within the range for Violations as shown in

Violation Column in our book.

We cover a short sale quick on a Buying Day, when the stock acts 'tight' and resists an 'easy sell off' and we look ahead for a point on this day to go 'long' of the stock.

Never sell a stock or future short on a Buying Day, when it makes the low FIRST—by opening down—even though it is the third or fourth day of the rally. There is not enough spread and you can not make a profit with a reasonable certainty.

Don't let it bother you because you covered your short sale and after that the price went lower and is closing on the low for the day you have a profit and that is what you are trading for—quick small profits—Now, begin to look forward for a chance to buy a Buying Day Low Violation, next day, and this would generally be a strong buying point for the Violation would usually be made FIRST and early in the session and generally the rally from this low is profitable.

Usually in a strong Uptrend the stock will make the High FIRST on a Buying Day—about 35% of the time on an average—it then declines, then rallies and holds the gains for a strong closing.

A trader sees the up-opening and a penetration or failure to penetrate the Short Sale Day High and notes the activity at or through this point, just as it slackens and stops, he sends in his order to sell—he then watches whatever reaction that takes place from this high and the activity around the low—if the stock shows no indication to rally but he waits before going 'long'. From this decline low the stock often rallies—in an Uptrend—and should it make a new top after this decline, by going higher than the opening price or the high of the first rally, he buys on any set back from this high, before the close of the market. He covers the short sale earlier as insurance, because he must anticipate just such a

rally as might occur here.

In buying at this higher price on the set back before the close, he is not 'chasing' the price up, for he has a short sale profit to average the cost down, although each is considered an independent trade. This action indicates a strong close on the Buying Day and a strong Selling Objective, for this 'long' stock, next day.

We watch the spread between the Buying Day High and the price we paid for our 'long' stock and since we bought above the low of the day—we don't expect too much, since we are only trading for some part of this move and we must be ready to sell out in case of a higher opening on Selling Day or on the penetration of the Buy Day High.

The beginning of Downtrends, many times, start from a Buy Day High made FIRST and particularly so when prices are comparatively high. The high is made FIRST (a high made FIRST on any day is usually an up-opening from the previous close and this may establish it or the price may rally further, after the opening) then the decline starts but so long as the rallies from any low point 'fall short' the high has been registered for the session—this may sound silly but carefully watch the days when this action takes place—you will observe many attempts to rally the stock and some of them will appear pretty strong but with the few exceptions, the high prices made early usually stand.

With the above after the decline starts, the activity is on the down side—the stock makes faint attempts to rally but doesn't seem to get very far—the activity dries up at the top of these rallies and the market becomes dull and quiet, then the decline starts in again from these lower tops. On an action of this kind we don't even think about the 'long side' of the market, even though it is a Buying Day. Had we gone short higher up, we watch the market but we 'cover' our short sale before the close.

A weak closing on a Short Sale Day, may indicate a lower opening on the Buying Day—and we get set to buy on the low made FIRST—yet, the opening may be up, on account of some news announcement between the sessions causing the high to be made FIRST—on Buying Day—perhaps a little short covering—then a decline may start from this high—a short sale made at this top is covered on this first decline with a smaller profit, for from this low or lower a short covering move could start that would carry the price up for a new high and end the session with a strong close, this rally would then

cause the high to be made LAST—in this case the 'insiders' might think the news was worth a little further discounting than at the opening or higher prices—having covered—we watch the prices around this extreme low for a few transactions at about the same price and if, at this low, prices were under the Low of Short Sale Day or holding a Higher Bottom—if the latter, so much the better, it shows higher support—we buy on this 'quiet spot'—any fast active rally that might take place from this low would be short covering started from the 'inside' and a strong rally from here up to the close would generally be a weak rally, so, sell out before the close to protect your profits, for there is always the possibility that prices may be down at the opening, next day, the Selling Day. Had you bought and this rally did not take place—sell out before the close, for the indications would be for lower prices—the low was made LAST on a Buying Day.

A high made FIRST may be established by opening down on a Buying Day but would be of no interest to us for short selling—this would be causing the low to be made LAST—the probabilities would favor a rally from this low before the close, for in this case the stock would be selling off from a previous high price—our Buying Day Objective is based on a decline of one or two days, from higher prices. Any rally from this low that would make a new top, after this decline, would reverse the high made FIRST—it would then be made LAST—and this then would cause the Buying Day Low to be made FIRST a strong confirming action for the 'long side' and generally the close would be strong, an indication for a strong Selling Objective, next day, for the 'long' stock.

Generally where you get a wide spread from low to close, after the stock has sold down from higher prices, you are getting your profit in the same session, so take it in the same session and don't enter the market again (in the same stock or future) until the Short Sale Day, no matter what the stock does in the interval.

The reason for short selling on the Buying Day high made FIRST, is that had the rally been in progress from the last Buying Day Low, it would be the (4th) day up and the rally would be in the process of exhausting the upswing and in many cases the stock makes the high on the Buying Day—when preceded by a Buying Day Low Violation, it is being made after (3) days of rally.

## CHAPTER X

### FAILURES TO PENETRATE

We will start with a stock or commodity future at or near the top of an Uptrend Trading Area, assume the uptrend had been under way for a week or two or more and the price gains were Five Cents or Points or more from the low reached on the previous Downward Trading Area. Now, should the top be in process of being reached the extreme high would generally be made on a relatively fast, active, wide move with volume—in the case of stocks—on the commodity 'tape' we have no volume, so we watch the comparative activity of the market. After the extreme high is established the price would probably break back under the high point and the trading for the remainder of the session and the closing price would generally be slightly under this top. This action is caused by 'inside' selling, by 'those' who think the price is high enough, at least temporary. Enough selling takes place to stop the rise but not enough to break the price wide open, however, at times, this does happen.

On a run up of this kind it attracts a following of 'outside long' buying and this demand is filled during the trading that takes place under this low and at the opening, the next morning. Many times the supply is more than the demand at the higher price and the stock opens down and declines further, however, a rally follows from this low but this rally is accomplished on a quieter market with decreased activity and volume in the stock—activity in the commodity—the rally fails to reach the extreme high, then the decline starts again from this failure.

When this is the top, the Uptrend Trading Area is now changing to a Downtrend Area and low points as they are made will be penetrated after rallies and the rallies will progressively fail to reach

former highs.

At the bottom Trading Areas, when the trend is changing from Down to up, the stock or future makes a low on the same kind of market action, only in reverse, the extreme low is usually made on relatively heavy volume and activity, then the stock rallies from this low, with light or heavy volume but the decline takes place on greatly decreased volume and activity—the heavy buying at this low for support and other purposes is held, therefore, the pressure on this decline is not so great and the stock fails to go as low, or it may penetrate the first established low point fractionally.

Failures to penetrate the immediate previous highs and lows, do occur both up and down in an Up or Down Trading Area. These are usually arrested moves due at times to the news of the moment but in most cases we get a forecast of them by watching the closing prices—compared to the highs and lows of the day—weak or 'flat' closings forecast lower prices with the results that rallies from these declines many times fail to penetrate the Selling Objectives—on the Selling and Short Sale Days.

In the case of the Higher Buying Day Low point, the failure to penetrate on the down side—the Short Sale Day Low—the stock shows support and the chances of recovery of a good part and perhaps all of the 'D' Column Units, the stock is receiving only stabilizing support and can go lower, after a rally.

Many times the close will be up from the low on a Buying Day but the opening price—on Selling Day—will be the same as the closing price, with a failure on any rally from here to penetrate the Selling Day Objective—the High of Buying Day—then the decline starts from this failure and the stock makes a Violation of the Buying Day Low LAST.

It is this kind of an opening on Selling Day—at the Buying Day closing price—that causes us to sell on any rally or even on the next transaction on the tape, after the opening and we use the Buying Day Low, as our Selling Objective.

The Violation of a Buying Day Low, in most cases, forecasts the failure of the rally to penetrate the High of Buying Day—on the Selling Day—at times, rallies do come up to and through the Buy Day High, but in many cases the rally fails after reaching up to and through the Buy Day Low. It takes rally to recover all the 'D' Column Units and to then rally high enough to penetrate the High of Buying Day. The Violation is, in itself, generally a three days or more decline and it seems to require a session or two to build up a rally that will penetrate the tops of selling days—the Selling and Short Sale Day—then the high in most cases is made FIRST or LAST on the next Buying Day.

Perhaps the best forecast of a failure to penetrate on the Selling Day would be revealed by the 'D' Column, in the severity of the decline, as shown by the size of this unit.

On a Short Sale Day, we can see the range of the 'sell off' as it is taking place by watching the spread from the high to the low. This spread gives you part and sometimes all of the range in advance of the Buying Day. A rally from this low with a higher closing price, indicates a failure to go lower—on the Buying Day—and this is what causes Higher Buy Day Bottoms and the Zero in the (BU) Column points them out. You can visualize and anticipate this Zero, so long as the price holds above—the Low of Short Sale Day—and where this Zero appears, it generally forecasts nearby higher prices.

In the beginning it might be well to study these failures to penetrate and the results of them before buying or short selling but you have got to recognize this action and trade on it, for while it is a most difficult 'play', at the same time many of the most profitable moves take place from failures to penetrate at both tops and bottoms.

The failures to penetrate Buying or Selling Objectives are not exceptions to our method of trading, for a little study of the past movements of stocks and commodity futures will reveal that this action takes place approximately 40% of the time on an average, at either of these points, therefore, this movement is a very definite part of the method as a whole.

The failures to penetrate the tops are usually

found in the Downtrend Areas and when the trend is changing at the top and in most cases are forecast by weak or 'flat' closings on the Buying, Selling and Short Sale Days. At the bottoms, rallies before the close that hold, forecast up-openings and failures to go lower.

When a stock makes a high FIRST on a Selling Day with a penetration of the Buying Day High, then reacts and is selling nearer the low of the day at the close, the indications are for a lower opening on the Short Sale Day. Should the lower opening occur, after the decline the stock or future will make an attempt to rally, in most cases, and this rally will penetrate the—High of Selling Day—if the immediate trend is higher, however, should the rally fail to reach this Objective and at the top of this rally the activity dies out and the trading narrows down to a few transactions at about the same price, then begins to 'sell off', we would 'put out' a short sale on this declining trend and J-U-S-T as it starts. This would be the better play when prices are comparatively high for near the bottom of an Uptrend Area, there may not be enough room in the spread to make a profit.

Should you sell on this rally and the stock react and near this decline low, the stock show signs of 'tightness' by going quiet and the trading sort of 'bumps around at the same price' without making new lows—cover your sale and take your loss or profit on the first indications of this kind of action.

At times the open will be down—on a Short Sale Day—and will continue down without any rally and not give you a chance for a trade. Should this kind of action take place, there isn't a thing you can do that would favor your play, except let it alone. You can look through your books for a more favorable trading Objective. You would probably have a book on a stock or future that would be a Buying Objective on this same day, if so, this would be the Objective to trade one, for it, too, would generally be down and would be making the low FIRST on a Buying Day. Any rally from this low would generally be profitable.

When the price fails to make a Short Sale Objective—the penetration of a Selling Day High—by a relatively severe decline at the opening, it is better to pass up the session and not try to 'put out' a short sale on the rally, should a rally take place, from this decline—the trade does not favor your play and there is always the possibility that any rally from this decline may hold, thereby, causing the high to

be made LAST, with the indications of the continuance of the uptrend.

The amount of rally from a Short Sale Day Low, plus a higher opening causes a Higher Bottom and a failure to sell lower on the Buying Day.

The failure to sell as low on the Buying Day, reduces the decline unit in the 'D' Column—this shows the rally starting from the low of Short Sale Day—while the Buying Day Low Under—Short Sale Day Low—increases this decline unit.

The reduction of the unit in the 'D' Column is caused by and means a rally and the failure to sell as low, forecasting a probable penetration of the Selling Day Objective—the Buying Day High—while the increase in the unit in the 'D' Column means a decline and penetration with a forecast of a probable failure to penetrate the Selling Day Objective. That is why in buying a Higher Bottom it is profitable most of the time, for you are buying just after the rally started—from the low of Short Sale Day—while buying a Buying Day Under—under Short Sale Day Low—you are trying to catch a probable temporary low, before the rally starts.

On Violations of Buying Day Lows made FIRST, the rally from this low fails—not always but in most cases—to penetrate the Selling Day Objective—the Buying Day High—that is why we use the Buying Day Low as our Selling Objective.

In the case of the Higher Buying Day Low, the stock or future shows support causing a rally and a strong close on the Short Sale Day—the decline from this rally, next day, on the Buying Day, fails to sell down through the previous low—the Short Sale Day Low—this rally on the Short Sale Day, is an indication of a Higher Buy Day Bottom and the failure to penetrate this low—low of Short Sale Day—reduces the decline unit in the 'D' Column and the forecast is for a larger unit in the 'R' Column, two days in advance.

Weak closings forecast failures to penetrate 'top side' on the rallies after declines, while strong closings forecast failures to penetrate 'down side' on the declines after rallies.



## CHAPTER XI

### THE TREND LINE AND TRADING AREAS

The line running along side of the Date Column, we use for the trend line of the market and while we don't use it's primary term possibilities for our method of trading, we do use it's implications for Bull and Bear intermediate swings and we always keep the Seasonal Trends in mind.

This longer term line is broken up into the shorter swings and these are our Trading Areas and are moves of Five Cents or Points or more and there can be any number of these areas in the longer term or Seasonal Trends of the market.

We watch the highs and lows of these areas and the number of points move up or down and the time consumed in each move and particularly after a move of Two or Three Weeks in either direction.

In the Seasonal Trend Upward Swing we expect penetrations at --the tops of these Trading Areas and we watch for support and the progressive lifting of the bottoms after declines. We note the kind of Objective Day we are trading on, as the price nears or--is at the top of a previous area, since we can expect wider moves on the day of 'break thru' or penetrations. The same at the bottom of these areas in the Seasonal Downward swing.

One of the several kinds of our trading Objectives must end a move at the tops and bottoms, a Sale, Short Sale or a high made FIRST on a Buying Day, at the tops and a Buying Day Objective or a Violation of it, at the bottoms.

By concentrating all our attention on these smaller areas, we eliminate a lot of confusion, since there is no need to watch other than the highs and lows of the previous Trading Area.

When the High of the Area we are trading in, in the Up Seasonal Trend approaches the high of the previous Area, we look for a penetration of this top, when prices are comparatively low or failure to

'break thru' when prices are comparatively high. In other words we look for supply at the tops and support at the bottoms or penetrations at either end with volume and activity.

We watch the kind of Trading Objective Day, when these penetrations are made for they generally are wide moves and at these points we can expect more and can hold on for deeper penetrations when prices are moving in our favor.

We watch for rallies to start from Buying Objectives and declines to start from Selling Objectives or from failures to penetrate at tops or bottoms.

Trading Areas vary in length of time and in number of points and there is no way of knowing in advance how long they will run, up or down, nor are we much concerned, however, the failure to penetrate the last high or low of a selling or buying Objective, especially after a move of two or three weeks, up or down, may be the changing of one trend to another.

We buy, sell and sell short in the Up and Down Trading Areas, generally, and in the Up Trends we can expect the Selling Objectives to be reached and penetrated and in the Down Trends we look for Buying Day Under moves—under Short Sale Day Low—and Buying Day Low Violations—this is the low under the Buying Day.

In the Down Trend Area, we can expect not only two decline sessions—the low of Short Sale Day and the Buying Day Low Under—to complete a move but we can expect Buying Day Low Violations before these rallies start

In the Up Trend Areas, we can expect the corrective decline to be completed in one and perhaps the same session—this is the low made on a Short Sale Day, from a fast decline, with an active fast rally from this low up to the close—with the

results that we get Higher Buy Day Bottoms and penetrated Selling Objectives. "This is the reason why we 'cover' a short sale when the decline is severe in the same session and equals the average of an ordinary decline that would require the time consumed in the movement from a High on Short Sale Day to the Low on a Buying Day".

We always keep in mind the immediate previous type of Trading Area—the Up Trend Area, made on wide daily rallies and declines are in most cases likely to maintain the same characteristics on the reaction or Downtrend. The fast and almost vertical Upward movements will generally show the same kind of action, only in reverse, the decline is severe and the drop precipitous with little or no spread on the daily rallies from the lows, until it nears the bottom of the decline.

On the fast Upward Movement compare the 'D' and 'R' Column Units—note the penetration mark over the 'R' Column Unit, also, the absence of the loss unit in the (3) day column—we do get loss swings in the Uptrend but generally the loss unit is fractional. Note: When the 'D' Column Unit is small the 'R' Column Unit is generally large.

On the fast Downward Movement the 'D' and 'R' Columns reverse themselves and the loss swing begins to show up in the (3) Day Column.

The very narrow 'line' Trading Area—see Chart on 'X' for 1944—is without movement enough to trade for a profit and nothing can be done about it, the market just doesn't have anything to give.

This period shows, perhaps the narrowest range a Leader Stock can reach and still show up daily, on the 'tape'.

The Industrial Average fluctuated in about a (16) point range during the entire year of 1944.

These 'patches' are but parts of these several kinds of trends—and are taken from both Bull and Bear Primary Markets, but are highly representative of the whole trend of which they are part.

We do find, regardless of the kind of trend—Up or Down—or the year in which they take place—the movements maintain the same daily trading characteristics.

Stocks do not have the same velocity of movement as grains and other commodities. They trade around highs and lows and spend more time in reaching a daily high or low, so that most of the time it is possible to buy and sell within an eighth or quarter of a point. A trader must not become so

accustomed to the wider movements in commodities, as to expect the same movements in stocks.

While using U.S. Steel as an example—all other stocks exhibit the same pattern of movement and many others are better trading vehicles, their movement is wider and they have a broad daily trading range. It is not the intent to suggest any stock for trading purposes—the trader must select his own stocks and will be in a better position if he will make up a book on them and study it. Many stocks have 'set' habits and 'quirks' that a trader will learn to recognize after he gets acquainted with its movements. It is surprising, too, just how often a stock will move as expected.

By studying the Seasonal Trends on the charts, next pages, we can get a fairly reliable picture of the months of the year when grains, normally, sell at their highest and lowest prices. Stocks have no season.

The Trend Line should be alternated with different color inks, marking the Uptrend Line with Blue and the Downtrend Line with Red. This will separate them and you can get a complete picture of the whole area at a glance.

### THE TREND LINE FOR THE DILETTANTE SPECULATOR

Those traders who can not attend the market sessions daily, can also trade at their convenience.

Suppose some other business came up as it does occasionally and it was not possible to come to the market place, well, this need not affect the trader, so far as keeping a line on the market and a trend for him to trade on, at the time he decides to re-enter the market, even though, he has been absent for a week or a month.

Just so long as he kept his book in order he would always have a check on the market, so far as trading with this method is concerned.

It may be that he would find himself in some remote place and there were no papers or quotations available, he would not have to fill in the daily price entries, just so long as he kept the circles in his book in continuity.

Upon his return he would then only have to refer to the newspaper of the day before for prices and on the day he decided to start trading he would know at once whether it would be wiser to buy or sell short, he could not use a Selling Day in this case for he would not have any 'long' stock to sell.

## MARKET TRENDS

"Market" represents the correlation of opinions of buyers and sellers which results in sales. "Market" phases are used in market reports to indicate comparisons with conditions which prevailed on the previous day, or conditions expected on the day following, or both. Comparison of the present price level with past and future levels creates the "Market Tone".

