JUDGING THE MARKET BY ITS OWN ACTION

The business of Wall Street is to finance corporations and to sell the securities — stocks and bonds — which result from this financing. Some securities are good; others not so good. Those who manufacture and sell them to the public know their value best. The public has comparatively little idea of their real value, except seasoned securities — those which have been on the market for a long time and which, therefore, have established earning power and intrinsic value.

In every case the banker who does the financing and the dealers who help him distribute, have paid for their securities either in cash or in services, or underwritten them. The object is to market these stocks and bonds at as high prices as possible. This marketing is done through distributing houses and syndicates, by private sale, by public offering, and by means of listing on the stock exchanges.

In the latter case, the stock is advertised by making it active on the tape. If the price be advanced, and the transactions made large, the activity attracts buyers, and those who are handling the stock are thus able to dispose of their shares.

Sponsorship is continued after the market is thus made for a company's shares. The bankers operate for themselves, or others operate for them. After a stock is floated, its sponsors try to create a stable market and support the price as well as they can without taking back too much stock. When it is thoroughly distributed and enough people are interested in the stock to make a market which takes care of itself, under ordinary conditions, the original banker, syndicate or sponsor may discontinue operations and turn attention to some other which affords a new opportunity for money-making.

Other interests may begin operations in that stock. Generally speaking, there are usually one or more sponsors or large operators working in every stock. Sometimes there are many. These interests see opportunities for profit, accumulate a line, mark up the price when conditions are favorable, and then sell out. Or they may sell short, depress the price and cover.

No one can deny that in Wall Street the, big fish eat the little ones. Large operators could not operate successfully without the large number of people making up the public; that is, if there were only ten big interests in the market and no public, these ten could only make a profit by dealing with each other. It would be difficult for one crowd to deceive any of the nine others. But when the public enters the stock market, the large operator's game becomes easier for him.

Tape Reading and Chart Reading, enable one to detect and profit by these inside operations or manipulation; to judge the future course of stocks, by weighing the relation of supply and demand. This sometimes can be done from price movement alone, but if you consider also the volume of the transactions you gain an additional and vitally important helpful factor.

By accurately judging this supply and demand, you are able to decide the trend of the whole market and of certain stocks; also which stocks to buy or sell, and, what is even more important, when to do so.

You always aim to select the most promising opportunities; that is, the stocks which are likely to move soonest, fastest and farthest. You make no commitments without sound reasons, and you avoid undue risks.

Whenever you study the tape or a chart, consider what you see there as an expression of the forces that lift and depress prices. Study your charts not with an eye to comparing the shapes of the formations, but from the viewpoint of the behavior of the stock; the motives of those who are dominant in it; and the successes and failures of the buyers and sellers as they struggle for mastery on every move.

The struggle is continuous. The tape shows all this in detail. The charts enable you to pick the market apart and study whatever portion or phase of it you choose.

Supply and demand may be studied on the tape of the stock ticker, and to <u>even better advantage from charts</u>.

The tape is like a moving picture film. Every minute of the day it is demonstrating whether supply or demand is the greater. Prices are constantly showing strength or weakness: strength when buyers predominate and weakness when the offerings overpower the buyers. All the various phases from dullness to activity; from strength to weakness; from depression to boom, and from the top of the market down to the bottom — all these are faithfully recorded on the tape. All these movements, small or great, demonstrate the workings of the law of supply and demand. By transferring to the charts portions of what appears on the tape, for study and forecasting purposes, one is more readily enabled to make deductions with accuracy.

And now that you are undertaking to learn this Method <u>it is best that you prepare your mind for it by discarding most of the factors that you have heretofore employed</u> in forming your judgment and making your decisions, such as: tips, rumors, news items, newspaper and magazine articles, analyses, reports, dividend rates, politics and fundamental statistics; and especially the half-baked trading theories which are expounded in boardrooms and popular books on the stock market.

It is not necessary for you to consider <u>any</u> of these factors because the <u>effect of all of them</u> is boiled down for you on the tape. Thus the tape does for you what you are unable to do for yourself: it concentrates all these elements (that <u>other people</u> use as a basis for their stock market actions) into the <u>combined effect</u> of their buying and selling. You draw from the tape or from your charts the comparatively few facts which you require for your purpose. These facts are: (1) price movement, (2) volume, or the intensity of the trading, (3) the relationships between price movement and volume and (4) the time required for all the movements to run their respective courses.

You are thus far better equipped than the man who is supplied with <u>all</u> the financial news, statistics, etc. from the whole world.

I, therefore, claim that:

You need never read anything on the financial page of your newspaper except the table of stock prices and volumes.

You need pay no attention to the news, earnings, dividend rates or statements of corporations.

You need <u>never</u> study the financial or the business situation.

You need not understand railroad or industrial statistics, the money market, the crop situation, the bank statements, foreign trade or the political situation.

You can absolutely ignore all the thousands of tips, rumors, reports and especially the so-called inside information that flood Wall Street.

You can discard <u>all</u> of these <u>completely</u> and <u>finally</u>.

UNLESS YOU DO THIS YOU WILL BE UNABLE TO GET THE BEST RESULTS FROM YOUR MARKET OPERATIONS.