MARKET PHILOSOPHY

Cautionary Suggestions Continued.

The two elements vital to success in the stock market are: (1) Knowledge of the principles taught in this Course and (2) Ability to apply these principles correctly. A famous operator, Dixon G. Watts, expressed the idea many years ago by saying that the qualities essential to the equipment of a speculator (and an investor) are: Judgment, self-reliance, courage, prudence and pliability. To these should be added another quality, patience. In brief, rigid self-control is half the battle.

We can train you to develop good judgment, but you must train yourself to act upon your decisions and to carry them to a successful conclusion. By this is meant that you must operate with no emotion's whatever. Be just as indifferent, hard boiled and level headed in opening and closing actual commitments as you would if they were merely paper trades. You can do this if you will be honest with yourself. Make a searching analysis of your own mental processes. Study your psychological shortcomings. To know them is to beat them. If you find you do not possess courage, self-reliance, patience, prudence and pliability, cultivate those qualities. <u>It is folly to be in the market without them.</u>

When you make a commitment, your attitude should be that it is just an ordinary business transaction involving risks common to any other business venture. If it turns out profitably, well and good. If it results in loss, no serious harm will be done because you have limited your risk with a stop order; and you know in advance that no business can be conducted without occasional setbacks, so you are prepared to accept them philosophically.

Thus you will waste no time regretting losses or lost opportunities. The only value of a mistake is the lesson it may teach. Hence the only thought you will give to your errors will be studying the reasons, for them. Regrets can teach you nothing but they can produce a great deal of mental anguish which will upset your self-control.

Once you have acquired complete control of your emotions, you will, he surprised to find how greatly that strengthens your, judgment. The better your judgment, the greater will be your confidence in yourself and your contempt for the opinions of others. Right here let us caution you to remember that another vital element in your success will be your ability to play a lone hand.

Decisions arrived at by committees or groups are no better than the worst opinion of the weakest thinker of the lot. It is a peculiar fact, in the stock market at least, that a loud mouth goes with a lame brain, but leather lungs sway more people than sound logic. That statement may seem harsh, but you will recognize its truth later if you do not see it now.

Neither should you seek confirmation of your decisions by consulting others whom you may regard as experts, unless you are positive they speak the same language as you, that is, understand and follow the same principles. Even then, be careful. One person may see the market with the eyes of an investor, another through the eyes of the day-to-day trader. You may consult both and get conflicting opinions, each of which is sound for that particular individual's requirements, but not for your purpose. Again, you may have made a close study of a certain stock. You ask another, who knows little about its behavior because he; has not followed it, what he thinks. To be sociable he gives you an offhand opinion which throws you off balance. Result: You take a loss or miss an opportunity. In fact, we know of cases where two equally skilled operators have had diametrically opposed positions at the same time, one long, the other short, in different stocks of course. Both made profits. But had they compared notes, consulting each other for an opinion on the market, the outcome would have been confusion, hence opportunity lost and mental poise upset. Therefore, make it your practice to <u>draw your own conclusions and keep them to yourself.</u>

A stock market operator must be as hard boiled as a five-minute egg.; cold blooded as a fish; deaf to all gossip; blind to news; and dumb as a door knob when it comes to discussing the market with others.

Capital and Courage are two things necessary before you begin actual trading. You must have capital and you must have the courage to act on your own decisions.

As you continue your study and practice, you will gain confidence and this should give you the necessary nerve when you see an opportunity. If at any time you find yourself powerless to move because you haven't the nerve to trade, make your trades on paper; but only until your confidence returns. Better still, take a vacation from the market. Do nothing for some days or weeks. When you return to it, you will find your judgment improved.

Prudence. Do not let successes lead you to trade in unduly large amounts in proportion to your capital. If you have $10,000 available, see what you can do by venturing not more than $1,000 in a series of trades in small amounts of stock. Do not touch the other $9,000 until you have proven whether or not you have been successful with the $1,000. If you should lose the $1,000, try again with the next $1,000; do not use all the rest of it.

It is a good plan to have a column in your record of transactions in which you enter the causes of any losses that occur. Study these. This will aid you toward success.