Terminology - On market reports "market" phases are used in the following sense:

"MARKET STRONGER" represents a condition of actual and general price advances.

"MARKET STRONG" indicates an upward trend with a bullish market sentiment that anticipates further advances. May also be used to describe a situation where prices are at high levels and no immediate decline seems in prospect.

"MARKET FIRM" indicates a condition of increasing confidence on the part of most sellers. Prices are either holding at the level of the day before or are a shade higher.

"MARKET STEADY" represents a condition where there are no appreciable price changes or trends in either direction and no definite sentiment that any immediate market changes are in prospect.

"MARKET DULL" represents a period of relative market inactivity but no definite tendency toward market changes.

"MARKET UNSETTLED" indicates a condition of market uncertainty, with a lack of agreement on the part of the trade as to whether there is a stronger or weaker tendency to the market. It may also represent a waiting attitude pending the development or outcome of factors which might affect the market such as storm damage, labor troubles, weather conditions, legislation, etc.

"MARKET WEAKER" represents a condition of actual and general price declines.

"MARKET WEAK" indicates a downward trend with a market sentiment that anticipates lower prices.

"MARKET DEMORALIZED" is used only in unusual cases. It describes a condition wherein the market is oversupplied and sales cannot be made except at very low prices.

The above market phrases may be qualified as to degree by terms such as "slightly stronger", "slightly weaker", "about steady", "very dull", "quiet weak",

"quiet firm", etc.

The trader who will commit these market phrases to memory will have a better understanding of the changing market sentiment and can use them to advantage in his buying and selling. Try to deduce from them what effect, if any, they could have on the next market session and on his present market position, and for their forecast of the nearby market trends. The newspapers usually head-up their columns with these phases.

# SH '48-49'

		1949	O	H	246	C	D	$\frac{SSE}{T}$ R	BH	BV	BU
O	JAN		4	2	$\sqrt{6}$	2					
	M10	248	249	244	247		$9\frac{1}{4}$	0	$1\frac{1}{4}$		
X			$\sqrt{4}$			2					
	T 11	247	251	247	251			$6\frac{3}{4}$			
D			6	$\times 6$	4	6					
	W12	251	251	247	249			$\frac{1}{4}$			
X			2	2	$\sqrt{4}$	4					
	T13	249	249	245	245		$6\frac{1}{4}$	0	2		
D			$\sqrt{5}$		4						
	F14	244	247	242	247			$2\frac{1}{8}$	3		
O			6	$\sqrt{4}$	4	2					
	S15	245	246	242	245						
X			6	$\sqrt{2}$	4	4					
	M 17	245	246	243	244		$2\frac{3}{4}$	$\frac{3}{4}$	0		
D			6	$\times 4$	4	2					
	T18	243	245	240	242			$2\frac{1}{4}$	$2\frac{3}{4}$		
X			$\sqrt{4}$		6	2					
	W19	243	245	242	245						
D			6	$\sqrt{4}$							
	T20	246	246	243	244		2	$1\frac{1}{4}$	0		
X			4	$\sqrt{2}$							
	F21	243	250	243	250			$6\frac{3}{4}$	$\frac{1}{2}$		

(A) Buy Day - market opened off - 249 1/2 high made FIRST on sluggish rally - failed to penetrate Short Sale high - Sell Short - cover on decline on penetration of 246 Sat. 8th low - Buy Under is 1 1/4 points from S. Sale High - Buy around 244 3/4 - market has time to rally - if no rally sell before close - rallied and closed strong - expect up opening and further rally tomorrow.

(B) Opened at previous close to down 1/4 - next immediate transactions are on the upside - watch the 249 1/4 as the selling Objective for your long stock - sell on the penetration thru and above - 254 1/2 high being made LAST - close at high for the day - expect up-opening tomorrow for a short sale on penetration of today's high.

(C) Opened up with a penetration of 254 1/2 - high being made FIRST - sell short - this is the 3rd day up from Monday - market active and declining at 247 1/2 is off 4 1/2 points - fairly severe reaction - market trading around this low - cover short - decline can continue or can rally - being out, stay out - middle closing between high and low - tomorrow is a Buy Day - watch 247 1/2 at or below for a chance to buy - on an up-opening and further rally tomorrow try to get out a short sale.

(D) Market opened down and declining - no chance for a short - good action for a buy low being made FIRST at 245 1/2 the Buy Under is 2 cents - this is about the average unit in the Buy Under Column - Buy at the market - don't expect a big rally following a big D Column unit decline - market not rallying - looks like a flat closing - sell out before the close - expect down opening tomorrow with a chance to buy a Buy Day Low Violation made FIRST.

(E) Opening down and declining - 242 1/2 is now a 3 cents Violation being made FIRST - Buy at the market - sell out on any rally before the close - watch the 245 1/2 price - this is the selling Objective - at thru and above - this is the 3rd day down from 254 3/4 - the strong closing and on high for the day is short covering and could be the end of the rally - on account

of the Violation the price may fail to go as high tomorrow - Many times the High is made on the next Buying Day.

(F) Market opened down - too much concession from previous close for a short sale - low is being made FIRST on a Short Sale Day - let it alone - market can rally before the close and make the high LAST - an uptrend indication - on account of Buy Day Violation at 242 1/2 yesterday we might get a high for a short sale made FIRST tomorrow - this would be the 3rd day up-market closed strong - expect further uptrend on Monday 17th.

(G) Opened down 1/4 cent but market is rallying FIRST on Buy Day - Sell Short on the penetration of 246 - cover sale at thru or above 242 1/2 or if and when you get a profit - watch 242 1/2 as your buying point - market is quiet and is trading at 243 1/4 - the low is being made LAST but is holding a 3/4 cent Higher Bottom - buy around this price - market is closing up from the low - support is higher than yesterday - expect a further rally tomorrow.

(H) Opened down at 243 3/4 - Sell on any rally where Buy Day close gains are lost on Selling Day opening - the Selling Point to watch it at, thru and above the 243 1/4 the Buy Day Low - thru and above this point watch for the activity to dry up and the rally to stop - from this point and slightly above the decline can start again - Sell above this point if the market hesitates or stops - Violation at 240 1/2 made LAST of no use for trading - indicates weak Short Sale tomorrow - Expect high to be made on next Buy Day.

(I) Opened up then sold down - no short sale the low is being made FIRST - stay out - the chances favor a rally later in the session with high made LAST - this day is like Sat. 15th on account of Violation of last Buy Day Low - the high is being made LAST - the closing is up - an up-opening tomorrow would be a penetration and a short sale above - also the 3rd day up from 240 1/2 - on down opening the low would be in process of being made FIRST - watch for a Buying spot at above or below 242

3/4 - strong closing at high - indications for further uptrend.

(J) Opened up with penetration of 245 1/2 - sell short above the penetration - cover the sale on any decline around the 242 3/4 point the Short Sale Day low - wait for a chance to go 'long'--the market is not rallying and low is being made LAST but is holding a Higher Bottom - buy before the close-buying a Higher Bottom is usually profitable -expect a further rally tomorrow - today's action is the same as Mon. 17th.

(K) Opened down made Violation FIRST at 243 - market began to rally from here - this decline at opening catches us with 'long Stock' bought yesterday at close - on any rally from 243 we must watch for a place to sell out - the point is the Buy Day low 243 1/2 - at or just above this point the activity slows down and the rally stops or it gains in momentum - the price having sold thru this point and with the activity picking up you now watch the 246 3/4 point, Buy Day High to be reached -sell at, or thru this point - Don't follow the rally further.

X 1933

	VOL	O	H	L	C	D	R	BU	BU	T-L
OCT										
T 3	267	37	37	36						1/2 L
N 3	257	36	37	35	37	2/8				
T 2	240	38	39	37	38					1/8
F 3	347	38	41	37	41					6/8
S 4	187	40	41	40	40			0	0	4/5 5/8
M 6	146	40	40	39	40					
W 9	322	40	42	40	42					1/8 2/8
T 9	440	42	43	41	42			1/2	0	
F 0	210	41	42	40	40					
S 11	85	40	42	40	42					1/8 3/8 5/8
M 13	200	42	43	41	42					1/8 0
T 14	546	43	43	40	41					1/8
W 15	204	41	42	40	41					1/8
T 16	516	40	44	40	43				2	0
F 17	242	44	44	42	43					3/4
S 18	82	43	43	42	43					2 5/2 3/8
M 20	314	43	45	43	45					2 0
T 21	724	45	45	44	44					2/4

WIDE DAILY UPWARD MOVEMENT

X 1934

	VOL	O	H	L	C	D	R	BU	BU	T-L
SEP										
T 5	426	58	58	58	59					3/8
T 6	56	59	59	58	59					3
W 7	374	59	59	58	57			0		1/8
T 8	217	56	58	56	57					1/8
F 9	385	57	57	54	56					1/8
S 10	182	54	55	54	55			0	0	2 5
T 12	110	56	55	55	56					2/8
W 14	130	56	55	55	57					3/8 2/8
T 15	172	56	58	57	58			0	0	1/8
F 16	233	58	59	57	58					1/8
S 17	104	58	59	58	59				0	3/8 2-
M 19	140	56	57	57	58					1/8
T 20	35	58	58	58	58					1/8
W 21	113	58	59	58	58					1/8
F 23	131	56	59	57	57					1/8 1/8
S 24	107	56	57	56	56			0		3/8 7/8
M 26	268	55	55	54	54					1/8
T 27	114	55	56	55	55					1/8 0

WIDE DAILY DOWNWARD MOVEMENT

US-STEEL 'X'

	VOL	O	H	L	C	D	R	BU	BU	T-L
MAR										
F 11	175	50	51	50	50					3/8 L
S 12	55	50	51	50	51			0	0	1/4
M 14	71	52	52	51	52					1/8
T 15	183	52	52	52	54					1/8
W 16	317	53	53	50	50			0	0	4 T
T 17	90	51	51	51	51					7/8
F 18	370	51	51	48	49					7/8
S 19	93	50	51	50	51					1/2 4/4 4/4
M 21	90	51	52	50	50					1/8
T 22	134	51	51	49	44					7/8
W 23	258	49	49	47	48					1/8
T 24	190	48	48	47	48					1/8
F 25	264	47	48	44	44					1
S 26	160	44	45	44	44					1/8 L
M 28	314	44	45	43	44					1/8
T 29	348	42	42	39	39					1/8
W 30	374	39	41	39	39					1/8
T 31	172	40	40	39	39					1/8

FAST DOWNWARD MOVEMENT

U.S. STEEL 'X'										SSE	EV
1947	VOL	O	H	L	C	D	R	BA	BU		
F21	225	45 <sup>2</sup>	46 <sup>4</sup>	(45 <sup>1</sup> )	46 <sup>1</sup>	47					
M22	252	45 <sup>2</sup>	(48 <sup>4</sup> )	45 <sup>6</sup>	48						12/4
T23	50 <sup>7</sup>	48 <sup>2</sup>	(51 <sup>4</sup> )	47	50 <sup>6</sup>						6/7
F24	443	51 <sup>2</sup>	53 <sup>6</sup>	(51 <sup>3</sup> )	52 <sup>4</sup>	0	22	C			
S25	274	51 <sup>4</sup>	(54 <sup>2</sup> )	51 <sup>4</sup>	54 <sup>2</sup>						6/8
M26	338	53 <sup>2</sup>	(52 <sup>5</sup> )	52 <sup>6</sup>	53						3 <sup>2</sup>
T28	214	52 <sup>4</sup>	52 <sup>3</sup>	(52 <sup>4</sup> )	53 <sup>1</sup>	28	0	4			
M29	217	53 <sup>4</sup>	(56 <sup>2</sup> )	53 <sup>4</sup>	56 <sup>7</sup>						6/8
T30	286	58 <sup>2</sup>	(58 <sup>3</sup> )	55 <sup>7</sup>	56 <sup>3</sup>						5/7
F31	316	56 <sup>4</sup>	59	(56 <sup>4</sup> )	59						0
S32	251	56 <sup>4</sup>	(60 <sup>2</sup> )	56 <sup>3</sup>	60 <sup>2</sup>						8 <sup>4</sup>
T35	340	60 <sup>2</sup>	(60 <sup>2</sup> )	58 <sup>8</sup>	59 <sup>6</sup>						4 <sup>3</sup>
M36	285	58 <sup>2</sup>	60 <sup>2</sup>	(57 <sup>4</sup> )	60	38	0	32			3/4
T37	313	61	(61 <sup>6</sup> )	59	56 <sup>6</sup>						
F38	310	57 <sup>1</sup>	(58 <sup>2</sup> )	57	57 <sup>4</sup>						1/2
S40	105	57	58	(56 <sup>7</sup> )	57 <sup>5</sup>						0 8 4/2 4
M41	253	57 <sup>4</sup>	(58 <sup>1</sup> )	55 <sup>5</sup>	55 <sup>5</sup>						
T42	276	55 <sup>5</sup>	(54 <sup>2</sup> )	55 <sup>4</sup>	59						2 <sup>1</sup>

FAST UPWARD MOVEMENT

U.S. STEEL 'X'										SSE	EV
1944	VOL	O	H	L	C	D	R	BA	BU		
FEB	21	52	52	(51 <sup>6</sup> )	52						
M22	7.5	63	52	(52 <sup>7</sup> )	52	52 <sup>4</sup>					
M26	1.6	52	(52 <sup>6</sup> )	51	51 <sup>7</sup>						1/4 1
T27	3.4	51 <sup>2</sup>	52 <sup>2</sup>	(51 <sup>4</sup> )	52 <sup>2</sup>	1	0	0			
F28	2.0	52 <sup>2</sup>	(52 <sup>4</sup> )	51 <sup>5</sup>	51 <sup>6</sup>						
S29	1.2	51 <sup>2</sup>	(51 <sup>7</sup> )	51 <sup>5</sup>	51 <sup>6</sup>						1 3/8 7/8 5
M32	2.0	51 <sup>2</sup>	51 <sup>2</sup>	(51 <sup>4</sup> )	51 <sup>1</sup>	3/5	0	3			
M33	1.6	51 <sup>2</sup>	(52 <sup>3</sup> )	51 <sup>5</sup>	52 <sup>3</sup>						
T24	5.0	52 <sup>2</sup>	(52 <sup>5</sup> )	52 <sup>1</sup>	52 <sup>1</sup>						1/2
F25	2.4	52 <sup>1</sup>	52 <sup>2</sup>	(51 <sup>7</sup> )	52 <sup>3</sup>	0	4				1/2
S26	1.4	51 <sup>2</sup>	(51 <sup>7</sup> )	51 <sup>1</sup>	51 <sup>1</sup>	0					1 3/8 7/8
M25	4.0	51 <sup>4</sup>	(52 <sup>2</sup> )	51 <sup>6</sup>	52 <sup>2</sup>						3/5
T20	4.1	52	52	(51 <sup>1</sup> )	51 <sup>3</sup>	1/8	0	5/8			
MAR	1.4	51 <sup>2</sup>	(51 <sup>3</sup> )	51 <sup>1</sup>	51 <sup>2</sup>						1/2
M7	1.4	51 <sup>2</sup>	(51 <sup>3</sup> )	51 <sup>1</sup>	51 <sup>2</sup>						1/2
T2	1.4	51 <sup>2</sup>	(51 <sup>4</sup> )	51 <sup>3</sup>	51 <sup>3</sup>						3/5
F3	2.3	51 <sup>2</sup>	51 <sup>3</sup>	(51 <sup>1</sup> )	51 <sup>1</sup>	3/8	0	1/4			
S4	1.4	51 <sup>1</sup>	(51 <sup>7</sup> )	51	51 <sup>1</sup>	1/5	1/8	1/2	3/8		
M6	5.8	51 <sup>2</sup>	(52 <sup>2</sup> )	5 <sup>3</sup>	52						7/8

VERY NARROW LINE TRADING AREA

X 1946										SSE	EV
1946	VOL	O	H	L	C	D	R	BA	BU		
AVG	7.8	88	89	(88 <sup>2</sup> )	89						7/1
M19	4.3	84	90	(84 <sup>2</sup> )	90						3/8
T20	4.3	90	90	(88 <sup>1</sup> )	88 <sup>1</sup>						3/8
M21	4.3	90	90	(88 <sup>1</sup> )	88 <sup>1</sup>						3/8
T22	12.4	87	87	(85 <sup>2</sup> )	86						5/8 4/4
F23	6.0	86 <sup>4</sup>	87 <sup>4</sup>	(86 <sup>4</sup> )	86 <sup>7</sup>						3/7
M24	2.2	88	88	(86 <sup>2</sup> )	86						
T27	14.8	85	85	(83 <sup>2</sup> )	83						8/8 -
M28	14.5	82	83	(83 <sup>6</sup> )	81	83 <sup>3</sup>					1/4
T29	8.3	83	84	(82 <sup>2</sup> )	83	83 <sup>5</sup>					1/2
F30	7.5	82 <sup>1</sup>	83 <sup>1</sup>	(82 <sup>1</sup> )	83						1/4
S31	20.0	82	82	(82 <sup>2</sup> )	77						3/4
M34	20.7	77	79	(76 <sup>4</sup> )	76	77 <sup>6</sup>					3/8
T35	11.8	78	79	(78 <sup>1</sup> )	79						3/4
F36	7.1	76	79	(76 <sup>2</sup> )	76	78 <sup>3</sup>					1/2
M37	21.9	77	77	(76 <sup>2</sup> )	73	73					3/8
T40	38.7	73	74	(69 <sup>4</sup> )	70						0 3/2
M41	16.5	70	73	(70 <sup>2</sup> )	71						3/2
T42	12.9	72	72	(72 <sup>2</sup> )	71	71					3

