SELECTING THE BEST STOCKS

The Position Sheet - Technical Position Barometer

There are two processes of reasoning by which we may arrive at a conclusion: (1) The deductive method which proceeds from the general to the particular and (2) The inductive method which works from the particular to the general.

In our previous studies we have explained the first or deductive method of arriving at our decisions. That is, we have shown how to determine the bullish or bearish possibilities of individual stocks by determining first the position and trend of the general market; then the position and trend of the various group averages; and finally the position and trend of individual issues, separating those which might be expected to move more rapidly than, or in harmony with, the market as a whole from those which seem likely to move against the trend or not at all.

We may, if we wish, employ the reverse of this procedure, namely, the inductive method of reasoning from the particular to the general. That is, we may form our conclusions by first analyzing the positions of individual stocks. Then by classifying these individual issues under their proper group headings, we can determine the position and trend of the various groups. Next, after we have decided whether the balance of probabilities in the groups is bullish or bearish, we are able to forecast the trend of the market as a whole.

Either approach is good by itself, though reasoning from the particular to the general requires the exercise of more skill and judgment and takes a little more time. It is best to employ both methods if possible, for then one will serve to check the other.

In any case, you <u>must</u> learn how to select the best individual opportunities, that is, the stocks which will move soonest, fastest and farthest if you would attain success in trading and investing. Therefore, it is necessary for

POSITION OF 100 LEADING ACTIVE STOCKS.

Position 1	2		Position 3	4
		RAIL		
x		Atch		
x	x	B & O		
		Can Pac	x	x
		N Y Cent		
x	x	Ches & O		
x		Penn R R		
		Union Pac	x	x
		New Haven	x	x
		RAIL EQUIP		
		Amer Loco	x	x
		Baldwin	x	x
		Gen Ry Sig	x	
		Gen AmTank	x	
		Pullman		
		ELEC EQUIP		
x	x	Gen Elec		
	x	Wes'house	x	
		CAN		
x		Am Can		
		AIRCRAFT		
x		Un Aircraft		
		COPPER		
x		Anaconda		
x		Kennecott		
		STEEL		
		Am Ro Mills	x	
		Beth	x	x
		U S Steel	x	x
		OIL		
		Atl Ref		
x	x	S O N J		
x	x	S O Cal		
	x	Tex Corp	x	
11	7	TOTAL 1st Col.	12	7

Position 1	2		Position 3	4
		MOTOR		
x	x	Auburn		
		Gen Mot	x	
		Chrysler		
		TIRE		
		Goodyear	x	
		TRUCK		
		Mack	x	
		TOBACCO		
	x	Am Tob B	x	
	x	Lig Myers B	x	
x	x	Reynolds B		
		SUGAR		
		Am Sug		
		C Aguirre		
x		So P Rico		
		FOOD		
	x	Borden	x	
		Nat Bis	x	
	x	Corn Prod		
x	x	Gen Foods		
x	x	Gold Dust		
	x	Hershey	x	
	x	Nat Dairy	x	
x	x	St Brands		
		CHEMICAL		
x		Allied Chem		
x		Air Reduc		
x		Col Carbon		
		Un Carbide	x	
	x	Misc Mining		
x		AmSmelting		
x	x	Int Nickel		
		Vanadium	x	
11	12	TOTAL 2nd Col.	11	0

Position 1	2		Position 3	4
		TEL & CABLE		
x	x	Am Tel & Tel		
		Int Tel & Tel		
		West Un	x	x
		TRACTION		
	x	Bkn Man Tran	x	
		GAS & POWER		
x	x	Am For Power		
		AmWater Wks		
	x	Bkn Un Gas	x	
		Col Gas		
		El Pow & Lt	x	
x	x	Con Gas		
x	x	No Amer		
		Nat Pow & Lt	x	
x	x	Pub S N J		
	x	United Corp	x	
	x	Un Gas Imp	x	
		MOTOR Access		
x	x	Bendix		
x	x	El Auto-Lite		
		Stew Warner		
		Timken	x	
		CHAIN Stores		
x	x	Drug, Inc.		
		Kroger	x	
	x	Macy	x	
x	x	Safeway		
	x	Woolworth	x	
		MAIL ORDER		
x	x	Montg Ward		
x	x	Sears Roe		
		MACH & MFG		
		Am MachFdry	x	
		Allis Chal	x	
		Fos Wheeler		
		Worth Pump	x	
11	17	TOTAL 3rd Col.	14	1

Position 1	2		Position 3	4
		FARM MACH		
x		Case		
x		Harvester		
		THEATRE		
	x	Loews	x	
		Paramount	x	
	x	Radio-Keith	x	
		MISC IND		
x		Byers Pipe		
x		U S Pipe		
		duPont		
		Eastman Kod	x	
		Warren B Pav	x	
x	x	Radio Corp		
		OFFICE EQ		
x	x	Burroughs		
		Int Bus Mach		
		Nat Cash Reg		
		BLDG		
x		Am Radiator		x
		Johns-Man	x	x
		RESTAURANT		
x		Childs1		
		Shattuck		
8	4	TOTAL 4th Col.	6	2

Position 1	2	SUMMARY	Position 3	4
11	7	1st Col.	12	7
11	12	2nd "	11	0
11	17	3rd "	14	1
8	4	4th "	6	2
41	40	TOTALS	43	10

THE TREND

1	2		3	4
	x	Averages Indicate	x	
	x	Summary Indicates	X	

Position should be: Long ~~Short~~ ~~Neutral~~

Date Oct. 10 Hr. 3 P.M.

you to study and acquire an understanding of the inductive method of judging the general market situation, as herein explained.