Your transactions may be small at first but this start is very important to you. "As the twig is bent, the tree's inclined."

Suppress all anxiety to make a lot of money. Do not aim to make a killing; try rather to realize a consistent return on your capital — 20% to 45% or more per annum is not an unreasonable goal. You will be surprised how rapidly you can build if you do not aim too high at the start. Concentrate upon learning to play the game — not the way it is played by the public but by the professionals

Play it, not like an outsider, but an insider. <u>Try to get the big fellow's point of view. Reason out what you would do if you were in his place.</u> If you were trying to buy you would force the price down as low as you could. When it came time for you to sell, you would spread bullish tips and print optimistic news items through your press agent in order to induce other people to buy; thus you would create a good market on which to sell. That is the game as the large operator plays it, and when you understand how he works and you, trace his movements on your charts, you are making him work for you and profiting by his efforts. Thus you continually increase your chances .to win.,

<u>Never risk any more money than you can afford to lose.</u>

If you use money that you cannot afford to risk, your judgment will be warped. Fear of loss will cause you to use bad judgment. Hope that you will make a profit will cause you to hang on when you should close out.

<u>Pliability</u>. If you cannot act without hope or fear; if you cannot trade without having your judgment distorted by these factors, wait until you have a certain amount of money that you can afford to risk and the time to devote to the market. Then you can be calm, cool and collected. By practicing on paper meantime, you can further prepare yourself for your real campaigns.

<u>When in doubt, get out!</u> Nothing clarifies the mind more than to be in a neutral position — out of the market. The reason: An investor or trader is biased by his open trades. If he is long, he thinks his stocks should rise because he is long; his hope often overbalances his judgment. If he is short he often fears that a rally will catch his stop orders. Livermore says: "Instead of hoping, he must fear; instead of fearing, he must hope. He must fear that his loss may develop into a much bigger loss, and hope that his profit may become a big profit. It is absolutely wrong to gamble in stocks the way the average man does." (*)

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* Reminiscences of a Stock Operator by Edwin Lefevre. Page 131.

Whenever you find hope or fear warping your judgment, close out all your positions at the market price, regardless of whether you have a profit or a loss. Then keep out of the market a few days, a week or longer — until you feel that you can go back again and be guided by your judgment instead of your hopes and fears. These two emotions are the cause of many failures in stock trading.

Until you can learn to trade and invest without hope or fear you will not meet with all the success you should.

During the years when I conducted an advisory service, I found that one of the important elements in my success was the practice of keeping out of the market for days or weeks at a time when the trend was in doubt. Subscribers often complained of this; they claimed that they were paying for the service by the year and that in telling them to do nothing I was depriving them of opportunities for trading. I replied by stating that the best advice I could give was: Do nothing. I had not agreed to keep them in the market all the time. My aim was to show a large profit at the end of the year after deducting losses, commissions and other expenses.

I know a number of people who do not make a commitment more than a few times a year. They usually clean up. I recall one year in which I was very busy with some other matters and could not give attention to my personal trading, but I did make commitments three times during that year. There were no losses on any of these three trades. All showed profits. These amounted to seven times the capital originally employed on margin and no additional margin was required.

<u>Prospective Profits</u>. Do not fix your mind upon any stated amount of profit that you hope to make on any commitment. Your chart will indicate the possibilities before you enter your order. Never say you will make twenty points out of this stock, because such an expression is merely registering hope, it may lead you to hang on too long. Even the biggest bankers, manipulators and operators never know how a trade is coming out. The market situation is changing

constantly. Before you have been in a commitment twenty-four hours there may be reasons why you should not only close it out, but reverse your position. You must be so flexible that you can turn readily according to your indications.

Never pit your judgment against that of the market. Today's trading trend may be one thing and tomorrow's another. The thing to cultivate is ability to sense and to follow a trading trend whichever way it leads.

Patience. If you find that you have been taking five point profits when you might have had ten or twenty points in several cases, it is probably due to lack of patience. Your charts will show that you should not have gotten out when you did; that you should have waited until you had definite indications that your stock had completed its swing and was ready for a reverse movement.