FAST DOWNWARD MOVEMENT



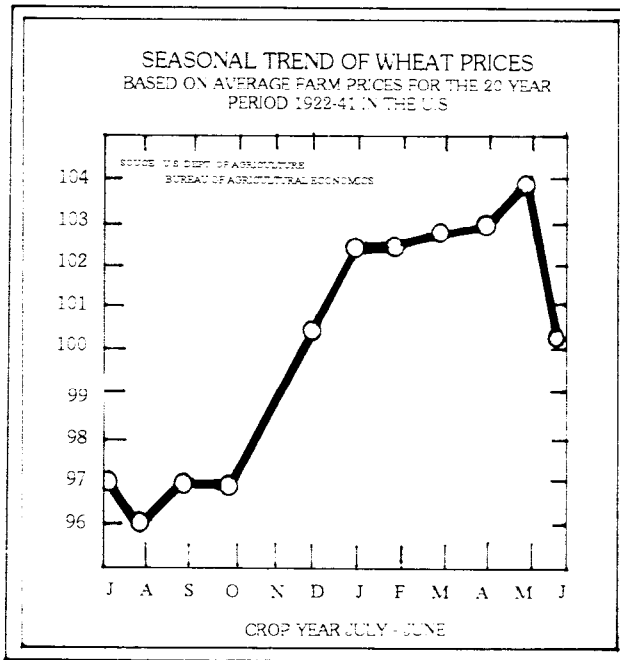
### COTTON JULY-51 NEW YORK

1950	O	H	C	D	R	BH	BU	3	T-L	O	H	C	D	R	BH	BU	3	T-L
SEP			3975															
T 7	3986	4017	3985	3998			42		+72									
F 8	4051	4015	4000	4002			58											T 100
S 9	3997	4037	3984	4033	91	0	16	91	42									
M 11	4065	4070	4015	4117			86											
T 12	4083	4007	3975	3975														23
W 13	3965	3970	3930	3955	77	0	45		-28									
T 14	3990	4003	3961	4000			73											
F 15	4006	4024	3990	4019			21											947
S 16	4016	4030	4005	4005	19	6	0	96	159									
M 18	3975	4004	3937	3937		0		68										
T 19	3955	3967	3945	3946														38L
W 20	3938	3950	3930	3951	37	0	15		+6									
T 21	3955	4000	3955	3978			70											
F 22	3998	4018	3966	4011			18											88T
S 23	4006	4015	3995	4011	23	0	1	60	70									
M 25	4002	4009	3808	3980		14		187										
T 26	3973	3980	3956	3956														15L
W 27	3960	3974	3933	3935	47	0	23		-136									
T 28	3950	3950	3901	3925			17		32									
F 29	3917	3932	3900	3910														1L
S 30	3900	3900	3871	3875	61	0	29	108	31									
OCT																		
M 2	3865	3935	3847	3924			64		24									
T 3	3955	3940	3906	3906			5											69T
W 4	3885	3923	3883	3905	57	0	23		+95									
T 5	3907	3957	3905	3951			74											
F 6	3970	4000	3955	3955			47											121
S 7	3960	3974	3958	3970	46	0	0	103	138									
M 9	3982	3985	3877	3877		27		81										
T 10	3876	3886	3838	3864					-216									72L
W 11	3750	3843	3752	3802	136	0	88											
F 13	3802	3845	3785	3785			95											
S 14	3782	3782	3753	3754					136	132	32							
M 16	3752	3782	3714	3726	68	0	39											
T 17	3723	3922	3722	3922			208											
W 18	3790	3888	3790	3825														174
T 19	3844	3875	3835	3845														
F 20	3810	3850	3805	3834														
S 21	3846	3887	3845	3877														
M 23	3895	3910	3879	3884														
T 24	3904	3915	3894	3894														
W 25	3901	3905	3879	3901														
T 26	3908	3922	3903	3916														
F 27	3928	4028	3928	3980														
S 28	3995	4001	3982	3994														
M 30	4000	4001	3950	3954														
T 31	3968	3984	3940	3955														
NOV																		
W 1	3954	3980	3962	3962														
T 2	3948	3950	3901	3904														
F 3	3910	3939	3903	3930														
S 4	3944	3949	3933	3933														
M 6	3944	3960	3930	3930														
W 8	3935	3990	3918	3960														
T 9	4160	4160	4052	4055														
F 10	4070	4097	4066	4095														
M 13	4110	4147	4110	4122														
T 14	4128	4132	4110	4113														
W 15	4120	4154	4114	4148														
T 16	4156	4162	4136	4136														
F 17	4125	4183	4125	4176														
S 18	4190	4196	4176	4186														
M 20	4195	4219	4185	4215														
T 21	4193	4200	4169	4170														
W 22	4172	4225	4170	4210														
F 24	4202	4210	4100	4120														
S 25	4100	4140	4100	4140														
M 27	4190	4232	4165	4168														
T 28	4210	4215	4106	4135														
W 29	4120	4162	4070	4105														
T 30	4095	4138	4086	4095														
OCT																		
F 1	4116	4133	4103	4129														

DOWNTREND (HIGH TRADING AREA)

UPTREND (HIGH TRADING AREA)

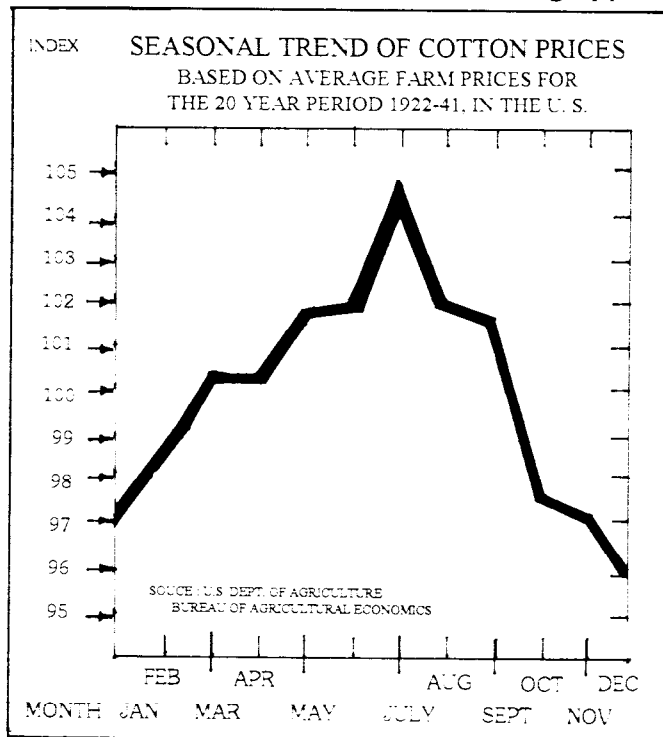
SEASONAL TREND OF WHEAT PRICES



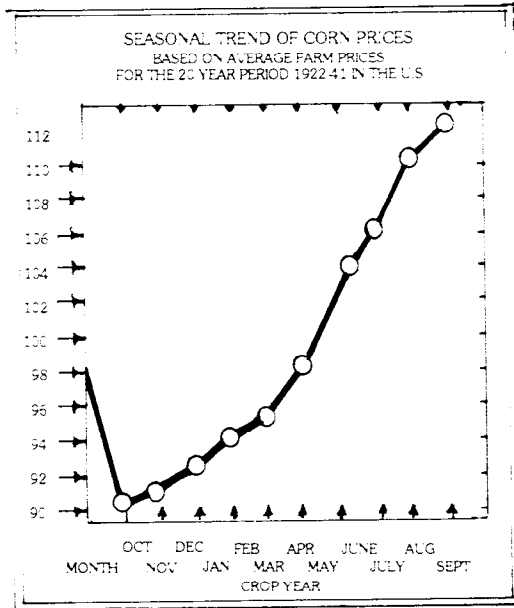
The seasonal trend of wheat, as shown in the above chart shows the traditional pattern. Easy prices prevail at harvest time, but once the pressure of the harvest is over, the price level starts to work higher until it is again time for the new crop to be received.

The downturn usually occurs about one month prior to the harvest. While this pattern has not necessarily held true during recent years of high loans and high prices, it could become more active when the loan may become effective in diminishing free supplies.

Here is a pattern that can be relied upon by both the and the speculator - the speculator who is familiar with seasonal movements can take advantage of these trading opportunities.



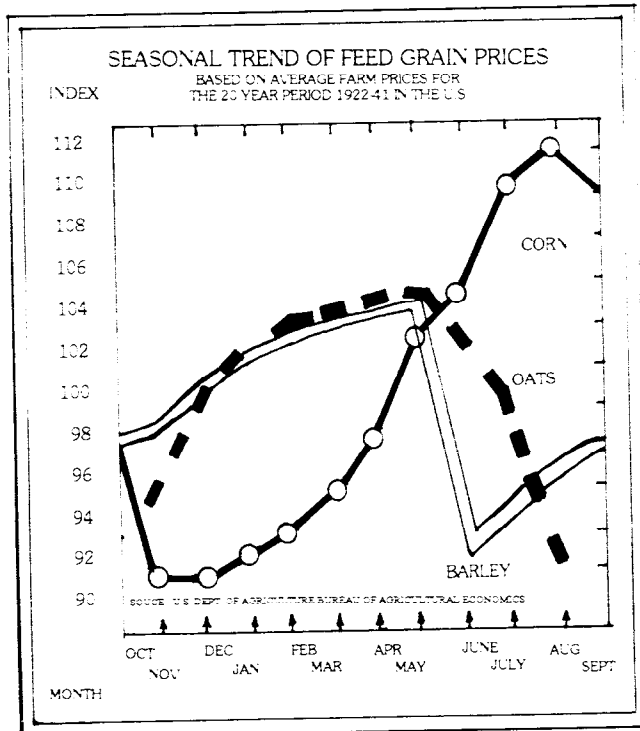
SEASONAL TREND OF CORN PRICES



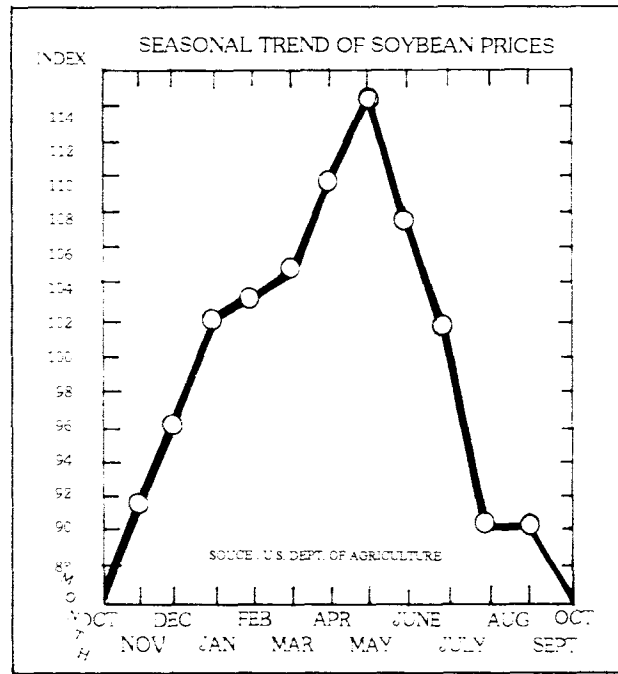
Historically, corn values follow a distinct seasonal pattern. From a low in November--the peak of the harvest movement--farm prices move higher each month until they reach their peak about the following August when remaining supplies of the old crop are scarce.

After August, prices generally ease in anticipation of new crop supplies.

While the seasonal longer up-trend is from the low in November to a high in August, this line is broken into numerous trading rallies and declines and these are the short term Trading Areas.



SEASONAL TREND OF SOYBEAN PRICES  
 BASED ON AVERAGE FARM PRICES FOR  
 1937-41



Look at the accompanying Seasonal Trend Chart, depicting the normal trend of soybean prices during a crop year, based on the years 1937/41. By about May or June, when their price declines again, most crushers' needs have been satisfied and a fairly accurate idea of the remaining crop-year's needs have been formed. In anticipation of next year's crop, the price index begins to decline but before harvest time it levels off slightly. Then comes the weight of the harvest that forces prices still lower. Crushers, in order to ensure themselves of an adequate year round supply, purchase about 50% of the crop before December 31. The price level accordingly moves steadily and sharply upward from the October lows as the demand for beans is being filled. Both the trade and the speculator should take advantage of these seasonal price savings.

## CHAPTER XII

### LIMIT DAY MOVES

The beginning of a series of Downward Limit Moves must start from a comparatively high range of prices.

We have Three (3) Selling Days, the Selling Day Objective, the Short Sale Objective and the high made FIRST on a Buying Day, but only two of these objectives could be used The Short Sale Day, and the Buying Day High made FIRST, in a downward movement.

The Beginning of this movement must start from one of these three tops, therefore, should this decline take place from a Selling Day Objective, we of course, would be out of the market by virtue of having sold our long stock at this point. In this case we would be without an indication to reenter the market, with the result that we would miss the move, however, being out of the market at this time carries it's own compensation by reason of conserving our resources and the anticipation of the increased buying power at much lower prices.

This in itself is one of the fundamentals of speculation—to be able to protect your capital and be in a position to act on a more favorable opportunity when it comes along.

A movement of this kind starting from a Short Sale Objective would put us in and being a limit move, we would stay in, first because we are speculators and secondly, "because we may not be able to get out".

The movement starting from the high made FIRST on a Buying Day, is also, generally a Short Sale Objective and were we in such a move it would become apparent, at once, for it would reach and run through the Short Sale Day Low—the low of the day before—a Buying Day Objective but the apparent lack of rally here would prove the move as out of the ordinary and one of our rules would come

into play "On a Buying Day when a stock or future shows no tendency to rally and looks like it will close 'flat', that is, the low and close at the same price, it usually goes lower". In a move of this kind the closing prices are generally right on the bottom eighth, we do not buy long stock, for when the Low is made LAST the Buying Day Circle would have a check (✓) in it, indicating a lower trend.

The starting of a series of Upward Limit Moves must start from a comparatively low range—perhaps restricted prices—or be the culminating move after a long slow rising market.

This movement would generally start from a Buying Day Objective or from a Violation of a Buying Day Low made FIRST or from a low on a Short Sale Day, from an active, severe 'sell off' from the Short Sale Day High. When this happens the decline is more or less panicky with each price change going lower until it reaches a bottom and then the turn about is abrupt and the rally is very active and fast with the gains usually held but sometimes followed by a decline from this rally and while the first low may not be reached—the next day, the Buying Day—the real start of the upward move would take place from the Higher Bottom on the Buying Day.

This rally would start when the market had the appearance of going lower and with a general bearish atmosphere. Some specific news usually causes the start of this move and the technical position of the market is ready to be influenced by it. The manipulator would only start this move after a strong technical position had been built up through too many unwise short positions and the way to get an extended short position in the market is to make it look weak and have the traders sell it short at or near the bottom.

We have no way of knowing when a move of this kind might start but we have two chances to get aboard in the Upward move—the Buying Day Low and the Violation of the Buying Day Low made FIRST—should the turn come on either of these days. In the Downward move we have the Short Sale Day and the Buying Day High made FIRST.

## CHAPTER XIII

### The Three Day Trading Method

This method of trading is applicable of both—Grains, Commodities and Stock on the 'Big Board'. However, in applying this method to stocks, select only those stocks that appear on the tape every day and with large volume, relative to the daily transactions of the whole market and which are the public trading favorites, the bid and ask is not so wide and they are easier to buy and sell.

Low priced stocks will not do for they do not have wide enough fluctuations.

Many of the stocks that made up the Dow-Jones Averages are good fluctuating stocks and they move over a two or three points or more range, during this swing. Of course, there are many others and they can be found in the Forty to Seventy Five Dollar price range that are applicable to this method.

First select a few stocks and make up a book on them—you can usually get the back number newspapers at the public libraries.

Start your book from the low point of any Secondary Reaction in the market or at least go back a few months, so that you will have some of the past action of the stock to study, then study the stocks you decide to trade in, observe the way they rally and decline and the number of points in the spreads from highs to lows to highs, study them for regularity and continuity of their movements. All this information you can get from your book after you make it up.

All stock have certain characteristics of their own, in the way they move, some rally ahead of the market, some with the market, while others fluctuate 'Up and Down and Up and Down in a series of rallies and declines' they just seem to 'plug' their way along. This last type is good for our trading purpose, if they, also, trade with a spread wide enough for buying and selling with profit.

After you have found a good trading stock, stay

with it and forget about the others and what they are doing.

This method is purely mechanical, in it's strictest sense, but you must develop a certain confidence in it's movements, for knowing how it has recorded the movement in the past, you can feel reasonably certain that it will preserve this same movement in the future and used in this sense, you need not invoke the finer points of trading, as you would do in using the daily trading method.

This method is based on the greater percentage of gains over losses, for you will have loss swings, but the records show that generally, but with few exceptions, the loss swings in points are small and the profit swings, with a few exceptions, are large, but the profit swings in points must of a necessity outnumber the loss points in an up trend, therefore, when consistently following this simpler method of trading—that of Buying and Selling as advantageously as possible, as the Buying and Selling Objectives appear, the method is profitable in the long run—your profits are made on balance.

The above is well for the long side of the market but we want to take advantage of the short side, too, for this is half the profits, however, selling short, stocks on the 'Big Board' is a little different matter than when selling short on the Commodity Markets, on account of a Stock Exchange ruling which restricts short sales to some extent. Both with the Three Day Method and the Daily Trading, we many times hit the top price, when selling, even to the top eighth, so in this case with stocks, we may not be able to 'get off' a short sale as we could do with a commodity, where there are no restrictions on short selling.

After a stock gets up to a high or where distribution starts it enters another trading range, the same as near the low point, only that this range will be

wider with many fluctuations up and down, with activity and volume, in order to distribute it, therefore it might be well to wait for this kind of action before trading it on the short side. The past records show that the long side is profitable without short sales and many traders can not or will not sell stocks short. Trading with this method he can take his choice.

The above is not written to keep you from selling short, for should the stock you select to trade in, develop enough spread on these swings so that you can trade it both ways, do so, for you are trading and are 'there' to accept any gains the market offers you, no matter in what stage of the movement nor on what side, long or short.

In using this method the Selling Day Objective is eliminated, however, always watch the trend of prices on this day, for you can usually get a forecast of what to expect the next day—the Short Sale Day, your Selling Day—and you will want to know if your Selling Objective will be on a penetration or whether the price will 'fall short' of the Objective.

On the Selling Day watch the high and low and which was made FIRST or LAST, the high on this day being made LAST is generally a good sign that the opening will be up and your Selling Objective—the high of Selling Day will be penetrated.

When the high of Selling Day is made FIRST and the close is up from the low after a reaction, the probabilities favor a further rally and a penetration for your Selling Objective—but having bought your stock on a Buying Day Low and to then get a Violation of the Buying Day Low—next day—the price generally 'falls short' of your Selling Objective—this action is a good forecast of a failure to penetrate and it shows a weak uptrend and it generally occurs in a Downward Trading Area—so don't expect too much at your Selling Objective. On the other hand when the Buying Day Low holds, the forecast is for a larger gain and penetration of your Selling Day Objective and this Objective is the high reached on the Short Sale Day.

At your Selling Objective you must sell out, either way, with a profit or loss on the penetration or as near to it, on the failure to penetrate. **DO NOT HOLD ON OR CARRY YOUR STOCK DOWN.**

The next day being a Buying Day you will probably get an opportunity to buy your stock at a lower price with the chances of making up any loss, in case this happened to be one of those days swings and with a profit besides, on your next trade.

It might be well to point out here that a trader must take losses but he takes them when they are small and he tries to stop them as quickly as possible when he sees that he is wrong and in taking them, he is not losing anything at all but is playing for position and a more favorable chance to trade that he knows will soon appear.

The Violation of the Buying Day Low does not change your Selling Objective as it does when using the daily method—you do your buying on a Buying Day and hold on, even though, this low is violated—you ride through this reaction and wait for your Selling Objective which is the penetration or failure to penetrate the Selling Day High on a Short Sale Day.

You are using this method as a purely mechanical way of trading—you buy and sell and figure your profits on balance of greater gains over losses, over the longer term swing in stocks and during the life of a grain or commodity future.

A trader using this three day method for grain futures will find that during the life of any of them, he has approximately One Hundred Opportunities or trading swings on the long side, plus an equal amount on the short side from the starting to the expiration dates and that the past records show that over (50%) of the Buying and Selling Objectives were accomplished on penetrations at these points.

The trends in the markets vary from year to year in that some Bull and Bear Markets will be achieved by a series of wide trading moves both in the Primary swings and in the Secondaries, while in other years the swings will be a series of narrow persistent upward and downward movements. Look at the charts on stocks of the past years and then make up a book of their movements during these different kinds of trends.

