MAGIC OF MAKING MONEY *in the* STOCK MARKET

by

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FOREWORD

The purpose of this book is not to paint the picture of an easy road to great riches. There is no easy way to become wealthy. Rather, the object of the text is to tell you the truth about the stock market and to pass on to you rules which will work if you have the patience and time to study them carefully. You will find great financial reward from your hours of continuous labor if you will follow my advice and study and learn the practical information contained in this book. Time holds the key to success. As soon as you learn that one must await the right time to buy and sell, then success will be yours.

This book is respectfully dedicated to those who desire to make investing in the stock market a profitable business rather a hazardous occupation. Those of you who are reading these words will succeed if you will devote at least one hour every day to studying the various instructions contained in the body of this text.

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CHAPTER I

BACKGROUND OF "MAGIC OF MAKING MONEY IN THE STOCK MARKET"

Most of you have heard the tale of "Aladdin's Lamp" and how Aladdin was supposed to create anything from his magic lamp. Probably many of you have had reason to doubt the truth of the many stories connected with Aladdin and his magic lamp. Yet, strange as it may seem to many, there actually was a man called Aladdin, and here is the real story about him and his magic lamp.

Back in the year 1300, young Aladdin was kidnapped by a powerful Mongolian Army from his native home in Turkey and was sent to a school in Mongolia. Later his education was continued in China when this nation was considered to be the most cultural on earth. After Aladdin had gleaned sufficient wisdom, he escaped from China and returned to his native Turkey to take up residence with his brother who was the chief of his tribe.

In the short period of only fifty-five years following his return to Turkey, Aladdin was the talk of the whole world because his brother's Army had conquered the entire area around Turkey and finally the City of Bagdad. At the time Bagdad was captured, it was the powerful, successful and cultural capital of the world. Aladdin's brother was supposed to have been able to conquer Bagdad only because Aladdin could produce anything from his magic lamp.

The former ruler of the captured city was determined to find the secret of Aladdin's magic lamp, so he sent spies to the house of Aladdin. Unable to gain admission, they returned to Bagdad and reported that it was Aladdin's magic lamp which glowed in the tower of the palace that provided the strength for the army. The former ruler of the metropolis of Bagdad, learning this was the secret of their success, arranged a marriage between Aladdin and his beautiful daughter. After the marriage the magic lamp soon stopped glowing at night. The exiled dictator of Bagdad reasoned that since the magic lamp no longer burned, the time had arisen to throw off the yoke of oppression. However, as soon as the Revolution began, Aladdin hurried back to Turkey and the Revolution was crushed and Bagdad completely sacked. The defeated emperor was furious at his mistakes and was determintd to learn the real secret behind the magic lamp. Under the pretense of visiting his daughter, he gained admission into the room where the magic lamp glowed each night and it was there he found Aladdin at work.

He soon learned from Aladdin that the success of his country's armies was due to highly trained soldiers. Each year the youngsters of the upper class citizens from conquered lands were kidnapped and placed in military school to learn the ways and means of successful army men. This explained the overwhelming superiority of Aladdin's army.

The exiled ruler asked Aladdin why his nation never ran out of money when taxes were kept extremely low even in conquered territories. He found out that any tax collector or tax payer caught cheating was immediately beheaded.

Soon the exiled ruler of Bagdad learned that the secret behind the success of Aladdin was due to the fact he studied every book he could secure and used the magic lamp to study these books long into the night.. This, then, was the secret of the magic lamp.

Today, in the twentieth century, the secret of success is still gleaned through study and research. Only those who are willing to devote the time under the silhouette of the magic lamp will succeed in their endeavor of life. The same applies to those who desire to reap handsome profits year after year in the stock market.

It is always interesting to note that any time an investor realizes a profit in the market, he always gives himself credit and feels his judgment is superb because he achieved monetary gain all alone. This type of individual is always bragging about his success to others while never mentioning any mistakes he incurs.

Whenever an investor loses money, he always blames others and never himself. He finds excuses and reasons for his failures and never tries to find the actual cause for his loss in spendable funds. After he has lost two or three times, he gets very discouraged simply due to the fact that he was unwilling to take a realistic view toward his misfortunes.

