

SPECULATION A PROFITABLE PROFESSION:

A Course of Instructions on Stocks

By

W. D. GANN

Volume 1

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SPECULATION A PROFITABLE PROFESSION

A Course of Instructions With Rules for Trading in Stocks

FOREWORD

Be ready for opportunities. Knowledge more important than capital. To succeed in any business you must be prepared, and in preparing for a speculative or investment business you must look up the greatest advance or the greatest decline a stock has ever had and the greatest time period from the high or low. Most profits are made in active fast moving markets. Examples: Stocks 1924-1929- September 29th to November 15th, 1929; November 13, 1929 to April 17, 1930.

FAST ADVANCES

You will find these from June 1949 to June 1950; June 13, 1950 to July 14, 1950 this was a fast decline. 1952 and 1953 - September 1953 to April 1954, fast advance.

SLOW TRADING MARKET

You should keep out of slow trading markets or watch until you get a definite indication of a change in trend. There was a slow trading market from November 1946 to November 1949, that is the range in most stocks was narrow because the market was going through a period of consolidation or accumulation and getting ready for the big bull market which followed later.

CROSS CURRENTS

You must learn to know that some stocks sometimes are declining while others are advancing, and that there are cross currents, and you must know about these. Example: 1952 to 1954 Studebaker, Chrysler, Celanese declined while Vanadium, Steel, DuPont and Aircraft stocks advanced. Only by a study of the individual stocks and the different groups can you determine what stock is supposed to decline at the time when another stock is going to advance.

HOW TO SELECT THE GROUP OF STOCKS WHICH WILL LEAD AN ADVANCE OR A DECLINE

During 1953 - 1954 the Aircrafts were big leaders. You can see from the chart and the group of the averages on Aircrafts where they broke into new high levels. Example: Douglass Aircraft, Boeing Aircraft, United, Glenn Martin and Lockheed all indicated that they were in a position to advance when the average price or average value of the group of stocks indicated a

strong position. Without a knowledge of these things you could not make a success.

LOW PRICE STOCKS DISAPPOINTING

A study of past history proves that buying low price stocks often ties up capital for a long period of time. You wait, and if you do not lose money you lose your patience and when your patience is exhausted in advance of the start you get out. Many low price stocks have held in a narrow trading for 5, 10 years or more before they started to advance or to decline and some, after remaining in a narrow trading range for a long period of time, declined to new low levels. The best way to make money is to take higher price stocks and buy them after they have broken into new high ground and show activity as outlined under the rules below.

NEW INDUSTRIES AND GROWTH STOCKS

Select stocks to buy in new industries but make careful study of their prospects and make up charts on stocks that you intend to trade in, and if they are part of a group that you can get a record of, study this group and then pick the individual stock to buy that shows indication of leading the group.

STOCKS OF THE FUTURE

When considering what stocks to buy in the future, you must make up charts and study the companies which are producing Uranium and are developing Atomic Energy machinery for commercial purposes. Among this group of stocks are Babcock & Wilcox Co., Bendix Aviation Corp., Dow Chemical Co., DuPont, General Dynamics Corp., General Electric (which is one of the largest in the business and has orders from the U. S. Government as well as a few commercial concerns), Newport News Shipbuilding, Phillips Petroleum, Sylvania Electric Products, Inc., Union Carbide and Carbon Corp., Vanadium Corp. of America and Westinghouse Electric Corp.

Among the very best of these stocks for the future we consider Vanadium, Molybdenum, General Dynamics Corp., which has now consolidated with Consolidated Vultee.

Among the low priced stocks with future possibilities of enhancement in value due to Uranium deposits is New Park Mining listed on the American Exchange. Fairchild's Engine and Aircraft Corp. also has possibilities of becoming a future leader.

You must, of course, buy any of these stocks at the time the total value of all stocks on the N. Y. Stock Exchange show

up-trend and buy the best of the individual stocks when the individual groups show up-trend, selecting the one you buy that is in the strongest position.

You would not buy any of these higher priced stocks at the present time because the total value of all stocks on the N. Y. Stock Exchange is at the highest levels in history and because the trend of stocks has been up in a general way since 1932 and the last extreme low was April 1942 and the present swing in the bull market started in June, 1949. Therefore it is natural to expect a decline in stocks during the last half of 1954 and you must be cautious on the buying side.

HOW TO MAKE SPECULATION A PROFITABLE PROFESSION

Speculation or investment is the best business in the world if you make a business of it. But in order to make a success of it you must study and be prepared and not guess, follow inside information or depend on hope or fear. If you do you will fail. Your success depends on knowing the right kind of rules and following them.

FUNDAMENTAL RULES

Keep this well in mind. For stocks to show up-trend and continue to advance they must make higher bottoms and higher tops. When the trend is down they must make lower tops and lower bottoms and continue on down to lower levels. But remember, prices can move in a narrow trading range for weeks or months or even years and not make a new high or a new low. But after a long period of time when the stocks break into new lows they indicate lower prices and after a long period of time when they advance above old highs or old tops they are in a stronger position and indicate higher prices. This is the reason why you must have a chart a long way back in order to see just what position the stock is in and at what stage it is between extreme high and extreme low.

THE KIND OF CHARTS TO KEEP UP

Remember the old Chinese proverb, "One good picture is worth 10,000 words". You should make up charts and study the picture of a stock before you make a trade. You should have a weekly high and low chart, a monthly high and low chart, and a yearly high and low chart. A yearly high and low chart should run back 5, 10 or 20 years, if you can get records that far. Monthly high and low chart should run back for at least 10 years and the weekly high and low chart should run back for 2 or 3 years. When stocks are very active you should have a daily high and low chart. This need not go back more than a few months, especially start the daily chart after the stock breaks into great activity.

FOLLOW THE MAIN TREND

You will always make money by following the main trend of stocks up or down. Remember that stocks are never too high to buy as long as the trend is up and they are never too low to sell as long as the trend is down. Never sell short just because the stock is high or because you think it is too high. Never sell out and take profits just because the price is high. Buy and sell according to definite rules and not on hope, fear or guesswork. Never buy a stock just because the stock is low. There is usually a good reason why it is low and it can go lower.

RULES FOR BUYING AND SELLING

The first thing to remember before you start to apply any rules is that you must always use a STOP LOSS order to protect your capital. When making a trade remember that you can be wrong or that the market may change its trend and the STOP LOSS order will protect you and limit your loss. A small loss or several small losses can easily be made back with one large profit but when you let large losses run against you it is hard to make them back.

PROVE ALL THINGS AND HOLD FAST TO THAT WHICH IS GOOD

The Bible tells us this and it is well worth remembering. Many people believe that it is wrong to buy at new high levels or to sell at new low levels but it is most profitable and you must prove this to yourself because when you do buy at new high levels or sell at new low levels you are going with the trend of the market and your chances for making profits are much better than any guesswork or buying or selling on hope or fear.