A trader has a fairly reliable guide on the kind of reaction trend to expect by noting the type of upward movement that preceded it. Had this uptrend been accomplished by a fast and almost vertical climb, he would expect the reaction trend to be of the same nature, perhaps a precipitous decline. Had the trader been using the Three Day Method he would forego buying on the Buying Objective and would wait for the Short Sale Day—then sell short—covering the sale on the Buying Day—and again selling on the Short Sale Day, until after the urgency of the decline was over and the stock began to receive support of the kind from which trading rallies began to take place, after the



declines. He would then begin to use his Buying Day Objective again and buy and sell as he did before.

Since the intent of the reaction is to get the price down, buying long stock at any stage is going against the trend but few reactions have ever been completed in one straight drop, therefore, we have found that at certain stages of the reaction it is profitable to buck the trend and play both sides of the market and this stage of the reaction is after the heat of the selling is over and the stock begins to trade around the low point.

The same can be said of the fast upward movement for when prices are low—in a period of congestion or accumulation—the movement may start with a fast mark up of prices and this action usually takes place from some kind of restricted trading area—the intent then is to get the price higher, without a following, so that any reaction of the daily kind will be small in most cases, too small, and fast to trade both ways. The trader then would use the Buying Day Objective and let the short side alone. He would buy on the Buying Days and hold on until the Short Sale Day, then sell and buy back again on the Buying Day. After the stock or commodity began to show trading declines from the higher prices he would then begin to use his Short Sale Objective.

The Up or Down Movement made on wide daily rallies and declines should be traded both ways.

The consistent buying and selling through trends of all kinds does work out in favor of the trader over the longer term, yet a trader need not make his plays this way and it is not advised that he do so, at least not if he expects the market to run into one of these fast moves, either way.

These loss day swings can be very severe and they look more formidable while they are happening and it takes more courage than most traders have to 'ride out' these moves, even though, the greater part of the loss may be on paper and only temporary but it does require considerable more money to finance them.

## CHAPTER XIV

### THE INVESTOR AND SWING TRADER

The Investor and Swing Trader, has a means of accumulation and distribution in the use of the Three Day Method.

In buying for accumulation it is not wise to try to buy a full line all at one time. The same for selling—even, though each would like to liquidate all at once—there are times when it can't be done, the market is not technically strong enough to take the selling and by trying to do so, he may get a price far less than would suit him.

By applying the Buying Day Objective to his accumulation and the Selling Day Objectives to his distribution, he could save himself many points—and dollars.

The Investor or Swing Trader is in no different position than the Daily trader—he too, should make up a book on the stocks he intends to buy and sell.

Both would first determine the kind of market—Bull or Bear—and the price position of the stock, in relation to the market as a whole and either buying or selling would have to be initiated on the minor trend—the daily price fluctuations—regardless of the longer term trend—and both would try to buy as advantageously as possible consistent with a Bull Movement.

Suppose the line was to be 500 shares or more—each would use the Buying Day—observing the conditions around the Buying Day Objective—an order would be placed for part, say, 100 shares, after getting them he would then wait until the next Buying Day and place an order for another lot, continuing in this manner until he had bought his full line. This procedure would be a higher average cost but each lot would be more apt to show a profit and the trader would have some assurance that he was following a rising trend.

Had he started his buying during a comparatively low range of prices and was in a rising market, it is

not likely that he would be forced to carry a heavy load at a loss, in case of a sudden decline in the whole market.

At the determined time for selling, he would use the same procedure, he would sell only on a Selling Objective—the Short Sale Day and the Buying Day High made FIRST. In this manner he would be liquidating his stock on a rising trend.

In either case, the trader would have some assurance that he was getting or trying to get, the best prices at the time of his buying or selling.

Trading technique, is simply the ability through study, observation and experience, to detect the manipulation that takes place in the markets at all times, and to recognize the signals in each, of the several phases, of the market movement. The most important consideration for speculation, even ahead of earnings and dividends, is the technical position of the stock in relation to the market as a whole—leading or trailing—its position within its own group—leading or trading—and the group attention in the news—at this writing it is television.

Swing traders and semi-investors are more concerned with price appreciation, therefore, selection of a stock is of the utmost importance. Most of the stocks that make up the back-bone of the market are in the conservative class and trading profits should be figured on a percentage basis and not on points. The trader who will do a little retrospective research will find that many stocks he may have in mind are not suitable for his style of trading. Get the highs and lows of the one or more sustained swings that a stock makes each year and then figure the percentage gains and losses of the rally and decline swings, from lows to highs and highs to lows. The Market Averages may show great gains and losses up and down, in points, with the per cent gain or loss of an individual stock disappointingly small.

A trader buying stocks around any low point, Bear Bottoms or Secondary Reactions in a Bull Market (here he should use the 3 day rule for accumulation) should carefully check the percentage rise of his stock as the price moves up from the low point but most important: a stock that is going up will do so with but small and normal set-backs until it reaches the high of the move, regardless of percentages, so the trader must be constantly on the alert for the day when his stock will make top—in many cases this top will be made quite unexpectedly but not without warning. Watch the build-up of the volume for a few days prior to the top and the greatly reduced volume the next and for a few days after or the volume might remain large for a few days before and after the high is made. The decrease in volume is caused by a let-up in the selling pressure for technically the stock may not be able to withstand further heavy selling without breaking the price, too much. Many times a trading range is formed between the high and the low of the break-back and the stock will trade in this range indefinitely, weeks and months, depending on the strength or weakness of the general market—further distribution takes place in this range and on the way down, if, the general market is headed that way. This phenomenon of the action of individual stocks is a feature of the market prior to bull market endings—with one stock after another refusing to participate in any further rise in the market, while the general market continues to advance—this same action takes place in a lesser degree before severe intermediate declines. This may not be the action of low priced late movers, that move up fast, make a top and start to decline, seldom going back to their highs a second time. Being behind, they must hustle to catch up with the general market which is plainly showing a declining tendency. This sudden reaching of a top on greatly increased volume compared with the previous daily totals, then, a slight break of several percent of price from the high while the volume continues large, is the results of heavy selling, mixed with public buying and inside short selling, caused perhaps by advance information adversely affecting the stock—sufficient to cause large profit taking or the price is deemed high enough to begin distribution of the stock. Regardless of the reason, this action definitely warns the trader that the intent is not to put the price higher, at least not for the present—and is his signal to unload—the market is broad enough at these times

to take the selling and is the opportune time to turn paper profits into cash.

The low points of Bull Market Secondary Reactions are just the reverse of the top action, the low many times is made on relatively heavy volume, then a rally for a day or two and a further decline on very light volume with the price holding above the last low point, with trading dull (established points at either highs or lows may be penetrated slightly by the trading that takes place but are not sufficient reason to withhold selling or buying at these points). The short seller on this trend must be on the alert for this same big day, only on the downside: for then the stock is in supply for covering short sales and is the long stock bought at higher prices, now, being sold at the bottom.

The market action for a swing trading is identically the same as that used for the 3 day method, only on an enlarged scale. The minor movement receives the same support on the declines and is subjected to the same pressure on the rallies.

## SUPPLEMENT SHEET TO PAGE NO. 65

With the selection of the stock, it is only good judgment to get a report on the company, its past and future probabilities—but unless the market action of the stock confirms the report a trader should let it alone—watch but don't buy. The time for buying should be based solely on the technical indications and the present market position, in relation to the low and high for the year. It could be selling so near to a top (Temporarily, perhaps), that by waiting a short time it can be bought at a wide concession. Most all Bull markets show at least one or more important declines during the year that are buying opportunities, but the most important part is: starting at exactly the right time. A decline in a stock, due to a general decline in the market as a whole, is not of great concern but the way it acts on the rally, and the preparations for a new move is important. A trader should look for buying in a stock around the lows of important declines—after the market stabilizes. It takes considerable buying to start a stock up and continuous buying to keep it going up. (Many good stocks lack trading appeal, sponsorship, or due to other conditions, move with such sluggish action that they are unattractive to the more active traders.)

Stocks with a good future potential should be watched but a trader should not wait until 'they make the news' before buying—at this time they might be a better sale. Buying in a stock shows, in the way the stock acts. He should follow the progress of a stock at bottoms or where it begins to form a well defined horizontal trend—confined to a narrow trading range—and trades on a fair amount of volume and activity, with some fair size lots of stock. He then waits for a day of unusual activity and volume and gets ready to buy at the very inception of the 'break-out' of this range, top side. He will buy part of his stock at this point—then wait for a reaction to see how it acts on this decline and to confirm his judgment, whether he was right in buying the first lot. He then buys more after the stock rallies and just as it makes a new high. His buying is done in this manner. Because: At times, the stock may turn and go in the opposite direction, and may 'dip' low enough to break to line of

lows at the bottom of this range. (An action of this kind 'cleans up all the stops' below the line of bottom prices and 'shakes off' a following before the real move gets under way.) Having acquired his stock he holds on for the move: an indefinite period, perhaps three to six months or longer, or until he recognizes the described action around tops.

In some years and at other times, some stocks and commodities, begin their advance from other than trading ranges. Bottoms of long declines may be reached by a particular violent downward thrust—establish a low—generally followed by an immediate sharp rally and a subsequent slower decline on greatly reduced volume and activity—stopping short of the last low. A trader does not try to buy long stock on this fast decline—he waits for the 'quiet spot' on the reaction after the rally—and when the market becomes 'dull'. He will buy part of his line at this point (with the intent to sell out should the stock make a new low) then add to it where the stock begins to make new highs in series. In case he is forced to sell, he starts over again from a new low—using this same action. (The manner of buying at bottoms—shows why—he should not expect to get less than a 10% average above extreme lows.)

A stock that trades in a listless manner on very small volume; with intermittent small transactions, with absent days of trading, shows neglect; and no immediate interest, and should not be bought until it shows a more active participation in the market. A trader recognizing this action in a stock should look to the company report for the reason. A stock must be traded in fair size lots and volume in order to accumulate it. (This action can, also be seen in the commodities markets, in the distant futures, for a short time after the 'start of trading' in them.)

Experienced traders and tape readers can generally distinguish a rally from a change in trend by figuring how far a stock should come back, allowing that a normal rally is from one-half to two-thirds of the decline. In case the decline is not over, the rally will fall short. The large transactions will be on the downside and the smaller lots on the upside. The volume is light and the activity 'fades away' with the rally 'dying out' at the top. Where the trend is to continue the trading shows a steady rise on increasing volume and demand for the stock, and where there is an urgent demand for stock for 'short covering' the pace will be accelerated. The large transactions are on the upside and are taken at the

higher prices, with the smaller transactions on the downside. (This same action can be seen in the smallest daily—in the broader and longer movements—and in the Market Averages.)

Many stocks make two tops—the Real and Actual—the Real Top is where the first heavy liquidation takes place after long advances; then, after a decline of a week or more, a rally or continuation of the advance, many times, will exceed the first high making the Actual Top on a volume as large—more or less. A trader should be on the alert to begin his selling the instant he detects this inside selling. (The point here is: he must sell when he has a market, if his holdings are large.) Experienced traders take their profits at this point and do not try to anticipate an Actual Top. (Which may or may not happen.) The high made on this kind of action may be one and the same—the Real and Actual. When this does happen the stock makes a new high and has a tendency to make the ordinary traders intensely bullish—they continue to ‘hold on’ or ‘come in’ as new buyers—to take the stock at, perhaps, top prices. (And this is just what is expected of them.)

The Real Top, is generally one or several days of advancing prices after a long move up, culminating with a quick, sharp, upward thrust on abnormally large volume and activity, compared to previous trading. The stock makes a high then resists all further buying—the supply and demand comes into balance—with the trading very active and sustained—but the stock makes little or no progress either way. The heavy selling at this point is, temporarily discontinued, but the ‘selling sources’ continue to force a little more stock on the market than can be absorbed, without loss, causing this sagging decline, on greatly reduced daily volume. Near or at the low of this decline there is a noticeable increase in the volume for a day or more—the stock must be bought in large enough quantities to absorb all selling and turn the stock up. The day of heaviest support is the Real Bottom, then, many times after a short sub-normal rally or series of rallies, the stock will sell just a little lower on a negligible amount of volume—making the Actual Bottom—before the rally or uptrend is resumed. (A new high has a bullish effect and causes buying. A new low has a bearish effect and causes traders to sell out at bottoms, or at least, refrain from buying.)

A trader will repurchase a small part of his stock ‘as a trading lot’ on this decline in anticipation of a

rally or on the assumption that an uptrend will extend far enough to make a new and Actual Top. (But, with the firm resolve to re-sell at, thru, and above on this new high—or to ‘get out quick’—if after a rally, the reaction breaks the last or support low.)

There are other stocks that make one top—the Real and Actual—and on comparatively light volume, with no signs indicating that a top has been reached. The long decline starts with a series of small reactions and rallies but with a definite downward tendency. These tops are difficult to recognize. (If, in fact, they can be.) A trader should understand the characteristics of these stocks or at least have some idea of the percentage appreciation or number of points in the swings of the past years, as a guide to the future—and he should be satisfied to sell, if and when, past results as good or better can be attained. In this case a stock that fails to make a new high in a reasonable period of time should be sold, particularly so, if other stocks in the market are showing the heavy top action. (The trader who can recognize these diverse movements in the market can use them as confirmation of the weakened technical condition of the market as a whole.

A trader who will start right—buy and sell according to these ‘age old’ tenets—will find little need for many of these ‘new discoveries’ and other ‘wearisome’ statistical market indices.

## CHAPTER XV

### PERTINENT POINTS

The rallies and declines of the past movements in stocks, commodities and grains—meet support and supply at or near these Objectives, study them and watch the price action on the 'tape'.

Do some paper trading—try buying and selling for about Ten (10) Days, until you get the 'feel' of the market. You are not day dreaming by doing this nor are you reading the prices after the close of the market, with exultations or recriminations of what might have been, had you done this or that.

Take a pad and pencil with you to market, then buy and sell by using these Objectives. Check yourself with the record after a couple of weeks of this kind of practice.

This trading practice will teach self control, curb impetuous buying and selling, control your patience and cause you to keep in mind all the actions that can take place at these Buying and Selling Objective Points.

Never try to anticipate the market farther ahead than your signals, 'cinch' your profits as the market gives them to you, don't hold on past a signal because a trend looks strong or you think the price will go higher or lower, it may do exactly as you think and does many times but your 'play' is to take what the market offers you and at the exact time of this offering.

Don't think about any other Objective, only the immediate one, that is, if you are looking for a Buying Objective, think only about the action that can happen around this point.

Never make a trade unless it favors your 'play', it is better to pass up the entire trading session than to buy or sell on a guess that it will turn out all right, wait, until you are reasonably sure and the market many times makes it very plain, when to buy or sell.

The best practice you can get is to go to the public library and get the past quotations of the daily

transactions on a commodity or stock and while making up a book on them, observe the repetitious action of the daily price changes and you will get the 'swing and feeling' of the regular rhythm of this action and note the similarity of movement in all of them—past and present.

Watch the low and close of each day and how and where they closed, near the high for the day or near or at the low for the day and for what action and forecast for the next day. Be prepared for wide openings up or down, particularly if prices are up or down (10) points or more, which could be the top or bottom of a Trading Area. Many times the opening price will be your Buying or Selling Objective on a penetration or failure to penetrate.

The commodities markets being seasonal affairs have and will continue to have broad swings with activity and deeper penetrations at the Objectives, in the Trading Areas and these are the profit making moves.

Forget about a trade after you have made it, if you didn't get the last eighth or if the price went higher after you sold or lower after you covered your short sale.

Keep in mind the tactics used around the important turning points—Objectives—and keep looking forward to your next trade. Remember, you are trading for quick, small but sure profits and this is exactly how a floor trader looks at the business. Take what the market offers you at the time and don't hold on for what you think the market should do, trade the market on what it does. In daily trading you will have enough opportunities to keep you busy and should you find it, too, try using the Three Day Method for a change.

A trader should make up a book on several of the grain options and on a few stocks, then study them for their movements. After deciding on the one he

intends to trade in, take only that book to market with him, or at most two books, one for a Short Sale Objective and the other for Buying Objective. In the beginning this eliminates a lot of confusion by watching or trying to watch them all, for as one option moves, the others will usually be in line.

After making up several books on the grains and stocks, he will find that some of them will differ, in that one may be at a Buying Objective while another a Sale or Short Sale but this is the continuity so follow them that way.

There is nothing inconsistent with this so far as the trader is concerned, as an example: A trader may have a book on two Wheat Futures, Corn or Soybeans—the same with stocks—one a buy and one a short sale on the same day. Now, on this same day and before the opening, if the trader has not already done so, he will review the market of the previous day on both the Buy and Short Sale Options and will note the signal mark for the possible trend in each.

He then expects an up or down opening he watches for either. On the up opening he watches for the Short Sale option to reach the Short Sale Objective—that of selling through the Sale Day High—if so, this would be the trade to make, a short sale—for it would be happening first. On an action of this kind his Buy Day Option or stock will probably be in line with all the others and it, too, would probably be up—we know that a reaction generally takes place from a high made FIRST on a Buying Day, so he would watch it but would not buy it for awhile. Now, should the opening be down, it would be making the low FIRST for his Buying Option, so this would be the trade to receive first attention.

On a Buying Day, buy at or below the low of the previous day, unless the market looks like it might close on the low for the day. Failure to rally from a 'sell off'.

When the low and close are about the same on a Short Sale Day, we usually get our (BU) Buy Under, the price goes lower, next day.

Watch how the Objectives are made—FIRST or LAST—Objectives made FIRST are the surest and quickest for profits.

Watch the close to determine the extent of rally when Buying Day Low is being made LAST—a 'flat' closing generally means a Violation—next day—and when made FIRST are usually good buying 'spots' for a quick profit.

A purchase on a Buying Day must show a profit in the spread, from low to closing price—when the low and close is about the same price or where the gain at close is lost on the opening of Selling Day, sell out on any rally towards your Buying Day Low point.

Watch the range from high to low on a Short Sale Day, to determine the possible low point at which to buy, next day—the Buying Day.

Having 'put out' a short sale on a Short Sale Day, then if the stock reacts and the spread is very wide—cover your sale the same day—this profit will help reduce the costs, in case, the next day, being a Buying Day you may have to buy at a Higher Bottom. This is caused by a rally before the close of the Short Sale Day and makes the Buying Day Low, higher. Buying a Higher Bottom is usually profitable.

When the Buying Day Low is Violated, the high for the movement is usually made on the next Buying Day—3 day swing—it is usually safer to pass up the Short Sale Day, if it looks like the high might be made LAST and try to sell short on the high of Buying Day made FIRST, but 'cover' your sale the same day. This gives you both a short sale and a buy, but 'cover' the short when you have a profit and wait for the best chance to 'go long'. This action usually happens in an Uptrend Trading Area—Downtrend Areas, give you lower tops and bottoms.

The amount of rally from a Buying Day Low to the close, determines the action for the Selling Objective, as weak or strong, unless it be one of those days where you get all the range on the same day, then the opening on the Selling Day, is liable to be down.

The decline from a Selling Day High, may cause the price to go under the previous low—Buying Day Low—which will show the Short Sale Objective as being weak, if the High on Selling Day was made FIRST and the close is somewhere near the low of the day.

