HOW TO TRADE IN STOCKS

LIVERMORE

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HOW TO TRADE IN STOCKS

The Livermore Formula for Combining Time Element and Price

BY

JESSE L. LIVERMORE

DUELL, SLOAN & PEARCE
NEW YORK

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PREFACE

THE career of Jesse L. Livermore is a bright patch in the pattern of speculation. He has been in the public eye as a stock-market factor almost continuously since as a youth he flashed like a comet across the speculative skies and became known as the millionaire Boy Plunger.

He has indeed been a plunger, and on rare occasions the magnitude of his operations caused The Street to blink in wonderment. Yet blind chance never entered into his market sallies. Each move was touched with singular genius, buttressed by endless research and the dogged patience of Griselda.

For forty years Jesse Livermore has studied world and domestic economic conditions with almost fanatic intensity. In the same four decades he has

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studied, talked, dreamed, lived with, and traded in speculative markets. His world has been the movement of prices; his science the correct anticipation of such movements.

It has been my privilege to know personally some of the great speculators of our times and to observe at close range their fascinating activities. For intellectual scope and for natural aptitude I regard Jesse Livermore as the greatest speculator and market analyst since the turn of the century. In one of my books I made the statement that he could be shorn of every dollar, given a small brokerage credit, locked in a room with tickers, and in the course of a few active market months he could emerge with a new fortune. Such is the mark of his genius.

He created his first sensation when he was fifteen years old. His mother was the party most surprised, for he dumped into her lap a thousand dollars in five dollar bills, his first gleanings from the stock market.

He created his next sensation by completing four years of mathematics in a single year while holding a job as board marker in a brokerage house.

He has been creating market sensations ever

since, and to those interested in the science of speculation this little book, if not a sensation. is at least a surprising departure.

The reason is obvious. Every great speculator has his own method of operation, his own course of study for arriving at conclusions upon which he is willing to risk vast sums of money. Such methods are guarded like state secrets, sometimes through vanity or suspicion, but more often for very practical reasons.

So when Jesse Livermore, with characteristic frankness, draws back the curtain and reveals publicly his rules for combining time element and prices he takes the spotlight for audacity among the top-flight speculators of the age. He lays before the reader the fruits of forty years of speculative study.

It is a new chapter in the colorful saga of a brilliant operator.

EDWARD JEROME DIES

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On August 12th, the price of U. S. Steel was recorded in the Secondary Reaction column because the price was not lower than the last price previously recorded in the Natural Reaction column. On the same day the price of Bethlehem Steel was recorded in the Natural Reaction column because that price was lower than the last price previously recorded in the Natural Reaction column.

On August 24th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Rally column. Refer to Explanatory Rule 6-D.

On August 29th, prices of U. S. Steel and Bethlehem Steel were recorded in the Secondary Reaction column. Refer to Explanatory Rule 6-H.

	SECONDARY RALLY	NATURAL RALLY	U. S. STEEL UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	BETHLEHEM STEEL UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	KEY PRICE UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION
			61 3/4		55 1/8				62 1/2		56 3/4				124 1/4		112 1/4	
			63 1/4						63 1/8						126 3/8			
1938																		
DATE			U. S. STEEL						BETHLEHEM STEEL						KEY PRICE			
SAT. JULY 30																		
AUG. 1																		
2																		
3																		
4																		
5																		
SAT. 6																		
8																		
9																		
10																		
11																		
12						56 5/8					54 1/8						111 1/2	
SAT. 13						56 1/2					54 3/8						111 3/8	
15																		
16																		
17																		
18																		
19																		
SAT. 20																		
22																		
23																		
24		61 3/8						61 3/8						123				
25																		
26		61 1/8						61 1/2						123 3/8				
SAT. 27																		
29						56 1/8						55					—	
30																		
31																		
SEPT. 1																		
2																		
SAT. 3																		
6																		
7																		
8																		
9																		
SAT. 10																		

On September 14th, the price of U. S. Steel was recorded in the Downward Trend column. Refer to Explanatory Rule 5-B. On the same day a price was recorded in the Natural Reaction column of Bethlehem Steel. That price was still being recorded in the Natural Reaction column because it had not reached a price that was 3 points lower than its previous price with red lines drawn.