PROLONGED ADVANCES

After stocks have had a prolonged advance and wind up with a fast, active, runaway market in most cases they come down very quickly and much faster or in a shorter period of time than when they go up. That is why you must keep up some daily charts at the end of a fast move and keep up the weekly charts to determine the first change in trend and be able to go with it.

SHARP DECLINE IN A SHORT PERIOD OF TIME

This usually follows a rapid advance and the first sharp declines which may last from one month to as much as seven weeks usually corrects an overbought position and leaves the market in position for a secondary advance.

When you are able to catch extremes at the end of any great time cycle you can make a large amount of money in one year's time trading in fast active markets. It makes no difference whether you catch the extreme low or the extreme high; the opportunities are great for making money providing you select the stocks that will lead.

LARGE PROFITS ON SMALL RISKS

You can make large profits on small risks provided you use a STOP LOSS order and apply all the rules, then wait for a definite indication of a change in trend up or down before you make a trade.

FIXED IDEAS AND FIXED PRICES

Never get a fixed idea of just how high any price is going to go or just how low they are going. Never buy or sell on a price that you fix because you may be trading on hope or fear and not following the trend of the market and applying rules which will determine when the trend is changing.

HOW TO PROTECT PROFITS

After you have accumulated profits it is just as important to protect them with STOP LOSS orders as it is to protect your original capital because once you have made profits it is your capital and STOP LOSS orders must be used to protect it. The most dangerous thing that you can do is to let a trade start going against you. You lose back your profits. A STOP LOSS order will protect the profits and you can always get in again when you are out with capital. Remember when you are out of the market, the only thing you can lose or miss is an opportunity.

My 52 years' experience has taught me that thousands of people have gone broke trying to hold on until the trend turned. Avoid getting out of the market too soon after move starts when you have a small profit. This can be a great mistake. Get out of the market quickly as soon as you see that you have made a mistake. If you place a STOP LOSS order this will put you out of the market automatically.

TOO LATE OR TOO SOON

You can lose money or miss opportunity by getting into the market too soon or getting out too late. That is, not waiting until a definite change in trend is indicated or failing to act in time when you see a definite change in trend. Wait until you have a well defined indication that the trend

has changed, then buy or sell. Follow all the rules in my book "45 YEARS IN WALL STREET". There are many rules in my book "45 YEARS IN WALL STREET" which are not in this course of instruction and by using all the rules you will make a greater success.

HOPE AND FEAR

I repeat this because I have seen so many people go broke trading on hope or fear: You will never succeed buying or selling when you hope the market is going up or down. You will never succeed by making a trade because you fear the market is going up or down. Hope will ruin you because it is nothing more than wishful thinking and provides no basis for action. Fear will often save you if you act quickly when you see that you are wrong. "The fear of the market is the beginning of wisdom". Knowledge which you can only obtain by deep study will help you to make a success. The more you study past records the surer you are to be able to detect the trend of the future.

MAKE THE MARKET MOVE YOUR WAY

You must learn to realize that you cannot make the market go your way, you must go the market's way and must follow the trend. Many successful business men who are accustomed to giving orders to others and have them carried out will often, when they get into the market, especially for the first time, expect the market to follow their orders or move their way. They must learn that they cannot make the market trend go their way. They must follow the market trend as is indicated by fixed rules and protect their capital and profits by the use of STOP LOSS orders. There is no harm in making a few mistakes and a few small losses because small losses are the expense of a successful speculator.

NEVER AVERAGE A LOSS

This is the surest way to lose all or a great part of your capital. If you have bought a stock and it shows you a loss, the trend is moving against you, and it is very foolish to buy more, which will only increase your losses. The time to increase buying is when the market is moving in your favor, and you have a profit. If you intend to make speculation a profitable profession, you must learn all the rules and apply all of them to determine the trend. Professional men, such as lawyers, doctors, accountants and engineers spend years in training and a large amount of money to learn how to succeed in their chosen profession. You must spend time and money to learn the profession and become a successful speculator or investor.

RULES FOR TRADING IN STOCKS

- RULE 1. Buy at new high prices or old top levels.
- RULE 2. Buy when prices advance above old low price levels.
- RULE 3. Sell when prices decline below old top levels or high prices.
- RULE 4. Sell at new low price levels. As a general rule it is safer to wait until prices advance at least 1 to 2 points above high levels and still more important to wait until they close above these levels before buying and at the same time it is safer to wait until prices decline 1 to 2 points below old levels and still safer to wait until they close below these old levels before making a trade.

RULE 5. Closing Prices. Wait to buy or sell until prices close above old highs or below old lows on the daily or weekly charts when markets are very active and moving fast; it is important to use the daily high and low chart and the closing price above highs or below lows. Prices may advance rapidly during the day but when it comes to closing time they may run off several points and close lower than the previous day, and at the same time when there is a sharp decline, prices may go below the low of the previous day but when they close they close near the high levels; therefore, it is the closing price that is always important to keep up on the daily, weekly or monthly high or low charts. The longer the time period in days, weeks, months or years when prices exceed old highs or break old lows, the greater the importance of the change in trend and the move up or down. Remember the general rule, when prices advance to new high levels they generally react back to the old tops which is a safe place to buy and when they decline below old lows, as a rule they rally back to the old lows which is a safe place to sell. Always, of course, protect with STOP LOSS orders.

RULE 6. STOP LOSS ORDERS. Your capital and your profits must be protected at all times with STOP LOSS orders which must be placed when you make the trade and not later.

RULE 7. Amount of capital required. It is very important to know exactly how much of your capital you can risk on any one trade and never lose all of your capital. When you make a trade you should never risk more than 10% of the capital you have to trade with, and if you have one or two losses, reduce your units of trading.

THE BEST BUYING POINT. This point is when prices decline to 50% of the highest price at which a stock has ever sold; the next strongest and best buying price is 50% between the extreme low and the extreme high (See example on Chrysler Motors).

SELLING LEVEL: When prices advance after they have been considerably below the 50% point and advance for the FIRST TIME, it is a selling level and a price to sell short, protected with STOP LOSS orders 3 points above the 50% level. The first time a stock reaches these levels, if the indications on the daily chart and the weekly chart show it is making tops, you should sell out long stocks and sell short.

The next important selling level is 50% between the extreme low and the extreme high.

CHRYSLER MOTORS: Example of 50% price.

1946, February high $141\frac{1}{2}$, divide by two and get 50% of the highest selling price. This gives $70\frac{3}{4}$. After Chrysler was split up and sold ex-stock dividend in 1947, it declined to 44 in June 1949; from this level, which was a buying point, the trend started up.

