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The

"TODD THEORY"

OF

MARKET MEASUREMENT

AND

PRICE PROJECTION

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. . . .

DEAR SIR,-

DURING THE PAST QUARTER CENTURY OF STOCK
MARKET RESEARCH, THIS OFFICE HAS CONTINUOUSLY STUDIED
METHODS OF ANALYSIS BY WHICH PRICE TRENDS COULD BE
PROJECTED IN ADVANCE.

SUCH EFFORTS HAVE FOR THE MOST PART FALLEN
INTO THE CATEGORIES OF - TIME - PRICE - AND VOLUME.

THIS PARTICULAR STUDY SHOWS HOW THE RISE
AND FALL OF STOCK MARKET TRENDS CONFORM TO A RYTHMIC
SERIES OF PRICE PATTERNS.

THE FOLLOWING CHARTS AND PAGES DISCLOSE THE
CONCLUSIONS TO WHICH WE CAME IN REGARD TO OUR MEASURE-
MENTS UNDER OUR "TODD THEORY", AND DEPICT THE MANNER IN
WHICH THE MARKET, AS MEASURED BY THE DOW-JONES INDUSTRIAL
(PRINTED) AVERAGE, HAS RESPONDED TO OUR CALCULATIONS.

. . . .

THE FOLLOWING CHART, (# 1-), TRACES THE LIFT
OF THE DOW-JONES INDUSTRIAL AVERAGE, (HEREAFTER CALLED
THE DOW), FROM ITS 38.49 LOW CLOSING FIGURE IN 1897
TO ITS 381.17 HIGH CLOSING IN 1929.

THAT WAS THE SO-CALLED "GOLDEN AGE", WHEN BUS-
INESS WAS TRANSACTED ON A GOLD STANDARD BASIS.

THE DOW DROPPED FROM A HIGH CLOSING OF 381.17
IN 1929 TO POST A LOW CLOSING AT 41.22 ON JULY 8, 1932.

DURING THAT PERIOD OF PRICE DEPRESSION, THIRTY
SIX NATIONS ABANDONED THE GOLD STANDARD AND OTHER ORTHODOX
METHODS OF ACCEPTED CHECKS AND BALANCES.

PRICE PROGRESS REGISTERED BY THE DOW SINCE JULY
8, 1932, HAS OCCURED IN A PAPER MONEY ERA, AND UNDER TENETS
OF A SO-CALLED MANAGED ECONOMY.

EVEN SO, THE RATE OF PRICE PROGRESS POSTED BY THE
DOW FROM 1932 TO DATE PARALLELS CLOSELY THE RATE OF LONG
TERM PRICE APPRECIATION RECORDED FROM 1897 TILL 1929.