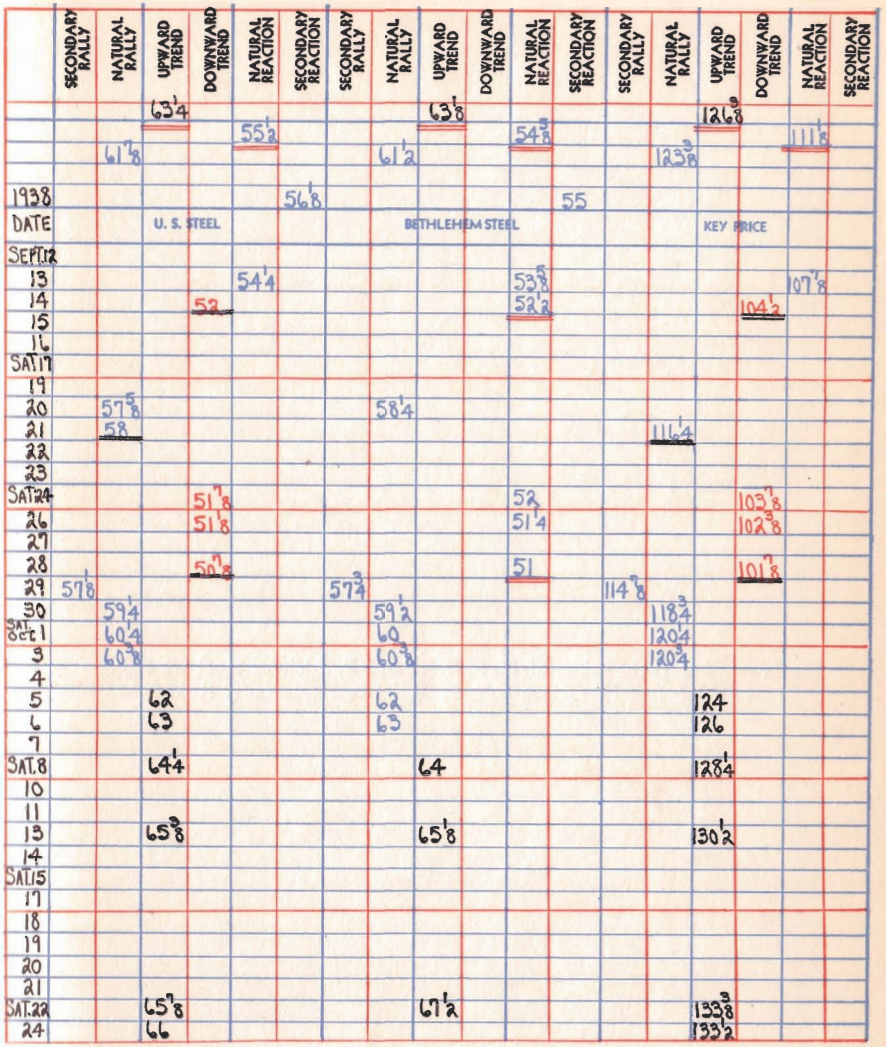
On September 20th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Rally column. Refer to Explanatory Rule 6-C for U. S. Steel and 6-D for Bethlehem Steel.

On September 24th, the price of U. S. Steel was recorded in the Downward Trend column in red ink, being a new price in that column.

On September 29th, prices of U. S. Steel and Bethlehem Steel were recorded in the Secondary Rally column. Refer to Explanatory Rule 6-G.

On October 5th, the price of U. S. Steel was recorded in the Upward Trend column in black ink. Refer to Explanatory Rule 5-A.

On October 8th, the price of Bethlehem Steel was recorded in the Upward Trend column in black ink. Refer to Explanatory Rule 6-D.



On November 18th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Reaction column. Refer to Explanatory Rule 6-A.