1953, January high $98\frac{1}{2}$; we always expect selling just under 100 and Chrysler made top at this level. We figure the range being 44 and $98\frac{1}{2}$ which gives a 50% price at $71\frac{1}{4}$.

1953, June Chrysler low 70, just below the 50% price. It rallied to 73 in August which was a very feeble rally and closed at 71 indicating lower and was a short sale.

1932, Chrysler extreme low \$5 per share; 1953 high $141\frac{1}{2}$. 50% of these extremes is $73\frac{1}{4}$; when Chrysler can advance and close above $73\frac{1}{4}$ it will indicate higher prices.

1954, February, Chrysler declined to 57 and has shown very little rallying power. At the time of this writing the main trend is down and when it closes below 57 it will indicate lower. The next price to watch is the old low of 44 made in June 1949.

Look up the extreme highs and lows and figure all other stocks in the same way to get buying and selling points and resistance levels.

When you start trading be sure that you know all of the rules and that you follow them, and be sure that you place a STOP LOSS order.

WHERE TO PLACE STOP LOSS ORDERS: You must place STOP LOSS orders below the lows of swings and not just below the lows on the daily chart. STOPS must be above old tops or below old bottoms on a weekly or monthly chart.

STOP LOSS orders should be placed below closing prices on the daily, weekly or monthly chart. They are much safer under closing prices and less likely to be caught, because you are trading with the trend. STOP LOSS orders placed above closing prices on the daily or weekly chart are caught a smaller number of times than if you place them below the daily bottoms or daily tops.

The swings or reversals in the market are the prices to place STOP LOSS orders below the price of the swing or above the price of the swing. It is of great importance to know where to place STOP LOSS orders properly.

For stocks selling around \$10 a STOP LOSS order is usually safe if you place it 1-point below closing price.

For stocks selling between 20 and 30, STOPS should be placed 2-points below bottoms or below closing prices.

Stocks selling between 90 and 150; in this range of prices STOPS should be 3-points under the lows or closing prices, and 3-points above the high or low closing prices.

When stocks are very active and selling at these extreme high prices, you must depend upon the daily high and low chart to give you the first indication of a change in trend which will later be confirmed on the weekly high and low charts.

When stocks are selling at extreme high levels, follow all the rules in my book, "45 YEARS IN WALL STREET", and if you have taken my Master Forecasting Course apply the rules on Great Time Cycles as well as the minor time periods.

Remember you can never have too much knowledge. Continue to study and learn more for the knowledge can always be turned into profits later.

WHAT TO DO BEFORE YOU MAKE A TRADE. Check all records of prices, daily, weekly, monthly and yearly and note all time periods. Note when the prices are near some old high levels or near some old low levels of recent weeks or years. Then calculate just what your risk will be before you make the trade and after you make it, place the STOP LOSS order for your protection in case you are wrong.

WEEKLY HIGH AND LOW CHART: The weekly high and low chart is a very important trend indicator. When prices get above a series of weekly highs or lows, or decline below a series of weekly lows, it is of greater importance and indicates a greater change in trend which may last for many weeks.

MONTHLY HIGHS AND LOWS: When prices advance above or decline below prices which have occurred for many months past, it means a greater change in trend which can last for several months.

YEARLY HIGHS AND LOWS: When prices advance above or decline below the prices made several years in the past, it is nearly always a sure sign of big moves which will last for a long period of time or at least have a greater advance or decline in a short period of time, and when these old highs are crossed, or lows broken, always watch for a reaction to come back to around the old highs or slightly lower and after they are broken, expect the rally to advance back to around the old highs or slightly below.

Study the yearly highs and lows and you will see the proof. Remember the greater the time period when it is exceeded, the greater the move up or down.

RULES FOR STOCKS:

A. How much decline to expect in a bull market and how much rally to expect in a bear market.

After a bull market gets under way and stocks are moving up fast, the reactions are likely to be quick and sharp but they will never last more than 3 to 4 weeks as a general rule and then the upward trend will be resumed, so you can always figure that stocks are a buy on a reaction of about 1 month in a bull market. In a bear market after the main trend has been established downward, the rallies will run three weeks to four weeks and seldom ever more than one month, but in some cases after sharp, severe declines in a short period of time rallies will last as much as 2 months - just the same there is a possibility of a reaction in a bull market running 2 months after extremes. By keeping these rules in mind you will have a guide as to when the main trend is changing up or down.

B. How to make the most money in the shortest period of time.

People want to get rich quick, that is why they lose their money because they try to get rich quick without first preparing themselves for getting ready or having the knowledge to know how and when to make the most money in the shortest period of time. I am going to prove to you, by examples, and you can also prove to yourself, when you can make the most money in the shortest period of time. Do not try to lead the market or make the market. Follow the big men with big money and you will make big money. Buy when the big market makers are ready for prices to move up fast and you will make the most money in a short period of time. Sell when the big market money makers have distributed stocks and are ready for them to go down and there is indication of a definite trend downward. Then sell

short and you will make the most money in the shortest period of time.

It requires time for a market to get ready, time for stocks to be absorbed or accumulated but once we have passed from weak into strong hands, then they move up fast because the offerings are smaller and the big people just have to let the market roll and do a little buying and it goes up easy.

It also requires a long period of time to sell out stocks or distribute them once they have reached the high levels and let the stocks pass from strong hands into weak hands. When this period is over and the market is ready, then it declines fast and if you trade this way and wait until there is a definite indication that the trend has changed, you really can make the most money in the shortest period of time.

Below I am giving you some examples to prove that these rules work and that the market goes up the fastest after a long period of time and down fastest in the last stages after a long period of declining market.

BOEING AIRCRAFT 1949, June low $17\frac{1}{2}$; 1950, May high $31\frac{1}{2}$, UP 14 points in 11 months.

1950, September. Buy at 37 in new highs; 1951, February high 56, up 19 points in 5 months. This is making the most profits in the quickest and shortest period of time.

1954, February. Buy at 57 at new highs. 1954, April Sell at 83, UP 26 points in 2 months. It takes nerve to buy at new highs but that is what big people do and you are only following them when you buy at new high levels and then you make the most money in the shortest period of time.

DOUGLAS AIRCRAFT: 1951, June low $43\frac{1}{2}$; October 1951 high $66\frac{1}{2}$, UP 23 points in 4 months.

GLENN L. MARTIN: 1949, June low 7; 1951 high 22; 1952, July low 9. Therefore, the low of 9 in July 1952 was a higher bottom, a support and buying level. The trend was up until February 1953, high $18\frac{1}{2}$. Note last previous high $19\frac{1}{2}$ in September 1951; from this lower top the trend started down.