For this purpose we require a Position Sheet (sec specimen, Page 2). As will be seen, this sheet is drawn up in such a way that you may quickly and easily record upon it your analysis of each of the individual stocks for which you are keeping records. By listing these stocks on the sheet under their appropriate group headings, you can determine at a glance how the various groups stand after you have concluded your daily studios and made your entries on the Position Sheet.

For study purposes, a Position Sheet of only 20 stocks is ample. Later on, when you have progressed to the point where you have a good grasp of this Method and are ready to apply it to actual market operations, it will be best to keep a Position Sheet covering at least 50 individual stocks and, better still, a hundred or more. Far, in order to select the best opportunities, it is desirable to have a wide choice; and in order to judge the trend of the market as a whole by means of the Position Sheet, it is advisable to have a sufficient number of stocks to provide an adequate sample, that is, a representative cross section of the whole market.

If your time is limited, you may later on (when you thoroughly understand the market) decide that you can dispense with the Position Sheet since you can accomplish the same results through the use of Group Averages as previously explained (Sect. 4M, Pg. 24, Pars. 4 to 6 and Pg. 25, Par. 1). But with an hour or more available each day, you can easily keep up a Position Sheet in addition to your other records and if you have the time, it should be kept. The Position Sheet is a very valuable aid in (a) <u>forecasting the movements</u> of groups of stocks; (b) selecting the best opportunities; (c) <u>judging the turning points</u> of individual stocks; (d) the trend of groups representing the various industries; and (e) <u>the trend of the market as a whole</u>.

I devised this Method about fifteen years ago, (1916) and have since used it with great success.

To make up and maintain a Position Sheet, you may begin your analyses with the figure charts. Each day, as you receive your Daily Stock Chart Reports by mail, you can enter the changes in 50 to 100 or 200 stocks (or only 20 while you are learning) very easily on your figure charts, observing from these charts as they are extended by the addition of new entries, the technical position of each stock. Then, when you see by casual inspection of your figure charts, that some stock is working into what seems to be a promising position, make up a vertical chart of that issue, following the procedure outlined in Section 4M, Pages 22 and 23. This will enable you to observe its behavior in detail, applying <u>all</u> of the factors involved in a <u>complete</u> analysis.

<u>Every</u> stock is always in one of three positions: <u>Bullish,</u> <u>Bearish</u> or <u>Neutral,</u> but it is necessary to know to just what degree.

Decide by methods herein explained, which of these positions applies to each stock for which a chart is kept. Before you make a commitment, decide whether the position of the individual stock is in harmony with the trend of the general market. If not, look for others which <u>are</u> in line with the prevailing trend (Sect. 9M, Pg. 1, Pars, 1 & 2),

As you arrive at your conclusions respecting the positions of the individual stocks, place a cross or a check mark in the appropriate vertical column of your Position Sheet, opposite the name of that stock, as indicated in the specimen, Page 2.

Thus, your Position Sheet will record your analysis of each stock after you have decided, from your charts, whether it is in any one of the following five positions:

Position 1: The stock should have a <u>short</u> upward swing — a rise, roughly, of 10% to 15% of its present market price, that is, a rally or a minor move up.

Position 2: The stock should have a long upward swing — an advance, equivalent in points to more than 10% or 15% of its current market price.

Position 3: The stock should indicate a short downward swing — that is, a drop equivalent, roughly, to 10% to 15% of its present market price — a reaction or minor move down.

Position 4: The Stock should indicate a long downward swing — a decline amounting to more than 10% or 15% of its current market price.

Neutral Position, or Position 5: No definite indication of a move in either direction; therefore, its position is neutral. No space has been provided on the Position Sheet for recording a neutral position; whenever a blanc space appears in all four columns, we consider the stock neutral.

Another way of designating Positions 1 and 3 would be to consider a stock, or the market, in these positions if it shows indications of a minor move, that is, a rally (Position 1) or a reaction (Position 3). In the case of a low or a moderately priced stack, this would ordinarily be a swing of from 5 to 5 or about 8 points, depending upon the habits of the stock.

Positions 2 and 4 might also be defined by saying that these positions exist when a stock shows indications of having an advance.(Position 2) or a decline (Position 4) amounting to 10, 20 or 30 or more points, that is, an inter-mediate move.

The percentage method of designating positions is preferable because a high priced stock (in the range, say, of $150 to $250) may have swings of from 10 to 15 points which would only be equivalent to trading rallies and reactions in that stock, hence a 1 or a 3 position, whereas a swing of as much as 10 points in a lower priced stock (in the range, say, of $50 to $70) would be the equivalent of an intermediate move, hence a 2 or a 4 position. As you make your decisions, enter them on the Position Sheet daily, as above described, or every two or three days, but at least once a week. Every day is best, because no matter what position a stock is in, it may change at any time. (Examples showing how to do this will follow.) Always be expecting a change.

Sometimes a stock will be in a bullish position for a short upswing and in a bearish position for a long move down, such as American Radiator in the 4th column of the Position Sheet on Page 2. This means that its main trend is downward but it is due for a rally.

Westinghouse is in Positions 2 and 3 on the sheet (see first column under heading "Elec. Equip."), which shows that it indicates a long move upward, but at the time our entry was made on the Position Sheet, the stock was entitled to a reaction.

When a stock is in Positions 1 and 2, this means that we expect it to advance more than 10% to 15% of its present market price, without any material reaction; how many point1 depends upon what the figure chart indicates, but you should not go long unless, as explained elsewhere, there is a prospective profit of several times the amount of the indicated risk.