On a Buying Day, after a decline, should the rally from the low be active and strong and the price carry up to and through the previous high—Short Sale Day—sell out your stock before the close, for many times this will be the high and the opening of Selling Day may be down—this is the reverse of the wide decline on the Short Sale Day, where you 'cover' in the same session on a wide decline. In either case the market is giving you a good profit

without much delay—why take chances on losing part of it?

In the Downtrend Areas, both the Sale and Short Sale Objectives, generally 'fall short' of penetrations—the Buying Day Low is usually Violated.

When the Decline unit is small, the Rally unit is usually large.

When the Decline unit is large, the Rally unit is usually small.

When the low on a Buying Day is higher than the high of the previous day—Short Sale Day—you have a Decline Zero and a forecast of a rally.

When the Decline Zero appears the rally is usually profitable.

The amount of rally from a Short Sale Day Low, plus a higher opening on a Buying Day causes the Decline Zero.

The lack of rally from a Buying Day Low, plus a down opening on a Selling Day causes the Rally Zero and a forecast of nearby lower prices.

The Rally Zero always violates the Buying Day Low.

There seems to be about two swings a week, one Upward and one Downward. In the Bull movement, the one downward will be longer and is the swing that causes the failures to penetrate the Selling Objectives and the cause of Buying Day Low Violations.

When trading on the Three Day Method—buy on a Buying Day and sell out on a Short Sale Day—when the previous Buying Day Low is not violated expect greater gains—when this violation occurs the gains are usually small and may even show a loss for the swing. Having bought on the Buying Day, you must hold on through this violation but, also, you must sell out on the Short Sale Day, but expect your profits to be small on account of a failure to penetrate your Selling Objective. Rallies don't always fail to reach the Selling Objective but generally they do so. Don't hold on too long, when you get a profit take it and don't expect too much, in this case.

Use the Three Day Method for the accumulation of stocks and commodities but don't buy your full line all at one time—buy part of your line only on a Buying Day and then another part on the next Buying Day, etc. Where a Buying Day Low may be Violated—don't buy at all, but having bought (here you may have bought on the low for the day and the stock rallied but began to sell off near the close) and the stock looks like it may close on the low for the

day—sell out your last purchase before the close and let the market alone until your next Buying Day. The reasoning here is, that Violations begin to show up in downtrends and downtrends are not the kind for accumulation.

In selling out a line at higher prices use only the Selling Days—preferably the Short Sale and the Buying Day High made FIRST—in the case of the Violation of last Buying Day, it is reasonable to look for a high of the swing on the next Buying Day—many times this high will be made LAST, in this case it is a strong 'spot' for selling long stock.

Since all trends in commodities are seasonal watch the position of your future and whether it is up or down and in what month. The months when they normally sell at their highest and lowest points.

At times, during the last few days before an option expires, the technical position of the market may cause several wide rallies and declines, during the same session—take your profit at the first opportunity—complete your trade, depending on the kind of trading Objective you are using—then stay out of the market—don't try to trade these rallies and declines—they are aimless whip-saw movement and they don't favor your play.

The price you pay at the time of buying and selling has nothing to do with it—the point is to determine the correct place for buying or selling. In the Uptrend you continue to buy and sell on a rising range of prices. In the Downtrend you do the same on a declining range of prices.

When accumulation is taking place in a stock, considerable buying would be done around a low point for a considerable period of time, then when the floating supply is about bought up in and around this range of low prices, the price will move up to a higher range for further buying—when accumulation is completed at the lower and higher ranges—then the stock is in position for its upward move, for a top and distribution.

Professional traders usually cover around old lows and sell out around the highs. At the lows the stock is in supply and it gives them a chance to cover short sales. At the tops the stock is in demand and it gives them a market for long stock and short sales.

Until a trader gains in experience, he should buy and sell just as his Objectives are reached—put in your order to buy or sell just as soon as the price appears on the tape and many times your buying or selling 'spot' will be at or shortly after the opening.

Those traders who use charts in their work may



find them of use in conjunction with this method of trading, if so, well and good—those traders who go in for astrology and statistics to a point where they can tell you “the rate of growth on a corn stalk in one night’s pull of the moon”, might, also, ask themselves, if the ‘boy’ on the floor who makes the market understands these theories. Perhaps not, and cares less, however, he does understand how the markets of the past were made and how well they worked and is not losing much sleep trying to alter or devise a new way—not so much that it can be noticed over the past 100 years.

A trader with any method or system of trading must develop and have a certain amount of confidence in it—with this means of trading he must believe in the occurrence and recurrence of the past pattern of movements. The intent has been to keep the method as simple as possible and to rely on the fact that at these trading Objectives, a trader can buy and sell with a profit. Use it in its most mechanical form and stay away from production and marketing statistics, if possible, for in short term trading, the trader is concerned, only, with the day to day price changes—the spreads between the Buying and Selling Objectives.

Soybeans have a very promising future as a trading vehicle—they are a useful and minority crop—and it would be an astonishing revelation to the trader who will go back and make up a book and a record of the fluctuations for the years 1948-49-50.

It is not within the scope of this book to cover in detail all commodities—it is sufficient to point out that the ‘tape’ action, the rise and fall of prices in the market, is the same for all. A book is made up and traded in exactly the same way by those traders who want to trade in cotton, fats and oils or any other commodity that has a continuous daily price change on the ‘tape’ or frequently posted price changes.

End

WK '48'										WIK										
1947	O	H	L	C	D	R	BH	BU	T-L	3	O	H	L	C	D	R	BH	BU	T-L	3
MAY																				
F 23	219	214	217	217							S 5	218	217	213	215					5 <sup>2</sup> 12
S 24	218	218	217	218	14		0	0	1		M 7	217	217	215	216					4 <sup>2</sup>
M 26	219	214	217	217		2		1/4			T 8	216	219	216	219				0	
T 27	218	214	217	219						2 <sup>2</sup>	W 9	219	221	219	219					+12 <sup>2</sup>
W 28	220	226	220	225	0		7	0	1		T 10	220	223	220	222					7 <sup>2</sup>
T 29	226	226	221	221		6					F 11	223	222	222	230					
S 31	214	220	217	217						0	S 12	230	230	228	228					2 12 <sup>2</sup>
JUN											M 14	227	230	227	227					7 <sup>2</sup>
M 2	218	214	214	214	6 <sup>2</sup>		0	3			T 15	227	232	226	230					
T 3	216	219	215	217		5					W 16	231	235	231	233					
W 4	218	219	216	216					1		T 17	231	232	228	228					+2 <sup>2</sup>
T 5	217	217	216	217	3 <sup>2</sup>		0	1/2	1		F 18	226	230	226	226					5 <sup>2</sup>
F 6	217	218	216	217							S 19	226	231	226	230					10 <sup>2</sup> 14 <sup>2</sup>
S 7	217	218	216	216						9 <sup>2</sup> 17 <sup>2</sup>	M 21	231	233	228	230					
M 9	216	214	213	214	4 <sup>2</sup>		1 <sup>2</sup>	2			T 22	232	232	229	231					7 <sup>2</sup>
T 10	214	214	213	213		3/8		7/8			W 23	230	233	230	231					
W 11	212	212	210	210							T 24	231	231	229	229					-3
T 12	210	212	209	209	3 <sup>2</sup>		1/2	1/2			F 25	229	229	226	227					
F 13	209	209	205	205		1/2		4			S 26	226	226	226	227					
S 14	205	207	204	205						7 <sup>2</sup> 7 <sup>2</sup>	M 28	226	227	225	225					
M 16	205	206	204	205	3		0	0			T 29	222	223	215	216					2 <sup>2</sup>
T 17	206	208	206	206		5 <sup>2</sup>					W 30	218	221	218	221					
W 18	208	211	208	210		1/3					T 31	222	226	222	225					
T 19	211	211	210	211	1		3/4	0			AUG									
F 20	210	210	207	208		3/4		2 <sup>2</sup>			F 1	226	227	225	225					
S 21	209	211	206	211		1/4				4 <sup>2</sup> 5 <sup>2</sup>	S 2	223	226	223	223					3 <sup>2</sup> 7 <sup>2</sup>
M 23	211	212	209	211	1 <sup>2</sup>		1	1/4			M 4	225	230	225	227					
T 24	210	211	209	209		1/6					T 5	227	227	225	225					5 <sup>2</sup>
W 25	208	210	208	210							W 6	225	227	224	224					
T 26	210	210	209	209	1 <sup>2</sup>		1/4	0			T 7	224	226	224	225					
F 27	209	209	208	208		1/4		1			F 8	226	229	226	227					
S 28	208	209	207	208						3 <sup>2</sup> 2	S 9	229	234	229	231					
M 30	209	212	206	212	0		3 <sup>2</sup>	0			M 11	231	233	226	227					
JUL											T 12	230	231	227	227					
T 1	213	216	213	216		7 <sup>2</sup>					W 13	227	228	226	227					
W 2	216	216	214	214							T 14	228	230	228	229					
T 3	214	214	213	213	3 <sup>2</sup>		0	1 <sup>2</sup>												

WK										WK																			
O	H	L	C	D	R	B	M	B	U	O	H	L	C	D	R	B	M	B	U										
F 15	229	232	234	232						F 26	264	267	263	265															
S 16	233	236	231	232				7	6	S 27	268	270	268	270			3		11	23									
M 18	235	236	236	235						M 29	280	280	276	280															
T 19	234	235	233	234						T 30	281	286	276	277						13									
W 20	235	237	235	237						W 1	274	284	273	283			0		2										
T 21	239	240	238	239						T 2	286	286	273	275			13			2									
F 22	242	243	240	241						F 3	275	280	271	275															
S 23	243	243	243	243				3	7	S 4	271	273	270	272			10		0	1	3	5	13						
M 25	238	240	237	238						M 6	265	268	263	267					0		6								
T 26	238	242	238	242						T 7	266	276	266	272					7										
W 27	243	244	242	246						W 8	274	278	275	277					1		2		0						
T 28	246	247	245	247						T 9	276	276	270	278											6				
F 29	247	250	246	249						F 10	279	280	276	277													5		
S 30	250	252	250	251						S 11	280	281	278	278					2		1		0	3		4			
T 2	250	252	247	251						T 14	279	282	279	281						4									
W 3	253	258	252	256						W 15	282	285	281	285						3								7	
T 4	257	260	256	259						T 16	286	291	285	287						1/4		5		0				9	
F 5	259	262	258	263						F 17	288	288	284	285						2		1							
S 6	263	266	262	262						S 18	285	290	284	288						1						1/4		7	4
M 8	262	264	260	260						M 20	290	292	290	293					0		4		0						
T 9	261	270	261	270						T 21	295	297	294	294						7									
W 10	271	280	270	276						W 22	295	297	293	297						1/4						2		7	
T 11	276	285	273	274						T 23	298	298	294	298					3		1		0						
F 12	274	277	265	266						F 24	295	295	288	288						3/4									
S 13	266	272	266	271						S 25	291	293	282	283											3		7	1	
M 15	274	280	273	280						M 27	283	284	279	283					14		0		3						
T 16	281	281	273	276						T 28	285	288	285	288						9									
W 17	276	277	272	275						W 29	289	289	278	278						1						1/4			
T 18	266	269	264	266						T 30	276	280	272	276					17		0		5						
F 19	267	268	256	256						F 31	278	282	277	282						10									
S 20	254	257	246	251						S 1	283	285	282	282						3						31	19	13	
M 22	257	260	254	260						M 3	280	281	276	276					9		0		6						
T 23	262	266	262	263						T 4	277	280	275	279						4				1					
W 24	262	263	254	260						W 5	280	283	280	281						3									7
T 25	260	264	257	261						T 6	282	284	278	280						5		3		2					

WK					WK '48'				
O	H	L	C	T-L	O	H	L	C	T-L
F 7	281	282	283		DEC	297	300	300	
S 8	284	285	284		S 20	297	300	300	
M 10	286	287	288		M 22	301	301	296	
W 12	288	289	289		T 23	297	298	295	
T 13	289	290	288		W 24	297	297	298	
F 14	287	288	285		F 26	292	294	292	
S 15	286	287	285		S 27	292	294	291	
M 17	286	292	282		M 29	292	294	291	
T 18	291	293	290		T 30	294	296	294	
W 19	291	292	289		W 31	296	297	295	
T 20	291	292	289		F 2	294	295	293	
F 21	293	294	293		M 5	287	293	286	
S 22	294	296	294		T 6	293	292	290	
M 24	296	294	296		W 7	290	290	290	
T 25	300	301	293		T 8	294	295	293	
W 26	296	294	293		F 9	296	298	295	
F 28	301	300	300		S 10	297	299	297	
S 29	304	305	299		M 12	294	305	298	
O 30	303	303	300		T 13	306	301	302	
M 1	303	303	300		W 14	303	306	301	
T 2	299	300	294		T 15	301	304	300	
W 3	296	296	296		F 16	302	306	303	
T 4	298	299	296		S 17	305	305	302	
F 5	293	296	290		M 19	302	302	296	
S 6	290	293	289		T 20	296	294	296	
M 8	292	295	294		W 21	299	302	299	
T 9	295	294	295		T 22	297	298	293	
W 10	299	301	298		F 23	298	298	294	
T 11	301	302	298		S 24	292	296	291	
F 12	299	299	295		M 26	292	292	288	
S 13	297	297	295		T 27	289	292	285	
M 15	297	299	295		W 28	289	291	285	
T 16	295	298	294		T 29	293	292	288	
W 17	297	298	296		F 30	291	293	288	
T 18	298	296	297		S 31	289	284	285	
F 19	296	297	295		M 2	288	288	285	

	WK				SSE				B-V				3
	O	H	L	C	D	R	BH	BU	D	R	BH	BU	
T 3	286	289	286	286									3 <sup>+</sup>
W 4	285	285	278	276	13 <sup>5</sup>		0	9 <sup>5</sup>					
T 5	266	270	266	266		0		10 <sup>1</sup>					
F 6	260	262	256	258									
S 7	253	255	248	250	14 <sup>+</sup>		0	8 <sup>3</sup>	28 <sup>1</sup>			3	
M 9	251	258	251	257		10							
T 10	257	257	247	247									4 <sup>+</sup>
W 11	287	241	287	237	20 <sup>2</sup>		0	10					
F 13	235	238	224	233		1 <sup>+</sup>		8					
S 14	234	236	233	234								20 <sup>+</sup> 12 <sup>+</sup> 1/2	
M 16	238	242	236	240		5 <sup>+</sup>	0						
T 17	240	242	235	236		5 <sup>6</sup>		3/4					
W 18	283	233	229	235									
T 19	236	238	234	236	3/4		3	0					
F 20	235	235	229	283		3/4							
S 21	231	236	231	235		1/2			1	6 <sup>+</sup>		1 <sup>+</sup>	
T 24	284	237	233	287	2 <sup>+</sup>		16	0					
W 25	287	240	286	238		6 <sup>6</sup>							
T 26	237	238	235	236									4 <sup>+</sup>
F 27	232	236	232	236	6 <sup>+</sup>		0	3					
S 28	237	239	236	237		7 <sup>+</sup>			8 <sup>6</sup>	14 <sup>+</sup>			
M 1	239	247	238	245		8							15 <sup>+</sup>
T 2	247	248	242	245	4 <sup>+</sup>		3/4	0					
W 3	243	246	242	242		3		1 <sup>+</sup>					
T 4	250	252	247	248		6 <sup>1</sup>							9 <sup>+</sup>
F 5	248	251	248	249	4 <sup>5</sup>		0	0					
S 6	247	248	244	244		1/4		4	8 <sup>5</sup>	3 <sup>+</sup>			
M 8	242	242	234	236									5 <sup>+</sup>
T 9	282	236	239	235	13 <sup>3</sup>		0	5 <sup>2</sup>					
W 10	237	234	236	238		10 <sup>2</sup>							
T 11	238	241	283	236		2							12 <sup>+</sup>
F 12	239	289	232	234	9 <sup>+</sup>		0	14					
S 13	240	242	238	240		10 <sup>1</sup>			22 <sup>+</sup>	20 <sup>+</sup>			
M 15	240	243	238	238		1 <sup>+</sup>							11 <sup>+</sup>
T 16	234	241	237	241	5 <sup>+</sup>		0	1/2					
W 17	242	242	238	238									
T 18	284	234	236	236									
F 19	236	238	233	233									
S 20	233	233	229	231									
M 22	230	234	229	234									1 <sup>+</sup>
T 23	284	236	232	286		1 <sup>+</sup>		16					
W 24	236	234	235	238		5 <sup>+</sup>							
T 25	238	241	237	241		2 <sup>+</sup>							8 <sup>+</sup>
S 27	241	247	241	247		1/4		6	0	14 <sup>+</sup>	5 <sup>+</sup>		
M 29	247	247	243	245		6 <sup>+</sup>							
T 30	245	244	243	243									4 <sup>+</sup>
W 31	242	243	241	241		5		0	2 <sup>+</sup>				
A P R	241	245	241	246									
F 2	245	247	243	243									5 <sup>+</sup>
S 3	243	245	242	244		4 <sup>3</sup>		0	14 <sup>+</sup>	4 <sup>3</sup>	10 <sup>+</sup>		
M 5	245	247	244	246		5 <sup>2</sup>							
T 6	245	246	244	245									4 <sup>+</sup>
W 7	244	245	243	245		3		0	1				
T 8	245	250	245	249		6 <sup>2</sup>							
F 9	249	250	246	247									6 <sup>+</sup>
S 10	246	250	247	250		3 <sup>7</sup>		4	3/8	6 <sup>7</sup>	11 <sup>+</sup>		
M 12	251	251	248	244		5 <sup>1</sup>							
T 13	248	250	248	250									4 <sup>+</sup>
W 14	250	251	250	251		1/4		1	0		3/4		
T 15	251	253	250	252									
F 16	252	254	245	248									4 <sup>+</sup>
S 17	248	251	246	251		7 <sup>+</sup>		0	0	8 <sup>1</sup>	8 <sup>1</sup>		
M 19	252	252	249	250		6 <sup>2</sup>							
T 20	250	252	250	252									6 <sup>+</sup>
W 21	253	253	251	253		1		1	0		10 <sup>+</sup>		
T 22	251	251	247	247									
F 23	246	244	239	241									5 <sup>+</sup>
S 24	240	241	238	240		8		0	0	9	6 <sup>2</sup>		
M 26	240	240	236	238		1 <sup>+</sup>			2				
T 27	234	242	239	240		2							3 <sup>+</sup>

	WK				SSE				B-V	T-L
	O	H	L	C	O	R	BH	BU		
W 28	247	245	241	244	1		2	0		
T 29	245	246	246	246		6			1	
F 30	245	246	244	245					+	5
MAY 31	245	246	242	242	4		0	16	5	8
M 3	247	243	246	242		1		1		
T 4	246	247	244	246		3				4
W 5	247	248	246	247	3/4		1	0	1/4	
T 6	246	248	246	247		2			+	
F 7	246	247	244	245						3/4
S 8	246	246	242	242	4		0	2	5	3
M 10	242	244	242	243		1		1/4		
T 11	242	244	242	243						1
W 12	244	248	244	247	0		4	0	2	
T 13	247	249	246	247		5			+	
F 14	246	247	246	247						3
S 15	247	248	245	245	2		1/2	0	2	7
M 17	243	245	243	245		1/2		1		
T 18	245	247	244	246		1				2
W 19	246	248	246	247	1		1	0	1	
T 20	247	247	245	246		1		1/2		
F 21	246	247	244	246					1	2