Patience is an indispensable factor in the market: Patience to wait for opportunities; to see them develop; to wait for a substantial profit. Livermore said he became a big and successful trader only when he learned to hold his position through rallies or reactions until he had sound reasons for closing his trades.

Don't be in a hurry to get into the market simply because you have surplus cash available. Wait until you see a real opportunity. Suppose you do have $5,000 idle for even as long as three months. The interest on that sum at 6% would be $75 which you lose by not investing it. One good commitment a year will make you profits of many times that amount but a hasty trade can set you back twelve months' interest, to say nothing of the shock to your confidence.

Likewise, once you have made up your mind that the market is topping out don't be in a hurry to climb back into a stock out of which you have just taken a substantial profit. What if it does go a few points higher? Let the other fellow gamble for the last eighth. Chances are you can buy it back again, if it acts right, at lower prices than you sold even if you have to wait six months or a year.

Have patience to wait out a situation until you see it is ripe for an aggressive move. Then act promptly. Do not debate whether it would be better to wait for positive proof of the correctness of your decision. By the time you are 100% certain, the move will have started and your opportunity slipped away. If this does happen, don't make the mistake of running after the move which has escaped you, for in that case your judgment is consciously or unconsciously biased by your first error and chances are you will not thereafter act with a clear mind. It is best to say: The higher it goes the less I want that stock (if you were bullish), or: The lower it goes the less I want to sell it short (if you were bearish); so I'll just look ground for the next opportunity.

Never get the idea that you <u>must be</u> in the market <u>all of the time</u>. In fact, it is a good plan to operate so that your funds will be completely liquid at intervals and your position neutral. The purpose of this is to prevent you from going stale; to keep a fresh, clear perspective.

<u>Never make a commitment in any stock unless and until you have made a thorough study of its position, its background and present behavior.</u> If you have no charts of that stock, make them before you go ahead.

Do not go into a stock merely because you <u>think</u> it may be good; or because you "hear something good (or bad)" about it; or a friend has been advised to buy; or your broker "hears" big people are picking it up or selling it, as the case may be.

If you <u>must</u> lean on advisory services, check up their recommendations and opinions for yourself before you act blindly; and don't hesitate to disagree with them. Their judgment may be no better than yours right now, and when you have thoroughly assimilated this Method, your judgment will probably be <u>far superior</u>.

<u>Self-reliance</u>. <u>NEVER ASK YOUR BROKER or anyone else</u> what he thinks of the market, or what he advises you to do or whether he approves of what you

plan to do. Form your own opinion. Try to make it so accurate that you will gain more and more confidence in it. Learn to have no respect for anyone's else opinion but your own. If you follow anyone else, your own judgment will weaken and that is the opposite of what it should do. By constantly cultivating a more accurate judgment, you will continually add to your earning power.

Make it your invariable rule that you will never allow either your broker or your customers' man to express his opinions; and you will allow him to quote prices only when you specifically ask for them. Make it your fixed policy — and have this clearly understood — that he is to do nothing more than take your orders and confirm their execution. See that he stops right there.

When you ask another person what he thinks, or which stock he believes best to buy or sell, you are taking his judgment or mixing his judgment with your own. In most cases, his opinion is nothing more than a guess. Your opinion can be based on facts, as shown on the tape, or on your charts. It will become more and more sound as you practice the rules herein suggested. Study, practice, trade and develop your judgment, your foresight and your self-reliance. New students especially should not ask a broker: "What's the market doing?" That leads him to express an opinion and immediately the student's judgment is biased.

Although brokers are constantly being asked for opinions and advice, they would much prefer not to give either. As Arthur Brisbane once wrote:

"When advice is good, its origin is forgotten and the buyer rejoices in his own intelligence. If bad, the giver of the advice is hated."

A broker prefers customers who know what they want to do and when to do it; who never ask advice; who give their orders in a clear and intelligent way. A broker has his hands full executing orders and financing the accounts of his clients. To ask him what to buy or sell, or to expect him to tell you just what to do, is an imposition for which he is not compensated by the small commissions you pay on each transaction.

Do not mix fundamentals; statistics; opinions, formed from newspaper headlines concerning domestic or world political conditions, or conversations with your banker, your broker or business associates with technical conditions. To do so will distort your perspective and impair your judgment.