	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION
1938			66						67 1/2						133 1/2			
DATE			U. S. STEEL						BETHLEHEM STEEL						KEY PRICE			
OCT. 25			66 1/8						67 7/8						134			
26																		
27			66 1/2						68 7/8						135 3/8			
28																		
SAT. 29																		
31																		
NOV. 1									69						135 1/2			
2																		
3									69 1/2						136			
4																		
SAT. 5																		
7			66 3/4						71 7/8						138 5/8			
9			69 1/2						75 1/8						144 1/8			
10			70						75 1/2						145 1/2			
SAT. 12			71 1/4						77 5/8						148 7/8			
14																		
15																		
16																		
17																		
18					65 1/8						71 7/8						139	
SAT. 19																		
21																		
22																		
23																		
25																		
SAT. 26					63 3/4						71 1/2						134 3/4	
28					61						68 3/4						129 3/4	
29																		
30																		
DEC. 1																		
2																		
SAT. 3																		
5																		
6																		
7																		
8																		

On December 14th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Rally column. Refer to Explanatory Rule 6-D.

On December 28th, the price of Bethlehem Steel was recorded in the Upward Trend column in black ink, being a price higher than the last price previously recorded in that column.

On January 4th, the next trend of the market was being indicated according to the Livermore method. Refer to Explanatory Rules 10-A and B.

On January 12th, prices of U. S. Steel and Bethlehem Steel were recorded in the Secondary Reaction column. Refer to Explanatory Rule 6-H.

	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION
			71¼						77⅝						148⅞			
					61						68¾						129¾	
1938																		
DATE			U. S. STEEL						BETHLEHEM STEEL						KEY PRICE			
DEC. 9																		
SAT 10																		
12																		
13																		
14		46⅝						75¼						141⅞				
15		47⅛						76⅜						143½				
16																		
SAT 17																		
19																		
20																		
21																		
22																		
23																		
SAT 24																		
27																		
28		47¾							78					145¾				
29																		
30																		
SAT 31																		
JAN. 3																		
4		70							80						150			
5																		
6																		
SAT 7																		
9																		
10																		
11												73¾						
12						62⅝						71½						134½
13																		
SAT 14																		
16																		
17																		
18																		
19																		
20																		
SAT 21						62						69½						131½

On January 23rd, prices of U. S. Steel and Bethlehem Steel were recorded in the Downward Trend column. Refer to Explanatory Rule 5-B.

On January 31st, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Rally column. Refer to Explanatory Rules 6-C and 4-C.

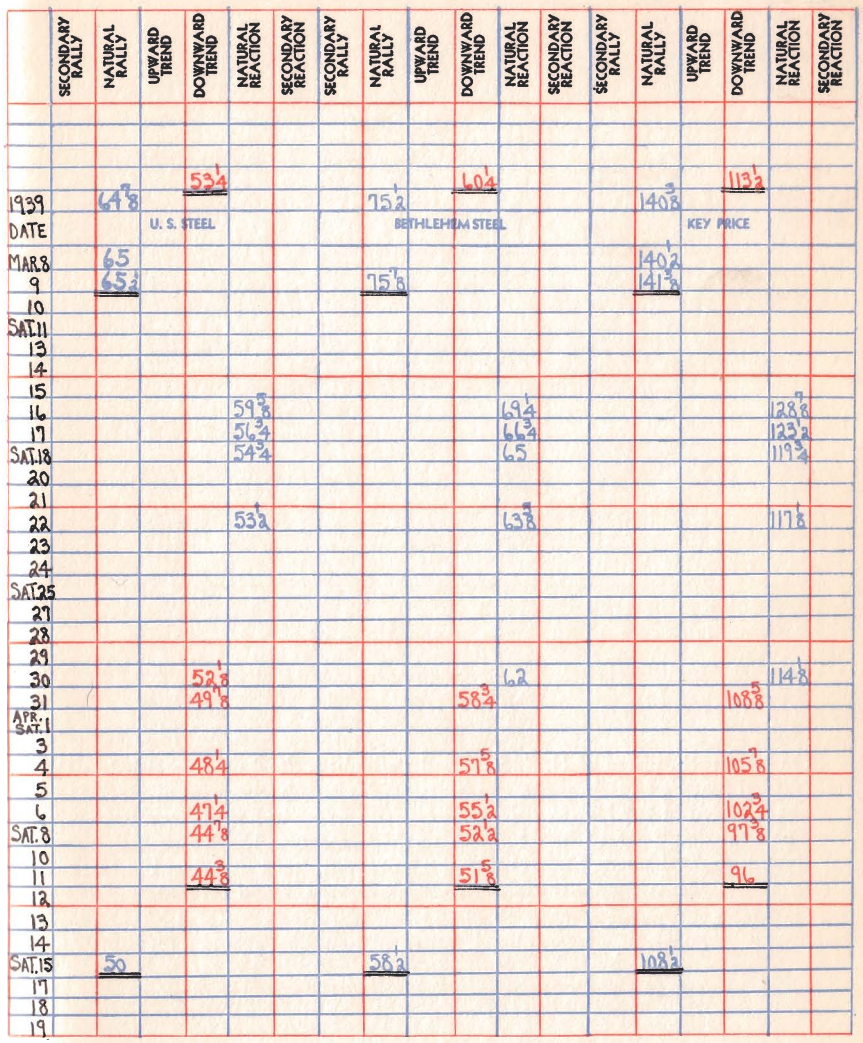
	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION
			71 1/4						77 5/8						148 7/8			
					61						68 3/4						129 3/4	
		70							80						150			
1939						62						69 1/2						131 1/2
DATE			U. S. STEEL					BETHLEHEM STEEL						KEY PRICE				
JAN 23				57 7/8						63 3/4						121 3/8		
24				56 1/2						63 1/4						119 3/4		
25				55 3/8						63						118 5/8		
26				53 1/4						60 1/4						113 1/2		
27																		
SAT 28																		
30																		
31		59 1/2						68 1/2						128				
FEB 1																		
2		60												128 1/2				
3																		
SAT 4		60 5/8						69						129 5/8				
6								69 7/8						130 3/4				
7																		
8																		
9																		
10																		
SAT 11																		
14																		
15																		
16								70 3/4						131 5/8				
17		61 1/8						71 1/4						132 7/8				
SAT 18		61 1/4												132 1/2				
20																		
21																		
23																		
24		62 1/4						72 3/8						134 5/8				
SAT 25		63 3/4						74 3/4						138 1/2				
27																		
28		64 3/4						75						139 3/4				
MAR 1																		
2																		
3		64 7/8						75 1/4						140				
SAT 4								75 1/2						140 3/8				
6																		
7																		