The real reason that investors and traders part with money in the stock market is because they do not correct their weaknesses nor find the causes for their errors. Unsuccessful investors never seem to realize that to be successful it is necessary to study and investigate themselves.

While we can give you the best rules ever published, if you do not follow and study them, they will be of little use to you. Always remember that it is your actions and not those of the stock market or manipulators that bring you success or failure. If you cannot follow the rules contained in this book, you would be further ahead if you stayed out of the stock market because sooner or later you are doomed to utter failure.

A successful and profitable method of trading and investing in the stock market must work well both in theory and practice. The Magic Secrets of the Stock Market which you will read about later in this book have been gleaned by three generations of constant work and research.

The initial work was begun by my grandfather back in the year 1899. It was in that year 52 years ago that he began to study and chart stock market movements. Today, at the young age of 81 he still remains extremely active in the affairs of this company, and daily keeps many hundred stock charts up to date. Why has he kept at this task all these years? Simply because for him it is not work but in reality play; and after you experience the same sensations you will soon feel likewise. Many of the secrets you will discover from reading this book have been handed down by my grandfather as successful methods for profitably investing in the stock market.

Since 1919 my father has expanded and continued this research. Today we are able to pass on to you the secrets gleaned after three generations of study and research on the stock market. It has taken many years to uncover all of the influences which are important to know in determining a successful and profitable method of trading and investing in the stock market.

Many stock advisory services feel it is only necessary to watch the action of the Dow-Jones Averages, or Moving Volume Curves, or Price and Earning Ratios to forecast future stock market prices. If this were the case and you only had to watch one thing, this everyone would do, and they would all be right. However, in reality no such simple process could possibly be correct all the time nor is it.

The rules which you will read and study on the following pages are the ones which we consider most essential in detecting the Magic Secrets of the Stock Market. After you have read this book several times, you will easily see why there is not one, but many factors which have to be considered before buying or selling securities.

Before any stock is recommended as either a buy or a sale in our (1) Weekly Low Priced Stock Letter; (2) Weekly High Priced Stock Letter; (3) Monthly Supplement to our Annual Stock Forecast; or (4) Wire Service, not just one rule but all of the rules contained in this book have to be studied. We have discovered after three generations of research that the seven rules for successful investing contained within "Magic of Making Money in the Stock Market" are the most profitable ones to follow—ever published. However, don't take our word for it—try them out yourself!

Do not for one minute think that you will understand all of the Magic Secrets contained within this book in just one reading. On the contrary, it will take you several months of study to comprehend all of the facts. Most people who trade in the market seem to think it an easy way to make money without working. Yet, have you ever seen anyone make money year after year without some mental or physical effort? It is true that Wall Street is a quick place to make easy money; however, it is definitely not accomplished without work. When people lose money in the stock market, they always blame Wall Street for their losses while they themselves are the cause of their misfortune because they were trying to earn money without any labor on their part.

From my many years in the stock market I know by actual experience that those who reap handsome profits in Wall Street are those who work and study hard the many angles of stock market procedure.

These many Magic Secrets of the Stock Market are being passed on to you with the hope that you will work and study hard so as to be able to secure handsome profits year after year in the stock market. Those of you who are reading these words will succeed if you will devote at least one hour each day to studying the various instructions contained in the body of this text.

CHAPTER II

THE SEVEN RULES FOR SUCCESSFUL INVESTING

Rule 1. Making and Keeping Charts.

Making and keeping charts is rule number one for successful investing because it is the foundation for the rest of the rules. The importance of keeping charts can not be emphasized too strongly. The reason is that the whole secret of successful investing lies in having the ability to understand and read charts. The secrets of Wall Street are imprinted on charts every hour of each trading day and it is those who can interpret these charts who succeed in securing profits in the stock market year after year. Charts are like road maps in that they guide you through the jungles of Wall Street.