When a stock is in Positions 3 and 4, this means we expect it to decline substantially without any material rally.

A stock may be in Positions 1 and 2 simultaneously; or in Positions 3 and 4 at the same time. It may also be in Positions 3 and 2 simultaneously, as this would indicate: short move down before long move up; and it may be in Positions 1 and 4 simultaneously, indicating: short move up before long move down. But a stock cannot be in Positions 2 and 4, nor in Positions 1 and 3 simultaneously because these two combinations would be contradictory.

When a stock is in a neutral position with respect to its longer term indications, it may give evidence of small swings (rallies and reactions) which would cause us to place it alternately in Positions 1 and 3. Or, it may be in Position 2 or 4, but temporarily neutral with respect to its minor trend (positions 1 and 3) indications.

Positions 2 and 4 are the most important as they show which stocks promise long moves, that is, moves which promise a sufficiently large swing to justify the expectation that an intermediate swing is in preparation. These are the ones in which the most money can be made. Likewise, these are the ones which the average trader and investor should seek to capitalize. By average trader and investor is meant those who are not in a position to watch the market constantly all day long.

Positions 1 and 3 are less important but their value lies in telling you when rallies and reactions are coming, so that you can buy or sell to advantage. As your purchases should be made at the bottom of reactions whenever possible, and your sales at the top of rallies (Sect. 5M), these indications of short moves will aid you in selecting the right time to take a position. You can draw this to a fine point by watching your Wave Chart (Sect. 22M) in conjunction with your vertical line charts for the psychological moment. In fact, as already explained, (Sect. 16M, Pg. 3, Pars. 2 & 3) vertical charts are practically indispensable for determining the 1 and 3 positions because the volume indications afford the best means of judging the turning points of these minor swings. When you have attained proficiency, you may find that you frequently are able to trade for quick turns on these small swings, even though you may not be studying the market all day long nor trading from the tape. However, it is better not to venture short swing trading until you have had long practice and ample experience.

The Trend of the whole market may be judged from the Position Sheet in this way: Consider first the long moves as indicated by position 2 on the bull side and position 4 on the bear side, as these are the most important. For example, according to the entries made on our specimen Position Sheet, Page 2, we find that in the first vertical column we have 7 stocks in position 2; in the second column 12; the third column 17; and the fourth column 4. Entering these individual totals in the fourth column of the sheet, under the heading "Summary," we find that we have a grand total of 40 stocks in position 2.

On the bear side we find a total of 10 stocks in position 4, that is, in a position for a long downward swing: 7 in the first column; none in the second column; 1 in the third column; and in the fourth column 2.

Thus our grand total shows 40 stocks in a bullish position and only 10 bearish, or 4 to 1 in favor of the bull side. Therefore, we enter in the lower right-hand corner of the sheet: "Summary indicates" <u>up</u> by placing a cross mark under the sub-heading which indicates position 2. Having previously consulted our Trend Chart of the averages, we have learned therefrom that the indicated trend is up and so we enter a cross mark under the heading for position 2 in the proper space, opposite the line reading: "Averages indicate." As both of these sources agree that the trend of the market is upward, we decide that our position should be long, and so we indicate this in the lower right corner of the sheet by crossing out the words "Short" and "Neutral" which appear opposite the line: "Position should be."

Incidentally, if, when you make up your own Position Sheet, you should find that your Summary indicates an advance (Position 2) while your conclusion respecting the Trend Chart is that the market will decline (Position 4), or vice versa, you had better re-check your deductions carefully. Such a flat contradiction between the indications of the Position Sheet Summary and the Trend Chart is not likely to occur.

Having determined that we should operate on the long side, we next examine all the groups (as recorded on the Position Sheet) in order to find which group, is most unanimously displaying an upward trend. They stand as follows:

<u>RAILS.</u> This group is so evenly balanced that it does not invite any commitments.

<u>RAIL</u> EQUIPMENTS. These are mostly in a bearish position. American Locomotive and Baldwin indicate a long down swing; four out of five show a probable 3 to 5 point down swing. All this is contrary to the trend of the market, so we avoid taking positions in this group.

ELECTRICAL EQUIPMENTS. General Electric is in the best position to buy, because both its short and long swings point upward. Westinghouse should react before it advances.

CANS. Cans are represented by only one stock, American Can, which offers only a short up swing.

Thus we follow along through the groups, finding in the Oil Group, Standard of New Jersey and Standard of California; in the Motors, Auburn; and in the Tobaccos, Reynolds B — all in positions 1 and 2 and, therefore, we regard them as possible candidates for purchase: But we do not decide which are the best purchases until we have gone over all the groups, selecting first the candidates and then the best of these after consulting the individual charts.

A glance at the Food Stocks shows us that seven out of eight are in a position to have long up swings. The same is true of a majority of the Gas and Power Stocks, 7 out of 11 being in position 2. Motor Accessories have 2 out of 4; and Chain Stores 4 out of 5 in Position 2. Both the Mail Order Stocks are also in that position.

Having gone through the entire list, we find that the groups in the strongest position are the Food, Gas and Power, Chain Store and Mail Order. So we decide to confine our operations to these groups because we thus get the benefit of what may be called group strength, explained thus: If seven stocks out of eight are in a very bullish position and indicate a long move, all or most of these are likely to respond to buying waves, and should tend to resist reactions, in the market, and if we buy the stocks in that group which seem in a position to move soonest, fastest and farthest, preferably one or more that may be on the springboard, we benefit by the lifting power inherent in the group.