SUMMARY

Closing Prices May 23, 1947	217 3/4	"	"	"	BU Buy Day Low under (Short Sale Low)	49	
Closing Prices May 21, 1948	244 1/4	"	"	"	BV Buy Day Low was Violated	34	
Long Pull Position (Gain Pts.)	26 1/2	Three (3) Day Swing Method					
Decline and Rally Column Pts.		Number	of	3	day	swings	100
Total Fluctuations	912 7/8	"	"	"	Gain Day Swings	89	
<b>DAILY TRADING</b>							
Approximately 35 times the Long Pull Position							
<b>BOOK TRADING</b>							
No. of Declines (Buying Days)	100	"	"	"	Gain Day Swings that sold thru 'T' on Sale Day	54	
" " Rallies (Selling Days)	100	"	"	"	Loss Day Swings	11	
Decline Pts. (Short Sales)	456	"	"	"	Gain Day Points	524 1/2	
Rally Pts. (Long Sales)	456 7/8	"	"	"	Loss Day Points	21	
No. of times Sale Day sold thru (BH)		"	"	"	Short Sale Points	456	
" " " Long Sales	55	Net Total Long Points					503 1/2
" " " SSE exceeded (Sale Day High)		Short Sale Points					456
" " " Short Sales	50	Total Long and Short Pts.					959 1/2
" " " BH exceeded (Short Sale)	49	No summary is made of the short sale points made from the short sale on Buying Day High made First					

CK '48'										CK											
					SSE B-V										SSE B-V						
1947	O	H	L	C	O	R	DH	BU	T-L	3	O	H	L	C	O	R	DH	BU	T-L	3	
MAY	143	144	142	143							55	161	163	163							
F23	143	144	142	143							M7	163	163	163							
S24	144	144	142	143	2		0	3			T8	164	166	164	2		0	0			
M26	144	145	143	143		3					W9	166	172	166	171		8	0			
T27	144	146	143	146		13					T10	172	177	172	174		4	0			
W28	144	152	148	152	0		8	0			F11	176	181	173	178	4		0			
T29	152	152	150	151		3					S12	178	180	176	178	7					
S31	150	150	144	149							M14	177	181	177	181		17				
JUN											T15	181	184	179	183	2		2	0		
M2	153	152	150	151	0		3	0			W16	181	184	179	181		6				
T3	154	154	153	155		6					T17	179	179	175	175						
W4	156	158	155	156		15					F18	174	177	173	176	5		0			
T5	157	157	155	155	3		0				S19	174	179	176	174		6				
F6	157	157	155	156		2					M21	181	184	178	181		4				
S7	157	157	154	154							T22	183	184	181	182	3		0			
M9	154	155	153	155	4		0	1			W23	182	185	182	183		4				
T10	155	157	153	156		3					T24	183	184	186	182						
W11	156	157	155	156		3/4					F25	181	182	180	180	4		0			
T12	158	160	153	154	4		2	2			S26	179	180	179	183		4				
F13	154	155	151	152		2		2			M25	183	184	181	181		5				
S14	153	154	152	153							T29	180	181	176	178	8		0			
M16	151	151	149	149	5		0	3			W30	180	182	180	181		6				
T17	150	152	150	151		4					T31	183	186	183	189		7				
W18	151	156	153	156		3					AUG										
T19	157	154	152	158	0		2	0			R1	191	193	184	190	4		3	0		
F20	156	158	154	155		1		1			S2	191	195	190	193		6				
S21	157	157	155	156							M4	199	201	196	201		5				
M23	156	155	152	158	1		1	0			T5	198	201	196	198	4		0			
T24	159	160	158	158		4					W6	199	203	197	197		6				
W25	158	161	157	160		1/2					T7	198	199	195	194						
T26	161	162	159	160	1		3	0			F8	202	206	202	206	0		7	0		
F27	160	161	158	159		1		3/4			S9	209	214	208	214		12				
S28	158	158	157	157							M11	213	218	206	208		4				
M30	157	160	157	160	7		2	0			T12	212	213	205	206	12		0			
JUL											W13	205	206	201	202		5/8				
T1	160	161	159	159		3					T14	204	206	204	207		13				
W2	154	160	158	154																	
T3	154	163	158	154	17		0	0													

CK				SSE				D.V		3
O	H	L	C	O	R	BH	BU			T-L
F15	225	225	228	213	0	7	0			
S16	225	225	228	210	7			2 <sup>5</sup>	7 <sup>5</sup>	
M18	228	228	225	216	3					10 <sup>7</sup>
T19	214	214	210	212	7	0	4 <sup>4</sup>			
U20	225	225	224	216	6				16	
T21	228	222	218	220	5				16	11 <sup>7</sup>
F22	224	224	222	222	0	4	0			
S23	223	226	220	226	4	16	7	11		
M25	214	221	218	218						1/2
T26	218	220	212	214	7	0	4			
W27	220	222	218	220	7				4	
T28	214	220	217	218						6
F29	217	223	217	220	2	0	1/2			
S30	221	222	221	221	5			10	12	
SEP										
T2	220	223	214	223	3/4					6 <sup>7</sup>
W3	224	228	222	227	0	4	0			
T4	227	228	225	226	4				5	
F5	225	228	226	228						3 <sup>6</sup>
S6	227	229	225	227	2	1	0	2	4	
M8	226	226	225	227	3		2			
T9	228	235	228	235	6					9 <sup>7</sup>
W10	237	243	235	240	0	7	0		6	
T11	221	222	235	235	8		3/4			
F12	235	227	227	230						1 <sup>4</sup>
S13	226	232	226	233	7	0	0	7	11	
M15	235	240	234	240	10					
T16	239	234	233	238						10
W17	238	238	234	236	5	0	0			
T18	230	232	228	228	0		6			
F19	227	224	220	220						4 <sup>4</sup>
S20	213	214	212	212	17	0	8	22	10	
W22	218	220	212	215	8					
T23	217	218	210	212						6 <sup>1</sup>
W24	212	212	207	212	11	0	3			
T25	213	217	210	214	10					

CK				SSE				D.V		3
O	H	L	C	O	R	BH	BU			T-L
F26	216	218	215	216						11 <sup>7</sup>
S27	218	221	218	220				2	0	11 <sup>5</sup> 18 <sup>1</sup>
M29	224	228	224	228				10		
T30	233	234	226	226				5		16 <sup>7</sup>
OCT										
W1	225	232	224	232	10			0	2	
T2	233	233	224	224				4		
F3	224	227	215	221						2 <sup>6</sup>
S4	218	214	216	217	10			0	2	21 20
M6	213	217	210	217				1	5	
T7	218	221	216	219				3		
W8	220	223	210	220	1			2	0	
T9	214	221	218	219				2	1	
F10	214	214	215	217						0
S11	221	223	220	221	0			4	0	1 3
T14	223	224	221	223				3		
W15	223	226	221	226				2		
T16	226	229	226	227				3	0	
F17	227	227	224	224				1	1	
S18	224	224	224	228						2 5 1
M20	227	228	222	228	0			4	0	
T21	229	230	227	228				4		
W22	227	227	225	226						1 <sup>2</sup>
T23	225	226	222	224	5			0	3	
F24	221	221	216	216				0	5	
S25	218	218	212	215						5 4 3
M27	215	216	213	215	5			0	0	
T28	215	214	215	214				5		
W29	214	220	212	214				1		
T30	214	216	211	216	9			0	2	
F31	217	221	216	221				4		
NOV										
S1	222	223	220	221				2		14 15 11
M3	220	222	219	221				4		
T4	221	222	220	223				4		
W5	224	226	224	226				3		
T6	226	227	223	225	3			3	3	



CK				SSE B-V				CK '48'				SSE B-V							
O	N	L	C	O	R	B	BU	O	N	L	C	O	R	B	BU				
F 7	220	227	225	227				1947	DEC 20	256	254	253	253	0	3	0	15	11	
S 8	223	224	227	225	4		7	M 22	258	258	254	255	2		1				
W 10	223	225	225	220	3	0	2	T 23	255	257	253	254							
W 12	220	220	225	224	4		4	W 24	254	254	249	250	7	0	3				
T 13	224	220	228	224	3		4	F 26	244	244	247	248	0		2				
F 14	226	228	222	227	5	0	3	S 27	248	251	248	251	1			7	2		
S 15	226	223	226	232	7		9	M 29	250	251	249	251	17		3	0			
M 17	224	223	228	233	7			T 30	251	252	251	252	3						
T 18	233	238	233	230	8	5	0	W 31	252	253	251	252	3						
W 19	237	234	236	238	6		13	JAN 1	252	253	251	253	1	3	2	3	3		
T 20	236	240	235	240	1		13	F 2	252	253	251	253							
F 21	240	245	244	244	2		0	M 5	251	251	250	256	5						
S 22	244	246	243	245	6		17	T 6	256	257	253	254	3		0				
M 24	245	250	245	249	3			W 7	254	257	251	257	3		0				
T 25	250	251	244	245	5	1	1	T 8	257	258	256	257	4						
W 26	247	244	242	248	4	2	7	F 9	258	260	257	260	2						
F 28	242	250	244	255	7			S 10	261	261	260	261	3	1	0	3	10		
S 29	253	255	251	253	4	0	10	M 12	262	263	261	265	5						
DEC 1	253	253	251	253	5			T 13	265	267	263	267	1						
T 2	251	252	248	250				W 14	266	264	265	267	1	2	0				
W 3	250	250	249	253	4	1	0	T 15	266	264	265	264	1						
T 4	253	252	253	255	6		7	F 16	264	270	268	270	3		0	5	4		
F 5	253	251	246	247				S 17	268	264	267	267	3		0	1	5	4	
S 6	247	244	247	246	11	0	17	M 19	267	267	263	263	1	4	3				
M 8	246	244	246	244	4		4	T 20	263	265	262	265							
T 9	250	253	244	251	4		4	W 21	266	264	265	267	1	3	0				
W 10	252	255	251	255	1	2	0	T 22	267	268	264	267	2						
T 11	255	256	251	253	3	1	1	F 23	268	264	265	265	1						
F 12	251	253	244	250				S 24	264	266	267	266	5	0	1	5	2		
S 13	249	251	243	251	4	0	14	M 26	264	264	254	254	3	4	4				
M 15	251	254	251	251	5			T 27	254	267	252	255							
T 16	251	251	251	253	1			W 28	258	258	253	258	8	0	0				
W 17	254	256	252	256	1	1	0	T 29	258	258	254	256	5						
T 18	255	252	255	256	5			F 30	255	256	252	252							
F 19	254	256	253	256				S 31	252	252	250	252	5	0	1	14	5		
								DEC 2	252	252	244	251	2		1				

CK										CK													
O	H	L	C	D	R	B	BU	T-L		O	H	L	C	D	R	B	BU	T-L					
T 3	251	252	247	247					1	W 17	221	222	218	218					6				
W 4	246	247	234	236	12		0	7		T 18	218	219	213	214									
T 5	233	233	231	231		0		8		F 19	215	216	217	213	6		0	3	4				
F 6	223	226	222	223					13	S 20	214	216	209	211		17		3	1				
S 7	217	217	215	215	10		0	8	23	26	M 22	211	211	210	215					3			
M 9	215	223	211	221							T 23	215	216	213	216	2		2	0				
T 10	220	220	213	213					4	W 24	215	217	215	216		3			1				
W 11	205	205	205	205	4		0	8		-19	T 25	216	216	214	216								
F 13	197	200	197	197		0		8		S 27	216	220	216	219		0	3	6	0				
S 14	200	203	192	192					14	5	16	M 29	220	220	218	220							
M 10	200	200	196	200	5			0			T 30	219	220	218	218								
T 17	208	204	205	200					11			W 31	216	217	215	215	5		0	2			
W 8	205	210	205	210					3	4		APR	215	221	215	221		6					
T 19	211	213	206	211	3		3	0			15	11	T 1	215	221	215	221						
F 20	211	212	207	209					2			F 2	221	222	218	218							
S 21	209	212	208	211					6	13	2	S 3	217	219	216	210	5		0	14	10	10	
T 24	211	216	210	216	1			0				M 5	220	222	218	220							
W 25	216	214	216	218					9	21	0	T 6	220	221	218	218							
T 26	218	218	215	217						1	8	8	W 7	218	221	217	220	3			8	3	4
F 27	215	216	213	216	4		0	14				T 8	221	226	221	226							
S 28	217	221	216	220					7			F 9	226	228	225	225							
M 1	221	228	221	227								S 10	225	226	225	224	3		1	0	6	13	
T 2	227	226	224	226	3		3	0				M 12	224	225	226	226							
W 3	224	224	223	226					5			T 13	226	226	226	228							
T 4	224	223	228	228					1			W 14	224	230	228	230		1	14	0			
F 5	224	230	228	228	3		0	0				T 15	230	234	230	233							
S 6	228	228	224	222					1			F 16	233	234	224	225							
M 8	222	222	216	216								S 17	225	227	223	227	11		0	17	11	10	
T 9	210	214	208	213	14		0	7				M 19	224	224	222	224							
W 10	215	217	214	216					9			T 20	224	225	221	223							
T 11	216	218	209	212					1			W 21	224	227	222	226	3						
F 12	213	213	207	210					11			T 22	224	224	221	221							
S 13	215	218	214	218					11			F 23	221	221	215	216							
M 15	218	222	217	219								S 24	215	214	216	216	6		0	2	9	8	
T 16	214	221	218	220	5		0	0				M 26	215	215	212	215							
												T 27	216	214	216	217							

	CK				SSE				B-V	3
	O	H	L	C	O	R	BH	BU		
W28	218	221	218	221	3/4		2 <sup>+</sup>	0		
T29	221	223	220	221		4 <sup>+</sup>			+2 <sup>+</sup>	
F30	220	220	218	220						
MAY 31	220	222	219	219	1 <sup>+</sup>		1 <sup>+</sup>	0	2 <sup>+</sup> 5	
W3	218	220	217	219		1		1 <sup>+</sup>		
T4	221	222	220	221		2 <sup>+</sup>				
W5	223	224	222	223	0		2	0	1/2	
T6	222	224	221	223		2 <sup>+</sup>		1/2	1/2	
F7	223	223	221	222						
S8	222	222	218	218	5 <sup>+</sup>		0	0	5 <sup>+</sup> 3 <sup>+</sup>	
W10	218	221	218	221		3				
T11	220	220	220	225		4 <sup>+</sup>				
W12	226	232	226	232	0		6 <sup>+</sup>	0	+10 <sup>+</sup>	
T13	232	232	234	229		6 <sup>+</sup>				
F14	229	232	228	231						
S15	232	233	228	229	3 <sup>+</sup>		1 <sup>+</sup>	0	3 <sup>+</sup> 9 <sup>+</sup>	
W17	228	232	227	230		3 <sup>+</sup>		1 <sup>+</sup>		
T18	230	233	229	233		1 <sup>+</sup>				
W19	232	234	231	231	2 <sup>+</sup>		1	0	+3 <sup>+</sup>	
T20	232	235	231	233		3 <sup>+</sup>		1/4		
F21	234	236	232	233		1 <sup>+</sup>			2 <sup>+</sup> 7	

SUMMARY

Closing Prices May 23, 1947	143	"	"	"	Buy Day low under
Closing Prices May 21, 1948	233	"	"	"	(Short Sale Low) 42
Long Pull Position (Gain) Pts.	90	"	"	"	BV Buy Day Low was Violated 39
Decline and Rally Column Pts.					Three (3) Day Swing Method
Total Fluctuations	895 <sup>3/8</sup>				Number of 3 day swings 100
					" Gain day swings 88
					" Gain day swings that sold thru
					" 'T' on Sale Day 57
					" Loss day swings 12
					" Gain day points 567
					" Loss day points 361 <sup>1/4</sup>
					" Short Sale points 416 <sup>3/8</sup>
					Net Total Long Points 530 <sup>3/8</sup>
					Short Sale Points 416 <sup>3/8</sup>
					Total Long and Short Points 947 <sup>3/8</sup>

No summary is made of the short sale points made from the short sale on Buying Day High made First

# **THIS PORTFOLIO**

Contains a revised, reprint from copyrighted  
**TAYLOR TRADING TECHNIQUE**  
**FOR TRADING IN STOCKS**

This illustration is from a trading-book started after an 8 point decline in the RR: Averages -- DI, and worked forward from the low of the stock (51 3/8): the lowest point reached during the first 10 days of trading.

1951	VOL	H	NP	L	C	O	R	DR
OCT 5 27	14.9	55	51 <sup>3</sup>	52 <sup>2</sup>	4 <sup>7</sup> / <sub>8</sub>			VLXX AL CD
M 29	31.8	53 <sup>6</sup>	51 <sup>5</sup>	53 <sup>3</sup>		2 <sup>3</sup> / <sub>8</sub>		VLX <sup>MO</sup> VLVHRL CU
T 30	11.0	55 <sup>2</sup>	53 <sup>4</sup>	53 <sup>5</sup>				VLX CU 3 <sup>7</sup> / <sub>8</sub> T
W 31	15.8	55 <sup>4</sup>	53 <sup>4</sup>	55	2 <sup>1</sup> / <sub>4</sub>			VLX CU
NOV 1	11.0	56 <sup>3</sup>	55 <sup>4</sup>	55 <sup>6</sup>		3 <sup>3</sup> / <sub>8</sub>		VLX CU
F 2	7.5	55 <sup>6</sup>	54 <sup>3</sup>	54 <sup>6</sup>				VSXX TR CD 2 <sup>3</sup> / <sub>4</sub>
S 3	2.9	54 <sup>4</sup>	53 <sup>5</sup>	54	2 <sup>1</sup> / <sub>8</sub>			VSXX CD
M 5	3.9	55	53 <sup>6</sup>	53 <sup>7</sup>		1 <sup>3</sup> / <sub>8</sub>	X	VSXX CD
W 7	6.3	54 <sup>4</sup>	52 <sup>5</sup>	52 <sup>5</sup>				VSXX CD 7 <sup>8</sup>
T 8	10.1	53 <sup>7</sup>	52 <sup>4</sup>	53 <sup>6</sup>	2			VLXX <sup>MO</sup> VLVHRL CU
F 9	6.4	54 <sup>7</sup>	54	54 <sup>2</sup>		2 <sup>3</sup> / <sub>8</sub>	^	VSX CU
S 10	1.9	54 <sup>6</sup>	54 <sup>4</sup>	54 <sup>6</sup>				VSX CU 2 <sup>1</sup> / <sub>4</sub>
T 13	3.7	55	54 <sup>2</sup>	54 <sup>2</sup>	1/2			VSX CD
W 14	3.2	54 <sup>5</sup>	54 <sup>1</sup>	54 <sup>1</sup>		3/8		VSX TR CD
T 15	5.4	55 <sup>2</sup>	54 <sup>4</sup>	54 <sup>4</sup>				VLX CU / T
F 16	8.2	56	53 <sup>6</sup>	56	1/2			VLX CU
S 17	10.6	58 <sup>3</sup>	56 <sup>7</sup>	57 <sup>6</sup>		4 <sup>5</sup> / <sub>8</sub>		VLX TR NH CU
M 19	24.1	59 <sup>2</sup>	57 <sup>2</sup>	59 <sup>1</sup>				VLX MU CU 5 <sup>1</sup> / <sub>2</sub> T
T 20	22.1	60 <sup>2</sup>	58 <sup>2</sup>	60	1			VLX <sup>MO</sup> MU CU
W 21	33.8	61 <sup>7</sup>	59 <sup>6</sup>	59 <sup>6</sup>		3 <sup>5</sup> / <sub>8</sub>		VLX <sup>MU</sup> MO CD

### ABBREVIATIONS USED IN TRADING

- |   |   |
|---|---|
| CD—closed down on day or previous close       | TR—trend reversal (supplementary rule)  |
| CU—closed up on day or previous close         | X—up-trading area   |
| NH—new high, since last trend high            | XX—down-trading area  |
| NL—new low, since last trend low              | V—volume; represents all factors combined; movement; price changes; news, etc., modified as large VL, or small VS (used comparatively to previous daily volume) |
| HB—higher (support) bottom, or last trend low | VLX—increasing on rally   |
| MU—mark-up, big support buying (comparative)  | VSX—decreasing on rally   |
| MD—mark-down, big selling (comparative)       | VLXX—increasing on decline  |
| RH—real high, on greater or less volume       | VSXX—decreasing on decline  |
| AH—actual high, on greater or less volume     |   |
| RL—real low, on greater or less volume        |   |
| AL—actual low, on greater or less volume      |   |

Used daily the symbols form an important concise record of the movement. At places of abnormal increased volume, important — trend change may be near. MU/MD shows big buying, immediately reversed at high into big selling, as shown by closing price of day. MU first big selling, then big buying, as shown at close.