There are numerous types of charts which investors may keep. The difference between various kinds of charts which are studied each day depends upon what the investor desires to glean from his work and the number of hours which he can devote to preparing them. The types of charts which I consider the most important are the following:

A. MONTHLY CHARTS. This is the best chart for the person to keep who does not have a great deal of time to devote to studying and preparing them. The monthly chart contains the monthly high and low price of the stock being graphed. It is used to detect the main trend of stocks. Because of this, every investor should keep this type of chart on each security in which he is interested.

B. WEEKLY CHARTS. This graph is similar to the monthly chart in that it contains the high and low price of the stock for each week. Hence, the chief difference is that there are four lines marked each month on the chart instead of only one as in the case of monthly charts. This means additional work; however, you can detect a change of trend much faster on this type of graph than on a monthly one.

C. DAILY CHARTS. It is the author's opinion that this kind of chart is the best guide to detecting the secrets of Wall Street. This is because you discover moves much quicker than on either the monthly or weekly charts for the simple reason that you have the high and low prices recorded each day. Thus, you are in a better position to act the very next day after you discover something instead of having to wait a week or a month.

During a very active market or when dealing in highly fluctuating securities, it is almost a necessity to have a daily chart.

Combining a daily chart with either a weekly or monthly one is the best possible plan.

By applying the rules which I am about to give you to the charts which you should be making and keeping, you will see how easy it is to detect the secrets of Wall Street for yourself.

Rule 2. Using 11% Stop Loss Orders.

I am certain that I cannot stress too many times the importance of stop loss orders. The principal theme of my booklet "Safety in Low Priced Stocks," is that this is the only type of insurance an investor can buy. If I could ask all of my readers how many carry fire insurance on their homes, I am quite sure the answer would be a unanimous yes. Yet, if I asked how many used stop loss orders, I am afraid the reply would be far from a thunderous yes. The plain and simple fact is this: What is the difference between fire insurance and stop loss orders? There is no difference since both protect you against disastrous financial losses.

Many times it has happened when an investor placed a stop loss order at a certain price and the stock will hit this certain figure and catch the stop and then the stock will go sharply higher. After this the investor thinks that stop loss orders always work against him. He fails to realize that either he placed it at the wrong price or else he hides the fact that the one time it took him out too soon failed to compensate for the many times in which it acted perfectly and saved him great financial loss.

Past research has revealed that when a stock is purchased in accordance with the rules contained in this book and it declines over 11%, nine times out of ten much lower prices are indicated. It was with this in mind that the 11% stop loss figure was established as the maximum loss which any investor should suffer. Therefore, if you always use an 11% stop loss figure, you should feel satisfied if the stock goes this far against you to accept a small loss and retain the majority of your capital.

Once you place a stop loss order . . . NEVER CANCEL IT. This is one of the cardinal rules for successful investing. If you cannot follow this rule after all the explanation given above, do not start to speculate because sooner or later you will be wiped out. After you get into the habit of placing stop loss orders every time you make a trade, you will soon realize the wisdom of this advice.

Rule 3. Watch for Single, Double, and Triple Tops and Bottoms to Buy and Sell.

Probably one of the chief means of investing in the stock market successfully is buying stocks when they are low and selling them when they are high. However, how are you going to know when securities are selling at high or low quotations? This information is easily secured if you have the proper charts at your finger tips.

When you consult a chart and see that a stock is making single, double, or triple bottoms, this usually means that a buying opportunity is close at hand. Likewise, when a security is establishing a single, double, or triple top, it is usually the selling signal. Since knowing how to detect single, double, and triple tops and bottoms is perhaps the key rule for successful stock market investing, considerable space is being devoted for the explanation of this rule.

A. Finding Single Tops and Single Bottoms.

In order to know when a single top or bottom is being formed it is necessary to have a clearer understanding of the other rules contained within this chapter. This is true because there is nothing against which to compare a single bottom. Two ways in which a single top or bottom may be formed are as follows: When a three week advance or decline occurs in an individual stock, it is quite possible to find a single top or bottom formed. Or after a security has rallied or reacted five to seven points, one should carefully watch for single tops or bottoms to develop. As single tops and bottoms only occur when individual equities are reaching high or low prices for the first time, they are usually formed when Bull or Bear markets are reaching very high or extremely low quotations. After you study and learn the other rules contained in this book you will find numerous additional means for detecting single tops and bottoms.