We now make a list of the stocks in the above groups that are in positions 1 and 2. We find these to be as follows:

FOOD STOCKS: General Foods, Gold Dust, Standard Brands.

GAS AND POWER STOCKS: American & Foreign Power, Consolidated Gas, North American, Public Service of New Jersey.

CHAIN-STORE STOCKS: Drug, Inc., Safeway.

MAIL ORDER STOCKS: Montgomery Ward, Sears, Roebuck.

If we desire a wider selection, we can include among our candidates the following: General Electric, Standard Oil of N. J. and Standard Oil of Calif., Auburn Motor, Reynolds B, International Nickel, American Tel. & Tel., Bendix, Electric Auto-Lite, Radio Corporation and Burroughs Adding Machine, because all of these <u>stocks</u> are in Positions 1 and 2 although their <u>groups</u> are not in so strong a position for the long upward swing as those mentioned above.

Bear in mind this is not the position of these stocks today, but one which prevailed a long time ago and has since changed. It is used for illustration only.

Next we take the charts of all these twenty-two stocks and favoring the four strongest groups, select whatever number of the <u>very best</u> we wish to purchase. We consider each stock in turn. Suppose we wish to buy five or ten stocks: After comparing them with each other and with our Trend Chart (following the principles outlined in Section 8M) we discard the weakest until only the five or the ten which represent our final choice remain. If we are keeping the Group Averages in vertical line chart form, a further comparison of our individual stock selections with these averages will materially aid us in making our final choice (Sect. 8M).

Having decided which stocks to buy, we make our purchases according to the condition of the market at the time we arrive at our decision as shown by a Wave Chart, and the technical position of each stock as shown by our individual vertical line charts. Our aim is to time all of our purchases so that we will be buying on the down waves in the general market in any case (Sect. 5M). But we may find, from our individual vertical charts, that the day to buy some of these stocks is not-the best day to buy others (Sect. 8M, Pgs.19, 20, 21, 22 & 23, comparing group movements), so we must also aim to time each individual commitment to the best advantage. If there is a stock ticker available and we have attained proficiency in tape reading, we may draw our timing down to a very fine point by watching the small hourly buying and selling waves for the right moment (fully explained in "Tape Reading and Active Trading" — Division 2 of this Course). However, the average trader and investor should not concern himself with such refinement. He will do much better by religiously remaining away from the stock ticker and avoiding brokers' offices (Sect. 24M, Pg. 7) since he can employ the Wave Chart very effectively for this purpose, making decisions in the quiet of his home in the evening or early morning, on the basis of each day's action as revealed in detail by a Wave Chart of Tape Readings (Sect. 22M, Pg. 2, Par. 3).

If our studies show the market is temporarily weak, or some of our individual selections show indications of receding before they advance, we wait for the reaction to run its course and then buy. But, if it appears that the market is gaining in strength and volume, and we judge that delay might cause us to pay higher prices, we buy at once at the market prices for these stocks.

In making changes on the Position Sheet, the simplest way is to rub out those which require alteration instead of making a new sheet. For that reason the crosses should be made in pencil and not in ink; hence, a single sheet will last a long time. However, before making any alterations in the individual positions or the summary for any given day, it is wise to tabulate this summary or make a chart of it for a permanent record, because this record may be used as a very <u>valuable trend forecaster.</u> For instance, consider the following tabulation, or record, of a daily Position Sheet summary which was kept during 1929. The figures in this table show how many stocks were in Position 1, how many in Position 2 and how many were in Positions 3 and 4 for each one of the dates indicated in the extreme lefthand vertical column of the table:

DATE 1929	RALLIES (Position 1)	ADVANCES (Position 2)	REACTIONS (Position 3)	DECLINES (Position 4)
Mar. 1	156	149	63	10
2	125	143	68	11
4	100	132	110	12
5	97	130	110	12
6	105	132	81	13
7	101	132	81	14
8	89	130	96	15
9	86	127	106	16
11	98	120	104	17
12	106	111	100	18