1953, June to September low 12 at the old tops of April to September 1952, remaining for four months in a range of 2 points and indicated good support and a buying level and you should buy.

1954, February crossed $18\frac{1}{2}$, the high of February 1953. Here you would follow the rule and buy at new high levels.

1954, high is $25\frac{1}{2}$ on a volume of 384 thousand shares for the week ending April 3, 1954. The large volume indicated public buying at high levels and short covering and a reaction was due.

Note April 1948 high $22\frac{1}{2}$ and January 1951 high 22; the price of $25\frac{1}{2}$ was $3\frac{1}{2}$ points above these old high levels indicating a possibility of higher prices.

Later. The reaction during the week ending May 8 brought prices down to $21\frac{3}{4}$ which was at the old high levels of 1948-1951 and a rally started up from $21\frac{3}{4}$.

UNITED AIRCRAFT: 1951, May high $41\frac{1}{2}$; 1951, July low 26; 1951, October high 33; 1951, December low $28\frac{1}{2}$; 1952, February high $33\frac{1}{2}$, same high as October 1951 and a selling level.

1952, May low $27\frac{1}{2}$, about the same low as December 1951 and higher than June 1951 low.

1952, September crossed 33, the old high. Buy at new highs.

1953, April high $40\frac{1}{2}$, just below $41\frac{1}{2}$, the high of May 1951, making this a selling level.

1953, April and May low 32 to $31\frac{1}{2}$, just below the old tops of 33, a buying level, then the advance was resumed.

1953, October prices crossed $41\frac{1}{2}$, the high of May 1951. Follow the rule and buy at new high levels as the trend was up and continued up with very small reactions.

1954, April high $59\frac{1}{2}$, the highest price since September 1930 when the last high was 65 and the two previous highs were 64; therefore, 64-65 is the next resistance level to watch for tops. The price is now up more than 100% from May 1952 and a natural reaction often comes when stocks have advanced 100%.

Analyze any other Aircraft stock in the same way in which we have analyzed these stocks and in fact any other stock of any other group. First you should keep a chart of the total value of the group as published by the New York Stock Exchange Statistical Bureau and then keep up weekly, monthly and yearly highs and lows on the different individual stocks so that you will have a record far enough back that you will know where the important tops and bottoms are and know when change in trend comes by prices advancing above old highs or breaking below old lows. You cannot have too much information or too many records when you are going to risk your capital. You must be fully prepared and ready, then you can take advantage of opportunities when they come based on scientific mathematical deductions and not hope, fear or guesswork.

DOUGLAS AIRCRAFT: 1953, October buy at new high 74. 1954, April sell at 133. UP 59 points in 6 months. This was making the most money in a short period of time after you bought it at very high levels. Why? Because the big people had absorbed all the stock offered below and offerings were very small, so when buyers come in the market advanced rapidly and profits to the buyers who bought at high levels made profits fast in a short period of time.

LOCKHEED AIRCRAFT: 1943, November low $12\frac{1}{2}$; 1944, August high 24, $11\frac{1}{2}$ points profit in 21 months.

1945, August low 25; 1946, May high $45\frac{1}{2}$, up $21\frac{1}{2}$ points in 5 months. Here you were making nearly as much in 5 months as you made in 21 months previously.

1951, July low $17\frac{1}{2}$; 1953, March $26\frac{1}{2}$, UP 9 points in 20 months. A small profit in a long period of time.

1953, October. Buy at 24 above old highs; 1954, March high 37 profit, 13 points in 5 months. This is making a quick profit and a large profit based on the capital in a short period of time.

GLEN L. MARTIN: 1943, December low $14\frac{1}{2}$; 1944, December high $24\frac{1}{2}$, up 10 points in 12 months.

1945, August Buy at 22; 1945, December sell at $46\frac{1}{2}$, UP $24\frac{1}{2}$ points in 4 months. This is again making the most profits in the shortest period of time.

1952, June low 9; 1953, March $18\frac{1}{2}$, UP $9\frac{1}{2}$ points in 8 months.

1953, June to September low 12. This is a buying level; 1953, October, Buy at 15 after it crossed 5 months tops. 1954, April, sell at 26. Profit 9 points in 6 months.

SOUTHERN RAILWAY: 1951, July low $46\frac{1}{2}$. September high $56\frac{1}{2}$, UP 10 points in 2 months.

1952, February low 48; 1952, March buy at 53 after it crossed old tops. 1953, May sell at 99, UP 46 points in 12 months. This is making the most profits in the short period of time.

UNITED AIRCRAFT: 1951, July low 26; 1953, March high 40; UP 14 points in 20 months. 1953, October buy at 40 at a newhigh. 1952, April sell at 59. Profit 19 points in 6 months.

VANADIUM STEEL: 1950, December low $28\frac{1}{2}$; 1952 August high $45\frac{1}{2}$, up 17 points in 20 months.

1953, September. Buy at 32 against a series of old bottoms. 1952, April sell at 59, making 27 points profit in 7 months.

1954, March. Buy at 47 at a new high; 1954, April high 59 3/4. UP 12 3/4 points in 1 month. Here you would make the most profits in the shortest period of time after buying at a new high level. Why was this move so fast? Because after a long period of time the insiders or people who were in the know had bought all the Vanadium that was offered and when it all was absorbed and bidding started to come into the market, it advanced very rapidly. In this way, when you buy you are going with the trend and following people who make the market. Therefore, you make the most money in the shortest period of time.

These examples of seven stocks are not exceptions. You can go over the list of stocks and pick out hundreds of them that make moves of a similar nature and you should always have the average of the different groups, and when the average of the groups show up or down, then pick out the stocks in strong or weak position and watch them and buy when they make new highs, or sell them at new lows; in the first and last stage of the market you make the most money in the shortest period of time.

You cannot make money without getting ready to make it and in doing this you have to spend some money for charts, records, books and course of instruction. In this way you are ready to follow the big men who make the market and make big money.

STOCKS NOT MANIPULATED: Before the Stock Exchange started regulating brokers and the control of markets, there was manipulation and pools often were organized that could advance low priced stocks that had very little merit to extreme high levels. This does not happen under present conditions; therefore, most of the buying is by investors and long term speculators and there is practically no manipulation; for this reason it is more necessary to study the market carefully and study individual stocks and get definite indications that they are going to move up, because they will not be put up just by manipulation, as they were years in the past. Under present conditions more traders and investors buy stocks on the prospects of dividends and an increase in their investment. This you can do by a careful study of all the rules:

NEW INDUSTRIES AND GROWTH OF STOCKS: In the future, stocks connected with the atomic energy will naturally be leaders because like all new discoveries and inventions, it will prove to be very valuable and a lot of companies will make a lot of money. These companies with prospects on the atomic stocks will be covered later. In selecting stocks to buy under new industries, you should make a careful study of their prospects and make up charts on the individual stocks that you intend to trade in, and if they are part of the group, you can get a record of the group average, study this group average and then pick the individual stock to buy that shows an indication of leading the group.