B. Significance of Double Tops and Double Bottoms.

Double tops and bottoms are easier to find than single ones because they are formed near the single top or bottom. Hence, double tops and bottoms occur when an individual stock reaches the same approximate price level for the second time. Usually, stocks form double tops and bottoms in a range of from one to two points, especially securities which sell under $50 per share. This is very important to remember. Many times equities which sell above $50 form these double tops and bottoms in a range of two to three points. Meanwhile, a double top or bottom can be formed in the Dow Jones Averages between one and six points.

The significance of double tops and bottoms lies in the fact that when a double bottom is formed it usually means the stock is receiving strong buying support as this is the reason the double bottom is occurring. Likewise, when a double top occurs the stock generally meets heavy selling waves which cause the double top to be formed.

C. Importance of Triple Tops and Bottoms.

A triple top or triple bottom is formed when the same approximate price level is reached the third time. Other than this the same points discussed for double tops and bottoms apply. However, you should not overlook the fact that it is generally safest to buy and sell individual stocks when they are near triple bottoms and tops because the market usually moves away from triple bottoms and tops much faster than from double ones.

The fourth time a security approaches the same approximate price level, it is not as safe to sell in the case of a fourth top nor as safe to buy in the case of a fourth bottom. Why? Because when securities advance or decline to the same approximate price level for the fourth time, they almost always go through the fourth top or bottom for a very sensational move.

To summarize, you should buy stocks when they reach single, double, or triple bottoms. After purchasing the equity always remember Rule 2 and immediately place an 11% stop loss order as protection against the unexpected. Anytime a security breaks its single, double, or triple bottom by 11% it usually signals much lower prices. Likewise, you should sell against single, double, and triple tops. However, if a security selling below $25 is able to cross its double or triple top by two points, this usually indicates higher prices. In the case of equities selling above $25, they must advance three points above their double or triple tops to indicate higher quotations. When equities are able to cross double or triple tops by two to three points according to their price bracket, the purchase of the stock is usually justified especially on reactions. Thus, the previous double or triple tops which were selling zones become buying levels after they have been crossed by two or three points. After a security crosses its double top by two points, it should not decline two points under the old double or triple top if it is going higher. This is very important to remember. Any time a stock breaks its double or triple bottom by three points, it is nearly always safe to sell short. This is especially true if it only rallies up to the old bottoms or slightly above it.

If you learn and study this rule very closely, you should soon discover when to buy stocks at the right quotations and when they should be liquidated.

Rule 4. Steps and Number of Points to Use in Buying and Selling.

Stock movements are usually not as irregular as many people believe. The vast majority of individual securities move in waves or take definite steps up and down. After leaving certain points, stocks generally advance or decline a specific number of dollars in each step or section of their upward or downward move. Rule 4 explains the usual number of steps or points equities take in their upswing or downswing.

A. Buy or Sell on Three to Five and Five to Seven Point Moves.

The most common step which stocks generally take runs between five and seven points. In the case of securities selling under $25 it often carries only three to five points. When individual stocks leave single, double, or triple bottoms or cross single, double, or triple tops you should watch for a fast upward move of five to seven points to develop. During such moves, traders or those holding for the short term are usually justified in accepting their profit of between five to seven dollars. Likewise, during a corrective reaction in a Bull Market, securities will decline five to seven points and one should be prepared to use these dips as buying zones. While individual securities will react five to seven points, they do not usually decline as much as nine or ten points, unless a definite change of trend is occurring. This is important to remember. In conclusion, it may be said that the first important upward or downward step which a stock takes usually is five to seven points. The rule to remember is: Buy after five to seven point declines and sell after five to seven point advances, and always place an 11% stop loss order after doing so.