On March 16th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Reaction column. Refer to Explanatory Rule 6-B.

On March 30th, the price of U. S. Steel was recorded in the Downward Trend column, being a lower than was previously recorded in the Downward Trend column.

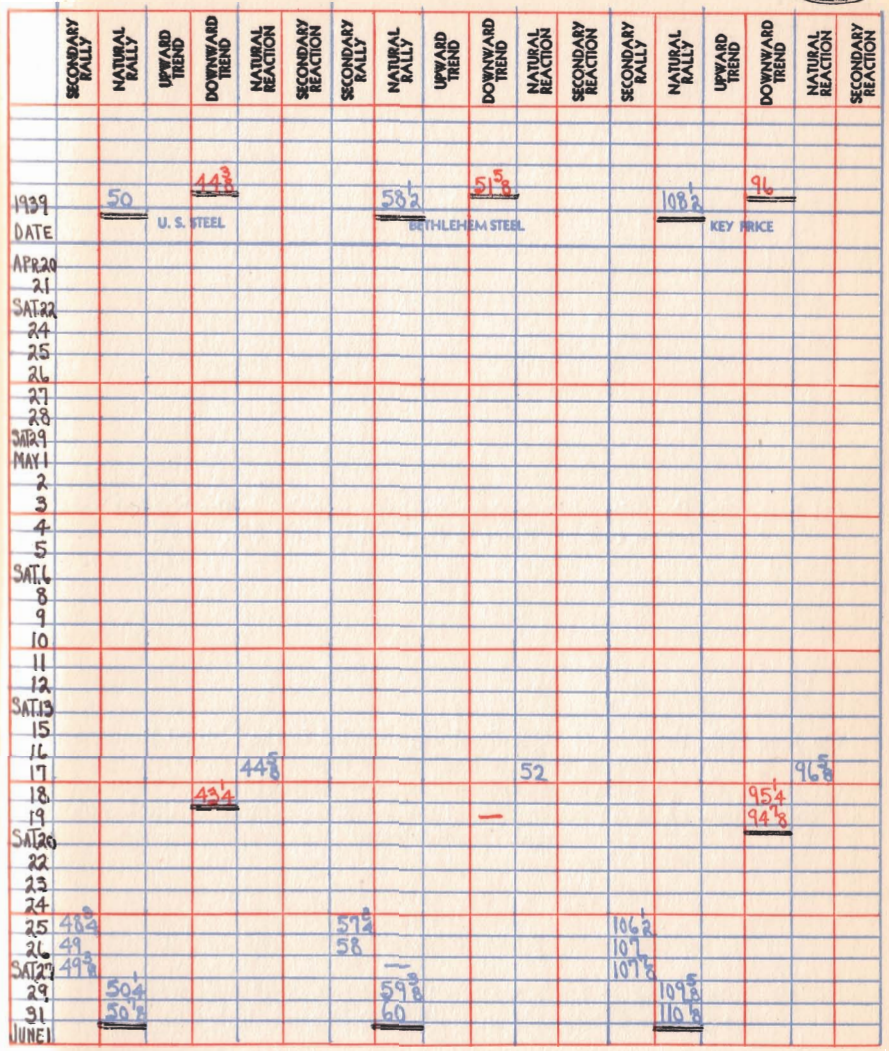
On March 31st, the price of Bethlehem Steel was recorded in the Downward Trend column, being a lower price than was previously recorded in the Downward Trend column.