URANIUM STOCKS: Uranium is now one of the most valuable of all precious metals. It is much more valuable than gold and the stocks that have made discoveries and have Uranium deposits, such as Vanadium have better prospects to be leaders in the future. We will cover the other stocks later under the Uranium Stocks.

VALUE OF ALL STOCKS LISTED ON THE NEW YORK STOCK EXCHANGE: The Department of Research and Statistics of the New York Stock Exchange has done a most valuable work for investors and they deserve great credit for it. At the end of each month they publish a total value of all stocks listed on the N. Y. Stock Exchange, the average value of all stocks, the total number of stocks listed and the total number of shares and the total value, that is, the market value of each group of stocks and the average of 39 or more different groups. This is of great value to any investor and trader who will study these records and use them, as I will show how to do later with the charts covering these averages and total value of stocks. The number of stocks listed on the N. Y. Stock Exchange is 1536. The total number of shares listed is 2 billion 936 million, nearly 3 billion shares. The market value of all stocks listed on the N. Y. Stock Exchange at the end of March 1934 was nearly 125 billion dollars and the average price of all stocks was 42.53, this is the highest price in recent years.

1932, June - the total value of all stocks was a little less than 18 billion dollars.

1928, November - the flat average price was 97.80 and in March 1929 the average price was 96.67. August 31, 1929 the total value of all stocks on the N. Y. Stock Exchange was 89 billion, 668 hundred million dollars.

1932, July 1 - the total number of companies on the N. Y. Stock Exchange was 831; the total number of issues was 1235, and the number of shares was 1 billion, 315,334,428 and at the present time the total number of shares listed is nearly 3 billion. From this you can see that while the value of stocks increases, the number of shares is increasing all of the time.

1941, June was the last extreme low in stocks. At that time the average price was 40.74 and the total value of all stocks was \$63,921,054,342.

1950, May. The value of all stocks \$85,624,559,669. The average price 38.48. When prices crossed the high of May 1946, they indicated much higher prices but of course, you have to learn to pick the stocks in the strong groups to buy.

THE AVERAGE VALUE OF ALL STOCKS ON THE NEW YORK STOCK EXCHANGE
AND HOW THEY INDICATE THE TREND OF PRICES:

THE DOLLAR TREND: Please refer to Chart, it which shows the total market value of all stocks at the end of each month. Refer to chart on which shows the total market value in dollars of Aircraft stocks. Refer to chart on which shows the total market value of 39 steel and iron stocks at the end of each month.

HOW TO USE VALUE CHART AS A GUIDE TO THE TREND INDICATOR
(The scale on this chart shows 16.20 and up to 135, this means billions of dollars).

EXAMPLE: 1932, June 30 lows show just below low of 16 - this means at the extreme low in 1932 the total value of all stocks was 15 billion, 633 million, 633 thousand dollars. We will refer to 26, 36, and 40, etc., which is on the scale and means billions of dollars.

1932, February high just below 28; June low 16; August high 28, 1933, February low 20 billion dollars - this was a secondary decline and made a higher bottom than June 1932. 1933, in April the value line crossed the high of February 1932 and August 1932 this indicated that the main trend was up. 1933, June and August high just above 36 billion dollars. October low just above 30 billion dollars.

1934, January high 37 billion dollars. February, March and April the value held just above 36 billion and when prices broke below 36 it indicated lower.

1934, July low just below 31 and above the low of October 1933.

1935, March - low slightly below 31 billion. This made three lows of supports near the same level making it a buying level.

1935, June - the value crossed 37 the high of January 1934. Here is where we use the rule and buy at new high levels.

The advance continued. February and March 1936 high just under 52 billion. April 1936 a one month's decline to 48, less than 4 billions decline.

The upward trend was resumed and on July 1936 the averages crossed 52, the high of March 1936, indicating higher. Again we follow the rule and buy at new high levels.

1937, February and March high, 62½ million dollars. For 3 months the value was in a range of one billion dollars which indicates resistance and good selling as the total volume of sales was very large.

1936, December low 58. 1937, April this low was broken indicating lower prices. Here we follow the rule and sell at lower levels.

1937, June low 55; a rally followed to July high 59, a lower top then broke below 55; the low in June showing down trend. You would remain short and sell more and should be out of all long stocks. The main trend continued down.

1937, December low 39; 1938, February high $41\frac{1}{2}$, a small rally; 1938, March low, just below 32 billion and above the lows of October 1933. July 1934 and March 1938 the decline was 50% of the high of February and March 1937. Therefore, March 1938 was a buying level.

1938, June the dollar trend crossed $41\frac{1}{2}$, the high of February 1938 indicating to buy more.

1938, October and December high 47 to $47\frac{1}{2}$. Under the low of April 1936 where prices broke below 45 indicated lower. 1939, March and April low just above 40. June and August higher bottoms indicating support and good buying.

1939, September Hitler started the war and the value advanced to just below 41-48, a double top against December 1938, a selling level or place to watch indicating a change in trend. 1940, May the price was just above 36, a rally followed to October high 42. 1941, July 41, higher than October 1940. November prices broke the bottom of April 1941 and later went below May 1940 indicating lower prices.

WHEN TO WATCH FOR SUPPORT AND BUYING LEVEL.

1948, March low just under 32. 1942, April low $31\frac{1}{2}$. The average value was $32\frac{1}{2}$ in March and May 1944. Then started to move up showing strong up-trend.

1943 crossed the high of October 1940 and July 1941. Follow the rule, buy more at new highs. 1943, June high just below 49 and above December 1938 and September 1938, indicating higher prices.

1943, September high 49, same high as May and June 1943 indicating good selling.

1943, November low $45\frac{1}{2}$, a decline of less than 5 billion dollars in value and a recovery started. 1944, May prices crossed the highs of June and September 1932. Here we again follow the rule and buy when prices moved up to new highs. August 1945, when the Japanese war ended, prices crossed $62\frac{1}{2}$, the high of February 1937, a sure indication of higher prices. You would buy the stocks in strong groups.

1946, January high $78\frac{1}{2}$; February declined to 74, about the same decline as November 1943, not enough to show a change in the main trend.

1946, May high 85 billion dollars up 55 billion from April 1942 low and 22 billions above the highs of February 1937. This was the time to watch for a change in trend.

The high in May 1946 was about 5 billion below the high of August 31, 1929 which is just under 90 billion dollars.

