At this point in your studies, it will probably help you to become familiar with the SMI method of counting figure charts.

This is a preliminary, general, short-course of instruction in counting. It should satisfy your needs until you reach that point in your program where you study Basic Lecture #8, entitled "Counts and Count Guide".

The portions of the vertical line and figure charts of Standard Oil of New Jersey (stock code J) shown on the following pages are taken from the complete chart shown below and on page 6 and are the basis for these instructions.

STANDARD OIL OF NEW JERSEY
(J)

Figure Chart of the area covered by the Vertical Chart starts here.
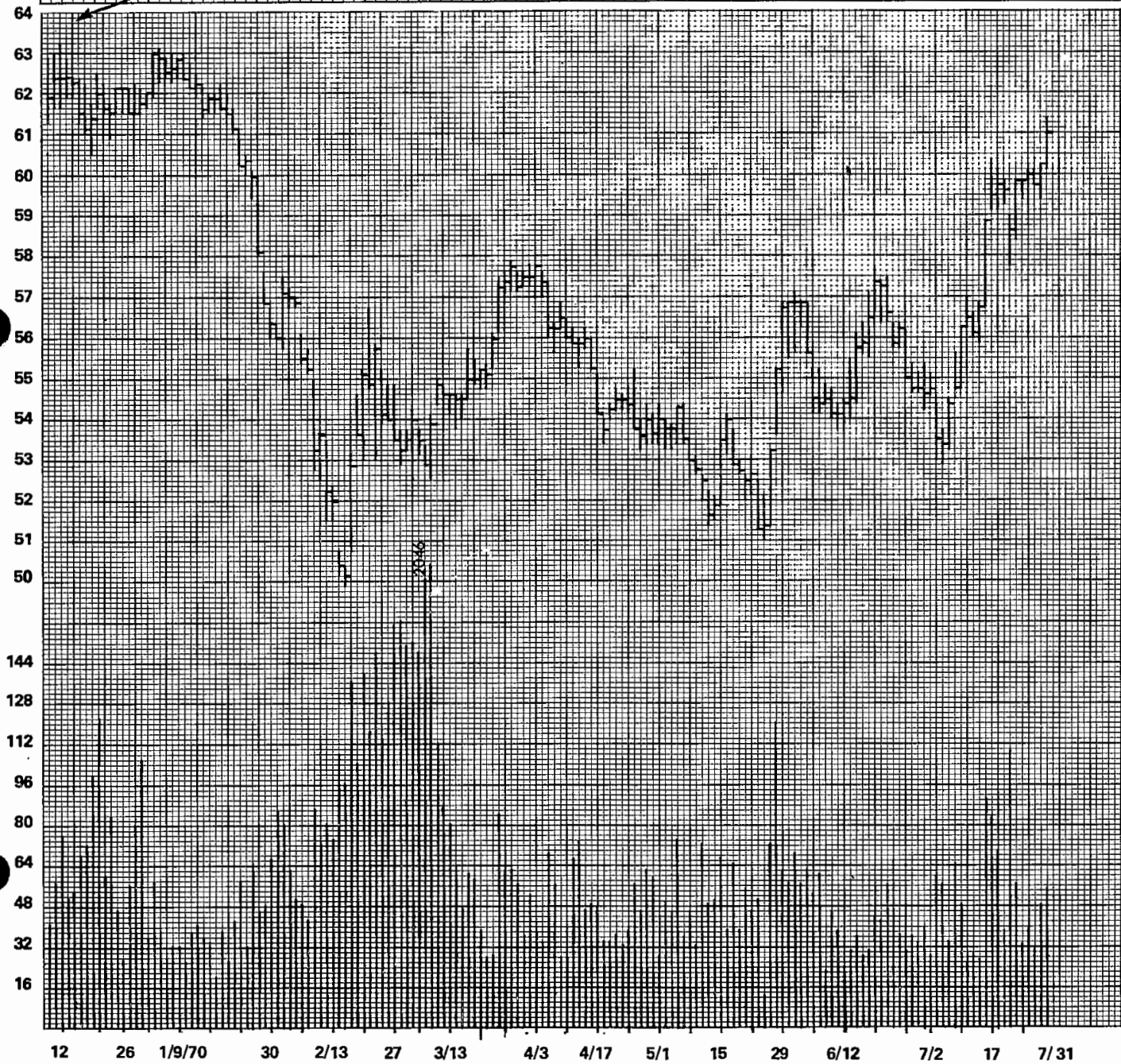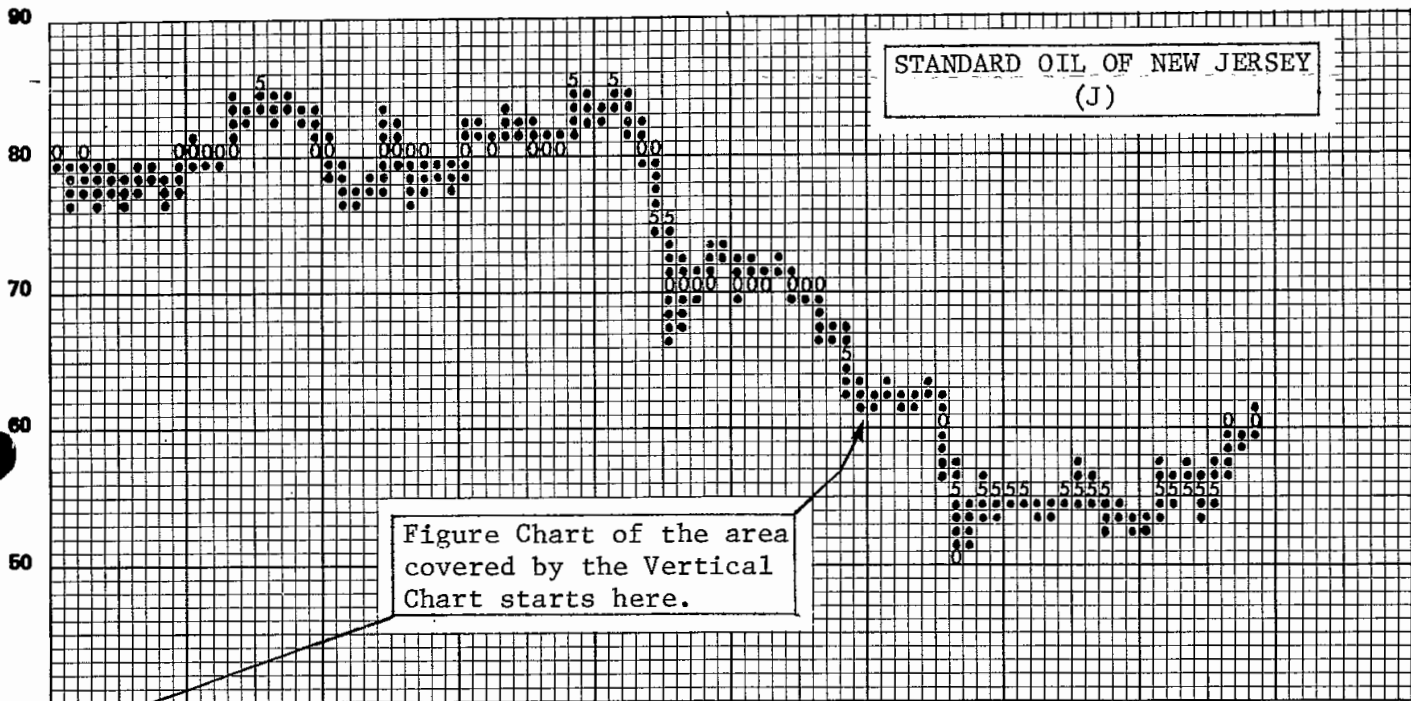
Please remember that these are preliminary instructions taken from ideal examples which we have selected specifically for this purpose. In your practical, day-to-day dealings in the market, you will, obviously, not encounter all the 'classic' or ideal conditions, so your more advanced applications of this concept of counts will have to be applied to variations from the ideal. But, it is essential that you learn these basic general principles.