Do not judge the market by what you see from occasional glimpses at the tape. In the first place, unless you are an active trader and able to devote five hours a day to reading the tape continuously, you should not look at the stock ticker at all. But if you do have occasion to call on your broker, stay away from the tape. It is very bad practice to drop in at lunch time to see how the market is doing. That's just like hopping into the movies to see a five reel thriller and being called out at the end of reel two when the villain is about to tie the heroine on to the railroad tracks. You go away thinking she, is done for, not knowing that reel three may bring our hero on the scene in the nick of time with a posse from the sheriff's office.

Take care that you do not confuse minor swing with intermediate trend indications, nor short swing trading with trading or investing for the long moves. If you make a trade for say a five point move on the basis of tape indications, you must close out that trade on tape indications. On the other hand, if you take a position for a possible 10 to 15 point move on the basis of your chart indications, close it out on what the chart shows, do not run into a broker's office and throw your commitment overboard on what you suppose to be a tape indication. Short swing trading requires an advanced technique (explained in the division "Tape Reading and Active Trading") which is not strictly applicable to intermediate trend trading. Hence, if you confuse the two you are sure to be whipsawed. That is, you will always be jumping in on bulges and out on reactions. You will succeed only in paying brokers more in commissions than you will ever take out in profits for yourself.

Above all, DO NOT MIX YOUR METHODS.

Occasionally we find a new student who is endeavoring to combine this Instruction with all or part of other ideas and theories (particularly some of the popular, new day "studies" of geometrical chart "patterns") which he has previously acquired. It is sheer folly to suppose that you can hope to discover any easy short cuts to practical market operations. The very nature of the art is such that it cannot be reduced to a basis of rigid formulas functioning along mechanical or mathematical lines. In short, you cannot solve your market problems with a calculating machine.

Our experience shows that those who set aside all other methods, ideas and theories (especially the Dow Theory) secure the best results. One case was like this: A student correctly forecast a rise in the market and accurately indicated the number of points that a group of leading stocks should advance. But when the rise was only half over he decided, on the basis of the Dow Theory, that the market should decline and not only sold out his long stocks but went short at that point. Result: He missed about half the advance, operating contrary to the trend as indicated by our teachings. He not only lost money but he lost an opportunity to get out of his stocks at the clearly indicated tops and to make a handsome profit on the short side in the decline which followed (which decline was not indicated, again on the basis of the Dow Theory, until the market was nearly at bottom once more).

Those students who have nothing to unlearn make the most rapid progress because they follow the Course 100% and soon find themselves on a paying basis. Therefore, we hope you will not mix our Instruction with any other for the above and the following reasons: It is practical, being founded, upon principles employed by <u>real</u> operators, men who have had professional experience and not merely smatterings of beautiful theories picked up as market letter writers, statisticians and self-styled "experts." It is complete in itself. It covers all your requirements in all phases of the market. It has been tested in all kinds of markets through more than quarter of a century, in fact, the underlying principles of this Course are as old as the market itself. It has made a great deal of money for many thousands of people. It will not stand mixing with any other so-called method; to do this is like going to two doctors, getting their prescriptions mixing the two together in one battle and taking a dose in the hope that it will cure you. You really should give one doctor a fair chance by taking his medicine when and as prescribed. Indeed, we claim that, unless you learn and apply <u>this</u> Instruction, you had better quit the market and stick to a business or a profession which you do understand.

Do not be impatient to begin trading or to get results. Lay a strong foundation for your future by understanding thoroughly before you make even a single paper trade. Continue your paper trading long enough to be certain of your judgment before you venture a dollar.

In some instances, students start trading on some feature of the Course before they have even read it through once. In fairness to themselves and to us they should follow instructions. These are: Read, study and learn the Method. Practice on paper until you are proficient. Then begin trading in small lots.

We asked one subscriber who is a doctor and who insisted upon trading almost immediately, "How long did you study medicine before you actually began to practice?" "Five years," replied the doctor. "Then would it be too much if we requested, for your own good, that you study the Course for three months before you make your next trade?" "That seems quite reasonable," he admitted.