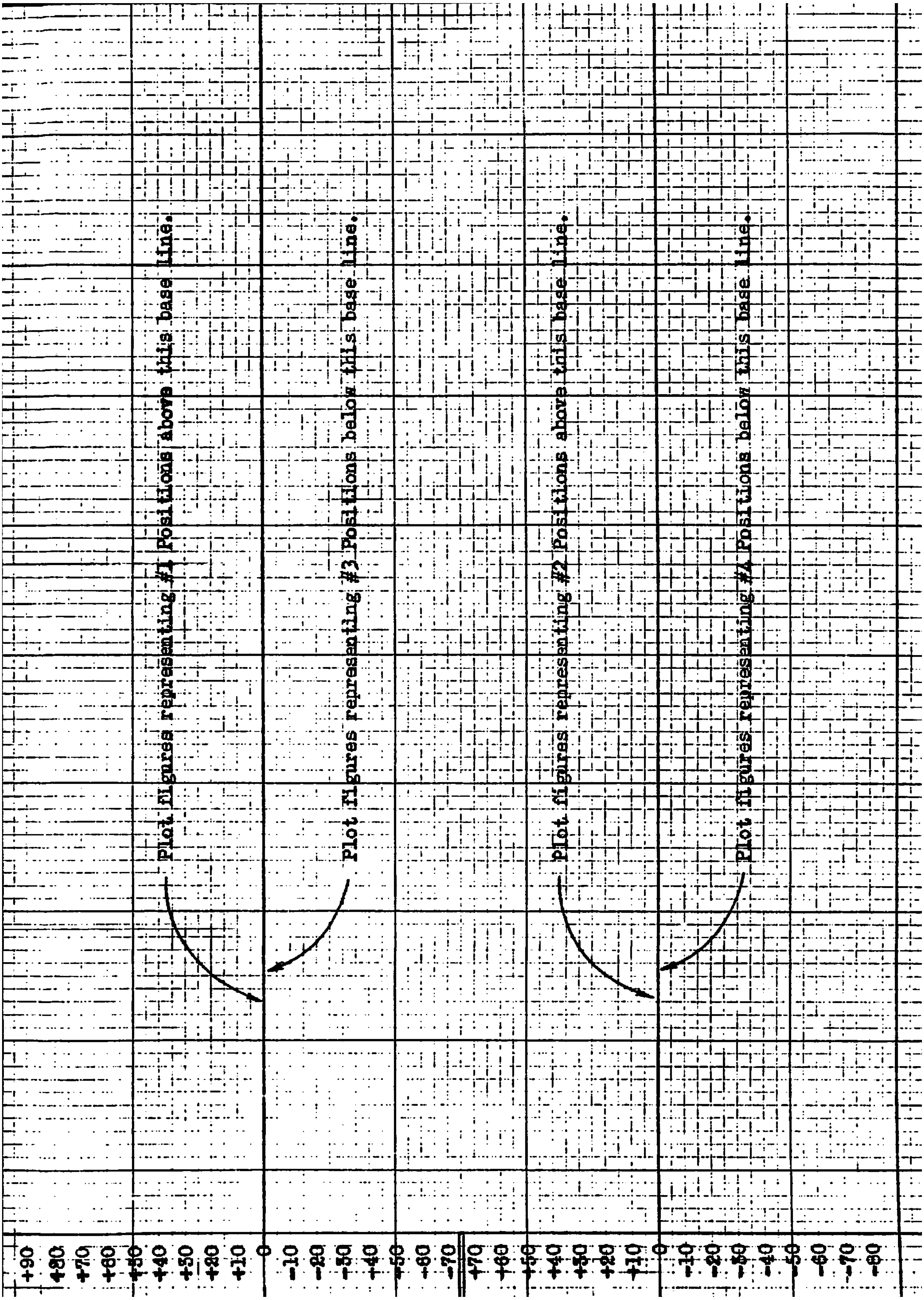
From the above, it is readily apparent that by setting down the totals as they appear on our Position Sheet each day, in the fond of a table, these summarized totals will reflect our forecasts of changes in: the trend. For instance, scanning the third column of the table above and reading from the top (March 1) down (to March 12) we see at once that the number of stocks in a position to have a large move upward was gradually diminishing. At the same time, the number of stocks in position to have a long downward swing (see last column, representing Position 4) was tending to increase somewhat. This <u>tendency to change</u> affords a most significant picture of our constantly revised judgment of the present position and probable trend of the market as a whole. Thus, in the case of the above tabulation, the diminishing number of stocks in Position 2, together with the tendency toward increase in the number of stocks in bearish positions warns us to become wary of the bull side of the market as a whole, and especially so with respect to the individual stocks that are developing Position 4.

The second and fourth columns of our tabulation show how the number of stocks in Positions 1 and 3 are changing from day to day. These figures, of course, are also taken from our summarized totals as recorded upon the Position Sheet each day. They represent our judgment with respect to the probabilities for minor moves up and down (rallies and reactions) in the various individual stocks on which our completed Position Sheet is based. These totals, naturally, will change more frequently and less regularly than those representing positions

2 and 4. But by scanning our table as before, and observing the effect of new daily additions, any tendency toward a persistent increase or decrease in potential rallies and reactions may be noted and from this we are able to judge whether the market's technical position is growing stronger or weaker. For example, in our illustration, note how the number of stocks in a position to rally (Position 1) was persistently diminishing; from March lst to 12th and how the number of stocks in a position to react (Position 3) tended persistently to increase, thus giving us advance warning of an impending setback in the general market.

As the Chinese say, "One picture is worth a thousand words." Thus, a chart or graph will reveal any significant trend in a series of related figures more readily than a tabulation. Therefore, instead of setting down our summarized Position Sheet totals in the form of a daily table, we prefer to plot these figures in the form of a chart, constituting what may be called a <u>Technical Position Barometer.</u>

Such a Barometer may be constructed quickly and conveniently on an ordinary sheet of cross section paper ruled ten squares to the inch, as illustrated by the specimen on the next page, which also shows the proper method of dividing the sheet into two parts. The upper half of the sheet should be used for plotting the figures which will form the curves representing the number of stocks in positions 1 and 3. The lower half of the sheet provides space for plotting the curves which will represent positions 2 and 4. The vertical scale at the extreme left of the sheet may be adjusted to conform with the number of stocks you are covering in your Position Sheet. For example, if your Position Sheet covers 100 stocks, mark off the scale of your Technical Position Barometer as shown in the specimen sheet, laying out the scale representing positions 1 and 2 to read upward from the zero (or base) lines, and downward for positions 3 and 4. If your Position Sheet covers, say, only 25 stocks, these scales should read upward from 0 to +25 and downward from 0 to -25.


Plot figures representing #1 Positions above this base line.
Plot figures representing #3 Positions below this base line.
Plot figures representing #2 Positions above this base line.
Plot figures representing #4 Positions below this base line.
+90 +80 +70 +60 +50 +40 +30 +20 +10 0 -10 -20 -30 -40 -50 -60 -70
+70 +60 +50 +40 +30 +20 +10 0 -10 -20 -30 -40 -50 -60 -70 -80

A sample of a Technical Position Barometer, constructed as above explained, is shown on Page 19. This Barometer is based on the daily analysis of 360 individual stocks during the period of late February to early August, 1929. The dates are indicated by the horizontal scale across the bottom of the chart. The changing totals of stocks in positions 1, 2, 3 and 4 are represented by the curves which run across the sheet from left to right.