Step I:

A. Locate the Selling Climax on the VERTICAL Chart.

B. Identify the exact location on the Figure Chart. (Point 1 on both charts).


STANDARD OIL OF NEW JERSEY
(J)
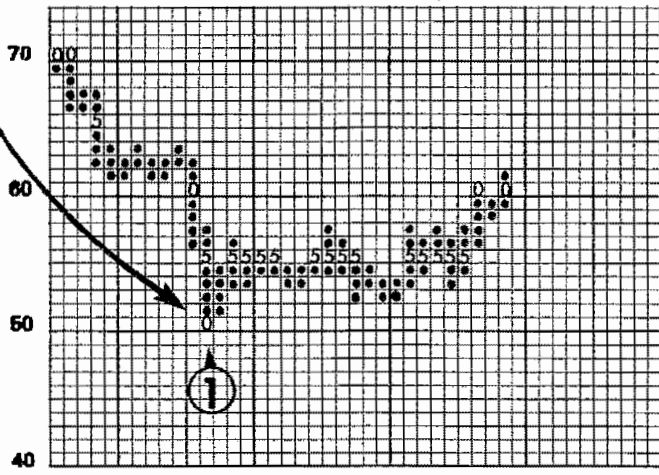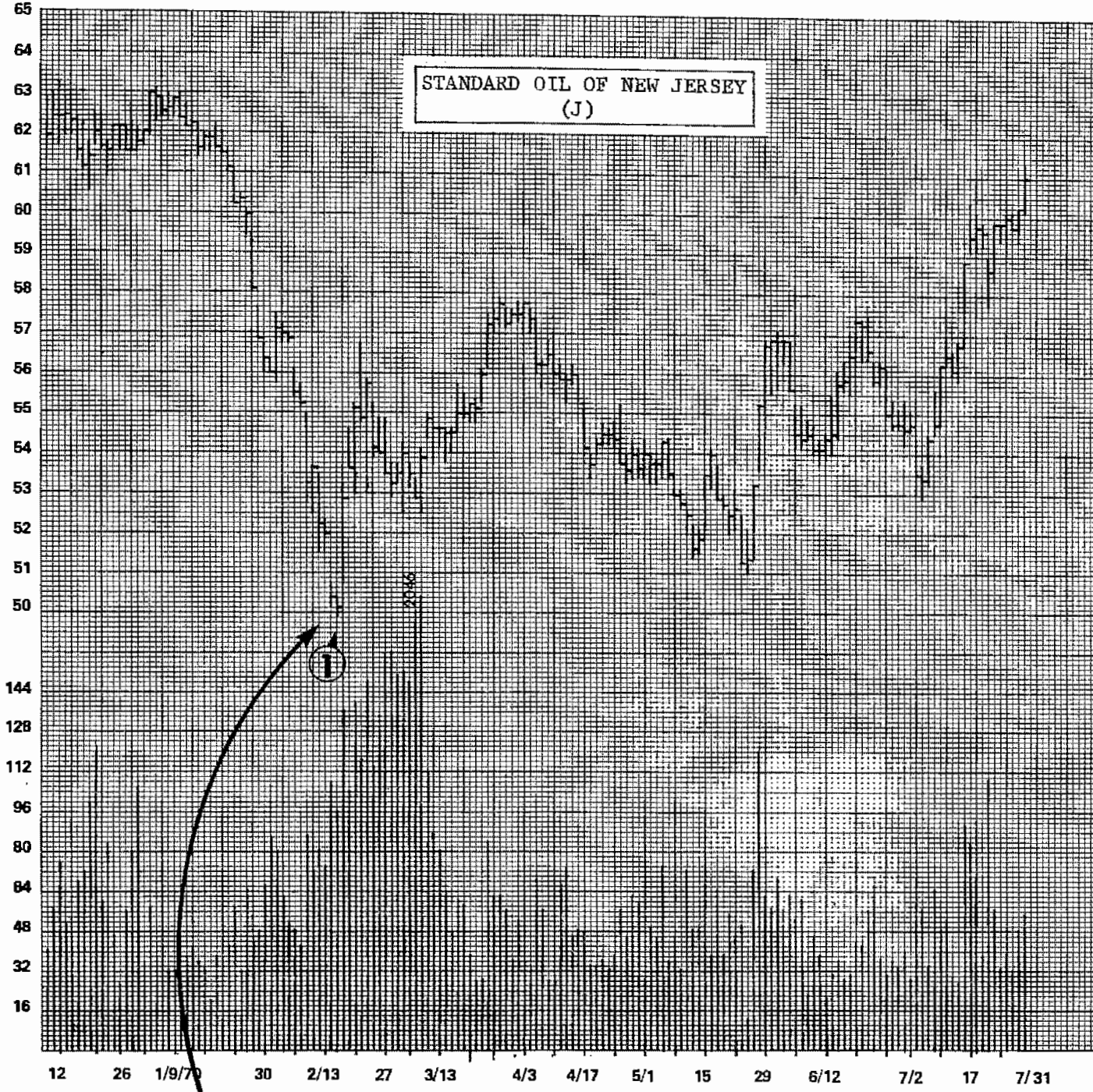
Step 2:

Observe the trading range (identified by the horizontal trend lines A--A and B--B). This is the preparation stage for the next important move.