ADDENDA

The material contained in the following pages and in Sections 24M and 25M is as vital a part of this Course as the technical studies set forth elsewhere.

We urge you to read these last three sections over and over again until you have practically committed them to memory. Then refresh your memory by reviewing them at intervals.

You are asked to do this because we find that students who have acquired proficiency in technical details often spoil good trades; by failing to keep Market Psychology fresh in their minds at all times.

WHY WE DO NOT GIVE ADVICE.

We are not in the advisory business. Our charter does not authorize us to issue advices on the stock market, and it is also against our policy.

Our business is teaching the Science of Trading in Stocks. We assist you in developing your own judgment. Our object is to make you independent of us so that eventually you will not have to ask us a question. When you reach that point, you will thoroughly understand the Method.

If we were to tell you when to buy or sell, and which stocks, we should be handicapping instead of helping you. Quality of judgment cannot be measured by any one piece of advice. If we tell you what to do and we are right, it would not prove that we have a good Method; nor if we are wrong, would it prove that ours is a poor Method. Good judgment can only be demonstrated by the giving of a long series of advices and basing trades thereon, in which the majority yield profits.

A bullish indication given today may be absolutely wrong tomorrow. Not only can the trend of the market change at any moment, but the technical position of any stock can do the same. Therefore, unless advices are followed up, and the adviser indicates whether the market confirms or contradicts their accuracy, they are of no value.

Advices to be of any value, were they given, should also carry correct stop order figures. And the market must be continuously watched so that stops can be moved according to directions. Merely to say, "Buy this stock," therefore, is to give a small section of what should be a continuous series of advices on a single trade. A small and incomplete piece of advice is of no value whatever. Both from the standpoint of the giver and the taker it is worse than useless.

Queries sent to us should state your interpretation and we will endeavor to make helpful suggestions. All interpretations are subject to confirmation or contradiction by subsequent market action. If we should at any time express an opinion as to the position of a stock, or the market, it must be understood that this is solely for the purpose of improving the quality of your judgment and that IT APPLIES TO YOUR PAPER TRADING ONLY. Our opinion should NEVER be regarded as advice to make actual trades or to take a position in the market. We are <u>teaching</u> — not advising.

When you have completed your paper trading, your judgment will be sharpened to the point where you can depend upon yourself and you will not then need any coaching from us. You can test your position by asking yourself this question: "Have I made a long series of paper trades which show more net profits than losses? If so, I am ready to trade with real money; otherwise, I have not yet acquired sufficient understanding of this Instruction to warrant my making actual trades."

COACHING

In coaching we show you all the fine points in the operation of our Method and help you to learn how to- interpret every phase of the market itself. As a subscriber, you are entitled to this assistance without any charge whatsoever.

With your cooperation we can make our coaching service (either by personal conference or correspondence) one of the most valuable parts of the Richard D. Wyckoff Course of Instruction. We suggest that you number your questions (keeping a copy for yourself) so that we can reply according to number. If you will carefully word your questions or problems you will facilitate our replies and enable us to give you clear, concise answers or discussions. We prefer these to be typewritten on full sized letterheads to facilitate handling and filing.

A most comprehensive result will be secured If you will send us complete details relating to one or two of your typical paper trades at a time, whereupon you will receive from us a thorough discussion of the problem, designed to illustrate the application of all important principles involved. (See Pg. B, "How to Proceed," Par. 9.)

Take full advantage of our coaching service. Call on us for assistance as often as you like. As this Course of Instruction, may determine-your financial future, it is sufficiently important to warrant a personal visit to these offices if practicable for you. We cordially invite this action on your part. You will find the time and expense involved negligible items compared to the satisfaction that is sure to result.

Almost daily we confer with students and prospective subscribers from points as distant as San Francisco, Mexico City, Vancouver, B. C. They come to learn the extent to which this Instruction will aid them, or to benefit by our personal coaching which is one of the features of our Course. None has ever gone away disappointed.