1946, April high was 80 billion dollars; June 80 billion dollars; July low 79 indicating lower. The trend continued down to November 1946 low 65 billion. 1947 January high $68\frac{1}{4}$, a small rally. May low $63\frac{1}{2}$ billion. July high $69\frac{1}{4}$ same high as January 1947. The trend continued down.

1948, February low 63 billion 158 million dollars. Slightly lower than May 1947 but still above the highs of February 1937 making this a buying level.

1948, May and June high $74\frac{1}{2}$ under the low of February 1946. 1948 July low indicated lower prices. September $65\frac{1}{2}$, October high $72\frac{1}{4}$, the decline was resumed. 1949 June low just below 64 billion. Same low as May 1947 and February 1948, a buying level at old lows. 1949, August prices crossed the highs of January and March 1949, indicating higher. Buy more. 1949, December the value was 76 billion above the high of May and June 1948. Follow rule and buy at new high levels. A rapid advance followed.

1950, May high 85 billion 624 million dollars, above May 1946 high, an indication of higher prices.

1950, June 25 the Korean War started and heavy selling followed because stocks were at very high levels. July low just below 81 billion, a 1 month's decline from new highs.

1950, August; the averages crossed the 1946 highs made in May 1950 - follow the rule and buy at new high levels. 1950, December - average value above the high of August 1929. Follow the rule and buy at new high levels.

1951, April high 103 billions. June low 97 billion. An average decline of about the same as June 1950.

July high 104 billions near the high buy at new high levels. 1952, January high 112. February low 108, March a new high at 113 billions. April low 108 billions, a decline of 5 billions. A normal decline based on previous reaction. From this level the advance was resumed.

1952 July high 110 billions. September and October low just below 113 billion, a smaller decline than April 1952.

1952, December and January 1953 high $120\frac{1}{2}$ billions. This was $33\frac{1}{3}\%$ more than 1929 high.

1953, February low just below 119 billions. This was 3 months with no gain, an indication that a reaction was due, since June 1949 no reaction had been more than 5 billions and a greater reaction was due, possibly 10 billions.

1953, August and September low slightly below 10 billions or 2 times the previous reaction.

1953, October Average 116 billions above July 1953 high, an indication of higher prices.

1954, January the prices crossed 120 billions, the high of December 1952. Again we would follow the rule and buy at new high levels, selecting the stocks in the groups which showed strong up trend. (See charts on U.S. Steel, Vanadium Steel, and the Aircrafts and the average value of these). You can see by the charts on Boeing, Douglas Aircraft, Glen Martin and Vanadium Steel why we would select these stocks to buy and the price of these stocks moved up fast in March and April 1954.

1954, March 31 the average value of all stocks in the New York Stock Exchange was just above 129 billion dollars. We now come to the problem of estimating when the average will meet resistance and good selling. We use 1929 high of 90 billion dollars and add 50% of this which would give 135 billion.

If we add or use approximately 325% on the high of April 1944, we get close to 135 billions as a selling level.

April 30, 1954 is 12 years from the low of April 30, 1942 and from June 30, 1932 low to April 30, 1954 is 262 months. The Dow Jones Industrial Averages made secondary highs at $297\frac{1}{2}$ in April 1930. By going back over the past history you find many changes in trend in April and May, therefore, the time is near to watch for a change in trend in Stocks and groups like Aircrafts and Steels which have led the 1954 advance.

HOW MUCH DECLINE TO EXPECT: The greatest decline since 1942 lows was from February 1937 to March and April 1938. The decline was 31 billion 168 million dollars. The decline from May 1946 to February 1948 and June 1949 was 21 billion 785 million dollars. This gives you a guide as to how much the first decline may amount to.

The advance from June 1949 to date has already exceeded 100% gain in value of all stocks and this would indicate that the time is near for at least a substantial corrective decline but groups and individual stocks must be studied to indicate their strength and weakness in relation to the average value of all stocks.

WHEN STOCKS ARE IN THE STRONGEST AND WEAKEST POSITION. When a stock has sold at very high levels declines and remains for a very long time at low levels and then finally crosses 50% of the highest prices at which it ever sold, or 50% between the extreme low and the extreme high, it is then in a very strong position and indicates higher prices.

When a stock declines and breaks 50% of the highest prices ever sold, it is in a very weak position and as a general rule when the stocks reach this point they have a moderate rally and sometimes it is a final bottom for a big advance. The next important point is 50% between the extreme high and the extreme low when stocks cannot hold this level and break below it they are in the weakest possible position and indicate much lower prices. In many cases a decline to these points or a rally to these important 50% points remains for weeks or months without advancing above the halfway point of 50% or breaking below it, but when once these points are exceeded, you should reverse the position. If you are short cover shorts and buy. If you are long, sell out longs and sell short. In this way you will make money because you will be going with the trend buying the stocks in the strongest position and selling the stocks in the weakest position. You must remember if it is time to sell out a stock you are doing it because in a weak position the trend is down and it is also equally good then to sell short following, of course, all rules given in this book and all rules given in my book, "45 YEARS IN WALL STREET".

You must give the market time to show a change in trend. Suppose people in the last two years have bought Studebaker too high, Chrysler at high levels or Celanese. When they saw that the main trend had changed, if they had a 5 point loss or even a 10 point loss if they sold out, took the loss and went short, they would not only make back the loss they had but make big profits on the short side. This is how money is made by going with the trend. Example: Celanese high 58 in 1951, 50% of this is 29 in April 1953. Celanese broke 29 and never sold 2 points higher before it declined to 16 in April 1954. This is the proof of how weak stocks get when once they have lost 50% of their value.

In 1953 Studebaker high $43\frac{1}{2}$. 50% of this high price is $21\frac{3}{4}$; after it broke this level in December 1953 it never rallied 2 points before it sold at 15 in April 1954,

another proof of why it pays to sell stocks short when they are down 50% from the high level, because when you do this you are going with the trend.

WHY IT IS PROFITABLE TO BUY AT NEW HIGH PRICES AND SELL AT NEW LOW LEVELS:

When the stock is in a strong enough position to advance to new highs after several months, weeks or years it has remained below these highs, it is strong as a result of good demand and because powerful interests are buying; therefore, when you buy you are going with the main trend and that's the right way to make profits.

Never buck the trend, go with the trend always and you'll make money.

When stocks decline to new low levels they are in a weak position because the supply is greater than the demand and the selling is better than the buying, and for this good reason you will be right 90% of the time if you sell stocks when they are weak but always protecting with a STOP LOSS order based upon the rules.

MORE PROFITS IN SWINGS: If you will go over any active stock over a period of 5, 10 or 20 years and note all moves of 10 points or more, you will see that there is more profit trading for these swings than there is trading for dividends or holding for big increase in capital.