PLACE THIS SHEET ALONGSIDE PAGES FOR READY REFERENCE

The records of the past, for many years, show the market to have a definite 1-2-3 rhythm, varied at times with an extra beat of 1-2-3-4 and at times 5. These figures represent days. The market goes up 1-2-3 days, then reacts; the 4th and 5th figure is the variation when it runs that extra day or two on the way up or down, in both bull and bear trends. This 1-2-3 beat of the market subject to these occasional variations (usually caused by internal market conditions and news announcements—also, at the climax of extended trends up or down) occur with surprising regularity. So it would seem that the same methods of manipulation used in the past—in starting and continuing a trend—are still used today. That is buying and then selling, every third or fourth day in an up-trend and reversed in a downtrend. Three days are considered as a trading cycle for active traders; who will be guided by the action around their buying and selling objectives. Those who are using the longer term trends will take their cue from the signs present at the trend change points—explained in the latter pages. Can be recorded in an ordinary 5 3/4" x 3 3/4", ruled note book by drawing the perpendicular lines to form the columns. The example, opposite page, is a record of the actual trading in this stock. Observe the markings!

#### TO MAKE-UP TRADING BOOK:

First head-line it with the year, above first column, then in the first column put in the month, starting day and date.

The next four columns are for Volume, High, Low, and Closing Prices.

These entries are recorded daily for a period of Ten (10) Days; then the lowest price reached during this period is ringed, and termed a Buying Day.

Working backward or forward from this low; the two ringed prices under the "F" are termed 1st and 2nd Selling days. The 1st follows a Buying Day, and the 2nd precedes it.

A trading book started from any date should always be made-up in the above manner, so that it reads: A Buying Day, 1st Selling Day, 2nd Selling Day, then a Buying Day, 1st Selling Day, 2nd Selling Day; then a buying Day, etc.

The book is always kept in this same order: **never change the continuity from the way it was started.** No lines are left open for Sundays or Holidays; the market is considered a series of continuous trading sessions, without a break.

#### THE (D) COLUMN—DECLINE COLUMN

This column shows the unit of decline from the high of previous day (2nd Selling Day) to low of Buying Day. (See Oct. 27-31, etc.).

When no decline occurs: put in a Zero.

The zero does not occur often, but when it does it shows higher support above the low of previous day, and it generally means nearby higher prices, for a day, and at times longer. (See Dec. 5, Feb. 8).

When the decline unit is large; the rally unit is generally small. (See Oct. 27-29, Dec. 8-10, Feb. 5-6).

#### THE (R) COLUMN—RALLY COLUMN

This column shows the extent of the rally from low of Buying to the high of 1st Selling Day, and the amount of decline in "D" column, recovered. (See Oct. 29, Nov. 1, etc.).

When no rally occurs: put in a Zero.

The zero does not occur often, but when it does it shows lower support, under the low of previous day, and it generally means nearby lower prices, for a day, and at times longer.

When the decline unit is small; the rally unit is generally large. (See Nov. 16-17, Dec. 16-17, Dec. 5-6, Mar. 27-28).

(The "D" and "R" columns are used by the tape-reading traders. Using the low of Buying Day and high of 1st Selling Day, as their buying and selling objectives.)

#### THE (3 D R) COLUMN—THREE DAY RALLY COLUMN

This column shows the extent of the rally from low of Buying Day to high of 2nd Selling day.

When the swing shows a loss; put in the loss unit with the "L" beside it. (See Jan. 31, April 2).

When the rally shows a gain; put in the gain unit only. When the rally shows a gain, exceeding the high of 1st Selling Day, put in the gain unit and the "T" alongside—meaning "sold through" the high or previous day. These are strong rallies, in most cases, but when the unit is comparatively large, it shows a comparative big interest and volume in the stock; and many times it occurs, at, or prior to the

start or reversal or an uptrend. (Nov. 27, Feb. 7, March 29).

The Trend Line of the stock is drawn alongside the Date column. Use a Blue line for an uptrend and Red for downtrend. This line points out the actual highs and lows of Trading Areas. Between the arrow-heads "U" means up, "D" down.

The action around tops and bottoms of trading areas, intermediate and primary swings are explained in the latter pages; the following is a supplementary rule to this action, and can generally be seen near the trend change points, usually the day after high or low: has been made:

So long as the price on the rally continues to make a new high, with the price on the reaction holding above the last low, with the price on the next rally going higher than the last high—the trend is UP. Failure of the price on the rally to make a new high, with the price on the reaction going lower than the last low—would reverse the trend to Down (See Nov. 2-14-17-23, Dec. 3-7, Feb. 4-11, Mar. 27-31).

All extended trends are interrupted by trading declines and rallies, and they, also, show this "rule" action at the reversals—a trader expects them, but does not try to capitalize all of them, not if he is trading the longer swings. He knows they are of a temporary nature, if in the early stages of the main movement. These minor movements, show the same general characteristics and pattern, but they, also, have a distinguishing action. They show in a less pronounced degree: increased volume, at the tops and bottoms, compared to the previous daily trading.

The salient features of important tops and bottoms: big market participation; interest in the stock; fast mark-ups, or down; big intersession price changes (see units in the 2 day column), and volume—are lacking.

These factors are noticeably absent after the minor trend changes and as the decline continues, and at the low, the volume may or may not increase before the trend again changes, but (generally it does. After the trend changes the volume shows a progressive increase as the rise is resumed—when the major movement is to be continued. During these corrective periods the trend is contained between the last important high and low, and can go either way, up or down, but in the early stages of the major movement it can be assumed as, up. The price of necessity fails to make new highs with

the lows going lower during this period, and the low may again approach or equal the low made at the last trend decline, but so long as this low holds, and is not broken, the major trend is, up. Although, this intervening minor trend is down. (See the period between Nov. 2-8, Nov. 9-21). A trader should use as his guide: the points, percentage move from last low, and the length of time the trend has been running, since the last important high or low—then be on the alert for the trend change signals.

When a major trend has been extended: with an active market, high prices, big price changes, with greatly increased volume: with a probable run of 1-2-3 days or more, with successive new highs: then those who sell at the sign of the "TR" rule will not get the top eighth, neither, will they have cause for regrets. (See Mar. 27-28-29, Dec. 4-5-6-7). The first heavy selling sinks the price: explained in latter pages. (A graphic or picture chart can be made from the trading-book and may help show this action better, however, the tabular form is more attention compelling for comparing volume, price changes, and the interpretation of the daily movement.)

When the zero or loss unit occurs, the result is a loss on the trade: to be consistent a trader is compelled to sell, in anticipation of an imminent decline from high of 2nd Selling Day, to low of Buying Day. (See Mar. 31 low to Apr. 2 high).

The Zero and "L" swings generally appear in downtrends: but when they occur in uptrends the loss is generally less than one-point. Out of each 100 successive (decline rally) 3 day swings examined: the loss swings occurred 12 times on an average. Of the total swing points, the loss points were about 3% of the gains.

This column will show the fluctuations in a stock, and whether the stock selected or trading the 3 day swings, has wide enough movement. Try other stocks.

## THE (X) ( ) ARE TREND INDICATORS

The "X" means the trading objective high or low was made FIRST.

The " " means the trading objective high or low was made LAST.

These marks point the probable trend, prices, will, take between the trading sessions—and are placed in the circles of a Buying Day and both Selling Days, at the close of the market.

The most important part of active trading: buying

or selling, or buying stocks for trend trading (when buying you "fee:" your way into the market; at tops you sell in bulk—if you can) is to determine the trend of prices.

The Real Trend is the trend between the lows of buying days and the highs of selling days, and the trend to be determined, as distinguished from the many currents, smaller rallies and declines—for instance the low of day may be 50 and the established high 53, with the price trading between the two points as, 51 3/4. After these deviations the price will swing back to the real trend, through either 50 or 53, depending on the way the trend is headed. These fractional or point trends interfere and confuse a trader but do not change the ultimate direction of price toward the highs or lows the trading objectives.

(The uninformed trader buys into the market on a reaction or low point and by luck he hits the real trend just as the price starts to rally; then he sells with a few points profit, but on his next trade he buys or sells one of these cross-currents and the trade promptly shows a loss: not only, of the recently won gains, but it takes a "bite" out of his capital, and after a few trades of this kind he has a losing average.)

#### Example of Objectives made FIRST:

Suppose the price reacted from the high or 2nd Selling Day, then on the Buying Day made a low early in the session; then began to rally and traded the remainder of the session between the high and low, with the closing price nearer the high, than the low. The "X" would be placed in the Buying Day circle indicating the low was made FIRST. The trend at the close would be considered as, up. (See Oct. 30-31).

The opening of 1st Selling Day would generally be up and continue higher, with a probable penetration of the high or previous day. Then a decline, with a rally failing to reach the last high, with the close nearer the low. The selling objective would be made FIRST and an "X" placed in the 1st Selling Day circle. A trader would sell—at, and above the high of previous day—Buying Day—and would be out of the market, if he was using the 1st Selling Day as his objective. (See Nov. 1.).

#### Example of Objectives made LAST:

Suppose the price declined from high of 2nd Selling Day, made a low, then began to rally and closed up from this low, and at the opening, next day, was higher; making the high first on Buying Day; then declined during the remainder of the session with the close nearer the low of the day. The buying objective would be made LAST and a "X" placed in the Buying Day circle. The trend at the close would be considered as, down. (See April 2-3-4).

Suppose the low was made first on Buying Day, then rallied, with the close nearer the high of the day. The trend at the close would be considered as, up; at times the opening, next day, is down or opens at the previous closing price—this is due in part to a preponderance of "bunched" selling, over buying orders put in before the opening. After the opening the price holds or sells-off a little then rallies and makes the high of day. The "X" would be placed in the 1st Selling Day circle indicating that the high was made LAST. A trader would sell at this 'high on the penetration—in this case—or failure to penetrate the high of previous day. (See Mar. 27-28)

When the buying and selling objectives are made FIRST, a trader is in-and-out without much delay, but when they are made LAST the move consumes more time and he must watch the entire trading session in order to complete the trade.

Trading would be easy if all FIRSTS and LASTS of the 3 day cycle were made, each in sequence, with penetrations. Unfortunately we get cycles of mixed symbols "X" and " " with failures to penetrate at highs and lows of objective points, and these are caused by the cross-currents—detour trends—carrying over from one trading session into the next. Since a trader cannot make the market in a stock; (this is the job of the 'Specialist' in a stock) he tries to follow it, and to anticipate the buying and selling—when and where—by the Specialist, on the trading floor of the Exchange.

#### A BUYING DAY EXAMPLE:

At the opening of the market, notice whether the price was up and continued higher making the high FIRST, or whether it opened down and is declining further, making low FIRST. Making the high FIRST expect selling from this point and a reaction to follow on an up-opening, wait. Do not buy. Tape-traders don't buy on "bulges", they



know a rally is limited and perhaps in the 3rd or 4th day up, from the last Buying Day low or under it.) On a down-opening observe the spread from high of previous day, to low of present decline, and at this low, if the price is under the low of previous day. By checking back over the units in the "D" column a comparison can be made to determine the extent of this present decline, and gauged as a normal trading decline, or a severe reaction—perhaps following a change of trend.

The normal trading decline will generally stop: at, a little above or below the low of previous day—the low of 2nd Selling Day. The "buying spot" is around this low point when the activity quiets down and the trading becomes listless and dull. At times, the trading may be sort of "bouncy" above this low. Then again the decline may be precipitous, make a low, with a fast rally, then a slower decline falling short of the last low. From this low the rally often starts with each transaction decline failing to reach the last low, in other words, the price holds these small rally gains. From either of these kinds of lows, expect the rally to continue, which would show the real trend as, up.

The severe decline from high of previous day may continue throughout the Buying Day session, with little or no rally, with the closing price very near or on the low of day. This is a "flat" closing and the indications are for nearby further decline, in most cases, only occasionally is it profitable for the one day trader to buy a low made Last. Wait for the next Buying Day. Never start a trade in any case unless it favors your "play". (This is not so with the 3 day trader, who buys, then holds on through the intervening action, rallies and declines until his objective is reached—the high of 2nd Selling Day—where he sells with a profit, or loss.)

#### A SELLING DAY EXAMPLE:

When the low is made FIRST on a Buying Day, with the closing price nearer the high of the day; expect an up-opening, or higher prices, with a penetration of the high of previous day. Sell at-the-market—at, through and above this high. When using the 1st Selling Days the objective. (See Oct. 31 to Nov. 1).

(On either Selling Day, 1st or 2nd), should you sell too soon after a penetration you lose some of your probable profits. Expect not only slight but deeper penetrations of the highs, because the "tops" must

be broken and be progressively higher in uptrend trading areas.

The activity of the market in the stock is a good sign to watch—whether increasing or decreasing on the rise, after penetration, also, after small "D" column decline units.)

From a high closing on Buying Day, when the opening next day is up, and with a wide gain; sell at-the-market, without waiting for the next transaction to appear on the tape, after the opening price. The price may go higher after you sell. So what? The opening price may be the high and is many times, and a decline may start from this high that could be the beginning of a down trend. (By so doing you get a profit and perhaps the major part of the rally.) (See Nov. 20 to 21).

From a high close of Buying Day; then should this gain at the close, be partly lost by a down-opening next day, or opens at the closing price of previous day; sell at-the-market without waiting for the next transactions on the tape. (See Dec. 5-6. Here 67 was made first; 70 1/2 LAST. Also March 27-28, here the low 88 7/8 was made first, at the opening, at the same price as previous close; 94 1/4 was made LAST). December 5 and March 27, were big intrasession rallies and experienced traders sell on an action of this kind, before the close; others put their orders in before the opening, next day, hoping to catch the top of the rally on a higher opening. Generally the price opens down or at the previous close, then rallies, when headed higher.

On wide up, or stalled openings, a trader acts immediately upon seeing the opening price. Should the following prices be up, his order is "in" and will be executed on the rising trend, and he gets a little more of the rally. Should the following prices be down he loses only part of his gain—his order is "in"—in time to "duck the real sell-off", and he will be out of the stock, and probably at the very inception of a declining trend. (Many traders at this point do nothing—if the price starts up after the opening, they wait to see what will happen; if it starts down, they wait for a rally to "get-out"—most likely the expected doesn't happen, either way, and the result is a greater loss.)

From the low of Buying Day there will be thousands of transactions on the tape between and before the price reaches the high of 2nd Selling Day—three sessions in the future—a trader using the 3 day swing, while interested in this action, will be more concerned with the action around the lows of

Buying Days and the highs of 2nd Selling Days. (This is a more or less mechanical method of trading, but, the records show it to be profitable and a trader can win on balance, but the lot of the active trader is hard... the big money is in the big swings.)

Northern Pacific Ry--(NP)--is used as an example, throughout, because it is representative of all the features required in a stock for active, intermediate, and primary trend trading--price appreciation. The illustrations show only the approach to highs and lows of the swings, that is, a few days prior to and after they have been made. The places of major and minor trend changes. Records can be obtained from back-number newspapers at any of the public libraries and a fill-in can be made of the entire movement in this stock.

The longer record will show the swings of a week or more, and where the pressure was applied, in a more or less degree, at tops, and support at bottoms, of these smaller movements. The trading characteristics remain the same, it's only a matter of extent of the movement--big or little.

The sole purpose is to point out a trading method—no "tip" is intended: a trader must make his own selections and he will find many stocks that are acceptable, if he will make-up a book on them and study it.