On April 15th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Rally column. Refer to Explanatory Rule 6-C.



On May 17th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Reaction column, and the next day, May 18th, the price of U. S. Steel was recorded in the Downward Trend column. Refer to Explanatory Rule 6-D. The next day, May 19th, a red line was drawn under the Downward Trend column in Bethlehem Steel, meaning a price was made that was the same as the last price recorded in the Downward Trend column.

On May 25th, prices of U. S. Steel and Bethlehem Steel were recorded in the Secondary Rally column. Refer to Explanatory Rule 6-C.



On June 16th, the price of Bethlehem Steel was recorded in the Natural Reaction column. Refer to Explanatory Rule 6-B.

On June 28th, the price of U. S. Steel was recorded in the Natural Reaction column. Refer to Explanatory Rule 6-B.
On June 29th, the price of Bethlehem Steel was recorded in the Downward Trend column, being a price lower than the last price recorded in the Downward Trend column.

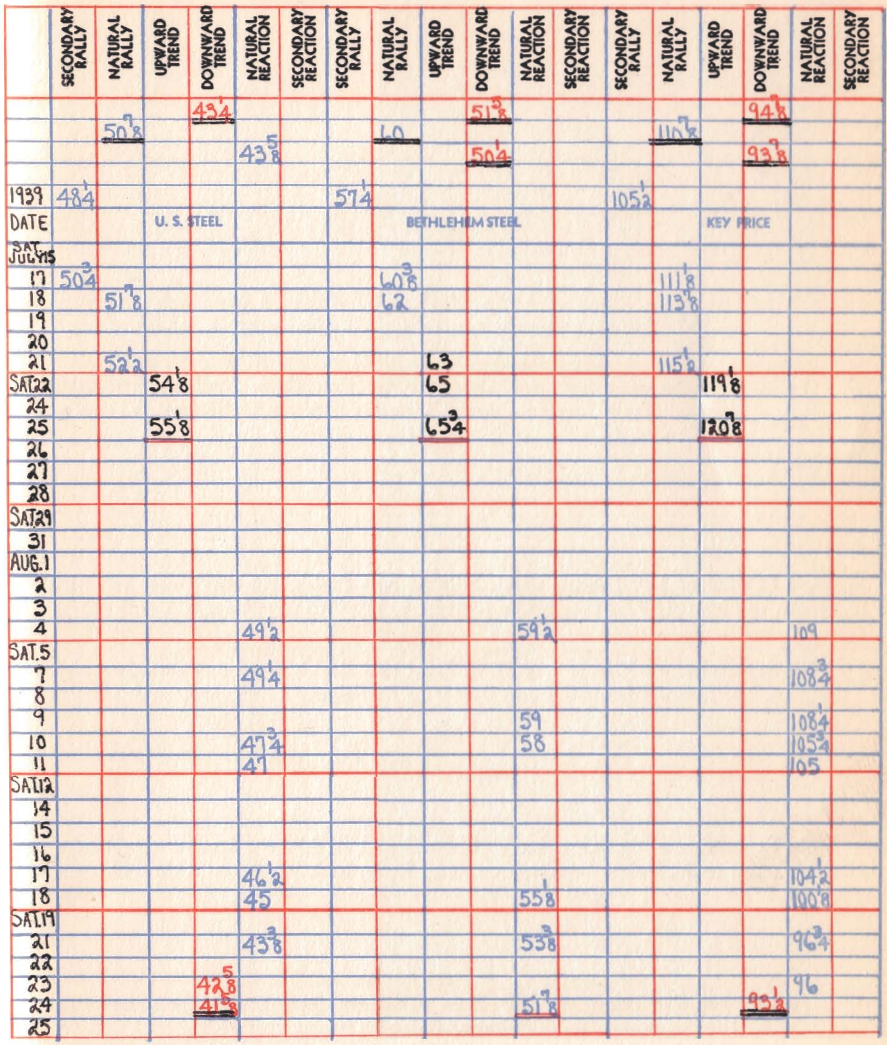
On July 13th, prices of U. S. Steel and Bethlehem Steel were recorded in the Secondary Rally column. Refer to Explanatory Rule 6-G.