BY EMPLOYING OUR PRICE PROJECTION FORMULA,-I.E.
THAT ONE AND A HALF TIMES THE DISTANCE TRAVERSED IN PHASE
ONE, ADDED TO THE NADIR POINT OF PHASE TWO, PROJECTS THE PRICE
PEAK AREA OF PHASE THREE, - WE ARRIVE AT THE FIGURE OF - 555 -
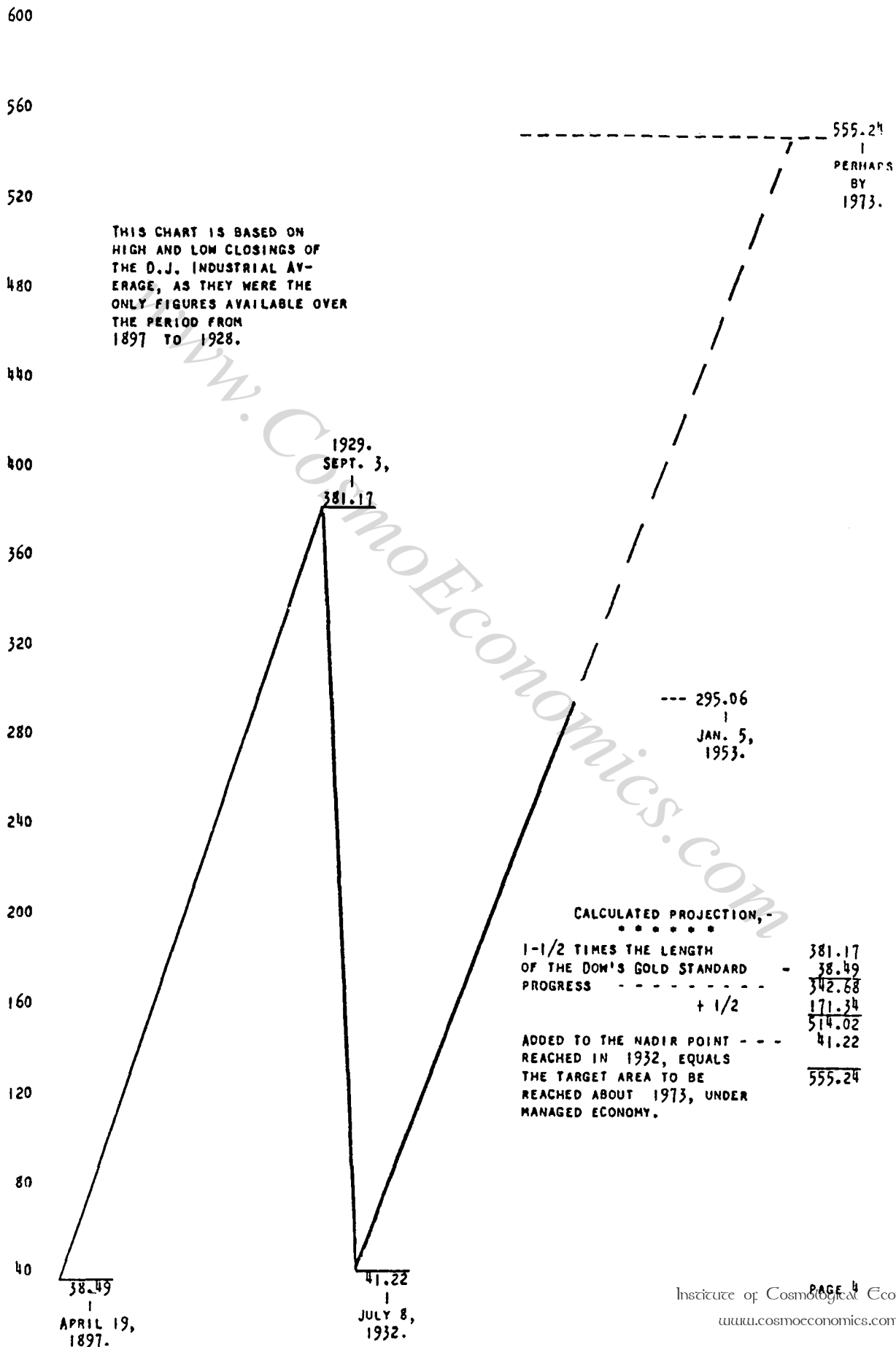AS THE PROJECTED LEVEL TO BE REACHED - - - PERHAPS BY THE YEAR
1973.

CHART 1.

600

560

THIS CHART IS BASED ON
HIGH AND LOW CLOSINGS OF
THE D.J. INDUSTRIAL AV-
ERAGE, AS THEY WERE THE
ONLY FIGURES AVAILABLE OVER
THE PERIOD FROM
1897 TO 1928.

555.24
|
PERHAPS
BY
1973.

520

480

440

1929.
SEPT. 3,
|
381.17

400

360

320

280

--- 295.06
|
JAN. 5,
1953.

240

200

CALCULATED PROJECTION,-
• • • • • •

1-1/2 TIMES THE LENGTH   381.17
OF THE DOW'S GOLD STANDARD   - 38.49
PROGRESS   - - - - - - - -   342.68
                  + 1/2   171.34
                                514.02
ADDED TO THE NADIR POINT - - - 41.22
REACHED IN 1932, EQUALS
THE TARGET AREA TO BE   555.24
REACHED ABOUT 1973, UNDER
MANAGED ECONOMY.

160

120

80

40

38.49
|
APRIL 19,
1897.

41.22
|
JULY 8,
1932.

CHART 2.   CHART 3.

THIS IS AN ANALYSIS OF THE EARLY STAGES
OF PHASE ONE, BROKEN DOWN INTO LEGS # 1-
2- & # 3. (1897 - 1906).

RULE,-
    ONE AND ONE HALF TIMES THE DISTANCE
TRAVERSED IN LEG # 1, ADDED TO THE NADIR
POINT OF LEG # 2, GIVES THE APPROXIMATE
TOPPING AREA OF LEG # 3.
- - - - - - - - - - - - - - - - - -