We shall be glad to answer any and all of your questions from the time you first enroll. But we strongly recommend that you avoid making long trips to our office for personal coaching until you have made some progress with your studies on your own account. That is, wait until you have studied the Course from beginning to end a few times so that, when you do make a trip to the New York office, you will have a proper basis for assimilating individual instruction.

HOW, WHEN AND WHERE TO SECURE THE ADVANTAGES OF PERSONAL COACHING.

All students of our Course should communicate directly with the New York office in connection with all questions involving detailed discussions of technical problems, whenever this is possible.

The New York office maintains a technical department that is in a position to discuss technical problems in considerable detail, and this department maintains a file of correspondence which is likely to present a clear understanding of the student's record of progress, thus giving the instructor an advantage, owing to his familiarity with the student's previous difficulties and his general knowledge of the Course. Such direct contact is calculated to obviate difficulties and misconceptions that might arise through attempts, to secure instruction from others who are neither authorized nor competent to give such instruction, or who are operating under disturbing conditions, or in an atmosphere that is likely to impair judgment or involve prejudices or fallacies growing out of local or transitory influences.

The technical department, in the New York office, believes that for every market situation there is an interpretation that is likely to be the most logical and consistent under the circumstances, and we desire that our students secure the benefit of whatever discussion or reasoning may be available in connection with the problem at hand.

Bear in mind also that the home office has a file of complete technical records and other facilities that help to supply the latest and most significant facts involved in a logical interpretation of the latest manifestations of the law of supply and demand.

POSITION SHEET

Subscribers often ask for our Position Sheet. We do not issue this sheet. We find it much better practice for you to send us <u>your</u> calculations on the technical positions; then we indicate whether these are right or wrong. The value of this practice in determining the positions cannot be overestimated. If we were to give you our estimate of these positions you would be deprived of an important advantage which can be gained only by working it out for yourself.

To facilitate your progress in determining the positions of individual stocks you should use our "Subscriber's Position Sheet" (which lists twenty active representative sticks and suggestions regarding its use). Decide to the best of your ability the position of each individual issue listed thereon and then record it as indicated. <u>Be sure to explain the reasons</u> for each of your deductions; this is <u>very</u> important. Unless you give your reasons we have no opportunity to correct any misinterpretation, miscalculation or wrong judgment on your part. Please do not send us Position Sheets covering more than these 20 stocks. We cannot possibly do justice to an inquiry which requests us to review a long list.

ARE YOU APPLYING THE SOUND PRINCIPLES SET FORTH IN THIS COURSE?

ARE YOU OVERLOOKING OR IGNORING ANY OF THEM?

Analysis of an unsatisfactory period in the early trading operations of a subscriber disclosed abuses that prompted the following constructive comment and suggestions, which are submitted for your information and guidance.

Dear Mr. E__________:-

We have examined the record of your trading during the past several months and find, among others, the following errors in your procedure and practice:

1. You concentrated on the figure charts of individual stocks, basing your trades on these alone.

2. You did not make all trades in harmony with the trend of the market as indicated by the averages.

3. You did not complete a period of successful paper trading before trading with real money.

4. You frequently took your position too late; that is, after the move was well under way, or actually completed.

5. Your eagerness to make profits warped your judgment.

6. You were frequently impatient and acted too soon.

7. You did not properly estimate the distance a stock should move before making trades.

8. You failed to keep up your Position Sheet, and selected your stocks on hunches rather than on cold calculation.

9. After you were in the market you discontinued paper trading of which you were still much in need.

10. You frequently bought on bulges instead of waiting for reactions.

11. You made two or three trades on the same day. This with insufficient study and practice increased the percentage against you.

12. You abandoned the use of Vertical Line Charts which should have been studied in combination with your Figure Charts, at least in the stocks in which you were trading.

13. In one case, Atchison, you bought after it had risen over 20 points above the level where several buying indication appeared. Naturally, your stop was caught.

14. You falled to place stops and move them according to instructions.

15. On several occasions you called up your broker and permitted him to express opinions, whereupon you acted on his suggestions with the result that you sold at the bottom when you should have done nothing; you bought when you should have sold; and you permitted his offhand opinions to scare you out of your own perfectly sound decisions.