These curves are drawn through the points on the graph paper where the vertical line, representing a given date, intersects the horizontal line corresponding with the number of stocks in a given position. So you will understand this clearly, turn back to the Table on Page 12. On March 1, our Position Sheet indicated there were 156 stocks in position 1. Now turn to the chart on Page 19. Find the date March 1 on the time scale running across the bottom of the chart. Then run your pencil up from the bottom of the chart to the upper base line above which you are to plot your curve representing the number 1 positions. Pause there a moment. Now move your pencil upward again until the point comes opposite the level which most nearly corresponds with the figure 156 in the scale of numbers at the left-hand margin of the chart. Put a dot here. Proceed in the same way to locate the dots for March 2nd, 3rd, etc. By connecting these dots you will make a curve which gives a graphic picture of the daily changes in your summarized total of stocks in position 1, as they appeared originally on your Position Sheet.

The curve for position 2 is located in the same way, that is, by placing a dot each day in the proper position on the graph paper, <u>above</u> the lower base line. But bear in mind that you must measure <u>down</u> from the upper base line to locate the curve for position 3 and <u>down</u> from the lower base line for position 4. A comparison of the dots on the Technical Position Barometer graph, Page 19, with the figures in the Table on Page 12 will illustrate the idea fully.

The indicated number of rallies (curve 1) are plotted above the upper or minor move-base (6-0) line, and the indicated number of reactions (curve 3) below the same base line. In like manner, the indicated number of advances (curve 2) are plotted above the lower or major swing base line, and the indicated number of declines (curve 4) below the same base line. Thus we have a set of four curves which graphically indicate the daily changes in the number of stocks developing potentialities for minor and major moves as they are forecast by our Position Sheet. From these curves we can see at a glance whether the total number of stocks in positions for minor moves (Positions 1 and 3) or major swings (Positions 2 and 4) is increasing or decreasing from day to day, and thereby conclude that the market's position is becoming either stronger or weaker. We should be influenced in our trading or investment commitments accordingly. (Compare the indications of the Technical Position Barometer, Page 19, with the Trend Chart on Page 18; note how effectively it forewarns us of impending minor and intermediate moves in the market.)

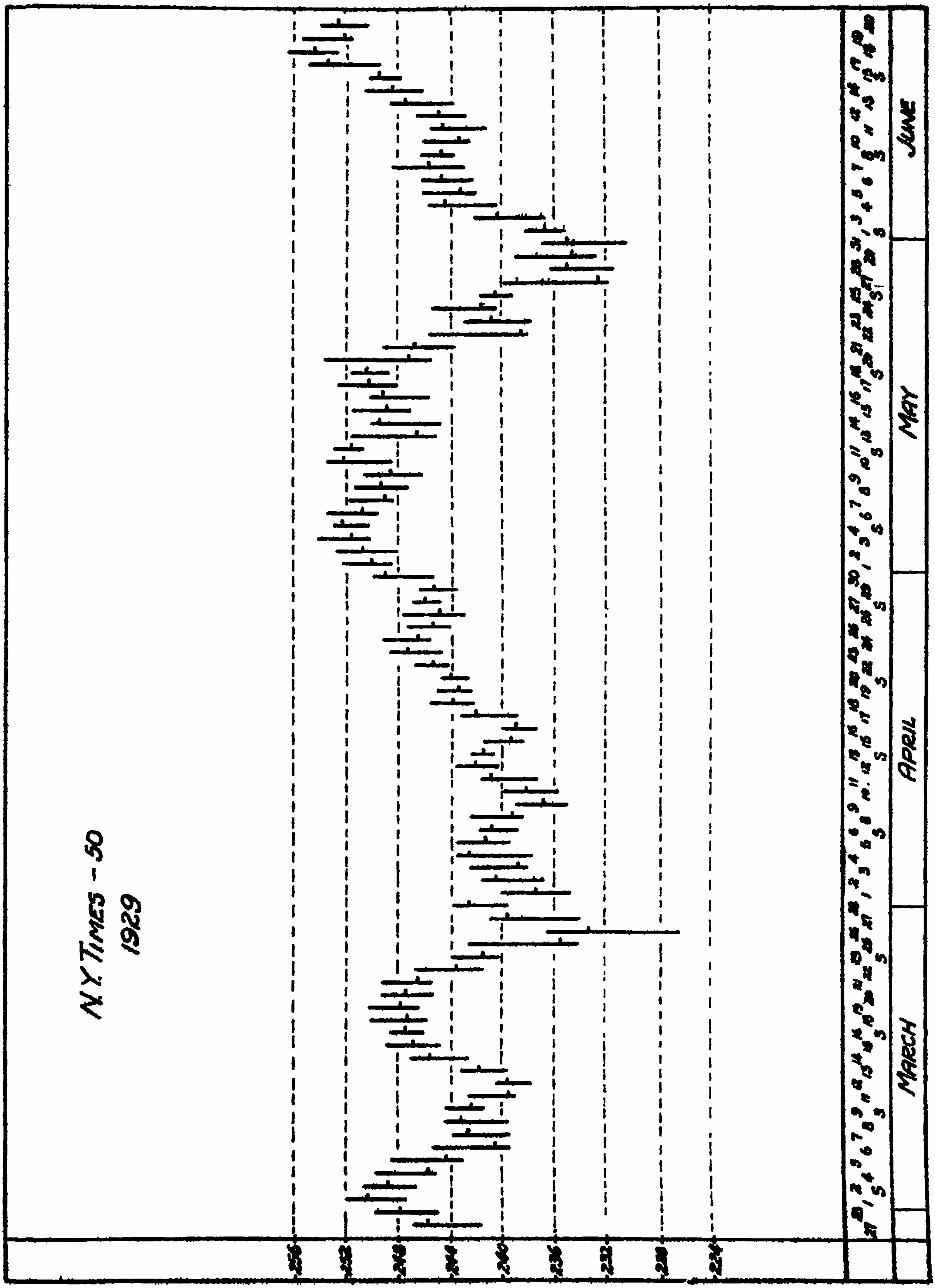
The record of your Position Sheet nay be expanded, if you wish, by adding duplicate columns for each of the Positions 1, 2, 3 and 4, in which figures are inserted to indicate the number of points you expect each stock to move. The advantage of this procedure is that one can see at a glance which group and which stocks afford the greatest <u>number of points</u> probable profit on either side of the market, for either the minor or major swings.