B. Buy or Sell after Nine to Twelve Point Moves.

The second important step to watch are rallies or declines of nine to twelve points. A rise or decline of nine to twelve dollars often indicates a temporary zenith or bottom for a move in the opposite direction. Usually the first step a stock takes is a move of five to seven points. But in the case of very strong equities the first step may be nine to twelve points. This means the stock moves nine to twelve dollars before it has a corrective reaction of 3 points. After the five to seven point move, a corrective period usually carries the stock down three points before the second stop i.e. a move of nine to twelve points from its original base. For example, a stock advances from $30 to $35 on its first step. Then it declines to $32 before taking its second step up to $39 which is nine points up from $30.

C. Buy or Sell after Seventeen to Twenty Point Moves.

The third important step is a rise or decline of seventeen to twenty points. Moves of this type are extremely important because they very often signal the conclusion of the upward or downward move. Take careful notice of this fact.

The next important steps to watch are: Fourth, moves of 27 to 29 points; fifth, rises or declines which go 41 to 43 dollars; and sixth, moves which have a duration of 48 to 51 points.

Rule 5. When and How to Pyramid.

Knowing the right time and how to pyramid is very important because it usually results in large profits. Pyramiding means that additional shares of the same stock are bought after the original purchase proves to be profitable.

When the security you plan to pyramid in sells for less than $40 you should not purchase additional stock until you have at least a five point profit on your original trade. Remember to place your stop loss order so that you will not incur any loss on the two trades if the stock suddenly changes its main trend.

In the case of securities selling above $40, do not purchase additional stock until you have at least a nine point profit on your original purchase. Hence, after you make your first trade you would wait until a $9 profit has been secured before pyramiding or buying your second lot. After securing the second lot do not fail to protect your original profit with an 11% stop loss order.

There are two methods of pyramiding and they are: (a) Pyramiding on advances; (b) Pyramiding on reactions.

A. Pyramiding on Advances.

The first method of pyramiding is to purchase additional shares of stock as soon as the security crosses a certain number of points going upward. Following the information contained in Rule 4, after a stock (selling under $25) rose 3 to 5 points, you would then make your first pyramid trade. In the case of a stock selling over $25 you would not pyramid until the security had a rise of five to seven points. After the security rose nine to twelve dollars you would pyramid for the second time and you would continue this process every five points up until a definite change of trend occurred in this stock.

B. Pyramiding on Reactions.

A second way to pyramid is to await corrective reactions before buying additional stock. As stated in Rule 4, stocks usually rise three, five, seven, nine, and twelve points before a reaction takes place. First, you would determine how many points a security declines after advancing three to five; five to seven; and nine to twelve. Reactions usually carry three, five, seven, or nine points. Hence, if you found a security reacted three points after rising seven, your policy of pyramiding would be to purchase additional stock after each rise of seven points following a corrective reaction of three dollars.

C. Trading Unit.

If your original trade was 100 shares, your first two pyramid trades should likewise be 100 shares. Thus, after pyramiding twice you would have accumulated 300 shares. At this point it is safer to reduce any further pyramiding to 50 share lots. The third time you purchased further stock you would only buy 50 shares or one half of the amount of the first two trades.

You continue to pyramid every three, five, seven, or nine points upward until the main trend of the stock turns down. Reverse this rule when selling short and always remember to protect yourself with a stop loss order on every pyramid trade you make.

Rule 6. Safest Points to Buy and Sell.

Knowing in which direction a stock is going certainly is one of the key rules for successful investing. You must always follow the main trend of individual stocks. Securities never are too high to buy as long as the main trend continues upward. They are never too low to sell when their trend is down. Remember, it is always safest to follow each individual stock separately and buy when it is strong and sell when it becomes weak. You can tell the main trend of individual stocks by observing whether they are making higher tops and higher bottoms, in which case the main trend is up. If lower tops and lower bottoms are being formed, the main trend is down. How can you tell when it is safest to buy a stock? You watch for the security to make two higher tops and two higher bottoms. Reverse this procedure and for a signal to sell watch for two lower tops and two lower bottoms.