Since accumulation normally ends with some type of a "testing" of the trading range, point 2 is established. This is called a "Last Point of Support" (LPS). It is normally brought about by a "shakeout" type of action.

Locate point 2 on the figure chart.


STANDARD OIL OF NEW JERSEY
(J)
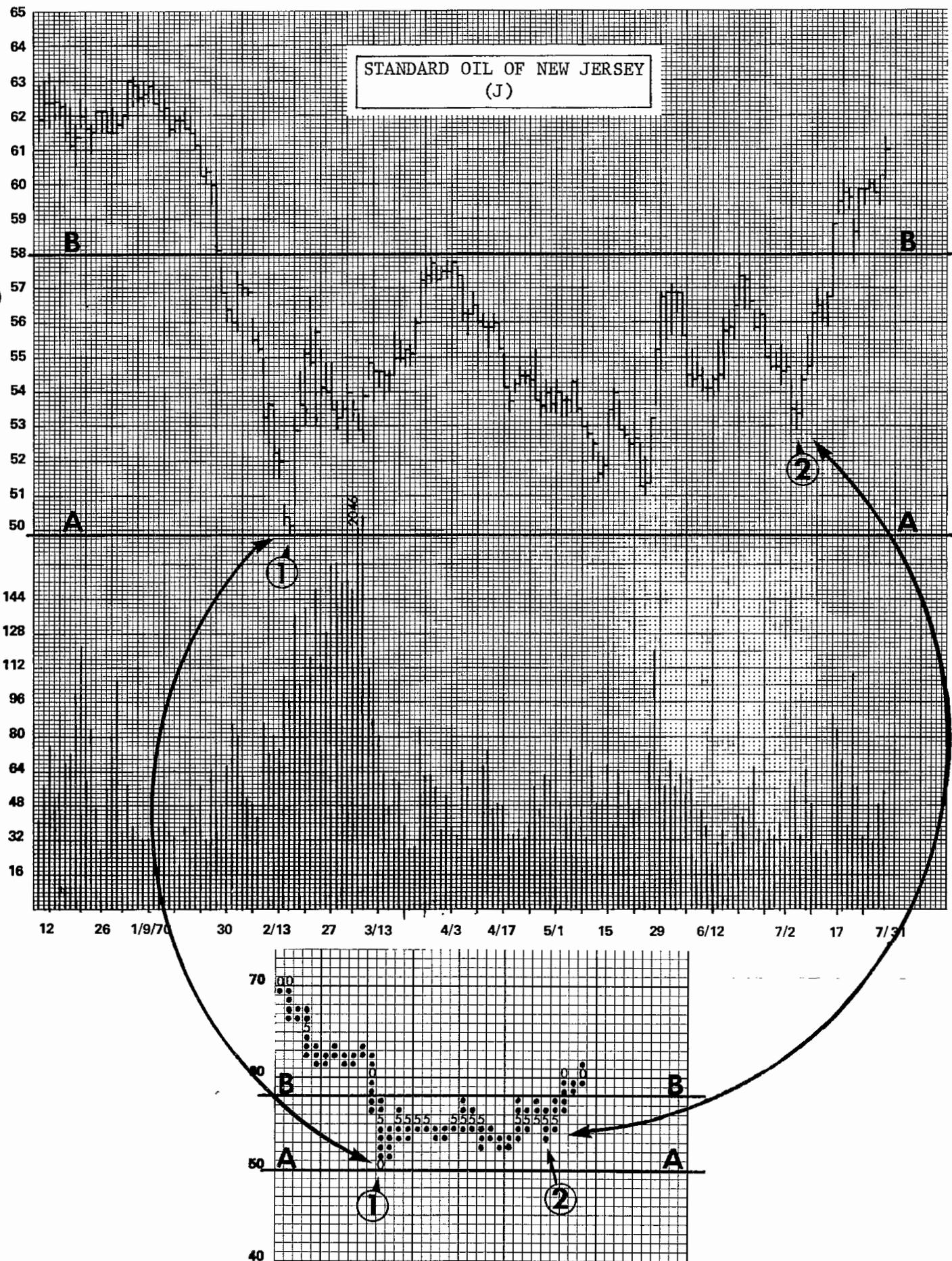
Step 3:

After locating the "Last Point of Support" on the figure chart (point 2) count the number of columns on the figure chart between point 2 and point 1. Begin the count from point 2 and count to the left--all the way to point 1. This will give the maximum number of points in the "Count". Normally this maximum count should be broken down into phases. The subject of "Phases" will be covered thoroughly in Basic Lecture #8 (which normally follows the study of the 25 tests--Volumes 1, 2 and 3.)

