

CHART RECORDS

For the purpose of studying the Buying and Selling Waves referred to in Section 5M, we require a Trend Chart, or vertical chart of some representative general market average each as the New York Times 60 stocks (illustrated in Section 7M), "supplemented by a Wave Chart (fully explained in Sect. 22M). Our Trend Chart of a general market average is the medium through which we are enabled to study the larger raves of the market. It is our large scale road map from which we judge the market's present position in relation to its probable ultimate destination. The Wave Chart is our local map which shows the detail of the market's position in relation to these larger swings. Therefore, the Wave Chart helps us to detect the approach of turning points of the large waves, (intermediate swings) frequently two to four days in advanced

We cannot very well trade or invest in a total of 50 to 100 stocks simultaneously, and since all stocks do not move in complete harmony nor with equal speed at all times, we require some means of breaking down our large scale market map (general market average) into its component parts so that we may determine which sections or groups afford the most promising opportunities. For this purpose we must either employ the Position Sheet described in Section 18M, or we must use Group Charts as explained in Section 4M (Pgs. 24 and 25) and more fully explained in "Comparing Strength and Weakness" (Section 8M). Then, after we have decided which groups offer the greatest promise, we aim to select out of these groups the most desirable individual stocks.

In brief, we aim usually to trade in harmony with the trend of the market as a whole and in the most promising groups of stocks (Sect. 9M, Pg. 1., Pars. 1 & 2). Having narrowed our choice down to the most desirable group, we next must have facilities, for selecting the best opportunities from a large number of individual stocks. These will enable us to operate in the stocks that will

move soonest, fastest and farthest, and to avoid being tied up in dull, dead stocks.

The amount of time at your disposal for stock market purposes will, of course, control the amount of work which you can do without over-working or interfering with your regular business or profession. In general, it is much better to limit your chart work so that the bulk of your time may be devoted to the study and interpretation of your records, than to keep too many charts. In other words, it is better to keep charts of 20 stocks and study them thoroughly than to try to keep 200 charts and consume all your spare time in merely posting entries on them.

In any case, while you are acquainting yourself with the principles of this Method, it would be best for you to confine your chart records to the 20 charts supplied with your Course. As you gain experience and acquire proficiency in reading charts, you will find that you can readily expand the number you are able to maintain and interpret quickly.

For the average, and more advanced students, the following is recommended as a very satisfactory layout:

<u>TYPE OF CHART</u>	<u>IN THE FOLLOWING FORMS</u>
N. Y. Times 50 or Herald Tribune 100	{ One Point Figure Three Point Figure Daily Vertical Line With Volumes
Dow-Jones 30 Industrials	
Dow-Jones 20 Railroads	
Dow-Jones 20 Utilities	
Wyckoff Group Averages	
25 to 200 Individual Stocks	{ One Point Figure Three Point Figure
Wave Chart of Tape Readings	
	{ One Point Figure* Three Point Figure* Ten Point Figure* Continuous Line*

* The nature and method of keeping these charts are explained in Sect. 22M.

The above portfolio can be expanded either by increasing the number of individual 1 point and 3 point figure charts from the minimum suggested number of 25, to 200 or more, and by keeping part or all of these individual stocks in the form of vertical charts also. At the start, however, if you will make up and maintain vertical charts of a Trend Chart and the various most important group averages such as the Rails, Industrials, Utilities, Steels, Oils, Motors, etc., you can use these for the purpose of determining the trend of the market and of the several groups. Then, when you find from your vertical Group Charts, a group that offers promising opportunities, you may refer to your figure charts of the individual stocks in that group to decide which of these appear to be in the best position. Next, when you have narrowed your selection to the one or two most promising stocks in the group, it will be a simple matter to make up a vertical chart of those stocks, which you can study in order to time your purchases or sales to the best advantage. When you find the move in the group and in your individual stocks has been completed you may discontinue keeping the vertical charts of these stocks until a new opportunity appears to present itself to invest in those stocks (Sect. 4M, Pgs. 22 & 23).

In this way you can, if your time is limited and if you wish, save much of the work that would be required to maintain vertical charts every day for a large number of stocks.

However, the larger the number of charts you can keep., the greater will be the variety from which to make your selections and the broader your perspective of the whole market. Therefore, another good plan, if you can arrange it, is to have someone else do your chart work for you — though you can learn more from your charts if you make most of them yourself.

The keeping of charts is a clerical job which calls for painstaking accuracy, but it is not difficult work for any bright boy or girl after the purely mechanical part has been explained. A student who is beginning to learn

mechanical drawing, for example, is receiving training in a school which demands that he be mathematically accurate. You will find such students highly satisfactory for chart work. They can be had at very small salaries.

If you have the time or the assistance, you may wish to keep your chart records on a more elaborate scale. In that case, you may find it helpful to add the following to your list:

Vertical Charts, with Volumes, showing weekly movements.

Vertical Charts, without Volumes, showing monthly movements.

The above should not be used exclusively (without daily charts) since they are not sufficiently sensitive to permit accurate timing. Too much vital detail may be lost in the condensation of the daily price movement and volume behavior in the weekly chart. The principal value of the weekly and monthly vertical charts lies in the historical background, that is, the perspective they afford of the long range move and old points of resistance and support. But even for these purposes, the 1 point and the 3 or 5 point figure charts are quite satisfactory.

Both the vertical and figure charts may be kept in a loose-leaf note book, of the size of this volume, or pocket size, or on larger sheets, say 11 by 16 1/2 inches, according to your individual preference. Far most students, charts of the size accommodated by a three ring loose-leaf binder holding sheets 8 1/2 by 11 inches, are most convenient.