A. Buy on Higher Tops and Higher Bottoms.

The importance of watching for higher tops and higher bottoms cannot be stressed too much. As long as individual stocks proceed in making higher tops and higher bottoms, you know that the main trend of the stock is still very definitely upward. You should always buy as long as the market or individual securities are recording higher tops and bottoms because you know the main trend is upward. When the last bottom is broken by a stock, this means that a change of trend has occurred, at least temporarily. Anytime a security makes two lower bottoms and tops, then you know the main trend has turned down. In summary, the safest buying point may be found in the following manner: After a stock has declined and makes its last low, it will then have a strong rally. It will then decline but will make a second higher bottom and then start upward again and cross its first rally point to establish a second higher top. When you see this occur, you will know the stock is now very safe to buy.

An example of this process is as follows: After a stock has declined from $60 to $30, it rallies to $36 and then drops to $33. The next rally carries the stock to $39 which is followed by a dip to $36. As long as $33 is not broken the stock is safe to buy since it has made two higher tops and bottoms.

B. Sell on Lower Tops and Lower Bottoms.

Generally, it is safest to sell securities after a definite change of the main trend has occurred. You should always sell as long as individual equities or the market is making lower tops and lower bottoms. When a stock reaches a high level and then has a sharp decline, and the following secondary rally receives strong resistance at a lower top, then the next reaction breaks the first bottom to establish a second lower bottom it is safe to sell the stock because the main trend is now down.

By observing your daily or monthly chart, you can easily see when a previous top or bottom is broken. Always follow the main trend. Once you see that the main trend is up on your chart, it is usually safe to buy. When it is seen that the last two reactions and the last two rallies on the chart are each higher, then you should plan to purchase the stock on the next reaction. Reverse this process when lower tops and bottoms appear and sell the stock on the very next rally. Remember to always use an 11% stop loss order to protect yourself, however.

Rule 7. Number of Days and Weeks to Watch for a Trend Change.

Most people do not realize the importance of watching the number of days or weeks which individual stocks or the general market have been rising or declining. Not only is it necessary to know the rules already discussed but it is equally as important to know the exact period of time which will be required to complete moves. Once you know the main trend of the market, Rule 7 becomes increasingly vital. Let us consider this rule further.

A. Watch for a Three Week Rise or Decline to Buy or Sell.

During a real strong Bull Market, the longest number of weeks in which a corrective reaction will last is usually three in number. As long as the main trend continues up, you are generally justified in buying individual securities after they have declined for three weeks. Likewise, in a Bear Market, you should sell after the market has rallied three weeks as long as the main trend continues down. These facts are very important to remember.

B. Watch for a Six to Seven Week Rise or Decline to Buy or Sell.

After the market or individual equities have advanced or declined over four weeks, the next important time period to watch for a top or bottom is close to six or seven weeks. You should use this as a buying or selling zone, depending upon the way the trend was previous to the move of six or seven weeks.

C. Watch for a Nine to Ten Week Rise or Decline to Buy or Sell.

The final period in which a corrective reaction lasts in a Bull Market is nine to ten weeks. Up to this time this period has been the greatest time a reaction has ever run. The same applies to a Bear Market.

Therefore, chief reliance should be placed on reactions and declines which run three, or six to seven weeks. As long as there is a Bull Market buy after three and six week declines. Reverse this for Bear Markets. Remember, when you use advances or declines of three, or six to seven weeks as a buying or selling zone, always protect your position with an 11% stop loss order.

CHAPTER III

HOW TO FORECAST THE TREND OF THE MARKET

In this Chapter there will be a discussion on the various tools necessary to forecast future market trends. These vehicles of forecasting must be completely known and understood, however, before they can be successfully applied. The tools to be considered in forecasting are: (1) Time Cycles; (2) Periods for Trend Change; (3) Important Weekly Time Periods; (4) Prominent Monthly Time Cycles; and (5) Yearly Time Periods.

The movements of security values are usually not as irregular as the vast majority of people believe. Stock fluctuations can to a large degree be measured by repeating time cycles and they in turn may be engaged to forecast future high and low prices of the market.