From 1925, where Chrysler has started around 28, it moved up to 141 and after having many swings up and down, running 10 to 50 and 75 points, it finally declined to 5 in 1932. From 1932 up to 1954 Chrysler has made a range from \$5 a share to 141, a total of 136 points which would give a profit of \$13,600 on 100 shares. During this same time, Chrysler, figuring 10 point moves or more has made a total move of 1458 points. Just suppose you could catch 1/2 or 50% of these moves which would give 729 points profit against the range of 136 points. This is proof that it pays to trade for the swings. That is, get out of the market when it shows an indication that prices have reached high and go short and then get in again when there is a definite indication that they have made low trading in and out and not holding and letting the market go up and down over a period of years and receiving nothing but dividends, finally winding up with a small return on your capital counting interest from the time you bought up to the time you sold out. Go over any active stocks and you can prove this to yourself.

CHANGE WHEN THE TREND CHANGES: Conditions change from time to time and trends change after a period of time, and to make profits you must change with the trend and with the time. Do not hold too long or hold just because you are receiving dividends; trade to increase your capital and do not worry too much about dividends. The value of any rules is, "Will it stand the test of time in actual trading?". I offer proof of all my rules such as buying at new highs and selling at new lows by actual practice and prove to you that it does pay to go with the trend and buy when stocks are reaching new high levels and sell when they break into new low levels. Go over the charts in the Course, Celanese, Douglas Aircraft, Boeing, Lockheed, Glen Martin, Studebaker, United Aircraft and Vanadium Steel and in this way you can prove to yourself how the rules work.

BUYING ONE STOCK AND SELLING ANOTHER SHORT AT THE SAME TIME: To prove this rule, I show the chart on Celanese and Douglas Aircraft and Studebaker and Vanadium Steel.

BUYING AND SELLING A DIFFERENT GROUP OF STOCKS AT THE SAME TIME: 1951, July bought 100 Douglas at 48, August sold 100 Celanese at 52 when both stocks were selling at around the same levels. Suppose you placed a STOP LOSS order on Douglas at 45 and when you sold Celanese at 52 you placed a STOP at 59, 1 point above the high of 58 in August. Suppose you do not buy more Douglas which you should many times, based on the rules and should have sold short more Celanese based on the rules, and could have made a larger amount of money on a very small risk.

Suppose in April 1954 when Douglas made the final grand rush and was advanced crossing the high of 110, you finally sold the Douglas at 130; you would make 72 points on the Douglas or \$7,200 less interest and commission and at the same time you buy in 100 short Celanese at 16 making 34 points at \$3,400 profit, less commission, or a total on the two trades of \$10,600 on a capital of \$5,200, more than 100% in less than 3 years. Refer to the chart on Studebaker and Vanadium Steel where we show why, by buying Vanadium and selling Studebaker short, big profits were made.

1951, March sell 100 Studebaker at 34 short because there were two tops at 36 and the third top was 35, a lower top, place STOP at 37.

1951, August bought 100 Studebaker at 26 because 3 lows around this same level and bought 100 Studebaker for long account.

1951, March bought 100 Vanadium at 32 because it was 6 months around this low level at 31. Place STOP at 29.

1953, March sell 100 Vanadium at $44\frac{1}{2}$ because the highs previously were 45 and $45\frac{1}{2}$ in August 1952 and March 1952, making this a double top.

1953, March sell 100 Vanadium short at $44\frac{1}{2}$, place STOP at 47.

1953, February Studebaker high at $43\frac{1}{2}$ near the same level as Vanadium.

1953, March sold 100 Studebaker short at $38\frac{1}{2}$ and sold 100 Studebaker that we had for long account at $38\frac{1}{2}$. When it broke under the low of February and the low of $39\frac{1}{2}$ made in May 1952. Place a STOP LOSS order on Studebaker, sold short at $45\frac{1}{2}$.

1953, June Studebaker broke 34, the low of October-November 1952 and you should sell more at 31.

1953, June make STOP on 200 short at 34. Studebaker continues to go down and in September 1953 broke below $21\frac{3}{4}$, a decline of 50% from $43\frac{1}{2}$, rallied to only 26 and then broke $21\frac{3}{4}$ which indicated much lower.

1954, January and February high $21\frac{3}{4}$, a very weak rally, remain short of the 200 shares with STOP $22\frac{3}{4}$.

1954, April 30 Studebaker low 15 main trend down. Profits, if you close all the Studebaker, is 60 points or \$6,000.

1951 March bought 100 Vanadium at 32; 1953 sold 100 at $44\frac{1}{2}$ and sold short 100 at $44\frac{1}{2}$.

1953 bought 100 to cover shorts of 31 because it was at the low of April and May 1951 and at the same time we bought 100 Vanadium for long account at 31 and placed a STOP LOSS order at 29.

1954, February bought 100 Vanadium at 41 because it was at the new high above 2 tops of $39\frac{1}{2}$ in July and August 1953, and above 2 tops of $39\frac{1}{2}$ in December 1953 and January 1954.

1954, March bought 100 Vanadium at 47 because it was at new high levels above the high of August & December 1953 & March 1953 showing main trend up and at the highest level since 1931, indicating a very strong position.

1954, April Vanadium reached a high of $59\frac{3}{4}$. Note September 1953 low of $30\frac{1}{2}$, add 50% gives 61 and a possible high. The volume of sales was the largest for years indicating that it might be reaching a possible top for reaction anyway. So we sell 300 shares that were long at $59\frac{1}{2}$ but would not go short because the main trend is still up. These shares which we sold

were bought at 31, 41, and 47. This gives a total of 57 points profit or \$5,700 less interest and commission. Add this to \$6,000. profit on Studebaker gives \$11,500. in 3 years time on a capital of about \$3,500. or over 300% on the capital, or 100% profit for each year by following rules and not guessing.

I have not picked these stocks because they were exceptions. There are many more in different groups that would have made a showing equally as good.

1953, Vanadium low $30\frac{1}{2}$ and Studebaker 28, just 4 points apart.

1954, April Vanadium was approximately 45 points higher than Studebaker, a spread of 45 points in 7 months time. This proves that it pays to buy the stocks in strong position and sell the ones in weak position, which indicates main trend down.

KEY LOW PRICED STOCKS DO NOT MOVE UP:

Changed conditions are the cause why low price stocks or so called "cats and dogs" have not followed the advance from September 1953 to April 1954. With the Dow Jones Stocks up 66 points in 7 months and the total value of all stocks listed on the N Y Stock Exchange up about 24 billion dollars, there must be some reason why the low priced stocks have not followed this advance.

