

F O R E C A S T I N G

THE NEW YORK STOCK MARKET

Being a Treatise on the

Geometrical or Chart System of Forecasting
In Which is Explained the Principles of the
Art, and, in this Lesson No. 1, Giving
a Demonstration With the Price
Curve of Potatoes in U. S.

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The New York Stock Exchange was first incorporated on May 17, 1792, 8:52 a.m., at New York City, as an association of stock brokers. In 1817 the plan of association was remodeled and a set of new rules adopted. On February 21, 1820, the code of rules was revised and a reorganization was established which has not been greatly changed up to the present time. By the year 1858 the volume of business had attained important proportions and the daily trading was fairly continuous for the most active issues. From 1873 to present date the New York Stock Market records may be considered as fairly reflecting the general business condi-

tion of the country, and from that year onward are to be taken as truly representative of the changes in values in the world of finance and speculation.

The real record, of course, embraces the transactions in a large number of issues, but for practical use the prices of 20 railroad stocks and 10 industrials have been averaged, daily, for a number of years. These are available at this time (1921) for more than fifty years. These averages are generally of the closing bid on the several issues and constitute a series of daily values which we call the stock market record, or trend.

There is usually a distinction made between the railroad stocks averages and the averages of the industrials, but in reality they move just about the same. However, in this work the railroad stocks averages are taken, as best representing the movement over a considerable term of years.

This record of average prices is usually represented in terms of dollars and cents, that is, the values are carried to the second place of decimals of the dollar. When charted according to the usual and conventional mode of charting all such trends, a geometrical

curve is the result, that is to say, the charted values of the New York Stock Market price record have the appearance of an irregular "curve," as expressed in the language of that art which deals largely with "curves," namely, geometry.

On account of special references that are to be made in this thesis regarding geometrical curves it may be well here to remark that in mathematics all lines are "curves," with the single exception of straight lines. But since it is practically impossible to draw a straight line of any appreciable length, then in actual demonstration no appreciable lines but curved lines can exist.

This is equivalent to saying that any graphic representation by linear plotting must always be a "curve." As a consequence, then, of the definition of this scientific term, the Stock Market trend as of record may justly be called a "curve," indeed, it is a geometrical curve, the same as any other linear representation.

But the Stock Market trend is the representing curve of a natural phenomena, the phenomena of alternately rising and lowering prices on important proper-

ties distributed throughout the country. This statement that price change on properties is natural phenomena may seem questionable to many readers, but a careful study of the subject has fully shown the facts to be fairly clear and well substantiated. Statisticians generally recognize phenomena in these changes, because it is quite obvious that the problem really involves fundamental considerations that can only be treated as natural phenomena.

If no other thing were known about the Stock market but its trend we should be compelled to suspect this movement as being a natural phenomena upon the mere grounds of its universal character. How can a world-wide action take place daily for half a century or more without taking on all the characteristics of a genuine natural phenomena? Many thousands of absolutely independent traders make numerous commitments each day on this market and it would obviously be the height of absurdity to suppose that they act by deliberative convention, in unison, or by organic function. The influence of a few pools is always off-set by others having an opposition interest, so that their action is equal to nothing in the

way of bringing on irregularity. As a matter of fact it has been shown time after time that nearly every stock market pool or combine fails in attaining any desired end. So well known is this fact that only in rare instances and under some specially favorable circumstances are pools operated even in a single stock. It is not practical, and of late years is rarely attempted.

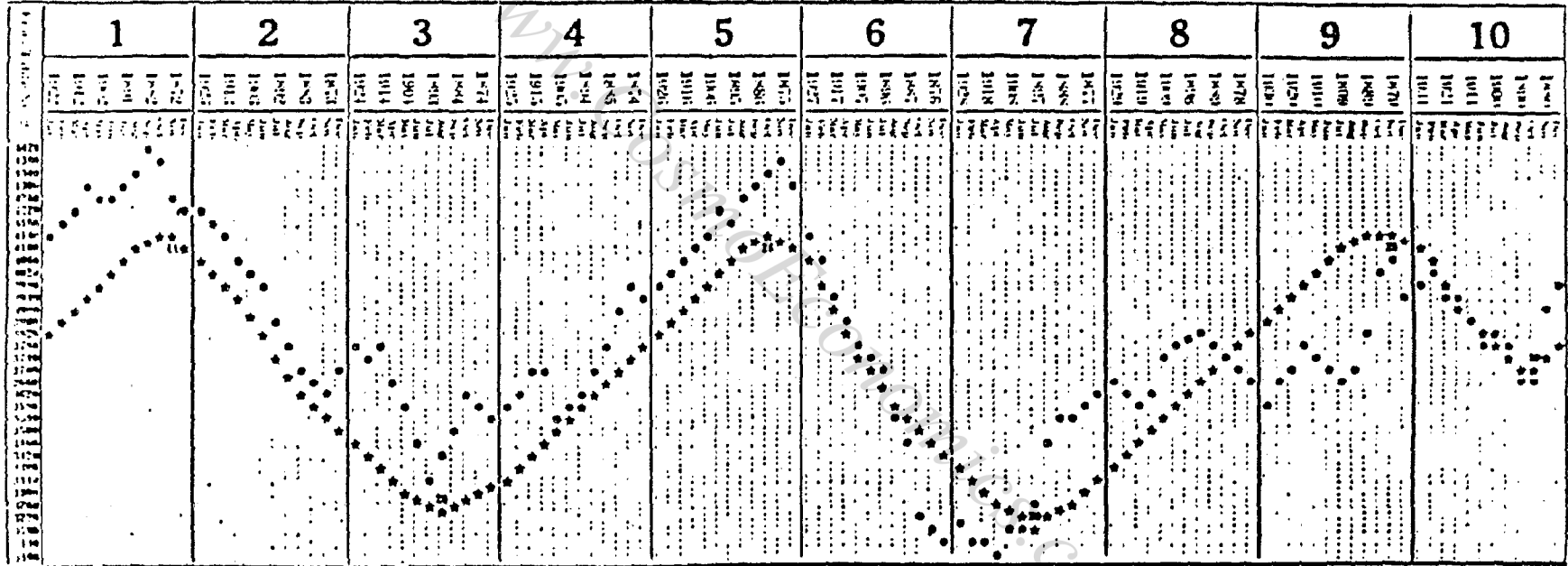
The few pools that really do operate never make the smallest attempt at irregularity, simply because that would be instantly checked, to their detriment. They work a few small, common schemes of questionable utility and wind up about where they started.

Legislative tinkering and the wobble produced by the political tricksters are sometimes disturbing factors, but they are generally transitory, and as they occur at intervals only, they may be neglected without much error.

The banking organization has an influence, but so far it has been distributed over long periods of time in such a gradual way that its equation can not well be added in, although it is fairly clear that at times this factor can produce a notable irregularity.

Diagram B

The Ten-Year Cycle of the New York Stock Market



This chart gives the values as in Table No. 2, represented by the small round dots under each month. This curve, made by the round dots, is the true forecast curve for the years in the cycles as per Table No. 1, these same years being also here given in heading.

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The curve in this chart made up of small stars is intended to approximately represent the harmonic of the Ten-Year Cycle. This harmonic is fully described in this booklet, and here it serves to indicate the regularity of the swings of 14, 20, 28 and 10 months.