CALCULATIONS,-
                                  78.26
                                - 38.49
EXTENT OF LEG # 1 - - - 39.77
PLUS ONE HALF   19.88
                                  59.65
ADDED TO NADIR POINT - 42.15
GIVES TOPPING AREA
OF LEG # 3. - - - - - 101.80
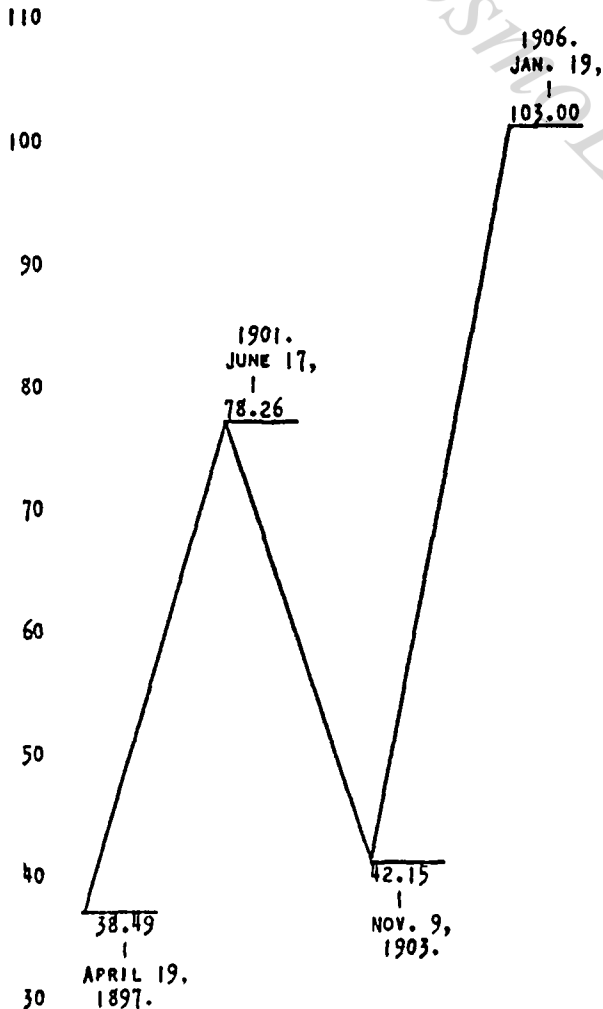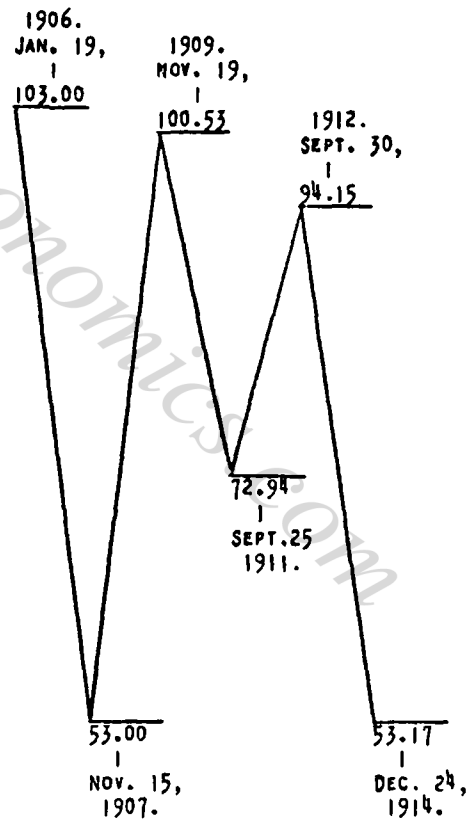
THIS IS AN ANALYSIS OF LEG # 4,
OF PHASE ONE. (1906 TO 1914.)

RULE,-
    LEG # 4 SHOULD DROP APPROX-
IMATELY TO A POINT DETERMINED BY
DEDUCTING THE EXTENT OF LEG # 1
FROM THE PEAK OF LEG # 3.
- - - - - - - - - - - - - - -

CALCULATIONS,-

DEDUCT FROM PEAK   103.00
EXTENT OF LEG # 1, -- 39.77
GIVES APPROXIMATE
TERMINAL OF LEG # 4.   63.23

OBSERVATION,-
    THERE SHOULD BE AT LEAST THREE
WAVES IN LEG # 4, OF OVER 17.00
POINTS IN EXTENT. IN THIS CASE THERE
WERE FIVE.

110

1906.
JAN. 19,
|
103.00

1906.
JAN. 19,
|
103.00

1909.
NOV. 19,
|
100.53

1912.
SEPT. 30,
|
94.15

100

90

1901.
JUNE 17,
|
78.26

80

72.94
|
SEPT. 25
1911.

70

60

50

53.00
|
NOV. 15,
1907.

53.17
|
DEC. 24,
1914.

40

42.15
|
NOV. 9,
1903.

38.49
|
APRIL 19,
1897.

* THIS MUST
HAVE BEEN A
NEW INTRA-DAY
LOW. SEE NOTE
ON CHART # 4.

30