	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION
				44⅜						51⅜						96		
		50						58½						108½				
				43¼						1						94⅞		
1939		50⅞						60						110⅞				
DATE			U. S. STEEL						BETHLEHEM STEEL						KEY PRICE			
JUNE 2																		
SAT. 3																		
5																		
6																		
7																		
8																		
9																		
SAT. 10																		
12																		
13																		
14																		
15																		
16											54							
SAT. 17																		
19																		
20																		
21																		
22																		
23																		
SAT. 24																		
26																		
27																		
28					45⅜						52½						97½	
29					43⅞					51						94¾		
30					43⅝					50¼						93⅛		
JULY 1																		
3																		
5																		
6																		
7																		
SAT. 8																		
10																		
11																		
12																		
13	48¼						57¼						105½					
14																		

On July 21st, the price of Bethlehem Steel was recorded in the Upward Trend column, and the next day, July 22nd, the price of U. S. Steel was recorded in the Upward Trend column. Refer to Explanatory Rule 5-A.

On August 4th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Reaction column. Refer to Explanatory Rule 4-A.

On August 23rd, the price of U. S. Steel was recorded in the Downward Trend column, being lower than the price previously recorded in the Downward Trend column.



On August 29th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Rally column. Refer to Explanatory Rule 6-D.

On September 2nd, prices of U. S. Steel and Bethlehem Steel were recorded in the Upward Trend column, being higher prices than the last prices previously recorded in the Upward Trend column.

On September 14th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Reaction column. Refer to Explanatory Rules 6-A and 4-A.

On September 19th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Rally column. Refer to Explanatory Rules 6-D and 4-B.