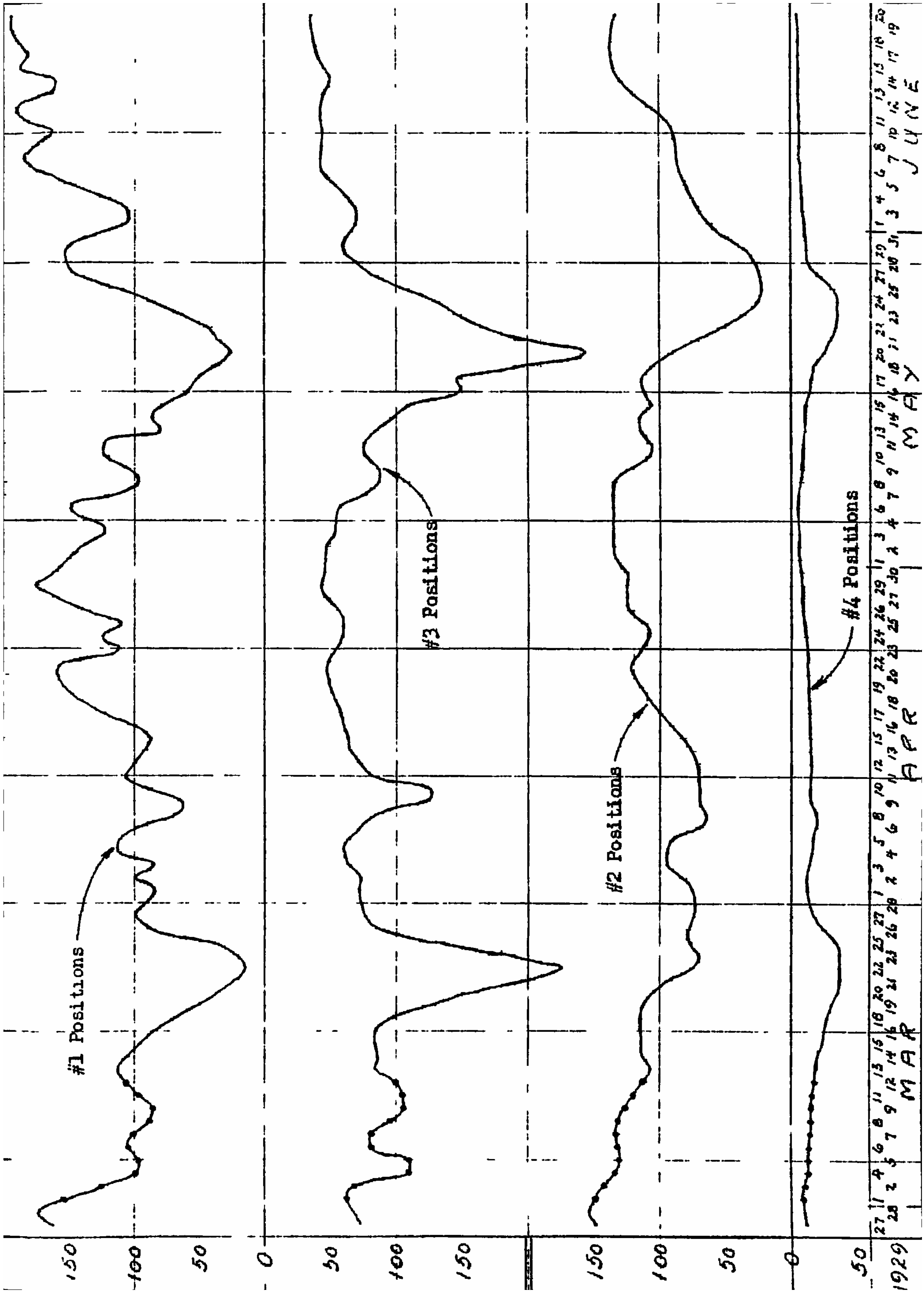
A variation of this plan would be to indicate in red, or some other color, the probable number of points that a stock is likely to move, substituting these colored figures for the conventional check mark, or "x" which is used to designate the direction only. This would eliminate the necessity of the additional parallel columns.