STANDARD OIL OF NEW JERSEY
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Count these
columns--there
are 19 columns
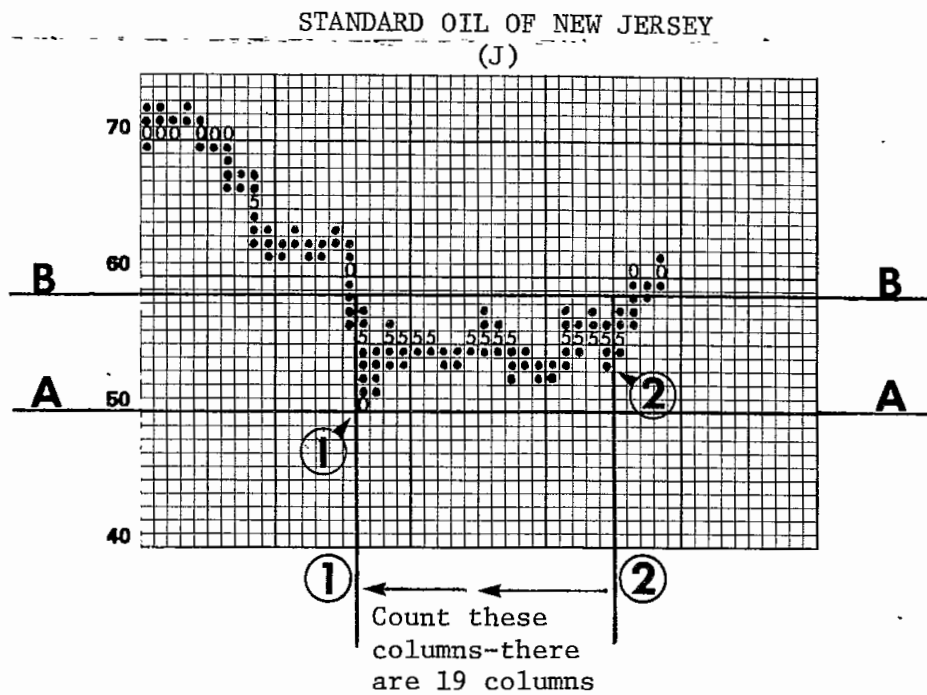
Step 4:

Add the number of columns in the count to the extreme low price line between, and including, points 1 and 2. This gives the minimum full count 'objective' in the accumulation area.

STANDARD OIL OF NEW JERSEY
(J)

19 Columns (Counts)
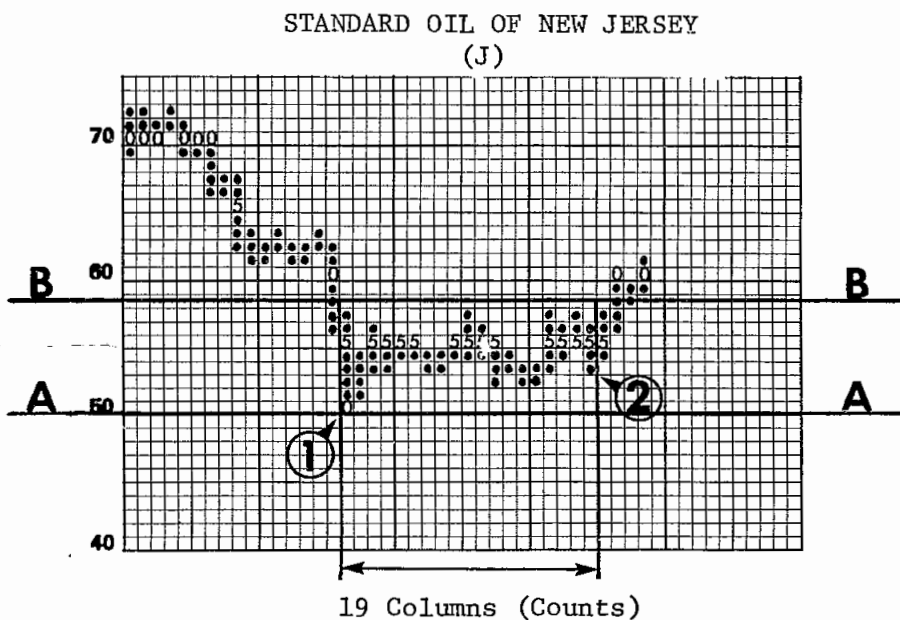
(1) The extreme low = 50
Add a count of   19
Minimum full count objective = 69

Add the number of columns in the count to the price line of the Last Point of Support. This gives the maximum full count objective in the accumulation area.