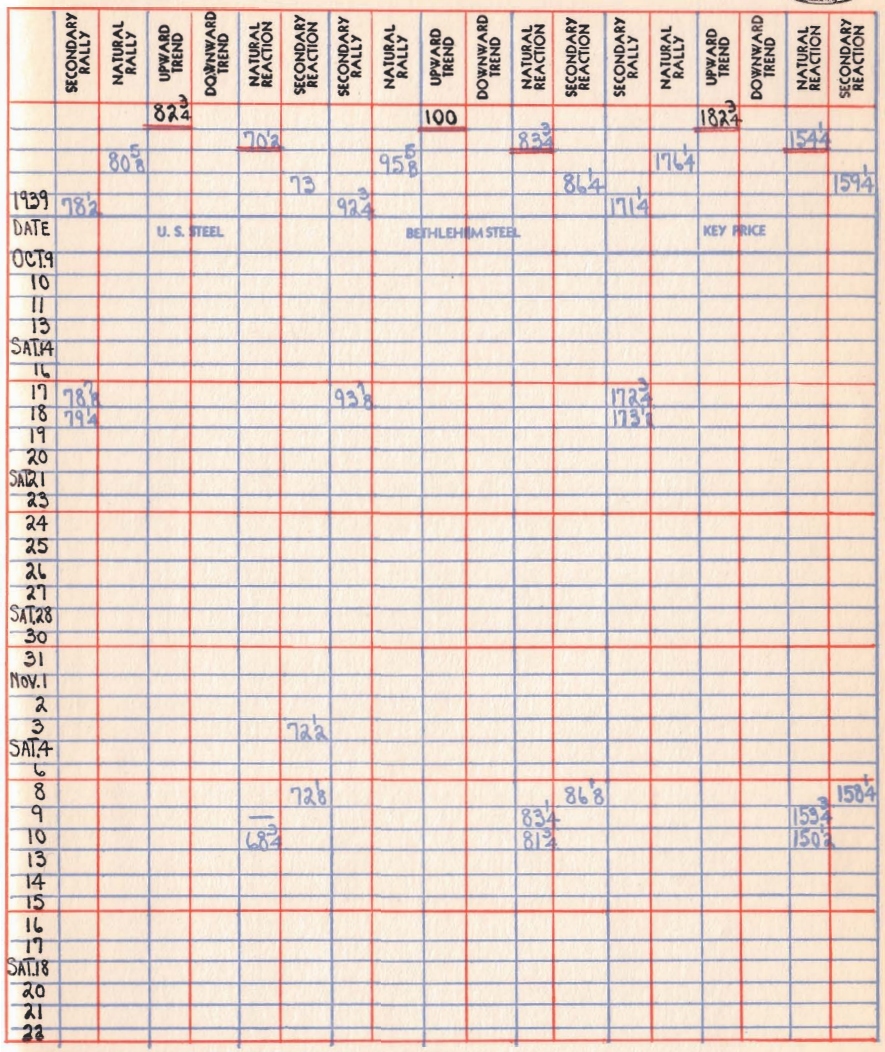
On September 28th, prices for U. S. Steel and Bethlehem Steel were recorded in the Secondary Reaction column. Refer to Explanatory Rule 6-H.

On October 6th, prices of U. S. Steel and Bethlehem Steel were recorded in the Secondary Rally column. Refer to Explanatory Rule 6-G.

	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION
				43¼						50¼						93⅞		
			55⅛						65¾						120⅞			
1939				41⅝							51⅞					93½		
DATE			U. S. STEEL						BETHLEHEM STEEL						KEY PRICE			
SAT AUG 26																		
28																		
29		48						60½						108½				
30																		
31																		
SEPT 1		52						65½						117½				
SAT 2			55¼						70⅜						125⅝			
5			66⅞						85½						152⅞			
6																		
7																		
8			69¾						87						156¼			
SAT 9			70						88¾						158¾			
11			78⅝						100						178⅝			
12			82¾												182¾			
13																		
14					76⅜						91¾						168⅛	
15																		
SAT 16					75½						88⅜						163⅜	
18					70½						82¼						154¼	
19		78						92⅜						170⅜				
20		80⅝						95⅝						174				
21																		
22																		
SAT 23																		
25																		
26																		
27																		
28						75⅛						89						114⅛
29						73½						86¾						140¼
SAT 30																		
OCT 2																		
3																		
4						73						86¼						159¼
5																		
6	78½						98¾						171¼					
SAT 7																		