1951	VOL	H	L	C	O	R	3
							DR
NOV F16	8.2	56	(53 <sup>4</sup> )	56	1 <sup>1</sup> / <sub>2</sub>	X	VLX CU
S17	10.6	(58 <sup>3</sup> )	56 <sup>4</sup>	57 <sup>6</sup>	4 <sup>5</sup> / <sub>8</sub>		VLX TR NH CU
M19	24.1	(59 <sup>2</sup> )	57 <sup>2</sup>	59 <sup>1</sup>			VLX MU CU 5 <sup>1</sup> / <sub>2</sub> T
T20	22.1	60 <sup>2</sup>	(58 <sup>2</sup> )	60	1		VLX <sup>MD</sup> / <sub>MU</sub> CU
W21	33.8	(61 <sup>7</sup> )	59 <sup>6</sup>	59 <sup>6</sup>	3 <sup>5</sup> / <sub>8</sub>		VLX <sup>MU</sup> / <sub>MD</sub> CD
F23	23.5	(59 <sup>7</sup> )	57 <sup>5</sup>	58 <sup>2</sup>			VLXX TR MD CD 5 <sup>1</sup> / <sub>8</sub>
S24	5.3	57 <sup>6</sup>	(56 <sup>6</sup> )	56 <sup>6</sup>	3 <sup>1</sup> / <sub>8</sub>		VSXX CD
M26	9.8	(58 <sup>7</sup> )	56 <sup>6</sup>	58 <sup>5</sup>	2 <sup>1</sup> / <sub>8</sub>		VLXX <sup>MD</sup> / <sub>MU</sub> CU
T27	13.1	(60 <sup>1</sup> )	58 <sup>5</sup>	59 <sup>7</sup>			VLX CU 3 <sup>3</sup> / <sub>8</sub> T
W28	13.8	61 <sup>2</sup>	(58 <sup>3</sup> )	58 <sup>3</sup>	1 <sup>3</sup> / <sub>4</sub>		VLX CD

\*From low 51<sup>1</sup>/<sub>2</sub>, Oct. 27, to high 61<sup>7</sup>/<sub>8</sub>, Nov. 21

1951	VOL	H	L	C	O	R	3
							DR
NOV T29	9.4	(61)	59 <sup>1</sup>	61	2 <sup>5</sup> / <sub>8</sub>		VSX CU
F30	37.7	(63 <sup>3</sup> )	61 <sup>7</sup>	63 <sup>2</sup>			VLX MU NH CU 5 T
DEC S1	4.7	63 <sup>5</sup>	(63 <sup>1</sup> )	63 <sup>1</sup>	1 <sup>1</sup> / <sub>4</sub>		VSX CD
M3	8.3	(63 <sup>1</sup> )	61 <sup>6</sup>	62	0		VLX TR CD
F4	17.4	(64 <sup>4</sup> )	62 <sup>3</sup>	64 <sup>4</sup>			VLX MU CU 1 <sup>3</sup> / <sub>8</sub> T
W5	36.2	68 <sup>4</sup>	(64 <sup>5</sup> )	68 <sup>4</sup>	0		VLX MU CU
T6	51.0	(70 <sup>4</sup> )	67	69 <sup>7</sup>	5 <sup>1</sup> / <sub>4</sub>		VLX TR AH <sup>MD</sup> / <sub>MU</sub> CU
F7	47.8	(70 <sup>2</sup> )	66 <sup>2</sup>	66 <sup>5</sup>			VLXX TR MD CD 5 <sup>1</sup> / <sub>8</sub>
S8	11.8	68 <sup>2</sup>	(66 <sup>7</sup> )	68 <sup>2</sup>	3 <sup>3</sup> / <sub>8</sub>		VSXX CU
M10	11.2	(68 <sup>7</sup> )	67 <sup>5</sup>	68	2		VSXX CD

From low 56<sup>1</sup>/<sub>4</sub>, Nov. 26, to high 70<sup>1</sup>/<sub>2</sub>, Dec. 6

1952	VOL	H	L	C	O	R	3
							DR
JAN T31	12.1	(62 <sup>2</sup> )	60 <sup>5</sup>	61 <sup>4</sup>			VLXX CD 3 <sup>1</sup> / <sub>4</sub> L
FEB F1	7.4	61 <sup>6</sup>	(61)	61 <sup>1</sup>	1 <sup>1</sup> / <sub>4</sub>		VSXX CD
S2	1.1	(62)	61 <sup>2</sup>	61 <sup>5</sup>	1		VSXX CU
M4	8.6	(61 <sup>7</sup> )	60	60 <sup>1</sup>			VLXX TR CD 7 <sup>1</sup> / <sub>8</sub>
T5	14.1	60 <sup>2</sup>	(59)	59 <sup>3</sup>	2 <sup>1</sup> / <sub>8</sub>		VLXX AL CD
W6	8.6	(60 <sup>5</sup> )	59 <sup>3</sup>	59 <sup>3</sup>	1 <sup>5</sup> / <sub>8</sub>		VSX CD
T7	18.0	(63 <sup>1</sup> )	60 <sup>2</sup>	62 <sup>5</sup>			VLX RL HB CU 4 <sup>1</sup> / <sub>8</sub> S
F8	37.0	66	(63 <sup>4</sup> )	65 <sup>2</sup>	0		VLX CU
S9	3.5	(65 <sup>3</sup> )	64 <sup>6</sup>	65	1 <sup>1</sup> / <sub>8</sub>		VSXX CD
M11	10.5	(64 <sup>7</sup> )	64 <sup>3</sup>	64 <sup>6</sup>			VLXX TR CD 1 <sup>3</sup> / <sub>8</sub>

From high 70<sup>1</sup>/<sub>2</sub>, Dec. 6, to low 59 Feb. 5

1952	VOL	H	L	C	O	R	3
							DR
MAR T25	5.3	(83 <sup>2</sup> )	81 <sup>6</sup>	81 <sup>6</sup>	1		VSX CD
W26	4.3	(82 <sup>7</sup> )	81 <sup>4</sup>	82			VSX CU 5 <sup>1</sup> / <sub>8</sub>
T27	33.9	89	(82 <sup>4</sup> )	88 <sup>7</sup>	3 <sup>1</sup> / <sub>8</sub>		VLX TR MU CU
F28	34.1	(94 <sup>2</sup> )	88 <sup>7</sup>	92 <sup>1</sup>	11 <sup>1</sup> / <sub>4</sub>		VLX MU RH CU
S29	11.7	(94 <sup>3</sup> )	92 <sup>7</sup>	93 <sup>6</sup>			VSX AH CU 11 <sup>1</sup> / <sub>8</sub> T
M31	14.5	93 <sup>6</sup>	(91 <sup>5</sup> )	92 <sup>4</sup>	2 <sup>3</sup> / <sub>4</sub>		VLXX TR CD
APR T1	19.0	(93 <sup>2</sup> )	88 <sup>5</sup>	89 <sup>4</sup>	1 <sup>5</sup> / <sub>8</sub>		VLXX CD
W2	10.5	(90 <sup>6</sup> )	88 <sup>3</sup>	89 <sup>6</sup>			VLXX CU 7 <sup>1</sup> / <sub>8</sub> L
T3	5.2	92 <sup>7</sup>	(90 <sup>1</sup> )	91	5 <sup>1</sup> / <sub>8</sub>		VSXX CU
F4	10.7	(91)	88 <sup>5</sup>	89	7 <sup>1</sup> / <sub>8</sub>		VLXX CD

From low 59 Feb. 5, to high 94<sup>1</sup>/<sub>2</sub>, Mar. 29

"This drawing was started from Nov. 16, to concentrate the attention, to the action prior to and immediately after the high of an intermediary movement.

PLACE THIS SHEET ALONGSIDE PAGES FOR READY REFERENCE

## TREND TRADERS

The Investor-Speculator, Intermediary and Primary trend traders have a means of buying or buying for accumulation; through the use of the Buying Day (observing the conditions around this point). In this way their buying is done around the low points of declines and not at tops of rallies, thus, saving many points—dollars. They would first determine the kind of market—bull or bear—and the price position of the stock in relation to the market as a whole.

It is not wise to try to buy a full line of stocks, all at once. Suppose the line was to be 100 or 500 shares or more—an order would be placed for part, say, 25 or 50 shares, at a time, in odd lots, to fill the former order and in round lots in proportion to the quantity wanted in the latter. After getting them he would wait until the next Buying Day; then place an order for another lot, continuing in this manner until completion of the full line.

This procedure would be a higher average cost, but each lot would be more apt to show a profit and he would have some assurance that he was following a rising trend.

Had he started his buying at a comparatively low range of prices and was in a rising market, it is not likely that he would be forced to carry a heavy load at a loss: in case of a sudden decline in the whole market.

At the determined time for selling he would be on the alert for the danger signals (explained next page), and in addition would have the use of the Selling Days (1st and 2nd).

Trading technique, is simply the ability through study, observation and experience, to detect the manipulation that takes place in the markets at all times, and to recognize the signals in each, of the several phases, of the market movement. The most important consideration for speculation, even ahead of earnings and dividends, is the technical position of the stock in relation to the market as a whole—leading or trailing—its position within its own group—leading or trailing—and the group attention in the news—at this writing it is electronics.

Swing traders and semi-investors are more concerned with price appreciation, therefore, selection of a stock is of the utmost importance. Most of the stocks that make up the back-bone of the market are in the conservative class and trading profits

should be figured on a percentage basis and not on points. The trader who will do a little retrospective research will find that many stocks he may have in mind are not suitable for his style of trading. Get the highs and lows of the one or more sustained swings that a stock makes each year and then figure the percentage gains and losses of the rally and decline swings, from lows to highs and highs to lows. The Market Averages may show great gains and losses up and down, in points, with a percentage gain or loss of an individual stock disappointingly small.

A trader buying stocks around any low point, Bear Bottoms or Secondary Reactions in a Bull Market (here he should use the 3 day rule for accumulation) should carefully check the percentage rise of his stock as the price moves up from the low point but most important: a stock that is going up will do so with but small and normal set-backs until it reaches the high of the move, regardless of percentages, so the trader must be constantly on the alert for the day when his stock will make top—in many cases this top will be made quite unexpectedly but not without warning. Watch the build-up of the volume for a few days prior to the top and the greatly reduced volume the next and for a few days after or the volume might remain large for a few days before and after the high is made. The decrease in volume is caused by a let-up in the selling pressure for technically the stock may not be able to withstand further heavy selling without breaking the prices, too much. Many times a trading range is formed between the high and the low of the break-back and the stock will trade in this range indefinitely, weeks and months, depending on the strength or weakness of the general market—further distribution takes place in this range and on the way down, if, the general market is headed that way. This phenomenon of the action of individual stocks is a feature of the market prior to bull market endings—with one stock after another refusing to participate in any further rise in the market, while the general market continues to advance—this same action takes place in a lesser degree before sever intermediate declines. This may not be the action of low priced late movers, that move up fast, make a top and start to decline, seldom going back to their highs a second time. Being behind, they must hustle to catch up with the general market which is plainly showing a declining tendency.

This sudden reaching of the top on greatly increased volume compared with the previous daily

totals, then, a slight break of several percent of price from the high while the volume continues large, is the results of heavy selling, mixed with public buying and inside short selling, caused perhaps by advance in information adversely affecting the stock:—sufficient to cause large profit taking or the price is deemed high enough to begin distribution or the stock. Regardless of the reason, this action definitely warns the trader that the intent is not to put the price higher, at least not for the present—and is his signal to—the market is broad enough at these, times to take the selling and is the opportune time to turn paper profits into cash.

The lows points of Bull Market Secondary Reactions are just the reverse of the top action: the low many times is made on relatively heavy volume, then a rally for a day or two, and a further decline on very tight volume with the price holding above the last low point, with trading dull, (established points at either highs or lows may be penetrated slightly by the trading that takes place but are not sufficient reason to withhold selling or buying at these points. The short seller on this trend must be on the alert or this same big day, only on the downside; for then the stock is in supply or covering short sales, and is the long stock bought at higher prices, now, being sold at the bottom.

The market action for swing trading is identically the same as that used for the 3 day method, only on an enlarged scale. The minor movement receives the same support on the declines and is subjected to the same pressure on the rallies.

With the selection of the stock, it is only good judgment to get a report on the company, its past and future probabilities—but, unless the market action of the stock confirms the report a trader should let it alone—watch but don't buy. The time for buying should be based solely on the technical indications and the present market position, in relation to the low and high for the year. It could be selling so near to a top (temporarily, perhaps), that by waiting a short time it can be bought at a wide concession. Most all Bull markets show at least one or more important declines during the year that buying opportunities, but the most important part is: starting at exactly the right time. A decline in a stock, due to a general decline in the market as a whole, is not of great concern but the way it acts on the rally, and the preparations for a new move is important. A trader should look for buying in a stock around the lows of important

declines—after the market stabilizes. It takes considerable buying to start a stock up and continuous buying to keep it going up. Many good stocks lack trading appeal, sponsorship, or due to other conditions, move with such sluggish action that they are unattractive to the more active traders.)

Stocks with a good future potential should be watched but a trader should not wait until "they make the news" before buying—at this time they might be a better sale. Buying in a stock shows, in the way the stock acts. He should follow the progress of a stock: at bottoms or where it begins to form a well defined horizontal trend—confined to a narrow trading range—and trades on a fair amount of volume and activity, with some fair size lots or stock. He then waits for a day of unusual activity and volume and gets ready to buy at the very inception of the "break out" of this range, top side. He will buy part of his stock at this point—then wait for a reaction to see how it acts on this decline and to confirm his judgment, whether, he was right in buying the first lot. He then buys more after the stock rallies and just as it makes a new high. His buying is done in this manner, because, at times, the stock may turn and go in the opposite direction, and may "dip" low enough to break the line of lows at the bottom of this range. (An action of this kind "cleans up all the stops" below the line of bottom prices and "shakes off" a following before the real move gets under way.) Having acquired his stock he holds on for the move; an indefinite period perhaps three to six months or longer, or until he recognizes the described action around tops.

In some years there are no well defined lines at bottoms. Stocks begin their advance from other trading ranges. Bottoms of long declines may be reached by a particular violent downward thrust—establish a low—generally followed by an immediate sharp rally and a subsequent slower decline on a greatly reduced volume and activity—stopping short of the last low. A trader does not try to buy long stock on this fast decline—he waits for the "quiet-spot" on the reaction after the rally—and when the market becomes "dull". He will buy part of his line at this point (with the intent to sell-out should the stock make a new low); then add to it where the stock begins to make new highs, in series. In case he is forced to sell, he starts over again from a new low—using this same action. (The manner of buying at bottoms—shows why—he should not expect to get less than a 10% average above extreme lows.)

A stock that trades in listless manner on a very small volume; with intermittent small transactions, with absent days of trading, shows neglect; and no immediate interest, and should not be bought until it shows a more active participation in the market. A trader recognizing this action in a stock should look to the company report for the reason. A stock must be traded in fair size lots and volume in order to accumulate it.

Experienced traders and tape readers, can generally distinguish a rally from a change in trend by figuring how far a stock should come back, allowing that a normal rally is from one-half to two-thirds of the decline. In the case the decline is not over, the rally will fall short. The large transactions will be on the downside and the smaller lots on the upside. The volume is light and the activity "fades-away" with the rally "dying out" at the top. Where the trend is to continue the trading shows a steady rise on increasing volume and demand for the stock, and where there is an urgent demand for stock for "short covering" the pace will be accelerated. The large transactions are on the upside and are taken at the higher prices, with the smaller transactions on the downside. (This same action can be seen in the smallest daily--in the broader and longer movements--and in the Market Averages.)

Many stocks make two tops--the Real and Actual--the Real Top is where the first heavy liquidation takes place after long advances; then, after a decline of a week or more, a rally or continuation of the advance, many times, will exceed the first high making the Actual Top on a volume as large--more or less. A trader should be on the alert to begin his selling the instant he detects this inside selling. (The point here is: he must sell when he has a market, if his holdings are large). Experienced traders take their profits at this point and do not try to anticipate an Actual Top (which may or may not happen). The high made on this kind of action may be one and the same-- the Real and Actual. When this does happen the stock makes a new high and has a tendency to make the ordinary traders intensely bullish--they continue to "hold on" or "come in" as new buyers--to take the stock at, perhaps, top prices. (And this is just what is expected of them.)

The Real Top, is generally one or several days of advancing prices after a long move up, culminating (Or with a quick, sharp, upward thrust on abnormally large volume and activity, compared to previous trading. The stock, makes a high then resists all

further buying--the supply and demand comes into balance--with the trading very active and sustained--but the stock makes little or no progress either way. The heavy selling at this point is, temporarily discontinued, but the "selling sources" continue to force a little more stock on the market than can be absorbed, causing this sagging decline, on greatly reduced daily volume. Near or at the low of this decline there is a noticeable increase in the volume for a day or more--the stock must be bought in large enough quantities to absorb all selling and turn the stock up. The day of heaviest support is the Real Bottom, then, many times after a short sub-normal rally or series of rallies, the stock may sell just a little lower on a negligible amount of volume--making the Actual Bottom --before the rally or uptrend is resumed. (A new high has a bullish effect and causes buying. A new low has a bearish effect and causes traders to sell out at bottoms, or at least, refrain from buying.)

A trader will repurchase a small part of his stock "as a trading lot" near this first decline low in anticipation of a rally or on the assumption that an uptrend will extend far enough to make a new and Actual Top. (But, with the firm resolve to re-sell at, through, and above this new- high--or to get-out-quick"--if after a rally, the reaction breaks the last or support low )

There are other stocks that make one top--the Real and actual--and on comparatively light volume, with no signs indicating that a top has been reached. The long decline starts with a series of small reactions and rallies but with a definite downward tendency. These tops are difficult to recognize. (If, in fact, they can be.) A trader should understand the characteristics of these stocks or at least have some idea of the percentage appreciation or number of points in the swings of the past years, as a guide to the future--and he should be satisfied to sell, if and when, past results as good or better can be attained. In this case a stock that fails to make a new high in a reasonable period of time should be sold, particularly so, if other stocks in the market are showing the heavy top action. (The trader who can recognize these diverse movements in the market can use them as confirmation of this weakened technical condition of the market as a whole.)

A trader who will start right--buy and sell according to these "age old" tenets--will find little need for many of these "new discoveries" and other "wearisome" statistical market indices. END

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## **Taylor's Swing Trading method - Linda Bradford Raschke**

I have organized much of my trading methodology and philosophy around short-term techniques, as defined by George Douglass Taylor and thus have recommended his book *The Taylor Trading Technique*, as one well worth studying. However, Taylor was definitely a better trader than author! Here are some pointers from which to approach the book:

First, read the chapter "Pertinent Points" two or three times: this makes a much better introduction to the subject matter. Skip chapters 2, 3, and 4 completely. I do not make up a "book" as Taylor does, nor do I recommend doing so. I do write down the open, high, low and close and underline the 3 to 4 day swing lows and swing highs. It helps to keep some type of log by hand, it keeps trading "systematic".

Where Taylor discusses various *Buy Day* or *Sell Day* concepts, I find it useful to diagram examples in the margin, using candlesticks. I also find it

helpful to read his book with a yellow highlighter handy. In fact, I have gone through several copies because they keep getting so marked up.

Think in terms of *concepts* instead of *specifics*. These concepts, include: Trading within a 2 to 3 day time frame: price action around the previous day's high/low; the length of the upswing relative to the downswing; ignoring all news and fundamentals - concentrating strictly on what tape or price action is telling you. That is the only "truth" in short-term trading.

Keep in mind that Taylor's particular labels for each day were just his way of staying systematic, simple and consistent. If you read between the lines, you'll see his specific rules for shorting on "buy" days and buying on "sell short" days -- it really has to do with how many days up/down the market is from the previous swing low/high.

Though trading on a 1 to 2-day basis, *be conscious of the bigger picture* - even Taylor said to skip the first "buy" trade when breaking down out of a congestion area. In other words, wait five to six days before looking to buy, instead of two or three. He also emphasized the importance of overall long-term and seasonal trends. Understanding markets includes recognizing when price is discounted and when marked up and watching for signs of support by interests larger than ourselves.

I have found that some of the most successful mechanical systems/price patterns/methodologies work because they use the concept of "in one day, out the next". Examples include Larry Williams' patterns, Bob Buran's methodology and Toby Crabel's studies. *Enter on a trigger or pivot, exit on the next day's opening or close.*

I test patterns on a close-to-close basis - enter on a close, exit on a close one or two days later. My systems have no more than two parameters. They are crude models that highlight a market's tendency. For instance, "selling a higher opening after two higher closes" illustrates a market's tendency to pull back at that point.

My market models indicate whether the odds favor being a buyer or a seller for the day. I then use Taylor's "rules" to trade as if it is a "buy day" or a "sell short" day. I hold the trade overnight and exit according to his guidelines. Don't carry losing positions overnight, it is better to exit with the intention of re-entering at a better trade location

the next trading day.

I first came across Taylor's name in George Angell's book, *Winning in the Futures Market*, specifically the chapter referring to the "LSS Method"

After studying Taylor's book for a more comprehensive understanding of his guidelines, I first adapted his techniques for S&P trading. Taylor emphatically teaches students of his techniques that they must *never* average down. I have yet to come across a consistent, winning trader who practices this most destructive of habits. One may get away with averaging a loser, but doing so will add much more volatility to your bottom line and, sooner or later, be your undoing. It is very difficult to be in the proper frame of mind for trading when carrying losing positions on a daily statement. Many of Taylor's rules are, in fact, defensive in nature -- for example, exiting on the first reaction when a market does not act "correctly".

Following Taylor's guidelines diligently should develop within you the best possible trading "habits". Ultimately, it is one's trading habits which govern one's success.