STANDARD OIL OF NEW JERSEY
(J)

19 Columns
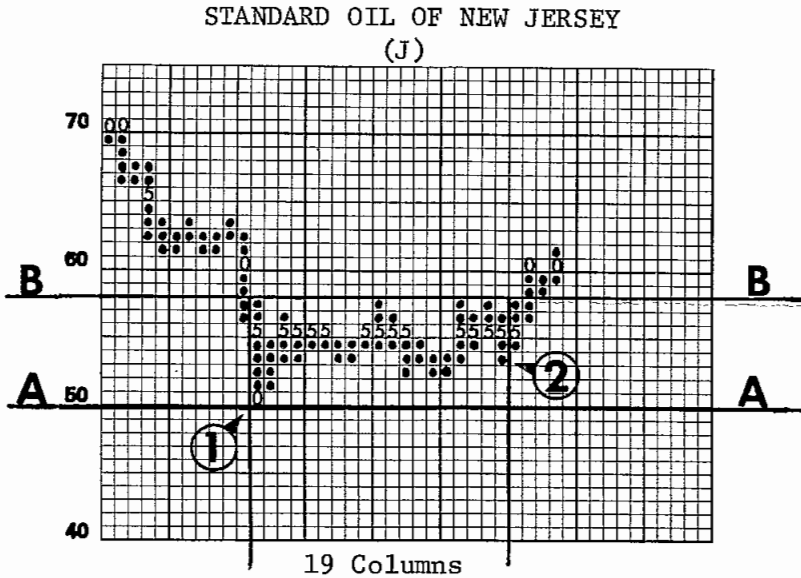
(2) The price line of last point of support = 53
Add count of ___19
Maximum full count objective = 72

Step 6:

"Flag" these objectives on the figure chart, by outlining the count line on the figure chart and by extending a vertical line up to the minimum and maximum counts, then indicate these 'objectives' with small pennants as shown below and on the full chart on page 6.

STANDARD OIL OF NEW JERSEY
(J)
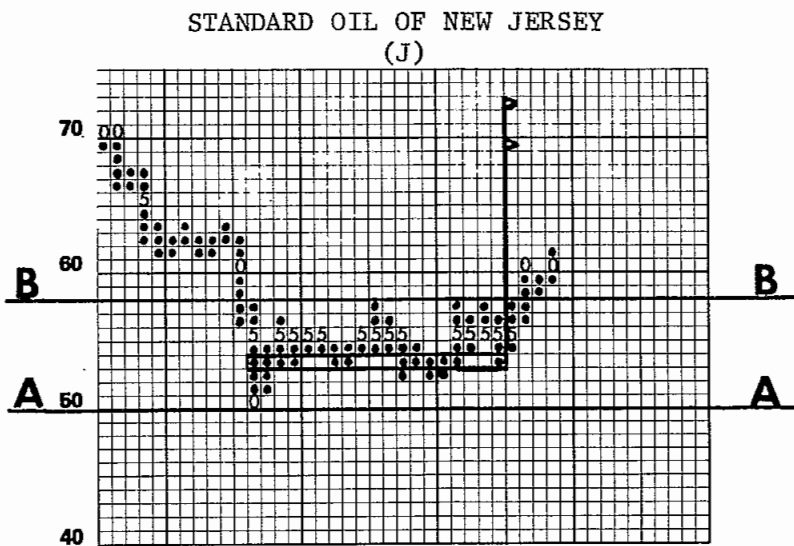
Some stocks may have last points of support (LPS) at higher levels than the original last point of support. They may also have areas of preliminary support. And it may also be necessary to include higher last points of support and preliminary support in the count at some later time, but that is an advanced technique that is not intended to be a part of these instructions at this time. That will come later.

Down-counts are obtained by employing the same method, except that we use the reverse of the above principles such as: Buying Climax, Last Point of Supply, Preliminary Supply, etc.

All of the above are fully discussed in Basic Lecture 8.

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(J)