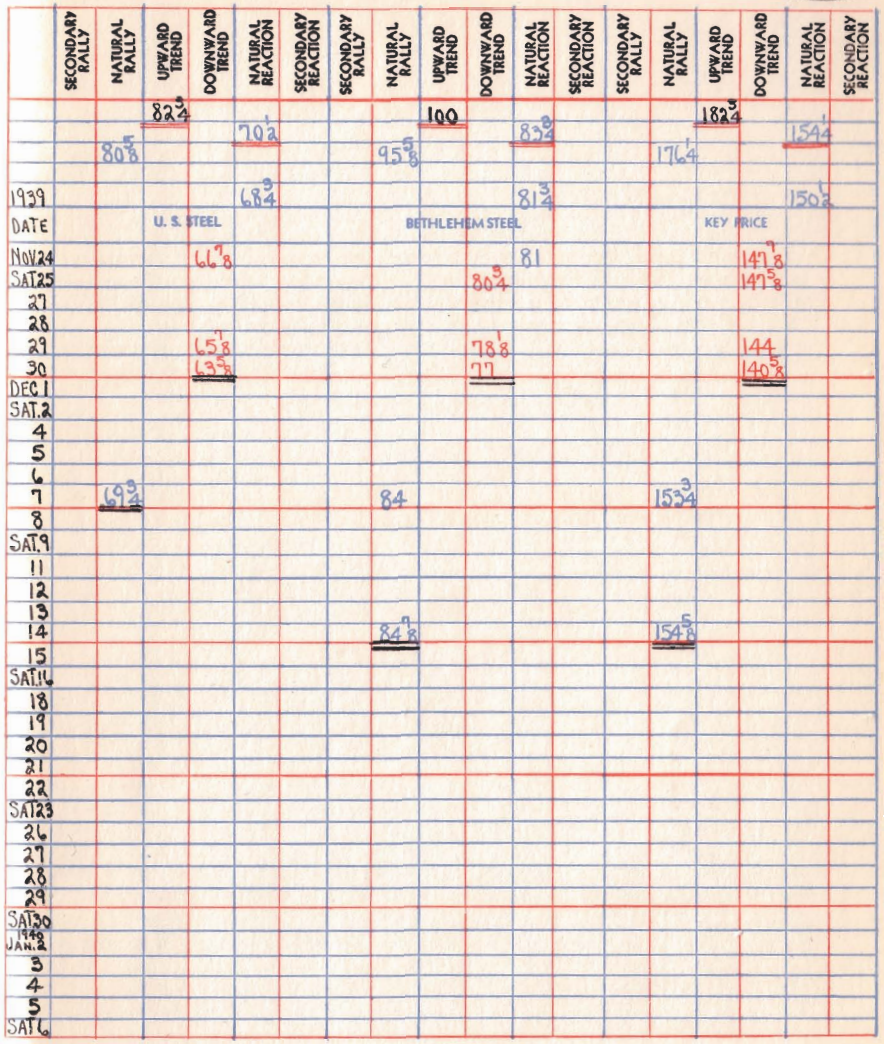
On November 3rd, the price of U. S. Steel was recorded in the Secondary Reaction column, being a price lower than the last previous price recorded in that column.

On November 9th, a dash was made in the Natural Reaction column of U. S. Steel, being the same price that was last recorded in the Natural Reaction column, and on the same day a new price was recorded in the Natural Reaction column of Bethlehem Steel, being a lower price than the last price previously recorded in that column.



On November 24th, the price of U. S. Steel was recorded in the Downward Trend column. Refer to Explanatory Rule 6-E, and the next day, November 25th, the price of Bethlehem Steel was recorded in the Downward Trend column. Refer to Explanatory Rule 6-E.

On December 7th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Rally column. Refer to Explanatory Rule 6-C.



On January 9th, prices of U. S. Steel and Bethlehem Steel were recorded in the Natural Reaction column. Refer to Explanatory Rule 6-B.

On January 11th, prices of U. S. Steel and Bethlehem Steel were recorded in the Downward Trend column, being prices lower than the last recorded prices in the Downward Trend columns.

On February 7th, prices are recorded in the Natural Rally column of Bethlehem Steel, this being the first day it rallied the required distance of six points. The following day U. S. Steel is recorded in addition to Bethlehem Steel and the Key Price, the latter having rallied the proper distance to be used in recording.

	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION	SECONDARY RALLY	NATURAL RALLY	UPWARD TREND	DOWNWARD TREND	NATURAL REACTION	SECONDARY REACTION
				63 5/8						77						140 5/8		
1940		69 3/4						84 7/8						154 5/8				
			U. S. STEEL					BETHLEHEM STEEL						KEY PRICE				
JAN. 8																		
9					64 1/4						78 1/2						142 3/4	
10					63 3/4												142 1/4	
11				62						76 1/2						138 1/2		
12				60 1/8						74 1/8						134 1/4		
SAT. 13				59 5/8						73 1/2						133 1/8		
15				57 1/2						72						129 1/2		
16																		
17																		
18				56 7/8						71 1/2						128 3/8		
19										71						127 1/8		
SAT. 20																		
22				55 1/8						70 1/8						126		
23																		
24																		
25																		
26																		
SAT. 27																		
29																		
30																		
31																		
FEB. 1																		
2																		
SAT. 3																		
5																		
6																		
7								76 3/8										
8		61						78						139				
9		61 3/4						79 1/2						141 1/4				
SAT. 10																		
13																		
14																		
15																		
16					56 1/8													
SAT. 17																		
19																		