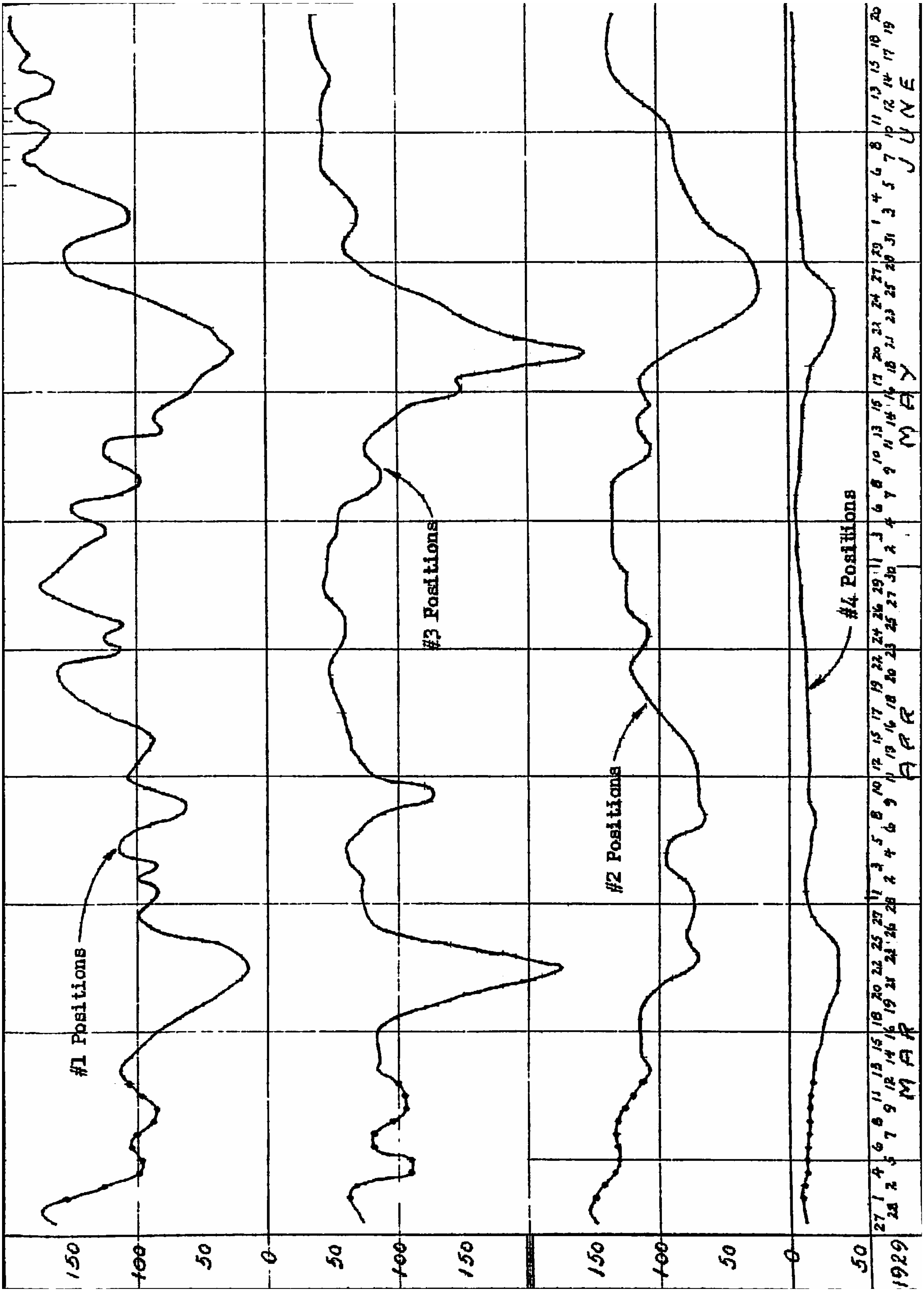
As your Position Sheet analysis is adjusted from day to day, these figures indicating the probable extent of the moves should be changed to show the number of points remaining out of the original objective in each individual forecast. That is, the figures should be reduced (or increased if necessary) to show how many points advance or decline remain to be accomplished. Thus, your Position Sheet will constitute a continually readjusted record of the latest probabilities.

The easiest way to keep the Position Sheet in the least time is to have it before you when you make your daily entries on your charts. After noting the changes on the charts of each stock, consider for a moment whether that stock is in Position 1, 2, 3 or 4, and note it on the Position Sheet. If its position is neutral you, of course, make no entry at all on the Position Sheet. Thus, when you have finished entering the day's changes your Position Sheet is up to date. You then study the effect of these changes according to groups, noting whether any of the stocks you are in, long or short, are developing a stronger or weaker position. You note also whether any of the other stocks promise possibilities for timely long or short commitments.

Next note the total number of positions in each of the four vertical columns of the sheet and record these totals in the Summary. Then plot these totals on your Technical Position Barometer (as previously explained). It will require but a few moments to decide whether the trend shows a tendency to alter. If you are not keeping the Barometer, compare the grand totals in your Position Sheet Summary with those of the previous day and note the changes. You will readily see, by these means, whether the day's alteration has had any effect on the tendency of the whole market — whether it is more bullish or bearish; or if it is working into a doubtful position, which would mean that you should be neutral on the market, and out of all stocks.


N.Y. TIMES - 50
1929
MARCH
APRIL
MAY
JUNE
256
252
248
244
240
236
232
228
224


#1 Positions
#2 Positions
#3 Positions
#4 Positions
150
100
50
0
50
100
150
150
100
50
0
50
1929
MAR
APR
MAY
JUNE


#1 Positions
#2 Positions
#3 Positions
#4 Positions
150
100
50
0
1929
MAR
APR
MAY
JUNE