In the old days when pools operated and manipulation and watched sales were permitted, the low priced stocks nearly always advanced in the last stage of a bull market but it is not the case now because no pools are operating. The Investment Trusts, and the people with large amounts of money for investment buy into the strong companies where the earnings are good and the dividend prospects are good. They buy good stocks like General Motors, Standard of New Jersey, American Tel. & Tel., Dupont, General Electric, Westinghouse, Douglas, U.S. Steel, Bethlehem Steel and Vanadium Steel.

The public buys and holds the low priced stocks hoping they will follow the high priced stocks and go up, but hope will not put these low priced stocks up. The big people don't want them and the result will be many low priced stocks will decline faster in the next bear market than the high priced stocks. Of course, the day will come when the great time cycle indicates a great depression, that large and small investors will lose confidence and sell the blue chips when they are at very low levels.

AIR CRAFT STOCKS ON THE NEW YORK STOCK EXCHANGE.

The New York Stock Exchange, Department of Research, publishes at the end of each month the total value of all aircraft stocks listed on the Exchange, and this chart is very valuable as a guide in selecting the best aircraft stocks to buy or sell. The chart which we have made up on these averages we call the Dollar Trend because it is not the average price of stocks but the value in dollars of the entire group, and this is a more important trend indicator than the average price. However, the Research Department does publish the average value of all aircraft stocks at the end of each month as well as all other groups.

1951, September total value 1 billion, 135 million dollars. November low 955 million dollars.

1952, January 1 billion 10 million dollars. April low 892 million dollars. This was the extreme low. At this time you would look up the monthly high and low, and weekly high and low chart on the individual aircraft stocks to decide which is the best buy.

BELL AIRCRAFT.

April 1952, in a slow trading range, had been split up and was not one of the best to buy at that time.

1953, September - it was making higher bottoms and was better to buy.

BOEING AIRCRAFT.

April 1952. Made low in June after the stock was split up and was good to buy, but was better to buy in September 1953 because the average value of all Aircraft Stocks had made a new low, and were higher in September indicating that the trend was turning up.

1954, February was the time to buy Boeing for quick profits in a short period of time because it had crossed old high levels.

DOUGLASS AIRCRAFT.

April 1952 was the very best buy among the Aircrafts because it had declined from 66½ to 52, and 50% of the range from 43½ to 66½ was 55 and it closed in April 1952 at 57, making it a good buy with STOP at 51.

1953, September Douglass made low of 62. It had been making higher bottoms since April 1952 and it was one of the very best stocks to buy, protected with STOP at 60. In December 1953 it crossed 74, the old high level, and was one of the best stocks to buy for a fast move up and large profits in a short period of time.

LOCKHEED AIRCRAFT.

In April 1952 it made higher bottoms but was slow because it had been split up. It was a much better stock to buy in October 1953 when it crossed old tops.

GLEN L. MARTIN.

April 1952 was good to buy because it had held for four months making higher bottoms than 1949 low. It was a still better buy in September 1953 when it was crossing old tops.

UNITED AIRCRAFT.

April 1953 was a good stock to buy because it was making higher bottoms but the big profits in a short period of time could have been made by buying in September 1953.

ALL AIRCRAFT STOCK AVERAGES.

1953, February the average was 1 billion 180 million dollars.

1954, January the averages made a new high and in February 1954 they were higher, and if you bought Douglass or almost any other Aircraft Stock at that time you could have made large profits in a short period of time.

1954, March 31 the average of all Aircraft Stocks was 1 billion 504 million dollars, the highest for many years, and at the end of April 1954 they had probably advanced 100% from the extreme low of April 1952. (At this writing we do not have the figures for the end of April 1954).

39 STEEL AND IRON STOCKS AVERAGE VALUE.

These figures are for the average price on the last day of each month. Study the chart in back of the book of instructions and it will help you to determine the trend of the entire group of steel stocks and when you want to select the best stock to buy or sell, study the chart of the individual steel stocks.

1951, September high 3 billion 805 million dollars. From this level the trend turned down and made lower tops and lower bottoms each month with no gain of more than 100 million dollars in one month until April 1952 when the low was 3 billion 350 million dollars. The trend turned up from this low level and July high 3 billion 635 million dollars.

1952, September and October low 3 billion 384 million dollars, a higher bottom and a buying level. At this time you would look up the individual steel stocks in order to select the best stocks to buy.

BETHLEHEM STEEL.

September 1952 low 47, higher than May 1952 and good to buy with a STOP at 45, but it was a much better buy in September 1953 when the average of all steel stocks was 3 billion 105 million dollars. At this time Bethlehem Steel was selling at $44\frac{1}{2}$, not 3-points below the old bottoms and good to buy with STOP at 43.

VANADIUM STEEL.

April 1952 low $35\frac{1}{2}$, good to buy because it was making higher bottoms and you would have made fair profits buying it at this time.

1952, September low $30\frac{1}{2}$, higher than the lows of 1950 and 1951, a good buy with a STOP at 29, especially because it had such good prospects for increased profits through its Uranium mines.

1954, February Vanadium was a safe and best buy at 41 because it crossed the old high and you could buy more in March 1954 when it crossed 47, the old highs, and the average value of all steel stocks was up at that time. Vanadium advanced to $59\frac{3}{4}$ in April 1954, and the volume of sales was very large. If you were keeping up the daily and weekly high and low chart, you would sell out at this time. It reacted to 54 and then advanced to 59 again. It will have to decline below 54 to indicate lower prices and when it crosses 60 and closes above this level, the next resistance level is 67 - 68; after this price is crossed, the next price to watch is $76\frac{1}{2}$, the old high in March 1931.

It will pay you to keep up the average value of each group of stocks monthly and the average price of the group, as well as the total value of all stocks listed on the N Y Stock Exchange each month. These averages of value give you

the dollar trend which is much more accurate and valuable than the Dow-Jones 30 Industrial Averages which cover only a small percentage of the total stocks listed.

Remember that the harder you work, the more knowledge you will get, and the more profits you will make. King Solomon, the wisest man who ever lived, shows wisdom and understanding above everything else. You will do well to follow his example. "Happy is the man who findeth Wisdom, and the man who getteth understanding". (Proverbs).

The rules which I have laid down in this course are practical. I have followed them and made money, and you can follow them and make money. My greatest pleasure in life comes from helping others.

"If I can throw a single ray of light,
Across the darkened pathway of another;
If I can aid some soul to clearer sight,
Of life and duty, and thus bless my brother;
If I can wipe from any human cheek a tear,
I shall not then have lived in vain while here."

I am nearing my 76th birthday and I have realized happiness and success. I feel that I have not lived in vain, because thousands of people have benefited through my books and my course of instructions and I feel confident they will benefit through the rules in this course, SPECULATION - A PROFITABLE PROFESSION.

W. D. GANN

May 18, 1954.