After many years of research the fact has been uncovered that stocks change their main trend either up or down in accordance with numerous time cycles. As an example of this fact let us consider the date of June 14. The highest quotation the market reached during 1948 was scored on June 14. Meanwhile, the lowest price the stock market achieved during 1949 was the same day; namely, June 14. This shows (A) the importance of a one year time cycle; and (2) the value of the period around June 14, in forecasting future stock prices. What happened around June 14, 1950? The market reached its zenith for the first nine months of 1950 on June 12—which was followed by a 30 point decline in one month! June 15, 1951, marked the exact high point of the market during June of 1951.

I. TIME CYCLES.

By applying the rules that you gleaned from reading Chapter II, to different time cycles, which will be explained in detail a little later, you should be able to forecast the trend of your individual stocks and the general market with a high degree of success. Also by using "The Seven Rules for Successful Investing," and applying them to the numerous time cycles you should be able to predict the dates when major and minor trend changes should occur.

II. PERIODS FOR TREND CHANGE.

The periods during which time cycles operate are extremely vital to know and understand since they assist in determining when a change of trend can be expected. Alertness is of the utmost importance because, when time is up for a change of trend, prices will respond accordingly. The most important dates to watch for a trend change in individual stocks or the general market are the following:

JANUARY

This is an extremely important month to watch for a change of trend to develop, especially early in the month when new investment buying has been completed. During January the market has reached higher levels more times than in any other month. In 14 different years during the past 70, final tops for the market were posted in January in contrast to ten final bottoms being recorded. Meanwhile, four Bull Markets ended in this month; however, only once did a Bear Market end in January. The specific dates to watch for a change of trend during January are: 4th to 15th; and 20th to 25th.

FEBRUARY

This month ranks second in importance to January in indicating a change of trend during the first quarter of the year. The dates to watch closely during February are: 2nd to 5th; 13th to 16th; and 19th to 24th. Four Bull Markets have ended in this month as have three Bear Markets. Final tops for individual years have been achieved in February five times while ten times final lows have been posted.

MARCH

During the month of March, changes of trend can be expected between the following dates; 10th to 15th; 22nd to 28th. In past history two Bear Markets have been concluded while four Bull Markets reached their zenith during March. The ultimate highs for individual years have been realized five times during March while in six years extreme lows were achieved.

APRIL

This month is important for minor changes of trends; however, major changes can occur during the latter part of the month. The dates to watch closely during April are: 1st to 5th; 13th to 15th; and 21st to 26th. In the past 70 years, four Bull and four Bear Markets have ended during this month. Final tops for individual years have been posted during April in six years and also in six years extreme lows were reached in this month.

MAY

This month ranks quite high for signaling a change of trend in the market. In the past two Bull Markets ended in May while three Bear Markets terminated during this month. The important dates in this month to watch for a trend change are: 4th to 19th and 25th to 29th. In five years in the past 70 final highs were witnessed during this month as were three final lows posted in May.

JUNE

The month of June especially in recent years, as mentioned earlier, has become very important in indicating a change of trend in the general market as well as in individual securities. June has marked the zenith for four Bull Markets and the bottom for four Bear ones. Both the early part of this month and the latter period signal changes of trend. These dates are: 9th to 16th; and 20th to 27th. Final tops for individual years have been achieved in June four times while in five separate years extreme lows were reached.

JULY

July ranks among the four key months in the year for indicating a change of trend. This is due to the fact that it is the middle month of the year from January, and many seasonal factors come into prominence during the month. Five Bear Markets have ended in July which is second only to November in this account. More recently July marked the bottom for a 30 point decline which occurred between June 12 and July 13, 1950. Four Bull Markets have terminated in this month also. Important dates to watch during July are: 6th to 14th; and 20th to 26th. Extreme highs over the past 70 years have been realized five times during July and final lows have been posted in six months.

AUGUST

The market during August is usually quite narrow; and, therefore, usually major trend changes do not take place in this month. In the past only two Bear Markets ended in this month while no Bull Markets were concluded. The periods to watch for high or low prices to be reached during the months are: 8th to 11th; and 19th to 24th. Final tops have only been posted three times in August, and extreme bottoms only twice.