16. On another occasion, you allowed yourself the luxury of reading a market letter which said stocks are bound to go up "when Congress adjourns" and thereby frightened yourself out of a logically taken short position.

17. You listen to friends who speak glibly of "double tops," "Island gaps," and similar chart pictures from which they pretend to forecast without giving logical reasons why these accidental formations should have any forecasting value whatsoever.

These are the principal reasons why you have met with difficulty. They may be summed up in one sentence: <u>You did not practice the Method as it is set forth in the Course of Instruction</u>.

We suggest that you begin again. First restudy the whole Course. Then trade on paper, following instructions to the letter. Make hundreds of paper trades if necessary, until you find that your judgment is improving — until you have a good percentage of profits over losses. Then begin to trade in small lots of actual stock until you can increase your unit of trading (number of shares) out of profits.

It is necessary for you now to unlearn much that you have been doing, just as you would correct bad habits in golf by beginning to do what the pro tells you. Gradually you will build up your ability to follow the proper procedure as stated in the Course and then you should begin to make money. Unless you can follow these suggestions we advise you to stop trading altogether, and abandon the idea of becoming a successful operator in the stock market. Such a decision would be deeply regretted by us, as we are confident that if you will follow the Course exactly, success will be your reward, as it has been in the case of other students who were no better Qualified at the start than you were.

Cordially yours,

RICHARD D. WYCKOFF, Inc.

DAILY PROCEDURE.

1. Keep your Wave Chart and Trend Charts (Composite Average and Group Averages) at the beginning of your chart books. Consult these first, so that you will have a clear impression of the trend of the market as a whole. You cannot get this from a study of one or a few stocks. You must rely on the Wave Chart and the averages to indicate whether the next swing will be up or down and whether it will go far enough to warrant your taking a position. For this purpose keep both the vertical charts of the averages, with volumes, and the figure charts of the same. Combined, these will give you a, sound basis for your forecasts.

2. Next make the daily entries on your figure charts of each stock and on your vertical line charts. If your time is limited keep down the number of stocks.

3. As you enter the changes for the day, have your Position Sheet beside you and note thereon whether each stock is now in position 1, 2, 3 or 4. You need not make a new sheet each day; use a pencil and erase where alterations are necessary.

4. When you have completed your chart changes and revised the Position Sheet, add the columns and observe from your summary whether that confirms the trend indications of your averages. Plot these summarized figures on your Technical Position Barometer Chart. These changes in the totals are important because they warn you of the approach of a change in trend. They are best shown on a Barometer Chart, but a tabulation of the totals is also simple and effective.

By following this procedure the best results should be obtained.

CONCLUSION.

In this Course Mr. Wyckoff and the Institution he founded have taken you into their confidence by giving you the best of all the ideas, plans, methods and technique that you need for common sense trading and investing. Work out from these your own procedure, depending upon the amount of time and capital you wish to devote to the market; what you aim to accomplish; how you wish to trade or invest, and the way in which you can make the most profits.

You ask how much time it will take? The answer is: As little or as much as you choose. But as you learn this Instruction, you will find it profitable to devote more and more of your time to it. You can, from what you learn here, make trading in stocks your profession if you so desire.

After you have thoroughly educated yourself in the practical use of these principles, and you have the benefit of long practice and experience, you will probably find that you are gradually developing intuition.

Intuition enables one to judge a situation without conscious reasoning.

Some people possess this faculty to a greater degree than others. It develops in stock trading just as it does in any other line of business or profession. It is the reward for long and patient study, close application, deep concentration.

There was a time when Mr. Wyckoff was unable to judge the market because he did not know all that he learned later. It could not be found in books. He had to search this all out, bit by bit. It required years and years in the face of many discouragements.

We now put into your hands tools that served him so well. What you do with them depends upon yourself. We shall be glad to take up with you, at any time, your personal problems relating to the application of this Course to your individual requirements; also to receive your criticisms and suggestions.

The stock market is the greatest game in the world. The wealthiest, most expert and most powerful individuals, corporations, bankers and investment trusts are engaged in it. They employ sums running into billions of dollars.

Like them you must be sharp, shrewd, clever and industrious.

Success to you:

Wyckoff SMI INC.