SEPTEMBER

This is perhaps the key month in the year to watch for prominent changes of trend to occur. Why? Because more Bull Markets have terminated in September than any other month of the year. This is partly due to the fact that the vacation season is over and investors usually are looking for investment opportunities. Eight Bull Markets have ended in September as contrasted to only a single Bear Market ending in the month. The dates when important changes of trend occur in September are: 4th to 11th; and 21st to 28th. In ten of the past 70 years final tops for the year were achieved in September. In only two years were extreme lows for the year reached in this month.

OCTOBER

October marks a month during which many minor changes of trend have occurred each year. However, major changes have also taken place in this month since four Bull and three Bear Markets ended in October. The vital dates to observe during this month are: 2nd to 9th; 16th to 19th; and 24th to 30th. In the past only four years has the market reached extreme highs during October, while in seven years extreme lows were reached.

NOVEMBER

This month is another of the key months for signalling a major change of trend. Six Bear Markets have terminated in November which is more than in any other month. Also four Bull Markets reached their zenith this month. November is especially important during election years because numerous changes of trend have taken place early in the month. The dates when important changes of trend occur in November are: 1st to 7th; and 22nd to 26th. Extreme high quotations have been posted in eight years during November while final bottoms for the year have only been achieved six times in the month.

DECEMBER

The final days of December and the early dates in January often mark important periods for a change of trend because of new investment buying and tax selling. Hence, the latter part of December usually finds changes of trend occurring, as does the early part of the month. In the past 70 years December marked the zenith in 13 years for the market, and likewise this month was the final bottom for the year 13 times. The specific dates to watch for trend changes in December are: 2nd to 11th; and 16th to 28th. Two Bull and four Bear Markets ended in December.

A. Key Months for Changes in Trend.

From the preceding information, it is concluded that January, July, September, and November are the key months in which one should watch for a change in trend. If the market has been declining or rising for a long period of time, you should watch the dates during these months for important changes to occur.

B. Chief Months for Minor Trend Changes.

February, May, June, and December make up the chief months for minor changes of trend to occur. In cases where the market has only been rising or declining for a short period of time expected changes of trend should be looked for in these months. However, if the market or individual stocks have been advancing or declining for a period in excess of one year, major changes of trend should likewise be expected in these months also.

III. IMPORTANT WEEKLY TIME PERIODS.

After an important change of trend has developed, closely watch to see if the market or individual stocks have advanced or declined from any high or low point for: three to four weeks; six to seven weeks; nine to ten weeks; twelve to thirteen weeks; sixteen to seventeen weeks; twenty-one to twenty-two weeks; or twenty-five to twenty-six weeks. These weekly time periods are important in signaling a change of the main trend.

IV. PROMINENT MONTHLY TIME CYCLES.

Anytime the general market or individual securities have been advancing or declining for a period greater than one year, you should count the number of months from the extreme high or low quotation and see if they have been rising or dropping 15, 20, 22, 34, 42, or 49 months. Whenever the above-mentioned numbered months occur, one should carefully watch for a change of the main trend to develop.

V. YEARLY TIME PERIODS.

Always observe whether the general market or separate equities have been advancing or declining for one, two, three, four, or five years. If they have from any extreme high or low quotation, the chances are very good that a major trend change will occur in a yearly time cycle from the extreme zenith or final bottom price.

In this Chapter we have reviewed methods of forecasting the future trend of the market which we have taken thousands of hours of research to discover. If you apply the knowledge gleaned about time cycles and periods for trend change with other rules contained within this text, you will soon discover how to determine when a change in the trend of the general market or individual stocks is due.

SUMMARY OF THE PERIOD 1881 TO 1951

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Number of Times Extreme Highs Were Recorded	14	5	5	6	5	4	5	3	10	4	8	13
Number of Times Extreme Lows Were Reached	10	10	6	6	3	5	6	2	2	7	6	13
Number of Times Bull Markets Ended	4	4	4	4	2	4	4	0	8	4	4	2
Number of Times Bear Markets Concluded	1	3	2	4	3	4	5	2	1	3	6	4